

Appraisal Report

For

Sample Dental Systems, Inc.

as of

12/31/2007

Prepared By:



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January 23, 2006

Mr. Client
Sample Dental Systems, Inc.
Post Office Box 111
Anytown, Oregon 97000

Re: Valuation of Sample Dental Systems, Inc.

Dear Client:

Scope of Engagement

You requested that we determine the fair market value of the common stock of Sample Dental Systems (“the Company”) as of June 30, 2005. This appraisal will be used for potential sale purposes. We have completed our analysis and set out our findings in the following report. The conclusion reached is subject to the information provided and the assumptions and limiting conditions contained in this report.

This report is to be used solely for the purpose set out above, and by the parties outlined above. We hereby disclaim liability to all other third parties. The Disclaimers and Limiting Conditions Section are to be read as an integral part of this report.

Based upon the understood purpose and use of the appraisal, we have adopted the “fair market value” standard of value. Fair market value is utilized in all income and transfer tax appraisals, and is defined by the American Society of Appraisers (ASA) as follows:

“The amount at which property would change hands between a willing seller and a willing buyer when neither is under compulsion and both have reasonable knowledge of the relevant facts.”

This definition follows, and is consistent with, the definition set out by the Internal Revenue Service (IRS) in Revenue Ruling 59-60.

The scope of this valuation is an Appraisal, defined by the American Society of Appraisers as having the following characteristics:

- ◆ Value is expressed as a single dollar amount or as a range;
- ◆ It considers all relevant information as of the appraisal date available to the appraiser at the time of performance of the valuation;

- ◆ The appraiser conducts appropriate procedures to collect and analyze all information expected to be relevant to the valuation; and
- ◆ The valuation is based upon consideration of all the conceptual approaches deemed to be relevant by the appraiser.

This valuation is based upon the premise that the entity being valued has been properly established for legal and income tax purposes. The legal and economic rights of an interest holder in an entity directly affect the fair market value of such an interest.

Valuation Methodology

Valuation of a business ownership interest requires consideration of all pertinent factors bearing upon its investment merits. The following three valuation approaches were considered:

- **Income Approach:** In this approach, estimated future cash flows are discounted to present value at an appropriate rate of return for the investment.
- **Market Approach:** This approach utilizes valuation ratios derived from market trading prices involving companies that are similar to the subject business. Acquisitions of entire companies were also considered.
- **Asset-Based Approach:** In this approach, the assets and liabilities of the business are restated from historical cost to fair market value.

We applied the Income and Market Approaches in this valuation. We did not apply the Asset-Based Approach because the Company is an operating company that likely has unrecorded goodwill. We do not believe a hypothetical buyer and seller would rely on the asset approach to value this Company. Applications of the Income and Market approaches to the subject Company are described in the following sections of this report.

Opinion of Value

Based upon our investigation, premises and analyses, it is our opinion that the fair market value of a 100 percent equity value in the Company on a majority interest, going concern basis is as follows:

<p style="text-align: center;">ONE MILLION FIVE HUNDRED SEVENTY-FIVE THOUSAND DOLLARS \$1,575,000</p>

The basis for our conclusions is set out in the remainder of this report.

Certificate of Appraiser

I certify that, to the best of my 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 my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the requirements of the American Society of Appraisers and the Uniform Standards of Professional Appraisal Practice.
- No one, other than the client and affiliates of BizByOwner have provided business valuation assistance in the preparation of this report.

The American Society of Appraisers has a mandatory reaccreditation program for all of its senior members. I am in compliance with that program.

Respectfully Submitted,

LAURA M. YOUNG, CFA, ASA

Company Background

History

The Company was established in December 1980 in Anytown, Oregon, and has been at its current location since 1984. The Company was co-founded by Mr. ABC and Mr. DEF. The Company is organized as an Oregon subchapter S corporation.

Products

In the early years, the Company focused mainly on building and repairing manual and automatic operating controls to operate hand pieces for other manufacturers. In 1985, the Company introduced an electro-mechanical dental chair that had been previously made by a competitor.

At present, the Company manufactures dental chairs, delivery systems, and other components used primarily in dental practices. The Company is considered to be a full-service provider offering a full complement of products for dental and oral hygiene businesses.

There are three product families of dental chairs including: Sequoia, EDS, and Vizcaya; three product families of control units including: AS-1, AS-2, and Euro; and a variety of different delivery systems.

Facility

All fabrication, assembly and administrative functions are located at the current sites. The Company leases approximately 25,000 square feet and recently committed to another 3-year lease term at a rate of \$7,600 per month.

Employees

There are 23 non-union employees, and the plant operates on 5 days per week, 1 shift per day schedule. The Company offers a 401K plan as well as medical, dental and life insurance amenities.

Ownership

In January 1999, Mr. ABC retired. Mr. DEF is still actively involved in the business, and is the Company's sole shareholder.

Management

The Company has various key employees who perform related, but diverse, functions. These individuals are:

Name	Title	Age	Tenure
██████████	President	62 years old	42 years experience
██████████	Controller	44 years old	18 years experience
██████████	Engineering	50 years old	36 years experience
██████████	Production Manager	37 years old	15 years experience
██████████	Costing/Foreign Sales	34 years old	8 years experience
██████████	Engineering, IT	27 years old	5 years experience

Marketing Channels

The Company uses sales agents to represent its products across the United States. About 26 manufacturers (PSA) representatives are employed, and earn 10 to 15 percent on all confirmed sales. International sales are handled internally by Mr. Dee. Management indicated that product is sold to approximately 150-200 dental supply distributors and dealers who then sell to dentists and other oral hygiene providers. No single distributor or dealer accounts for a substantial percentage of total sales, though the larger customers are: Patterson Dental Supply, Inc., Sullivan-Schein Dental, Pearson Dental Supplies Co., and Pemco Instruments Ltd. The Company does not sell directly to governmental agencies.

Management indicated that the domestic and international sales breakdown is 85 percent and 15 percent, respectively.

Customers

Management indicated that most dental equipment purchases are done on an 'as needed' basis, and that few of its distributors/clients order for inventory. The Company provides advantageous pricing for customers who order entire packages—that is, dental chair, light, and accessories—as opposed to individual pieces.

The Company attends approximately 15 trade shows a year catering to dentists and other oral hygiene professionals.

Competition

The Company is considered to be a good quality manufacturer of equipment, occupying a middle-range price point position. The Company is price competitive, but management indicated that its historical operating strategy has not been to compete solely based on price. The main competitors are as follows:

Name	Location	Size Relative to Company
Dental Components, Inc.	Newberg, Oregon	Larger
A-Dec, Inc.	Newberg, Oregon	Larger
Forest Medical Products, Inc.	Hillsboro, Oregon	Larger
Belmont Corporation	Japan	Larger
Beaverstate Dental, Inc.	Newberg, Oregon	Smaller

Management indicated that there are a significant number of companies in Oregon that manufacture dental-related items which are sold across the United States and throughout the world. The primary reason for this is that the Portland area was at one time home to Williams Air Control, a large manufacturer of dental chairs and accessories. This company served as a training ground for several entrepreneurs who later left and formed their own enterprises in the region.

A new entrant into this business would likely be faced with a saturated marketplace, whereas the existing competitors are already capable of addressing the market's needs.

Company Strengths

The Company has a good reputation for responding to client needs and providing good quality products at reasonable prices. Also, the Company is perceived as an innovator

in the marketplace. The Company has been profitable since its creation, and that careful attention is paid to ensure that employee staffing levels are appropriate to satisfy market demand.

Company Weaknesses

According to management, the Company is dependent on larger economic trends in the U.S. economy. Since a significant portion of dental work relates to cosmetic procedures which are not typically covered by insurance, consumers are compelled to pay for these types of procedures with disposable income. When the economy slows, consumers are less willing to pay for these types of services resulting in depressed demand and a reduction in the need for new dental equipment and fixtures.

Plant Property & Equipment

As previously noted, the Company leases the two buildings that it presently occupies. Management indicated that they have a solid and long-standing relationship with their landlord, and that they intend on occupying the facility into the foreseeable future.

The Company has spent monies in recent years order to upgrade its production efficiency and capacity. Specifically, approximately \$210,000 was spent for a new Swiss CNC lathe within the last year and a powder-coat paint system was installed two years ago for approximately \$130,000. These additions were financed via bank loans.

Past Transactional Evidence of Value

Mr. DEF purchased Mr. ABC's 50 percent ownership in the Company effective January 1, 1999 for \$697,904 pursuant to a Stock Redemption Agreement. The purchase was financed entirely with a promissory note at a 6 percent interest rate for 20 years. The monthly payments on the note are equal to \$5,000 and as of the June 15, 2004, the balance owing on the note was \$577,534.92.

According to management, the purchase price based on a negotiation between the owners. The owners arrived at a value which provided adequate cash flow Mr. ABC. The price was not reflective of fair market value because it was not based on a third party business valuation. No transactions in the Company's stock have taken place since January 1, 1999.

Industry Analysis

Dental Services

Industry Outlook

In the US, the manufacture and wholesale distribution of medical, surgical and hospital equipment and supplies generates about \$120 billion in sales through about 20,000 companies, including 6,800 medical device manufacturers, 2,100 contract manufacturers, 2,700 repackagers; and 600 refurbishers. This is a highly fragmented industry and includes a few large companies which combine medical product manufacturing and distribution with pharmaceutical and consumer product sales.

It should be noted, however, that even the largest pure distributors, like Owens & Minor (\$3.8 billion, medical equipment) and Henry Schein (\$2.5 billion, dental equipment) have fairly low market share. The 50 largest companies have about a 60 percent market share. The typical medical/dental manufacturer or distributor has fewer than 20 employees and annual sales less than \$10 million.

The typical profile for companies in the industry of medical and dental equipment manufacturing is:

- A single manufacturing location;
- Companies producing high tech products are compelled to spend more on research and development than companies producing low tech products. Dental equipment and delivery systems are considered to be mid tech products;
- A significant challenge to most companies in this industry, particularly new entrants, is establishing effective distribution channels;
- Smaller companies will frequently focus on manufacturing concerns and outsource marketing and distribution to outside sales representatives;
- Consolidation in the medical and dental industry is growing.

Dentists and other oral hygiene providers indicate that cost is the single most important factor in their selection of dental chairs, accessories, and delivery systems. Another important macro trend that influences buyer's behavior are prevailing levels of reimbursement from third-party payers including Medicare, Medicaid, managed care companies, and commercial insurers. In many cases these payers pay a flat fee for services, which encourage the provider to use the lowest cost, generic treatment option.

As a general statement, however, providers of dental equipment and supplies benefit from the fact that most consumers consider dental treatment a medical necessity. Changing US population demographics also favor the industry. From 2000 to 2025, the number of Americans over 65 will nearly double from 34 million to 62 million. This trend will favorably influence the need for dental services in the future and likely boost future equipment demand.

Overall, demand for all surgical and medical devices is anticipated to grow at a 5.4 percent annual compound rate between 2004 and 2007.

Financial Analysis

Financial Data

The Company's historical income statement and balance sheet results for the five years ended September 30, 2004 and the latest twelve months (LTM) ended June 30, 2005 are presented in Schedules 1 through 4. The Company's historical income statement and balance sheet statement results are presented in both a dollar and a common size format. Common size statements are used to eliminate the effect of size differences and to provide additional insight into the financial ratios. On the common size income statement, all items are stated as a percentage of sales while on the common size balance sheet, all accounts are stated as a percentage of total assets.

Financial ratio analysis is presented in Schedule 5 and historical working capital analysis is presented in Schedule 6.

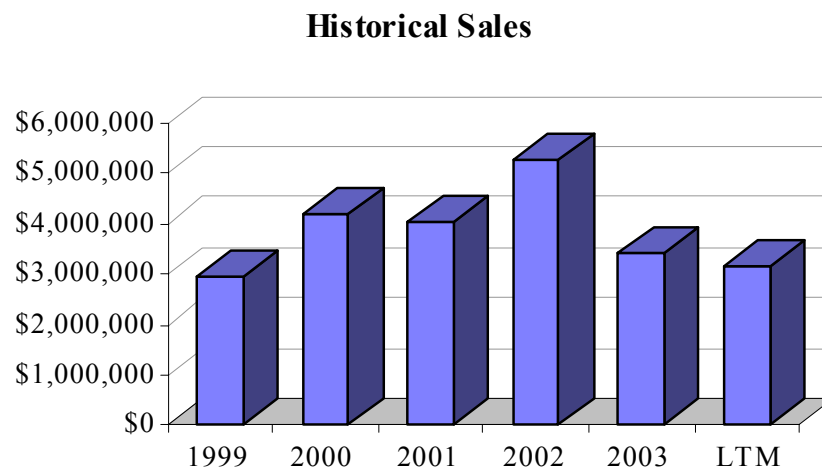
Industry comparisons are from Annual Statement Studies 2002/2003, published by RMA. The averages shown are for all sales ranges for SIC Code 3843, Dental Equipment and Supplies.

Financial Review

Financial ratios are used because they summarize data in a form that is easily understood, interpreted and compared.

Growth

Historical growth rates provide information about the Company's future growth prospects.



The Company's sales increased only slightly overall during the period under review, from \$2.96 million in fiscal year (FY) 1999 to \$3.16 million in LTM period for a compound annual growth rate of 1.3 percent. On a year to year basis, the Company's sales increased dramatically during FY 2000, increasing by 41.0 percent to \$4.18 million. Sales were generally flat

during FY 2001 but in FY 2002, sales increased significantly to \$5.24 million, which reflected growth of 29.4 percent. In FY 2003, sales dropped by 34.9 percent, to \$3.41 million, and then dropped an additional 7.5 percent during the LTM.

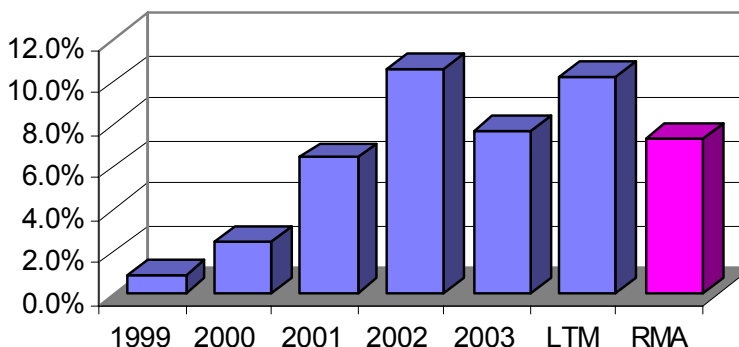
Profitability

Profitability ratios measure the Company’s return on sales.

The Company’s gross profit margins ranged from a low of 26.8 percent in FY 1999 to a high of 37.5 percent in FY 2002. The Company’s results were well below the industry average of 49.3 percent.

The Company’s pretax profit margins increased from 0.9 percent during FY 1999 to 10.6 percent during FY 2002. Profit margins declined during FY 2003, to 7.7 percent, but then improved to 10.3 percent in the LTM. The Company’s pretax profit margins benefited during FY 2003 and the LTM

Historical Pretax Profit Margins



periods from a decrease in officer compensation and a decline in other salaries. The Company’s pretax profit margins were slightly better than industry results of 7.3 percent in FY 2003. In the LTM, results were above average.

Overall, the Company reported improving profitability during the past 5 years. During the most recent periods, the Company’s profitability was better than average.

Efficiency

Efficiency ratios are used to assess management’s performance and to further analyze the Company’s profitability. They measure how efficiently the Company is employing its assets as well as the equity capital used to finance those assets.

As shown in Schedule 5, the Company’s pretax return on equity and pretax return on assets were both better than industry norms, indicating above average efficiency.

All together, the Company exhibited generally above average efficiency during the period under review.

Liquidity

Liquidity ratios measure the Company's ability to meet its current obligations as they come due. As measured by the current and quick ratios, liquidity was generally better than industry norms.

Solvency

Solvency ratios are used to measure the Company's ability to meet interest and principal payments on long-term debt and other obligations as they become due. These ratios analyze leverage, debt coverage and long-term profitability.

Leverage ratios measure the Company's vulnerability to business downturns by indicating whether or not there are sufficient assets to pay off debt in the event of liquidation. Measured by the debt-to-worth and long-term debt to total capital ratios, leverage was worse than industry norms.

Summary

Overall, the financial condition of the Company can be characterized as mixed. Sales increased significantly over the FY 1999-FY 2002 period, but declined sharply in FY 2003 and again in the LTM. Profitability and efficiency were generally better than industry norms. Liquidity was above average. Solvency ratios were below average.

Adjustments to Financial Statements

Certain adjustments have been made to the Company's historical financial statements for the purpose of reaching a valuation conclusion. These adjustments do not reflect any opinion with respect to the accuracy of the Company's financial statements.

As Schedule 7 shows, we adjusted historical income and expense to exclude the effect of non-recurring, non-operating and discretionary items during the period. We applied an income tax rate 25%. Schedule 8 shows the Company's adjusted financial results.

The adjustments shown in Schedule 7 are summarized as follows:

- **Owner's Compensation.** The compensation of key management in closely held businesses must often be adjusted, up or down, to industry guidelines. The purpose of the adjustment is to estimate a market level of compensation appropriate for management, assuming the business owner hired qualified management from the open marketplace. I estimated that owner's compensation was at market levels during FY 1999-2002. In FY 2003 and the LTM period, officer compensation was adjusted to FY 1999-2002 average as a percent of sales.
- **Other Salaries** declined during FY 2003 as a result of the departure of a national sales manager who is not expected to be replaced. The Company plans to work through manufacturers representatives in the future. As a result, the level of Other Salaries during FY 2003 is most indicative of the Company's operations going forward. Therefore, we adjusted FY 1999-FY 2002 Other Salaries to the FY 2003 level as a percent of sales.
- **Charitable Contributions** were removed as a non-operating expense.
- **Gains (Losses) on Assets** were removed from other income (expense) as a non-recurring expense.

XYZ DENTAL SYSTEMS, INC.
Historical Income Statement

Schedule 1

Fiscal Year Ended September 30	Tax					LTM	Growth Rates FY 99-03
	1999	2000	2001	2002	2003	6/30/2004	
Total Sales	2,965,461	4,180,164	4,048,440	5,239,780	3,412,485	3,158,151	1.6%
Direct Labor	625,244	717,948	697,549	753,902	519,654		
Materials	1,099,413	1,884,803	1,509,159	1,965,360	1,506,776		
Freight	61,821	87,154	106,227	94,487	57,403		
Payroll Taxes	69,370	71,968	74,415	82,910	56,833		
Depreciation	80,262	66,762	47,203	70,985	83,558	83,558	
Building Rent	48,798	73,368	72,487	72,904	0		
Other	185,903	142,423	205,085	234,566	0		
Total Cost Of Sales	2,170,811	3,044,426	2,712,125	3,275,114	2,224,224	2,012,411	(1.9%)
Gross Profit	794,650	1,135,738	1,336,315	1,964,666	1,188,261	1,145,740	9.6%
Operating Expenses:							
Salaries - Officers	110,381	127,710	143,114	143,777	48,000	48,000	
Salaries - Other	185,364	205,224	236,620	232,842	123,966	138,566	
Repairs & Maintenance	1,888	90	887	449	0	662	
Bad Debts	6,031	3,422	0	29,339	0	23,000	
Rent	7,200	9,601	8,801	10,800	10,800	13,128	
Taxes & Licenses	26,347	27,171	31,722	32,830	18,213	20,382	
Interest Expense	51,401	80,730	74,923	76,693	74,993	66,728	
Depreciation	25,913	28,950	27,807	23,181	32,272	32,272	
Advertising	55,626	49,195	34,305	23,324	2,376	828	
Pension, Profit Sharing, etc.	0	0	31,855	26,031	63,797	63,797	
Employee Benefits	21,100	25,050	29,212	29,741	28,715	31,357	
Commissions	116,485	267,962	300,341	563,856	359,204	281,531	
Professional Fees	11,520	41,849	6,074	5,942	10,221	6,243	
Insurance	12,317	9,273	10,711	11,544	12,233	9,640	
Publications	361	68	0	0	0	0	
Office Expense	11,678	8,864	15,939	12,452	8,087	5,251	
Postage	5,591	5,929	6,504	7,594	6,500	7,000	
Printing	15,733	9,711	1,084	14,140	173	1,309	
Telephone	15,967	11,155	13,113	12,351	6,245	5,727	
Utilities	2,760	3,864	4,369	4,518	10,240	10,459	
Auto & Trucks	1,667	1,079	6,318	6,620	2,172	3,586	
Trade Meetings & Conventions	67,739	84,034	93,408	125,490	96,416	45,574	
Travel	29,239	29,477	10,317	7,014	8,439	5,148	
Dues & Subscriptions	450	825	400	455	362	332	
Meals & Entertainment	9,308	11,596	5,904	1,381	2,221	2,221	
Miscellaneous	0	0	0	0	0	(870)	
Contributions	640	8,310	13,426	28,017	3,835	1,991	
Total Operating Expense	792,706	1,051,139	1,107,154	1,430,381	929,480	823,862	1.0%
Operating Income/(Loss)	1,944	84,599	229,161	534,285	258,781	321,878	258.7%
Other Income (Expense):							
Gains (Losses) on Sale of Assets	(731)	0	(5,169)	12,500	(6,921)	(6,777)	
Bad Debt Recoveries	0	0	1,350	0	0	0	
Recycling Income	3,340	3,327	3,633	6,309	3,221	4,451	
Interest Income	0	0	12,004	3,754	4,515	3,245	
Other Income	21,151	15,427	19,198	0	1,841	1,841	
Amortization Expense (-)	0	0	0	0	0	0	
Other Non-Cash Income (Expense)	0	0	0	0	0	0	
Section 263A	0	0	0	0	0	0	
Interest Expense (-)	0	0	0	0	0	0	
Total Other Income (Exp.)	23,760	18,754	31,016	22,563	2,656	2,760	(41.6%)
Pretax Profit	25,704	103,353	260,177	556,848	261,437	324,638	88.5%
Total Income Taxes	0	0	0	0	0	0	0.0%
Net Income	25,704	103,353	260,177	556,848	261,437	324,638	88.5%
Adjustment to Retained Earnings	0	(12,344)	0	0	0	NA	
Dividends/Distributions (-)	(84,400)	(60,752)	(169,900)	(390,725)	(353,170)	NA	
Capital Expenditures	228,254	24,559	78,637	239,964	41,846	NA	

XYZ DENTAL SYSTEMS, INC.
Historical Common Size Income Statement

Schedule 2

Fiscal Year Ended September 30	Tax					LTM 6/30/2004	Average FY 99-03	RMA SIC 3843*
	1999	2000	2001	2002	2003			
Total Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100%
Direct Labor	21.1%	17.2%	17.2%	14.4%	15.2%	0.0%	17.0%	
Materials	37.1%	45.1%	37.3%	37.5%	44.2%	0.0%	40.2%	
Freight	2.1%	2.1%	2.6%	1.8%	1.7%	0.0%	2.1%	
Payroll Taxes	2.3%	1.7%	1.8%	1.6%	1.7%	0.0%	1.8%	
Depreciation	2.7%	1.6%	1.2%	1.4%	2.4%	2.6%	1.9%	
Building Rent	1.6%	1.8%	1.8%	1.4%	0.0%	0.0%	1.3%	
Other	6.3%	3.4%	5.1%	4.5%	0.0%	0.0%	3.8%	
Total Cost Of Sales	73.2%	72.8%	67.0%	62.5%	65.2%	63.7%	68.1%	50.7%
Gross Profit	26.8%	27.2%	33.0%	37.5%	34.8%	36.3%	31.9%	49.3%
Operating Expenses:								
Salaries - Officers	3.7%	3.1%	3.5%	2.7%	1.4%	1.5%	2.9%	
Salaries - Other	6.3%	4.9%	5.8%	4.4%	3.6%	4.4%	5.0%	
Repairs & Maintenance	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Bad Debts	0.2%	0.1%	0.0%	0.6%	0.0%	0.7%	0.2%	
Rent	0.2%	0.2%	0.2%	0.2%	0.3%	0.4%	0.2%	
Taxes & Licenses	0.9%	0.6%	0.8%	0.6%	0.5%	0.6%	0.7%	
Interest Expense	1.7%	1.9%	1.9%	1.5%	2.2%	2.1%	1.8%	
Depreciation	0.9%	0.7%	0.7%	0.4%	0.9%	1.0%	0.7%	
Advertising	1.9%	1.2%	0.8%	0.4%	0.1%	0.0%	0.9%	
Pension, Profit Sharing, etc.	0.0%	0.0%	0.8%	0.5%	1.9%	2.0%	0.6%	
Employee Benefits	0.7%	0.6%	0.7%	0.6%	0.8%	1.0%	0.7%	
Commissions	3.9%	6.4%	7.4%	10.8%	10.5%	8.9%	7.8%	
Professional Fees	0.4%	1.0%	0.2%	0.1%	0.3%	0.2%	0.4%	
Insurance	0.4%	0.2%	0.3%	0.2%	0.4%	0.3%	0.3%	
Publications	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Office Expense	0.4%	0.2%	0.4%	0.2%	0.2%	0.2%	0.3%	
Postage	0.2%	0.1%	0.2%	0.1%	0.2%	0.2%	0.2%	
Printing	0.5%	0.2%	0.0%	0.3%	0.0%	0.0%	0.2%	
Telephone	0.5%	0.3%	0.3%	0.2%	0.2%	0.2%	0.3%	
Utilities	0.1%	0.1%	0.1%	0.1%	0.3%	0.3%	0.1%	
Auto & Trucks	0.1%	0.0%	0.2%	0.1%	0.1%	0.1%	0.1%	
Trade Meetings & Conventions	2.3%	2.0%	2.3%	2.4%	2.8%	1.4%	2.4%	
Travel	1.0%	0.7%	0.3%	0.1%	0.2%	0.2%	0.5%	
Dues & Subscriptions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Meals & Entertainment	0.3%	0.3%	0.1%	0.0%	0.1%	0.1%	0.2%	
Miscellaneous	0.0%	0.0%	0.0%	0.0%	0.0%	(0.0%)	0.0%	
Contributions	0.0%	0.2%	0.3%	0.5%	0.1%	0.1%	0.2%	
Total Operating Expense	26.7%	25.1%	27.3%	27.3%	27.2%	26.1%	26.8%	41.20%
Operating Income/(Loss)	0.1%	2.0%	5.7%	10.2%	7.6%	10.2%	5.1%	8.1%
Other Income (Expense):								
Gains (Losses) on Sale of Assets	(0.0%)	0.0%	(0.1%)	0.2%	(0.2%)	(0.2%)	(0.0%)	
Bad Debt Recoveries	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Recycling Income	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	
Interest Income	0.0%	0.0%	0.3%	0.1%	0.1%	0.1%	0.1%	
Other Income	0.7%	0.4%	0.5%	0.0%	0.1%	0.1%	0.3%	
Amortization Expense (-)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Other Non-Cash Income (Expense)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Section 263A	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Interest Expense (-)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Total Other Income (Exp.)	0.8%	0.4%	0.8%	0.4%	0.1%	0.1%	0.5%	-0.8%
Pretax Profit	0.9%	2.5%	6.4%	10.6%	7.7%	10.3%	5.6%	7.3%
Total Income Taxes	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Net Income	0.9%	2.5%	6.4%	10.6%	7.7%	10.3%	5.6%	
Adjustment to Retained Earnings	0.0%	(0.3%)	0.0%	0.0%	0.0%	NA	(0.1%)	
Dividends/Distributions (-)	(2.8%)	(1.5%)	(4.2%)	(7.5%)	(10.3%)	NA	(5.3%)	
Capital Expenditures	7.7%	0.6%	1.9%	4.6%	1.2%	NA	3.2%	

Income Approach

The Income Approach to valuation determines the expected future cash flows from an investment and then discounts those cash flows to present value at an appropriate rate of return. The selected discount rate or rate of return should reflect the degree of uncertainty or risk associated with realizing the future cash flows compared to cash flows available from alternative investments. Higher uncertainty or risk leads to a higher expected rate of return, which produces a lower value for the investment.

Income Approach valuation methods include Discounted Cash Flow and Capitalization of Single Period Cash Flow. In the Discounted Cash Flow analysis, future cash flows are discounted to present value using an appropriate discount rate. It is most appropriate to use the discounted cash flow approach when the Company anticipates a change in its cash flows over the near term. In this method, cash flows are forecasted for a discrete period of years and then once cash flows have stabilized, a terminal or residual value is calculated which includes an assumption about the expected growth rate into perpetuity. The Capitalization of Single Period Cash Flow analysis is used when current cash flows are consistent with expected future expected cash flows. This method uses forecasted cash flow for the next period, which is converted to present value using an appropriate capitalization rate, equal to the discount rate less the expected growth rate in perpetuity.

Due to the nature of the Company's revenues, which reflect a general upward trend in sales and profitability, we used a Capitalization of Single Period Cash Flow method, which relies on a weighted average of adjusted historical results.

Capitalization of Single Period Cash Flow

Taking into consideration historical financial results, discussions with management, and the industry and economic outlook at the valuation date, we calculated a normalized level of free cash flows for the business as of the valuation date using the Company's weighted average adjusted results for 2000-LTM. Free cash flow is the remaining cash flow available for equity owners after meeting all of the firm's financial needs and is calculated as follows:

	Weighted average (2000-LTM) adjusted net income before tax
-	Income Taxes
+	Depreciation & Amortization
+/-	Adjusted Working Capital Changes
-	Capital Expenditures
+/-	<u>Net changes in long-term debt</u>
=	Free cash flow to equity

As shown in Schedule 8, the weighted average adjusted net income is equal to \$249,000 (rounded). In order to convert net income to free cash flows, the following adjustments were made:

- Depreciation and capital expenditures are assumed to be equal to each other. No adjustment is made for these items.
- Based on the working capital analysis, the Company's working capital is significantly higher than the necessary amount needed to operate the business as compared to the industry. Therefore, we made no adjustment to expected cash flows to account for future increases in working capital.
- The Company had no long term debt at the valuation date. Future long-term debt additions were assumed to be zero.

Therefore, free cash flow to equity was equal to \$249,000.

Capitalization Rate – Build-Up Method

The capitalization rate is equal to the discount rate less estimated long-term growth. The discount rate is a market-driven rate, representing the rate of return necessary to induce investors to commit funds to an investment given its level of risk. We relied on the "build-up" method to develop the discount rate. The following basic formula calculates the discount rate for the Company:

$$K_e = R_f + R_e + R_s + R_c$$

where:

K_e = discount rate

R_f = risk free rate equal to the estimated 20-year Treasury Bond yield rate as of June 30, 2004, as published in the Federal Reserve Statistical Release.

R_e = equity risk premium for 2003 equal to the equity risk premium as published in Stocks, Bonds, Bills, and Inflation 2004 by Ibbotson Associates less 1.25%. This study shows that an investment in common stock, as represented by the Standard and Poor's 500 (S&P 500) Stock Composite Index, has historically provided an additional return above the yield of long-term (20-year) government bonds. The 1.25% downward adjustment was made to eliminate the impact on stock returns of a major upward movement in P/E multiples.

R_s = small stock risk premium for 2003 equal to the small stock premium as published in Stocks, Bonds, Bills, and Inflation 2004. The study indicates that an investment in "micro-capitalization" stocks, the smallest quintile of stocks traded on the New York Stock Exchange

(NYSE), has historically provided an additional return (after an adjustment for beta) over the S&P 500 stocks.

R_c = Subject company risk premium based on a consideration of the subject Company's operating and financial risks.

The computation of the discount rate is presented in Schedule 9. Based on this analysis, we have selected a discount rate of 17.94%.

Capitalization Rate

The capitalization rate is equal to the discount rate minus the expected long-term growth rate of free cash flows of 3%. Therefore, it is our opinion that a capitalization rate of 14.94% is appropriate for the Company's free cash flows.

Income Approach Conclusion

Schedule 8 summarizes the Income Approach. The capitalization of expected free cash flow results in an equity value of \$1,665,000 (rounded) for the Company.

Market Approach

The Market Approach to valuation rests on the premise that a business can be valued with reference to what comparable companies have sold for in an open and unrestricted market. This approach uses comparable or “*guideline*” company data to assess the value of the subject entity. The challenge in valuing a business using this approach, and particularly when valuing a small or unusual operating entity, is finding true market comparables. It is unlikely that any two businesses or ownership interests will be alike even with respect to their core competencies.

The three methods for collecting and assessing guideline company data are as follows:

- Acquisition Price Method: derives valuation ratios from sales of guideline companies which are similar to the business;
- Share Market Price Method: valuation ratios are derived from publicly traded guideline companies which are similar in nature to the business;
- Prior Transaction Analysis: valuation ratios are derived from past sales of the business, bona fide offers for the business, and past acquisitions or divestitures by the business. Unrelated party sales or bona fide offers for the business’ equity interests are also considered.

These methods are often used together to determine the valuation multiple to apply to a company’s “earnings,” net adjusted assets, cash flow, or revenue. The market approach is appropriate when the subject company is either of requisite size to be considered comparable to companies whose shares are traded on a stock exchange or when a number of relevant acquisitions have recently occurred for which the information is publicly available or when there have been past sales of the subject business.

For the valuation of the Company, we used the acquisition price method. We did not use the share market price method because we could not find any comparables.

Acquisition Price Method

Guideline Companies

To identify comparable acquisition transactions, we researched the Pratt’s Stats Private Transaction Database. We searched for all companies that operate in SIC 3821 “Laboratory Apparatus and Furniture” and 3843, “Dental Equipment and Supplies”. Six companies were identified that could be considered comparable.

Business Description	Closing Date	Deal Price	Total Revenue	EBITDA*	Deal Price/ Revenue	Deal Price/ EBITDA*
Manufacturer of Ultra High Purity Gas Delivery Systems	6/3/1996	5,200,000	10,388,435	1,257,452	0.50	4.14
Manufactures a Beta-Adrenergic Agonist Bronchodilator	8/17/2001	54,500,000	19,074,000	14,839,000	2.86	3.67
Manufactures High Technology Products Designed for General Dentistry	5/21/2003	5,600,000	4,504,893	(3,725,180)	1.24	NMF
Manufacturing, Special Materials for Electromagnetic Test Chambers	6/17/1997	1,377,000	3,365,405	552,842	0.41	2.49
Manufacturing, Stone Building Products	7/1/1996	48,500,000	34,073,800	3,413,100	1.42	14.21
Manufacturing and Distribution, Endodontic Instruments and Supplies	1/10/1996	75,000,000	22,685,000	1,073,000	3.31	69.90
<i>All Companies</i>						
Average		31,696,167	15,681,922	2,901,702	1.62	18.88
Median		27,050,000	14,731,218	1,165,226	1.33	4.14
<i>Small Companies</i>						
Average		4,059,000	6,086,244	(638,295)	0.72	3.31
Median		5,200,000	4,504,893	552,842	0.50	3.31

The valuation multiples for each comparable company are shown in the preceding table. We chose to use two multiples: Price/Revenue and Price/EBITDA.

Summary – Acquisition Price Method

The value of the Company is determined as follows:

	Price/ Revenue	Price/ EBITDA	Basis
Valuation Base	\$3,158,151	\$460,964	LTM Results
Acquired Company Multiples	x <u>0.72</u>	<u>3.31</u>	Small company median results
ASSET VALUE	\$2,266,302	\$1,527,200	
Add Assets/Subtract Debt ^a	(\$593,870)	(\$593,870)	
EQUALS: EQUITY VALUE	\$1,672,432	\$933,330	
Weighting of Methods	x <u>50.0%</u>	<u>50.0%</u>	
Total Marketable Control Equity Value	\$1,302,881		

a. Pratt's Stats asset transactions generally do not include cash and cash equivalents, accounts receivable, prepaid expenses real estate or nonoperating assets. No liabilities are assumed to be included in an asset deal. Therefore, for the Company, asset value was adjusted to equity value by adding cash, accounts receivable, prepaid expenses and subtracting liabilities.

The multiples from the earlier table are applied to the Company's LTM results. We gave equal weight to the two multiples.

The result of applying the multiples to the Company's LTM results is a marketable value of \$1,303,000 (rounded).

Concluded Valuation

The final step in the valuation process requires a review of each valuation approach and a reconciliation of these approaches to reach a final value conclusion. In a specific appraisal situation, the weight given to each approach depends on the valuation function and purpose, the value premise and definition, the quantity and quality of available data, and the reliability of the analysis.

The Income Approach was given the most weight because it represents the amount a prudent investor would pay for the Company's expected future cash flows based on current market rates of return and the Company's specific risks.

The Merger and Acquisition Analysis in the Market Approach was given some weight because it reflects recent merger and acquisition prices for reasonably comparable companies that represent alternative investment opportunities.

A summary of the valuation analysis is shown in Schedule 12.

Based upon our investigation, premises and analyses, it is our opinion that the fair market value of a 100 percent equity value in the Company on a majority interest, going concern basis is as follows:

ONE MILLION FIVE HUNDRED SEVENTY-FIVE THOUSAND DOLLARS
\$1,575,000

Sources of Information Used

As part of our analysis, we reviewed the following documents:

- Tax returns for years ended September 30, 1999 through 2003.
- Internal financial statements for years ended September 30, 1999 through 2003 and the 9 months ended June 30, 2003 and June 30, 2004.
- Company website
- Promissory note between [REDACTED] dated December 31, 1998.
- Management interview.
- Stock Redemption Agreement dated January 1, 1999.
- Economic & Industry data:
 - U.S. Census Bureau at www.census.gov
 - Bureau of Labor Statistics at www.bls.gov
 - Yahoo! Finance
 - RMA 2002/2003 book.
- Capital market data:
 - Stocks, Bonds, Bills, and Inflation (SBBI) 2003 Yearbook, Ibbotson Associates.
 - Federal Reserve Statistical Release – June 2004, The Federal Reserve System.
 - Microsoft Investor (<http://www.investor.msn.com>)
 - Pratt's Stats, Business Valuation Resources, LLC (Online), www.bvmarketdata.com, 2004.

Appendix A
Financial Ratio Definitions

Financial Ratio Definitions

Definitions and interpretations of the financial ratios used in the Financial Review section of this report are presented below.

Growth

Annual growth rates are measured as the percentage change from one year to the next. A compound annual growth rate (CAGR) is computed by dividing the later year's result by the earlier year's result, taking the n^{th} root (where "n" is equal to the difference in years minus one), and then subtracting one from the overall figure.

Profitability

Various types of ratios are available to indicate the firm's profitability, measured as a return on sales. Comparison of these profit margins with industry benchmarks may be complicated by differences in accounting policies between the firm and the industry norm.

Each profitability ratio is computed by dividing the selected profit or cash flow figure by net sales.

- **Gross Profit Margin** - measures the effectiveness of a firm's pricing policies and its efficiency in producing and delivering products or services. Differences in classification of overhead expenses can make comparisons with industry norms difficult.
- **Operating Profit Margin** - indicates the productivity of company operations, before taking financing and non-operating activities into account.
- **EBITDA Margin** - where EBITDA equal earnings before interest, taxes, depreciation and amortization. It measures cash flow (before non-cash charges) after accounting for non-operating activities, but before financing decisions.
- **EBIT Margin** - where EBIT equal earnings before interest and taxes. It indicates profitability after accounting for non-operating activities, but before financing decisions.
- **Pretax Profit Margin** - measures a firm's overall efficiency after taking financing and non-operating activities into account, but before accounting for its tax position.
- **Net Profit Margin** - indicates overall efficiency after taking all activities into account.
- **Gross Cash Flow Margin** - where gross cash flow equals net income plus depreciation and amortization. It measures cash flow after taking all activities into account.

Efficiency

Efficiency ratios are used to assess management's performance and to provide additional insight into a firm's profitability. Caution must be used in interpreting individual ratios, which should be used in conjunction with other efficiency ratios.

Pretax Return on Equity - equals pretax profit divided by tangible net worth (total owners' equity less net intangible assets). It expresses the rate of return to equity owners and can be an indicator of management performance. A high return could indicate either effective management or an undercapitalized company. Conversely, a low ratio may indicate inefficient management performance or a highly capitalized, conservatively managed firm. Additional insight can be gained by breaking this ratio down into components.

Stock investors are more interested in the return on equity than the return on assets. Debt financing increases risk to stockholders. As long as a higher rate of return can be earned on assets than is paid for debt capital, then higher leverage will increase the return on equity. Leverage can enhance an owners' rate of return in good years, but in bad years owners will be worse off than they would be without the borrowing because debt service may be more difficult.

Debt-Free Return on Assets - equals EBIT (earnings before interest and taxes) divided by total assets. This ratio measures the rate of return on assets before the effect of financing decisions and indicates how efficiently assets are being employed. It may be distorted by highly depreciated fixed assets, large intangible assets, or unusual income or expenses. Breaking this ratio down into components provides additional understanding of a company's efficiency.

Pretax Return on Assets - equals pretax profit divided by total assets. Unlike **Debt-Free Return on Assets**, this ratio uses after-interest income. While widely used, this ratio can be criticized because it makes leveraged firms appear less profitable by charging interest costs against assets. As with other measures of return, additional insight can be gained into this ratio by analyzing its component parts.

Sales to Assets Ratio - equal to net sales divided by total assets. This ratio indicates how effectively the firm employs its assets. A low ratio may indicate inadequate sales volume or excessive asset levels.

Pretax to EBIT Ratio - equals pretax income divided by EBIT (earnings before interest and taxes). This ratio, which is always less than one, represents earnings leverage and is equivalent to the inverse of financial leverage and so decreases return on equity relative to return on assets.

Assets to Equity Ratio - equal to total assets divided by tangible net worth (total owners' equity less net intangible assets). It is also equal to 1.0 plus the **Debt to Equity Ratio**, discussed below. This ratio indicates the degree to which assets are financed by equity capital, as opposed to debt capital. A high ratio indicates a high level of financial leverage, or a low level of equity financing, while a low ratio indicates the reverse. This ratio is always greater than or equal to one and has the effect of increasing return on equity relative to return on assets.

Sales to Net Fixed Assets Ratio - equal to net sales divided by net fixed assets. It measures how productively the company's fixed assets are employed. Viewed over time, this ratio can indicate changing productivity or non-operating assets. This ratio may be distorted by highly depreciated assets or labor intensive operations. Changes in the sales to net fixed asset turnover ratio must be interpreted carefully. Investments in fixed assets are often made several periods before they begin generating sales. Therefore, a low or decreasing ratio may indicate that the firm is expanding in preparation for future growth. Conversely, a firm may reduce capital expenditures if the near-term outlook for sales is poor, producing an increase in the plant asset turnover ratio.

Sales to Working Capital Ratio - equal to net sales divided by net working capital (current assets less current liabilities). Working capital reflects the ability to finance current operations and provides an indication of the margin of protection for current creditors. The sales to working capital ratio shows how efficiently working capital is used. Low ratios may indicate the inefficient employment of working capital. A high ratio can indicate the efficient use of current assets or, conversely, it could indicate inadequate liquidity or overextended credit.

Accounts Receivable Turnover Ratio - equal to net sales divided by trade receivables. This ratio indicates the number of times receivables turn over during the year, and provides an indication of the firm's control over credit and collections. The higher the turnover, the shorter the time between the time a sale is made and the date cash is collected. Lower turnover places a strain on short-term liquidity and indicates a greater likelihood that there are delinquent accounts. However, this ratio can also be affected by variations in terms granted to customers. High turnover may indicate overly stringent credit terms that are limiting sales. One problem with this ratio is that it compares receivables at one date with sales for an entire year, and does not take into account seasonal fluctuations. Interpretation of this ratio will be difficult if a large percentage of a firm's sales are cash sales.

Inventory Turnover Ratio - equal to cost of sales divided by inventory. This ratio measures the number of times inventory turns over in a year. High turnover could indicate better liquidity or merchandising or, alternately, it could indicate a shortage of inventory. Low turnover can place a strain on short-term liquidity and may indicate overstocking, obsolescence or, conversely, a planned inventory buildup in anticipation of material shortages or higher sales. Trade-offs are required in choosing an optimum level of inventory and the desired rate of turnover. Like the previous ratio, it ignores seasonal fluctuations in inventory. Also, industry norms usually do not take differences in inventory valuation methods into account.

Payables Turnover Ratio - equal to cost of sales divided by trade payables. This ratio indicates the number of times trade payables turn over in a given year. The higher the ratio, the shorter the time between purchases and payments by the firm. A low ratio may indicate cash shortages, invoice disputes, expanded use of trade credit or favorable terms from suppliers. If a company typically buys on 30 days terms, then this ratio can be expected to indicate a turnover period of about 30 days. Similar to the previous two ratios, this ratio does not take into account seasonal fluctuations.

Liquidity

Liquidity ratios measure the ability of a company to meet its current obligations as they come due. These ratios can help determine whether a firm has any assets in excess of those required for normal operations, or whether the assets fall short of normal needs. However, the composition and quality of current assets is an important factor in assessing a firm's overall liquidity.

One problem with liquidity ratios is that they are computed at one date, and do not take into account seasonal variations. In addition, they may not accurately reflect a firm's use of short-term credit to finance its liquidity needs.

Current Ratio - equal to total current assets (those which will convert to cash within one year) divided by total current liabilities (those due within one year). This ratio gives a rough measure of a company's overall ability to service its current obligations. If this ratio is too low, the firm may have difficulty in meeting its short-term obligations as they come due. A ratio which is too high may reflect excessive investments in current assets or under-utilization of short term credit.

Quick Ratio - equal to cash and equivalents plus trade receivables divided by total current liabilities. Also called the "acid-test ratio", it is a more conservative measure of liquidity than the current ratio. It illustrates the degree to which the firm's current liabilities are covered by the most liquid current assets. If the quick ratio is too low, a company may have difficulty meeting its immediate credit obligations. A ratio which is too high may indicate excessive investments in cash and securities or poor account receivable collections.

Days' Receivables - equal to 365 days divided by the accounts receivable turnover ratio. It measures the average number of days that receivables remain uncollected. Interpretation of this ratio depends on a firm's terms of sale. A ratio which is greater than a firm's standard terms indicates that collections need improvement. Conversely, a ratio which is less than a company's standard terms indicates that collections are being handled well. See the **Accounts Receivable Turnover Ratio** definition for more comments.

Days' Inventory - equal to 365 days divided by the inventory turnover ratio. It measures the average number of days items remain in inventory. See the **Inventory Turnover Ratio** definition for other comments.

Operating Cycle - equal to days' receivables plus days' inventory. It represents the average number of days it takes to convert inventory to cash and indicates the relationship of sales and collections.

Days' Payables - equal to 365 days divided by the payables turnover ratio. This ratio indicates the average number of days that trade payables are outstanding. See the **Payables Turnover Ratio** definition for additional comments.

Cash Cycle - equal to the operating cycle minus days' payables. It represents the average number of days a firm's cash is tied up in the operating cycle and indicates the relationship of sales, collections and credit in a way the individual ratios do not.

Solvency

Solvency ratios are used to measure a firm's ability to meet interest and principal payments on long-term debt and other obligations as they become due. These ratios can be further classified into two categories, leverage and coverage.

Leverage

Leverage ratios indicate whether or not there are sufficient assets to pay off debt if a firm has to liquidate and measure a company's vulnerability to business downturns.

Debt to Worth Ratio - equals total liabilities divided by tangible net worth (total owners' equity less net intangible assets). This ratio indicates the relationship between capital contributed by creditors and by equity owners. It measures the margin of protection provided by the owners to the creditors. A higher ratio indicates that creditors are assuming greater risk and that the firm has limited capacity to take on additional debt. Lower ratios generally indicate higher long-term financial safety for creditors and a greater ability to borrow in the future.

Long-Term Debt to Total Capital - equal to long-term debt (including current portion) divided by the sum of long-term debt and tangible net worth. This ratio measures the extent that long-term debt is used to finance the company.

Coverage

Coverage ratios measure a company's ability to service its interest-bearing debt. Like all financial ratios, a coverage ratio should be compared to an appropriate benchmark such as an industry norm rather than to a single absolute standard.

Interest Coverage Ratio - equal to EBIT (earnings before interest and taxes) divided by interest expense. This ratio expresses a company's ability to meet interest payments as well as its capacity to take on additional interest-bearing debt. High coverage indicates that the firm has little problem meeting its current loan obligations and can take on additional debt. This ratio can be criticized as a measure of solvency because it uses earnings rather than cash flows. Interest payments are paid in cash, not earnings.

Cash Flow to Current Debt Ratio - equal to net income plus depreciation and amortization, divided by the current portion of long-term debt. It measures a firm's ability to cover current debt maturities with cash flow from operations. Cash flow is the primary source for debt payments, so this ratio indicates a company's ability to make principal repayments and to take on additional interest-bearing debt. While in reality all cash flow is not available for debt service, this ratio provides a useful indication of the firm's ability to service its long-term debt.

Appendix B
Discount Rate

Discount Rate

The discount rate is a market-driven rate, representing the rate of return necessary to induce investors to commit funds to an investment given its level of risk. The discount rate is applied to free cash flows to estimate a total capital value (interest-bearing debt plus stockholders' equity).

The discount rate used is an equity method derived from the Build Up Method.

$$\text{BUM} = [(D \div V) \times K_d \times (1 - T)] + [(E \div V) \times K_e]$$

where:

WACC = weighted average cost of capital

$(D \div V)$ = ratio of market value of interest-bearing debt to total capital

$(E \div V)$ = ratio of equity capital to total capital = $1 - (D \div V)$

K_d = cost of interest-bearing debt capital

K_e = levered cost of equity capital

T = marginal tax rate

The levered cost of equity capital is based on the Capital Asset Pricing Model (CAPM), summarized as follows:

$$K_e = R_f + (B_l \times R_e)$$

where:

K_e = levered cost of equity capital

R_f = risk free rate

B_l = levered beta

R_e = equity risk premium

The levered beta (B_l) is computed using the following equation:

$$B_l = B_u \times [1 + ((1 - T) \times (D \div E))]$$

where:

B_u = unlevered beta

T = marginal tax rate

$D \div E$ = ratio of market value of interest-bearing debt to equity capital

CAPM captures only the risk of investing in a portfolio of large capitalization stocks, and does not address the additional risk of investing in small company stocks. In addition, CAPM captures only systematic or market risk for a portfolio of stocks and does not address the risk specific to the subject business as a stand-alone investment. An investment in the subject business would require additional premiums to compensate for these additional risks.

As a result, we used a discount rate based on the Build Up Method, modified to account for a small stock premium and subject company risk as follows:

$$K_e = R_f + (B_l \times R_e) + R_s + R_c$$

where K_e , R_f , B_l and R_e are defined as before, and:

$$\begin{aligned} R_s &= \text{small stock risk premium} \\ R_c &= \text{subject company risk premium} \end{aligned}$$

A risk free rate (R_f) is equal to the estimated 20-year Treasury Bond yield rate at the valuation date, as published in the Federal Reserve Statistical Release.

The levered beta (B_l) components are as follows:

- The selected unlevered beta (B_u) is based on the unlevered betas for comparable publicly traded companies as published by Ibbotson Associates in the Cost of Capital Quarterly.
- The marginal tax rate is the combined state and federal marginal tax rate.
- The leverage ratio ($D \div E$) is forecasted in the same manner as previously discussed for ($D \div V$) and ($E \div V$).

The equity risk premium (R_e) is equal to the equity risk premium as published in Stocks, Bonds, Bills, and Inflation by Ibbotson Associates. This study shows that an investment in common stock, as represented by the Standard and Poor's 500 (S&P 500) Stock Composite Index, has historically provided an additional return above the yield of long-term (20-year) government bonds.

The small stock risk premium (R_s) is equal to the size premium as published in Stocks, Bonds, Bills, and Inflation. The study indicates that an investment in "micro-capitalization" stocks, the smallest quintile of stocks traded on the New York Stock Exchange (NYSE), has historically provided an additional return (after an adjustment for beta) over the S&P 500 stocks. Since the subject Company is much smaller than these "micro-capitalization" stocks, an additional premium is required to account for size.

The subject company risk premium (R_c) is based on a consideration of the subject Company's operating and financial risks, including the additional premium for size discussed above.

Appendix C

Economic Analysis & Demographic Studies

Economic Analysis & US Demographic Study

U.S. Economy

Near term prospects for the U.S. economy have finally improved, but remain volatile. Current strengths include quickly improving job creation, continued low inflation and interest rates, a strong dollar, improving corporate profits and a continued high rate of technological change. Current weaknesses include large and increasing federal deficits, skewed wealth and income distribution, high personal debt service combined with low savings particularly among lower-income households, and volatile stock/bond markets.

It appears that the current recession has ended, but any recovery may be weak and prolonged. Much of the uncertainty centers on the upcoming Presidential election, the ongoing war on terror particularly in Iraq, continued weakened consumer spending and durable goods production, and the existing and potential terrorist activity here and abroad. As yet, it remains uncertain if the current weakness is temporary or a sign of more fundamental issues.

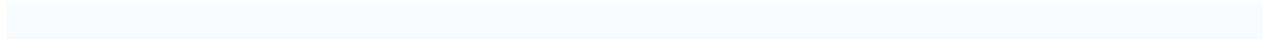
U.S. real Gross Domestic Product ("GDP") grew 3.1 percent in 2003, compared with 2.2 percent in 2002 and 0.5 percent in 2001. GDP is expected to increase 4.5 percent in 2004, 3.4 percent in 2005 and 3.7 percent in 2006.

Inflation concerns are beginning to appear, particularly in light of ever increasing oil prices. However, absent the impact of oil prices, inflation remains well under control. Even so, it is uncertain how long this may last. The Federal Reserve ("the Fed") has dropped its target interest rate 12 times since 2001 and is only now considering the possibility of an increase. It is uncertain whether such an increase will occur before the end of the year. Overall, the Fed believes that the economy is turning around, but wants to carefully nurture the continuing expansion. Mortgage rates have increased by nearly 1.0 percent in the last few months, but remain near all time lows.

Housing starts increased 8.1 percent in 2003, down slightly from 6.7 percent in 2002. As interest rates decline, housing starts are expected to decline in 2004, but still remain above historic levels. The unemployment rate peaked at 6.0 percent in 2003 and is expected to decrease to 5.7 percent in 2004 and 2005.

The budget wars continue in Congress. President Bush remains committed to further tax cuts to stimulate the economy, despite increasing budget deficits, weak growth abroad and continued drops in exports. Much of the increased debt and accrued budget deficits is due to the lagging impact of the September 11, 2001 terror attacks, increased spending for homeland defense, the war in Iraq, on-going administration of Iraq, and continued war on international terrorism.

In the fourth quarter 2002, the U.S. stock market had its worst quarter since the 1987 crash with a sell-off that sent the Dow Jones industrial average to a four-year low and the Nasdaq composite index to a six-year low. Since that time, the market has remained fragile and highly volatile to even the slightest changes in the economy and world events.



Oregon Demographic Study

State of Oregon



Flag of Oregon (front)



Seal of Oregon

Nickname(s): Beaver State



Official language(s) *None*

Capital Salem

Largest city Portland

Area Ranked 9th
- Total 255,026 km²
- Width 420 km
- Length 580 km
- % water 2.4
- Latitude 42°N to 46°15'N
- Longitude 116°45'W to 124°30'W

Population Ranked 28th
- Total (2000) 3,421,399

- Density 13.76/km² (39th)

Elevation

- Highest point 3,259 m
- Mean 1,005 m
- Lowest point 0 m

Admission to Union February 14, 1859 (33rd)

Governor Ted Kulongoski (D)

U.S. Senators Ron Wyden (D)
Gordon Smith (R)

Time zone(s) Pacific: UTC-8/-7
Mountain: UTC-7/-6
(all but majority of Malheur County is in Pacific)

Abbreviations OR Ore. US-OR

Web site www.oregon.gov

Oregon is a state in the Pacific Northwest region of the United States bordering the Pacific Ocean, California, Washington, Idaho, and Nevada. Its northern border lies along the Columbia River and the east along the Snake River. Two north-south mountain ranges - the Coastal Range and the Cascade Mountain Range - form the two boundaries of the Willamette Valley, one of the most fertile and agriculturally productive regions in the world.

Oregon has some of the most diverse landscapes of the fifty states. It is well known for its forests and its Pacific coastline. Less well known are the semiarid scrublands, prairies, and deserts that cover approximately half the state in eastern and north-central Oregon.

Its population in 2000 was 3,421,399, a 20.4% increase over 1990. The Census Bureau estimated Oregon's population to have reached 3,594,586 by 2004.

History

Oregon's earliest residents were several Native American tribes, including the Bannock, Chinook, Klamath, and Nez Percé. James Cook explored the coast in 1778 in search of the Northwest Passage. The Lewis and Clark Expedition traveled through the region during their expedition to explore the Louisiana Purchase. They built their winter fort at

Fort Clatsop, near the mouth of the Columbia River. Exploration by Lewis and Clark (1805-1806) and Britain's David Thompson (1811) publicized the abundance of fur in the area. In 1811, New York financier John Jacob Astor established Fort Astoria at the mouth of the Columbia River with the intention of starting a chain of Pacific Fur Company trading posts along the river. Fort Astoria was the first permanent white settlement in Oregon. In the War of 1812, the British gained control of all of the Pacific Fur Company posts.

By the 1820s and 1830s, the British Hudson's Bay Company dominated the Pacific Northwest. John McLoughlin, who was appointed the Company's Chief Factor of the Columbia District, built Fort Vancouver in 1825.

In 1841 the master trapper and entrepreneur Ewing Young died with considerable wealth, no apparent heir, and no system to probate his estate. A meeting followed Young's funeral at which a probate government was proposed. Doctor Ira Babcock of Jason Lee's Methodist Mission was elected Supreme Judge. Babcock chaired two meetings in 1842 at Champoeg - half way between Lees Mission and Oregon City, to discuss wolves and other vermin. These meetings were precursors to an all citizen meeting in 1843, which instituted a provisional government headed by an executive council - made up of David Hill, Alanson Beers, and Joseph Gale.

The Oregon Trail infused the region with new settlers, starting in 1842–43, after the U.S. agreed to jointly settle the Oregon Country with the United Kingdom. The border was resolved in 1846 by the Oregon Treaty after a period where it seemed that the United States and the United Kingdom would go to war for a third time in 75 years. Cooler heads prevailed, and the Oregon boundary dispute between the United States and British North America was set at the 49th parallel. The Oregon Territory was officially organized in 1848.

Settlement increased due to the Donation Land Claim Act of 1850, in conjunction with the forced relocation of the native population to Indian Reservations in Oregon. The state was admitted to the Union on February 14, 1859.

At the outbreak of the American Civil War, regular troops were withdrawn and sent east. Volunteer cavalry were recruited in California and were sent north to Oregon to keep peace and protect the populace. The First Oregon Cavalry served until June 1865.

In the 1880s, railroads enabled marketing of the state's lumber and wheat as well as the more rapid growth of its cities.

Industrial expansion began in earnest following the construction of the Bonneville Dam in 1943 on the Columbia River. The power, food, and lumber provided by Oregon have helped fuel the development of the west, and the periodic fluctuations in the nation's building industry have hurt the state's economy on multiple occasions.

The state has a long history of polarizing conflicts: Native Americans vs. British fur trappers, British vs. settlers from the U.S., ranchers vs. farmers, wealthy growing cities vs. established but poor rural areas, loggers vs. environmentalists, white supremacists vs. anti-racists, supporters of social spending vs. anti-tax activists, and native

Oregonians vs. Californians (or outsiders in general). Oregonians also have a long history of secessionist ideas, ranging from varying parts of the population on all sides of the political spectrum attempting to form other states and even other countries. (See: State of Jefferson, State of Klamath, State of Shasta and Cascadia.) Oregon state ballots often include politically conservative proposals (e.g. anti-gay, pro-religious measures) side-by-side with politically liberal ones (e.g. drug decriminalization), illustrating the wide spectrum of political thought in the state.

Naming

The origin of the state's name is something of a mystery. The earliest known use of this proper noun was in a 1765 petition by Major Robert Rogers to the Kingdom of Great Britain. The petition referred to *Ouragon* and asked for money to finance an expedition in search of the Northwest Passage.

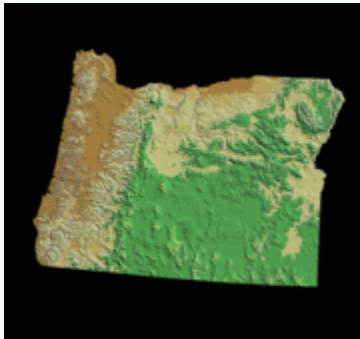
Why Rogers used the name has led to many theories, which include:

- During the time of the Hudsons Bay Company and the voyages of Robert Gray, the indigenous peoples of the Pacific Northwest referred to the Columbia River as the great "Ouragon" Since the Columbia River is perhaps the most significant geographic feature of the region, it is plausible that the name was anglicized to Oregon and thence became known as such.
- George R. Stewart argued in a 1944 article in *American Speech* that the name came from an engraver's error in a French map published in the early 1700s, naming the *Ouisiconsink* (Wisconsin River). This theory was endorsed in *Oregon Geographic Names* as "the most plausible explanation."
- Other sources cite the use & prevalence of the term, not as an indigenous word, but to the French Canadian word "ouragan" meaning "storm" or "hurricane." Referring to the tumultuous & torrential Columbia river; among the most dangerous river inlets in the world.
- The term "Ouragon" *In 2001, Scott Byram, (currently the archaeologist for the Coquille Indian Tribe), and David G. Lewis published an article in the *Oregon Historical Quarterly* argued that the name **Oregon** came from the word *oolighan*, referring to grease made from fish, which the Native Americans of the region traded in. Those trade routes brought the term eastward. [1]
- In a 2004 article for the *Oregon Historical Quarterly*, Professor Thomas Love and Smithsonian linguist Ives Goddard argue that Rogers chose the word based on exposure to either of the Algonquian words *wauregan* and *olighin*, both meaning "good and beautiful". *Olighin* was one of the early names for the Ohio River, shown on a 1680s map of the explorations of René Robert Cavelier, Sieur de La Salle. Rogers is likely to have heard the terms because of his frequent encounters with Mohegans in the late 1750s.

Less supported theories are based on it having a Spanish etymology. The theory that it comes from *oregano*, was dismissed years ago by Henry W. Scott, an early editor of *Oregonian*. He wrote that it was "a mere conjecture absolutely without support. More than this, it is completely disproved by all that is known of the name." Others have speculated that the name is related to the kingdom of Aragon.

In 1778, Jonathan Carver used **Oregon** to label the Great River of the West in his book *Travels Through the Interior Parts of North America*. The poet William Cullen Bryant took the name from Carver's book and used it in his poem "Thanatopsis" to refer to the recent discoveries of the Lewis and Clark Expedition; this use helped establish it in modern use.

Geography



Digital elevation model relief map of Oregon

See also: List of Oregon counties, Oregon Geographic Names, List of Oregon rivers, List of Oregon mountain ranges, and List of Oregon state parks

Oregon's geography may be split roughly into six areas:

- the Coast Range,
- the Willamette Valley,
- the Cascade Mountains
- the Klamath Mountains,
- the Columbia Plateau, and
- the Basin and Range Region.





The western slope of Mnt. Hood.

The state varies from rain forest in the Columbia Gorge to barren desert in the southeast, which still meets the technical definition of a frontier.

Oregon is 295 miles (475 km) north to south at longest distance, and 395 miles (475 km) east to west at longest distance. In terms of land and water area, Oregon is the ninth largest state, covering 97,073 square miles (254,418 km²).

Its highest point is the summit of Mount Hood, at 11,239 ft (3,428 m). As a West Coast state, its lowest point is sea level. Its mean elevation is 3,300 ft (1 km).

Crater Lake National Park is Oregon's only national park, and home to Crater Lake, the deepest lake in the U.S. at 1,932 ft. Similar federally-owned, protected recreation areas that are entirely in Oregon include: John Day Fossil Beds National Monument, Newberry National Volcanic Monument, and Oregon Caves National Monument.

Areas that are partly in Oregon and partly in neighboring states include: California National Historic Trail, Fort Vancouver National Historic Site, Lewis & Clark National Historic Trail, Lewis and Clark National Historical Parks, Nez Perce National Historical Park, Oregon National Historic Trail.

Law and government



Oregon State Capitol in 1989

Oregon state government has a separation of powers similar to the federal government. It has three branches, called departments by the state's constitution:

- a legislative department (the Oregon Legislative Assembly),

-
- an executive department which includes an "administrative department" and has Oregon's governor serving as chief executive, and
 - a judicial department, headed by the Oregon Supreme Court.

Governors in Oregon serve four-year terms and are term limited to two consecutive terms, but an unlimited number of total terms. The Secretary of State serves as Lieutenant Governor for statutory purposes. The other constitutional officers are Treasurer, Attorney General, Superintendent of Public Instruction and Labor Commissioner. The Legislative Assembly consists of a thirty-member Senate and sixty-member House. Senators serve four-year terms, and Representatives two. The state supreme court has seven elected justices, including the only openly gay state supreme court justice in the nation, Rives Kistler. They choose one of their own to serve a six-year term as Chief Justice. The only court that may reverse or modify a decision of the Oregon Supreme Court is the United States Supreme Court.

Oregon is one of the few states whose legislature is biennial. The debate over whether to move to annual sessions is a long-standing battle in Oregon politics, but the voters have resisted the move from citizen legislators to professional lawmakers. Because Oregon's state budget is written in two year increments and its revenue is based largely on income taxes, it is often significantly over- or under-budget. Recent legislatures have had to be called into special session repeatedly to address revenue shortfalls resulting from economic downturns, bringing to a head the need for more frequent legislative sessions.

The state maintains formal relationships with the nine federally-recognized tribal governments in Oregon:

- Burns Paiute Tribe
- Confederated Tribes of Coos, Lower Umpqua and Siuslaw Indians
- Confederated Tribes of Grand Ronde
- Confederated Tribes of Siletz
- Confederated Tribes of Warm Springs
- Confederated Tribes of the Umatilla Indian Reservation
- Coquille Tribe
- Cow Creek Band of Umpqua Indians
- Klamath Indian Tribe of Oregon

Oregon adopted many electoral reforms proposed during the Progressive Era, due to the efforts of William S. U'Ren and his Direct Legislation League. Under his leadership, the state overwhelmingly approved a ballot measure in 1902 that created the initiative and referendum processes for citizens to directly introduce or approve proposed laws or

amendments to the state constitution. In following years, the primary election to select party candidates was adopted in 1904, and in 1908 the Oregon Constitution was amended to include recall of public officials. More recent progressive innovations include the nation's only doctor-assisted suicide law, called the Death with Dignity law (which was challenged in 2005 by the Bush administration in the U.S. Supreme Court, in contrast to the Republicans' traditional support of states' rights), legalization of medical marijuana, and among the nation's strongest anti-sprawl and pro-environment laws.

Of the measures placed on the ballot since 1902, the people have passed 99 of the 288 initiatives and 25 of the 61 referenda on the ballot, though not all of them survived challenges in courts (see *Pierce v. Society of Sisters*, for example). During the same period, the legislature has referred 363 measures to the people, of which 206 have passed.

Oregon has been a pioneer in the use of vote-by-mail:

- 1981 The Oregon Legislature approves experimentation with vote-by-mail for local elections.
- 1987 Vote-by-mail becomes permanent, with the majority of Oregon's counties making use of it.
- 1995 Oregon becomes the first state to conduct a federal primary election totally by mail.
- 1996 Ron Wyden, Bob Packwood's replacement, is elected by mail with a 66% turnout.
- 1998 Through a voter initiative, Oregonians confirm their overwhelming support for vote-by-mail.
- 2000 Oregon becomes the first state in the nation to conduct a presidential election entirely by mail. About 80% of registered voters participated.

Oregon is currently seen as a moderate Democratic-leaning Blue State which has voted for the party in every election since 1988. The politics of the state are largely similar to those of neighboring Washington.

The distribution, sales and consumption of alcoholic beverages are regulated in the state by the Oregon Liquor Control Commission. Thus, Oregon is an Alcoholic beverage control state.

Entering the Union at a time when the status of "Negroes" was very much in question, and wishing to stay out of the looming conflict between the so-called "Union" and "Confederate" States, Oregon banned Negroes from moving into the State in the vote to adopt its Constitution (1858). This ban was not officially lifted until 1925; in 2002, additional language now considered racist was struck from the Oregon Constitution by the voters of Oregon.

Federal government

Oregon is represented at the federal level by two senators and five representatives, which translates into seven electoral votes.

Overall, Oregon leans toward the Democratic Party. It has supported Democratic candidates in the last five elections. John Kerry narrowly won the state in 2004 by a margin of 4 percentage points with 51.4% of the vote. Republicans dominate the eastern, central, and southern regions of the state, as well as the southwest and the southern outer suburbs of Portland. Essentially the Willamette Valley is dominated by Democrats while the rest of Oregon is dominated by Republicans. This divide is due to very real cultural and economic differences often with ties to land use issues. The Democratic Party of Oregon is pro-environmental and seen as supportive of urban opinions, while the Republican Party of Oregon is seen as pro-rancher and pro-logger and supportive of rural opinions.

Economy



Greetings from Oregon

The Willamette Valley is very fertile and, coupled with Oregon's famous rain, gives the state a wealth of agricultural products. Apples and other fruits, cattle, dairy products, potatoes, and peppermint are all valuable products. Oregon is also one of four major world hazelnut growing regions, and produces 95% of the domestic hazelnuts in the United States. While the history of the wine production in Oregon can be traced to before Prohibition, it became a significant industry beginning in the 1970s and Oregon is home to at least four wine appellations. Due to regional similarities of climate and soil, the grapes planted in Oregon are often the same varieties found in the French region of Alsace.

Vast forests have historically made Oregon one of the nation's major timber production and logging states, but forest fires (such as the Tillamook Burn), over-harvesting, and lawsuits over the proper management of the extensive federal forest holdings have reduced the amount of timber produced. According to the Oregon Forest Resources Institute, timber harvested from federal lands dropped some 96% from 1989 from 4,333 million to 173 million board feet (10,000,000 to 408,000 m³) in 2001. While the 1980s saw an unsustainable amount of timber harvested, the drop in timber harvested is still significant, as the total amount of timber harvested in 2001 is less than half of that in the late 1970s. Even the shift in recent years towards finished goods such as paper and building materials has not slowed the decline of the timber industry. Examples include Weyerhaeuser's acquisition of Willamette Industries in January, 2002, the announcement by Louisiana Pacific in September, 2003 that they will relocate their corporate headquarters from Portland to Nashville, and the experiences of small lumber towns like Gilchrist. Despite these changes, Oregon still leads the United States in softwood lumber production; in 2001, according to the Oregon Forest Resources Institute, 6,056 million board feet (14,000,000 m³) was produced in Oregon, against 4,5257 mbf. in Washington, 2,731 in California, 2,413 in Georgia, and 2,327 in Mississippi. The effect of the forest industry crunch is still massive unemployment in rural Oregon and is a bone of contention between rural and urban Oregon.

High technology industries and services have been a major employer since the 1970s. Tektronix was the largest private employer in Oregon until the late 1980s. Intel's creation and expansion of several plants in eastern Washington County continued the growth that Tektronix had started. The spinoffs and startups that were produced by these two companies led to the establishment of the Portland metropolitan area as the Silicon Forest. The recession and dot-com bust of 2001 in the Silicon Valley has led to similar results in the Silicon Forest; many high technology employers have either reduced the number of their employees or gone out of business. OSDL made news in 2004 when they hired Linus Torvalds, developer of the Linux kernel. Oregon also is the home of non-technology-based companies such as shoemaker Nike, whose world headquarters is located in Beaverton.

Oregon had one of the largest salmon-fishing industries in the world, although ocean fisheries have reduced the river fisheries in recent years. Tourism is also strong in the state; Oregon's evergreen mountain forests, waterfalls, pristine lakes (including Crater Lake National Park), and scenic beaches draw visitors year round. The Oregon Shakespeare Festival, held in Ashland, is a tourist draw near its Californian border which complements the area's scenic beauty and opportunity for outdoor activities.

Oregon is home to a number of smaller breweries.

Demographics

As of 2005, Oregon has an estimated population of 3,641,056, which is an increase of 49,693, or 1.4%, from the prior year and an increase of 219,620, or 6.4%, since the year 2000. This includes a natural increase since the last census of 75,196 people (that is

236,557 births minus 161,361 deaths) and an increase due to net migration of 150,084 people into the state. Immigration from outside the United States resulted in a net increase of 72,263 people, and migration within the country produced a net increase of 77,821 people.

As of 2004, Oregon's population included 309,700 foreign-born (accounting for 8.7% of the state population) and an estimated 90,000 illegal aliens (2.5% of the state population).

Race and ancestry

The racial makeup of the state:

- 83.5% White
- 8.0% Hispanic
- 1.6% Black
- 3.0% Asian
- 1.3% Native American (U.S. Census)
- 3.1% Mixed race

1970	2,091,385
1980	2,633,105
1990	2,842,321
2000	3,421,399

The largest reported ancestry groups in Oregon are: German (20.5%), English (13.2%), Irish (11.9%), American (6.2%), and Mexican (5.5%).

Most Oregon counties are inhabited principally by residents of British ancestry, with a high proportion of German-Americans in the northwest. There are large numbers of Mexicans in Malheur and Jefferson counties.

6.5% of Oregon's population were reported as under 5, 24.7% under 18, and 12.8% were 65 or older. Females made up approximately 50.4% of the population.

See also: List of people from Oregon, List of Portlanders, and Oregon locations by per capita income

Religion

The religious affiliations of the people of Oregon are:

- Christian – 75%
 - Protestant – 55%
 - Baptist – 6%

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- Lutheran – 6%
 - Methodist – 4%
 - Presbyterian – 3%
 - Episcopal – 2%
 - Pentecostal – 2%
 - Church of Christ – 2%
 - Other Protestant or general Protestant – 30%
 - Roman Catholic – 15%
 - LDS – 4%
 - Other Christian – 1%
 - Other Religions – 1%
 - Non-Religious – 24%

Although most people from Oregon still identify themselves (at least nominally) as Christians, Oregon has the lowest church membership of all 50 states. While some parts of the USA have church membership rates as high as 80%, it runs only about 12% in Oregon. Nearly one in four Oregonians identify themselves as non-religious, giving Oregon one of the highest percentages of non-religious people in the nation. "Non-religious" is an umbrella term which is sometimes synonymous with or includes elements of atheism, agnosticism, skepticism, freethought, humanism, secular humanism, heresy, logical positivism, and even apathy.

2000-2003 population trends

Estimates released September 2004 show double-digit growth in Latino and Asian American populations since the 2000 Census. About 60% of the 138,197 new residents come from ethnic and racial minorities. Asian growth is located mostly in the metropolitan areas of Portland, Salem, and Eugene; Hispanic population growth is across the state.

Major cities and towns



Portland

Further information: List of cities in Oregon

The capital is Salem and the largest city is Portland. Eugene, home of the University of Oregon has recently become the third largest city, surpassed by Salem.

Oregon City was the first incorporated city west of the Rockies and later, the first capital of the Oregon Territory, from 1848 to 1852, when the territory capital was moved to Salem, Oregon. It was also the end of the Oregon Trail and the site of the first public library established west of the Rocky Mountains, stocked with only 300 volumes.



Education

Colleges and universities

- Concordia University, Portland
- Corban College (formerly known as Western Baptist College)
- Eastern Oregon University
- Eugene Bible College
- George Fox University
- Gutenberg College
- Lewis & Clark College
- Linfield College
- Marylhurst University

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- Mount Angel Seminary
 - Multnomah Bible College and Seminary
 - National College of Naturopathic Medicine
 - Northwest Christian College
 - Oregon Health and Science University
 - Oregon Institute of Technology
 - Oregon State University
 - Pacific Northwest College of Art
 - Pacific University
 - Portland State University
 - Reed College
 - Southern Oregon University
 - University of Oregon
 - University of Portland
 - Warner Pacific College
 - Western Oregon University
 - Western States Chiropractic College
 - Willamette University

Community colleges

- Blue Mountain Community College
- Central Oregon Community College
- Clackamas Community College
- Chemeketa Community College
- Klamath Community College*
- Lane Community College
- Linn-Benton Community College

-
- Mount Hood Community College
 - Portland Community College
 - Rogue Community College
 - Southwestern Oregon Community College
 - Treasure Valley Community College
 - Umpqua Community College
 - Clatsop Community College

Professional sports teams

- Portland Trailblazers of the National Basketball Association
- Portland Winter Hawks of the Western Hockey League
- Portland Timbers of the USL First Division
- Portland Lumberjax of the National Lacrosse League
- Farm clubs of Major League Baseball:
 - Eugene Emeralds, a single-A club in the Northwest League
 - Portland Beavers, a triple-A club in the Pacific Coast League
 - Salem-Keizer Volcanoes, a single-A club in the Northwest League

Broadcasting

- List of television stations in Oregon
- List of radio stations in Oregon
- Oregon Public Broadcasting
- Jefferson Public Radio

State symbols

State flower: Oregon-grape (since 1899)

State song: Oregon, My Oregon (written in 1920 and adopted in 1927)

State bird: Western meadowlark (chosen by the state's children in 1927)

State tree: Douglas-fir (since 1939)

State fish: Chinook salmon (since 1961)

State rock: Thunderegg (like a geode but formed in a rhyolitic lava flow; since 1965)

State animal: Beaver (since 1969)

State dance: Square Dance (Adopted in 1977)

State insect: Oregon Swallowtail Butterfly (*Papilio oregonius*; since 1979)

State gemstone: Oregon sunstone, a type of feldspar (since 1987)

State nut: Hazelnut (since 1989)

State seashell: Oregon hairy triton (*Fusitriton oregonensis*, a gastropod in the cymatiidae family; since 1991)

State mushroom: Pacific Golden Chanterelle (since 1999)

State beverage: Milk (since 1997)

State fruit: Oregon Pear (since 2005)

State motto: *Alis Volat Propriis*, Latin for “She Flies With Her Own Wings” (since 1987; This was the original motto of Oregon, but had been changed to “The Union” in 1957.[2])

State hostess: Miss Oregon (since 1969)

State team: Portland Trail Blazers of 1990–1991 (since 1991)

Appendix E

Qualifications of Valuation Consultant

LAURA M. YOUNG, CFA, ASA

PROFESSIONAL EXPERIENCE

- 2004 – Present **Senior Certified Appraiser**
Provides business valuation and litigation services directly to clients and on a contract basis. Valuation assignments include family limited partnerships, limited liability companies and operating companies for estate reporting, gift reporting and potential sale purposes.
- 1998 – 2004 **Moss Adams Advisory Services, A Division of Moss Adams LLP**
Portland, Oregon
Manager
Provided business valuation services. Performed the valuation of operating companies, family limited partnerships and limited liability companies for a variety of reasons including gift tax purposes, estate planning, litigation and ESOPs. Supervised junior level analysts. Prepared and presented pertinent valuation topics at the group's annual training meeting. Responsible for achieving sales and marketing targets.
- 1995 – 1998 **Frank Russell Company**
Tacoma, Washington
Senior Financial Analyst
Created a detailed model to facilitate the process of determining an appropriate budget profit target for each business unit. Analyzed annual budget submissions for each business unit, and presented information for senior management review. Managed annual training and provided support to over 20 domestic and international internal clients on financial planning software.
- 1993 – 1995 **Seafirst Bank**
Seattle, Washington
Senior Financial Analyst
Interacted with bank managers to gather input and develop assumptions relating to each business unit's annual profit plan. Utilized analytical skills to provide forecast of unit level profitability under different business environments.
- 1989 – 1991 **Continental Bank, N.A.,**
Chicago, Illinois
Associate Investment Advisor
Analyzed client portfolios, evaluated securities holdings, and provided internal investment recommendations.

EDUCATION AND PROFESSIONAL DESIGNATIONS

- 1993 MBA in Finance, University of Washington.
- 1992 Helsinki School of Economics and Business Administration,
International Studies, Helsinki, Finland
- 1989 BA in Economics, Wheaton College
CFA (Chartered Financial Analyst), CFA Institute
ASA (Accredited Senior Appraiser), American Society of Appraisers

PROFESSIONAL AFFILIATIONS

- Member, CFA Institute
- Member, Portland Society of Financial Analysts
- Member, American Society of Appraisers

EXPERT TESTIMONY

Bradley Crement and Paulette Crement v. Howard A. Scalone, D.O., Howard Scalone, D.O., P.C., Circuit Court of the State of Oregon for Multnomah County. Case No 0211-11735. July 2005.

Schedules

< Schedules intentionally omitted from sample report >