October 6, 2006

Mr. Mike and Shirley Jones
Peachtree Plumbing, Inc.
5929 Red Bluff Boulevard
Atlanta, Georgia 30329

Description of Engagement

Plough-Back Financial has been engaged by you to estimate the fair market value of a 36.4% interest, equivalent to 20,000 shares, in Peachtree Plumbing, Inc. ("Peachtree", "Company", or "Co.") as of June 30, 2006. The conclusion of value will be used as a basis for negotiation of the aforementioned interest. The premise of value selected is consistent with that of a going concern—that is an enterprise with assets that will continue operating into the future. Plough-Back completed the valuation report on October 6, 2006.

Pursuant to Revenue Ruling (RR) 59-60, the IRS defines Fair Market Value as follows:

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

Company Overview

Peachtree is a privately-held plumbing contracting company headquartered in Atlanta, Georgia. The Company was founded in 1989 by Reginald Jones. Upon Mr. Jones passing away, his family inherited the company; namely, his son and daughter-in-law, Mike and Shirley Jones and their two children Mark and Jill Jones. Of the 55,000 shares outstanding, Mark and Shirley own 30,000 and 20,000 shares, equivalent to a 54.5% and 36.4% ownership interest, respectively. Their children, Mark and Jill Jones own 3,000 and 2,000 shares, equivalent to a 5.5% and 3.6% ownership interest, respectively. Peachtree serves both residential and commercial markets in northern Florida and Georgia. The Company is primarily engaged in servicing, installing, and combined selling and installing plumbing related to new jobs, additions, and maintenance of past jobs.

Valuation Methods and Conclusion of Value

The valuation process included several plausible valuation approaches. To that end, we considered the Income, Asset, Market, Income/Asset, and Rule of Thumb approaches. First, the Income approaches considered include the capitalization and discounted cash flow (DCF) methods. Given Peachtree's 15.6% compounded annual growth rate (CAGR) between 2002 and 2006, coupled with management's optimistic growth forecast, the DCF method was chosen as a more effective valuation approach than the capitalization method. Additionally, we performed a single regression analysis to determine whether or not the passage of time is a strong indicator of Company earnings. The regression analysis results produced an R^2 value of 0.93; thus, validating the positive correlation between time and earnings. The regression analysis is discussed further in the body of the report. Second, the Asset approach was considered; however, this approach pursuant to RR 59-60 is suited towards non-operating enterprises, asset-intensive operations (i.e., Real Estate Holding Companies), buy-sell agreements, or companies with poor financial performance. None of these conditions are relevant to Peachtree and, therefore, using the Asset approach was deemed imprudent.

Third, we identified reasonably comparable guidelines companies using Pratt's Stats completed transaction database, resulting in our decision to use the Market approach as a viable valuation alternative. Fourth, the Excess Earnings/Reasonable Rate Method is considered a viable valuation approach because Peachtree is outperforming its competitors, in terms of year-over-year growth and profitability, which implies that the Company is benefiting from the effective use of intangible assets. It should be noted that the Excess Earnings/Reasonable Rate Method is a variation of the Excess Earnings/Treasury Method. Pursuant to RR 68-609, the Treasury Method should only be used when there isn't a more effective approach to valuing intangible assets. Fifth and last, the Rule of Thumb approach was considered as a sanity check of the DCF, Guideline Completed Transaction (GCT), and Excess Earnings/Reasonable Rate methods. The Rule of Thumb method was deemed non-viable following our due diligence efforts because we failed to identify reliable industry data that could be applied to the subject Company.

Based on the information and analysis presented in the detailed valuation report, Plough-Back Financial opines that a 36.4% interest in Peachtree Plumbing, Inc. is valued at **$1,767,000**, or **$88.34** per share.

The conclusion of value is subject to the assumptions and limiting conditions in Appendix A.

Timothy R. Carter, CVA

Timothy R. Carter, CVA

Plough-Back Financial, Inc.

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1 Company Profile and Operations Analysis

1.1 Background

Peachtree Plumbing, Inc. was founded in 1989 by Reginald Jones in Atlanta, Georgia, where the Company remains headquartered today. Mike and Shirley Jones and their two children, Mark and Jill Jones inherited the Company in 2000. Peachtree is engaged in servicing, installing, and combined selling and installing plumbing in residential and commercial markets.

1.2 Operations

Mike Jones is majority owner and controlling stock holder. He is responsible for business development, marketing, and supervising construction teams. Mike leverages his strong reputation and association with construction trade organizations to develop new business and brand loyalty among existing clients. The Company primarily serves the general construction markets of northern Florida and Georgia, generating the greatest percentage of revenues in Atlanta, Georgia. Shirley Jones is the second largest Company shareholder. She is the office manager responsible for directing daily business operations. Mark and Jill Jones combined own less than 10% of the Company and are not involved in daily business operations. Peachtree leases a facility in Atlanta, Georgia, which is owned by the Jones Family Limited Partnership (FLP). Jones FLP is a separate entity and is not included in the Peachtree valuation.

1.3 Competitive Landscape

Plumbing contractors primarily engage in the installation and maintenance of water, waste disposal, drainage, and gas systems. The construction industry has high barriers to entry—related to the initial capital investment in machines, equipment, tools, and vehicles. The industry is also high risk in that low bid contracts may prove to be unprofitable and high bid proposals may result in the failure to win contracts; either way, overhead and capital investment costs continue unmitigated. Peachtree's business model is heavily dependent on the construction industry, which is dependent on local and national economic conditions; specifically, the cost of capital to investors and consumer mortgage rates. The construction industry generated $479 billion in revenues in 2005 and it is expected to grow 5% on average through 2010. There are an estimated 96,835 plumbing and HVAC contractors, who paid a combined $39 billion in salaries and wages in 2005. Despite a significant number of plumbing and HVAC companies, the majority of them do not have nationwide coverage. The majority of contract jobs are bid and performed locally. Peachtree's direct competitors in northern Florida and Georgia include Diggs Plumbing, The Plumbing Company, and Plumbing Pros. The Company and its direct competitor's market share is less than 1% of constructions starts. Peachtree differentiates itself from competitors by forging strategic partnerships with trade organizations, delivering high quality products and services, hiring skilled workers, offering competitive wages, and building long-term relationships with customers.[1]

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[1] Construction Industry Report: June 2006.

1.4 Organization Structure and Management

A small Company with 51 employees, Peachtree operates as a functional organizational. In other words, employees are organized around specialized skill sets resulting in operational efficiencies. The four functional areas are Construction, Cost Estimating, Maintenance, and Operations/Accounting. Shirley Jones serves as Owner/Executive Manager in charge of Operations/Accounting. Mike Jones serves as Owner/Executive Manager in charge of the remaining three functional areas. Mike is also the Company's only controlling owner with a 54.5% interest. Shirley's direct report is David, who is the Office Manager/Controller. David also manages a two person support staff. Don is the Construction Manager with four foremen under his direction. Jack is the sole Cost Estimator. Steve is the Maintenance Foreman and has two mechanics under his direction.

1.5 Employee Relations

Peachtree has an excellent relationship with its employees. The Company offers full-time employees health insurance, profit sharing, training, modern working facilities, and competitive salaries that exceed the industry average of $42,000 per year. The Company also offers its employees steady work, which lends itself to a low turnover rate. Mike and Shirley Jones have an open door policy enacted to promote transparency, control bureaucracy, and efficiently address all issues affecting the business.

1.6 Facilities and Equipment

Peachtree leases a modern 6,000 sq ft. facility in Atlanta Georgia complete with executive offices, staff workspaces, conference rooms, inventory storage, and a recreation room. There is also ample parking on the property for employee and company-owned vehicles. All equipment and vehicles receive preventive maintenance to mitigate employee injuries and to increase the equipment mean-time-between failure (MTBF).

1.7 Financing

Peachtree is economically profitable and, therefore, finances its working capital needs. Moreover, the Company has a strong balance sheet with excess cash on hand if needed. The Company wisely uses long-term debt to finance plant, property & equipment, reducing its effective weighted average cost of capital (WACC). Peachtree also has an excellent relationship with its Bank, where it has a $500,000 line of credit available if needed, but rarely ever uses it.

1.8 Stock Ownership

The Company has 55,000 shares outstanding allocated among the following shareholders:

Shareholder	Number of Shares	Percent
Mike Jones*	30,000	54.5%
Shirley Jones	20,000	36.4%
Mark Jones	3,000	5.5%
Jill Jones	2,000	3.6%
Total	**55,000**	**100.0%**

**Mike Jones is the only shareholder with a controlling interest.*

The only restriction on shareholders is that another family member must be given the right of first refusal to buy his or her shares.

1.9 Growth Expectations

Since inheriting Peachtree Plumbing in 2000, Mike and Shirley Jones have grown the Company 15.6% on average between 2002 and 2006, exceeding the Construction industry growth rate by a minimum of 13% during the same period. Most of the growth has been organic; however, the Company has also developed strategic partnerships with select construction companies that sole source jobs to Peachtree rather than compete them in marketplace. The Company owners forecast that the business will continue to grow at 15.6% through 2007; growth will fade roughly 3% per year between 2008 and 2011; and they concur with our valuation team that a long-term growth rate of 3% is reasonable. Peachtree's long-term growth rate is consistent with projected growth in real gross domestic product (GDP)[2]. The Company also has excess cash on hand that will be used to invest in a new facility, hire new employees, and purchase new equipment to support projected growth.

1.10 Strengths and Weaknesses

Peachtree's strengths can be credited to ownership, management, and support staff. Ownership has solidified the stellar reputation established by the Company's founder. To that end, the Company is highly regarded for its work ethic, team work, integrity, and skilled plumbers. Their quality work product results from hiring licensed and experienced plumbers with diverse skill sets. Ownership also understands the importance of paying competitive wages to help retain talented employees and foster long-term team continuity. Mike and Shirley not only understand its core business, but also have impressive financial acumen, in terms of managing cash flow, profitability, working capital, and balancing the use of debt and equity to the Company's advantage. Peachtree conducts business in

[2] Federal Government's Economic Assumptions: 2010.

Florida and Georgia, recognizing that dependence on a single market or customer could disrupt operations during an economic downturn.

Peachtree depends solely on Mike Jones' personal reputation and professional associations to develop business. If Mike is no longer able to perform this function, prospects for new business are severely limited.

2 Economic and Industry Analysis

2.1 Economic Analysis

According to the Federal Open Market Committee (FOMC) meeting minutes, dated June 28-29, 2006, economic activity slowed significantly since the first quarter of 2006. Specifically, consumer spending decreased and the housing market contracted. Average new monthly payrolls decreased 58,000 from 170,000 to 112,000. Fuel and energy prices have been increasing annually by double digit percentages for several years through the second quarter of 2006. Evidence shows that higher fuel prices are being passed on to consumers and businesses via airfare, lodging, consumer goods, and capital investments such as automobiles and equipment. Conversely, food prices have decreased since the January 2006 FOMC meeting. The Center for Economic & Industry Research reports that rents have increased due to high home prices and rising inflation rates, reducing the number of potential home buyers. In an attempt to rein in price inflation and moderate growth, the Federal Reserve increased the discount rate 25 basis points from 4.75% to 5%. FOMC meeting participants noted that housing construction activity had declined since their January meeting, as evidenced by lower housing starts and permit requests, as well as unsold inventory and cancellations of new home sales.

According to the Atlanta-Sixth District Beige Book, dated June 14, 2006, construction and sales are trending at levels comparable to 2005. However, the Beige Book notes that sales in Florida have begun to slow, as evidenced by increasing inventory, project cancellations, and declining mortgage applications. The nonresidential construction market is experiencing declining vacancy rates and positive absorption, which are indicators of a healthy market across the District. High oil prices continue to put upward pressure on construction materials. This is a price elasticity dilemma for the construction industry, in terms of being able to pass through higher material costs to investors without reducing demand. According to the Bureau of Labor Statistics (BLS), Florida and Georgia employ approximately 79,505 and 29,772 plumbing and HVAC employees, respectively. The employee equivalent in total wages in Florida and Georgia are $2.9 and $1.1 billion, respectively.

2.2 Industry Analysis

The construction industry is expected to grow 5% on average through 2010, according to Datamonitor. Demand for plumbing fittings is expected to increase 2% per year through 2010—bolstered by growth in nonresidential construction and residential repairs and improvements. The BLS estimates that employment for plumbers and related construction jobs will grow between 9% and 14% through 2014.

Moreover, BLS predicts that job opportunities in the plumbing profession will exceed the supply of skilled workers, putting upward pressure on employee wages.

3 Financial Analysis of the Subject Company

3.1 Balance Sheet Analysis

The information and analysis contained herein is based on the Company balance sheet between 2002 and 2006 provided by Peachtree's owners (Exhibit 1). We used the balance sheet to create a common-size and normalized balance sheet. The balance sheet analysis was ultimately used to help develop and opine a conclusion of value.

Cash. The cash balance has grown consistently as a percentage of total assets from $209,000 to $1,403,000.

Accounts Receivable. Accounts receivable has been fairly consistent at approximately 14% of total assets from $291,000 to $891,000. However, the A/R balance spiked in 2003 because the average days sales outstanding (DSO) increased from 30 to 60.

Inventory. The inventory balance has increased consistently at approximately 1% of total assets from $25,000 to $49,000.

Other Current Assets. The Company invested excess cash in marketable securities including money market funds, commercial paper, junk bonds, and Treasury bills. As a result of these investments, other current assets have increased from $50,000 to $2,150,000.

Property, Plant & Equipment. The investment in PP&E has increased in proportion to total assets from $450,000 to $900,000.

Notes Payable. As a percentage of total assets and long-term debt, notes payable increased at a decreasing rate from $73,000 to $135,000

Long-term Debt. Long-term debt increased at a decreasing rate, or in proportion to total fixed assets from $705,000 to $1,831,000.

3.2 Common- Size Balance Sheet

Each line item on the balance sheet is expressed as a percentage of total assets. The purpose of a common-size financial statement is to examine internal trends and to compare the subject Company with other companies in the same industry. The common-size balance sheet for Peachtree is displayed in Exhibit 2.

3.3 Economic/Normalized Balance Sheet

A normalized balance sheet is adjusted for non-operating assets and liabilities and/or for non-recurring, non-economic or other unusual items to eliminate anomalies and/or facilitate comparisons. A normalized balance sheet for Peachtree is displayed in Exhibit 3. We made the following balance sheet normalization adjustments to reflect the current market values of assets and liabilities:

- Cash and equivalents have been reduced $1,094,000 and $1,676,000, respectively. Cash and equivalents before making normalization adjustments were 55% of total assets (Exhibit 2). Cash and equivalents have been adjusted downward 43% to the industry average of 12%.
- Inventory under the FIFO method of accounting has been increased $4,650 from $49,000 to $53,650.
- Plant, Property & Equipment has increased $458,250 from $900,000 to $1,358,250. This adjustment is based on an appraisal performed by a third party appraiser.

Exhibit 1: Historical Balance Sheet

PEACHTREE PLUMBING, INC.
Historical Balance Sheet Summary

For Year Ended June 30: (in 000's)	6/30/2002	6/30/2003	6/30/2004	6/30/2005	6/30/2006
Assets					
Current Assets					
Cash	$209	$350	$1,005	$1,435	$1,403
Accounts Receivable (WIP)	290	750	689	714	891
Inventory	25	30	39	45	49
Other Current Assets					
Loans to Stockholders	0	0	0	0	0
Short-term Investments	50	65	514	1,220	2,150
Total Current Assets	574	1,195	2,247	3,414	4,493
Fixed Assets					
Property,Plant & Equipment	450	475	550	675	900
Land	900	900	900	900	900
Other Fixed Assets	12	15	13	18	25
Total Fixed Assets	1,362	1,390	1,463	1,593	1,825
Other Assets					
Deposits	150	150	150	150	150
Other	0	0	0	0	0
Total Other Assets	150	150	150	150	150
Total Assets	**$2,086**	**$2,735**	**$3,860**	**$5,157**	**$6,468**
Liabilities & Equity					
Current Liabilities					
Notes Payable (short-term)	73	88	111	119	135
Accounts Payable	11	13	15	12	10
Other Current Liabilities	3	5	2	4	3
Total Current Liabilities	87	106	128	135	148
Long-term Liabilities					
Notes Payable	705	830	1,158	1,517	1,831
Other Long-term Liabilities	0	0	0	0	0
Total Long-term Liabilities	705	830	1,158	1,517	1,831
Stockholder's Equity					
Common Stock	55	55	55	55	55
Paid-in Capital	465	465	465	465	465
Retained Earnings	774	1,236	2,054	2,985	3,969
Other Equity					
Dividends	0	43	0	0	0
Total Other Equity	0	43	0	0	0
Total Stockholder's Equity	1,294	1,799	2,574	3,505	4,489
Total Liabilities & Equity	**$2,086**	**$2,735**	**$3,860**	**$5,157**	**$6,468**
	Balanced	Balanced	Balanced	Balanced	Balanced

Exhibit 2: Common-Size Balance Sheet

PEACHTREE PLUMBING, INC.
Common Size Balance Sheet

For Year Ended June 30	6/30/2002	6/30/2003	6/30/2004	6/30/2005	6/30/2006
Assets					
Current Assets					
Cash	10.02%	12.80%	26.04%	27.83%	21.69%
Accounts Receivable (WIP)	13.90%	27.42%	17.85%	13.85%	13.78%
Inventory	1.20%	1.10%	1.01%	0.87%	0.76%
Other Current Assets					
Loans to Stockholders	0.00%	0.00%	0.00%	0.00%	0.00%
Short-term Investments	2.40%	2.38%	13.32%	23.66%	33.24%
Total Current Assets	27.52%	43.69%	58.21%	66.20%	69.47%
Fixed Assets					
Property,Plant & Equipment	21.57%	17.37%	14.25%	13.09%	13.91%
Land	43.14%	32.91%	23.32%	17.45%	13.91%
Other Fixed Assets	0.58%	0.55%	0.34%	0.35%	0.39%
Total Fixed Assets	65.29%	50.82%	37.90%	30.89%	28.22%
Other Assets					
Deposits	7.19%	5.48%	3.89%	2.91%	2.32%
Other	0.00%	0.00%	0.00%	0.00%	0.00%
Total Other Assets	7.19%	5.48%	3.89%	2.91%	2.32%
Total Assets	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**
Liabilities & Equity					
Current Liabilities					
Notes Payable (short-term)	3.50%	3.22%	2.88%	2.31%	2.09%
Accounts Payable	0.53%	0.48%	0.39%	0.23%	0.15%
Other Current Liabilities	0.14%	0.18%	0.05%	0.08%	0.05%
Total Current Liabilities	4.17%	3.88%	3.32%	2.62%	2.29%
Long-term Liabilities					
Notes Payable	0.00%	0.00%	0.00%	0.00%	0.00%
Other Long-term Liabilities	0.00%	0.00%	0.00%	0.00%	0.00%
Total Long-term Liabilities	33.80%	30.35%	30.00%	29.42%	28.31%
Stockholder's Equity					
Common Stock	2.64%	2.01%	1.42%	1.07%	0.85%
Paid-in Capital	22.29%	17.00%	12.05%	9.02%	7.19%
Retained Earnings	37.10%	45.19%	53.21%	57.88%	61.36%
Other Equity					
Dividends	0.00%	1.57%	0.00%	0.00%	0.00%
Total Other Equity	0.00%	1.57%	0.00%	0.00%	0.00%
Total Stockholder's Equity	62.03%	65.78%	66.68%	67.97%	69.40%
Total Liabilities & Equity	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Exhibit 3: Economic/Normalized Balance Sheet

PEACHTREE PLUMBING, INC.

Normalized Historical Balance Sheet Summary

For Year Ended June 30, 2006: (in 000's)	Accounting Balance Sheet	Adjustments +/(-)	Normalized Balance Sheet
Assets			
Current Assets			
Cash	$1,403	($1,094)	$309
Accounts Receivable (WIP)	891	0	$891
Inventory	49	4.65	$54
Other Current Assets			$0
Loans to Stockholders	0	0	$0
Short-term Investments	2,150	(1,676)	$474
Total Current Assets	4,493	(2,765)	1,728
Fixed Assets			
Property, Plant & Equipment	900	458	1,358
Land	900	0	900
Other Fixed Assets	25	0	25
Total Fixed Assets	1,825	458	2,283
Other Assets			
Deposits	150	0	150
Other	0	0	0
Total Other Assets	150	0	150
Total Assets	**$6,468**	**($2,307)**	**$4,161**
Liabilities & Equity			
Current Liabilities			
Notes Payable (short-term)	135	0	135
Accounts Payable	10	0	10
Other Current Liabilities	3	0	3
Total Current Liabilities	148	0	148
Long-term Liabilities			
Notes Payable	1,831	0	1,831
Other Long-term Liabilities	0	0	0
Total Long-term Liabilities	1,831	0	1,831
Stockholder's Equity			
Common Stock	55	0	55
Paid-in Capital	465	0	465
Retained Earnings	3,969	(2,307)	1,662
Other Equity			
Dividends	0	0	0
Total Other Equity	0	0	0
Total Stockholder's Equity	4,489	(2,307)	2,182
Total Liabilities & Equity	**$6,468**	**($2,307)**	**$4,161**

3.4 Income Statement Analysis

The information and analysis contained herein is based on the Company's income statements between 2002 and 2006 provided by Peachtree's owners (Exhibit 4). We used the income statement to create a common-size and normalized income statement. The income statement analysis was ultimately used to help develop and opine a conclusion of value.

Sales Revenue. Sales revenue increased from $3,529 to $7,295—that is 107% total growth and a 15.6% CAGR.

Operating Expenses. All major operating expenses including salaries & wages, officer's compensation, auto/equipment, and other operating expenses decreased as a common-size percentage of sales revenue.

Net Income. Net income increased from $415,000 to $984,000—that is 137% total growth over a five year period.`

3.5 Common- Size Income Statement

Each line item on the income statement is expressed as a percentage of sales revenue. The purpose of a common-size financial statement is to examine internal trends and to compare the subject company with other companies in the same industry. The common-size income statement for Peachtree is displayed in Exhibit 5.

3.6 Economic/Normalized Income Statement

"A normalized income statement is intended to reflect the true economic results of operation similar to what a prospective buyer might require to have reasonable knowledge of the relevant facts." A normalized income statement for Peachtree is displayed in Exhibit 6. We made the following normalization adjustments to the income statement to reflect the current market value of operations:

- Officer's Compensation. The fair market value (FMV) of Mike and Shirley's salaries is $100,000 and $58,000, respectively, according to a third party salary survey. Therefore, we increased or decreased total officer's compensation to the FMV of $158,000.
- Rent. The FMV of rent for Peachtree's facility is $6,000 per month, according to a third party commercial realty company. Peachtree paid $5,500 per month in 2006—that is $500 per month less than FMV. We increased the rent operating expense by $500 per month, or $6,000 per year. We assumed that Peachtree had been paying $500 below FMV since 2002.
- Other Income. We offset 100% of other income generated outside of normal business operations.

Exhibit 4: Historical Income Statements

PEACHTREE PLUMBING, INC.
Historical Income Sheet Summary

For Year Ended June 30: (in 000's)	6/30/2002	6/30/2003	6/30/2004	6/30/2005	6/30/2006
REVENUES					
Total Revenue	$3,529	$4,156	$5,755	$6,489	$7,295
Operating Expenses					
Officer's Compensation	120	144	168	192	240
Other Salaries & Wages	1,691	1,991	2,757	3,109	3,495
Rent	36	42	48	54	66
Payroll Taxes	196	231	320	360	405
Truck/Equipment/Auto Expense	325	411	463	520	633
Insurance	29	36	49	61	78
Legal/Professional Expenses	26	27	29	31	41
Travel & Entertainment	4	4	5	5	5
Director Fees	3	5	6	10	18
Pension & Profit Sharing	35	42	58	65	73
Depreciation & Amortization	57	68	86	84	73
Interest Expense	58	68	94	107	120
Other Operating Expenses	286	332	416	469	522
Total Operating Expenses	2,866	3,401	4,499	5,067	5,769
Income from Operations	663	755	1,256	1,422	1,526
Other Income/(Expense)	22	31	53	67	84
Earnings Before Tax	685	786	1,309	1,489	1,610
Income Tax Expense	270	324	491	558	626
Net Income/(Loss)	**$415**	**$462**	**$818**	**$931**	**$984**

Exhibit 5: Common-Size Income Statement

PEACHTREE PLUMBING, INC.

Common Size Income Statement

For Year Ended June 30	6/30/2002	6/30/2003	6/30/2004	6/30/2005	6/30/2006
REVENUES					
Total Revenue	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**
Operating Expenses					
Officer's Compensation	3.40%	3.46%	2.92%	2.96%	3.29%
Other Salaries & Wages	47.92%	47.91%	47.91%	47.91%	47.91%
Rent	1.02%	1.01%	0.83%	0.83%	0.90%
Payroll Taxes	5.55%	5.56%	5.56%	5.55%	5.55%
Truck/Equipment/Auto Expense	9.21%	9.89%	8.05%	8.01%	8.68%
Insurance	0.82%	0.87%	0.85%	0.94%	1.07%
Legal/Professional Expenses	0.74%	0.65%	0.50%	0.48%	0.56%
Travel & Entertainment	0.11%	0.10%	0.09%	0.08%	0.07%
Director Fees	0.09%	0.12%	0.10%	0.15%	0.25%
Pension & Profit Sharing	0.99%	1.01%	1.01%	1.00%	1.00%
Depreciation & Amortization	1.62%	1.64%	1.49%	1.29%	1.00%
Interest Expense	1.64%	1.64%	1.63%	1.65%	1.64%
Other Operating Expenses	8.10%	7.99%	7.23%	7.23%	7.16%
Total Operating Expenses	81.21%	81.83%	78.18%	78.09%	79.08%
Income from Operations	18.79%	18.17%	21.82%	21.91%	20.92%
Other Income/(Expense)	0.62%	0.75%	0.92%	1.03%	1.15%
Earnings Before Tax	19.41%	18.91%	22.75%	22.95%	22.07%
Income Tax Expense	7.65%	7.80%	8.53%	8.60%	8.58%
Net Income/(Loss)	**11.76%**	**11.12%**	**14.21%**	**14.35%**	**13.49%**

Exhibit 6: Economic/Normalized Income Statement

PEACHTREE PLUMBING, INC.
Normalized Historical Income Sheet Summary

For Year Ended June 30: (in 000's)	6/30/2002	6/30/2003	6/30/2004	6/30/2005	6/30/2006
REVENUES					
Total Revenue	$3,529	$4,156	$5,755	$6,489	$7,295
Operating Expenses					
Officer's Compensation	120	144	168	192	240
Adjustment:					
Officer's Compensation Differential	38	14	(10)	(34)	(82)
Other Salaries & Wages	1,691	1,991	2,757	3,109	3,495
Rent	36	42	48	54	66
Adjustment:					
Rent Differential	6	6	6	6	6
Payroll Taxes	196	231	320	360	405
Truck/Equipment/Auto Expense	325	411	463	520	633
Insurance	29	36	49	61	78
Legal/Professional Expenses	26	27	29	31	41
Travel & Entertainment	4	4	5	5	5
Director Fees	3	5	6	10	18
Pension & Profit Sharing	35	42	58	65	73
Depreciation & Amortization	57	68	86	84	73
Interest Expense	58	68	94	107	120
Other Operating Expenses	286	332	416	469	522
Total Operating Expenses	2,910	3,421	4,495	5,039	5,693
Income from Operations	619	735	1,260	1,450	1,602
Other Income/(Expense)	22	31	53	67	84
Adjustment:					
Other Income/(Expense)	(22)	(31)	(53)	(67)	(84)
Earnings Before Tax	619	735	1,260	1,450	1,602
Income Tax Expense	270	324	491	558	626
Net Income/(Loss)	**$349**	**$411**	**$769**	**$892**	**$976**

3.7 Ratio Analysis

We analyzed key financial and operating ratios intended to measure the Company's overall health; namely, its strengths, weaknesses, and operational efficiency.

Current Ratio. The current ratio [(Current Assets / Current Liabilities)] is a measure of solvency—provided that accounts receivable and inventories are liquid.

Quick Ratio. The quick ratio [(Cash + Marketable Securities + Receivables) / Current Liabilities] provides a better indicator of the company's solvency compared with the current ratio.

Receivables Ratio. The receivables ratio [(Sales/Receivables)] measures the number of times receivables are collected during the period being examined.

Sales/Working Capital. The Sales / Working Capital ratio [(Sales/(Current Assets – Current Liabilities)] measures the Company's ability to generate sufficient revenues to finance its working capital needs.

Interest Coverage Ratio. This ratio [(EBIT / Interest Expense)] is a measure of the company's ability to meet it interest payments.

Operating Cash Flow (OCF) Ratio. The OCF ratio [(Net Profit + Depreciation + Amortization + Deposits)/ Current LTD)] measures the Company's ability to generate sufficient resources to meet its current liabilities.

Profit Before Taxes/Total Assets Ratio. This ratio [(PBT / Total Assets)] measures the Company's return on assets for each dollar invested.

Net Fixed Asset Turnover Ratio. This ratio [(Net sales / (Beginning FA + Ending FA) / 2)] measures the Company's ability to effectively and efficiently utilize fixed assets to generate sales.

Sales/Total Assets Ratio. This ratio [(Sales/Total Assets)] measures the Company's ability to effectively and efficiently utilize its asset investment to generate sales.

3.8 Comparative Analysis

Peachtree's key ratios between 2002 and 2006 are compared with industry benchmarks, published by The Risk Management Association, or RMA (Exhibit 7).

Current Ratio. Co. consistently outperformed the industry benchmark, demonstrating its ability to efficiently meet its obligations.

Quick Ratio. Co. consistently outperformed the industry benchmark, demonstrating its ability to efficiently meet its obligations.

Receivables Ratio. Co. outperformed the industry benchmark four out of five years. However, Peachtree's receivables ratio dropped to 5.5, or 66 days sales outstanding in 2003.

Sales/Working Capital Ratio. Co. underperformed the industry benchmark. However, the benchmark understates Peachtree's strong operational performance. Specifically, the sales/ working ratio is skewed toward a small number of hundred million and billion dollar construction companies that generate the greatest percentage of total industry revenues; effectively, these companies compared with Peachtree have much higher sales revenue in proportion to their working capital positions.

Interest Coverage Ratio. Co. consistently outperformed the industry benchmark, demonstrating its ability to earn sufficient profits to cover its current long term debt.

Operating Cash Flow/Current LTD Ratio. Co. consistently outperformed the industry benchmark, demonstrating the ability to generate sufficient cash flow to cover its current long-term debt.

Profit Before Taxes/Total Assets Ratio. Co. consistently outperformed the benchmark ROI, primarily because its operating profits exceed the benchmark by double digits, while its assets have increased (as a percentage of sales) at a decreasing rate.

Net Fixed Asset Turnover Ratio. Co. underperformed the industry benchmark. However, the net fixed asset turnover ratio understates Peachtree's ability to effectively manage its fixed assets. Specifically, this ratio is skewed toward a small number of hundred million and billion dollar construction companies that generate the greatest percentage of total industry revenues; effectively, these companies compared with Peachtree have much higher sales revenue in proportion to their net fixed assets.

Sales/Total Assets Ratio. Co. underperformed the industry benchmark. However, the sales/ total assets ratio understates Peachtree's ability to effectively manage its assets. Specifically, this ratio is skewed toward a small number of hundred million and billion dollar construction companies that generate the greatest percentage of total industry revenues; effectively, these companies compared with Peachtree have much higher sales revenue in proportion to their total assets.

Exhibit 7: Key Ratio Analysis

PEACHTREE PLUMBING, INC.

Key Financial and Operating Ratios

Ratio	RMA	Co.	RMA	Co.	RMA	Co.	RMA	Co.	RMA	Co.
	2002		2003		2004		2005		2006	
Current Ratio	1.4	6.6	1.4	11.3	1.4	17.6	1.5	25.3	1.5	11.7
Quick Ratio	1.2	6.3	1.2	11.0	1.1	17.3	1.2	25.0	1.2	11.3
Receivables Ratio	6.2	12.2	6.3	5.5	6.8	8.4	6.4	9.1	6.3	8.2
Sales/Working Capital	13.1	7.2	13.7	3.8	15.3	2.7	13.5	2.0	13.3	4.6
Interest Coverage Ratio	4.2	11.7	4.7	11.8	4.0	14.4	4.8	14.6	6.2	14.4
Net Profit+Depreciation+Deposits+ Amortization/Current Maturities (LTD)	2.5	7.6	2.4	7.1	2.2	9.1	2.5	9.5	2.7	10.1
Profit Before Taxes/Total Assets	6.1%	29.7%	4.8%	26.9%	4.1%	32.6%	5.0%	28.1%	7.5%	24.8%
Net Fixed Asset Turnover	24.3	n/a	26.4	3.0	25.6	4.0	28.2	4.2	30.5	3.8
Sales/Total Assets	3.2	1.7	3.1	1.5	3.3	1.5	3.2	1.3	3.2	1.8

Note: Ratios are calculated using the following data: normalized income statements between 2002-2006, unadjusted balance sheets between 2002-2005, and the normalized balance sheet has been used to calculate ratios for 2006.

Source: RMA published ratios for North American Industrial Classification System (NAICS) code 238220 and Standard Industrial Classification (SIC) codes 1711, 1791, and 1796.

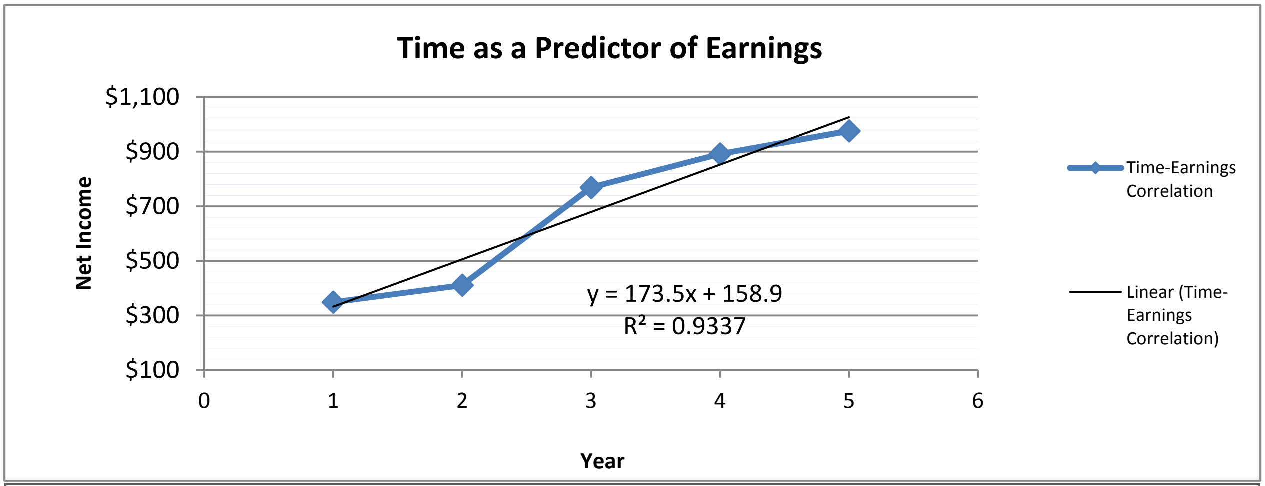
4 Valuation of the Subject Company

As indicated in the introduction section, the valuation process included several plausible valuation approaches. To that end, we considered the Income, Asset, Market, Income/Asset, and Rule of Thumb approaches.

4.1 Income Approach (Discounted Cash Flow)

We considered the capitalization and discounted cash flow (DCF) methods. Given Peachtree's 15.6% compounded annual growth rate (CAGR) between 2002 and 2006, coupled with management's optimistic growth forecast, the DCF method was selected as a more effective valuation approach than the capitalization method. To that end, we performed a single regression analysis to determine whether or not the passage of time (independent variable) is a strong predictor of Company earnings (dependent variable) (Exhibit 8). The regression results yielded an R-squared value of 0.93; thus, validating the positive correlation between time and earnings. Two of the key calculations in the DCF model include capital expenditures and the change in net working capital. Capital expenditures are the difference between the current (projected) and previous year's investment in Property, Plant & Equipment plus Other Fixed Assets. The change in net working capital is the difference between the current (projected) and previous year's current assets less current liabilities. Other key variables used in the DCF model include the weighted average cost of capital (WACC), growth rate, and capitalization rate (Exhibit 9).

Exhibit 8: DCF Regression Analysis



Note: Net income is based on normalized income statements between 2002 and 2006 regressed against time.

4.2 Weighted Average Cost of Capital

The WACC is the cost of capital determined by the weighted average, at market value, of the cost of all financing sources in the business enterprise's capital structure.[3] The input variables used to calculate the WACC for Peachtree include the following:

Risk-free Rate (RF*).* The rate of return available in the market on an investment free of default risk.[4] The benchmark long-term (20-year) Treasury coupon bond in 2006 is equal to 4.6%.[5]

Equity Risk Premium (ERP). A rate of return added to a risk-free rate to reflect the additional risk of equity instruments over risk free instruments (a component of the cost of equity capital or equity discount rate.[6] The ERP represents S&P large company stock total returns less long-term government bond returns. The benchmark ERP in 2006 is equal to is 7.1%.[7]

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[3] International Glossary of Business Valuation Terms

[4] IGBVT

[5] Stocks, Bonds, Bills and Inflation: 2006 Yearbook, Ibbotson Associates.

[6] IGBVT

[7] SBBI 2006 Yearbook.

Small Stock Premium (SSP). The size premium is the extra return an investor expects to receive from an investment in small publicly traded company versus a large company. The assumption is that a small company is more risky than a large one and, thus, investors expect a greater return for taking on additional risk. The size premium in excess of CAPM (Capital Asset Pricing Model)[8] for small cap stocks in the 10th decile (10b) of the New York Stock Exchange in 2006 is equal to 9.83%.[9]

Specific Company Risk (SCR). Specific company risk is also described as unsystematic risk, or risk that is relevant to a particular industry or company that can't be eliminated through a diverse investment portfolio. Peachtree relies solely on Mike Jones to develop new business and doesn't have a contingency plan to mitigate this perceived risk. Therefore, a 1.5% SCR premium is added to the cost of equity capital to compensate for a lean business development staff.

4.3 Growth Rate

The stable growth rate that the Company expects to sustain over a long-term horizon, assuming that excess returns will tend to move toward industry averages. In other words, an above average growth rate is not feasible over a long-term horizon unless the Company has a permanent competitive advantage such as a patent, trademark, brand name, or business process. The construction industry is projected to grow 5.0% per year; the projected growth rate for plumbing fittings is projected to grow 2.0% per year; and the projected average growth in GDP is 2.1% per year through the valuation period.[10] We selected a 3.0% growth rate in perpetuity, or an average of the indicated growth rates.

4.4 Capitalization Rate

A rate (or divisor) expressed a percentage used to convert anticipated economic benefits of a single period into value.[11] The capitalization rate formula is expressed as the discount rate (i.e., WACC) minus the long-term stable growth rate [(WACC – Growth Rate)].

In summary, the WACC (discount), growth, and capitalization rates used in the DCF valuation model are 17.3%, 3.0%, and 14.3%, respectively. We prepared projected common-size financial statements (Exhibit 10) and (Exhibit 11) and used the adjusted percentages as of June 30, 2006 to prepare the DCF analysis (Exhibit 12).

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[8] The rate of return expected on an equity investment.

[9] SBBI 2006 Yearbook

[10] Plumbing Industry Report: June 2006.

[11] IGBVT

Exhibit 9: Weighted Average Cost of Capital

Peachtree Plumbing, Inc.

Weighted Average Cost of Capital (WACC)
As of June 30, 2006

		Amount	Percent
Debt	$	1,966	30.46%
Equity (at market value)	$	$4,489	69.54%
Total	$	6,455	100.00%

		Weight		Cost		1-Tax Rate		
Cost of Debt		30.46%	X	7.00%	X	61.00%	=	1.30%

	RF	ERP		SSP		SCR		
Cost of Equity	4.60% +	7.10%	+	9.83%	+	1.50%	=	23.03%
Weight							x	69.54%
							=	16.02%

Cost of Debt	1.30%
Cost of Equity	16.02%
WACC	17.32%
Less growth rate	3.00%
WACC (capitalization rate)	14.32%
Pre-tax WACC (capitalization rate)	15.15%

Note: The VA opted to use the existing capital structure because a non-controlling (minority interest) is being valued.

Source: The risk-free rate, equity risk premium, and small stock premium are published in the 2006 edition of Stocks, Bonds, Bills, and Inflation: Valuation Edition, Ibbotson Associates, Inc.

Exhibit 10: Projected Common-Size Income Statement

PEACHTREE PLUMBING, INC.

Projected Common-Size Income Statement

For Year Ended June 30: (in millions 000's)	6/30/2002	6/30/2003	6/30/2004	6/30/2005	6/30/2006	6/30/2002	6/30/2003	6/30/2004	6/30/2005	6/30/2006
						Percentage of Total Sales				
REVENUES										
Total Revenue	$3,529	$4,156	$5,755	$6,489	$7,295	100%	100%	100%	100%	100%
Operating Expenses										
Officer's Compensation (adjusted)	158	158	158	158	158	4.48%	3.80%	2.75%	2.43%	2.17%
Other Salaries & Wages	1,691	1,991	2,757	3,109	3,495	47.92%	47.91%	47.91%	47.91%	47.91%
Rent (adjusted)	42	48	54	60	72	1.19%	1.15%	0.94%	0.92%	0.99%
Payroll Taxes	196	231	320	360	405	5.55%	5.56%	5.56%	5.55%	5.55%
Truck/Equipment/Auto Expense	325	411	463	520	633	9.21%	9.89%	8.05%	8.01%	8.68%
Insurance	29	36	49	61	78	0.82%	0.87%	0.85%	0.94%	1.07%
Legal/Professional Expenses	26	27	29	31	41	0.74%	0.65%	0.50%	0.48%	0.56%
Travel & Entertainment	4	4	5	5	5	0.11%	0.10%	0.09%	0.08%	0.07%
Director Fees	3	5	6	10	18	0.09%	0.12%	0.10%	0.15%	0.25%
Pension & Profit Sharing	35	42	58	65	73	0.99%	1.01%	1.01%	1.00%	1.00%
Depreciation & Amortization	57	68	86	84	73	1.62%	1.64%	1.49%	1.29%	1.00%
Interest Expense	58	68	94	107	120	1.64%	1.64%	1.63%	1.65%	1.64%
Other Operating Expenses	286	332	416	469	522	8.10%	7.99%	7.23%	7.23%	7.16%
Total Operating Expenses	2,910	3,421	4,495	5,039	5,693	82.46%	82.31%	78.11%	77.65%	78.04%
Income from Operations	619	735	1,260	1,450	1,602	17.54%	17.69%	21.89%	22.35%	21.96%
Other Income/(Expense) - adjusted	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%
Earnings Before Tax	619	735	1,260	1,450	1,602	17.54%	17.69%	21.89%	22.35%	21.96%
Income Tax Expense	270	324	491	558	626	7.65%	7.80%	8.53%	8.60%	8.58%
Normalized Net Income/(Loss)	$349	$411	$769	$892	$976	9.89%	9.89%	13.36%	13.75%	13.38%

Exhibit 11: Projected Common-Size Balance Sheet

PEACHTREE PLUMBING, INC.
Projected Common-Size Balance Sheet

For Year Ended June 30: (in millions 000's)	6/30/2002	6/30/2003	6/30/2004	6/30/2005	6/30/2006	6/30/2002	6/30/2003	6/30/2004	6/30/2005	6/30/2006
						Percentage of Total Sales				
Assets										
Current Assets										
Cash (adjusted)	$209	$350	$1,005	$1,435	$309	5.92%	8.42%	17.46%	22.11%	4.24%
Accounts Receivable (WIP)	290	750	689	714	891	8.22%	18.05%	11.97%	11.00%	12.21%
Inventory (adjusted)	25	30	39	45	$54	0.71%	0.72%	0.68%	0.69%	0.74%
Other Current Assets										
Loans to Stockholders	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%
Short-term Investments (adjusted)	50	65	514	1,220	474	1.42%	1.56%	8.93%	18.80%	6.50%
Total Current Assets	574	1,195	2,247	3,414	1,728	16.27%	28.75%	39.04%	52.61%	23.68%
Fixed Assets										
Property,Plant & Equip. (adjusted)	450	475	550	675	1,358	12.75%	11.43%	9.56%	10.40%	18.62%
Land	900	900	900	900	900	25.50%	21.66%	15.64%	13.87%	12.34%
Other Fixed Assets	12	15	13	18	25	0.34%	0.36%	0.23%	0.28%	0.34%
Total Fixed Assets	1,362	1,390	1,463	1,593	2,283	38.59%	33.45%	25.42%	24.55%	31.30%
Other Assets										
Deposits	150	150	150	150	150	4.25%	3.61%	2.61%	2.31%	2.06%
Other	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%
Total Other Assets	150	150	150	150	150	4.25%	3.61%	2.61%	2.31%	2.06%
Total Assets	$2,086	$2,735	$3,860	$5,157	$4,161	59.11%	65.81%	67.07%	79.47%	57.04%
Liabilities & Equity										
Current Liabilities										
Notes Payable (short-term)	73	88	111	119	135	2.07%	2.12%	1.93%	1.83%	1.85%
Accounts Payable	11	13	15	12	10	0.31%	0.31%	0.26%	0.18%	0.13%
Other Current Liabilities	3	5	2	4	3	0.09%	0.12%	0.03%	0.06%	0.04%
Total Current Liabilities	87	106	128	135	148	2.47%	2.55%	2.22%	2.08%	2.02%
Long-term Liabilities										
Notes Payable	705	830	1,158	1,517	1,831	19.98%	19.97%	20.12%	23.38%	25.10%
Other Long-term Liabilities	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%
Total Long-term Liabilities	705	830	1,158	1,517	1,831	19.98%	19.97%	20.12%	23.38%	25.10%
Stockholder's Equity										
Common Stock	55	55	55	55	55	1.56%	1.32%	0.96%	0.85%	0.75%
Paid-in Capital	465	465	465	465	465	13.18%	11.19%	8.08%	7.17%	6.37%
Retained Earnings (adjusted)	774	1,236	2,054	2,985	1,662	21.93%	29.74%	35.69%	46.00%	22.78%
Other Equity										
Dividends	0	43	0	0	0	0.00%	1.22%	0.00%	0.00%	0.00%
Total Other Equity	0	43	0	0	0	0.00%	1.03%	0.00%	0.00%	0.00%
Total Stockholder's Equity	1,294	1,799	2,574	3,505	2,182	36.67%	43.29%	44.73%	54.01%	29.91%
Total Liabilities & Equity	$2,086	$2,735	$3,860	$5,157	$4,161	59.11%	65.81%	67.07%	79.47%	57.03%

Exhibit 12: Discounted Cash Flow Analysis

PEACHTREE PLUMBING, INC.

Discounted Cash Flow Model

CAGR:	15.6%
Stable Growth Rate:	3.0%
Fade Rate:	3.1%
WACC:	17.3%
Cap Rate:	14.3%

For Year Ended June 30 (in millions 000's)	6/30/2002	6/30/2003	6/30/2004	6/30/2005	6/30/2006	6/30/2007	6/30/2008	6/30/2009	6/30/2010	6/30/2011	Continuing Value
					Historical	*Forecast*					
REVENUES											
Total Revenue	$3,529	$4,156	$5,755	$6,489	$7,295	$8,435	$9,492	$10,388	$11,045	$11,402	
Operating Expenses											
Officer's Compensation (adjusted)	158	158	158	158	158	183	206	225	239	247	
Other Salaries & Wages	1,691	1,991	2,757	3,109	3,495	4,041	4,548	4,977	5,292	5,463	
Rent (adjusted)	42	48	54	60	72	83	94	103	109	113	
Payroll Taxes	196	231	320	360	405	468	527	577	613	633	
Truck/Equipment/Auto Expense	325	411	463	520	633	732	824	901	958	989	
Insurance	29	36	49	61	78	90	101	111	118	122	
Legal/Professional Expenses	26	27	29	31	41	47	53	58	62	64	
Travel & Entertainment	4	4	5	5	5	6	7	7	8	8	
Director Fees	3	5	6	10	18	21	23	26	27	28	
Pension & Profit Sharing	35	42	58	65	73	84	95	104	111	114	
Depreciation & Amortization	57	68	86	84	73	84	95	104	111	114	
Interest Expense	58	68	94	107	120	139	156	171	182	188	
Other Operating Expenses	286	332	416	469	522	604	679	743	790	816	
Total Operating Expenses	2,910	3,421	4,495	5,039	5,693	6,583	7,408	8,106	8,620	8,898	
Income from Operations	619	735	1,260	1,450	1,602	$1,852	$2,085	$2,281	$2,426	$2,504	
Other Income/(Expense) - adjusted	0	0	0	0	0	0	0	0	0	0	
Earnings Before Tax	619	735	1,260	1,450	1,602	$1,852	$2,085	$2,281	$2,426	$2,504	
Income Tax Expense	270	324	491	558	626	724	815	891	948	978	
Normalized Net Income/(Loss)	$349	$411	$769	$892	$976	$1,129	$1,270	$1,390	$1,478	$1,525	
Non-cash Charges						84	95	104	111	114	
Capital Expenditures						(216)	(200)	(170)	(125)	(68)	
Working Capital						(173)	(160)	(136)	(100)	(54)	
Net Interest Expense						85	95	104	111	114	
Net cash flow to Invested Capital						908	1,100	1,292	1,475	1,632	1,681
Capitalization Rate											14.3%
Terminal Value											11,743
WACC (17.3%)						0.923	0.787	0.671	0.572	0.487	0.487
Net Present Value						$839	$865	$867	$843	$796	$5,724
Value of Invested Capital						**$9,933**					
Debt Capital						($2,273)					
Value of Equity Capital						**$7,660**					

4.5 Market Approach

We identified fundamentally comparable guideline companies using Pratt's Stats completed transaction database; specifically, we employed the guideline completed transaction valuation method. A comparable firm is one with cash flows, growth potential, and risk similar to the firm being valued, according to Corporate Finance and Valuation Professor Aswath Damodaran.[12] The market approach implies that firms in the same sector have similar growth, risk, and cash flow profiles and, therefore, can be compared legitimately. We determined that Market Value of Invested Capital (MVIC) multiples – intended to measure returns available to debt and equity investors – were preferred over equity multiples, which only measure returns available to equity investors. In support of our decision, Peachtree has an above average projected growth rate, coupled with a greater percentage of long-term debt in its capital structure than industry competitors.

Three comparables (comps) have been selected from Pratt's Stats database using SIC Code 1711 and NAICS Code 238220 (Exhibit 13). We selected comps based on fundamental values similar to the subject Company including sales, return on assets, return on equity, and net profit. The multiples used in the valuation include MVIC/Sales, MVIC/EBITDA, and MVIC/EBIT. These multiples were selected because Sales, EBITDA, and EBIT generate revenues and/or earnings attributable to debt and equity capital investments.

We used the MVIC/Sales, MVIC/EBITDA, and MVIC/EBIT multiples for the individual comps to calculate the median value for these multiples. The median values were used to calculate the indication of value for each multiple (Exhibit 13). Next, we calculated the coefficient of variation (CV)[13] for each multiple and ranked the resulting values from lowest to highest. We applied a 50% weight to MVIC/EBIT because it has the lowest ranked CV; applied a 30% weight to MVIC/Sales because it has the second lowest ranked CV; and applied a 20% weight to MVIC/EBITDA because it has the highest ranked CV.

[12] Aswath Damodaran, "Damodran on Valuation: Security Analysis for Investment and Corporate Finance": 2006.

[13] The coefficient of variation [(Standard Deviation / Mean)] measures the volatility around the mean.

Exhibit 13: Guideline Completed Transaction Analysis

PEACHTREE PLUMBING, INC.
Market Approach (Guideline Completed Transaction Method)

Indicated Value of Equity by Guideline Completed Transaction Method (in millions 000's)					
	Fundamentals for Peachtree	Median Valuation Multiples	Indication of Value	Weight	Weighted Indication of Value
MVIC/Sales	$5,810	0.69	$4,009	0.3	$1,203
MVIC/EBITDA	$1,433	7.60	$10,891	0.2	2,178
MVIC/EBIT	$1,362	8.46	$11,523	0.5	5,761
Total weighted indication of value for MVIC					9,142
Long-term Debt					(1,966)
Indicated value of equity					**$7,176**
Note: Fundamental values are normalized, weighted average sales and earnings between fiscal year 2002 and 2006.					

Guideline Market Value of Invested Capital Table (in millions 000's)				
Guideline Co.	MVIC	MVIC/Sales	MVIC/EBITDA	MVIC/EBIT
N/A	$1,262	0.80	7.60	8.46
Lindy Dennis Industries, Inc.	$25,462	0.69	4.68	5.06
Quality Pacific Heating & Cooling	$1,612	0.32	11.93	11.93
Descriptive Statistics				
Mean	$9,445	0.60	8.07	8.48
Median	$1,612	0.69	7.60	8.46
Range	$1.25 - 25.46	0.32 - 0.80	2.46 - 11.93	2.53 - 11.93
Standard Deviation		0.25	3.65	3.44
Coefficient of Variation		0.42	0.45	0.40

4.6 Income/Asset Approach

The Excess Earnings/Reasonable Rate Method is considered a viable valuation approach because Peachtree is outperforming its competitors, in terms of annual growth and profitability, which implies that the Company is benefiting from the effective use of intangible assets (Exhibit 14). It should be noted that the Excess Earnings/Reasonable Rate Method is a variation of the Excess Earnings/Treasury Method. Pursuant to RR 68-609, the Treasury Method should only be used when there isn't a more effective approach to valuing intangible assets. The return on equity values used in the analysis are based on a construction industry benchmark report published by RMA (Exhibit 14).

Exhibit 14: Excess Return/Reasonable Rate Method

PEACHTREE PLUMBING, INC.
Excess Return/Reasonable Rate Method

Excess Return/Reasonable Rate Method (in millions 000's)		
Pre-tax economic earnings		$1,295
Adjusted net operating assets	$2,182	
Reasonable rate of return	18%	
	$393	393
Excess Earnings		902
Pre-tax Capitalization Rate		15.15%
Est. Value of intangibles		5,955
Value of adjusted net operating assets		2,182
Value of Business		**$8,137**

Industry Average Return on Equity (aka return on net worth)

Year	**ROE**
2002	18.7%
2003	15.9%
2004	13.3%
2005	16.1%
2006	26.0%
Average	18.0%

Source: Comparative Historical Data report published by RMA (2006).

4.7 Asset Approach

The Asset Approach pursuant to RR 59-60 is suited towards non-operating enterprises, asset-intensive operations (i.e., Real Estate Holding Companies), buy-sell agreements, or companies with poor financial performance. None of these conditions are relevant to Peachtree and, therefore, using the Asset approach was deemed imprudent.

4.8 Rule of Thumb

We considered the Rule of Thumb approach as a sanity check on the DCF, Guideline Completed Transaction, and Excess Earnings/Reasonable Rate methods. However, our due diligence efforts failed to produce reliable rule of thumb data that could be applied to the subject Company.

4.9 Valuation Adjustments

4.9.1 Non-Operating Assets

Non-operating assets include land valued at $900,000 and excess cash & equivalents valued at $2,770,000. The total adjustment for non-operating assets is $3,670,000, which has been added to the equity/indicated values in Exhibit 15.

Exhibit 15: Indicated Values Adjusted for Non-Operating Assets

Adjusted Indicated Values including Non-Operating Assets *(in millions 000's)*				
Valuation Approach	**Method**	**Equity Value / Indication of Value**	**Non-operating Assets**	**Control Value**
Income	Discounted Cash Flow	$7,660	$3,670	$11,330
Income	Excess Return/Reasonable Rate	$8,137	$3,670	$11,807
Market	Guideline Completed Transaction	$7,176	$3,670	$10,846
Note: Non-operating assets include land valued at $900,000 and excess cash & equivalents valued at $2,770,000.				

4.9.2 Adjustment for Control

The Company valuation is being done for a non-controlling interest. Therefore, the prospective buyer will not have the power to influence owner's compensation, alter the capital structure, acquire or divest assets, or influence the Company strategy. To compensate for the disadvantages inherent in a non-controlling interest, a commonly accepted valuation best practice is to include a control discount in the valuation price. Accordingly, Mergerstat's Industry Analysis report captures completed transaction premiums paid by buyers. The report compares the seller's closing price versus the market price observed five days prior to the announcement of the sale. The price differential over the five day period is the control premium. We applied the observed control premium for the construction industry to calculate an implied minority discount (Exhibit 16). An implied minority discount of 35% will be applied to the final valuation price.

4.9.3 Adjustment for Lack of Marketability

Pursuant to Revenue Ruling 77-287, "Securities traded on a public market are generally worth more to investors than those that are not traded on a public market." The purpose of the discount for lack of marketability (DLOM) is to equalize an investment in a closely held stock that lacks liquidity, compared with a publicly traded stock that can be easily liquidated on the public stock market. Several studies have been conducted to assist valuators with quantifying a DLOM. These studies fall into two categories:

4.9.3.1 Restricted Stock Studies

Public companies often issue shares of restricted stock that are typically not registered with the Securities and Exchange Commission (SEC). As the name implies, restricted stock cannot be traded on a public stock market; rather, this stock is sold in blocks in private placements. Notwithstanding the limitation on the transaction medium, restricted stock has identical characteristics to publicly traded stock. The concept of restricted stock studies is to compare the prices paid for privately placed stock and publicly traded stock on the same day. The difference between the two transactions can be used as a proxy, or a point of reference, for determining a DLOM. Numerous independent restricted stock studies were conducted between 1966 and 1997. These studies conclude that the average DLOM is 35%.

4.9.3.2 Pre-IPO Studies

Pre-IPO studies examine the stock price before and after an initial public offering. Stock prices generally increase simultaneous with the announcement of a public offering; thus, the difference between the pre-IPO and post IPO prices can be used as a proxy, or a starting point, for determining a DLOM. The studies conclude that the average DLOM is 45%.

Restricted stock and pre-IPO studies are recognized by the U.S. Tax Court, which have issued judgment in several landmark valuation cases. The commonality among the judgments issued in seminal cases such as *Estate of Gallo*, *Estate of Mandelbaum*, and *Estate of Davis* is that the courts do not blindly accept restricted stock and pre-IPO benchmark averages. The onus is on the valuator to conduct due diligence on restricted stock and IPO transactions of companies that closely resemble the subject company, and then make adjustments to the benchmarks based on such comparable transactions.

Mandelbaum v. Commissioner, T.C. Memo 1995-255 is a seminal court case in that for the first time a valuation case solely focused on the DLOM. Moreover, the presiding Judge presented a scorecard of nine factors that will likely cause the benchmark to deviate (e.g., increase or decrease) from the average. Peachtree is not considering an IPO and, therefore, we selected the restricted stock study benchmark of 35% and then applied the "Mandebaum" factors against it. The final discount reflects the ownership attributes of the interest (Exhibit 17).

Exhibit 16: Implied Minority Discount

Calculation of Implied Minority Discount	
Formula: X = 1 - [1/(1+Y)]	
X = Implied minority discount	
Y = Average construction contractor premium paid	
Implied minority discount:	
Y =	53.9%
X =	**35.0%**
Source: Mergerstat Industry Analysis Report (2005).	

Exhibit 17: Discount for Lack of Marketability

Discount for Lack of Marketability (DLOM)		Adjustment +/(-)	Benchmark Adjustment Explanation
Restricted Stock Study Benchmark	**35%**		
Adjustments:			
Financial Statement Analysis	-2%	Decrease	Co. has a strong balance sheet, coupled with higher than average sales growth, profitability, and net cash flow over the five year period examined.
Dividend Policy	1%	Increase	Co. does not currently pay a dividend and does not have a plan to change this policy.
Co. History, Position & Economic Outlook	-1%	Decrease	Co. has a higher than industry average CAGR of 15.6% between 2002 and 2006 and plans to grow over the next five years; albeit, at a declining rate; the construction industry has a projected 5% growth rate; and the demand for plumbing fittings is projecte
Management	1%	Increase	Management performance is strong; however, the Co. lacks business development depth in that it relies solely on Mike Jones for marketing and developing new business.
Control Inherent in Transferred Shares	1%	Increase	The valuation is being done for a non-controlling interest.
Transfer Restrictions	-1%	Decrease	Co. policy is that the sale of shares must be offered first to existing owners/family members; thus, restricting stock liquidity.
Holding Period	N/A	No effect	
Redemption Policy	N/A	No effect	
Public Offering Costs	N/A	No effect	
Total Adjustments	-1%		
Final Discount	**34%**		

4.10 Reconciliation of Indicated Vales

Discounted Cash Flow Method. The DCF method is based on the present value of future earnings. This method is typically used when the subject company's past and current performance, coupled with management's growth expectations, are the most effective indicators of determining company value. This method is effective when a company is experiencing unsustainable (long-term) growth, or has yet to reach a steady-state rate of growth in perpetuity. The DCF valuation method is the most effective approach for Peachtree for the reasons indicated.

Guideline Completed Transaction Method. The guideline transaction method yields a company value comparable to the other valuation methods considered in our report. However, as an objective valuator, the selection of comps is not an ideal "fit", in terms of sales revenue and MVIC comparability. Moreover, the multiples selected haven't been adjusted to control for differences in growth and risk between the comps and the subject Company. The valuation results using the guideline method are viable, yet the DCF results have a higher level of fidelity by comparison.

Excess Returns/Reasonable Rate Method. The reasonable rate method proved to be an effective valuation approach, in terms of quantifying the Company's tangible and intangible assets. However, Peachtree is experiencing rapid growth and does not have permanent intangible assets expected to continue in perpetuity. In addition, RR 68-609 states that the Excess Returns/Treasury Method should only be used when there isn't a more effective approach to valuing intangible assets. As such, the Excess Returns/Reasonable Rate method was not deemed as the most effective valuation approach for the subject Company.

Asset Approach. The Asset Approach pursuant to RR 59-60 is suited towards non-operating enterprises, asset-intensive operations (i.e., Real Estate Holding Companies), buy-sell agreements, or companies with poor financial performance. None of these conditions are relevant to Peachtree and, therefore, using the Asset Approach was deemed imprudent.

Rule of Thumb. Our due diligence efforts failed to produce reliable rule of thumb data that could be used to "sanity check" the DCF, Guideline Transaction, and Excess Returns/Reasonable Rate valuation approaches. Therefore, this method had no impact on the conclusion of value.

The reconciliation of indicated values, including control and marketability adjustments, is provided in Exhibit 18.

Exhibit 18: Adjusted Indicated Values including Control and Marketability Adjustments

Adjusted Indicated Values including Control and Lack of Marketability Discounts
(in millions 000's)

Valuation Approach	Method	Control/Equity Value	Shares Outstanding (000's)	Share Price	Control Discount %	Control Discount $	Adj. Share Price	DLOM %	DLOM $	Adj. Share Price	Shares Valued (000's)	Adj. Value	Determined Value
Income	Discounted Cash Flow	$11,330	55	$206.00	35%	$72.15	$133.85	34%	$45.51	$88.34	20	$1,767	$1,767
Income	Excess Return/Reasonable Rate	$11,807	55	$214.68	35%	$75.19	$139.49	34%	$47.43	$92.07	20	$1,841	N/A
Market	Guideline Completed Transaction	$10,846	55	$197.20	35%	$69.07	$128.14	34%	$43.57	$84.57	20	$1,691	N/A
												Total	$1,767
												36.4% Interest	$1,767

4.11 Conclusion of Value

We have performed this analysis and report in accordance with the National Association of Certified Valuation Analysts Professional Standards. We have no financial interest or contemplated financial interest in the property that is the subject of this report. This report was performed solely to assist in conjunction with the potential sale of an equity interest by Shirley Jones to a third party. The resulting estimate of value should not be used for any other purpose or by any other party for any purpose. The estimate of value that results from a valuation engagement is expressed as a conclusion of value.

Based on our analysis, as described in this valuation report, the estimate of value of 100% of the stock of Peachtree Plumbing, Inc. as of June 30, 2006 is best expressed as:

Eleven Million Three Hundred Thirty Thousand Dollars ($11,330,000, or $206.00 per share).

The fair market value of a 36.4% interest in the stock of Peachtree Plumbing, Inc., including a 35% control discount and a 34% discount for lack of marketability, as of June 30, 2006 is best expressed as:

One Million Seven Hundred Sixty Seven Thousand Dollars ($1,767,000, or $88.34 per share).

Appendix A: Assumptions and Limiting Conditions

1. The calculated value arrived at herein is valid only for the stated purpose as of June 30, 2006.

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

3. Public information and industry and statistical information, if obtained, has been derived from sources we believe to be reliable. However, Plough-Back Financial makes no representation as to the accuracy or completeness of such information and has performed no procedures to corroborate the information.

4. This report and the conclusion of value arrived at herein are for the exclusive use of Plough-Back Financial's client, Peachtree Plumbing, for the sole and specific purposes as noted herein. They may not be used for any other purpose or by any other party for any purpose. Furthermore, the report and calculated value are not intended by the author and should not be construed by the reader to be investment advice in any manner whatsoever. The estimate of value represents the considered opinion of Plough-Back Financial based on information furnished to our Company by Peachtree Plumbing and other sources.

5. No change of any item in this valuation report shall be made by anyone other than Plough-Back Financial, and we shall have no responsibility for any such unauthorized change.

6. If prospective financial information approved by Peachtree Plumbing has been used in our work, Plough-Back Financial has not audited, reviewed, or compiled the prospective financial information and therefore, does not express an audit opinion or any other form of assurance on the prospective financial information or the related assumptions. Events and circumstances frequently do not occur as expected and there will usually be differences between prospective financial information and actual results, and those differences may be material. Plough-Back Financial does not provide any assurance on the achievability of forecasts provided. Achievement of the forecasted results is dependent on actions, plans, and assumptions of management.

7. An actual transaction involving the business, the business ownership interest, the security, or the intangible asset may occur at a higher or lower value, depending on the circumstances surrounding the business, the business ownership interest, the security, or the intangible asset, and the motivations and knowledge of both the buyers and sellers at that time. Plough-Back Financial makes no guarantees about what values individual buyers and sellers may reach in an actual transaction.

8. The conclusion of value reflects facts and circumstances existing as of June 30, 2006. Except as noted, Plough-Back Financial has not considered subsequent events and we have no obligation to update our valuation for such events.

9. No opinion is intended to be expressed for matters that require legal or other specialized expertise, investigation, or knowledge beyond that customarily employed by valuation specialists valuing a business, a business ownership interest, security, or intangible asset.

10. Plough-Back Financial has not knowingly withheld or omitted anything from our valuation that would affect the conclusion of value.

Appendix B: Marketability Discount: Restricted Stock Studies

Several restricted stock studies have been conducted, comparing private placement and publicly traded transaction prices on the same day. The price differential, or the premium paid for the publicly traded stock, is used to determine the DLOM in privately-held stock transactions.

Empirical Study	Years Covered in Study		Average Price Discount (%)
	Start	End	
SEC overall average	1966	1969	25.8%
SEC Non-reporting OTC companies	1966	1969	32.6%
Gelman	1968	1970	33.0%
Trout	1968	1972	33.5%
Moroney	N/A	N/A	35.6%
Mahr	1969	1973	35.4%
Standard Research Consultants	1978	1982	45.0%
Williamette Management Associates	1981	1984	31.2%
Silber	1981	1988	33.8%
FMV Opinions, Inc.	1979	1992	23.0%
Management Planning	1980	1996	27.1%
Johnson	1991	1995	20.0%
Columbia Financial Advisors	1996	1997	13.0%

Source: "The Market Approach to Valuing Businesses," Shannon P. Pratt (2005).

Appendix C: Marketability Discount: Pre-IPO Studies

The Emory Studies, conducted by John Emory in affiliation with Robert W. Baird & Co., include a series of studies comparing transaction prices of stocks five months prior to an IPO. The percentage increase in the price between the IPO announcement date and the actual IPO date is a useful measure in determining the DLOM in privately-held stock transactions.

Years Covered in Study		Number of IPO Prospectuses Reviewed	Number of Qualifying Transactions	Discounts (%)	
Start	End			Mean	Median
*1997	2000	92	53	54%	54%
1995	1997	732	91	43%	42%
1994	1995	318	46	45%	45%
1991	1993	443	54	45%	44%
1990	1992	266	35	42%	40%
1989	1990	157	23	45%	40%
1987	1989	98	27	45%	45%
1985	1986	130	21	43%	43%
1980	1981	97	13	60%	66%

* The 1997-2000 study was soley focused on dot-com IPOs.
Source: "The Market Approach to Valuing Businesses," Shannon P. Pratt (2005).

Appendix D: Sources Used in Valuation Report

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Appendix E: Valuator Qualifications

Timothy Carter, CVA

Curriculum Vitae (omitted)