APPRAISAL REVIEW REPORT

Assessing the Credibility of the Business Appraisal Report
Written by John Paul, CPA:

The Fair Market Value of a Minority, Non-Marketable Equity Interest in
Washington Print Enterprises, Inc.
As of August 29, 2002

Prepared by Stuart Weiss, CPA/ABV

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1. INTRODUCTION

John Paul, CPA was retained by Mrs. Margarita Gonzalez, the Executrix of the Estate of Julio A. Gonzalez, “to provide our opinion as to the fair market value of a 10% interest in the outstanding common stock of Washington Print Enterprise, Inc.” It was Mr. Paul’s understanding that the opinion of value would be used for “the closing of the estate” of Mr. Gonzalez. The opinion was rendered on July 4, 2003. The appraisal date was August 29, 2002.

Washington Print Enterprises is a commercial printer and lithographer based in Cape Verde, New York. It was founded by Mr. Gonzalez in 1960. As of the valuation date, the company had three shareholders – Mr. Gonzalez, his spouse, and his son. There were a total of 11,700 shares, of which Mr. Gonzalez owned 1,170 shares, or 10%.

Mr. Paul prepared a 36 page appraisal report (the “Subject Report”) which also included three exhibits. The appraisal, in its entirety, is included as an exhibit to this Business Appraisal Review. The report contained grammatical and editorial errors which I have marked by hand.

1.1 Definitions

Is the report credible? There are seven elements of credibility:

- Relevance – Does the analysis support the conclusion of value or does it include extraneous information that is not helpful?
- Reliability – Were the appraisal methods applied properly such that another appraiser could replicate the results?
- Acceptability – Would another appraiser use the same methods given the same facts and circumstances?
- Transparency – Were all the important facts and circumstances included without limits, or were some inputs left out of the analysis?
- Adequate Disclosure – Can all stakeholders understand the foundation of the appraiser’s opinion?
- Non Advocacy – The AICPA Code of Professional Conduct, Rule 102, requires objectivity in the performance of all professional services, including valuation/appraisal engagements.
- Completeness – The data, assumptions and explanations must be presented in enough detail to allow a user to understand and duplicate the appraisal results.

2. OPINION

I have reviewed the accompanying Appraisal Report regarding the valuation of 1,170 shares of Washington Print Enterprises, Inc. as of August 29, 2002, as prepared by John Paul, CPA dated July 4, 2003.

This Business Appraisal Review was conducted for the purpose of determining that the approaches and methodologies utilized by John Paul, CPA were relevant to the objectives and purpose, as stated in the Appraisal Report prepared by John Paul, CPA, and applied on a reliable basis consistent with generally accepted appraisal practices in the USA as of August 29, 2002. This Business Appraisal Review did not entail the performance of an appraisal of the Subject Interest. Therefore, this Business Appraisal should not be construed as an opinion of value.

In my opinion, subject to the assumptions and limiting conditions discussed in this Business Appraisal Review Report, the opinion presented by Mr. Paul, as incorporated herein as Exhibit A, is not credible and is not in conformity with generally accepted appraisal practices normally relied upon by business appraisers in the USA, as promulgated by the Statement on Standards for Valuation Services (SSVS1) of the American Institute of Certified Public Accountants.

3. APPRAISAL REVIEW SCOPE AND OBJECTIVES

3.1 Statement of Purpose – Is It Adequate?

According to SSVS 1 paragraph 52b & d and 71b & d, a Statement of Purpose and the Identity of the Subject Entity are required.

The Subject Report does list the Purpose and Intended Use of Appraisal as a well as a description of the interest to be valued in a section entitled Assignment Definitions.

Although I would have elaborated on the Statement of Purpose beyond "Estate Tax Reporting," I find the State of Purpose to be adequate.

3.2 Definition of Value – Is It Appropriate?

The Subject Report properly defines fair market value in the report but misstates the definition in the transmittal letter. Therefore, the definition of value is not appropriate.

3.3 Appraisal Methods Utilized – Are They Acceptable?

The Subject Report describes appraisal methods considered but rejected including the "Book Value Method" and the "Company Specific Method."

A business appraisal would not use "book value" other than as a sanity check, typically to determine whether a business is worth more "dead than alive." In addition, "Prior Sales in Subject Securities" or a "Company Specific Method" are not methods per se but requirement #7 of Revenue Ruling 59-60 which requires an examination of prior sales or transfers of stock. Finally, the Subject Report rejects the Acquisition Data Method because no transactions were found in the Northeast economic region – an insufficient reason to reject it. The Subject Report doesn't consider the Guideline Public Company Method, suggesting the appraiser did not search for comparable public companies. Revenue Ruling 59-60 requires that the Guideline Public Company approach is at least considered.

The Adjusted Net Asset Value Method was used, but its use is inappropriate for a minority interest owner because that person cannot compel the sale of assets.

Only one appropriate appraisal method was used -- the Multiple Period Discounted Cash Flow Method, an income approach. Although this appraisal method utilized is acceptable, it is not sufficient.

3.4 Selected Methodology – Is it Reliable?

The Appraisal indicates that it is going to use a Multiple Period Discounted Cash Flow Method. Doing so relies on management growth forecasts, which do not appear well thought out. Historical data ends at August 2002. Did management provide a forecast for the balance of 2002? Apparently they did not, because the Appraiser simply annualized the eight-month period. A proration of 2002 would seem unnecessary if management is able to forecast five years out. In addition, it seems unlikely that management could forecast to 2007 by using growth numbers as simplistic as 2.0%, 2.5% and 3.0%.

Also, using a weighting of cash flows for the prior five years is inappropriate when doing a discounted cash flow analysis, which looks forward.

Finally, the calculation of capitalization rate has potential flaws. It is unclear whether the appraiser examined the underlying companies that were included in the Industry Risk Premium as reported by Ibbotson Associates, which makes that information available. The IRP is based on studies of publicly traded companies which may bear little resemblance to the subject.

In addition, the Company Specific Premium discussion does not attempt to explain how the various qualitative issues translate into additional cap points. For example, why is lack of management depth only worth one additional point? Why is the lack of diversified customer base worth 1.5 points? Why would the company be unable to provide continued air transportation to the production facilities, and why is that risk factor worth an additional point?

For these reasons, the selected methodology is unreliable.

3.5 Financial Analysis – Is it Comprehensive?

The financial analysis presented has some flaws. In some cases, numbers in Exhibits don’t match numbers in Schedules from which they are supposedly derived. For example, Depreciation & Amortization in the year 2000 is listed at $148,675 on Exhibit A, but $147,875 on Schedule 1.

Exhibit 3A Operating Expenses are presented as a lump sum rather than being broken out into component parts. It would be better to list the components of operating expenses since they are such a high percentage of revenue.

In addition, there is no discussion of the valuation controversies involved in S Corporations. Should the S Corp. earnings be "tax-effected?" As it stands, the S Corp. reflects zero taxes, even though the owners of the company are essentially paying the company's fair share of tax as well as their individual taxes. Thus, the financial analysis is not comprehensive.

3.6 Company vs. Industry Peers – Is The Presentation Adequate?

The Appraisal does compare the subject's performance versus its peers through the use of ratio analysis. In addition, the Appraisal provides a qualitative analysis of the printing industry and discusses its implication for the subject. Therefore, the presentation is adequate.

3.7 Industry Data and References – Are They Adequate?

The Appraisal relies on three industry sources, including the National Association for Printing, the Printing Industries of America and First Research Industry Profiles. The Appraiser's industry research is adequate.

3.8 Conformance With Standards – Does It Comply With SSVS1?

The following required items are missing from the Appraisal:

- 51: Discussion of non-operating assets/liabilities
- 51: Qualifications of the valuation analyst/appraiser
- 52.i: Type of report issued – Detailed, Summary or Calculation
- 53.c: Names, positions and titles of persons interviewed

3.9 Value Conclusion: Is it Credible?

Based on the findings summarized in sections 3.1 to 3.8, the Appraisal lacks credibility. A more detailed critique can be found in Section 4.

4. FURTHER REASONS FOR OPINION OFFERED

4.1 Failure to address all the requirements of Revenue Ruling 59-60.

Since the Appraisal's intended use is to establish the fair market value of the subject property for estate tax purposes, the appraiser has the duty to address the requirements as established by the Internal Revenue Service for valuations which are authoritative detailed in Revenue Ruling 59-60. Even though the Appraisal acknowledges that these are the factors which are to be considered, several factors are omitted including:

- The company's dividend paying capacity
- Whether or not the enterprise has goodwill or other intangible asset
- The market price of stocks of corporations engaged in the same or similar lines of business whose stocks are actively traded in a free and open market.

4.2 Use of irrelevant facts

The section on the economy contains many passages that are either irrelevant or the author makes no attempt to connect the passage to the subject. Some of those include:

- Section 4.1.1. "The outlook for non-residential structures…"
- Section 4.1.2. "The food index…"
- Section 4.2.4. "Earnings of persons employed in New York…"
- Section 4.3.2. "Earnings of persons employed in Oneida…"

4.3 Erroneous statements

In the transmittal letter, the author writes that the term "fair market value is defined as the *minimum* price, expressed in terms of cash equivalents, at which the property would change hands…" The word minimum is not part of the definition. He writes that "we have no present or contemplated financial interest in Washington Print," which is contradicted in the Appraiser Certification page.

On the Introduction page, he indicates in one place that Julio Gonzalez died on August 29, 2002, then July 26, 2002 in another place on the page.

Under Section 2.1, "Brief History," the appraiser writes that "terrorists destroyed the World Trade Center Towers in Washington, D.C" and that the nation responded with the deployment of armed forces. If he is referring to the Iraq War, it didn't start until March 2003, several months after the valuation date. Obviously, the World Trade Center Towers are in New York City.

4.4 Miscalculations and other wrong numbers

In Section 1.2, he indicates that the fair market value of 1,170 shares is $194,000 ($144 per share of stock) when in fact it equals $166 per share.

In Exhibit 6F, which reconciles the two methodologies, it appears that the value indicated for Adjusted Net Asset Value and Multiple Period Discounted Cash Flow does not match the value calculated in prior sections of the report. On page 29, the value indicated by the Multiple Period Discounted Cash Flow Method is $3,560,000. In Exhibit 6F, it is listed at $2,599,000. Similarly, on page 30, the value indicated by the Calculation of Net Asset Value is $3,409,000. In Exhibit 6F, it is $1,991,000.

In addition, the percentage interest in the table is inexplicably 11.54% instead of 10%.

4.5 Cut and paste

In Section 2.1, Brief History, the writer mistakenly inserts “BPI” in place of Washington Print as if it was part of another appraisal report. It happens again in Section 3.2.3, “Key Financial Ratios Comparison.”

4.6 Discount For Lack of Control is not substantiated.

The author uses empirical evidence from closed-end funds focusing on real estate rather than funds investing in operating companies. In addition, each closed end fund should be listed in a table rather than aggregated. Other sources of data on lack of control discounts should have been consulted. They are available from NACVA and BV Resources.

4.7 Failure to comply with appropriate professional standards

Paragraph 1 of SSVS1 requires that AICPA members, of which Mr. Paul is presumably a member, comply with it. In the Appraiser Certification, the author states that the report complies with Business Appraisal Standards of the Institute of Business Appraisers rather than SSVS1.

However, the report falls short of the IBA standards as well. For example, rule 1.9 indicates that the “valuation approaches should be appropriate to the assignment.” However, the report failed to employ the market approach, which is not appropriate. In addition, rule 1.19 strongly suggests a site tour, or at least an explanation of why it wasn’t done. This was not included. Finally, rule 1.6c addresses production quality and the elimination of typographical errors, which did not occur. See 4.8 below.

4.8 Lack of care in producing the report

Throughout the Appraisal, there are clerical and typographical errors which destroy the credibility and reliability of the Appraisal. I have highlighted some of those errors in Exhibit A which contains a copy of the report.

5. APPRAISAL REVIEW ASSUMPTIONS AND LIMITING CONDITIONS

5.1 Information, estimates, and opinions contained in this appraisal review report were obtained from sources represented to be reliable. However, I assume no liability for the accuracy of such information.

5.2 Possession of this report or a copy thereof does not carry with it the right of publication or any part of it, nor may it be used for any other purpose.

5.3 This appraisal review engagement is limited to the production of this report, conclusions and opinions contained herein. I have no obligation to provide future appraisal review services. I am not required to give testimony in court, or to attend any hearings or depositions.

5.4 This appraisal review engagement is valid only for the specified purpose and intended for use only by the Client, its financial advisors, tax preparers and the Internal Revenue Service.

5.5 I assumed that there is full compliance with all applicable federal, state and local regulations and laws unless otherwise specified in this report.

5.6 This report was prepared under my sole direction. Neither I nor any of my employees have any present or contemplated future interest in the Client, the Appraiser, nor any personal interest with respect to the parties involved, or any other interest that might prevent me from performing an unbiased business appraisal review.

5.7 My compensation is not contingent upon an action or event resulting from the analysis, opinions, or conclusions in, or the use of, this report.

5.8 Payment of all fees billed by me shall be a mandatory condition precedent to suit by the Client.

5.9 All documents provided to me are known to be originals or true copies of originals.

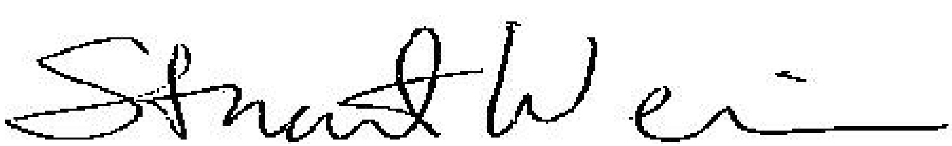
5.10 The appraisal report prepared by Mr. John Paul, CPA dated August 29, 2002 was relied upon by me to represent Mr. Paul's opinion of value of Washington Print Enterprises, Inc., and it is incorporated herein as an integral part of this business appraisal review report.

5.11 As the Reviewer, I am not subject to any disciplinary actions or proceedings in connection with my appraisal practice.

6. <u>CERTIFICATION</u>

I certify that, to the best of my knowledge and belief:

- The facts and data reported by me and used in the review process are true and correct.
- The analyses, opinions and conclusions in this review report are limited only by the assumptions and limiting conditions stated in this review report and are my personal, impartial and unbiased professional analyses, opinion and conclusions.
- I have no present or prospective interest in the property that is the subject of the work under review and no personal interest with respect to the parties involved.
- I have no bias with respect to the Subject Interest under review or to the parties involved with this review assignment, the appraiser or any parties associated with any of these parties.
- This assignment was not contingent upon developing or reporting predetermined results.
- My compensation is not contingent on an action or event resulting from the analyses, opinion, or conclusions in this review or from its use.
- My analyses, opinion, and conclusions were developed and this review report was prepared in conformity with the Statement on Standards for Valuation Services (SSVS1) issued by the American Institute of CPAs.
- I have not made a personal inspection of the subject property.
- No one provided significant appraisal, appraisal review, or appraisal consulting assistance to me.



Stuart Weiss, CPA/ABV
August 31, 2010

Exhibit A: Business Appraisal Report