

Doubleday Foods, Inc.

Calculation Report of
One Share of Common Stock
as of August 31, 2010

Drysdale  Valuation

SAMPLE REPORT: This sample report uses fictional names and amounts and is not intended to represent any actual individuals or companies. Any similarities to actual individuals or companies are purely coincidental.

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November 30, 2010

Mr. Johnny Bench
Chief Executive Officer
DOUBLEDAY FOODS, INC.
9999 Main Street
Cooperstown, NY 13326

Re: Calculated Value of One Share of Common Stock of Doubleday Foods, Inc.

Dear Mr. Bench:

Drysdale Valuation, PLLC has performed a calculation engagement of one share of voting common stock of Doubleday Foods, Inc. as of August 31, 2010. The following calculation report is intended to provide our calculation of the fair market value on a non-controlling, non-marketable basis.

This calculation engagement was performed solely as a basis for pricing the shares of common stock in a potential buy-out of certain existing shareholders. The resulting calculated value should not be used for any other purpose or by any other party.

In a calculation engagement, the valuation analyst and the client agree on the specific valuation approaches and valuation methods used and the extent of valuation procedures performed to calculate the value of the subject interest. A calculation engagement is limited in the procedures performed to arrive at the calculated value and is not considered a valuation engagement or an appraisal. Had the procedures not been limited and/or a valuation engagement been performed, the results might have been different.

Based on our analysis, as described in the following calculation report, we have calculated the fair market value of one share of voting common stock as of August 31, 2010, on a non-controlling, non-marketable basis as:

Two Hundred Dollars per Share
\$200.00/Share

This calculated value is subject to the Statement of Assumptions and Limiting Conditions found in the appendices to this report. We have no obligation to update this report or the calculation of value for information that comes to my attention after the date of this report.

Respectfully,
DRYSDALE VALUATION, PLLC



Don M. Drysdale, CPA/ABV, ASA



William B. Hamilton, III

SAMPLE CALCULATION REPORT: Not representative of any actual companies or individuals.

Drysdale Valuation, PLLC

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Introduction

Subject of the Calculation

Subject Entity

Doubleday Foods, Inc. (Doubleday or Company) is a corporation organized under the laws of the State of New York. It manufactures packaged food products in six locations throughout the United States. Its corporate headquarters are located in Cooperstown, New York.

Subject Ownership

Doubleday Foods, Inc. engaged Drysdale Valuation, PLLC to value one share of voting common stock (Subject Interest) of Doubleday as of August 31, 2010 (Calculation Date).

Purpose of the Calculation

This report is not designed nor intended to be used for selling this business to outside individuals or other entities. It may not contain sufficient descriptive information to satisfy an uninformed prospective buyer of the Subject Interest. It is also not designed to adequately portray desirable qualities of the business, which may be informative to a potential buyer. Such information should be addressed in an offering document designed for that purpose.

Standard of Value

The standard of value is “fair market value.” IRS Revenue Ruling (Rev. Rul.) 59-60, 1959-1, C.B. 237 defines fair market value as:

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

Rev. Rul. 59-60 also states that “in addition that the hypothetical buyer and seller are assumed to be able, as well as willing, to trade and to be well informed about the property and the market for such property.”

Premise of Value

Drysdale Valuation, PLLC has assumed that the Company will continue in its current form, operating its current line(s) of business. Drysdale Valuation, PLLC has also assumed that there is no planned or contemplated discontinuance of any line of business nor any liquidation of the Company.

Basis of Value

The Subject Interest is a non-controlling interest. A non-controlling interest lacks the ability to direct administration, management and operations of the Company. This may lower the value of the Subject Interest relative to an equivalent ownership interest that has control.

The Subject Interest also lacks marketability. Marketability (also referred to as liquidity) is the ability to sell and liquidate an ownership interest within a short period of time. This lack of marketability may cause the ownership interest to be less valuable than an equivalent ownership interest that is marketable.

Calculation Report

American Society of Appraisers

This engagement was conducted in accordance with the Business Valuation Standards (BVS) of the American Society of Appraisers (ASA) and is intended to be a calculation, which is described by the BVS as follows:

The objective of a calculation is to provide an approximate indication of value of a business, business ownership interest, security or intangible asset based on the performance of limited procedures agreed upon by the appraiser and the client.¹

This report is intended to be a calculation report, which unlike a Comprehensive Written Business Valuation Report, the BVS does not require to conform to the Uniform Standards of Professional Appraisal Practice (USPAP).²

1. American Society of Appraisers, Business Valuation Standards, *BVS-I General Requirements for Developing a Business Valuation*, II(C)(3)(a).
2. *Ibid.*, BVS-VII Comprehensive Written Business Valuation Report, I(B).

American Institute of CPAs

This calculation engagement was conducted in accordance with the Statement on Standards for Valuation Services (SSVS) No. 1 of the American Institute of Certified Public Accountants (AICPA), which describes a calculation engagement as follows:

*Calculation engagement—A valuation analyst performs a calculation engagement when (1) the valuation analyst and the client agree on the valuation approaches and methods the valuation analyst will use and the extent of procedures the valuation analyst will perform in the process of calculating the value of a subject interest (these procedures will be more limited than those of a valuation engagement) and (2) the valuation analyst calculates the value in compliance with the agreement. The valuation analyst expresses the results of these procedures as a calculated value. The calculated value is expressed as a range or as a single amount. A calculation engagement does not include all of the procedures required for a valuation engagement.*³

This report is intended to be a calculation report. SSVS describes a calculation report as follows:

*Calculation Report: This type of report should be used only to communicate the results of a calculation engagement (calculated value); it should not be used to communicate the results of a valuation engagement (conclusion of value).*⁴

Differences exist in the terminology of the SBVS and the SSVS. We have generally used the terminology of the SSVS in this report.

This calculation was performed as of August 31, 2010 and this report was issued on November 30, 2010. We have neither obligation nor responsibility to update this report for events, circumstances or information that comes to our attention subsequent to the date of this report.

Valuator Independence

Drysdale Valuation, PLLC is an independent valuation firm. No owner, officer or employee of Drysdale Valuation, PLLC has any existing or contemplated financial interest in the Company. Drysdale Valuation, PLLC is not, nor has it acted as an advocate for the Company. The fee for this analysis was not based on the opinion of value provided.

Calculation Process

The client has agreed that the income approach will solely be used for this analysis, and that no other method will be computed. Specifically, the capitalized cash flows method.

The SSVS states:

*A calculation engagement does not include all the procedures required for a valuation engagement.*⁵

As such, we have not considered factors that would normally be considered in a valuation engagement. We have not made a detailed assessment of the risk associated with an investment in Doubleday, which would include analysis of macroenvironmental factors (like the economy, regulatory environment, and other factors), industry factors (including customers, competitors, suppliers and other issues), and entity specific factors (including personnel, entity culture, operating strategy and other factors.)

We have only used the agreed upon methodology which may result in a different conclusion than if a valuation engagement/appraisal was performed and/or another valuation method was used. This difference could be substantial and material.

Sources of Information

We have read, studied, considered, and relied on various information sources for this calculation. These included both internal and external information sources.

The approaches and methodologies used in this calculation did not comprise an examination in accordance with generally accepted auditing standards (GAAS). The objective of a GAAS examination is to express an opinion regarding the fair presentation of historical or prospective

3. American Institute of Certified Public Accountants, SSVS No. 1, *Valuation of a Business, Business Ownership Interest, Security, or Intangible Asset*, ¶ 21b.

4. Ibid., SSVS 1, ¶ 48c.

5. Ibid., SSVS 1, ¶ 21b.

financial statements or other financial information in accordance with generally accepted accounting principles (GAAP). Because we did not perform an examination in accordance with GAAS, we express no opinion and accept no responsibility for the accuracy and completeness of the financial information or other data provided to us by others. We do assume that the financial and other information provided to us is accurate and complete, and we have relied upon it in performing this calculation.

Limiting Conditions

We include a Statement of Assumptions and Limiting Conditions as an appendix to this report. This Statement of Assumptions and Limiting Conditions describes important conditions, restrictions, and assumptions used in this analysis. We have further referenced additional assumptions and restrictions throughout this report. Users of this report should read and study the entire report in order to understand the conclusion of value.

Calculation Approaches

Overview

The various approaches to calculating a value of an ownership interest in a business or intangible asset are based in the economic principles of “future benefits” and “substitution.”

The principle of future benefits specifies that an investor will not pay more than today’s value of economic benefits to be received in the future. The principle of substitution specifies that an investor will not pay more for an asset than the cost of another asset that performs the same function. These principles are applied in the various calculation approaches, namely the income approach, the market approach and the asset approach. Each of these approaches have corresponding methods that can be used to develop a calculated amount.

Asset Approach

The asset approach (or cost approach) is based on the economic principle of substitution. In terms of an investment, the principle of substitution is that an investor will not pay more for an investment than the cost to purchase or create the same investment.

The underlying concept of the asset approach is simple. The value of the investment is the sum of its assets less its liabilities. When properly applied, asset approach methods can be highly complex. This approach not only considers physical assets, but also intangible assets such as trademarks, patents, customer relationships, and reputation, to name a few. This approach also considers actual liabilities as well as contingent liabilities that may exist. The asset approach recognizes that all economic value can be associated with the productive assets of the business, tangible and intangible.

Income Approach

The income approach is based on the economic principle of future benefits. It uses the concept of the “time value of money” to determine a calculated amount. The time value of money concept is that an amount of money available now is worth more than the same amount in the future. The reason has to do with uncertainty and investment potential.

The receipt of an amount of money in the future is not completely certain. Events and circumstances may prevent the amount from being paid. Investors seek to be compensated for such risks. An amount available today can be invested and earn interest. The investor will have a greater amount of money in the future because of the interest earned. The sooner the money is available for investing, the more interest it can earn. Therefore, an amount of money is more valuable now than the same amount received in the future.

Under the income approach, value is computed as today’s value (present value) of expected future economic benefits to be received. The computation of the present value considers the risks associated with the investment. The risks are expressed in the rate of return that the investors seeks to achieve. This rate of return is often called the “cost of capital.”

The methods used in the income approach primarily include the discounted future cash flows (DCF) method and the capitalized earnings method.

Market Approach

The market approach is based on the economic principle of substitution, but can also incorporate some elements of the principle of future benefits. It uses the concept of “efficient markets.” The efficient market hypothesis is that the market price of an investment will reflect and incorporate all relevant information related to the assets. It means that the trading price will always be equivalent to the fair market value of the investment.

This approach compares the subject entity to transactions involving reasonably similar companies whose values are known. The comparisons are used to develop a cost of capital based on the known values of the comparable companies. The cost of capital is usually expressed as a valuation multiple. The multiple is then applied to an appropriate measure of economic benefit to arrive at a calculated amount.

The methods used in the market approach include actual transactions involving the subject investment, the private

company transaction method and the publicly traded guideline company method.

Our selection of an appropriate approach and underlying calculation method depends on the facts and circumstances of the case. The items that will impact the selection of the most appropriate calculation method may include, but are not limited to, the following:

- ◆ The purpose of the calculation;
- ◆ The premise of value (i.e., liquidation versus going concern);

- ◆ The availability of adequate information on publicly traded comparable companies or transactions involving comparable private companies;
- ◆ The relative stability or irregularity of historical earnings; and,
- ◆ Growth expectations for the future.

We considered using calculation methods that relate to the income, asset, and market approaches as detailed in the following sections of this report.

Income Approach

Capitalization Methods

Capitalization methods compute value based on an entity's estimated future income. To do so, an appropriate capitalization rate is applied to a single period estimate of future income. This capitalization rate takes into account the required rate of return an investor would expect based on the perceived investment risk, and the expected growth in earnings. Capitalization methods are most useful when economic income is stable and growing at an even rate. Capitalization methods are based on the Gordon-Shapiro dividend discount valuation model and use a single period of earnings to develop a value.

Capitalization methods are calculated by dividing the estimate of future earnings or cash flows by an applicable capitalization rate. The capitalization rate is computed by subtracting the long-term sustainable rate of growth from the applicable discount rate (see Exhibit 1).

In this case we selected the capitalized cash flows method because future growth is expected to occur at relatively moderate rates.

Estimate of Future Cash Flows – Capitalized Cash Flows Method

This section details the estimated future cash flows used in the capitalization of cash flows method.

Estimated Ongoing Cash Flows to Invested Capital

Cash flows can be evaluated on a "cash flow to equity" basis or a "cash flow to invested capital" basis. Cash flow to equity looks at the cash flow that is available to the equity owners. Cash flow to invested capital includes the cash paid to debt holders (interest expense). It is often called "debt free" cash flow because it represents the cash flows as if the entity had no interest bearing debt. It allows for the analysis to be performed on a debt neutral basis. The impact of the debt is then considered separately. We used cash flow to invested capital because the Company has no long-term interest bearing debt.

We estimated ongoing cash flows based on the managements' estimates of future revenue growth, expenses, working capital needs and capital expenditures. Such estimates were based on historical results. As

Exhibit 1: Capitalized Cash Flows Formula

$$PV = \frac{CF}{k-g}$$

Where:

PV = Present Value

CF = Expected ongoing cash flow or economic Benefit

k = Discount rate (required yield rate or total rate of return)

g = Expected ongoing future growth in cash flows or economic benefits

previously stated, management also expects the growth in cash flow to occur at a stable rate.

To estimate the future cash flows, we began with the estimate of future pre-tax earnings, which was based on the trailing year revenues as presented in the Appendices to this report. The revenues were grown by 3 percent to represent the estimated revenue to be generated in the next year. Cost of goods sold were estimated at 90 percent of revenues. Selling expenses and administrative expenses were estimated at 2 percent and 2.3 percent of revenue, respectively. Other income and expenses were estimated at a negative 1.5 percent of revenue (see Exhibit 2).

This estimate represents the earnings of the operations of Doubleday. The plants and other real estate used by Doubleday are leased from a related party. Our inquiries with management indicated that lease payments are similar to market rates.

To estimate the future ongoing cash flow, we began with the forecasted future pre-tax cash flows. We added the interest expense paid on interest bearing debt to arrive at earnings before interest and taxes (EBIT). We then subtracted a normalized income tax to arrive at an after tax earnings to invested capital. We added estimated depreciation expense to arrive at a gross cash flow to invested capital. We then subtracted the expected incremental working capital needs and the expected ongoing capital expenditure needs to arrive at estimated net cash flow to invested capital (see Exhibit 3).

Income Taxes. We estimated income taxes based on a combined Federal and State income tax rate. We first estimated the State income taxes because State income taxes are deductible for Federal income tax purposes. We used a State income tax rate of 7.1 percent, which is the income tax rate applicable to corporations in the State of New York.

We then estimated the Federal income taxes by subtracting the estimated State income taxes from the adjusted EBIT, and multiplying the result by 34 percent. Federal income tax rates are graduated for different levels of earnings. As taxable earnings increase, the tax rates general increase. The Federal income tax rate we used represents the effective Federal income tax rate for corporations have taxable earnings similar to the Company. This resulted in a combined Federal and State income tax rate of 38.7 percent.

Incremental Working Capital Needs. The need for working capital should be considered when assessing a company's cash flow estimate. We estimated Doubleday's future working capital needs by inquiring with management about their expectations and by analysis of industry statistics.

Our analysis of industry statistics indicated that Doubleday's level of working capital appears in line with the industry. Therefore, we estimated future working capital needs by multiplying the working capital by the estimated long-term growth rate of 3 percent to arrive at the estimated ongoing working capital need.

Ongoing Capital Expenditures. The need to purchase fixed assets and other capital items is important to the estimation of future cash flows. We inquired of management as to the need for future capital expenditures. They indicated that historical expenditures would mirror the future needs, therefore, the estimated future capital expenditure needs was based on historical expenditure amounts.

Estimated Cost of Capital

We used the Build-up Pricing Model, a derivation of the Capital Asset Pricing Model (CAPM), to determine an appropriate cost of capital (required rate of return). The basis of the build-up method is that investors expect to earn a greater return on an investment that involves a greater risk.

Exhibit 2: Estimated Future Pre-Tax Earnings

Revenue	3.0% ¹	\$ 325,170,000
Cost of Goods Sold	90.0% ²	<u>292,650,000</u>
Gross Profit		32,520,000
Selling expenses	2.25% ²	7,320,000
Administrative expenses	2.50% ²	<u>8,130,000</u>
Operating Earnings		17,070,000
Other Income (Expense)	-1.5% ²	<u>(4,880,000)</u>
Forecasted Earnings Before Taxes		<u>\$ 12,190,000</u>

¹ Rate of growth in revenue.

² Percentage of revenue.

Exhibit 3: Cash Flow to Invested Capital

Adjusted Earnings Before Taxes ¹	\$ 12,190,000
Add Interest Expense ²	<u>897,000</u>
Adjusted Earning Before Interest and Taxes	13,087,000
Less Income Taxes ³	<u>(5,104,000)</u>
After Tax Earnings to Invested Capital	7,983,000
Add Depreciation and Amortization ⁴	250,000
Less Incremental Working Capital Needs ⁵	(989,000)
Less Ongoing Capital Expenditures ⁴	<u>(250,000)</u>
Cash Flows to Invested Capital	<u>\$ 6,994,000</u>

¹ From Exhibit 2.

² From Appendix B.

³ Combined Federal and State income tax rate of 39%.

⁴ Based on managements' estimates of future depreciation and capital expenditure needs.

⁵ Future incremental working capital needs computed estimated from industry sales to working capital ratios and the long-term estimated growth of 3 percent.

Under the build-up method, an appropriate rate of return is "built up" using empirical data. It begins with a risk-free rate of return. An additional amount (premium) is added to the risk-free rate to account for the additional risk of investing in shares of stock of large corporations. This is called the equity risk premium. Another premium is added for the additional risk of investing in shares of small corporations. This is called the size premium. Often the

Exhibit 4: Combined Equity Risk Premium and Size Adjustment

Measure of Size	Doubleday	Logarithm ¹	Slope	Constant	Indicated Premium ²
Total Assets	\$ 59,045,856	1.771189	(0.02230)	0.15804	11.85%
Sales	\$ 196,656,976	2.293709	(0.01965)	0.15218	10.71%
5-Year Average EBITDA	\$ 5,355,211	0.728777	(0.02141)	0.13723	12.16%
Number of Employees	400	2.602060	(0.01933)	0.16048	11.02%
				Average	11.44%
				Median	11.44%
				Selected	11.50%

¹ The Company's amounts were expressed in millions (1,000,000 = 1.0) for computation of the logarithm, with the exception of the number of employees. This was done in order to be consistent with the formulae provided by the D&P Report.

² Computed by multiplying the logarithm by the slope and subtracting the result from the constant. The result is an indicated premium over the risk-less rate.

Exhibit 5: Discount Rate

Risk-less Rate	3.49%
Add Combined Equity Risk Premium and Size Adjustment	11.50%
Add Company Specific Risk Premium	1.50%
Equals the Cost of Equity	16.49%

equity risk premium and the size premium are combined into a single premium.

Finally a premium (or discount) is taken to account for risk (or lack thereof) specific to the entity being valued. This entity specific risk represents the remaining components of unsystematic risk. The result is a "discount rate," representing the annual investor-required rate of return, a measure of the cost of equity.

Risk-Free Rate

Rates for U.S. Treasury Bills, Notes, and Bonds are often considered free of risk of default. According to the *Federal Reserve Statistical Release* dated September 1, 2010, the yield on actively traded long-term (20-year) U.S. Government Treasury Securities on August 31, 2010 was 3.49 percent.

Combined Equity Risk Premium and Size Adjustment

We looked to the *Duff & Phelps, LLC Risk Premium report* (D&P Report), published by Duff & Phelps, LLC and distributed by Ibbotson Associates to quantify the combined general equity risk and size premium. The D&P Report provides investment return data beginning in 1963 on publicly traded companies ranked by size and includes those companies that appear in both the Center for Research in Security Prices database and the Standard and Poor's *Compustat* database. The D&P Report ranks the companies into 25 groups based on several different measurements of size. The D&P report also provides the statistical formulae necessary to extrapolate a combined equity risk premium and size adjustment for the subject entity, based on the same measures of size.

Investors expect an additional return on investment in smaller companies. Based on the D&P data, over the 1963-2009 time frame, investors in a company with similar size characteristics as Doubleday could expect returns above U.S. Treasury Coupon Bonds similar to those computed in the accompanying table (see Exhibit 4).

Specific Entity Risk Premium

It may be appropriate to include an additional risk premium, or subtract a risk discount, for risks specific to the entity being valued. We considered the entity specific risks based on our limited knowledge of the Company and its industry. Had we been engaged to perform a valuation (appraisal) we would have made a more detailed study of

Exhibit 6: Weighted Average Cost of Capital

Cost of Debt - Tax Effected	3.05%	¹ Multiply by Weight	12%	² Equals	0.37%
Cost of Equity	16.49%	³ Multiply by Weight	<u>88%</u>	Equals	<u>14.51%</u>
Weighted Average Cost of Capital Discount Rate			<u>100%</u>		<u>14.88%</u>

¹ Based on a 5% effective borrowing rate and a 0.39 tax rate.

² Weightings based on the capital structure as determined from the conclusion of this report because the non-controlling owner cannot change the capital structure.

³ From Exhibit 5.

Exhibit 7: Capitalization Rate

Weighted Average Cost of Capital	14.88%
Less the Long-Term Sustainable Annual Growth Rate	<u>-3.00%</u>
Equals the Capitalization Rate Applicable to Future Cash Flows Divided by the Mid-Year Convention Factor ¹	<u>1.188%</u> <u>1.072</u>
Capitalization Rate	<u>11.08%</u>
Rounded	<u>11.00%</u>

¹ $(1+WACC)^{0.5}$

the risks associated with the economy, industry, Company specific issues, and other factors. In this instance, we added an additional entity specific risk premium based on our limited knowledge.

Equity Discount Rate

The risk-less rate and various premium are summed to develop a discount rate applicable to equity (see Exhibit 5), and represents the cost of the Company's equity.

Weighted Average Cost of Capital

When cash flow to invested capital (debt free cash flow) is used, the estimate of future earnings is capitalized using a weighted average cost of capital (WACC). The WACC is a rate of return that incorporates both the costs of debt and equity. It is computed by weighting the equity discount rate by the portion of equity held in the entity, and by weighting a company's borrowing costs by the portion of debt held by the entity. The weighted cost of equity is added to the weighted cost of debt to arrive at a weighted cost of capital (see Exhibit 6).

Capitalization Rate

The capitalization rate is based on the previously determined WACC, less a long-term sustainable annual growth rate of 3 percent (see Exhibit 7). We believe this long-term growth estimate is reasonable based on the Company's historic growth rates and management's expectations of future growth. The long-term growth rate of the industry is closely tied to the overall macro-economic growth rate of the economy. In the near term, growth in earnings may continue to be enhanced at a faster rate.

Subtracting the expected long-term growth from the WACC results in a capitalization rate applicable for cash flows received one year in the future. Doubleday's cash flow is received fairly evenly throughout the year. For this reason it is necessary to adjust the capitalization rate for a midyear convention. A midyear convention is a mathematical adjustment to a discount or capitalization rate used to approximate cash being received evenly throughout the year. Specifically, it is one (1) plus the discount rate raised to the 0.5 power.

Exhibit 8: Capitalized Cash Flows Method

Cash Flow to Invested Capital ¹	\$ 6,994,000
Divide by the Capitalization Rate ²	<u>11.0%</u>
Indication of Enterprise Value	63,581,818
Less Interest Bearing Debt ³	<u>(7,941,202)</u>
Indication of the Value of Equity, Non-Controlling, Readily Marketable Basis	<u><u>\$ 55,640,616</u></u>
Rounded	<u><u>\$ 55,641,000</u></u>

¹ From Exhibit 3.

² From Exhibit 7.

³ From Appendix B.

Indication of Value – Capitalized Cash Flows

To compute a preliminary indication of value, We divided the estimated future cash flows to invested capital by the capitalization rate. The resulting value represents the

value of the total capitalization of the Company, including debt and equity. The value of interest bearing debt is subtracted from this value, resulting in the value of the Company's equity (see Exhibit 8).

Effect of Marketability on Value

An ownership interest that can be sold easily and converted to cash is more valuable than an equivalent interest that cannot be sold easily. The ability to sell is called marketability, and the ability to convert to cash is called liquidity.

Marketability is:

*The capability and ease of transfer or salability of an asset, business, business interest, or security.*⁶

Closely related to marketability is liquidity. Liquidity is:

*The ability to readily convert an asset, business, business ownership interest, or security to cash without significant loss of principal.*⁷

In this report we will consider marketability and liquidity in combination, and will refer to them in aggregate as “marketability,” unless otherwise indicated.

When an ownership interest lacks certain elements of marketability an adjustment from the preliminary indication of value may be applicable. This is commonly referred to as a discount for lack of marketability.

The standard for marketability is publicly traded stocks that enjoy significant trading volume on a major stock exchange. Owners of these stocks can know the value of their interests on a minute-by-minute basis, and can buy or sell these stocks at a moment's notice with the proceeds (net of fees) delivered in a matter of days.

A privately held business enterprise does not enjoy such marketability. Liquidating a position in a privately held entity is more costly and time consuming. Fees may need to be paid to a business broker and other marketing costs may be incurred. Time is required to find a buyer, negotiate a price and draw up the necessary legal documents. In many cases the purchase price is paid over a period of years.

In some cases, more onerous restrictions are placed on the ownership of privately held enterprises through by-laws or shareholder agreements. These can include rights of first refusal, giving existing owners the right to purchase an ownership interest before it is sold to an outside party, and in some cases, an outright ban on the transferability. For these reasons, the marketability of a Subject Interest is important to estimating its value.

Quantifying Adjustments for Marketability

Diverse methods exist to estimate and quantify the impact of marketability on the value of a privately held business enterprise. These methods include studies of empirical data, market return comparisons, and computational methods. We have selected one of the computational methods—option theory—to estimate the adjustment for lack of marketability.

Option Theory

A tactic used by investors to protect the value of an appreciated security is to purchase a put option. A put option gives the holder the right to sell a security at a predetermined price. If the market value of the security declines, the put allows the investor to sell it at the higher option price, thus protecting the investor from the decline in value. The holder of a non-marketable security runs the risk of declining value while he/she is waiting for a marketability event. Based on option theory, he/she would require a discount to the price equal to the cost of purchasing a put option.

Black-Scholes Model. Option models for European options provide an appropriate substitute for measuring an adjustment for lack of liquidity. European options can only be exercised (and therefore can only provide liquidity) on the expiration date and while the option holder waits for the expiration date, the price of the underlying stock can change to the benefit or detriment of the option holder. Likewise, the Subject Interest can only be liquidated after a buyer is found, and the value of the interest may change during that time. As previously indicated, the purchase of a put option protects the investor from this downside potential.

6. International Glossary of Business Valuation Terms.

7. *ibid.*

The Black-Scholes model requires the input of several variables that are used to compute the value of a European style option. These inputs include, the risk free rate of return at the valuation date, the price of the underlying stock, the price volatility of the underlying stock, and the expiration date of the option.

We used the following inputs to the Black-Scholes model to estimate the appropriate adjustment for the lack of marketability as follows:

Risk-Free Rate. We used the yield for U.S. Government securities with a two-year maturity as representative of the risk free rate. This rate was 0.52 percent at September 3, 2010. We used a two-year rate to correspond with the estimated holding period.

Price of the Underlying Stock. Because we are measuring the adjustment for lack of marketability as a percentage, we used 100 as the price of the underlying stock.

Price Volatility. We looked to the trading price of publicly traded guideline companies as a surrogate for price volatility. We specifically selected manufacturers of prepackaged and baked food items since no manufacturers of pet foods could be found. The average

long-run forecasted price volatility of the public companies was 44.9 percent with a low of 30 percent and a high of 70.4 percent. From this we selected the low end of the range because we believe a privately held company would have less price volatility due to it not being subject to market price fluctuations.

Expiration Date. We estimated this based on the expected holding period of two-years. Our reading of the Articles of Incorporation and the Bylaws did not reveal any stated restrictions on the transferability of Doubleday's shares of stock. Our inquiries with management revealed that there are no shareholders' agreements that would restrict the transferability, either. Regardless, we believe an owner of a non-controlling interest would have some difficulty finding a buyer and consummating a sales transaction because of the shares lack marketability. We estimated that without transfer restrictions it would take about two years to find a buyer of a non-controlling interest and effectuate such a transfer. In actuality, it could take longer, or shorter, depending on how quickly a motivated buyer could be found.

From these inputs, the Black-Scholes model computes an adjustment for lack of marketability of 16.4 percent which we rounded to 15 percent.

Conclusion

We have performed this calculation engagement based on the agreed upon procedures and methodology. Our calculation of the fair market value of one share of the voting common stock in Doubleday Foods, Inc. as of August 31, 2010 on a non-controlling, non-marketable basis is approximately:

Two Hundred Dollars per Share
\$200.00/Share
(see Exhibit 9)

This calculation engagement was performed solely for management informational and planning purposes and is not to be used for any other purpose. The previous letter and this report are to be considered a single document and are to be distributed only in their entirety, and are intended and restricted only for use by the management of

Doubleday Foods, Inc.. This report is not to be copied or made available to any other persons without the express written consent of Drysdale Valuation, PLLC.

This calculation engagement was conducted in accordance with the SSVA of the AICPA and the SBVS of the ASA, and are subject to the Statement of Assumptions and Limiting Conditions as presented in the appendices of this report.

We have no present or contemplated financial interest in Doubleday Foods, Inc.. Our fees for this analysis were based on our customary billing rates, and are in no way contingent upon the results of our findings. We have no obligation or responsibility to update this report for events, circumstances or information that comes to our attention subsequent to the date of this report, although we will be pleased to perform an update should you require one.

Exhibit 9: Concluded Calculation of Value

Preliminary Indication of Value ¹	\$ 55,641,000
Divided by the Total Number of Shares Outstanding	<u>237,500</u>
Preliminary Indication of the Fully Marketable Per Share Value	\$ 234.28
Less Adjustment for the Lack of Marketability - 15%	<u>(35.14)</u>
Fair Market Value of One Share of Voting Common Stock of Doubleday Foods, Inc. at September 4, 2010 on a Non-Controlling, Non-Marketable Basis	<u>\$ 199.14</u>
Rounded	<u>\$ 200.00</u>

¹ From Exhibit 8.

Appendix A: Representations/Certification

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

- ◆ The statements of fact contained in this report are true and correct.
- ◆ The reported calculation of value is limited in the scope of procedures performed and methodologies applied. Nevertheless, the calculated value (approximate indication of value) reported is our personal, impartial, and unbiased professional analyses and conclusions.
- ◆ We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest with respect to the parties involved.
- ◆ We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- ◆ Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- ◆ Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined amount or direction in value that favors the cause of the client, the amount of the calculated value, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this calculation engagement.
- ◆ Our analyses and conclusions were developed, and this report has been prepared, in conformity with the American Institute of Certified Public Accountants Statement on Standards for Valuation Services, and the Uniform Standards of Professional Appraisal Practice standards for conducting and reporting on business valuations.
- ◆ No one provided significant professional assistance to the persons signing this report.
- ◆ The data included in the calculation report have been obtained from various printed or electronic reference sources that the valuation analyst believes to be reliable. The valuation analysts have not performed any corroborating procedures to substantiate that date.
- ◆ The parties for which the information and use of the calculation report is restricted are identified; the valuation report is not intended to be and should not be used by anyone other than such parties.
- ◆ We have no obligation to update the report or the calculated value for information that comes to our attention after the date of the report.


Don M. Drysdale, CPA/ABV, ASA


William B. Hamilton, III
November 30, 2010

Appendix B: Financial Information

Doubleday Foods, Inc.
Historical Balance Sheets

As of:	Dec. 30, 2006		Dec. 29, 2007	
Assets:				
Current Assets				
Cash	\$ 3,210,192	8.22%	\$ -	0.00%
Available-for-sale securities	3,674,531	9.41%	2,385,636	5.28%
Accounts receivable, net	13,169,794	33.74%	23,483,074	51.95%
Inventory	9,837,615	25.20%	13,169,664	29.14%
Advance and prepaid expenses	354,311	0.91%	128,415	0.28%
Total Current Assets	30,246,443	77.48%	39,166,789	86.65%
Fixed Assets				
Property, plant and equipment	1,607,877	4.12%	1,826,971	4.04%
Accumulated depreciation	(1,351,374)	-3.46%	(1,549,316)	-3.43%
Total Fixed Assets	256,503	0.66%	277,655	0.61%
Other Assets				
Cash in reserve	8,000,000	20.49%	5,000,000	11.06%
Note receivable, net of current portion	515,316	1.32%	736,457	1.63%
Deferred tax asset	-	0.00%	-	0.00%
Other assets	20,000	0.05%	20,000	0.04%
Total Other Assets	8,535,316	21.86%	5,756,457	12.74%
Total Assets	\$ 39,038,262	100.00%	\$ 45,200,901	100.00%

Dec. 27, 2008		Dec. 26, 2009		July 31, 2010	
\$ 2,322,129	5.21%	\$ 835,440	1.41%	\$ 223,171	0.38%
1,251,072	2.81%	1,480,120	2.50%	-	0.00%
17,089,597	38.36%	30,573,368	51.55%	27,790,981	47.07%
17,890,606	40.16%	25,656,351	43.26%	29,138,752	49.35%
273,506	0.61%	152,788	0.26%	1,161,349	1.97%
<u>38,826,910</u>	<u>87.16%</u>	<u>58,698,067</u>	<u>98.98%</u>	<u>58,314,253</u>	<u>98.76%</u>
2,260,396	5.07%	2,332,688	3.93%	2,547,770	4.31%
(1,743,737)	-3.91%	(1,746,253)	-2.94%	(1,836,167)	-3.11%
<u>516,659</u>	<u>1.16%</u>	<u>586,435</u>	<u>0.99%</u>	<u>711,603</u>	<u>1.21%</u>
-	0.00%	-	0.00%	-	0.00%
-	0.00%	-	0.00%	-	0.00%
5,182,439	11.63%	-	0.00%	-	0.00%
20,000	0.04%	20,000	0.03%	20,000	0.03%
<u>5,202,439</u>	<u>11.68%</u>	<u>20,000</u>	<u>0.03%</u>	<u>20,000</u>	<u>0.03%</u>
<u>\$ 44,546,008</u>	<u>100.00%</u>	<u>\$ 59,304,502</u>	<u>100.00%</u>	<u>\$59,045,856</u>	<u>100.00%</u>

Doubleday Foods, Inc.
Historical Balance Sheets (continued)

As of:	Dec. 30, 2006		Dec. 29, 2007	
Liabilities and Equity:				
Liabilities				
Current Liabilities				
Checks-in-excess	\$ -	0.00%	\$ 2,524,409	5.58%
Accounts payable	8,302,011	21.27%	13,743,942	30.41%
Accrued liabilities	1,586,681	4.06%	1,558,786	3.45%
Line-of-credit	-	0.00%	3,447,951	7.63%
Total Current Liabilities	9,888,692	25.33%	21,275,088	47.07%
Long-Term Liabilities				
Deferred tax liability	-	0.00%	-	0.00%
Excess of acquired net assets over cos	3,806,225	9.75%	3,806,225	8.42%
Total LT Liabilities	3,806,225	9.75%	3,806,225	8.42%
Total Liabilities	13,694,917	35.08%	25,081,313	55.49%
Equity				
Retained Earnings	21,531,353	55.15%	16,307,596	36.08%
Other Equity	3,811,992	9.76%	3,811,992	8.43%
Total Equity	25,343,345	64.92%	20,119,588	44.51%
Total Liabilities and Equity:	\$ 39,038,262	100.00%	\$ 45,200,901	100.00%

Sources:

*December 2006 and 2009 from financial statements reviewed by Wagner, Cobb & Ruth,
Certified Public Accountants.
July 31, 2010 - internally prepared.*

Dec. 27, 2008		Dec. 26, 2009		July 31, 2010	
\$ 5,579,979	12.53%	\$ 4,187,961	7.06%	\$ 3,763,123	6.37%
23,914,854	53.69%	21,993,781	37.09%	17,079,181	28.93%
1,873,092	4.20%	2,373,626	4.00%	4,499,191	7.62%
5,664,657	12.72%	7,800,859	13.15%	7,941,202	13.45%
<u>37,032,582</u>	<u>83.13%</u>	<u>36,356,227</u>	<u>61.30%</u>	<u>33,282,697</u>	<u>56.37%</u>
16,233	0.04%	50,987	0.09%	-	0.00%
-	0.00%	-	0.00%	-	0.00%
<u>16,233</u>	<u>0.04%</u>	<u>50,987</u>	<u>0.09%</u>	<u>-</u>	<u>0.00%</u>
<u>37,048,815</u>	<u>83.17%</u>	<u>36,407,214</u>	<u>61.39%</u>	<u>33,282,697</u>	<u>56.37%</u>
5,840,476	13.11%	21,062,912	35.52%	22,946,797	38.86%
1,656,717	3.72%	1,834,376	3.09%	2,816,362	4.77%
<u>7,497,193</u>	<u>16.83%</u>	<u>22,897,288</u>	<u>38.61%</u>	<u>25,763,159</u>	<u>43.63%</u>
<u>\$ 44,546,008</u>	<u>100.00%</u>	<u>\$ 59,304,502</u>	<u>100.00%</u>	<u>\$59,045,856</u>	<u>100.00%</u>

Doubleday Foods, Inc.
Historical Income Statements

For the Years Ended:	Dec. 30, 2006		Dec. 29, 2007	
Sales	\$ 184,441,457	100.00%	\$ 206,092,119	100.00%
Cost of sales	173,872,430	94.27%	205,614,970	99.77%
Gross profit	10,569,027	5.73%	477,149	0.23%
Operating expenses				
Selling expenses	6,094,438	3.30%	5,972,302	2.90%
General and administrative	3,059,028	1.66%	2,877,460	1.40%
Total operating expenses	9,153,466	4.96%	8,849,762	4.29%
Income from operations	1,415,561	0.77%	(8,372,613)	-4.06%
Total other income/(expense)	955,576	0.52%	662,977	0.32%
Income (loss) before benefit (provision)				
from income taxes	2,371,137	1.29%	(7,709,636)	-3.74%
Benefit (provision from income taxes)	(714,496)	-0.39%	2,485,879	1.21%
Net Income/(Loss)	\$ 1,656,641	0.90%	\$ (5,223,757)	-2.53%
Interest expense	68,295		366,573	
Depreciation expense	174,424		197,942	
EBITDA	1,589,985		(8,174,671)	
5-Year average EBITDA				

Sources:

Years ended December 2006 and 2009 from financial statements reviewed by Wagner, Cobb & Ruth, Certified Public Accountants.

August 31, 2010 - trailing 12 month period internally prepared. The balance sheet on the previous pages as of July 31, 2010 do not match this time period because management had not yet prepared such balance sheet at the Report Date.

Dec. 27, 2008		Dec. 26, 2009		Year Ended Aug. 31, 2010	
\$ 235,658,092	100.00%	\$ 297,790,395	100.00%	\$ 325,678,000	100.00%
231,688,253	98.32%	262,938,929	88.30%	291,295,000	89.44%
3,969,839	1.68%	34,851,466	11.70%	34,383,000	10.56%
7,004,485	2.97%	7,402,459	2.49%	6,889,000	2.12%
7,112,102	3.02%	5,943,021	2.00%	7,557,000	2.32%
14,116,587	5.99%	13,345,480	4.48%	14,446,000	4.44%
(10,146,748)	-4.31%	21,505,986	7.22%	19,937,000	6.12%
(1,712,701)	-0.73%	(891,668)	-0.30%	(2,519,893)	-0.77%
(11,859,449)	-5.03%	20,614,318	6.92%	17,417,107	5.35%
5,166,205	2.19%	(5,391,882)	-1.81%	(3,769,107)	-1.16%
\$ (6,693,244)	-2.84%	\$ 15,222,436	5.11%	\$ 13,648,000	4.19%
1,804,789		886,918		897,026	
194,421		261,988		229,693	
(9,952,327)		21,767,974		20,166,693	
				5,079,531	

Appendix C: Statement of Assumptions and Limiting Conditions

We have relied upon information:

We have based our report on historical and prospective financial information, historical and current entity information, and other information provided by owners, management, and third parties. We have not audited or reviewed this information and the resulting report should not be construed, or referred to as an audit, examination or review. Had we audited or reviewed the underlying data and information, matters may have come to our attention that would have resulted in our using amounts that differ from those provided. Accordingly, we take no responsibility for the underlying data presented or relied upon in this report. We have assumed that all of the representations and information supplied by the Company, its management and agents are true, accurate, and complete.

We have relied on public and other information sources we believe to be reliable. However, we make no representation as to the accuracy, completeness or correctness of such information and have performed no procedures to corroborate the information.

We have relied upon the representations of the owners, management, and third parties concerning the value and useful condition of all equipment, real estate, investments used in the business, and any other assets or liabilities except as specifically stated to the contrary in this report. We have not attempted to confirm whether or not all assets of the business are free and clear of liens and encumbrances, or that the Company has good title to all assets. Drysdale Valuation, PLLC assumes no responsibility for matters of a legal or tax-oriented nature affecting any of the property valued or any calculation of value.

We based this calculation in part on forecasts of revenues, earnings, and other matters as estimated by the management of the Doubleday Foods, Inc. Some assumptions inevitably will not materialize, and numerous unanticipated events and circumstances may occur. Therefore, the actual performance in the areas forecasted will vary from the forecasts and the variations may be material. Drysdale Valuation, PLLC expresses no form of assurance whatsoever on the likelihood of achieving the forecasts or on the reasonableness of the assumptions, representations and conclusions.

Any such forecasts are presented for calculation purposes only, and are not intended to be used separately or for any other purpose, including: to obtain credit, make investment decisions, make purchase decisions, or solicit investors. Any such potential parties must independently examine the outlook for the Company and make their own separate determinations. The parties should employ qualified advisors to assist them in doing so.

The report will not be used for:

We have performed this calculation only for the Company and the purpose stated herein. The report and any information contained within are not to be used for any other purpose by any other party. Such other use will render the report invalid and is not authorized. This report or its findings are not to be included in, or referred to, in any offering memorandum (public or private) or prospectus of any kind.

The report, its information and findings are confidential and are not to be published, copied, reproduced, disclosed, or disseminated in any way by any means, in whole or in part, without the express prior written permission of a duly authorized officer of Drysdale Valuation, PLLC. This report is copyrighted and remains the property of Drysdale Valuation, PLLC. Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales or other media without the prior written consent and approval of Drysdale Valuation, PLLC.

Assumptions (not all inclusive):

In determining the calculation of value included in this report, we have assumed that the existing management will maintain the character and integrity of the Company through any reorganization or reduction of any existing owner's/manager's participation in the activities of the Company.

We have assumed that there are no factors such as restrictive agreements of any kind, other than those noted herein, which will affect or impair value in any way or the ability to affect an expedient sale of the ownership interest being valued.

We have assumed for calculation purposes that the Company is in good standing and is not in violation of any laws or regulatory statute of any kind; this has not been independently verified. We have also assumed that there are no contingent or other liabilities of any kind, including pending or threatened lawsuits, environmental or hazardous waste or other similar matters except as noted herein.

The dollar amount of any value reported is based on the purchasing power of the U.S. dollar as of the calculation date. The appraiser assumes no responsibility for economic or physical factors occurring subsequent to the date that may affect the conclusions reported.

Drysdale Valuation, PLLC is not an environmental consultant, engineer or auditor, and takes no responsibility for any actual or potential liability from environmental contamination or injury from such contaminants or hazardous substances. Drysdale Valuation, PLLC has not independently determined whether the subject business enterprise is subject to any present or future liability relating to environmental matters (including but not limited to CERCLA/Superfund liability, contamination of soil, water or air, or release of any substance that could damage the environment or individuals) nor the scope of any such liabilities. We take no such liabilities into account, except as they have been reported to us by the subject company or by an environmental consultant working for the subject company, and then only to the extent that the liability was report to us in an actual or estimated dollar amount. Such matters, if any, are noted in the report. To the extent such information has been reported to us, Drysdale Valuation, PLLC has relied on it without verification and offers no warranty or representation as to its accuracy or completeness.

The calculation of fair market value assumes that the Company is a “going concern,” based on an all cash purchase, or equivalent terms thereof. The Company would have a materially different value in liquidation. No estimate, opinion or calculation of the value that could be achieved in liquidation is included in this report.

If the business is sold or transferred:

Drysdale Valuation, PLLC, Don M. Drysdale, CPA/ABV, ASA, and William B. Hamilton, III, MBA do not purport to be guarantors of value. Calculations involving closely held companies is an imprecise science, with value being a question of fact, and reasonable people differing in their conclusions of value. However, Drysdale Valuation, PLLC and the individual analyst(s) have used conceptually sound and commonly accepted methods and procedures in determining the calculation of value included in this report.

Nothing in this report is intended to recommend, imply or provide any guarantees, representations, or opinions of any kind whatsoever regarding the financial prudence, collateral, investment potential or debt service ability of the Company or any investment in its stock or assets by any party, including investors of any kind, financial institutions and all other individuals or entities. Such parties should undertake a full due diligence review of the Company and make their own independent determinations of its future prospects, financial and otherwise, and the financial prudence, tax, legal, and all other ramifications of any contemplated transaction and should retain independent and qualified advisors.

Nothing in this report should be construed as providing a “due diligence” study of the Company, as such a study has not been undertaken. Such a study could uncover factors not considered herein which could result in a materially different calculation of value. No “fairness opinion” of any kind is expressed herein regarding an ownership interest in the subject entity or for any pending or contemplated transaction.

Nothing in this report constitutes a recommendation regarding the purchase or sale of any securities or assets. Drysdale Valuation, PLLC expresses no opinion, guarantees or form of assurance of any kind, expressed or implied, on the potential investment performance resulting from a purchase of an interest in the Company or its assets.

This report is neither an offer to sell, nor a solicitation to buy securities, and/or equity in, or assets of, the subject entity.

Other:

We have no present or contemplated financial interest in the Company. Our fee for this analysis is based upon our customary billing rates plus out-of-pocket expenses, and is in no way contingent upon the results of our findings. We have no responsibility or obligation to update this report for events or circumstances occurring subsequent to the date of this report, although we would be happy to do so should prior arrangements be made, including providing expert testimony or to be in attendance in court or at any government hearing with reference to the matters contained herein. The conclusion expressed herein is valid only for the stated effective date, August 31, 2010, and only for the stated purpose. The actual value realized at a date subsequent to the calculation date may vary from the value set forth and such variations may be material.

No change of any item in the report shall be made by anyone other than Drysdale Valuation, PLLC, and we shall have no responsibility for any such unauthorized change.

The calculation date is stated in the report without any guarantees as to the fair market value at the calculation date or any future date, or any contrary calculations or opinions as to the value as of the same date.

Possession of the report or work papers or other written documentation regarding the analysis does not carry with it the right of publication of all or part of it, nor may it be used or relied upon without previous written consent for any purpose other than that set forth above. No third parties are intended to be benefitted. Drysdale Valuation, PLLC assumes no responsibility for any liability for damages of any kind resulting from reliance on this report by the Company or any other party. Schedules, information and other work papers developed during the assignment by Drysdale Valuation, PLLC or supplied by the client are the sole property of Drysdale Valuation, PLLC and are not subject to examination or production to the client at any time during or after the engagement.