



Dresner Trends in Valuation



June 2008

What does the value of your business' property, plant, and equipment have to do with the price of steel in China?

Increased prices of steel, copper, silver, and other raw materials, resulting from the construction boom in China have had a serious impact on global construction costs and as a result, the value of your business' property, plant and equipment. In fact, property, plant, and equipment costs in the United States have increased dramatically in the past several years due to several recent global developments:

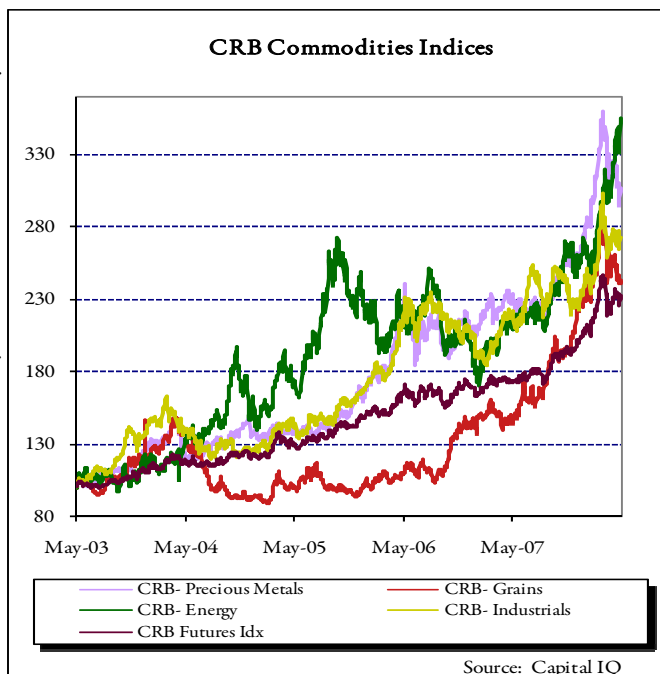
- *Increased raw material costs.* As noted, demand for commodities due to construction activity in China has led to surging prices for copper, silver and steel.
- *Increased plant construction costs.* Higher energy prices and increased engineering costs due to a lack of available resources have also added to the costs of building new plants and warehouses.
- *The decline of the U.S. dollar.* To top it all off, the falling U.S. currency has led to price increases in dollar terms for imported parts and products manufactured in Europe and Asia.

In capital-intensive industries, such as transportation, energy, heavy manufacturing, etc., this recent dynamic could have a material impact on the future plans for your company. For example, if you are considering a new round of financing, you may find that the increases in value in your existing property, plant, and equipment allow for an increased loan amount.

If you are considering an acquisition, purchase accounting rules state that acquired assets must be marked to fair value. With today's rising prices, the fair value of the target's property, plant, and equipment could well exceed the net book value shown on the target's financial statements. Consequently, your company could experience an unexpected increase in depreciation expense due to the increased value of the target company's tangible assets. Under this scenario, the impacts of the increased depreciation would be decreased earnings and increased tax savings. In extreme cases, the sum of the fair values of all of the acquired assets may be greater than the purchase price, leading to unexpected gains and increases to equity.

Surprisingly, most publicly available cost indices do not seem to fully reflect commodity price increases or provide good estimates of the increased values related to property, plant, and equipment. As the data points out, most major U.S. cost indices show low levels of price inflation in spite of overwhelming evidence to the contrary.

Consequently, in the estimation of fair market value, an accurate assessment will only be achieved with a rigorous analysis of the subject assets. Dresner Valuation Services can perform a cost-effective analysis to accurately identify the fair market value of your business' property, plant, and equipment.



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TRENDS IN VALUATION

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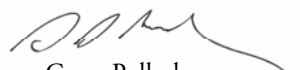
At Dresner Valuation Services, we use a comprehensive approach to value property, plant, and equipment. In our approach to value, our engineers' methods to analyze your plant's tangible assets are based on the most accurate and up-to-date data available. We will estimate the cost to replace your plant using the specifications of a current, state-of-the-art facility. Our team will make the necessary adjustments to derive an accurate value of the facility by examining the three possible forms of obsolescence:


- Physical Depreciation - Based on a physical assessment of your facility. Our site inspection team will tour your facility, assessing the condition and remaining useful life of the facility.
- Functional Obsolescence - Based on the facility's excess operating costs. Our engineers will compare the operating costs of your facility with the operating costs of a state-of-the-art facility.
- Economic Obsolescence - Based on the income-generating ability of the assets. Our valuation experts will examine whether the value of your facility supports the underlying economics of the business.

All in all, our valuation team will perform the necessary due diligence to develop the most accurate analysis to meet your valuation needs. Give us a call today to explore how we can assist you in understanding the value of your fixed assets.

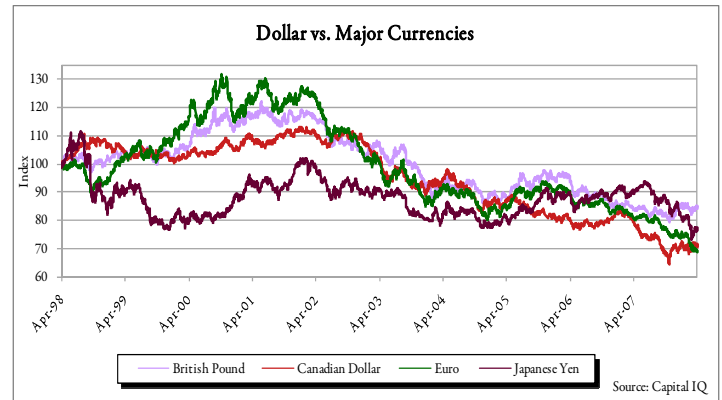
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Inflation and Currencies



Dresner Valuation Services performs valuations addressing the following applications:

Accounting & Tax Compliance

FAS 141/142
FAS 157
Estate Planning
Section 409A
S Corp Conversions

Corporate Planning

Management Compensation
Shareholder Agreements / Buyouts
Exit Strategies

Corporate Advisory

Fairness Opinions
Solvency Opinions
Intangible and Tangible Assets
ESOPs

Litigation Support

Lost Profits / Damage Analyses
Expert Testimony