

Name(s) shown on your income tax return

**ROBERT & MARILYN LOOYENGA**

Identifying number

**504-46-2330**

**Section B. Donated Property Over \$5,000 (Except Certain Publicly Traded Securities)-** List in this section only items (or groups of similar items) for which you claimed a deduction of more than \$5,000 per item or group (except contributions of certain publicly traded securities reported in Section A). An appraisal is generally required for property listed in Section B (see instructions).

**Part I Information on Donated Property-** To be completed by the taxpayer and/or the appraiser.

4 Check the box that describes the type of property donated:

- |  |  |   |
|--|--|---|
| <input type="checkbox"/> Art *(contribution of \$20,000 or more)   | <input type="checkbox"/> Qualified Conservation Contribution | <input type="checkbox"/> Equipment        |
| <input type="checkbox"/> Art *(contribution of less than \$20,000) | <input type="checkbox"/> Other Real Estate                   | <input type="checkbox"/> Securities       |
| <input type="checkbox"/> Collectibles**                            | <input type="checkbox"/> Intellectual Property               | <input checked="" type="checkbox"/> Other |

\*Art includes paintings, sculptures, watercolors, prints, drawings, ceramics, antiques, decorative arts, textiles, carpets, silver, rare manuscripts, historical memorabilia, and other similar objects

\*\*Collectibles include coins, stamps, books, gems, jewelry, sports memorabilia, dolls, etc., but not art as defined above

Note. In certain cases, you must attach a qualified appraisal of the property. See instructions

5	(a) Description of donated property (if you need more space, attach a separate statement)	(b) If tangible property was donated, give a brief summary of the overall physical condition of the property at the time of the gift	(c) Appraised fair market value
A	<b>CHEM. TESTING BUSINESS</b>	<b>LAB INV &amp; BOOKS-EXCELLEN</b>	<b>266,000</b>
B			
C			
D			

A	(d) Date acquired by donor (mo, yr)	(e) How acquired by donor	(f) Donor's cost or adjusted basis	(g) For bargain sales, enter amount received	See instructions	
					(h) Amount claimed as a deduction	(i) Average trading price of securities
A	<b>VARIOUS</b>	<b>PURCHASE</b>	<b>0</b>			
B						
C						
D						

**Part II Taxpayer (Donor) Statement-** List each item included in Part I above that the appraisal identifies as having a value of \$500 or less. See instructions.

I declare that the following item(s) included in Part I above has to the best of my knowledge and belief an appraised value of not more than \$500 (per item). Enter identifying letter from Part I and describe the specific item. See instructions. ▶

Signature of taxpayer (donor) ▶

Date ▶

**Part III Declaration of Appraiser**

I declare that I am not the donor, the donee, a party to the transaction in which the donor acquired the property, employed by, or related to any of the foregoing persons, or married to any person who is related to any of the foregoing persons. And, if regularly used by the donor, donee, or party to the transaction, I performed the majority of my appraisals during my tax year for other persons.

Also, I declare that I hold myself out to the public as an appraiser or perform appraisals on a regular basis, and that because of my qualifications as described in the appraisal, I am qualified to make appraisals of the type of property being valued. I certify that the appraisal fees were not based on a percentage of the appraised property value. Furthermore, I understand that a false or fraudulent overstatement of the property value as described in the qualified appraisal or this Form 8283 may subject me to the penalty under section 6701(a) (aiding and abetting the understatement of tax liability). In addition, I understand that a substantial or gross valuation misstatement resulting from the appraisal of the value of the property that I know, or reasonably should know, would be used in connection with a return or claim for refund, may subject me to the penalty under section 6695A. I affirm that I have not been barred from presenting evidence or testimony by the Office of Professional Responsibility.

Sign Here Signature ▶ Title ▶ Date ▶

Business address (including room or suite no)

**PO BOX 3140, 810 QUINCY**

Identifying number

**46-0257538**

City or town, state, and ZIP code

**RAPID CITY SD 57701**

**Part IV Donee Acknowledgment-** To be completed by the charitable organization.

This charitable organization acknowledges that it is a qualified organization under section 170(c) and that it received the donated property as described in Section B, Part I, above on the following date ▶ **12/31/08**

Furthermore, this organization affirms that in the event it sells, exchanges, or otherwise disposes of the property described in Section B, Part I (or any portion thereof) within 3 years after the date of receipt, it will file Form 8282, Donee Information Return, with the IRS and give the donor a copy of that form. This acknowledgment does not represent agreement with the claimed fair market value

Does the organization intend to use the property for an unrelated use? ▶  Yes  No

Name of charitable organization (donee)	Employer identification number	
<b>RAPID CITY POLICE DEPT, EVIDENCE SEC</b>		
Address (number, street, and room or suite no)	City or town, state, and ZIP code	
<b>300 5TH STREET</b>	<b>RAPID CITY SD 57701</b>	
Authorized signature	Title	Date



# Ketel Thorstenson, LLP

Certified Public Accountants/Business & Personal Consultants

## *Partners*

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*Of Counsel:* Richard L. Siekman, CPA, Leroy B. Ketel, CPA

April 10, 2009

Robert W. Looyenga  
1107 Wildlife Road  
Rapid City, SD 57702

Dear Mr. Looyenga:

Per your request, we have prepared and enclosed our calculation of fair market value of your consulting/chemical testing business (the Proprietorship) for the purpose of filing Form 8283, the Internal Revenue Service's Noncash Charitable Contribution form, for the potential contribution of the Proprietorship to the City of Rapid City, South Dakota as of December 31, 2008. The premise of value is that of going concern.

This calculation engagement was conducted in accordance with the Statement on Standards for Valuation Services (SSVS) of the American Institute of Certified Public Accountants (AICPA) and National Association of Certified Valuation Analysts (NACVA). In a calculation engagement, the valuation analyst and the client agree on the specific valuation approaches and valuation methods the valuation analyst will perform to estimate the value of the subject interest. A calculation engagement does not include all of the procedures required in a valuation engagement, as that term is defined in the SSVS. Had a valuation engagement been performed, the results might have been different. However, nothing came to our attention that led us to believe that our conclusion would change if a complete report would have been prepared.

Our report is based on financial information provided to us by you and other third parties. Had we audited the underlying data, matters may have come to our attention which would have resulted in our using amounts which differ from those provided. Accordingly, we take no responsibility for the underlying data presented and used in the preparation of this report.

We obtained information from the Proprietorship's 2004-2008 tax returns, conversations with Robert Looyenga on April 7, 2009, and various outside research sources. The financial and other pertinent information provided have been accepted without further verification as correctly reflecting its results of operations and its financial and business conditions. A site visit was not conducted.

The Proprietorship is a consulting and chemical testing business that was started by Robert Looyenga in approximately 1976. Blood alcohol testing is performed for a number of city and county governments to aid the respective government in its case against alleged offenders for driving while under the influence, or a DUI. Mr

Looyenga has optimized the testing to ensure optimal accuracy. In addition, he provides consulting and testimony services to the respective government's attorneys. Over the past several years, Mr. Looyenga has formed relationships and has made informal agreements with area governments including the City of Rapid City, Pennington County, Lawrence County, Meade County, and Fall River County all located in South Dakota. Upon his retirement, he has gifted his business which consists of his optimized testing procedures, contracts albeit informal with area governments, and all research and data he has collected in the last several years. Because the Proprietorship does not own any hard assets, he is gifting its goodwill or "blue sky" value. The methodology used to derive the value of the Proprietorship's goodwill is discussed in the subsequent paragraph.

To derive the Proprietorship's goodwill value, we used a common Income Approach method: Capitalization of Earnings. In this method, we begin with the Proprietorship's cash flow stream, or EBITDA (earnings before interest, taxes, depreciation, amortization and nonrecurring items) as presented on **Schedule I**. On **Schedule III** we calculate the Proprietorship's EBITDA by adding all expenses not relating to the business as well as depreciation to net income. (Because Mr. Looyenga runs this business as a sole proprietorship, all income and expenses are run through Schedule C of his personal tax return. Therefore, his expenses relating to other businesses were included in the income statement. In the process of calculating EBITDA, we added back the expenses not relating to the Proprietorship.) We used a three year average of the Proprietorship's EBITDA because, through conversations with Mr. Looyenga, we believe it is most representative of future earnings. Mr. Looyenga stated that South Dakota law changed in mid- 2006 to allow a .80% blood alcohol content (BAC), thus creating additional revenues. However, he does not believe it is reasonable to assume that the Proprietorship will realize earnings at the 2007 and 2008 levels because a number of variables can depress revenues. For example, in years when the Black Hills area deals with large forest fires, the Highway Patrol Department utilizes their efforts protecting citizens from fire danger versus focusing on potential drunken drivers. Conversely, Mr. Looyenga does not believe it is reasonable to assume that the Proprietorship will realize lower earnings levels as realized in 2004 and 2005 primarily because of the possibility of the Sturgis Motorcycle Rally extending August's bike week from one to two weeks, which inevitably causes the number of BAC testing to peak during this time frame. Thus, we believe using the three-year average is justified. Next, we deducted an estimated compensation for Mr. Looyenga's replacement. He understands the City of Rapid City is planning to offer the replacement between \$50,000 to \$60,000, depending on his or her experience and educational background. (Because Mr. Looyenga runs this business as a sole proprietorship, all income and expenses are run through Schedule C of his personal tax return. Therefore, compensation is not included in the Proprietorship's expenses.) We also subtracted estimated payroll taxes and fringe benefits based on 10% of the estimated compensation. The subtraction of the estimated compensation determines the net cash flow to invested capital of \$61,040. We divided this value by a pre-tax capitalization rate of 23% as derived on **Schedule II**. This division determines the value of invested capital.

**Thus, our fair market calculation of value of Mr. Robert Looyenga's consulting/chemical testing business as of December 31, 2008 is \$266,000 (rounded).**

Should you have any questions please do not hesitate to contact us. We thank you for the opportunity to be of service to you.

Sincerely,

KETEL THORSTENSON, LLP



Paul J. Thorstenson, CPA/ABV, CVA

With assistance from



Ericka George, MBA, AVA

## Signatures of Appraisers

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

- Our analyses, opinions, and calculated value included in the calculation report are subject to the specified assumptions and limiting conditions.
- The statements of fact contained in this report are true and correct.
- The parties for which the information and use of the calculation report is restricted are identified; the calculation 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 opinion of value for information that comes to our attention after the date of the report.
- Assistance provided by one or more outside specialists, if any, during the valuation engagement is noted in the body of our report. We do not take responsibility for information provided by the specialist. In addition, if information provided by the specialist is something other than provided to us, our calculated value may be materially different.
- 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 biases with respect to the property that is the subject of this report or the parties involved with the 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 value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- Our analysis, opinions, and calculations were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP), American Institute of Certified Public Accountants (AICPA) Statement on Standards for Valuation Services (SSVS), and the standards of the National Association of Certified Valuation Analysts (NACVA).
- No one provided significant professional assistance to the persons signing this report.

Ketel Thorstenson, LLP



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Paul J. Thorstenson, CPA/ABV, CVA

With assistance from



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Ericka George, MBA, AVA

**Schedule I**  
**Robert Looyenga**  
**Consulting & Chemical Testing**  
**Calculation of Value**  
**As of December 31, 2008**

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Three-Year EBITDA Average	127,040	Sch. III
Less: Replacement Chemist Estimated Compensation	(60,000)	Note 1
Less: Payroll Taxes and Fringe Benefits	<u>(6,000)</u>	Note 2
Net Cash Flow to Invested Capital	61,040	
Divided by: Pre-Tax Capitalization Rate	23.0%	Sch. II
<b>Value of Invested Capital</b>	<b><u>\$ 266,000</u></b>	

Note 1- Estimated compensation based on conversations with Mr. Looyenga

Note 2- Estimated payroll taxes and fringe benefits to be equal to 10% of compensation.

**Schedule II**  
**Robert Looyenga**  
**Consulting & Chemical Testing**  
**Build-Up to Capitalization Rate**

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Long-term (20-year) U.S. Treasury Coupon Bond Yield*	3.1%
Long-horizon Expected Equity Risk Premium (supply side)**	6.2%
Size Premium (10th Decile)**	5.8%
Specific Company Risk Premium	4.0%
After-Tax Discount Rate	<u>19.1%</u>
Less: Long-Term Sustainable Growth Rate	<u>3.0%</u>
After-Tax Capitalization Rate for Next Year	16.1%
Multiplied by: 1+Growth Rate	<u>1.03</u>
After-Tax Capitalization Rate for Current Year	16.6%
Divided by: 1-Tax Rate of 28%	<u>0.72</u>
<b>Pre-Tax Capitalization Rate</b>	<b><u><u>23.0%</u></u></b>

\*Data obtained from 1/05/0 Federal Reserve Statistical Release for 12/31/08

\*\*Data obtained from Ibbotson's SBBI 2008 Yearbook

Schedule III  
 Robert Looyenga  
 Consulting & Chemical Testing  
 Income Statement

	2008	2007	2006	2005	2004	Growth Rate 2007-2008	Avg. Ann. Growth Rate 2004-2008
Revenue							
City of Rapid City	126,666	127,875				-0.9%	
Pennington County	3,450	-				N/A	
Lawrence County	700	-				N/A	
Miscellaneous	3,464	6,133				-43.5%	
Total Revenue	134,280	134,008	114,474	82,352	76,161	0.2%	15.2%
Expenses							
Auto	2,098	639	1,185	957	951	228.3%	21.9%
Depreciation- Auto	-	3,211	2,969	2,513	3,517	N/A	N/A
Insurance	253	381	-	-	-	-33.6%	N/A
Professional Services	-	450	545	100	233	N/A	N/A
Office Expenses	540	1,833	960	648	775	-70.5%	-8.6%
Lab Supplies	100	100	108	150	288	0.0%	-23.2%
Taxes & Licenses	35	35	98	-	29	0.0%	4.8%
Other	-	77	94	91	473	N/A	N/A
Total Expenses	3,026	6,726	5,959	4,459	6,266	-55.0%	-16.6%
Net Income	\$ 131,254	\$ 127,282	\$ 108,515	\$ 77,893	\$ 69,895	3.1%	17.1%
Plus:							
Auto	2,098	639	1,185	957	951	228.3%	21.9%
Insurance	253	381	-	-	-	-33.6%	N/A
Office Expenses	540	1,833	960	648	775	-70.5%	-8.6%
Depreciation- Auto	-	3,211	2,969	2,513	3,517	N/A	N/A
<b>EBITDA</b>	<b>\$ 134,145</b>	<b>\$ 133,346</b>	<b>\$ 113,629</b>	<b>\$ 82,011</b>	<b>\$ 75,138</b>	<b>0.6%</b>	<b>15.6%</b>

Three-Year EBITDA Average \$ 127,040



**Schedule IV**  
**Robert Looyenga**  
**Consulting & Chemical Testing**  
**Common-Size Income Statement**

	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Revenue					
City of Rapid City	94.3%	95.4%	0.0%	0.0%	0.0%
Pennington County	2.6%	0.0%	0.0%	0.0%	0.0%
Lawrence County	0.5%	0.0%	0.0%	0.0%	0.0%
Miscellaneous	2.6%	4.6%	0.0%	0.0%	0.0%
Total Revenue	100.0%	100.0%	100.0%	100.0%	100.0%
Expenses					
Auto	1.6%	0.5%	1.0%	1.2%	1.2%
Depreciation- Auto	0.0%	2.4%	2.6%	3.1%	4.6%
Insurance	0.2%	0.3%	0.0%	0.0%	0.0%
Professional Services	0.0%	0.3%	0.5%	0.1%	0.3%
Office Expenses	0.4%	1.4%	0.8%	0.8%	1.0%
Lab Supplies	0.1%	0.1%	0.1%	0.2%	0.4%
Taxes & Licenses	0.0%	0.0%	0.1%	0.0%	0.0%
Other	0.0%	0.1%	0.1%	0.1%	0.6%
Total Expenses	2.3%	5.0%	5.2%	5.4%	8.2%
Net Income	97.7%	95.0%	94.8%	94.6%	91.8%
Plus:					
Auto	1.6%	0.5%	1.0%	1.2%	1.2%
Insurance	0.2%	0.3%	0.0%	0.0%	0.0%
Office Expenses	0.4%	1.4%	0.8%	0.8%	1.0%
Depreciation- Auto	0.0%	2.4%	2.6%	3.1%	4.6%
EBITDA	99.9%	99.5%	99.3%	99.6%	98.7%