

# Doubleday Manufacturing, LLC

Summary Report of the  
Measurement of the Purchase Price in Excess of Assets  
and Other Intangible Assets

Acquired from

## Sticky Wicket Technical Limited

as of September 30, 2010

Drysdale  Valuation

SAMPLE REPORT: The names and amounts in this sample report have been fictionalized and do not represent any actual individuals or companies. Any similarities to actual individuals or companies are purely coincidental.

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November 30, 2010

Mr. Abner Doubleday  
Chief Executive Officer  
DOUBLEDAY MANUFACTURING, LLC  
9999 Main Street  
Cooperstown, New York 13326

Re: Intangible Asset Measurement of Assets  
Acquired from Sticky Wicket Technical Limited

Dear Mr. Doubleday:

Drysdale Valuation, PLLC has performed a measurement analysis of the fair value of various intangible assets acquired from Sticky Wicket Technical Limited, including the purchase price in excess of acquired assets, as of September 30, 2010. We understand that the results of the analysis will be used in order to comply with the provisions of the Accounting Standards Codification (ASC) Topic 805, *Business Combinations*, and other related ASC Topics.

We have concluded that the fair values of the various intangible assets acquired from Sticky Wicket Technical Limited at September 30, 2010 are:

(\$ in thousands)	Fair Value	Remaining Life
Working Capital	\$ 905.8	n/a
Tangible Property	688.8	various
Identifiable Intangible Property		
Noncomplete Agreements	4.9	5-years
Customer Relations	2,097.2	15-years
Total Identifiable Intangible Property	<u>3,696.7</u>	
Assets Acquired in Excess of Enterprise Value	<u>6,730.5</u>	Indefinite
Enterprise Value	10,427.2	
Purchase Price in Excess of Enterprise Value	<u>569.1</u>	Indefinite
<b>Purchase Price</b>	<b><u><u>\$ 10,996.3</u></u></b>	

Respectfully,  
DRYSDALE VALUATION, PLLC



Don M. Drysdale, CPA/ABV, ASA

SAMPLE REPORT: Not representative of any actual company or individual.



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# Introduction

## **Subject of the Measurement**

Doubleday Manufacturing, LLC (Doubleday or Company) engaged Drysdale Valuation, PLLC to measure the fair value the various intangible assets (Subject Assets), including goodwill, as of September 30, 2010 (Measurement Date) In connection with the acquisition of such assets from Sticky Wicket Technical Limited (SWT), a U.K company.

On September 30, 2010 Doubleday Manufacturing, LLC entered into an Asset Purchase Agreement (Agreement) with Sticky Wicket Technical Limited to purchase certain assets of Sticky Wicket Technical Limited. The Agreement resulted in SWT transferring to Doubleday the physical and intangible assets necessary to carry on the operations.

Doubleday Manufacturing, LLC is a designer and manufacturer of industrial production equipment. Sticky Wicket Technical Limited is a worldwide designer and engineer of industrial production lines that use Doubleday's equipment. SWT operates under the Doubleday name and pays a royalty to Doubleday for the use of the name.

## **Purchase Price**

The purchase price was set at £5,500,000 in cash upon consummation of the acquisition, and with additional contingent consideration (commonly referred to as an "earn out") to be paid if certain future earnings targets are achieved. The maximum amount that can be paid will not exceed £7,700,000. We present the computation of the probability weighted value of the earn out and purchase price later in this chapter.

## **Recognition of Acquired Assets**

With regard to the Subject Assets, ASC 805-20-25-10 states the following:

*The acquirer shall recognize separately from goodwill the unidentifiable intangible assets acquired in a business combination. An intangible asset is identifiable if it meets either the*

*separability criterion or the contractual-legal criterion described in the definition of identifiable.*

The ASC further described the separability criterion as follows:

*The separability criterion means that an acquired intangible asset is capable of being separated or divided from the acquiree and sold, transferred, licensed, rented, or exchanged, either individually or together with a related contract, identifiable asset, or liability. An intangible asset that the acquirer would be able to sell, license, or otherwise exchange for something else of value meets the separability criterion even if the acquirer does not intend to sell, license, or otherwise exchange it.<sup>1</sup>*

With regard to the contractual-legal criterion, ASC states the following:

*An intangible asset that meets the contractual-legal criterion is identifiable even if the asset is not transferable or separable from the acquiree or from other rights and obligations.<sup>2</sup>*

## **Purpose of the Measurement**

The purpose of this analysis is to measure the various intangible assets, including goodwill, in order to comply with requirements of ASC 805, *Business Combinations*, and other related ASC topics. This report and measurement are restricted for this purpose only, and are not to be used for any other purpose.

This report is not designed or intended to be a document suitable for use in selling the Company or Subject Assets to outside individuals or other entities which may be uninformed about the assets being measured. This report may not contain sufficient descriptive information to satisfy an uninformed prospective buyer of the Company and/or Subject Assets. It is also not designed to adequately portray all of the desirable qualities of the Company or

1. Accounting Standards Codification Topic 805-20-55-3.  
2. Ibid., 805-20-55-2.

Subject Assets, which should be addressed in an offering document designed for a potential buyer.

### **Standard of Value**

The standard of value is “fair value.” ASC 820-10-35-3, defines fair value as:

*A fair value measurement assumes that the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date. The transaction to sell the asset or transfer the liability is a hypothetical transaction at the measurement date, considered from the perspective of a market participant that holds the asset or owns the liability. Therefore, the objective of a fair value measurement is to determine the price that would be received to sell the asset or paid to transfer the liability at the measurement date (an exit price).*

### **Most Advantageous Market**

Fair value assumes the hypothetical transaction would occur in the principal market for the asset or liability,<sup>3</sup> or in the absence of a principal market, the most advantageous market.<sup>4</sup> In addition, fair value does not take into account transaction costs.<sup>5</sup>

In this case no principal market exists because the Subject Assets do not trade on any established market. We believe the most advantageous market would be private transactions involving others in the same industry.

### **Market Participant**

Market participants are buyers and sellers in the most advantageous market who are independent of each other, knowledgeable about the asset, have the ability to enter into the transaction, and who are not forced or compelled to enter into the transaction.<sup>6</sup> In this case, we believe a market participant would be other in the same industry having established business enterprises. These market participants would have some synergies and economies-of-scale to gain in the elimination of redundant administrative functions.

3. Ibid., 820-10-35-5-a.

4. Ibid., 820-10-35-5-b.

5. Ibid., 820-10-35-7.

6. Ibid., 820-10-20.

7. Ibid., 820-10-35-10.

### **Highest and Best Use**

With regard to highest and best use, ASC states the following:

*A fair value measurement assumes the highest and best use of the asset by market participants, considering the use of the asset that is physically possible, legally permissible, and financially feasible at the measurement date. Highest and best use is determined based on the use of the asset by market participants, even if the intended use of the asset by the reporting entity is different. The highest and best use of the asset establishes the valuation premise used to measure the fair value of the assets, specifically:*

*a. In-use. The highest and best use of the asset is in-use if the asset would provide maximum value to market participants principally through its use in combination with other assets as a group (as installed or otherwise configured for use). For example, that might be the case for certain nonfinancial assets.*

*b. In-exchange. The highest and best use of the asset is in-exchange if the asset would provide maximum value to market participants principally on a standalone basis. For example, that might be the case for a financial asset.<sup>7</sup>*

We believe the highest and best use of the Subject Assets would be “in-use” of an industrial production equipment engineering firm.

### **Fair Value Hierarchy**

The ASC prioritizes the inputs to be used in fair value measurements as Level 1, Level 2 and Level 3 inputs.

Level 1 inputs are:

*Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.*

Level 2 inputs are:

*Inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly or indirectly.*

The list of Level 2 inputs provided in the ASC is lengthy and need not be included here. The most salient example of Level 2 inputs are quoted prices for similar assets or liabilities in active markets, and quoted prices for identical or similar assets.

Level 3 inputs are:

*Unobservable inputs for the asset or liability.*

Level 3 inputs are to be used to the extent that observable inputs are not available. They reflect the reporting units own assumptions about market participants.

### **Premise of Value**

Drysdale Valuation, PLLC has assumed that the Subject Assets will continue in their current form, operating their 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 Subject Assets.

### **Basis of Value**

The Subject Assets are being valued on a controlling interest basis. A controlling interest has the ability to direct the administration, management and operations of the Subject Assets. This may cause the ownership interest to be more valuable than an equivalent ownership interest that lacks control.

### **Measurement 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 an appraisal, which is described by the BVS as follows:

8. American Society of Appraisers, Business Valuation Standards, *BVS-I General Requirements for Developing a Business Valuation*, II(C)(1)(a), (b).
9. Ibid., BVS-VII Comprehensive Written Business Valuation Report, I(B).
10. American Institute of Certified Public Accountants, SSVS No. 1, *Valuation of a Business, Business Ownership Interest, Security, or Intangible Asset*, ¶ 21a.
11. The ASA uses the term "estimate" in connection with a Limited Appraisal, which is lower in scope than an "opinion," which is used in connection with an Appraisal. On the other hand, the AICPA uses the term, "estimate" in connection with its highest scope of work. For this report, the terms opinion and estimate are considered synonymous.

*An Appraisal is the act or process of determining the value of a business, business ownership interest, security or intangible asset.*

*The objective of an appraisal is to express an unambiguous opinion as to the value of a business, business ownership interest, or security, which opinion is supported by all procedures that the appraiser deems to be relevant to the valuation.<sup>8</sup>*

This report is intended to be a limited use report, which the BVS requires to comply with the minimum content required by Standard 10.2 of the Uniform Standards of Professional Appraisal Practice (USPAP).<sup>9</sup>

#### **American Institute of CPAs**

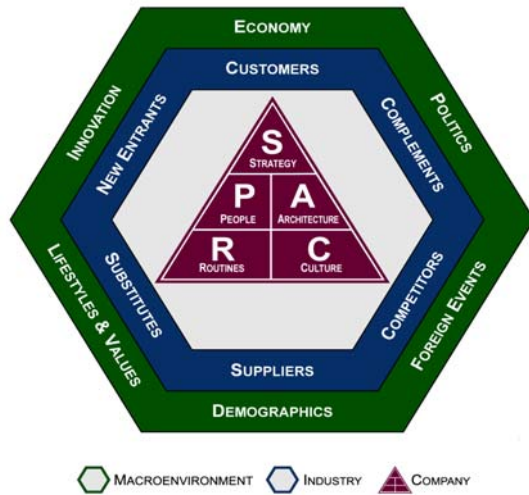
This valuation engagement was conducted in accordance with the Statement on Standards for Valuation Services, (SSVS) No. 1 of the American Institute of Certified Public Accountants (AICPA), which describes a valuation engagement as follows:

*Valuation engagement—A valuation analyst performs a valuation engagement when (1) the engagement calls for the valuation analyst to estimate the value of a subject interest and (2) the valuation analyst estimates the value (as outlined in paragraphs 23-45) and is free to apply the valuation approaches and methods he or she deems appropriate in the circumstances. The valuation analyst expresses the results of the valuation as a conclusion of value; the conclusion may be either a single amount or a range.<sup>10</sup>*

This report is intended to be a summary report, estimating<sup>11</sup> a conclusion of value. SSVS describes a summary report as follows:

*The summary report is structured to provide an abridged version of the information that would be provided in a detailed report and therefore, need*

## Exhibit 1: Tri-Level Risk Framework



Source: Beckmill Research. Used with permission.

*not contain the same level of detail as a detailed report.*<sup>12</sup>

Differences exist between the terminology used by the BVS and the SSVS. We have generally used the terminology of the SSVS in this report.

This measurement was performed as of September 30, 2010 and this report was issued on November 30, 2010. 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.

### 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 or Subject Assets. Drysdale Valuation, PLLC is not, nor has acted as an advocate for the Company. The fee for this analysis was not based on the opinion of value provided.

### Measurement Process

In performing this analysis, We have viewed the Company and the Subject Assets from the standpoint of an independent, market participant. We have considered

factors that a reasonable and prudent investor would consider, for the purpose of estimating a fair and reasonable rate of return that an outside investor would expect to receive.

The value of a business enterprise or assets, at its most basic level, is the function of the following:

- ◆ expected cash flows to the owner;
- ◆ expected future growth in those cash flows; and
- ◆ perceived risks associated with the investment.

Each of these items are considered in our analysis.

One of the tenets of valuation is that investors are risk averse. This means that investors will either avoid risk or expect to earn a higher rate of return on investments that have higher risk. One of the objectives of this analysis was to develop a risk profile. We used this risk profile to aid in the development of an appropriate rate of return for an investment in the Subject Assets.

To develop the risk profile, We have used the tri-level risk framework developed by Warren Miller at Beckmill Research. It breaks unsystematic<sup>13</sup> risk into three broad categories: macroenvironmental risk, industry risk, and company risk (see Exhibit 1). The first of these categories, macroenvironmental risk, focuses on risks external to the Company, and over which it has no control. The second, industry risk, represents items over which the Company may have some control. The last, company risk, include items within the control of management. Each of these categories was considered in our analysis.

The procedures employed in measuring the Subject Assets included such steps as We considered necessary, including but not limited to:

- ◆ Discussions with various members of management regarding the past and future operations of the Subject Assets;

12. Ibid., SSVS 1, ¶ 71.

13. Unsystematic risk is the risk that is inherent in a particular investment. It is sometimes referred to as company specific risk.

- ◆ An analysis of the historical and estimated future financial condition of the Company and the Subject Assets;
- ◆ An analysis of the industry in which the Subject Assets are employed;
- ◆ An analysis of the general economic environment as of the valuation date;
- ◆ A comparative analysis where possible of guideline companies; and,
- ◆ An analysis of the other pertinent facts and data resulting in the conclusion of value.

### **Sources of Information**

We have read, studied, considered, and relied on various information sources for this valuation. These included internal and external information sources. We have included a detailed listing of the information relied upon in the appendices to this report.

The approaches and methodologies used in this valuation 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 financial statements or other financial information presented in accordance with generally accepted accounting principles (GAAP). Since 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 assume that the financial and other information provided to us is accurate and complete, and We have relied upon this information in performing this valuation.

### **Limiting Conditions**

We included 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 also included many 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.

### **Computation of Purchase Price**

As part of the consideration, Doubleday has incurred a liability to pay additional amounts in the future if certain earnings targets are achieved over the three-year period following consummation of the acquisition. More specifically, these earn outs are as follows:

- ◆ **Semi-Annual Earn Out.** If SWT's earnings before interest and taxes (EBIT) for the six months ended March 31, 2011 exceed £700,000, then Doubleday will pay an additional £700,000 to SWT's previous owners.
- ◆ **First Earn Out.** For the year ended September 30, 2011, Doubleday will pay £700,000 to SWT's previous owners, unless it has already been paid as part of the Semi-Annual Earn out, plus one-half of the amount by which the EBIT for the year ended September 30, 2011 exceeds £1,400,000.
- ◆ **Second Earn Out.** For the year ended September 30, 2012, Doubleday will pay additional consideration equal to one-half of the amount by which EBIT for the year ended September 30, 2012 exceeds the sum of (1) £1,600,000, and (2) the previous year's shortfall, if any. If SWT has not met the previous year's EBIT target, they must make up the difference in order to earn the full contingent consideration. The shortfall is the amount by which the prior year's EBIT failed to meet the target amount.
- ◆ **Third Earn Out.** For the year ended September 30, 2013, Doubleday will pay additional consideration equal to one-half of the amount by which EBIT for the year ended September 30, 2013 exceeds the sum of (1) £2,000,000, and (2) the previous year's shortfall, if any.

To compute the value of the contingent consideration, we looked to three different scenarios established by management, and weighted each scenario by its estimated probability of being achieved. We then computed the present value of the probability weighted amounts to arrive at an estimated value of the contingent consideration. We

## Exhibit 2: Computation of the Purchase Price

\$ and £ in thousands	Target Amount	Low Estimate	Middle Estimate	High Estimate	Weighted Average	Present Value
<b>Semi-Annual Earn Out:</b>						
EBIT - GBP	£ 700.0	£ 543.0	£ 700.0	£ 727.0		
EBIT - USD / Exchange Rate 1.5809	\$ 1,106.6	\$ 858.4	\$ 1,106.6	\$ 1,149.3		
Earn out Amount		\$ -	\$ 1,106.6	\$ 1,106.6		
Probability [1]		18%	2%	80%	100%	
Probability Weighted Earn Out Amount		\$ -	\$ 22.1	\$ 885.3	\$ 907.4	
Discount Factor [2] 16.75%					0.925490	
Present Value of Probability Weighted Earn Out Amount						\$ 839.8
<b>First Annual Earn Out:</b>						
EBIT - GBP	£ 1,400.0	£ 1,086.0	£ 1,400.0	£ 1,454.0		
EBIT - USD	\$ 2,213.3	\$ 1,716.9	\$ 2,213.3	\$ 2,298.6		
Earn out Amount		\$ 1,106.6	\$ -	\$ 42.6		
Probability		18%	2%	80%	100%	
Probability Weighted Earn Out Amount		\$ 199.2	\$ -	\$ 34.1	\$ 233.3	
Discount Factor					0.856531	
Present Value of Probability Weighted Earn Out Amount						199.8
<b>Second Annual Earn Out:</b>						
EBIT - GBP	£ 1,600.0	£ 1,139.0	£ 1,600.0	£ 2,502.0		
EBIT - USD	\$ 2,529.4	\$ 1,800.6	\$ 2,529.4	\$ 3,955.4		
Earn Out Amount		\$ -	\$ -	\$ 713.0		
Probability		18%	2%	80%	100%	
Probability Weighted Earn Out Amount		\$ -	\$ -	\$ 570.4	\$ 570.4	
					0.733645	
						418.5
<b>Third Annual Earn Out</b>						
EBIT - GBP	£ 2,000.0	£ 1,195.0	£ 2,000.0	£ 4,122.0		
EBIT - USD	\$ 3,161.8	\$ 1,889.2	\$ 3,161.8	\$ 6,516.5		
Earn Out Amount		\$ -	\$ -	\$ 1,677.4		
Probability		18%	2%	80%	100%	
Probability Weighted Earn Out Amount		\$ -	\$ -	\$ 1,341.9	\$ 1,341.9	
					0.628390	
						843.2
						Present Value of Contingent Considerations 2,301.3
						Cash at Consumption [3] 8,695.0
						<b>Purchase Price \$ 10,996.3</b>

[1] The management of CCH has estimated an 80 percent probability of the high estimate being achieved and an 18 percent probability of the low estimate being achieved. The remaining 2 percentage points was assigned to the target EBIT levels being achieved.

[2] From Exhibit 21.

[3] Purchase price in GBP multiplied by the Sept. 30, 2010 exchange rate of 1.58090.

### Exhibit 3: Adjusted Results of Operations

Year Ended September 30, 2010:	Book Results	Discontinued Division Adjustments [1]	Adjusted Results
Total Revenue	£ 8,549,600	£ (1,169,200)	£ 7,380,400
Cost of Service	5,794,100	(686,000)	5,108,100
Gross Profit	2,755,500	(483,200)	2,272,300
Operating Expenses	1,403,600	(234,500)	1,169,100
Income From Operations	1,351,900	(248,700)	1,103,200
Other Income (Expense)	(6,300)	0	(6,300)
<b>Income (Loss) Before Taxes</b>	<b>£ 1,345,600</b>	<b>£ (248,700)</b>	<b>£ 1,096,900</b>
Depreciation Expense	£ 47,869	£ 0	£ 47,869
EBITDA	£ 1,399,769	£ (248,700)	£ 1,151,069
Total Revenue	\$ 13,330,200	\$ (1,823,000)	\$ 11,507,200
Cost of Service	9,033,900	(1,069,600)	7,964,300
Gross Profit	4,296,300	(753,400)	3,542,900
Operating Expenses	2,188,400	(365,600)	1,822,800
Income From Operations	2,107,900	(387,800)	1,720,100
Other Income (Expense)	(9,800)	-	(9,800)
<b>Income (Loss) Before Taxes</b>	<b>\$ 2,098,100</b>	<b>\$ (387,800)</b>	<b>\$ 1,710,300</b>
Depreciation Expense	\$ 74,600	\$ -	\$ 74,600
EBITDA	\$ 2,182,500	\$ (387,800)	\$ 1,794,700

#### NOTES:

[1] The package and handling business was not included in the acquisition.

Average Exchange Rate during the 12 months ended September 30, 2010

1.55916

added to the present value of the contingent consideration the dollar amount paid at consummation of the acquisition to arrive at the total purchase price (see Exhibit 2).

#### Financial Statement Adjustments

According to management, the Acquisition did not include SWT's discontinued division. We made adjustments to SWT's historical operating results to eliminate this line of business (see Exhibit 3).

# Risk Profile

*Based on the risks identified, we believe an appropriate discount rate for an investment in the Company is appropriately larger than a rate of return expected for an investment in a small publicly traded stock, but less than the return expected for an investment in a late-stage venture capital investment.*

In this section we summarize the risks associated with the acquired assets.

### Types of Risk

The value of an investment relates inversely to the risks associated with it. Financial theory identifies three broad categories of risk: maturity risk, systematic risk, and unsystematic risk.

#### Maturity Risk

Maturity risk is the risk that the value of an investment will change over time as a result of overall changes in interest rates. This risk increases as the expected holding period of an investment increases.

#### Systematic Risk

Systematic risk is the risk inherent to an entire market or market segment. It is also called market risk or undiversifiable risk and includes such things as recessions, wars, political instability and other factors that affect a broad range of investments. Systematic risk cannot be mitigated by diversification.

#### Unsystematic Risk

Unsystematic risk is the risk inherent in and unique to a specific entity. Investors can mitigate this risk through investment diversification. There are four primary sources of unsystematic risk:

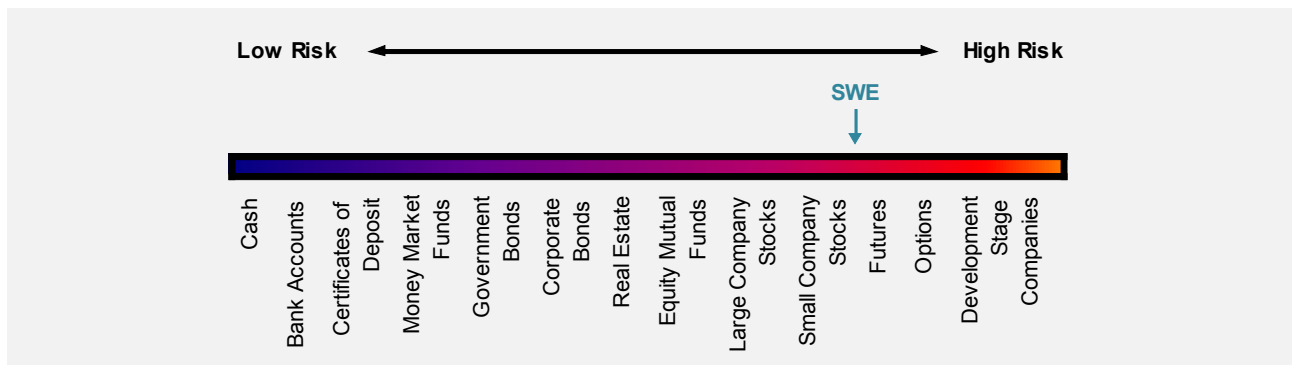
- ◆ the size of the subject entity;
- ◆ the macroenvironment;
- ◆ the industry, and
- ◆ company specific risks.

### Exhibit 4: Entity Specific Risks

Factor	Risk Impact
<b>Size</b>	↑
<b>Macroenvironment</b>	
Economy	↑
Innovation	○
Lifestyles and Values	↓
Demographics	○
Disasters	○
Politics	○
<b>Industry</b>	
Customers	↑
Suppliers	○
Competitors	↓
New Entrants	○
Substitutes	↑
Compliments	○
<b>Entity Specific Risks</b>	
Strategy	↓
People	○
Architecture	○
Routines	○
Culture	↑
<b>Financial Analysis</b>	↑

↑ indicates the factor poses an increased level of risk to an investment in the entity.  
 ○ indicates the factor poses a neutral level or risk to an investment in the entity.  
 ↓ indicates the factor poses a decreased level of risk to an investment in the entity.

## Exhibit 5: Risk Spectrum



### Identified Risk of the Subject Assets

The maturity risk and systematic risk associated with an investment in SWT are inherent in the data used to develop an appropriate cost of capital (discount rate and/or valuation multiple), as described later in this report. We have listed various unsystematic risk factors, what we believe their impact would be on the perceived risks of an investment in SWT, (see Exhibit 4), and summarized them as follows:

**Size.** Investments in small business ventures are typically considered more risky and carry a greater expected rate of return than larger business ventures. This has been demonstrated by several studies. SWT is small relative to the publicly traded guideline companies used in the Market Approach chapter of this report.

**Macroenvironment.** Current economic conditions are poor, but signs of future improvements in certain markets are beginning to show, while other markets remain volatile. Most growth is expected in emerging markets such as China.<sup>14</sup> For example, Industrial Holdings recently announced the construction of three new production plants in China.<sup>15</sup> Some analysts believe that some delayed projects will now be taken up again leading to a rebound in the industrial processing machinery market.<sup>16</sup>

**Industry.** The industrial manufacturing sector has suffered from the decline in engineering graduates. Industrial

Company has described its engineering recruitment as being in “turmoil.”<sup>17</sup> More specific to industrial production machinery, foreign producers have taken larger market shares in recent years.<sup>18</sup> However, foreign producers are not as environmentally friendly and Industrial Company believes domestic production make better environmental sense.<sup>19</sup>

**Entity Specific Risks.** Whenever one business acquires another, there is always a question if the two business cultures can be consolidated and reconciled.

**Financial Analysis.** We performed a financial analysis of SWT as presented later in the Market Approach chapter of this report. Based on the analysis we believe there is some additional risk to an investment in SWT based on its financial position relative to the publicly traded guideline companies.

**Country Specific Risks.** Because SWT operates in the U.K. we considered the additional risk associated with investments in the U.K. According to Professor Aswath Damodaran at New York University, there is no additional risk to investing in U.K. companies relative to investing in U.S. companies.

### Risk Spectrum

As the risk of an investment increases, the potential return also increases. This expected return is intended to

14. Smith, Gary, “Positive Signs for industrial Production Market but Uncertainties Remain,” *Industrialdaily.com*, Oct. 16, 2010.

15. Gleeson, Victoria, “Industrial Holdings to Expand Further in China with Three New Plants,” *Industrialdaily.com*, Aug. 14, 2010.

16. Smith, Gary, “Industrial Machinery Market Tipped for Rebound,” *Industrialdaily.com*, Oct. 31, 2010.

17. Bird, Janet, “Industrial Company Reveals Strategy to Plug Engineering Skills Gap,” *Beveragedaily.com*, Dec. 2, 2010.

18. *Ibid.*, “Positive Signs for Industrial Production Market but Uncertainties Remain.”

19. Smith, Gary, “Industrial Company Says Foreign Production ‘Not a Viable Option’” *Industrialdaily.com*, Dec. 19, 2010.

## Exhibit 6: Comparative Rates of Return

Rate	Asset Class
0.09% [1]	U.S. Treasury constant maturities - 1 month
3.50% [1]	U.S. Treasury constant maturities - 20 year
4.60% [1]	Corporate bonds - Moody's Aaa
5.67% [1]	Corporate bonds - Moody's Baa
3.25% [1]	Bank prime loan rate
14.22% [2]	20-year total returns for real estate investment trusts
10.90% [3]	Large publicly traded company stocks
13.71% [3]	Mid-cap publicly traded company stocks
18.23% [3]	Micro-cap publicly traded company stocks
20%-35% [4]	Venture capital expected returns for bridge financing
30%-50% [4]	Venture capital expected returns for late stage development
40%-60% [4]	Venture capital expected returns for early stage development
50%-70% [4]	Venture capital expected returns for seed-stage financing

[1] Federal Reserve Statistical Release, "H.15(519) Selected Interest Rates," (Board of Governors of the Federal Reserve System, September 27, 2010).

[2] Average annual total return on Real Estate Investment Trusts over the 20-year period ended 2010. Computed from data published by the National Association of Real Estate Investment Trusts.

[3] 2010 Ibbotson Stocks, Bonds, Bills and Inflation Valuation Yearbook, "Size-Decile Portfolios of the NYSE/AMEX/NASDAQ Long-term Returns in Excess of CAPM," 1926-2009" (Morningstar, Inc.), p.90.

[4] Scherlis, Daniel R. and William A. Sahlman, "A Method for Valuing High-Risk, Long Term, Investments: The Venture Capital Method," Harvard Business School Teaching Note 9-288-006, Boston: Harvard Business School Publishing, 1989.

compensate the investor for taking on additional risk as increased risk also brings with it a greater potential for incurring a loss. As a result, low-risk investments, like U.S. Government bonds, cash and cash equivalents, have low rates of return. High-risk investments, such as options, futures contracts, and speculative start-up enterprises, have high rates of return. In this sense, risk can be thought of as a spectrum ranging from low risk with corresponding low rates of return, to high risk with corresponding high rates of return. Based on previous assessments of risk related to SWT, we believe an investment in SWT is appropriately considered to be more risky than an

investment in small publicly traded stocks since the acquired operations are not publicly traded (see Exhibit 5).

### Quantifying Risks

For valuation purposes, these risks need to be quantified. To do so, we looked to the rates of return expected on various types of investments ranging from low-risk, short-term government securities to venture capital financing (see Exhibit 6). In this context, an investment in acquired operations suggests that an appropriate rate of return (discount rate) should be above small publicly traded stocks, but not necessarily as high as returns for late stage venture capital investments.

# Market Approach

*Using Level 2 inputs from publicly traded guideline companies we computed the enterprise fair value of SWT.*

In accordance with ASC 820, we used level 2 inputs from publicly traded guideline companies to determine the fair value of the acquired business enterprise. This corresponds to the market approach. We did not use level 1 inputs because SWT's shares are not publicly traded and level 1 inputs are not available. We did not use level 3 inputs because level 2 inputs were available.

Level 2 inputs include the following:

*a. Quoted prices for similar assets or liabilities in active markets.*

*b. Quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which any of the following conditions exist:*

*1. There are few transactions for the asset or liability.*

*2. The prices are not current.*

*3. Price quotations vary substantially either over time or among market makers (for example, some brokered markets).*

*4. Little information is released publicly (for example, a principal-to-principal market).*

*c. Inputs other than quoted prices that are observable for the asset or liability, for example:*

*1. Interest rates and yield curves observable at commonly quoted intervals.*

*2. Volatilities.*

*3. Prepayments speeds.*

*4. Loss severities.*

*5. Credit risks.*

*6. Default rates.*

*d. Market-corroborated inputs.<sup>20</sup>*

In this case we were able to find quoted prices for similar assets in active markets, namely, quoted market prices for stocks of publicly traded U.K. firms engaged in engineering activities, and applied this data in the guideline public company method.

## **Guideline Public Company Method**

The publicly traded guideline company method estimates value by comparing the subject entity to publicly traded companies that have their shares bought and sold on a stock exchange or over-the-counter.

### **Search for Public Company ("Guideline") Comparables**

We searched for public companies that would have similar characteristics. These factors include, but are not limited to the following:

- ◆ the same or similar line of business;
- ◆ similar product lines;
- ◆ similar procurement and distributions channels;
- ◆ similar competitive positions within the industry;
- ◆ similar expected rates of growth;
- ◆ similar historical and potential profitability;
- ◆ similar capital structures; and

<sup>20</sup>. Ibid., 820-10-35-48.

## Exhibit 7: General Information on the Public Guideline Companies

Company	Ticker	Exchange	Employees	Price at Valuation Date	Shares Outstanding
AMEC plc	AMEC	London	23,000	\$ 15.59	331,092
IMI plc	IMI	London	12,843	\$ 11.89	320,735
Interserve plc	IRV	London	27,359	\$ 3.23	125,804
Invensys plc	ISYS	London	20,044	\$ 4.61	809,285
Serco Group plc	SRP	London	70,000	\$ 9.82	493,160
Spectris plc	SXS	London	5,800	\$ 15.93	115,899

## Exhibit 8: Publicly Traded Guideline Profitability Comparison

(\$ in thousands)	AMEC	IMI	IRV	ISYS	SRP	SXS	SWT
Revenues	\$ 4,225,324	\$ 2,834,553	\$ 2,962,404	\$ 3,473,808	\$ 6,486,106	\$ 1,281,630	<b>\$11,507</b>
Cost of goods sold	3,589,186	1,643,355	2,663,045	2,310,675	5,525,663	542,588	<b>7,964</b>
Gross profit	636,138	1,191,198	299,359	1,163,133	960,443	739,042	<b>3,543</b>
Operating expenses	343,015	742,160	290,004	854,420	614,309	589,362	<b>1,823</b>
Operating Income	293,123	449,038	9,355	308,713	346,134	149,680	<b>1,720</b>
Depr. and amort.	62,366	113,819	56,130	106,023	241,670	46,775	<b>75</b>
Interest expense	3,118	34,302	31,183	15,592	43,656	18,710	<b>10</b>
Adj. pre-tax earnings	352,370	374,198	112,260	252,584	302,477	137,206	<b>1,710</b>
Tax rate	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	<b>28.0%</b>
Minority interest	-	3,118	(6,237)	(6,237)	-	-	-
Adjusted net income	253,706	272,541	74,590	175,623	217,783	98,788	<b>1,231</b>
Adjusted EBIT	293,123	449,038	9,355	308,713	346,134	149,680	<b>1,720</b>
Adjusted EBITDA	414,736	488,017	168,390	358,607	544,147	183,981	<b>1,795</b>

### NOTES:

[1] Adjusted to a 28% tax rate and to eliminate discontinued operations in order to provide more comparability to CCH.  
Average Exchange Rate during the 12 months ended September 30, 20 1.55916

- ◆ similar size, relative to sales volume and total assets.

Such factors are not universal and can vary based on products, industry and other factors.

To find appropriately comparable public guideline companies we searched various online data sources publicly traded U.K. companies that provide engineering services.

This preliminary search criteria resulted in a number of companies. We more closely analyzed these companies by obtaining the most recent annual reports for each public company. From these filing we performed a financial analysis to determine the applicability of the companies as guidelines. This financial analysis is detailed later in this section. We narrowed the selection to six guideline companies as being comparable for fair value measurement purposes (see Exhibit 7). The guideline companies are all involved in a similar line of business and affected by many of the same market forces.

SAMPLE REPORT: Not representative of any actual company or individual.

## Exhibit 9: Publicly Traded Guideline Account Balance Comparison

(\$ in thousands)	AMEC	IMI	IRV	ISYS	SRP	SXS	SWT
<b>Selected Asset Items:</b>							
Cash Equivalents	\$ 724,052	\$ 210,260	\$ 79,045	\$ 540,668	\$ 496,403	\$ 86,950	\$ 2,385
Accounts receivable	1,062,365	554,896	613,389	1,116,115	1,271,044	245,040	2,057
Inventory	9,485	418,939	28,456	251,363	99,597	172,318	1,212
Total current assets	2,134,215	1,244,168	720,890	1,912,889	1,873,367	504,307	12,730
Total assets	3,324,633	2,395,064	1,557,187	3,084,336	4,184,642	1,307,404	13,419
<b>Selected Liability Items:</b>							
Accounts payable	1,108,211	567,543	780,965	828,392	1,376,964	259,268	2,237
Short term notes payable	-	458,461	159,671	9,485	997,548	237,135	-
Total current liabilities	1,229,940	643,426	847,362	1,296,338	1,595,128	417,358	11,067
Notes payable, net of current	-	452,137	142,281	-	-	154,928	-
Total liabilities	1,636,232	1,818,035	1,231,521	2,599,000	3,035,328	621,294	11,067
<b>Selected Equity Items:</b>							
Preferred equity	-	-	-	-	-	-	-
Common equity	426,843	398,387	197,613	678,206	497,984	376,254	2,351
Total equity	1,688,401	577,029	325,666	485,336	1,149,314	686,110	2,351
<b>Other Balance Sheet Items:</b>							
Working capital	904,275	600,742	(126,472)	616,551	278,239	86,949	1,663
<i>Exchange rate at September 30, 2010.</i>		1.5809					

### Comparisons of Guideline Companies With the Subject Entity — Overview

We compared each of the guideline companies to the subject entity on a variety of criteria for the purpose of drawing conclusions as to appropriate valuation multiples. Comparison criteria included profitability, financial position, size, growth, business opportunities and diversification. The following section highlights some of the key issues identified.

#### Specific Comparisons

**Profitability** (see Exhibit 8). All of the public guidelines are much larger, in terms of revenues, than SWT. Further analysis and comparison of the profitability is performed later as part of the ratio analysis.

**Financial Position** (see Exhibit 9). The comparison to the public guidelines also show that the public guidelines are much larger, in terms of total assets, than SWT. On the other hand, SWT has no interest-bearing debt while most of the guidelines are leveraged with debt.

**Ratio Analysis** (see Exhibit 10). The comparison of the leverage ratios suggest SWT has significantly less financial leverage (debt) than the public guidelines. The leverage ratios that are applicable also suggest that SWT's book value of equity is relatively low.

In terms of financial liquidity SWT is similar to the low end of the range shown by the public guidelines, suggesting it has a slightly lower ability to meet its current financial obligations than the public guidelines.

It appears that half of the public guidelines are able to stretch out payment of its payable longer than it takes to collect receivables, leading to negative cash cycle days. In contrast, SWT appears to have a longer number of days inventory outstanding, causing it to have a longer cash conversion cycle.

SWT's revenues to assets ratio is inferior to all the public guidelines, suggesting that it is less efficient at generating revenue from its assets compared to the public guidelines. It does, however, compare favorably to the public guidelines in its profitability ratios.

## Exhibit 10: Publicly Traded Guideline Financial Ratio Comparison

	AMEC	IMI	IRV	ISYS	SRP	SXS	Med	Avg	SWT
<b>Leverage:</b>									
Assets to Equity	1.97	4.15	4.78	6.36	3.64	1.91	3.90	2.90	<b>5.71</b>
Interest Bearing Debt to Equity	-	1.58	0.93	0.02	0.87	0.57	0.72	1.33	-
Total Liabilities to Equity	0.97	3.15	3.78	5.36	2.64	0.91	2.90	2.40	<b>4.71</b>
Interest Bearing Debt to Assets	-	0.38	0.19	-	0.24	0.30	0.22	1.09	-
Total Liabilities to Assets	0.49	0.76	0.79	0.84	0.73	0.48	0.75	1.34	<b>0.82</b>
EBIT to Interest	94.01	13.09	0.30	19.80	7.93	8.00	10.55	12.93	-
Interest Bearing Debt to MVIC	-	0.19	0.43	-	0.17	0.18	0.18	1.08	-
<b>Liquidity:</b>									
Current Ratio	1.74	1.93	0.85	1.48	1.17	1.21	1.35	1.70	<b>1.15</b>
Quick Ratio	1.45	1.19	0.82	1.28	1.11	0.80	1.15	1.55	<b>0.51</b>
Sales to Working Capital	4.67	4.72	(23.42)	5.63	23.31	14.74	5.18	3.47	<b>6.92</b>
<b>Activity:</b>									
Receivables Turnover (Days)	92	71	76	117	72	70	74	83	<b>65</b>
Inventory Turnover (Days)	1	93	4	40	7	116	24	44	<b>56</b>
Payables Turnover (Days)	113	126	107	131	91	174	120	124	<b>103</b>
Cash Conversion Cycle (Days)	(20)	38	(27)	26	(12)	12	-	3	<b>18</b>
<b>Asset Utilization:</b>									
Revenues to Total Assets	1.27	1.18	1.90	1.13	1.55	0.98	1.23	1.67	<b>0.86</b>
<b>Profitability:</b>									
Gross Profit Margin	15.1%	42.0%	10.1%	33.5%	14.8%	57.7%	24.3%	28.9%	<b>30.8%</b>
Pre-Tax Profit Margin	8.3%	13.2%	3.8%	7.3%	4.7%	10.7%	7.8%	8.0%	<b>14.9%</b>
Operating Expense Margin	8.1%	26.2%	9.8%	24.6%	9.5%	46.0%	17.2%	20.7%	<b>15.8%</b>
EBIT Margin	6.9%	15.8%	0.3%	8.9%	5.3%	11.7%	7.9%	8.2%	<b>14.9%</b>
EBITDA Margin	9.8%	17.2%	5.7%	10.3%	8.4%	14.4%	10.1%	11.0%	<b>15.6%</b>
Pre-Tax Return on Assets	10.6%	15.6%	7.2%	8.2%	7.2%	10.5%	9.4%	9.9%	<b>12.7%</b>
Pre-Tax Return on Equity	20.9%	64.8%	34.5%	52.0%	26.3%	20.0%	30.4%	36.4%	<b>72.7%</b>

**DuPont Analysis** (see Exhibit 11). Dupont Analysis is commonly used to analyze the various components of a company's return on equity. By looking at the components of return on equity, an investor can gain insight into which financial aspects of an entity is contributing to the return. SWT's pre-tax profit margin was higher than all the public guidelines but its asset turnover ratio was lower than each of the public guidelines. Nevertheless, it's pre-tax return on assets that was still superior to the public guidelines. SWT's leverage ratio, as measured by total assets to shareholders' equity was higher than all but one of the public guidelines, leading to a pre-tax return on equity that exceeded all of the public guidelines.

**Size** (see Exhibit 12). All of the public guidelines are larger than SWT based on revenues, total assets and earnings. Studies and empirical data show that larger public companies (on average) have higher price to earnings multiples than smaller companies. Since SWT is smaller than the guideline companies, an investor would generally expect a higher rate of return, other things being equal.

In "Adjusting Price/Earnings Ratios For Differences In Company Size-An Update," *Business Valuation Review* (September, 1995) by Jerry O. Peters, AM, the price to earnings multiple of public companies with market values of \$25 million or less traded at an average 25.8 percent discount to those with market values of \$50.1 million to

## Exhibit 11: DuPont Analysis

	<u>Pre-Tax Profit Margin [1]</u>	<u>Times: Asset Turnover [2]</u>	<u>Equals: Pre- Tax Return On Assets</u>	<u>Times: Leverage [3]</u>	<u>Equals: Return On Equity [4]</u>
AMEC plc	8.30%	1.27	10.54%	1.97	20.76%
IMI plc	13.20%	1.18	15.58%	4.15	64.66%
Interserve plc	3.80%	1.90	7.22%	4.78	34.51%
Invensys plc	7.30%	1.13	8.25%	6.36	52.47%
Serco Group plc	4.70%	1.55	7.29%	3.64	26.54%
Spectris plc	10.70%	0.98	10.49%	1.91	20.04%
Average	8.00%	1.34	9.90%	3.80	36.50%
Median	7.80%	1.23	9.37%	3.90	30.52%
<b>SWE</b>	<b>14.90%</b>	<b>0.86</b>	<b>12.81%</b>	<b>5.71</b>	<b>73.12%</b>

[1] Pre-tax profit divided by net sales.

[2] Net sales divided by total assets.

[3] Total assets divided by total shareholders' equity.

[4] Also computed as pre-tax profit divided by total shareholders' equity.

\$99.9 million. Similar findings can be found in annual data published by Ibbotson Associates.

Investors perceive the risks associated with investments in smaller companies to be greater than larger companies. This perception may be attributable to factors such as market share, name recognition, management depth, and other factors. Although the size of the entity is an important factor, certain procedures can measure and adjust for the differences in size. In the article "Adjusting Valuation Multiples for Size," published in *Valuation Strategies* (September/October 2001), the authors, Michael Mattson, Don Shannon and Don M. Drysdale, outline a procedure for adjusting for size differences. The procedure uses empirical data from stock markets to determine the effect of size on valuation multiples and then adjusts guideline company multiples for those effects. The procedure results in market derived valuation multiples that are appropriate for the subject company.

The applicability of such adjustments depends on the nature of the products offered, the operational structure, and other industry factors. In this case, we adjusted the guideline companies' valuation multiples for differences in size as presented later in this Chapter.

## Exhibit 12: Size Comparison

<u>(\$ in thousands)</u>	<u>Annual Revenues</u>	<u>Times Larger Than Subject</u>
AMEC	\$ 4,225,324	572.5
IMI	2,834,553	384.1
IRV	2,962,404	401.4
ISYS	3,473,808	470.7
SRP	6,486,106	878.9
SXS	1,281,630	173.7
<b>SWT</b>	<b>\$ 7,380</b>	

**Growth Rates** (see Exhibit 13). An entity with a higher expected rate of growth will be more valuable than those with lower expected growth, all other things being equal. Greater growth provides the potential for greater future benefits to the shareholder. Expected growth can be based on many factors including historical growth, new products, price inflation, market conditions, and others.

Although the estimated future growth of the entity is an important factor, certain procedures can measure and adjust for the differences in growth. In the article,

### Exhibit 13: Growth Rates

	Revenue Next Year [1]	Earnings 1-Year [1]	Earnings 5-Year [1]
AMEC	8.6%	14.0%	15.2%
IMI	7.8%	12.6%	2.1%
IRV	-2.2%	-2.7%	n/a
ISYS	5.8%	26.8%	6.7%
SPR	7.8%	14.1%	14.0%
SXS	6.6%	14.0%	-4.0%

**NOTES:**

[1] Analysts' estimates from Yahoo! Finance.

### Exhibit 14: Size Adjustment Formula

$$M_a = \frac{1}{\frac{1}{M_g} + \alpha\varepsilon(\theta + \mu) + \lambda}$$

Where:

- $M_a$  = Adjusted valuation multiple
- $M_g$  = Unadjusted valuation multiple of the public guideline company
- $\alpha$  = The ratio of revenue to after-tax EBITDA. This variable is set to one (1) if the valuation multiple is not a revenue multiple.
- $\varepsilon$  = The ratio of the public guideline company's market value of equity to market value of invested capital. This variable is set to one (1) if the valuation multiple is based on equity.
- $\theta$  = The size premium of the valuation subject less the size premium of the public guideline
- $\mu$  = The unsystematic risk premium of the valuation subject less the unsystematic risk premium of the public guideline
- $\lambda$  = The expected long-term growth of the public guideline less the expected long-term growth of the valuation subject

"Adjusting Pricing Multiples for Expected Growth," published in *Business Appraisal Practice* (Spring 2000), the authors, Stephen J. Bravo and Michael Mattson, outline a procedure for adjusting for growth differences between guideline companies and subject entities. The procedure uses established financial analysis to determine the effect of growth on valuation multiples and then adjusts guideline company multiples for those effects. The procedure results in market derived valuation multiples that are more

applicable to the subject entity. The growth expectations of the public guidelines are range from negative rates to significantly positive rate. The expected growth in operating results for SWT is inherent in the financial forecasts presented in the Income Approach chapter of this report.

#### Business Opportunities, Diversification & Other Factors.

The public guideline companies have greater industry diversification and better access to capital by virtue of being publicly traded. We have considered this in our selection of an applicable valuation multiple.

#### Adjustments to Guideline Multiples

As presented, there can be differences between the public guideline companies and the valuation subject. Mathematical techniques exist that can help to mitigate the impact of these differences. The premise of these mathematical techniques is to substitute a cost of capital variable of a public guideline company for the valuation subject's variable. In other words, in the case of expected growth, the guideline company's expected growth is replaced with the subject company's expected growth when computing a valuation multiple. The same can be done for factors related to size and unsystematic risk.

The steps to perform these adjustments are as follows:

- ◆ Compute a valuation multiple for the guideline company.
- ◆ Convert the valuation multiple to a capitalization rate by taking the mathematical inverse.
- ◆ Convert the capitalization rate to a discount rate by adding the guideline company's expected long-term growth.
- ◆ Break the discount rate into its individual components as described by the Capital Asset Pricing Model.
- ◆ Substitute different variables as they relate to the valuation subject for the same variable that relate to the guideline companies.

This procedure is expressed by the accompanying mathematical formula (see Exhibit 14). We applied this to the public guideline companies in order to arrive at valuation

multiples that are more applicable to the valuation subject. We have presented the variable used and the computations of the adjusted valuation multiples in Appendix B to this report.

### **Multiples Chosen & Resulting Conclusions**

Using the information obtained on each public guideline company, we computed valuation multiples relevant for SWT. These multiples include price-to-forward earnings, market value of invested capital (MVIC) to earnings before interest and taxes (EBIT), MVIC-to-EBITDA (see Exhibit 15). As part of this analysis, we adjusted the guideline multiples for extraordinary and non-recurring items, as could be determined from the available financial information.

We concentrated on the MVIC-to-EBITDA multiples, which is determined by dividing the total market value of invested capital by its annual EBITDA. We used this multiple because it demonstrated the lowest coefficient of variation, indicating a better correlation among the public guidelines. We determined that the median of the multiples was most applicable to SWT because of the adjustments we made to the public guideline multiples (see Exhibit 16).

### **Exhibit 15: Adjusted Guideline Multiples**

	<u>Price-to-Forward Earnings</u>	<u>MVIC to EBIT</u>	<u>MVIC to EBITDA</u>
AMEC plc	6.68	6.82	5.88
IMI plc	5.61	6.75	6.39
Interserve plc	10.26	-71.00	4.76
Invensys plc	6.88	5.74	5.33
Serco Group plc	6.87	7.11	5.73
Spectris plc	5.71	7.46	6.69
25th Pct.	5.95	5.99	5.43
Med.	6.78	6.79	5.81
75th Pct.	6.88	7.04	6.26
Avg.	7.00	-6.19	5.80
Coefficient of Variation	0.242078	-5.13	0.12079
<b>Selected Multiple</b>			<b>5.81</b>

### **Exhibit 16: Publicly Traded Guideline Method**

	<u>(\$000)</u>
Adjusted EBITDA [1]	\$ 1,794.7
Multiply by the MVIC to EBITDA Multiple [2]	5.81
<b>Indication of Enterprise Fair Value</b>	<b>\$ 10,427.2</b>
<b>NOTES:</b>	
[1] From Exhibit 3.	
[2] From Exhibit 15.	

# Financial Forecast

*We computed the business enterprise value based on financial forecasts in order to develop assumptions and amounts for use in the computations of the fair value of various intangible assets. This also provides a reasonableness check of our computation of the business enterprise value under the public guideline company method.*

Before unidentifiable assets can be measured we must perform a financial forecast that computes the business enterprise value. Doing so provides a basis from which to develop assumptions needed to value the various identifiable intangible assets. Further, the financial forecast provides a reasonableness check of our computation of the business enterprise value under the market approach.

### Discounted Future Cash Flows

Discounted future cash flow (DCF) methods involve projecting estimated future income streams and discounting those income streams by an appropriate discount rate to arrive at today's value of the estimated future earnings. The earnings are forecasted for a number of future periods until the earnings reach a stable level of growth. Once the stable growth is achieved, a "residual value" is determined. The residual value is the value of all future income streams after the point in time that a stable rate of growth has been estimated.

The discount rate is the rate of return that an investor would expect to earn based on the risks of investing in the entity. The sum of the present values of the projected income streams and the terminal value results in a value estimate for an entity (see Exhibit 17).

### Forecast Assumptions

Our interviews and inquiries of management indicated that the earnings and cash flows that could be achieved by a market participant would be based on assumptions similar to the following:

**Revenues.** Based on our interviews with management and analysis of public guidelines companies, future revenues were estimated to grow at approximately 15.3 percent, 3.1 percent, 3.2 percent, 1.7 percent and 4.2 percent, respectively over the next five years. Beyond that revenues were forecasted to grow at 3 percent annually.

### Exhibit 17: Formula for DCF Method

$$PV = \frac{E_1}{(1+k)} + \frac{E_2}{(1+k)^2} + \dots + \frac{E_n}{(1+k)^n} + \frac{E_n(1+g)}{(1+k)^n \cdot (k-g)}$$

Where:

- $E_1 \dots E_n$  = Expected amounts of economic income in each period  $E_1$  through  $E_n$
- $k$  = Discount Rate
- $n$  = Number of periods in the discrete projection period
- $g$  = Annually compounded growth rate in perpetuity for the prospective economic income, beyond the discrete projection period

The first future period rate of growth is based on managements expectations from contracts and orders in place at the Measurement Date. These growth rates were also based on managements worst case financial forecast. We used the worst case forecast because it matches more closely to the results achieved with level 2 inputs, namely, the publicly traded guideline companies.

**Gross Profits.** Future gross profits were estimated based on an approximate gross profit percentage of 17.2 percent, with some years in the forecast period being higher and other years being lower. This is lower than the most recent historical fiscal year, but similar to the rate achieved by SWT in other historical periods.

**Operating Expenses.** Management forecasted operating expenses, inclusive of depreciation and amortization, at approximately 7 to 8 percent. By not including depreciation and amortization, we used an operating expense margin of 3 percent to forecast operating expenses.

**Depreciation and Amortization.** Based on historical capital expenditures and the long-term growth estimate we forecasted future capital expenditures. From those capital expenditures we computed the future depreciation. The tax depreciation is based on U.K. tax laws. The amortization expense is based on the fair values of the various intangible assets measured in this report. These were amortized based on U.S. tax laws using a 15-year amortizable life and straight-line amortization. We used U.S. tax amortization because Doubleday intends on recording the intangible assets on its books rather than the books of SWT.

The resulting earnings before interest and taxes (EBIT) margin arrived at after deduction of gross profits, operating expenses, depreciation and amortization is similar to the average of the historical margins achieved by SWT.

**Income Taxes.** Future income tax expense was computed using the U.K. income tax rate of 28 percent.

**Incremental Working Capital Needs.** Future incremental working capital needs were computed using the expected growth in revenues and the median sales to working capital ratio found with the public guideline companies.

**Capital Expenditures.** Future capital expenditures are forecasted at \$80,000 for the first future forecast period, increased by the expected long-term growth rate for subsequent year. This level of capital expenditure was selected because it is similar to historical capital expenditures.

From these assumptions we computed future cash flows to invested capital (see Exhibit 18).

### **Estimated Cost of Capital**

In order to estimate the enterprise value, we must discount the forecasted future cash flows to a present value using an appropriate 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. 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. This risk free rate of return represents the "maturity risk"

discussed previously in the Risk Profile section of this report.

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 equity risk premium and the size premium are combined into a single premium. The equity risk premium represents the "systematic risk." The size adjustment is a component of the "unsystematic risk."

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 default risk. According to the *Federal Reserve Statistical Release* dated September 27, 2010, the yield on actively traded long-term (20-year) U.S. Government Treasury Securities on September 30, 2010 was 3.5 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 SWT could expect returns above U.S. Treasury Coupon Bonds similar to those computed in the accompanying table (see Exhibit 19).

## Exhibit 18: Forecasted Cash Flows to Invested Capital

\$ in thousands		Year 1	Year 2	Year 3	Year 4
Total Revenue (GBP in thousands) [1]	£ 7,380.4	£ 8,512.7	£ 8,779.2	£ 9,061.3	£ 9,218.5
<i>Growth Rate</i>		15.34%	3.13%	3.21%	1.73%
Total Revenue (USD in thousands) [2]	\$ 11,507.2	\$ 13,272.4	\$ 13,687.8	\$ 14,127.2	\$ 14,371.6
Gross Profit (GBP in thousands) [1]	£ 2,272.3	£ 1,428.7	£ 1,492.6	£ 1,560.4	£ 1,598.1
<i>Gross Profit Percentage</i>		16.8%	17.0%	17.2%	17.3%
Gross Profit (USD in thousands) [3]	\$ 3,542.9	\$ 2,229.8	\$ 2,326.9	\$ 2,429.9	\$ 2,486.3
Operating Expenses					
General and Administrative [4]	3.0%	398.2	410.6	423.8	431.1
Total Operating Expense		398.2	410.6	423.8	431.1
EBITDA		1,831.6	1,916.3	2,006.1	2,055.2
Tax Depreciation [5]		(49.5)	(52.0)	(54.2)	(53.5)
Tax Amortization [6]		(626.7)	(626.7)	(626.7)	(626.7)
EBIT		1,155.4	1,237.6	1,325.2	1,375.0
<i>EBIT Margin</i>		8.7%	9.0%	9.4%	9.6%
Income Taxes	28.0%	(323.5)	(346.5)	(371.1)	(385.0)
Debt Free Net Income		831.9	891.1	954.1	990.0
Depreciation and Amortization		676.2	678.7	680.9	680.2
Incremental Working Capital Needs	5.18	(340.8)	(80.2)	(84.8)	(47.2)
Capital Expenditures [5]		(80.0)	(82.6)	(85.3)	(43.4)
<b>Cash Flow to Invested Capital</b>		<b>\$ 1,087.3</b>	<b>\$ 1,407.0</b>	<b>\$ 1,464.9</b>	<b>\$ 1,579.6</b>
Divided by Capitalization Rate [7]					
Capitalized Residual Amount					

### NOTES:

- [1] From management's worst case scenario forecast.
- [2] Year zero amount in U.S. dollars is based on the year zero U.K. amount multiplied by the average exchange rate for the year ended Sept. 30, 2010. The remaining U.S. dollar amounts are based on the growth rates.
- [3] Based on gross profit percentages which were computed from the British Pounds.
- [4] Operating expense percentage does not include depreciation and amortization.
- [5] From Exhibit 50.
- [6] From Exhibit 51.
- [7] From Exhibit 21.

### Industry Risk Premium

We included a premium to reflect any additional risk associated with the industry. We looked to the publication, *Ibbotson SBBi 2010 Valuation Yearbook*, to quantify this premium. We specifically data for SIC code 8711, *Engineering Services*, which had an industry premium of 1.92 percent.

### Country Risk Premium

When valuing foreign business operations an additional risk premium is added for the additional risk of investing in that country. In this case Professor Aswath Damodaran of New York University has estimated the country risk premium for the U.K. at zero percent.

Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Residual
£ 9,603.7 4.18%	£ 9,891.8 3.00%	£ 10,188.6 3.00%	£ 10,494.3 3.00%	£ 10,809.1 3.00%	£ 11,133.4 3.00%	£ 11,467.4 3.00%
\$ 14,972.3	\$ 15,421.5	\$ 15,884.1	\$ 16,360.6	\$ 16,851.4	\$ 17,356.9	\$ 17,877.6
£ 1,654.8 17.2%	£ 1,701.4 17.2%	£ 1,752.4 17.2%	£ 1,805.0 17.2%	£ 1,859.2 17.2%	£ 1,914.9 17.2%	£ 1,972.4 17.2%
\$ 2,575.2	\$ 2,652.5	\$ 2,732.1	\$ 2,814.0	\$ 2,898.4	\$ 2,985.4	\$ 3,074.9
449.2	462.6	476.5	490.8	505.5	520.7	536.3
<u>449.2</u>	<u>462.6</u>	<u>476.5</u>	<u>490.8</u>	<u>505.5</u>	<u>520.7</u>	<u>536.3</u>
2,126.0 (56.3) (626.7)	2,189.9 (59.4) (626.7)	2,255.6 (62.2) (626.7)	2,323.2 (61.6) (626.7)	2,392.9 (64.8) (626.7)	2,464.7 (68.1) (626.7)	2,538.6 (66.1) -
1,443.0 9.6% (404.0)	1,503.8 9.8% (421.1)	1,566.7 9.9% (438.7)	1,634.9 10.0% (457.8)	1,701.4 10.1% (476.4)	1,769.9 10.2% (495.6)	2,472.5 13.8% (692.3)
1,039.0	1,082.7	1,128.0	1,177.1	1,225.0	1,274.3	1,780.2
683.0 (116.0) (90.4)	686.1 (86.7) (93.2)	688.9 (89.3) (96.0)	688.3 (92.0) (49.6)	691.5 (94.7) (101.9)	694.8 (97.6) (104.9)	66.1 (100.5) (73.1)
<b>\$ 1,515.6</b>	<b>\$ 1,588.9</b>	<b>\$ 1,631.6</b>	<b>\$ 1,723.8</b>	<b>\$ 1,719.9</b>	<b>\$ 1,766.6</b>	<b>\$ 1,672.7</b>
						13.75%
						<b>\$ 12,165.1</b>

### 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 analyzed the entity specific risks as part of the unsystematic risk. In this instance, we determined that an additional specific risk premium was needed to account for current economic conditions.

### Equity Discount Rate

The riskless rate and various premia are summed to develop a discount rate applicable to equity (see Exhibit 20), and represents the cost of the Company's equity.

SAMPLE REPORT: Not representative of any actual company or individual.

## Exhibit 19: Combined Equity Risk Premium and Size Adjustment

Measure of Size	SWT	Logarithm[1]	Slope	Constant	Indicated Premium[2]
Total Assets	\$ 13,418,600	1.127707	0.02230	0.15804	13.29%
Total Sales	\$ 11,507,200	1.060970	0.01965	0.15218	13.13%
Number of Employees	37	1.568202	0.01933	0.16048	13.02%
				<b>Average</b>	<b>13.15%</b>
				<b>Median</b>	<b>13.13%</b>
				<b>Selected</b>	<b>13.00%</b>

### NOTES:

[1] The Company's amounts were expressed in millions (1,000,000 = 1.0) for computation of the logarithm.

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 20: Discount Rate

Risk-less Rate	3.50%
Add Combined Equity Risk Premium and Size Adj. [1]	13.00%
Industry Premium	1.92%
Country Risk Premium [2]	0.00%
Add Company Specific Risk Premium	0.50%
<b>Equals the Cost of Equity</b>	<b>18.92%</b>

### NOTES:

[1] From Exhibit 19.

[2] Country risk based on estimates from Prof. Aswath Damodaran at NYU.

## 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 21).

## 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 21). We believe this long-term growth estimate is reasonable based on the historical long-term growth of the economy. 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.

## Business Enterprise Value

To compute the business enterprise value, we multiplied the previously determined estimate of future cash flows by the applicable discount factors to arrive at a present value for each forecasted period. We computed the discount factors based on the previously determined discount rate. We applied a mid-year convention in determining the discount factors due to the belief that cash flows will be received evenly throughout the year.

We summed the present values to arrive at the business enterprise value (see Exhibit 22).

## Exhibit 21: Weighted Average Cost of Capital

Cost of Debt - Tax Effected	5.22%	[1] Multiply by Weight	15%	[2] Equals	0.78%
Cost of Equity	18.92%	[3] Multiply by Weight	85%	Equals	16.08%
<b>Weighted Average Cost of Capital Discount Rate</b>			<b>100%</b>		<b>16.86%</b>
Rounded					16.75%
Less Long-Term Sustainable Growth Rate					-3.00%
<b>Residual Capitalization Rate</b>					<b>13.75%</b>

### NOTES:

[1] Based on a 0.0725 effective borrowing rate (prime bank loan rate of 0.0325 increased by 0.04) and a 0.28 tax rate.

[2] Weightings based on industry average capital structure from public guidelines.

[3] From Exhibit 20.

## Exhibit 22: Business Enterprise Value

Future Periods Ending	Future Cash Flows [1] (\$000)	Mid-Period Convention	Discount Factor at 16.75%	Present Values (\$000)
Year 1	\$ 1,087.3	0.5	0.925490	\$ 1,006.3
Year 2	1,407.0	1.5	0.792711	1,115.3
Year 3	1,464.9	2.5	0.678981	994.6
Year 4	1,579.6	3.5	0.581569	918.6
Year 5	1,515.6	4.5	0.498131	755.0
Year 6	1,588.9	5.5	0.426665	677.9
Year 7	1,631.6	6.5	0.365452	596.3
Year 8	1,723.8	7.5	0.313021	539.6
Year 9	1,719.9	8.5	0.268112	461.1
Year 10	1,766.6	9.5	0.229646	405.7
Residual Period	12,165.1		0.229646	2,793.7
			Sum of the Present Values	10,264.1
			Residual Period Amortization Tax Benefit	180.7
			Difference [2]	(17.6)
			<b>Business Enterprise Value</b>	<b>\$ 10,427.2</b>

### NOTES:

[1] From Exhibit 18.

[2] From Exhibit 51.

[3] Difference between the Sum of the Present Values and the Business Enterprise Value arrived at using the market approach at Exhibit 16.

### Exhibit 23: Tax Amortization Benefit Formula

$$F = \frac{n}{n - (PV \times t) - 1}$$

Where:

- F = Tax amortization benefit factor
- n = Amortization period (usually 15 years)
- PV<sup>a</sup> = Present value of a \$1 annuity over the amortization period.
- t = Tax rate

### ***Tax Amortization Benefit***

The measurement of various intangible assets requires that we consider the future benefits of the ability to amortize the asset for tax purposes. In order to compute this benefit we have used the formula in the accompanying table (see Exhibit 23).

# Non-Compete Agreements

*We measured the fair value of the Non-Compete Agreements at \$4,900. We also tested the concluded fair values by performing a reconciliation of the Non-Compete Agreements to the previously computed enterprise value.*

As part of the Agreement, SWT’s Managing Director, Joe DiMaggio, its Technical Director, Honus Wagner, and its Finance Director, Ty Cobb (collectively, Former Owners), each entered into employment agreements. The employment agreements contained restrictive covenants barring each of them from engaging in a competitive business, soliciting business from SWT’s customers, employees or suppliers for a period of two years after termination of employment. No established market for such assets exists, and as such, we used Level 3 inputs as described in ASC 820.

### Procedures

To compute and measure the fair value of the non-compete agreements, we recomputed the business enterprise value (adjusted enterprise value) as if competition had occurred from the Former Owners. We then compared this computation to the previously determined business enterprise value.

### Computations

To compute the fair value of the Non-Compete Agreements we estimated a percentage of revenue that would remain without the Non-Compete Agreements. From inquiries with management, it was determined that it would take approximately one year for a competitive business enterprise to be established. As such, we estimated no change in revenue in the first forecasted years. It was further estimated that revenues would decline 5 percent in the second year because of the competition and that the decline would increase to 10 percent in the third and fourth years, and revenues would return to expected amounts in year five. Such a decline was estimated to continue indefinitely.

Based on the above revenue assumptions, we recomputed the business enterprise value using the same assumptions as presented in the computation of the business enterprise value using the discounted cash flows method.

### Exhibit 24: Fair Value of Non-Compete Agreements

	<u>\$(000)</u>
Enterprise Value With the Non-Compete Agreements in Place [1]	\$ 10,427.2
Less Enterprise Value Without the Non-Compete Agreements in Place [2]	<u>(10,206.1)</u>
Differential	\$ 221.1
Multiplied by the Probability of Competition	<u>2%</u>
Non-Compete Agreement Value before Tax Amortization Benefit	\$ 4.4
Multiply by the Tax Amortization Benefit Factor [3]	<u>1.1118</u>
<b>Fair Value of the Non-Compete Agreement</b>	<b><u><u>\$ 4.9</u></u></b>

**NOTES:**

[1] From Exhibit 16.  
 [2] From Exhibit 25.  
 [3] Based on formulas at Exhibit 23.

## Exhibit 25: Enterprise Value Without the Non-Competition Agreements

(\$ in thousands)		Year 1	Year 2	Year 3
Total Forecasted Revenue [1]	\$ 11,507.2	\$ 13,272.4	\$ 13,687.8	\$ 14,127.2
Percentage Remaining if Competition Occurred	100%	100%	95%	90%
Adjusted Revenue	\$ 11,507.2	\$ 13,272.4	\$ 13,003.4	\$ 12,714.5
<i>Gross Profit Percentage</i>		16.8%	17.0%	17.2%
Gross Profit	\$ 3,542.9	\$ 2,229.8	\$ 2,210.6	\$ 2,186.9
Operating Expenses				
Sales, General and Administrative	3.0%	398.2	390.1	381.4
Total Operating Expense		398.2	390.1	381.4
EBITDA		1,831.6	1,820.5	1,805.5
Depreciation		(49.5)	(52.0)	(54.2)
Amortization		(626.7)	(626.7)	(626.7)
EBIT		1,155.4	1,141.8	1,124.6
Income Taxes	28.0%	(323.5)	(319.7)	(314.9)
Debt Free Net Income		831.9	822.1	809.7
Depreciation and Amortization		676.2	678.7	680.9
Incremental Working Capital Needs		(340.8)	(80.2)	(84.8)
Capital Expenditures		(80.0)	(82.6)	(85.3)
Cash Flow to Invested Capital Divided by Capitalization Rate [2]		\$ 1,087.3	\$ 1,338.0	\$ 1,320.5
Capitalized Residual Amount Mid-Period Convention		0.50	1.50	2.50
Multiply by the Present Value Factors [2]	16.75%	0.92549	0.79271	0.67898
Present Values		\$ 1,006.3	\$ 1,060.6	\$ 896.6
<b>NOTES:</b>				
[1] From Exhibit 18.				
[2] From Exhibit 21.				
[3] From Exhibit 51.				

We then computed the differential between the adjusted enterprise value and the original enterprise value, and multiplied the result by a estimated probability of competition occurring of 2 percent.

We believe the probability of competition occurring by the Former Owners is very low because of the earnout and the

fact that they were operating with the Doubleday name prior to the Acquisition. If they set up a competitive operation they would no longer be able to use the Doubleday name. Management indicated that there are no indications that the Former Owners would compete even if the non-compete agreement were not in place. From this we derived a low probability factor.

SAMPLE REPORT: Not representative of any actual company or individual.

Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Residual
\$ 14,371.6 90%	\$ 14,972.3 100%	\$ 15,421.5 100%	\$ 15,884.1 100%	\$ 16,360.6 100%	\$ 16,851.4 100%	\$ 17,356.9 100%	\$ 17,877.6 100%
\$ 12,934.4 17.3%	\$ 14,972.3 17.2%	\$ 15,421.5 17.2%	\$ 15,884.1 17.2%	\$ 16,360.6 17.2%	\$ 16,851.4 17.2%	\$ 17,356.9 17.2%	\$ 17,877.6 17.2%
\$ 2,237.7 388.0 388.0	\$ 2,575.2 449.2 449.2	\$ 2,652.5 462.6 462.6	\$ 2,732.1 476.5 476.5	\$ 2,814.0 490.8 490.8	\$ 2,898.4 505.5 505.5	\$ 2,985.4 520.7 520.7	\$ 3,074.9 536.3 536.3
1,849.7 (53.5) (626.7)	2,126.0 (56.3) (626.7)	2,189.9 (59.4) (626.7)	2,255.6 (62.2) (626.7)	2,323.2 (61.6) (626.7)	2,392.9 (64.8) (626.7)	2,464.7 (68.1) (626.7)	2,538.6 (66.1) -
1,169.5 (327.5)	1,443.0 (404.0)	1,503.8 (421.1)	1,566.7 (438.7)	1,634.9 (457.8)	1,701.4 (476.4)	1,769.9 (495.6)	2,472.5 (692.3)
842.0 680.2 (47.2) (43.4)	1,039.0 683.0 (116.0) (90.4)	1,082.7 686.1 (86.7) (93.2)	1,128.0 688.9 (89.3) (96.0)	1,177.1 688.3 (92.0) (49.6)	1,225.0 691.5 (94.7) (101.9)	1,274.3 694.8 (97.6) (104.9)	1,780.2 66.1 (100.5) (73.1)
\$ 1,431.6 3.50 0.58157	\$ 1,515.6 4.50 0.49813	\$ 1,588.9 5.50 0.42667	\$ 1,631.6 6.50 0.36545	\$ 1,723.8 7.50 0.31302	\$ 1,719.9 8.50 0.26811	\$ 1,766.6 9.50 0.22965	\$ 1,672.7 13.75% \$ 12,165.1 0.22965
\$ 832.6	\$ 755.0	\$ 677.9	\$ 596.3	\$ 539.6	\$ 461.1	\$ 405.7	\$ 2,793.7
Sum of the Present Values							10,025.4
Residual Period Amortization Tax Benefit [3]							180.7
<b>Enterprise Value Without the Non-Compete Agreements</b>							<b>\$ 10,206.1</b>

After adjusting the differential by a probability factor, we multiplied the result by the tax amortization benefit factor to arrive at the measurement of the fair value of the Non-Compete Agreements (see Exhibit 24). The computation of the cash flows used to arrive at the enterprise value without the non-compete agreements is presented in the accompanying table (see Exhibit 25).

### Conclusion

Based on the procedures and computations, we determined the fair value of the Non-Compete Agreements to be \$4,900.

## Exhibit 26: Contributory Asset Charges—Non-Compete Agreement

(\$ in thousands)		Year 1	Year 2
Non-Compete Agreement Balance [1]		\$ 4.9	\$ 4.9
<b>Return on Non-Compete at its Rate of Return:</b>			
Mid-Period Adjustment Factor	0.92549		
Return on Non-Compete Agreements [2]	16.75%	0.8	0.8
Total Forecasted Revenue [3]		\$ 13,272.4	\$ 13,687.8
Percentage of Revenue [4]		0.01%	0.01%
Multiplied by Revenue from Customer Relations [3]		<u>\$ 10,617.9</u>	<u>\$ 6,570.1</u>
<b>Non-Compete Agreement Contributory Asset Charges</b>		<b><u>\$ 1.1</u></b>	<b><u>\$ 0.7</u></b>
<b>Return on Non-Compete Agreements at the WACC:</b>			
Mid-Period Adjustment Factor	0.92549		
<b>Return on Non-Compete Agreements [5]</b>	<b>16.75%</b>	<b><u>\$ 0.8</u></b>	<b><u>\$ 0.8</u></b>
		Year 9	Year 10
Non-Compete Agreement Balance [1]		\$ 4.9	\$ 4.9
<b>Return on Non-Compete at its Rate of Return:</b>			
Mid-Period Adjustment Factor	0.92549		
Return on Non-Compete Agreements [2]	16.75%	0.8	0.8
Total Forecasted Revenue [3]		\$ 16,851.4	\$ 17,356.9
Percentage of Revenue [4]		0.00%	0.00%
Multiplied by Revenue from Customer Relations [3]		<u>\$ 235.9</u>	<u>\$ 138.9</u>
<b>Non-Compete Agreement Contributory Asset Charges</b>		<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
<b>Return on Non-Compete Agreements at the WACC:</b>			
Mid-Period Adjustment Factor	0.92549		
<b>Return on Non-Compete Agreements [5]</b>	<b>16.75%</b>	<b><u>\$ 0.8</u></b>	<b><u>\$ 0.8</u></b>
<b>NOTES:</b>			
[1] From Exhibit 24.			
[2] Rate from Exhibit 47.			
[3] From Exhibit 31.			
[4] Return on Non-Compete Agreements divided by the Total Forecasted Revenue.			
[5] Rate from Exhibit 21.			

SAMPLE REPORT: Not representative of any actual company or individual.

Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
\$ 4.9	\$ 4.9	\$ 4.9	\$ 4.9	\$ 4.9	\$ 4.9
0.8	0.8	0.8	0.8	0.8	0.8
\$ 14,127.2	\$ 14,371.6	\$ 14,972.3	\$ 15,421.5	\$ 15,884.1	\$ 16,360.6
0.01%	0.01%	0.01%	0.01%	0.01%	0.00%
\$ 4,068.6	\$ 2,486.3	\$ 1,557.1	\$ 971.6	\$ 603.6	\$ 376.3
<b>\$ 0.4</b>	<b>\$ 0.2</b>	<b>\$ 0.2</b>	<b>\$ 0.1</b>	<b>\$ 0.1</b>	<b>\$ -</b>
<b>\$ 0.8</b>	<b>\$ 0.8</b>	<b>\$ 0.8</b>	<b>\$ 0.8</b>	<b>\$ 0.8</b>	<b>\$ 0.8</b>

Year 11	Year 12	Year 13	Year 14	Year 15
\$ 4.9	\$ 4.9	\$ 4.9	\$ 4.9	\$ 4.9
0.8	0.8	0.8	0.8	0.8
\$ 17,877.6	\$ 18,413.9	\$ 18,966.3	\$ 19,535.3	\$ 20,121.4
0.00%	0.00%	0.00%	0.00%	0.00%
\$ 89.4	\$ 55.2	\$ 37.9	\$ 19.5	\$ -
<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>\$ 0.8</b>	<b>\$ 0.8</b>	<b>\$ 0.8</b>	<b>\$ 0.8</b>	<b>\$ 0.8</b>

## Exhibit 27: Non-Compete Agreement Reconciliation

(\$ in thousands)	Year 1	Year 2	Year 3	Year 4
Cash Flow to Invested Capital [1]	\$ 1,087.3	\$ 1,407.0	\$ 1,464.9	\$ 1,579.6
Return on Non-Compete at the WACC [2]	(0.8)	(0.8)	(0.8)	(0.8)
Adjusted Excess Earnings Divided by the Capitalization Rate [3]	\$ 1,086.5	\$ 1,406.2	\$ 1,464.1	\$ 1,578.8
Residual Amount				
Mid-Period Convention	0.50	1.50	2.50	3.50
Multiply by the Present Value Factors [3] 16.75%	0.92549	0.79271	0.67898	0.58157
Present Values	\$ 1,005.5	\$ 1,114.7	\$ 994.1	\$ 918.2

### NOTES:

- [1] From Exhibit 18.
- [2] From Exhibit 26.
- [3] Rate from Exhibit 21.
- [4] From Exhibit 51.
- [5] From Exhibit 24.
- [6] From Exhibit 22.

### Contributory Asset Charges

We computed contributory asset charges related to the Non-Compete Agreements in order to apply such charges to our measurement of the fair value of Customer Relations as presented later in this report. Because the estimated economic life of some of the customer relations is 15 years, we have computed the contributory asset charges over a 15-year period (see Exhibit 26).

### Reconciliation

We performed a reconciliation of the Non-Compete Agreements by recomputing the business enterprise value without the contribution of the Non-Compete Agreements and then added back the value of the Non-Compete Agreements. This then results in the previously computed business enterprise value under the market approach (see Exhibit 27).

Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Residual
\$ 1,515.6 (0.8)	\$ 1,588.9 (0.8)	\$ 1,631.6 (0.8)	\$ 1,723.8 (0.8)	\$ 1,719.9 (0.8)	\$ 1,766.6 (0.8)	\$ 1,672.7 (0.8)
\$ 1,514.8	\$ 1,588.1	\$ 1,630.8	\$ 1,723.0	\$ 1,719.1	\$ 1,765.8	\$ 1,671.9 13.75%
						\$ 12,159.3
4.50 0.49813	5.50 0.42667	6.50 0.36545	7.50 0.31302	8.50 0.26811	9.50 0.22965	0.22965
\$ 754.6	\$ 677.6	\$ 596.0	\$ 539.3	\$ 460.9	\$ 405.5	\$ 2,792.4
						Sum of the Present Values 10,258.8
						Residual Period Tax Amortization Benefit [4] 180.7
						Add Fair Value of Non-Compete [5] 4.9
						Difference Between the Market and Income Approaches [6] (17.6)
						rounding 0.4
						<b>Adjusted Enterprise Value \$ 10,427.2</b>

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# Assembled Workforce

*We measured the fair value of the Assembled Workforce at \$97,800. We also tested the concluded fair values by performing a reconciliation of the Assembled Workforce to the previously computed enterprise value.*

The ASC expressly states that the Assembled Workforce is part of Goodwill and should not be recorded as a separate asset. Nevertheless, it is important to measure the value of the Assembled Workforce in order to apply its contributory asset charges in measuring the Customer Relations.

No established market for such assets exists, and as such, we used Level 3 inputs as described in ASC 820.

## Procedures

We measured the fair value of the Assembled Workforce by estimating the cost to hire and train a new workforce. To do so we performed the following procedures:

- ◆ Obtained a listing of employees showing their position and pay.
- ◆ Estimated other costs such as payroll taxes and benefits for each acquired employee.
- ◆ Applied training period and efficiency factors to the total costs.
- ◆ Added hiring costs to arrive at the total replacement cost.

Based on these procedures we computed the fair value of the Assembled Workforce.

## Computations

To compute the fair value of the Assembled Workforce, we obtained estimates of the average annual salary or wage for each of SWT's employees.

We estimated payroll taxes, insurance, and retirement costs based on historical experience, and added these costs to the total salaries and wages. We then applied training and efficiency factors to the total costs to estimate the cost of training a new workforce. From our interviews

and inquiries with management the estimated training period is approximately 10 percent of a year.

During this training period management indicated that employees are, on average, 90 percent efficient, meaning there is a 10 percent inefficiency factor.

We added the estimated cost of hiring new employees to the total training costs to arrive at the total hiring and training costs. The hiring costs were also based on historical experience. We then tax affected the total replacement cost of the Assembled Workforce and then multiplied the result by the tax amortization benefit factor (see Exhibit 28).

## Conclusion

Based on the procedures and computations, we determined the fair value of the Assembled Workforce at \$97,800.

## Contributory Asset Charges

We computed contributory asset charges related to the Assembled Workforce in order to apply such charges to our measurement of the fair value of Customer Relations as presented later in this report. Because the estimated economic life of some of the customer relations is 15 years, we have computed the contributory asset charges over a 15-year period (see Exhibit 29).

## Reconciliation

We performed a reconciliation of the Assembled Workforce by recomputing the business enterprise value without the contribution of the Assembled Workforce and then added back the value of the Assembled Workforce. This then results in the previously computed business enterprise value under the market approach (see Exhibit 30).

**Exhibit 28: Measurement of the Assembled Workforce**

<u>Position</u>	<u>Annual Wage or Salary £</u>	<u>Annual Wage or Salary \$</u>	<u>Social Security and Other Taxes [1]</u>	<u>Unemployment Insurance [2]</u>
Exchange Rate		1.5809		
Managing Director	£ 74,263	\$ 117,402	\$ 13,871	
Technical Director	63,654	100,631	11,724	
Finance Director	63,654	100,631	11,724	
Operations Director	63,654	100,631	11,724	
Customer Services Assistant	29,613	46,815	4,836	
Project Engineer	37,800	59,758	6,493	
Electrical Project Engineer	37,800	59,758	6,493	
Customer Services Manager	30,900	48,850	5,096	
Project Engineer	47,740	75,472	8,504	
Engineering Manager	50,100	79,203	8,982	
Senior Design Engineer	36,514	57,725	6,232	
Project Engineer	45,320	71,646	8,014	
European Sales Manager	64,350	101,731	11,865	
Storeman	28,840	45,593	4,679	
Mechanical Project Engineer	30,600	48,376	5,036	
Electrical Project Engineer	20,000	31,618	2,891	
Technical Support Engineer	39,200	61,971	6,776	
Project Engineer	35,844	56,666	6,097	
Cleaner	4,530	7,161	-	
Accounts Assistant	23,300	36,835	3,558	
Reception/Admin. Assistant	14,935	23,611	1,866	
Service Engineer	39,891	63,064	6,916	
Installation Engineer	27,616	43,658	4,432	
Installation Engineer	28,858	45,622	4,683	
Service Engineer	27,616	43,658	4,432	
Electrical Project Engineer	27,616	43,658	4,432	

SAMPLE REPORT: Not representative of any actual company or individual.



Exhibit 28 (continued): Measurement of the Assembled Workforce

Name	Annual Wage or Salary £	Annual Wage or Salary \$	Social Security and Other Taxes [1]	Unemployment Insurance [2]
Vietnam Employee #1		9,708	1,747	97
Vietnam Employee #2		9,708	1,747	97
Vietnam Employee #3		39,072	7,033	391
Vietnam Employee #4		19,740	3,553	197
Vietnam Employee #5		15,936	2,868	159
Vietnam Employee #6		27,720	4,990	277
Vietnam Employee #7		9,708	1,747	97
Vietnam Employee #8		9,708	1,747	97
Vietnam Employee #9		9,708	1,747	97
Vietnam Employee #10		8,316	1,497	83
Vietnam Employee #11		12,096	2,177	121

**NOTES:**

- [1] For UK employees this amount is 12.8% of wages above £5,715 (\$9,035 at exchange rate of 1.5809) and 19% for Vietnam employees (15% social security and 3% health insurance)
- [2] Included as part of the Social Security taxes For UK employees. 1% of wages and for Vietnam employees.
- [3] From our inquiries with management they estimate that 10% of the first year is spent in training with 90% of that time being productive (10% efficiency factor).
- [4] From our inquiries with management, they estimate that recruiting costs approximately 5% of the first year salary.
- [5] Based on the U.K. tax rate of 28%.
- [6] Based on the formula at Exhibit 23.

Total	Training Period Pct. [3]	Inefficiency Factor [3]	Total Training Costs	Hiring Costs [4] 5%	Total Hiring and Training Costs
11,552	10%	10%	116	578	694
11,552	10%	10%	116	578	694
46,496	10%	10%	465	2,325	2,790
23,490	10%	10%	235	1,175	1,410
18,963	10%	10%	190	948	1,138
32,987	10%	10%	330	1,649	1,979
11,552	10%	10%	116	578	694
11,552	10%	10%	116	578	694
11,552	10%	10%	116	578	694
9,896	10%	10%	99	495	594
14,394	10%	10%	144	720	864

Replacement Cost of the Vietnam Assembled Workforce \$ 12,245

Total Replacement Cost of Assembled Workforce 116,840  
Less Taxes [5] (32,715)

Value Before Tax Amortization \$ 84,125  
Tax Amortization Factor [6] 1.1628

**Fair Value of Assembled Workforce \$ 97,821**

**Rounded (\$000) \$ 97.8**



Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
\$ 14,127.2 3.21%	\$ 14,371.6 1.73%	\$ 14,972.3 4.18%	\$ 15,421.5 3.00%	\$ 15,884.1 3.00%	\$ 16,360.6 3.00%
\$ 4,068.6 28.80%	\$ 2,486.3 17.30%	\$ 1,557.1 10.40%	\$ 971.6 6.30%	\$ 603.6 3.80%	\$ 376.3 2.30%
\$ 116.3 3.7	\$ 120.0 2.1	\$ 122.1 5.1	\$ 127.2 3.8	\$ 131.0 3.9	\$ 134.9 4.0
120.0	122.1	127.2	131.0	134.9	138.9
118.2	121.1	124.7	129.1	133.0	136.9
\$ 18.3 0.13%	\$ 18.8 0.13%	\$ 19.3 0.13%	\$ 20.0 0.13%	\$ 20.6 0.13%	\$ 21.2 0.13%
\$ 5.3 (1.1)	\$ 3.2 (0.4)	\$ 2.0 (0.5)	\$ 1.3 (0.2)	\$ 0.8 (0.1)	\$ 0.5 (0.1)
<b>\$ 4.2</b>	<b>\$ 2.8</b>	<b>\$ 1.5</b>	<b>\$ 1.1</b>	<b>\$ 0.7</b>	<b>\$ 0.4</b>

Year 11	Year 12	Year 13	Year 14	Year 15
\$ 17,877.6 3.00%	\$ 18,413.9 3.00%	\$ 18,966.3 3.00%	\$ 19,535.3 3.00%	\$ 20,121.4 3.00%
\$ 89.4 0.50%	\$ 55.2 0.30%	\$ 37.9 0.20%	\$ 19.5 0.10%	\$ - 0.00%
\$ 147.4 4.4	\$ 151.8 4.6	\$ 156.4 4.7	\$ 161.1 4.8	\$ 165.9 5.0
151.8	156.4	161.1	165.9	170.9
149.6	154.1	158.8	163.5	168.4
23.2 0.13%	23.9 0.13%	24.6 0.13%	25.3 0.13%	26.1 0.13%
\$ 0.1 -	\$ 0.1 -	\$ - -	\$ - -	\$ - -
<b>\$ 0.1</b>	<b>\$ 0.1</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

### Exhibit 30: Reconciliation of the Assembled Workforce

(\$ in thousands)	Year 1	Year 2	Year 3	Year 4
Cash Flow to Invested Capital [1]	\$ 1,087.3	\$ 1,407.0	\$ 1,464.9	\$ 1,579.6
Future Investment in Assembled Workforce [2]	15.0	3.5	3.7	2.1
Return on Assembled Workforce [2]	(16.3)	(17.8)	(18.3)	(18.8)
Total Adjustments	(1.3)	(14.3)	(14.6)	(16.7)
Excess Earnings	\$ 1,086.0	\$ 1,392.7	\$ 1,450.3	\$ 1,562.9
Divided by the Capitalization Rate [3]				
Residual Amount				
Mid-Period Convention	0.50	1.50	2.50	3.50
Multiply by the Present Value Factors [3] 16.75%	0.92549	0.79271	0.67898	0.58157
Present Values	\$ 1,005.1	\$ 1,104.0	\$ 984.7	\$ 908.9

#### NOTES:

[1] From Exhibit 18.

[2] From Exhibit 29.

[3] Rate from Exhibit 21.

[4] From Exhibit 51.

[5] From Exhibit 28.

[6] From Exhibit 22.

Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Residual
\$ 1,515.6	\$ 1,588.9	\$ 1,631.6	\$ 1,723.8	\$ 1,719.9	\$ 1,766.6	\$ 1,672.7
5.1	3.8	3.9	4.0	4.2	4.3	4.4
(19.3)	(20.0)	(20.6)	(21.2)	(21.9)	(22.5)	(23.2)
<u>(14.2)</u>	<u>(16.2)</u>	<u>(16.7)</u>	<u>(17.2)</u>	<u>(17.7)</u>	<u>(18.2)</u>	<u>(18.8)</u>
\$ 1,501.4	\$ 1,572.7	\$ 1,614.9	\$ 1,706.6	\$ 1,702.2	\$ 1,748.4	\$ 1,653.9
						13.75%
						<u>\$ 12,028.4</u>
4.50	5.50	6.50	7.50	8.50	9.50	
0.49813	0.42667	0.36545	0.31302	0.26811	0.22965	0.22965
<u>\$ 747.9</u>	<u>\$ 671.0</u>	<u>\$ 590.2</u>	<u>\$ 534.2</u>	<u>\$ 456.4</u>	<u>\$ 401.5</u>	<u>\$ 2,762.3</u>
				Sum of the Present Values		\$ 10,166.2
				Residual Period Tax Amortization Benefit [4]		180.7
				Assembled Workforce [5]		97.8
				Difference Between the Market and Income Approached [6]		(17.6)
				rounding		0.1
				<b>Adjusted Enterprise Value</b>		<b><u>\$ 10,427.2</u></b>

# Customer Relations

*We measured the fair value of the Customer Relations at \$2,097,200. We also tested the concluded fair values by performing a reconciliation of the Customer Relations to the previously computed enterprise value.*

SWT provides engineering services to users of Doubleday's equipment throughout the world. Since no market exists for customer relations assets, we used Level 3 inputs, as described by ASC 820, to compute the fair value of the customer relations asset, using the multi-period excess earnings method.

## Procedures

To compute and measure the fair value of the Customer Relations, we performed the following:

- ◆ Estimated the future revenue to be generated by the existing customers.
- ◆ Estimated the future earnings generating from the revenues by subtracting applicable expenses.
- ◆ Estimated future cash flows (excess earnings) from the existing SWT customers by adding back non-cash expenses and subtracting contributory asset charges.
- ◆ Computed the present value of the estimated future excess earnings to derive a value.

## Calculations

### Revenue

We estimated future revenue from customers by applying a 40 percent survivor curve to forecasted revenues expected from acquired customers. This survivor curve results in revenues declining to near zero over the next 15 years (see Exhibit 31). We selected this survivor curve based on the customer attrition analysis presented in Appendix F to this report.

### Expenses

We estimated expenses similar to the estimates used in the Income Approach chapter of this report.

## Exhibit 31: Attrition of Customer Relations

Year	Forecasted Rev. [1] (\$000)	40% Survivor Curve	Avg.	Rev. from Purchased Customers (\$000)
0	\$ 11,507.2	100.0%		
1	13,272.4	60.0%	80.0%	\$ 10,617.9
2	13,687.8	36.0%	48.0%	6,570.1
3	14,127.2	21.6%	28.8%	4,068.6
4	14,371.6	13.0%	17.3%	2,486.3
5	14,972.3	7.8%	10.4%	1,557.1
6	15,421.5	4.7%	6.3%	971.6
7	15,884.1	2.8%	3.8%	603.6
8	16,360.6	1.7%	2.3%	376.3
9	16,851.4	1.0%	1.4%	235.9
10	17,356.9	0.6%	0.8%	138.9
11	17,877.6	0.4%	0.5%	89.4
12	18,413.9	0.2%	0.3%	55.2
13	18,966.3	0.1%	0.2%	37.9
14	19,535.3	0.1%	0.1%	19.5
15	20,121.4	0.0%	0.0%	-

### NOTES:

[1] Years one through ten from Exhibit 18. Remaining years based on a 3 percent growth rate.

## Depreciation and Amortization

We computed the depreciation and amortization expenses related to the Customer Relations in the appendices to this report (see Exhibit 50) and (see Exhibit 51). Depreciation and amortization expenses related to the Customer Relations were subtracted to arrive at a tax-basis EBIT.

## Contributory Asset Charges

Because other assets (not just the Customer Relations) contribute to the generation of cash flows, we computed and subtracted the estimated returns on the other assets in order to isolate the expected cash flows generated by the Customer Relations.

***Fair Value of Customer Relations***

We computed the fair value of customer relations as the present value of the cash flows attributable to the Customer Relations as presented in the accompanying table (see Exhibit 32).

***Reconciliation***

We performed a reconciliation of the Customer Relations by recomputing the business enterprise value without the contribution of the Customer Relations and then added back the value of the Customer Relations. This then results in the previously computed business enterprise value under the market approach (see Exhibit 34).

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### Exhibit 32: Fair Value of Customer Relations

(\$ in thousands)		Year 1	Year 2
Customer Relationship Revenue [1]		\$ 10,617.9	\$ 6,570.1
Gross Profit Percentage [2]		16.8%	17.0%
Gross Profit		\$ 1,783.8	\$ 1,116.9
Operating Expenses:			
General and Administrative [2]	3.0%	318.5	197.1
Total Operating Expenses		<u>318.5</u>	<u>197.1</u>
EBITDA		1,465.3	919.8
Tax Depreciation [3]		(39.6)	(25.0)
Tax Amortization [4]		<u>(501.4)</u>	<u>(300.8)</u>
Tax Basis EBIT		924.3	594.0
Less Income Taxes	28.0%	<u>(258.8)</u>	<u>(166.3)</u>
Debt-Free Income		665.5	427.7
Depreciation		39.6	25.0
Amortization		501.4	300.8
Contributory Asset Charges [5]		<u>(212.9)</u>	<u>(137.5)</u>
Residual Cash Flows		\$ 993.6	\$ 616.0
Mid-Period Convention		0.50	1.50
Multiply by the Present Value Factors [6]	19.00%	<u>0.91670</u>	<u>0.77033</u>
Present Values		<u>\$ 910.8</u>	<u>\$ 474.5</u>

	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
\$	4,068.6	\$ 2,486.3	\$ 1,557.1	\$ 971.6	\$ 603.6	\$ 376.3
	17.2%	17.3%	17.2%	17.2%	17.2%	17.2%
\$	699.8	\$ 430.1	\$ 267.8	\$ 167.1	\$ 103.8	\$ 64.7
	122.1	74.6	46.7	29.1	18.1	11.3
	122.1	74.6	46.7	29.1	18.1	11.3
	577.7	355.5	221.1	138.0	85.7	53.4
	(15.6)	(9.3)	(5.9)	(3.7)	(2.4)	(1.4)
	(180.5)	(108.4)	(65.2)	(39.5)	(23.8)	(14.4)
	381.6	237.8	150.0	94.8	59.5	37.6
	(106.8)	(66.6)	(42.0)	(26.5)	(16.7)	(10.5)
	274.8	171.2	108.0	68.3	42.8	27.1
	15.6	9.3	5.9	3.7	2.4	1.4
	180.5	108.4	65.2	39.5	23.8	14.4
	(83.0)	(51.3)	(31.9)	(20.3)	(12.6)	(7.6)
\$	387.9	\$ 237.6	\$ 147.2	\$ 91.2	\$ 56.4	\$ 35.3
	2.50	3.50	4.50	5.50	6.50	7.50
	0.64734	0.54398	0.45713	0.38414	0.32281	0.27127
\$	251.1	\$ 129.2	\$ 67.3	\$ 35.0	\$ 18.2	\$ 9.6

SAMPLE REPORT: Not representative of any actual company or individual.

Exhibit 32 (continued): Fair Value of Customer Relations

(\$ in thousands)	Year 9	Year 10
Customer Relationship Revenue [1]	\$ 235.9	\$ 138.9
Gross Profit Percentage	17.2%	17.2%
Gross Profit	\$ 40.6	\$ 23.9
Operating Expenses:		
General and Administrative [2]	3.0% 7.1	4.2
Total Operating Expenses	<u>7.1</u>	<u>4.2</u>
EBITDA	33.5	19.7
Tax Depreciation [3]	(0.9)	(0.5)
Tax Amortization [4]	<u>(8.8)</u>	<u>(5.0)</u>
Tax Basis EBIT	23.8	14.2
Less Income Taxes	28.0% <u>(6.7)</u>	<u>(4.0)</u>
Debt-Free Income	17.1	10.2
Depreciation	0.9	0.5
Amortization	8.8	5.0
Contributory Asset Charges [5]	<u>(4.6)</u>	<u>(2.9)</u>
Residual Cash Flow s	22.2	12.8
Mid-Period Convention	8.50	9.50
Multiply by the Present Value Factors [6]	19.00% <u>0.22796</u>	<u>0.19156</u>
Present Values	<u>\$ 5.1</u>	<u>\$ 2.5</u>

**NOTES:**

- [1] From Exhibit 31.  
 [2] Rates from Exhibit 18.  
 [3] From Exhibit 50.  
 [4] From Exhibit 51.  
 [5] From Exhibit 33.  
 [6] Rate from Exhibit 49.  
 [7] Based on formula from Exhibit 23.

	Year 11	Year 12	Year 13	Year 14	Year 15
\$	89.4	\$ 55.2	\$ 37.9	\$ 19.5	\$ -
	17.2%	17.2%	17.2%	17.2%	17.2%
\$	15.4	\$ 9.5	\$ 6.5	\$ 3.4	\$ -
	2.7	1.7	1.1	0.6	-
	<u>2.7</u>	<u>1.7</u>	<u>1.1</u>	<u>0.6</u>	<u>-</u>
	12.7	7.8	5.4	2.8	-
	(0.3)	(0.2)	(0.1)	(0.1)	-
	<u>(8.8)</u>	<u>(5.0)</u>	<u>(3.1)</u>	<u>(1.9)</u>	<u>(1.3)</u>
	3.6	2.6	2.2	0.8	(1.3)
	<u>(1.0)</u>	<u>(0.7)</u>	<u>(0.6)</u>	<u>(0.2)</u>	<u>0.4</u>
	2.6	1.9	1.6	0.6	(0.9)
	0.3	0.2	0.1	0.1	-
	8.8	5.0	3.1	1.9	1.3
	<u>(1.8)</u>	<u>(1.1)</u>	<u>(0.7)</u>	<u>(0.3)</u>	<u>-</u>
	9.9	6.0	4.1	2.3	0.4
	10.50	11.50	12.50	13.50	14.50
	<u>0.16097</u>	<u>0.13527</u>	<u>0.11367</u>	<u>0.09552</u>	<u>0.08027</u>
\$	<u>1.6</u>	\$ <u>0.8</u>	\$ <u>0.5</u>	\$ <u>0.2</u>	\$ <u>-</u>
				Sum of the Present Values	\$ 1,906.4
				Multiplied by the Tax Amortization Benefit Factor [7]	<u>1.1001</u>
				<b>Indicated Fair Value</b>	<b><u>\$ 2,097.2</u></b>

SAMPLE REPORT: Not representative of any actual company or individual.

### Exhibit 33: Total Contributory Asset Charges

(\$ in thousands)	Year 1	Year 2	Year 3
<b>Contributory Asset Charges:</b>			
Working Capital [1]	\$ 42.0	\$ 30.1	\$ 19.2
Return of Fixed Assets [2]	60.0	34.0	19.2
Return on Fixed Assets [3]	109.1	65.9	40.0
Non-Compete Agreements [4]	1.1	0.7	0.4
Assembled Workforce [5]	0.7	6.8	4.2
<b>Total Contributory Asset Charges</b>	<b>\$ 212.9</b>	<b>\$ 137.5</b>	<b>\$ 83.0</b>
	<b>Year 9</b>	<b>Year 10</b>	<b>Year 11</b>
<b>Contributory Asset Charges:</b>			
Working Capital [1]	\$ 1.3	\$ 0.8	\$ 0.5
Return of Fixed Assets [2]	1.2	0.8	0.5
Return on Fixed Assets [3]	1.9	1.1	0.7
Non-Compete Agreements [4]	-	-	-
Assembled Workforce [5]	0.2	0.2	0.1
<b>Total Contributory Asset Charges</b>	<b>\$ 4.6</b>	<b>\$ 2.9</b>	<b>\$ 1.8</b>

#### NOTES:

- [1] From Exhibit 44.
- [2] From Exhibit 45.
- [3] From Exhibit 46.
- [4] From Exhibit 26.
- [5] From Exhibit 29.

Year 4	Year 5	Year 6	Year 7	Year 8
\$ 12.1	\$ 7.7	\$ 5.0	\$ 3.2	\$ 2.0
12.2	8.2	5.4	3.3	2.0
24.0	14.3	8.7	5.3	3.2
0.2	0.2	0.1	0.1	-
2.8	1.5	1.1	0.7	0.4
<b>\$ 51.3</b>	<b>\$ 31.9</b>	<b>\$ 20.3</b>	<b>\$ 12.6</b>	<b>\$ 7.6</b>

Year 12	Year 13	Year 14	Year 15
\$ 0.3	\$ 0.2	\$ 0.1	\$ -
0.3	0.2	0.1	-
0.4	0.3	0.1	-
-	-	-	-
0.1	-	-	-
<b>\$ 1.1</b>	<b>\$ 0.7</b>	<b>\$ 0.3</b>	<b>\$ -</b>

### Exhibit 34: Customer Relations Reconciliation

(\$ in thousands)	Year 1	Year 2	Year 3	Year 4
Cash Flow to Invested Capital [1]	\$ 1,087.3	\$ 1,407.0	\$ 1,464.9	\$ 1,579.6
Less Cash Flow from Acquired Customers [2]	(993.6)	(616.0)	(387.9)	(237.6)
Total Adjustments	(993.6)	(616.0)	(387.9)	(237.6)
Adjusted Cash Flow	93.7	791.0	1,077.0	1,342.0
Divided by the Capitalization Rate				
Residual Amount				
Mid-Period Convention	0.50	1.50	2.50	3.50
Multiply by the Present Value Factors [3] 16.75%	0.92549	0.79271	0.67898	0.58157
Present Values	\$ 86.7	\$ 627.0	\$ 731.3	\$ 780.5

#### NOTES:

[1] From Exhibit 18.

[2] From Exhibit 32.

[3] From Exhibit 21.

[4] From Exhibit 51.

[5] Because the acquired customer relations discount rate and the WACC discount rate are different, an amount related to that difference must be added back. The computation of that difference follows:

	Year 1	Year 2	Year 3	Year 4
Total Adjustments	\$ 993.6	\$ 616.0	\$ 387.9	\$ 237.6
Divided by the Capitalization Rate				
Residual Amount				
Mid-Period Convention	0.50	1.50	2.50	3.50
Multiply by the Present Value Factors 16.75%	0.92549	0.79271	0.67898	0.58157
Present Value of Royalties Avoided	\$ 919.6	\$ 488.3	\$ 263.4	\$ 138.2

[6] From Exhibit 22.

Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Residual
\$ 1,515.6	\$ 1,588.9	\$ 1,631.6	\$ 1,723.8	\$ 1,719.9	\$ 1,766.6	\$ 1,672.7
(147.2)	(91.2)	(56.4)	(35.3)	(22.2)	(12.8)	(9.9)
(147.2)	(91.2)	(56.4)	(35.3)	(22.2)	(12.8)	(9.9)
1,368.4	1,497.7	1,575.2	1,688.5	1,697.7	1,753.8	1,662.8
						13.75%
						12,093.1
4.50	5.50	6.50	7.50	8.50	9.50	
0.49813	0.42667	0.36545	0.31302	0.26811	0.22965	0.22965
\$ 681.6	\$ 639.0	\$ 575.7	\$ 528.5	\$ 455.2	\$ 402.8	\$ 2,777.2
Sum of the Present Values						\$ 8,285.5
Residual Period Tax Amortization Benefit [4]						180.7
Present Value related to Acquired Customers [2]						2,097.2
Differential Due to Discount Rate Difference [5]						(118.5)
Difference Between the Market and Income Approaches [6]						(17.6)
rounding						(0.1)
<b>Adjusted Enterprise Value</b>						<b>\$ 10,427.2</b>

Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Residual
\$ 147.2	\$ 91.2	\$ 56.4	\$ 35.3	\$ 22.2	\$ 12.8	\$ 9.9
						13.75%
						72.0
4.50	5.50	6.50	7.50	8.50	9.50	
0.49813	0.42667	0.36545	0.31302	0.26811	0.22965	0.22965
\$ 73.3	\$ 38.9	\$ 20.6	\$ 11.0	\$ 6.0	\$ 2.9	\$ 16.5
Sum of the Present Values						\$ 1,978.7
Present Value related to Customer Relations						(2,097.2)
<b>Differential Due to Discount Rate Differences</b>						<b>\$ (118.5)</b>

SAMPLE REPORT: Not representative of any actual company or individual.

# Goodwill

We computed the Purchase Price in Excess of Identifiable Assets using the residual method. Under the residual method the value of all identifiable intangible assets are subtracted from the purchase price to arrive at the value of the Purchase Price in Excess of Identifiable Assets as the residual amount remaining.

We also reconciled the Purchase Price in Excess of Identifiable Assets by computing the Enterprise Value in Excess of identifiable Assets and the Purchase Price in Excess of the Enterprise Value and adding the two together (see Exhibit 35).

## Exhibit 35: Total Purchase Price in Excess of Identifiable Assets

		<u>(\$000)</u>
Cash Consideration [1]		\$ 8,695.0
Value of Earnout [1]		2,301.3
Total Purchase Price		<u>\$ 10,996.3</u>
Less the Fair Values of:		
Working Capital [2]		(905.8)
Machinery and Equipment [2]		(688.8)
Noncomplete Agreements [3]		(4.9)
Customer Relations [4]		<u>(2,097.2)</u>
Less Total Identifiable Assets		<u>(3,696.7)</u>
<b>Purchase Price in Excess of Identifiable Assets</b>		<b><u><u>\$ 7,299.6</u></u></b>
<b>Reconciliation</b>		
Enterprise Value [5]	\$ 10,427.2	
Less Total Identifiable Assets	<u>(3,696.7)</u>	
Enterprise Value in Excess of Identifiable Assets		\$ 6,730.5
Purchase Price	10,996.3	
Enterprise Value [5]	<u>(10,427.2)</u>	
Purchase Price in Excess of Enterprise Value		<u>569.1</u>
<b>Purchase Price in Excess of Identifiable Assets</b>		<b><u><u>\$ 7,299.6</u></u></b>
<b>NOTES:</b>		
[1] From Exhibit 2.		
[2] From Exhibit 36.		
[3] From Exhibit 24.		
[4] From Exhibit 32.		
[5] From Exhibit 16.		

# Other Assets Considered

During the course of our interviews and analysis, we considered the value of other tangible assets as well as the existence of other intangible assets (other than those measured in this report).

## ***Net Realizable Value of Inventory***

We considered the net realizable value of the inventory that Doubleday acquired from SWT. In doing so we performed some preliminary computations of the net realizable value. From those computations we do not believe there is a material difference between the book value of the inventory and the net realizable value.

## ***Fixed Assets***

Management has declined to have the fixed assets appraised as part of this report. As such we have used the book values of these assets in our computations.

## ***Other Intangible Assets***

In addition to the intangible assets measured in this report, we considered other intangible assets, including but not limited to, the following:

- ◆ Copyrights.
- ◆ Licenses.

- ◆ Preferential contracts.
- ◆ Service marks.
- ◆ Trade dress.
- ◆ Preferential supplier contracts.
- ◆ Preferential lease contracts.
- ◆ Franchise agreements.
- ◆ Rights of way.
- ◆ Internally developed software (outside of software associated with products).
- ◆ Internet domain names.
- ◆ Other intangible assets.

Our interviews with management, analysis of the financial statements and other documents, and observations caused us to believe that there were no other substantive intangible assets held.



## 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 analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, 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 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 analyses, opinions, 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 economic, macroenvironmental and industry data included in the valuation report have been obtained from various printed or electronic reference sources that the valuation analyst believes to be reliable. The valuation analyst has not performed any corroborating procedures to substantiate that date.
- ◆ The parties for which the information and use of the valuation 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 opinion of value for information that comes to our attention after the date of the report.



Don M. Drysdale, CPA/ABV, ASA  
November 30, 2010



## Appendix B: Financial Information—U.S. Dollar

Exhibit 36: Historical Balance Sheets—USD

**Sticky Wicket Technical Limited**  
Historical Balance Sheets (\$)

As of September 30:	2006		2007	
<b>ASSETS</b>				
Current assets				
Cash and equivalents	\$ 1,768,300	20.92%	\$ 7,104,700	44.13%
Accounts receivable, net	4,845,900	57.34%	2,439,200	15.15%
Inventory	600,000	7.10%	386,200	2.40%
Tax refunds	-	0.00%	-	0.00%
Due from long-term contracts	-	0.00%	4,609,600	28.63%
Other receivables	178,800	2.12%	387,800	2.41%
Prepays expenses	48,700	0.58%	28,500	0.18%
Deferred taxes	105,100	1.24%	91,100	0.57%
Total current assets	7,546,800	89.30%	15,047,100	93.47%
Fixed assets				
Cost	1,272,400	15.06%	1,570,200	9.75%
Accumulated depreciation	(368,000)	-4.35%	(519,100)	-3.22%
Property, plant and equipment, net	904,400	10.70%	1,051,100	6.53%
<b>TOTAL ASSETS</b>	<b>\$ 8,451,200</b>	<b>100.00%</b>	<b>\$ 16,098,200</b>	<b>100.00%</b>
<b>LIABILITIES AND EQUITY</b>				
Current liabilities				
Bank loans and overdrafts	\$ -	0.00%	\$ -	0.00%
Payments received on account	6,140,300	72.66%	11,181,500	69.46%
Accounts payable	1,232,500	14.58%	3,752,200	23.31%
Corporation taxes payable	3,400	0.04%	8,600	0.05%
Other taxation and social security	87,300	1.03%	164,000	1.02%
Purchase agreements payable	33,900	0.40%	23,300	0.14%
Other payables	-	0.00%	-	0.00%
Directors current accounts	-	0.00%	22,100	0.14%
Accruals and deferred income	365,400	4.32%	316,000	1.96%
Total current liabilities	7,862,800	93.04%	15,467,700	96.08%
Other liabilities				
Total other liabilities	30,000	0.35%	-	0.00%
Ow ners' Equity	558,400	6.61%	630,500	3.92%
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 8,451,200</b>	<b>100.00%</b>	<b>\$ 16,098,200</b>	<b>100.00%</b>
Working Capital	\$ (316,000)	-3.74%	\$ (420,600)	-2.61%
Period End Exchange Rate	1.87260		2.04770	

Source: GBP financial statements translated to USD by multiplying GBP balances by the exchange rate at the reporting date.

SAMPLE REPORT: Not representative of any actual company or individual.

2008		2009		2010	
\$ 5,965,800	24.17%	\$ 984,600	8.58%	\$ 2,385,400	17.78%
11,534,200	46.74%	1,894,700	16.51%	2,056,600	15.33%
411,700	1.67%	869,800	7.58%	1,212,100	9.03%
202,800	0.82%	40,000	0.35%	97,900	0.73%
5,387,300	21.83%	6,651,900	57.97%	6,833,300	50.92%
81,800	0.33%	79,100	0.69%	18,000	0.13%
49,100	0.20%	64,200	0.56%	94,900	0.71%
-	0.00%	31,800	0.28%	31,600	0.24%
<u>23,632,700</u>	<u>95.77%</u>	<u>10,616,100</u>	<u>92.52%</u>	<u>12,729,800</u>	<u>94.87%</u>
1,617,400	6.55%	1,399,700	12.20%	1,249,700	9.31%
(572,300)	-2.32%	(542,000)	-4.72%	(560,900)	-4.18%
<u>1,045,100</u>	<u>4.23%</u>	<u>857,700</u>	<u>7.48%</u>	<u>688,800</u>	<u>5.13%</u>
<b><u>\$ 24,677,800</u></b>	<b><u>100.00%</u></b>	<b><u>\$ 11,473,800</u></b>	<b><u>100.00%</u></b>	<b><u>\$ 13,418,600</u></b>	<b><u>100.00%</u></b>

\$ 3,369,800	13.66%	\$ 77,700	0.68%	\$ -	0.00%
8,377,900	33.95%	8,477,500	73.89%	8,432,700	62.84%
11,215,800	45.45%	1,495,600	13.03%	2,237,400	16.67%
46,900	0.19%	99,400	0.87%	(300)	0.00%
117,600	0.48%	77,500	0.68%	-	0.00%
11,500	0.05%	10,000	0.09%	32,700	0.24%
200	0.00%	-	0.00%	-	0.00%
70,500	0.29%	64,000	0.56%	-	0.00%
561,000	2.27%	242,600	2.11%	364,800	2.72%
<u>23,771,200</u>	<u>96.33%</u>	<u>10,544,300</u>	<u>91.90%</u>	<u>11,067,300</u>	<u>82.48%</u>
17,800	0.07%	4,100	0.04%	-	0.00%
<u>888,800</u>	<u>3.60%</u>	<u>925,400</u>	<u>8.07%</u>	<u>2,351,300</u>	<u>17.52%</u>
<b><u>\$ 24,677,800</u></b>	<b><u>100.00%</u></b>	<b><u>\$ 11,473,800</u></b>	<b><u>100.00%</u></b>	<b><u>\$ 13,418,600</u></b>	<b><u>100.00%</u></b>

\$ (138,500)	-0.56%	\$ 71,800	0.63%	\$ 1,662,500	12.39%
1.81750		1.59220		1.58090	

SAMPLE REPORT: Not representative of any actual company or individual.

Exhibit 37: Historical Income Statements—USD

**Sticky Wicket Technical Limited**  
**Historical Income Statements (\$)**

Fiscal Year Ended September 30,	2006		2007	
Total Revenue	\$ 28,490,800	100.00%	\$ 20,397,200	100.00%
Cost of Service	25,535,700	89.63%	16,882,900	82.77%
Gross Profit	2,955,100	10.37%	3,514,300	17.23%
Operating Expenses				
Directors remuneration	205,000	0.72%	290,500	1.42%
Wages and salaries	967,800	3.40%	1,435,500	7.04%
Pension contributions	25,800	0.09%	17,900	0.09%
Rent & rates	42,000	0.15%	127,000	0.62%
Light and heat	15,700	0.06%	31,300	0.15%
Insurance	269,200	0.94%	198,700	0.97%
Repairs and maintenance	51,900	0.18%	37,400	0.18%
Motor and travelling	193,200	0.68%	89,800	0.44%
Telephone and fax	118,100	0.41%	210,900	1.03%
Hire of equipment	-	0.00%	4,500	0.02%
Postage, stationary, and computer	101,800	0.36%	19,100	0.09%
General expenses	28,600	0.10%	200,100	0.98%
Sales, marketing, and advertising	57,500	0.20%	58,500	0.29%
Legal and professional	75,100	0.26%	122,100	0.60%
Consultancy fees	26,800	0.09%	21,900	0.11%
Audit	10,800	0.04%	11,800	0.06%
Depreciation	107,000	0.38%	112,200	0.55%
Bad debts	118,000	0.41%	13,200	0.06%
Provision for doubtful accounts	-	0.00%	-	0.00%
Credit card charges	-	0.00%	4,500	0.02%
Bank charges	46,100	0.16%	54,900	0.27%
Total operating expenses	2,460,400	8.64%	3,061,800	15.01%
<b>Income From Operations</b>	494,700	1.74%	452,500	2.22%

SAMPLE REPORT: Not representative of any actual company or individual.

2008		2009		2010	
\$ 39,590,800	100.00%	\$ 8,436,800	100.00%	\$ 13,330,200	100.00%
35,191,000	88.89%	5,922,600	70.20%	9,033,900	67.77%
4,399,800	11.11%	2,514,200	29.80%	4,296,300	32.23%
383,000	0.97%	297,800	3.53%	-	0.00%
1,616,800	4.08%	1,173,600	13.91%	972,600	7.30%
17,000	0.04%	15,800	0.19%	-	0.00%
143,200	0.36%	113,300	1.34%	107,400	0.81%
25,300	0.06%	25,400	0.30%	32,400	0.24%
332,100	0.84%	204,800	2.43%	179,500	1.35%
25,100	0.06%	37,900	0.45%	13,700	0.10%
56,600	0.14%	29,300	0.35%	32,700	0.25%
209,500	0.53%	145,100	1.72%	147,000	1.10%
3,900	0.01%	3,900	0.05%	-	0.00%
69,300	0.18%	52,000	0.62%	62,500	0.47%
159,000	0.40%	123,000	1.46%	25,900	0.19%
20,700	0.05%	41,100	0.49%	49,700	0.37%
31,600	0.08%	29,200	0.35%	147,800	1.11%
76,200	0.19%	33,200	0.39%	-	0.00%
11,800	0.03%	10,100	0.12%	16,400	0.12%
121,100	0.31%	83,200	0.99%	74,700	0.56%
10,900	0.03%	14,000	0.17%	29,500	0.22%
38,500	0.10%	-	0.00%	-	0.00%
45,400	0.11%	3,900	0.05%	-	0.00%
253,500	0.64%	87,200	1.03%	94,600	0.71%
3,650,500	9.22%	2,523,800	29.91%	1,986,400	14.90%
749,300	1.89%	(9,600)	-0.11%	2,309,900	17.33%

SAMPLE REPORT: Not representative of any actual company or individual.

Exhibit 37 (continued): Historical Income Statements—USD

**Sticky Wicket Technical Limited**  
**Historical Income Statements Continued (\$)**

Fiscal Year Ended September 30,	2006		2007	
<b>Other Income (Expense)</b>				
Interest expense	(21,600)	-0.08%	(79,200)	-0.39%
Interest income	25,000	0.09%	42,100	0.21%
Loss on disposal of fixed assets	(13,500)	-0.05%	-	0.00%
Exchange rate differences	(200,300)	-0.70%	(261,900)	-1.28%
Total other income (expense)	(210,400)	-0.74%	(299,000)	-1.47%
<b>Income (Loss) Before Taxes</b>	<b>\$ 284,300</b>	<b>1.00%</b>	<b>\$ 153,500</b>	<b>0.75%</b>
EBITDA	\$ 601,700	2.11%	\$ 564,700	2.77%
Average Exchange Rate	1.80098		1.96920	

**NOTES:**

*Translated from the audited Profit and Loss Account at Exhibit x using the annual average exchange rate, which is based on the daily exchange rates for each year. The tables above were reformatted to better conform with the format used in the U.S.*

2008		2009		2010	
(113,700)	-0.29%	(50,300)	-0.60%	(10,000)	-0.08%
269,300	0.68%	41,100	0.49%	200	0.00%
-	0.00%	(11,300)	-0.13%	(200)	0.00%
(179,900)	-0.45%	330,200	3.91%	(201,800)	-1.51%
(24,300)	-0.06%	309,700	3.67%	(211,800)	-1.59%
<u>\$ 725,000</u>	<u>1.83%</u>	<u>\$ 300,100</u>	<u>3.56%</u>	<u>\$ 2,098,100</u>	<u>15.74%</u>
\$ 870,400	2.20%	\$ 73,600	0.87%	\$ 2,384,600	17.89%
1.97311		1.55160		1.55916	

SAMPLE REPORT: Not representative of any actual company or individual.



## Appendix C: Financial Information—British Pounds



Exhibit 38: Historical Balance Sheets—GBP

**Sticky Wicket Technical Limited**  
Historical Balance Sheets (GBP)

As of September 30:	2006	2007	2008	2009	2010
<b>Fixed Assets</b>					
Cost	£ 679,500	£ 766,800	£ 889,900	£ 879,100	£ 790,500
Depreciation	(196,500)	(253,500)	(314,900)	(340,400)	(354,800)
Net Book Value	483,000	513,300	575,000	538,700	435,700
<b>Current assets</b>					
Stocks	320,400	188,600	226,500	546,300	766,700
Debtors	2,765,400	3,690,200	9,494,000	5,503,100	5,776,600
Cash at bank	944,300	3,469,600	3,282,400	618,400	1,508,900
Total current assets	4,030,100	7,348,400	13,002,900	6,667,800	8,052,200
<b>Creditors: Amounts falling due within one year</b>	4,198,900	7,553,800	13,079,100	6,622,700	7,000,800
<b>Net Current Assets (Liabilities)</b>	(168,800)	(205,400)	(76,200)	45,100	1,051,400
<b>Total Assets Less Current Liabilities</b>	314,200	307,900	498,800	583,800	1,487,100
<b>Creditors: Amounts falling due after more than one year</b>	16,000	-	9,000	2,600	-
<b>Provisions for Liabilities</b>					
Deferred taxation	-	-	800	-	-
	<b>£ 298,200</b>	<b>£ 307,900</b>	<b>£ 489,000</b>	<b>£ 581,200</b>	<b>£ 1,487,100</b>
<b>Capital and Reserves</b>					
Called-up equity share capital	100	100	100	100	100
Revaluation reserve	102,000	101,900	100,300	98,800	98,800
Profit and loss account	196,100	205,900	388,600	482,300	1,388,400
	<b>£ 298,200</b>	<b>£ 307,900</b>	<b>£ 489,000</b>	<b>£ 581,200</b>	<b>£ 1,487,300</b>

Source: Financial statements as of September 30, 2006 and 2009 audited by Jackson & Rose, Chartered Accountants and Statutory Auditors. Internally prepared financial statements as of September 30, 2010.

Exhibit 39: Historical Income Statements—GBP

**Sticky Wicket Technical Limited**  
**Historical Income Statements (GBP)**

Fiscal Year Ended September 30,	2006		2007	
Turnover	£ 15,819,600	100.00%	£ 10,358,100	100.00%
Cost of sales	14,178,800	89.63%	8,573,500	82.77%
Gross profit	1,640,800	10.37%	1,784,600	17.23%
Administrative expenses	1,484,800	9.39%	1,687,900	16.30%
Operating Profit	156,000	0.99%	96,700	0.93%
Interest receivable	13,900	0.09%	21,400	0.21%
Interest payable and similar charges	(12,000)	-0.08%	(40,200)	-0.39%
Profit on ordinary activities before taxation	157,900	1.00%	77,900	0.75%
Tax on profit and ordinary activities	(1,600)	-0.01%	15,700	0.15%
<b>Profit on Ordinary Activities</b>	<b>£ 159,500</b>	<b>1.01%</b>	<b>£ 62,200</b>	<b>0.60%</b>
EBITDA	£ 215,400	1.36%	£ 153,700	1.48%

*Source: Audited financial statements for the years ended September 30, 2008 and 2009 prepared by Jackson & Rose, Chartered Accountants and Statutory Auditors. Internally prepared for the year ended September 30, 2010.*

SAMPLE REPORT: Not representative of any actual company or individual.

2008		2009		2010	
£ 20,065,200	100.00%	£ 5,437,500	100.00%	£ 8,549,600	100.00%
17,835,300	88.89%	3,817,100	70.20%	5,794,100	67.77%
2,229,900	11.11%	1,620,400	29.80%	2,755,500	32.23%
1,941,300	9.67%	1,421,000	26.13%	1,403,600	16.42%
288,600	1.44%	199,400	3.67%	1,351,900	15.81%
136,500	0.68%	26,500	0.49%	100	0.00%
(57,600)	-0.29%	(32,400)	-0.60%	(6,400)	-0.07%
367,500	1.83%	193,500	3.56%	1,345,600	15.74%
86,900	0.43%	41,600	0.77%	-	0.00%
£ 280,600	1.40%	£ 151,900	2.79%	£ 1,345,600	15.74%
£ 350,000	1.74%	£ 253,000	4.65%	£ 1,399,800	16.37%

Exhibit 40: Historical Income Statement Detail—GBP

**Sticky Wicket Technical Limited**  
**Administrative Expense Details (GBP)**

Fiscal Year Ended September 30,	2006		2007	
Operating Expenses				
Directors remuneration	113,800	0.72%	147,500	1.42%
Wages and salaries	537,400	3.40%	729,000	7.04%
Pension contributions	14,300	0.09%	9,100	0.09%
Rent & rates	23,300	0.15%	64,500	0.62%
Light and heat	8,700	0.05%	15,900	0.15%
Insurance	149,500	0.95%	100,900	0.97%
Repairs and maintenance	28,800	0.18%	19,000	0.18%
Motor and travelling	107,300	0.68%	45,600	0.44%
Telephone and fax	65,600	0.41%	107,100	1.03%
Hire of equipment	-	0.00%	2,300	0.02%
Postage, stationary, and computer	56,500	0.36%	9,700	0.09%
General expenses	15,900	0.10%	101,600	0.98%
Sales, marketing, and advertising	31,900	0.20%	29,700	0.29%
Legal and professional	41,700	0.26%	62,000	0.60%
Consultancy fees	14,900	0.09%	11,100	0.11%
Audit	6,000	0.04%	6,000	0.06%
Depreciation	59,400	0.38%	57,000	0.55%
Loss on disposal of fixed assets	7,500	0.05%	-	0.00%
Bad debts	65,500	0.41%	6,700	0.06%
Provision for doubtful accounts	-	0.00%	-	0.00%
Credit card charges	-	0.00%	2,300	0.02%
Bank charges	25,600	0.16%	27,900	0.27%
Exchange rate differences	111,200	0.70%	133,000	1.28%
<b>Administrative Expenses</b>	<b>£ 1,484,800</b>	<b>9.39%</b>	<b>£ 1,687,900</b>	<b>16.30%</b>

*Source: Audited financial statements for the years ended September 30, 2008 and 2009.  
Internally prepared forecasts for the year ended September 30, 2010.*

2008		2009		2010	
194,100	0.97%	191,900	3.53%	-	0.00%
819,400	4.08%	756,400	13.91%	623,800	7.30%
8,600	0.04%	10,200	0.19%	-	0.00%
72,600	0.36%	73,000	1.34%	68,900	0.81%
12,800	0.06%	16,400	0.30%	20,800	0.24%
168,300	0.84%	132,000	2.43%	115,100	1.35%
12,700	0.06%	24,400	0.45%	8,800	0.10%
28,700	0.14%	18,900	0.35%	21,000	0.25%
106,200	0.53%	93,500	1.72%	94,300	1.10%
2,000	0.01%	2,500	0.05%	-	0.00%
35,100	0.17%	33,500	0.62%	40,100	0.47%
80,600	0.40%	79,300	1.46%	16,600	0.19%
10,500	0.05%	26,500	0.49%	31,900	0.37%
16,000	0.08%	18,800	0.35%	94,800	1.11%
38,600	0.19%	21,400	0.39%	-	0.00%
6,000	0.03%	6,500	0.12%	10,500	0.12%
61,400	0.31%	53,600	0.99%	47,900	0.56%
-	0.00%	7,300	0.13%	100	0.00%
5,500	0.03%	9,000	0.17%	18,900	0.22%
19,500	0.10%	-	0.00%	-	0.00%
23,000	0.11%	2,500	0.05%	-	0.00%
128,500	0.64%	56,200	1.03%	60,700	0.71%
91,200	0.45%	(212,800)	-3.91%	129,400	1.51%
<b>£ 1,941,300</b>	<b>9.67%</b>	<b>£ 1,421,000</b>	<b>26.13%</b>	<b>£ 1,403,600</b>	<b>16.42%</b>

SAMPLE REPORT: Not representative of any actual company or individual.



# Appendix D: Adjustments to Guideline Company Multiples

## Exhibit 41: Adjusted Public Guideline Multiples

Sticky Wicket Technical Limited  
**Adjusted Public Guideline Valuation Multiples**  
 September 30, 2010

	AMEC
<b><u>Computation of Adjusted Valuation Multiples:</u></b>	
Unadjusted Forward Price to Earnings Multiple [1]	16.68
<b>Adjusted Forward Price to Earnings Multiple [2]</b>	<b>6.68</b>
Unadjusted MVIC to EBIT Multiple [3]	17.61
<b>Adjusted MVIC to EBIT Multiple [2]</b>	<b>6.82</b>
Unadjusted MVIC to EBITDA Multiple [4]	12.45
<b>Adjusted MVIC to EBITDA Multiple [2]</b>	<b>5.88</b>
<b><u>Variables Used in the Computations:</u></b>	
Median Size Adjusted Equity Risk Premium [5]	0.0795
Size Adjustment [6]	0.0534
Unsystematic Risk	(0.0061)
Unsystematic Risk Adjustment [6]	0.0111
Expected Long-Term Growth [5]	0.0593
Growth Adjustment [7]	0.0253
Equity to Invested Capital	1.0000
Risk Free Rate [8]	3.50%
Size Adjusted Equity Risk Premium [5]	7.95%
Implied Unsystematic Risk Premium [9]	-0.61%
Implied Discount Rate [10]	10.84%

**NOTES:**

- [1] Estimated market value of total equity divided by estimated earnings.  
 [2] Based on the formula at Exhibit 14 and the variable presented herewith.  
 [3] Estimated market value of invested capital divided by total adjusted EBIT.  
 [4] Estimated market value of invested capital divided by total adjusted EBITDA.  
 [5] From Exhibit 43.  
 [6] Computed as the subject's premium less the public guideline's premium.  
 [7] Computed as the public guideline's blended growth less the subject's blended growth. See Exhibit 43.  
 [8] From Exhibit 20.  
 [9] Computed as the implied discount rate less the sum of the risk-free rate and the size adjusted equity risk premium.  
 [10] Computed as the inverse of the unadjusted price to earnings multiple plus the blended growth rate.

SAMPLE REPORT: Not representative of any actual company or individual.

IMI	IRV	ISYS	SRP	SXS
9.01	7.04	18.65	19.37	11.13
<b>5.61</b>	<b>10.26</b>	<b>6.88</b>	<b>6.87</b>	<b>5.71</b>
10.52	75.71	12.12	16.87	14.95
<b>6.75</b>	<b>(71.00)</b>	<b>5.74</b>	<b>7.11</b>	<b>7.46</b>
9.68	4.21	10.43	10.73	12.17
<b>6.39</b>	<b>4.76</b>	<b>5.33</b>	<b>5.73</b>	<b>6.69</b>
0.0827	0.0840	0.0802	0.0773	0.0885
0.0502	0.0489	0.0527	0.0556	0.0444
(0.0187)	0.0945	(0.0303)	(0.0130)	(0.0543)
0.0237	(0.0895)	0.0353	0.0180	0.0593
0.0275	0.0300	0.0378	0.0543	0.0157
(0.0065)	(0.0040)	0.0038	0.0203	(0.0183)
0.8072	0.5737	0.9975	0.8292	0.8248
3.50%	3.50%	3.50%	3.50%	3.50%
8.27%	8.40%	8.02%	7.73%	8.85%
-1.87%	9.45%	-3.03%	-1.30%	-5.43%
<b>9.90%</b>	<b>21.35%</b>	<b>8.49%</b>	<b>9.93%</b>	<b>6.92%</b>

SAMPLE REPORT: Not representative of any actual company or individual.

Exhibit 42: Public Guidelines Market Value of Invested Capital

Sticky Wicket Technical Limited  
Public Guidelines Market Value of Invested Capital  
September 30, 2010

(\$ and number of shares in thousands)	AMEC
<b><u>Basic Financial Information of the Public Guidelines:</u></b>	
Stock Price [1]	\$ 15.59
Number of Shares Outstanding [2]	331,092
Market Value of Shares Outstanding	\$ 5,161,724
Interest Bearing Debt [2]	-
Market Value of Invested Capital (MVIC)	<u>\$ 5,161,724</u>
Equity to Invested Capital	1.0000
Total Adjusted Earnings [3]	\$ 253,706
Analysts Estimated Current Year Growth [4]	22.0%
Forward Earnings [5]	\$ 309,521
Adjusted EBIT [3]	293,123
Adjusted EBITDA [3]	414,736

**NOTES:**

- [1] Average closing share price for the month ended at the Valuation Date.  
Source: Yahoo! Finance.
- [2] From the applicable guideline company annual reports.
- [3] From Exhibit 8.
- [4] From Yahoo! Finance.
- [5] Total Adjusted Earnings increased by the Current Year Growth Estimate.

<u>IMI</u>	<u>IRV</u>	<u>ISYS</u>	<u>SRP</u>	<u>SXS</u>
\$ 11.89 320,735	\$ 3.23 125,804	\$ 4.61 809,285	\$ 9.82 493,160	\$ 15.93 115,899
\$ 3,813,539 910,598	\$ 406,347 301,952	\$ 3,730,804 9,485	\$ 4,842,831 997,548	\$ 1,846,271 392,063
<u>\$ 4,724,137</u>	<u>\$ 708,299</u>	<u>\$ 3,740,289</u>	<u>\$ 5,840,379</u>	<u>\$ 2,238,334</u>
0.8072	0.5737	0.9975	0.8292	0.8248
\$ 272,541 55.3%	\$ 74,590 -22.6%	\$ 175,623 13.9%	\$ 217,783 14.8%	\$ 98,788 67.9%
\$ 423,256 449,038 488,017	\$ 57,733 9,355 168,390	\$ 200,035 308,713 358,607	\$ 250,015 346,134 544,147	\$ 165,865 149,680 183,981

Exhibit 43: Public Guideline Equity Risk Premiums and Growth Rates

Sticky Wicket Technical Limited  
Equity Risk Premiums and Blended Growth Rates

September 30, 2010

<u>(\$ and number of shares in thousands)</u>	<u>AMEC</u>
<b><u>Computation of the Size Adjusted Equity Risk Premiums:</u></b>	
Total Assets [1]	\$ 3,324,633
Constant [2]	0.15804
Slope [2]	(0.02230)
Logarithm of Assets (millions)	3.52174
<b>Computed Size Adjusted ERP Based on Assets [3]</b>	<b>0.0795</b>
Total Revenues [1]	\$ 4,225,324
Constant [2]	0.15218
Slope [2]	(0.01965)
Logarithm of Revenues (millions)	3.62586
<b>Computed Size Adjusted ERP Based on Revenues [3]</b>	<b>0.0809</b>
Total Number of Employees [1]	23,000
Constant [2]	0.16048
Slope [2]	(0.01933)
Logarithm of Employees	4.36173
<b>Computed Size Adjusted ERP Based on Employees [3]</b>	<b>0.0762</b>
<b>Average</b>	<b>0.0789</b>
<b>Median</b>	<b>0.0795</b>
<b><u>Computation of Long-Term Growth Expectations:</u></b>	
Analysts Estimates of Growth (5 years) [4]	0.1520
Estimated growth beyond analysts estimates [5]	0.0300
<b>Blended Growth Rate</b>	<b>0.0593</b>
<b><u>NOTES:</u></b>	

[1] From the guideline companies' financial statements as reported by Yahoo! Finance.

[2] From the Duff and Phelps, LLC Risk Premium Report 2010.

[3] Computed as the Constant less the Slope multiplied by the Log of the size measurement.

[4] From Yahoo! Finance. Where discrete analysts estimates were not available industry growth estimates were used.

[5] Estimated to be the same as the long-term growth expectations for the subject entity.

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<u>IMI</u>	<u>IRV</u>	<u>ISYS</u>	<u>SRP</u>	<u>SXS</u>	<u>SWT</u>
\$ 2,395,064	\$ 1,557,187	\$ 3,084,336	\$ 4,184,642	\$ 1,307,404	\$ 13,418.6
0.15804	0.15804	0.15804	0.15804	0.15804	0.15804
(0.02230)	(0.02230)	(0.02230)	(0.02230)	(0.02230)	(0.02230)
3.37932	3.19234	3.48916	3.62166	3.11641	1.12771
<b>0.0827</b>	<b>0.0869</b>	<b>0.0802</b>	<b>0.0773</b>	<b>0.0885</b>	<b>0.1329</b>
\$ 2,834,553	\$ 2,962,404	\$ 3,473,808	\$ 6,486,106	\$ 1,281,630	\$ 13,330.2
0.15218	0.15218	0.15218	0.15218	0.15218	0.15218
(0.01965)	(0.01965)	(0.01965)	(0.01965)	(0.01965)	(0.01965)
3.45248	3.47164	3.54081	3.81198	3.10776	1.12484
<b>0.0843</b>	<b>0.0840</b>	<b>0.0826</b>	<b>0.0773</b>	<b>0.0911</b>	<b>0.1301</b>
12,843	27,359	20,044	70,000	5,800	20
0.16048	0.16048	0.16048	0.16048	0.16048	0.16048
(0.01933)	(0.01933)	(0.01933)	(0.01933)	(0.01933)	(0.01933)
4.10867	4.43710	4.30198	4.84510	3.76343	1.30103
<b>0.0811</b>	<b>0.0747</b>	<b>0.0773</b>	<b>0.0668</b>	<b>0.0877</b>	<b>0.1353</b>
<b>0.0827</b>	<b>0.0819</b>	<b>0.0800</b>	<b>0.0738</b>	<b>0.0891</b>	<b>0.1328</b>
<b>0.0827</b>	<b>0.0840</b>	<b>0.0802</b>	<b>0.0773</b>	<b>0.0885</b>	<b>0.1329</b>
0.0210	0.0300	0.0670	0.1400	(0.0400)	0.0380
0.0300	0.0300	0.0300	0.0300	0.0300	0.0300
<b>0.0275</b>	<b>0.0300</b>	<b>0.0378</b>	<b>0.0543</b>	<b>0.0157</b>	<b>0.0340</b>

SAMPLE REPORT: Not representative of any actual company or individual.



## Appendix E: Contributory Asset Charges for Tangible Assets

*This appendix contains the computations of contributory asset charges for tangible assets. The computations of the contributory asset charges from intangible assets are found in the body of the report.*

#### Exhibit 44: Contributory Asset Charges — Working Capital

(\$ in thousands)		Year 1	Year 2
Total Forecasted Revenue [1]	\$ 11,507.2	\$ 13,272.4	\$ 13,687.8
Reported Working Capital [2]		1,662.5	
Reclassification of Revaluation Reserve [3]		(156.0)	
Inclusion of accrued taxes payable [4]		(600.7)	
Adjusted Working Capital Beginning Balance		<u>\$ 905.8</u>	\$ 1,246.6
Incremental Working Capital [5]	5.18	340.8	80.2
Working Capital Ending Balance		<u>1,246.6</u>	<u>1,326.8</u>
Average Balance		1,076.2	1,286.7
<b>Return on Working Capital at Working Capital Rate:</b>			
Mid-Period Adjustment Factor	0.97590		
Return on Working Capital [6]	5.00%	52.5	62.8
Revenue from Customer Relations [1]		\$ 10,617.9	\$ 6,570.1
Percentage of Total Forecasted Revenue		<u>80.0%</u>	<u>48.0%</u>
<b>Working Capital Contributory Asset Charges</b>		<b><u>\$ 42.0</u></b>	<b><u>\$ 30.1</u></b>
<b>Return on Working Capital at WACC:</b>			

SAMPLE REPORT: Not representative of any actual company or individual.

<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>
\$ 14,127.2	\$ 14,371.6	\$ 14,972.3	\$ 15,421.5	\$ 15,884.1	\$ 16,360.6
\$ 1,326.8	\$ 1,411.6	\$ 1,458.8	\$ 1,574.8	\$ 1,661.5	\$ 1,750.8
84.8	47.2	116.0	86.7	89.3	92.0
<u>1,411.6</u>	<u>1,458.8</u>	<u>1,574.8</u>	<u>1,661.5</u>	<u>1,750.8</u>	<u>1,842.8</u>
1,369.2	1,435.2	1,516.8	1,618.2	1,706.2	1,796.8
66.8	70.0	74.0	79.0	83.3	87.7
\$ 4,068.6	\$ 2,486.3	\$ 1,557.1	\$ 971.6	\$ 603.6	\$ 376.3
<u>28.8%</u>	<u>17.3%</u>	<u>10.4%</u>	<u>6.3%</u>	<u>3.8%</u>	<u>2.3%</u>
<b><u>\$ 19.2</u></b>	<b><u>\$ 12.1</u></b>	<b><u>\$ 7.7</u></b>	<b><u>\$ 5.0</u></b>	<b><u>\$ 3.2</u></b>	<b><u>\$ 2.0</u></b>

Exhibit 44 (continued): Contributory Asset Charges—Working Capital

(\$ in thousands)		Year 9	Year 10
Total Forecasted Revenue [1]		\$ 16,851.4	\$ 17,356.9
Working Capital Beginning Balance		\$ 1,842.8	\$ 1,937.5
Incremental Working Capital [5]	5.18	94.7	97.6
Working Capital Ending Balance		1,937.5	2,035.1
Average Balance		1,890.2	1,986.3
<b>Return on Working Capital at Working Capital Rate:</b>			
Mid-Period Adjustment Factor	0.97590		
Return on Working Capital [6]	5.00%	92.2	96.9
Revenue from Customer Relations		\$ 235.9	\$ 138.9
Percentage of Revenue		1.4%	0.8%
<b>Working Capital Contributory Asset Charges</b>		<b>\$ 1.3</b>	<b>\$ 0.8</b>
<b>Return on Working Capital at WACC:</b>			
Mid-Period Adjustment Factor	0.92549		
Return on Working Capital	16.75%	<b>\$ 293.0</b>	<b>\$ 307.9</b>

**NOTES:**

[1] From Exhibit 31.

[2] Beginning balance in year one from Exhibit 36.

<u>Year 11</u>	<u>Year 12</u>	<u>Year 13</u>	<u>Year 14</u>	<u>Year 15</u>
\$ 17,877.6	\$ 18,413.9	\$ 18,966.3	\$ 19,535.3	\$ 20,121.4
\$ 2,035.1	\$ 2,135.6	\$ 2,239.1	\$ 2,345.7	\$ 2,455.5
100.5	103.5	106.6	109.8	113.1
<u>2,135.6</u>	<u>2,239.1</u>	<u>2,345.7</u>	<u>2,455.5</u>	<u>2,568.6</u>
2,085.4	2,187.4	2,292.4	2,400.6	2,512.1
101.8	106.7	111.9	117.1	122.6
\$ 89.4	\$ 55.2	\$ 37.9	\$ 19.5	\$ -
<u>0.5%</u>	<u>0.3%</u>	<u>0.2%</u>	<u>0.1%</u>	<u>0.0%</u>
<b><u>\$ 0.5</u></b>	<b><u>\$ 0.3</u></b>	<b><u>\$ 0.2</u></b>	<b><u>\$ 0.1</u></b>	<b><u>\$ -</u></b>
<b><u>\$ 323.3</u></b>	<b><u>\$ 339.1</u></b>	<b><u>\$ 355.4</u></b>	<b><u>\$ 372.1</u></b>	<b><u>\$ 389.4</u></b>

SAMPLE REPORT: Not representative of any actual company or individual.

## Exhibit 45: Contributory Asset Charges—Return of Fixed Assets

(\$ in thousands)	Cap. Ex.	Life	Year 1
Depreciation on Existing Assets [1]			\$ 67.0
Depreciation on Capital Expenditures [2]			
Year 1	\$ 80.0	5	8.0
Year 2	82.6	5	-
Year 3	85.3	5	-
Year 4	43.4	5	-
Year 5	90.4	5	-
Year 6	93.2	5	-
Year 7	96.0	5	-
Year 8	49.6	5	-
Total Return of Fixed Assets			<u>75.0</u>
Revenue from Customer Relations [3]			10,617.9
Divided by Total Forecasted Revenue [3]			<u>13,272.4</u>
Percentage of Revenue			<u>80.00%</u>
<b>Adjusted Return of Assets Contributory Asset Charges</b>			<b><u>\$ 60.0</u></b>

SAMPLE REPORT: Not representative of any actual company or individual.

	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
\$	46.5	\$ 25.6	\$ 16.9	\$ 11.8	\$ 7.6	\$ 7.6	\$ 7.6
	16.0	16.0	16.0	16.0	8.0	-	-
	8.3	16.5	16.5	16.5	16.5	8.3	-
	-	8.5	17.1	17.1	17.1	17.1	8.5
	-	-	4.3	8.7	8.7	8.7	8.7
	-	-	-	9.0	18.1	18.1	18.1
	-	-	-	-	9.3	18.6	18.6
	-	-	-	-	-	9.6	19.2
	-	-	-	-	-	-	5.0
	<u>70.8</u>	<u>66.6</u>	<u>70.8</u>	<u>79.1</u>	<u>85.3</u>	<u>88.0</u>	<u>85.7</u>
	6,570.1	4,068.6	2,486.3	1,557.1	971.6	603.6	376.3
	13,687.8	14,127.2	14,371.6	14,972.3	15,421.5	15,884.1	16,360.6
	<u>48.00%</u>	<u>28.80%</u>	<u>17.30%</u>	<u>10.40%</u>	<u>6.30%</u>	<u>3.80%</u>	<u>2.30%</u>
<b>\$</b>	<b><u>34.0</u></b>	<b><u>19.2</u></b>	<b><u>12.2</u></b>	<b><u>8.2</u></b>	<b><u>5.4</u></b>	<b><u>3.3</u></b>	<b><u>2.0</u></b>

Exhibit 45 (continued): Contributory Asset Charges—Return of Fixed Assets

(\$ in thousands)	Cap. Ex.	Life	Year 9
Depreciation on Existing Assets [1]			\$ 7.6
Depreciation on Capital Expenditures [2]			
Year 4	\$ 43.4	5	4.3
Year 5	90.4	5	18.1
Year 6	93.2	5	18.6
Year 7	96.0	5	19.2
Year 8	49.6	5	9.9
Year 9	101.9	5	10.2
Year 10	104.9	5	-
Year 11	73.1	5	-
Year 12	75.3	5	-
Year 13	77.5	5	-
Year 14	79.8	5	-
Year 15	82.2	5	-
Total Return of Fixed Assets			<u>87.9</u>
Revenue from Customer Relations [3]			\$ 235.9
Total Forecasted Revenue [3]			<u>16,851.4</u>
Percentage of Revenue			<u>1.40%</u>
<b>Adjusted Return of Assets Contributory Asset Charges</b>			<b><u>\$ 1.2</u></b>

**NOTES:**

[1] Estimated based on the existing fixed assets having a average remaining life of 5 years, except leasehold improvements, which were estimated as having a remaining life over the term of the lease.

[2] Capital expenditures from Exhibit 50.

[3] From Exhibit 31.

	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
\$	7.6	\$ 7.6	\$ 7.6	\$ 7.6	\$ 7.6	\$ 7.6
-	-	-	-	-	-	-
9.0	-	-	-	-	-	-
18.6	9.3	-	-	-	-	-
19.2	19.2	9.6	-	-	-	-
9.9	9.9	9.9	5.0	-	-	-
20.4	20.4	20.4	20.4	10.2	-	-
10.5	21.0	21.0	21.0	21.0	21.0	10.5
-	7.3	14.6	14.6	14.6	14.6	14.6
-	-	7.5	15.1	15.1	15.1	15.1
-	-	-	7.8	15.5	15.5	15.5
-	-	-	-	8.0	16.0	16.0
-	-	-	-	-	8.2	8.2
	95.2	94.7	90.6	91.5	92.0	87.5
\$	138.9	\$ 89.4	\$ 55.2	\$ 37.9	\$ 19.5	\$ -
	17,356.9	17,877.6	18,413.9	18,966.3	19,535.3	20,121.4
	0.80%	0.50%	0.30%	0.20%	0.10%	0.00%
<b>\$</b>	<b>0.8</b>	<b>\$ 0.5</b>	<b>\$ 0.3</b>	<b>\$ 0.2</b>	<b>\$ 0.1</b>	<b>\$ -</b>

SAMPLE REPORT: Not representative of any actual company or individual.

## Exhibit 46: Contributory Asset Charges—Return on Fixed Assets

(\$ in thousands)	Year 1	Year 2
Beginning Balance - Fixed Assets [1]	\$ 1,249.7	\$ 1,254.7
Add Capital Expenditures [2]	80.0	82.6
Less Return of Fixed Assets [2]	(75.0)	(70.8)
Ending Balance - Fixed Assets	<u>1,254.7</u>	<u>1,266.5</u>
Average Balance	1,252.2	1,260.6
<b>Return on Fixed Assets at the Fixed Asset Rate:</b>		
Mid-Period Adjustment Factor	<i>0.94703</i>	
Return on Fixed Assets [3]	<i>11.50%</i>	136.4
		137.3
Revenue from Customer Relations [4]	10,617.9	6,570.1
Divided by Total Forecasted Revenue [4]	<u>13,272.4</u>	<u>13,687.8</u>
Percentage of Revenue	<u>80.00%</u>	<u>48.00%</u>
<b>Return on Assets Contributory Asset Charges</b>	<b><u>\$ 109.1</u></b>	<b><u>\$ 65.9</u></b>
<b>Return on Fixed Assets at the WACC:</b>		
Mid-Period Adjustment Factor	<i>0.92549</i>	
Return on Average Fixed Asset Balance [5]	<i>16.75%</i>	<b><u>\$ 194.1</u></b>
		<b><u>\$ 195.4</u></b>

SAMPLE REPORT: Not representative of any actual company or individual.

	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
\$	1,266.5	\$ 1,285.2	\$ 1,257.8	\$ 1,269.1	\$ 1,277.0	\$ 1,285.0
	85.3	43.4	90.4	93.2	96.0	49.6
	(66.6)	(70.8)	(79.1)	(85.3)	(88.0)	(85.7)
	<u>1,285.2</u>	<u>1,257.8</u>	<u>1,269.1</u>	<u>1,277.0</u>	<u>1,285.0</u>	<u>1,248.9</u>
	1,275.9	1,271.5	1,263.5	1,273.1	1,281.0	1,267.0
	139.0	138.5	137.6	138.7	139.5	138.0
	4,068.6	2,486.3	1,557.1	971.6	603.6	376.3
	<u>14,127.2</u>	<u>14,371.6</u>	<u>14,972.3</u>	<u>15,421.5</u>	<u>15,884.1</u>	<u>16,360.6</u>
	<u>28.80%</u>	<u>17.30%</u>	<u>10.40%</u>	<u>6.30%</u>	<u>3.80%</u>	<u>2.30%</u>
<b>\$</b>	<b><u>40.0</u></b>	<b>\$ <u>24.0</u></b>	<b>\$ <u>14.3</u></b>	<b>\$ <u>8.7</u></b>	<b>\$ <u>5.3</u></b>	<b>\$ <u>3.2</u></b>
<b>\$</b>	<b><u>197.8</u></b>	<b>\$ <u>197.1</u></b>	<b>\$ <u>195.9</u></b>	<b>\$ <u>197.4</u></b>	<b>\$ <u>198.6</u></b>	<b>\$ <u>196.4</u></b>

Exhibit 46 (continued): Contributory Asset Charges—Return on Fixed Assets

(\$ in thousands)	Year 9	Year 10
Beginning Balance - Fixed Assets	\$ 1,248.9	\$ 1,262.9
Add Capital Expenditures [2]	101.9	104.9
Less Return of Fixed Assets [2]	(87.9)	(95.2)
Ending Balance - Fixed Assets	1,262.9	1,272.6
Average Balance	1,255.9	1,267.8
<b>Return on Fixed Assets at the Fixed Asset Rate:</b>		
Mid-Period Adjustment Factor	0.94703	
Return on Fixed Assets [3]	11.50%	136.8
		138.1
Revenue from Customer Relations [4]	235.9	138.9
Total Forecasted Revenue [4]	16,851.4	17,356.9
Percentage of Revenue	1.40%	0.80%
<b>Return on Assets Contributory Asset Charges</b>	<b>\$ 1.9</b>	<b>\$ 1.1</b>
<b>Return on Fixed Assets at the WACC:</b>		
Mid-Period Adjustment Factor	0.92549	
<b>Return on Average Fixed Asset Balance [5]</b>	<b>16.75%</b>	<b>\$ 194.7</b>
		<b>\$ 196.5</b>

**NOTES:**

[1] Beginning balance for year 1 from Exhibit 36.

[2] From Exhibit 45.

[3] Rate from Exhibit 49.

[4] From Exhibit 31.

[5] Rate from Exhibit 21.

	Year 11	Year 12	Year 13	Year 14	Year 15
\$	1,272.6	\$ 1,251.0	\$ 1,235.7	\$ 1,221.7	\$ 1,209.5
	73.1	75.3	77.5	79.8	82.2
	(94.7)	(90.6)	(91.5)	(92.0)	(87.5)
	<u>1,251.0</u>	<u>1,235.7</u>	<u>1,221.7</u>	<u>1,209.5</u>	<u>1,204.2</u>
	1,261.8	1,243.4	1,228.7	1,215.6	1,206.9
	137.4	135.4	133.8	132.4	131.4
	89.4	55.2	37.9	19.5	-
	<u>17,877.6</u>	<u>18,413.9</u>	<u>18,966.3</u>	<u>19,535.3</u>	<u>20,121.4</u>
	<u>0.50%</u>	<u>0.30%</u>	<u>0.20%</u>	<u>0.10%</u>	<u>0.00%</u>
<b>\$</b>	<b>0.7</b>	<b>\$ 0.4</b>	<b>\$ 0.3</b>	<b>\$ 0.1</b>	<b>\$ -</b>
<b>\$</b>	<b><u>195.6</u></b>	<b>\$ <u>192.8</u></b>	<b>\$ <u>190.5</u></b>	<b>\$ <u>188.4</u></b>	<b>\$ <u>187.1</u></b>



# Appendix F: Diagnostics and Supporting Schedules

## Exhibit 47: Weighted Average Return on Assets

	Fair Values (\$000)	Estimated Rate of Return	Estimated Returns (\$000)
Tangible and Financial Assets:			
Working Capital [1]	\$ 905.8	5.00%	\$ 45.3
Machinery and Equipment [1]	688.8	11.50%	79.2
Total Tangible and Financial Assets	<u>1,594.6</u>		<u>124.5</u>
Identifiable Intangible Assets:			
Non-Compete Agreements [2]	4.9	16.75%	0.8
Customer Relations [3]	2,097.2	19.00%	398.5
Assembled Workforce [4]	97.8	16.75%	16.4
Total Identifiable Intangible Assets	<u>2,199.9</u>		<u>415.7</u>
Enterprise Value in Excess of Assets [5]	<u>6,632.7</u>	18.19%	<u>1,206.5</u>
<b>Total Enterprise Value</b>	<b>\$ 10,427.2</b>	<b>16.75%</b>	<b>\$ 1,746.7</b>
Weighted Average Cost of Capital [6]		<u>16.75%</u>	
Difference		<u>0.00%</u>	
Total Enterprise Value (from above)	\$ 10,427.2	16.75%	\$ 1,746.7
Purchase Price in Excess of Enterprise Value [7]	<u>569.1</u>	<u>-10.75%</u>	<u>(61.2)</u>
<b>Pruchase Price</b>	<b>\$ 10,996.3</b>	<b>15.33%</b>	<b>\$ 1,685.5</b>
Internal Rate of Return [8]		<u>15.33%</u>	
Difference		<u>0.00%</u>	

### NOTES:

- [1] Fair value from Exhibit 36 and rate of return from Exhibit 49.
- [2] Fair value from Exhibit 24 and rate of return from Exhibit 49.
- [3] Fair value from Exhibit 32 and rate of return from Exhibit 49.
- [4] Fair value from Exhibit 28 and rate of return from Exhibit 21.
- [5] Fair value is the total from Exhibit 35 less the fair value of the Assembled Workforce. The rate of return is the amount required to arrive at a weighted average return on assets that matches the WACC. This rate is slightly higher than the return on the other intangibles, suggesting the WARA is reasonable.
- [6] From Exhibit 21.
- [7] Because the purchase price exceeds the enterprise value, a negative rate of return on the purchase price in excess of the enterprise value is expected and the IRR should be lower than the WACC.
- [8] From Exhibit 48.

## Exhibit 48: Internal Rate of Return

<u>Future Periods Ending</u>	<u>Future Cash Flows [1] (\$000)</u>	<u>Mid-Period Convention</u>	<u>15.3335% Discount Factor [2]</u>	<u>Present Values (\$000)</u>
Purchase Price	\$(10,996.3)	0.0	1.000000	\$(10,996.3)
Cash Flows to Invested Capital:				
Year 1	\$ 1,087.3	0.5	0.931156	1,012.4
Year 2	1,407.0	1.5	0.807359	1,136.0
Year 3	1,464.9	2.5	0.700021	1,025.5
Year 4	1,579.6	3.5	0.606954	958.7
Year 5	1,515.6	4.5	0.526260	797.6
Year 6	1,588.9	5.5	0.456294	725.0
Year 7	1,631.6	6.5	0.395630	645.5
Year 8	1,723.8	7.5	0.343031	591.3
Year 9	1,719.9	8.5	0.297426	511.5
Year 10	1,766.6	9.5	0.257883	455.6
Residual Value	12,165.1		0.257883	3,137.2
Sum of the Present Values				<u>\$ -</u>
<b>Internal Rate of Return (rounded)</b>				<u><b>15.33%</b></u>

### NOTES:

[1] Purchase price from Exhibit 2. Cash flows to invested capital from Exhibit 18.

[2] Rate at which the sum of the present values is zero

## Exhibit 49: Rates of Return by Asset Class

	<u>Rates of Return</u>	<u>Tax Affected</u>	<u>Loan to Value Ratio</u>	<u>Weighted Amounts</u>
<b>Working Capital:</b>				
Cost of Debt	0.28% [1]	0.20%	0.75 [3]	0.15%
Cost of Equity	18.92% [2]		0.25	4.73%
			Weighted Return	4.88%
			Rounded	5.00%
<b>Fixed Assets (used):</b>				
Cost of Debt	7.25% [4]	5.22%	0.55 [3]	2.87%
Cost of Equity	18.92% [2]		0.45	8.51%
			Weighted Return	11.38%
			Rounded	11.50%
<b>Intangible Assets:</b>				
Cost of Debt	5.00% [4]	3.60%	- [6]	0.00%
Cost of Equity	18.92% [2]		1.00	18.92%
			Weighted Return	18.92%
			Rounded	19.00%

### NOTES:

- [1] Rate for three-month commercial paper, Federal Reserve Statistical Release, dated September 27, 2010.
- [2] From Exhibit 20.
- [3] Plewa and Friedlob, "Understanding Cash Flow," 1985.
- [4] Bank prime loan rate of 3.25% from the Federal Reserve Statistical Release, September 27, 2010, plus 4 percentage points.
- [5] Based on that fact that very few financial institutions are willing to loan on intangible assets, therefore equity financing would be required.

## Exhibit 50: Forecasted Tax Depreciation

(\$ in thousands)	Leaseholds	Plant and Machinery 20%	Computers and Office Equipment 20%	Vehicles 10%	Total	Pct. of Forecasted Revenue From Existing Customers [1]	Tax Depr. for Customer Relations
<b>Year 1:</b>							
Beginning Balance [1]	\$ 482.2	\$ 41.7	\$ 115.6	\$ 73.8	\$ 713.3		
Capital Expenditures [2]	-	8.0	32.0	40.0	80.0		
Disposals	-	-	-	(12.9)	(12.9)		
Balance Before Allowance	482.2	49.7	147.6	100.9	780.4		
<b>Allowance</b>	-	<b>9.9</b>	<b>29.5</b>	<b>10.1</b>	<b>49.5</b>	<b>80.0%</b>	<b>\$ 39.6</b>
Ending Balance	482.2	39.8	118.1	90.8	730.9		
<b>Year 2:</b>							
Beginning Balance	482.2	39.8	118.1	90.8	730.9		
Capital Expenditures	-	8.3	33.0	41.3	82.6		
Disposals	-	-	-	(10.0)	(10.0)		
Balance Before Allowance	482.2	48.1	151.1	122.1	803.5		
<b>Allowance</b>	-	<b>9.6</b>	<b>30.2</b>	<b>12.2</b>	<b>52.0</b>	<b>48.0%</b>	<b>\$ 25.0</b>
Ending Balance	482.2	38.5	120.9	109.9	751.5		
<b>Year 3:</b>							
Beginning Balance	482.2	38.5	120.9	109.9	751.5		
Capital Expenditures	-	8.6	34.1	42.6	85.3		
Disposals	-	-	-	(14.2)	(14.2)		
Balance Before Allowance	482.2	47.1	155.0	138.3	822.6		
<b>Allowance</b>	-	<b>9.4</b>	<b>31.0</b>	<b>13.8</b>	<b>54.2</b>	<b>28.8%</b>	<b>\$ 15.6</b>
Ending Balance	482.2	37.7	124.0	124.5	768.4		
<b>Year 4:</b>							
Beginning Balance	482.2	37.7	124.0	124.5	768.4		
Capital Expenditures	-	8.7	34.7	-	43.4		
Disposals	-	-	-	-	-		
Balance Before Allowance	482.2	46.4	158.7	124.5	811.8		
<b>Allowance</b>	-	<b>9.3</b>	<b>31.7</b>	<b>12.5</b>	<b>53.5</b>	<b>17.3%</b>	<b>\$ 9.3</b>
Ending Balance	482.2	37.1	127.0	112.0	758.3		
<b>Year 5:</b>							
Beginning Balance	482.2	37.1	127.0	112.0	758.3		
Capital Expenditures	-	9.1	36.2	45.1	90.4		
Disposals	-	-	-	(12.0)	(12.0)		
Balance Before Allowance	482.2	46.2	163.2	145.1	836.7		
<b>Allowance</b>	-	<b>9.2</b>	<b>32.6</b>	<b>14.5</b>	<b>56.3</b>	<b>10.4%</b>	<b>\$ 5.9</b>
Ending Balance	482.2	37.0	130.6	130.6	780.4		

SAMPLE REPORT: Not representative of any actual company or individual.

Exhibit 49 (continued): Forecasted Tax Depreciation

(\$ in thousands)	Leaseholds	Plant and Machinery 20%	Computers and Office Equipment 20%	Vehicles 10%	Total	Pct. of Forecasted Revenue From Existing Customers [1]	Tax Depr. for Customer Relations
<b>Year 6:</b>							
Beginning Balance	482.2	37.0	130.6	130.6	780.4		
Capital Expenditures	-	9.4	37.3	46.5	93.2		
Disposals	-	-	-	(12.4)	(12.4)		
Balance Before Allowance	482.2	46.4	167.9	164.7	861.2		
<b>Allowance</b>	<b>-</b>	<b>9.3</b>	<b>33.6</b>	<b>16.5</b>	<b>59.4</b>	<b>6.3%</b>	<b>\$ 3.7</b>
Ending Balance	482.2	37.1	134.3	148.2	801.8		
<b>Year 7:</b>							
Beginning Balance	482.2	37.1	134.3	148.2	801.8		
Capital Expenditures	-	9.7	38.4	47.9	96.0		
Disposals	-	-	-	(12.8)	(12.8)		
Balance Before Allowance	482.2	46.8	172.7	183.3	885.0		
<b>Allowance</b>	<b>-</b>	<b>9.4</b>	<b>34.5</b>	<b>18.3</b>	<b>62.2</b>	<b>3.8%</b>	<b>\$ 2.4</b>
Ending Balance	482.2	37.4	138.2	165.0	822.8		
<b>Year 8:</b>							
Beginning Balance	482.2	37.4	138.2	165.0	822.8		
Capital Expenditures	-	10.0	39.6	-	49.6		
Disposals	-	-	-	-	-		
Balance Before Allowance	482.2	47.4	177.8	165.0	872.4		
<b>Allowance</b>	<b>-</b>	<b>9.5</b>	<b>35.6</b>	<b>16.5</b>	<b>61.6</b>	<b>2.3%</b>	<b>\$ 1.4</b>
Ending Balance	482.2	37.9	142.2	148.5	810.8		
<b>Year 9:</b>							
Beginning Balance	482.2	37.9	142.2	148.5	810.8		
Capital Expenditures	-	10.3	40.8	50.8	101.9		
Disposals	-	-	-	(13.5)	(13.5)		
Balance Before Allowance	482.2	48.2	183.0	185.8	899.2		
<b>Allowance</b>	<b>-</b>	<b>9.6</b>	<b>36.6</b>	<b>18.6</b>	<b>64.8</b>	<b>1.4%</b>	<b>\$ 0.9</b>
Ending Balance	482.2	38.6	146.4	167.2	834.4		
<b>Year 10:</b>							
Beginning Balance	482.2	38.6	146.4	167.2	834.4		
Capital Expenditures	-	10.6	42.0	52.3	104.9		
Disposals	-	-	-	(14.0)	(14.0)		
Balance Before Allowance	482.2	49.2	188.4	205.5	925.3		
<b>Allowance</b>	<b>-</b>	<b>9.8</b>	<b>37.7</b>	<b>20.6</b>	<b>68.1</b>	<b>0.8%</b>	<b>\$ 0.5</b>
Ending Balance	482.2	39.4	150.7	184.9	857.2		

SAMPLE REPORT: Not representative of any actual company or individual.

Exhibit 49 (continued): Forecasted Tax Depreciating

(\$ in thousands)	Leaseholds	Plant and Machinery 20%	Computers and Office Equipment 20%	Vehicles 10%	Total	Pct. of Forecasted Revenue From Existing Customers [1]	Tax Depr. for Customer Relations
<b>Year 11:</b>							
Beginning Balance	482.2	39.4	150.7	184.9	857.2		
Capital Expenditures	-	7.4	29.3	36.4	73.1		
Disposals	-	-	-	(14.4)	(14.4)		
Balance Before Allowance	482.2	46.8	180.0	206.9	915.9		
<b>Allowance</b>	-	<b>9.4</b>	<b>36.0</b>	<b>20.7</b>	<b>66.1</b>	<b>0.5%</b>	<b>\$ 0.3</b>
Ending Balance	482.2	37.4	144.0	186.2	849.8		
<b>Year 12:</b>							
Beginning Balance	482.2	37.4	144.0	186.2	849.8		
Capital Expenditures	-	7.6	30.2	37.5	75.3		
Disposals	-	-	-	-	-		
Balance Before Allowance	482.2	45.0	174.2	223.7	925.1		
<b>Allowance</b>	-	<b>9.0</b>	<b>34.8</b>	<b>22.4</b>	<b>66.2</b>	<b>0.3%</b>	<b>\$ 0.2</b>
Ending Balance	482.2	36.0	139.4	201.3	858.9		
<b>Year 13:</b>							
Beginning Balance	482.2	36.0	139.4	201.3	858.9		
Capital Expenditures	-	7.8	31.1	38.6	77.5		
Disposals	-	-	-	(15.2)	(15.2)		
Balance Before Allowance	482.2	43.8	170.5	224.7	921.2		
<b>Allowance</b>	-	<b>8.8</b>	<b>34.1</b>	<b>22.5</b>	<b>65.4</b>	<b>0.2%</b>	<b>\$ 0.1</b>
Ending Balance	482.2	35.0	136.4	202.2	855.8		
<b>Year 14:</b>							
Beginning Balance	482.2	35.0	136.4	202.2	855.8		
Capital Expenditures	-	8.0	32.0	39.8	79.8		
Disposals	-	-	-	(15.7)	(15.7)		
Balance Before Allowance	482.2	43.0	168.4	226.3	919.9		
<b>Allowance</b>	-	<b>8.6</b>	<b>33.7</b>	<b>22.6</b>	<b>64.9</b>	<b>0.1%</b>	<b>\$ 0.1</b>
Ending Balance	482.2	34.4	134.7	203.7	855.0		
<b>Year 15:</b>							
Beginning Balance	482.2	34.4	134.7	203.7	855.0		
Capital Expenditures	-	8.2	33.0	41.0	82.2		
Disposals	-	-	-	(10.9)	(10.9)		
Balance Before Allowance	482.2	42.6	167.7	233.8	926.3		
<b>Allowance</b>	-	<b>8.5</b>	<b>33.5</b>	<b>23.4</b>	<b>65.4</b>	<b>0.0%</b>	<b>\$ -</b>
Ending Balance	482.2	34.1	134.2	210.4	860.9		

NOTES:

[1] Year 1 beginning balance is \$1,249,708 from Exhibit 36 less the package handling fixed assets.

[2] Capital expenditures estimated based on historical capital expenditures and the need for replacement of assets.

## Exhibit 51: Forecasted Tax Amortization

(\$ in thousands)	Amount	Life	Year 1	Year 2
Non-Compete Agreement [1]	\$ 4.9	15	\$ 0.3	\$ 0.3
Customer Relations [2]	2,097.2	15	139.8	139.8
Goodwill & Assembled Workforce [3]	7,299.6	15	486.6	486.6
Total Tax Amortization	9,401.7		626.7	626.7
Forecasted Customer Relationship Revenue [4]			10,617.9	6,570.1
Divided by Total Forecasted Revenue [4]			13,272.4	13,687.8
Percentage			80.0%	48.0%
<b>Tax Amortization for Customer Relations</b>			<b>\$ 501.4</b>	<b>\$ 300.8</b>

(\$ in thousands)	Gross Carrying Amount	Life	Year 9	Year 10
Non-Compete Agreement [1]	\$ 4.9	15	\$ 0.3	\$ 0.3
Customer Relations [2]	2,097.2	15	139.8	139.8
Goodwill & Assembled Workforce [3]	7,299.6	15	486.6	486.6
Total Tax Amortization			626.7	626.7
Forecasted Customer Relationship Revenue [4]			\$ 235.9	\$ 138.9
Divided by Total Forecasted Revenue [4]			16,851.4	17,356.9
Percentage			1.4%	0.8%
<b>Tax Amortization for Customer Relations</b>			<b>\$ 8.8</b>	<b>\$ 5.0</b>

### Residual Period Tax Amortization Benefit:

Tax Savings From Tax Amortization [5]	39.0%
Mid-Period Convention	
Multiply by the Present Value Factors [6]	16.75%

Present Values of Tax Amortization Benefits [7]

### NOTES:

[1] From Exhibit 24.

[2] From Exhibit 32.

[3] From Exhibit 35.

[4] From Exhibit 31.

[5] Total Tax Amortization multiplied by the tax rate of 37%.

[6] Rate from Exhibit 21.

[7] Tax Savings From Tax Amortization multiplied by the Present Value Factor.

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Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3
139.8	139.8	139.8	139.8	139.8	139.8
486.6	486.6	486.6	486.6	486.6	486.6
626.7	626.7	626.7	626.7	626.7	626.7
4,068.6	2,486.3	1,557.1	971.6	603.6	376.3
14,127.2	14,371.6	14,972.3	15,421.5	15,884.1	16,360.6
28.8%	17.3%	10.4%	6.3%	3.8%	2.3%
<b>\$ 180.5</b>	<b>\$ 108.4</b>	<b>\$ 65.2</b>	<b>\$ 39.5</b>	<b>\$ 23.8</b>	<b>\$ 14.4</b>

Year 11	Year 12	Year 13	Year 14	Year 15
\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3	\$ 0.3
139.8	139.8	139.8	139.8	139.8
486.6	486.6	486.6	486.6	486.6
626.7	626.7	626.7	626.7	626.7
\$ 89.4	\$ 55.2	\$ 37.9	\$ 19.5	\$ -
17,877.6	18,413.9	18,966.3	19,535.3	20,121.4
0.5%	0.3%	0.2%	0.1%	0.0%
<b>\$ 3.1</b>	<b>\$ 1.9</b>	<b>\$ 1.3</b>	<b>\$ 0.6</b>	<b>\$ -</b>

\$ 244.4	\$ 244.4	\$ 244.4	\$ 244.4	\$ 244.4
10.5	11.5	12.5	13.5	14.5
0.19670	0.16848	0.14431	0.12360	0.10587
\$ 48.1	\$ 41.2	\$ 35.3	\$ 30.2	\$ 25.9

**Sum of the Present Values**    **\$ 180.7**

**Exhibit 52: Customer Attrition Analysis**

	<u>9/30/2006</u>	<u>9/30/2007</u>	<u>9/30/2008</u>	<u>9/30/2009</u>	<u>9/30/2010</u>
<b>Revenue from Customers Who Purchased in:</b>					
Each of the Last Five Years	£ 3,649,700	£ 1,953,200	£ 2,753,200	£ 2,558,500	£ 4,616,700
Four of the Last Five Years	44,200	64,000	45,600	32,400	16,500
Three of the Last Five Years	3,776,400	327,500	10,230,000	1,973,700	2,049,900
Two of the Last Five Years	8,070,800	1,167,400	5,485,800	1,144,700	921,100
One of the Last Five Years	237,700	5,168,800	100,300	136,200	2,325,900
Other	40,800	1,677,200	1,450,200	(408,000)	(1,380,500)
Total Revenue	£ 15,819,600	£ 10,358,100	£ 20,065,100	£ 5,437,500	£ 8,549,600

<b>Current Year Revenues from Customers that Made a Purchase:</b>					
In the Prior Year		£ 2,719,300	£ 7,812,100	£ 4,762,200	£ 7,175,200
In the 2nd Prior Year			3,266,100	2,619,300	7,047,700
In the 3rd Prior Year				2,585,900	4,695,700
In the 4th Prior Year					4,618,700

					<u>Median</u>
<b>Current Year Percentage of Total Revenues from Customers that Made a Purchase:</b>					
In the Prior Year	26.3%	38.9%	87.6%	83.9%	61.4%
In the 2nd Prior Year		16.3%	48.2%	82.4%	48.2%
In the 3rd Prior Year			47.6%	54.9%	51.3%
In the 4th Prior Year				54.0%	

SAMPLE REPORT: Not representative of any actual company or individual.

## Appendix G: Sources of Information



In performing this analysis, we were provided with and/or relied upon various sources of information, including but not limited to:

- ◆ Asset Purchase Agreement entered into as of September 30, 2010 between Sticky Wicket Technical Limited and Doubleday Manufacturing, LLC;
- ◆ Statement of Main Terms and Conditions of Employment - Salaried Employees entered into as of September 30, 2010 between Sticky Wicket Technical Limited and Joe DiMaggio;
- ◆ Statement of Main Terms and Conditions of Employment - Salaried Employees entered into as of September 30, 2010 between Sticky Wicket Technical Limited and Honus Wagner;
- ◆ Statement of Main Terms and Conditions of Employment - Salaried Employees entered into as of September 30, 2010 between Sticky Wicket Technical Limited and Ty Cobb;
- ◆ Sticky Wicket Technical Limited Financial Statements as of and for the years ended September 30, 2007 through 2009, audited by Jackson & Rose, Chartered Accountants and Statutory Auditors;
- ◆ Internally prepared Balance Sheets and Income Statements of Sticky Wicket Technical Limited as of and for the year ended September 30, 2010;
- ◆ Internally prepared Enterprise Value Calculations containing financial forecasts for the years ending September 30, 2011 through 2015, likely scenario and worst case scenario;
- ◆ Detailed listing of fixed assets acquired;
- ◆ Internally prepared listing of Sticky Wicket Technical Limited's annual revenue by customers for the years ended September 30, 2006 through 2010;
- ◆ Internally prepared detailed listing of Sticky Wicket Technical Limited's employees, including wages, salaries and benefits paid.;
- ◆ Various schedules prepared by management regarding other items related to the Acquisition;
- ◆ Analysis of information on possible publicly traded and privately held comparable companies and industry information including the following:
  - Search of online data sources for U.K. public companies;
  - Specific company annual reports;
- ◆ Information regarding macroenvironmental factors such as the economic outlook, political situations, demographic trends and other items;
- ◆ Information regarding the present conditions and outlook for the industry in which SWT operates;
- ◆ Resources regarding business valuation issues, including the following:
  - Accounting Standards Codification, Topic 350, *Intangibles—Goodwill and Others*, Topic 360, *Property, Plant and Equipment*, Topic 805, *Business Combinations*, and Topic 820, *Fair Value Measurements and Disclosures*.

- *Best Practices for Valuations in Financial Reporting: Intangible Asset Working Group — Contributory Assets, The Identification of Contributory Assets and Calculation of Economic Rents*, a publication of The Appraisal Foundation.
  - *Business Valuation Review*, a publication of the Business Valuation Committee of the American Society of Appraisers;
  - ASA Business Valuation Standards of the American Society of Appraisers, and the Uniform Standards of Professional Appraisal Practice, published by the Appraisal Foundation;
  - *Duff & Phelps, LLC Risk Premium Report 2010*, a publication of Duff & Phelps, LLC, distributed by Ibbotson Associates, updated annually;
  - *Stocks, Bonds, Bill & Inflation, 2010 Yearbook*, a publication of Ibbotson Associates, Chicago – updated annually; and,
- ◆ Other various relevant information.

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## Appendix H: 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, their 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 seller of the Subject Assets had 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 measured or any estimate rendered.

We based this fair value measurement in part on forecasts of revenues, earnings, and other matters as estimated by the management of the Doubleday Manufacturing, LLC and Sticky Wicket Technical Limited. 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 fair value measurement 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 Subject Assets 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 measurement only for Doubleday Manufacturing, LLC 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 estimates included in this report, we have assumed that the existing management will maintain the character and integrity of the Subject Assets 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 fair value in any way or the ability to affect an expedient sale of the subject assets being measured.

We have assumed for fair value measurement 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 measurement date. The appraiser assumes no responsibility for economic or physical factors occurring subsequent to the date that may affect the estimates 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 reported 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 estimate of fair value assumes that the Company is a "going concern," and that the Subject Assets would be sold in an all cash purchase, or equivalent terms thereof. The Subject Assets would have a materially different value in liquidation. No estimate of the value that could be achieved in liquidation is included in this report.

**If the business is sold or transferred:**

Drysdale Valuation, PLLC and Don M. Drysdale, CPA/ABV, ASA do not purport to be guarantors of value. Fair value measurements involving closely held companies is an imprecise science, with value being a question of fact, and reasonable people differing in their estimates of fair value. However, Drysdale Valuation, PLLC and the individual analyst(s) have used conceptually sound and commonly accepted methods and procedures of fair value measurement in determining the estimates 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 Subject Assets 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 Subject Assets 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 Subject Assets or 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 estimate 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.

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SAMPLE REPORT: Not representative of any actual company or individual.

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 Subject Assets or 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 estimate expressed herein is valid only for the stated effective date, September 30, 2010, and only for the stated fair value measurement purpose. The actual value realized at a date subsequent to the measurement date may vary from the fair values 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 measurement date is stated in the report without any guarantees as to the fair value at the measurement date or any future date, or any contrary estimates as to the fair values 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.

