

**MEMO****To Brian Bentz****Fm: John Glicksman/Daniel Miller****And ; John McNeil - BDR****Re Valuation of COLLUS Power/Purchase of 50% Equity**

As you know in our presentations as to valuation and purchase price for 50% of the equity we indicated certain ranges:

- Enterprise Value between \$24-26 million
- Equity Value between \$12-16 million
- 50% Equity between \$ 6-8 million (purchase price)

In the BDR PP presentation, the Base Case position was as follows:  
Let's call this **Method I (Normalized Business Methodology)**

<b>Summary of Cash Flows/Values between Parties</b>	
<b>Total Enterprise Value before Recapitalization</b>	\$26,900,000
less: Special Dividend (Re-Cap)	<b>\$5,000,000</b>
<b>Revised Enterprise Value (TEV)</b>	\$21,900,000
less: Debt	\$10,000,000
<b>Equity Value (EV)</b>	<b>\$11,900,000</b>
<b>Proposed Equity Sale/Purchase of 50%</b>	<b>\$5,950,000</b>

BDR also indicated how the purchase price might be set at the upper end of the range (under consideration) as follows:

	<b>BDR</b>	
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## Summary Potential Valuation – COLLUS Equity

	Enterprise Premium Ratios	Equity Values	Purchase price for 50% of shares
BDR Base Case	1.40x	\$12,400,000	\$6,200,000
Additional consideration of market and strategic factors	1.50x	\$14,000,000	\$7,000,000
Additional consideration of market and strategic factors	1.60x	\$16,000,000	\$8,000,000

### Method II-

It has been suggested to us (by Paul Bonwick) that we present the purchase price in the “best possible light” which follows the approach (apparently) taken by KPMG. This involves not being so explicit about the recapitalization (although we would expect to get 50% of the special dividend around or shortly after closing.

This way the purchase of the 50% interest seems to be higher than under method I but we would expect to get back to our net authorized purchase price range as follows:

. A critic might say this approach is not totally transparent.

Subject	\$MM	\$MM	\$MM
<b>Enterprise Value</b>	<b>24.0</b>	<b>25.0</b>	<b>26.0</b>
<b>Less deemed existing LTD</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>
<b>Equity Value</b>	<b>19.0</b>	<b>20.0</b>	<b>21.0</b>
<b>Purchase Price (50%)</b>	<b>9.5</b>	<b>10.0</b>	<b>10.5</b>
<b>Less (50%) of possible Recapitalization Dividend</b>	<b>2.5-3.0</b>	<b>2.5-3.0</b>	<b>2.5-3.0</b>
<b>Net Effective Purchase price</b>	<b>6.5-7.0</b>	<b>7.0-7.5</b>	<b>7.5-8.0</b>

**BDR**