



# COHEN INDEPENDENT RESEARCH GROUP, INC.

Wall Street's #1 Independent Research Firm

D. Paul Cohen, President  
21 Manzanita Avenue #1000  
San Rafael, CA 94901  
www.cohenresearch.com

Telephone: 415.454.6985  
Fax: 415.455.0295  
E-mail: paul@cohenresearch.com  
E-mail: dpaulco@aol.com

July 1, 2009

## QUICK VIEW

### BULOVA TECHNOLOGIES GROUP, INC.

Symbol	<b>BLVT.PK</b>
Current Recommendation	<b>BUY</b>
Current Price	<b>\$1.44</b>
Valuation Target Price Range	<b>\$3.51-\$5.99</b>
Year End	<b>31-Dec</b>
Dividend Yield	<b>N.A.</b>
Industry	<b>Defense &amp; Electronics</b>

Bulova Technologies Group, Inc. (BLVT) operates as a defense contractor and a contract manufacturer of high-value electronic and electro-mechanical devices, subassemblies, and systems. Bulova provides its services to selected commercial and defense-oriented customers. A significant percentage of Bulova's defense related sales involve consumables used in force training, a portion of the US Defense Budget that is not forecast to experience budget cuts. Moreover, the US Department of Defense proposed plans to modernize defense equipments thereby creating significant additional opportunities for Bulova. The Company's experience, expertise and strong working relationship in the related industries are expected to drive future growth.

#### Net Income Forecasts

All figures in '\$000	FY-08A	FY-09E	FY-10E	FY-11E	FY-12E	FY-13E
Optimistic Case	(6,041)	6,778	32,383	79,397	141,705	255,263
Base Case	(6,041)	3,911	16,120	39,696	67,552	111,982
Pessimistic Case	(6,041)	1,638	6,175	12,198	19,027	27,950

#### EPS Forecast

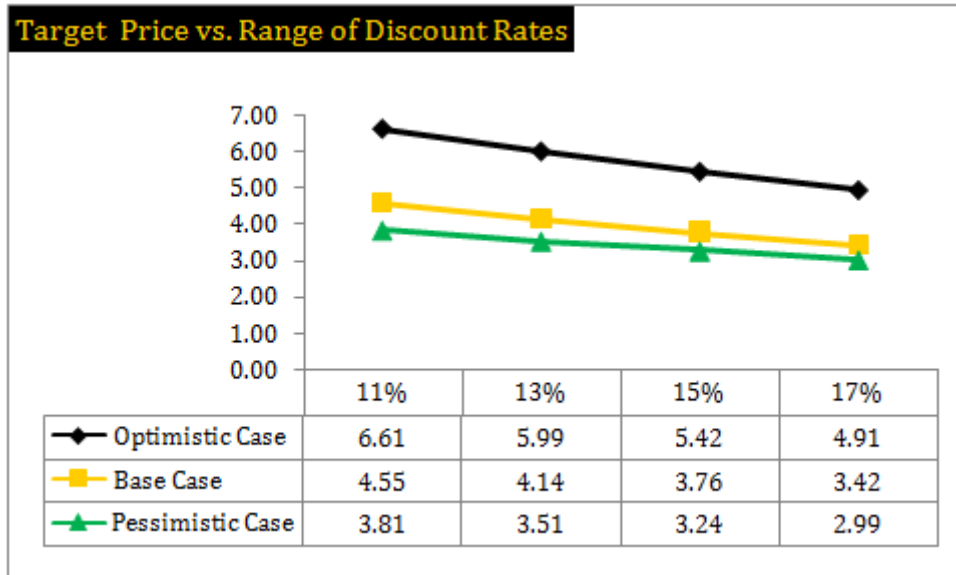
All figures in \$	FY-08A	FY-09E	FY-10E	FY-11E	FY-12E	FY-13E
Optimistic Case	\$ (0.09)	\$ 0.10	\$ 0.50	\$ 1.22	\$ 2.18	\$ 3.93
Base Case	\$ (0.09)	\$ 0.06	\$ 0.25	\$ 0.61	\$ 1.04	\$ 1.72
Pessimistic Case	\$ (0.09)	\$ 0.03	\$ 0.09	\$ 0.19	\$ 0.29	\$ 0.43

#### Sales Estimates

All figures in '\$000	FY-08A	FY-09E	FY-10E	FY-11E	FY-12E	FY-13E
Optimistic Case	16,659	79,865	400,534	861,998	1,456,111	2,406,674
Base Case	16,659	62,799	254,869	539,421	853,681	1,318,447
Pessimistic Case	16,659	47,500	122,000	257,500	365,000	502,500



### Price Target vis-à-vis Range of Growth Rates



Stock Metrics	
Recent Price (06/26/09)	1.44
52 Weeks Price Range	0.15-3.30
Shares Outstanding (mil.)	65.00
Market Capitalization (mil.)	93.60
Avg Daily Volume (3 month)	NA
Beta	1.6

Balance Sheet (\$ '000)	FY 2008
Cash & Equivalents	16.0
Working Capital	6902.0
Total Assets	21276.0
Long-Term Liabilities	4792.0
Total Debt	3730.0
Shareholders Equity	16484.0

Key Ratios	
SGA / Sales	9.6%
Net Profit Margin	6.2%
Interest Coverage	17.2
Return on Equity	19.2%
Return on Assets	11.3%

Price Ratios	
Price to Sales	1.5
Price to Sales 2010E	0.4
Price to Earnings	23.9
Price to Earnings 2010E	5.8
Price to Equity	4.6



## BULOVA TECHNOLOGIES EXECUTIVE SUMMARY

- Headquartered in Clearwater, Florida; Bulova Technologies Group (Pink Sheets: BLVT) is a contract manufacturer of electronic and electro-mechanical systems. The Company focuses its core competences on a diversified base of customers in high-growth sectors, including many renowned equipment manufacturers across the automotive, building automation, industrial, medical, telecommunications, semiconductor, and military electronics sectors.
- Bulova was an operating subsidiary of Lowes Corporation for more than three decades. The Company grew substantially and became profitable in 1982 under the management of the Tisch family.
- Products and services include a variety of pyrotechnic devices, ammunition and other energetic materials. The Company also assembles printed circuit boards and offers value-add services such as direct-ship, depot-repair, and design assistance. The Company specializes in the production of fuses, initiators, arming devices and explosive simulators.
- Bulova is a registered broker with the United States Department of State Directorate of Defense Trade Controls (DDTC) and transfers military materials to allied countries. The Company also maintains requisite licenses with the Bureau of Alcohol, Tobacco, Firearms and Explosives.
- The Company operates two facilities in Florida. Bulova has extensive in-house testing capabilities, in accordance with Mil-Std-810, which ensures efficient and reliable products. Onsite chemical testing and evaluation and x-ray examination greatly reduces test and evaluation costs. The Company's strategic locations also give access to inexpensive labor providing a significant competitive advantage.
- Bulova's primary customer is the U.S. Department of Defense. The Company's quality products and over 46 years of long-standing relationship as a defense contractor will be favorable in procuring further contracts from the Department.
- The U.S. Department of Defense (DOD) has proposed spending \$23.67 billion in fiscal year 2010 for procurement and research in military communications, electronics, telecommunications, and intelligence technologies. Industry analysts estimate an additional \$75 billion would be needed to cover other electronic intensive military applications. Total un-awarded government bids for new contracts are estimated to be in excess of \$100 million.
- Current orders valued at \$72 million for 2009, including \$38 million of simulators and initiators, \$24 million of assemblies, and \$10 million of combat systems. In April 2009, Bulova received an additional order worth \$30 million from the Army Research Development and Engineering Command. The Company plans to expand its operations by bidding on government contracts.
- In June 2009, the Company was awarded three additional awards. First from Thoratec Corporation, second from DRS Technologies, Inc., and a R & D Contract to Develop Environmentally Sensitive Ordnance for U.S. Army.
- Bulova differentiates itself from competition based on its ability to offer complete manufacturing solutions. These solutions minimize the "full-life production costs" of its customers while meeting their time-to-market and time-to-volume objectives.
- The Company is in the process of restructuring its operations based on "lean manufacturing techniques". The Company expects to achieve productivity gains, reduction in production cycle time, and improve inventory management from the initiative.

### Valuation Summary

- Cohen Independent Research Group valued BLVT's common stock based on our Discounted Cash Flow (DCF) method of valuation to derive the long-term price target. We used three different scenarios – Base Case, Optimistic Case and Pessimistic Case – while valuing the Company through the DCF valuation methodology. Based on our valuation approach, we derive the Base Case target price for the stock at \$4.55. Even in our most conservative long-term valuation approach based on the Pessimistic Scenario, BLVT is valued at \$3.51 per share, significantly higher than the current market of \$1.44.



## INVESTMENT THESIS AND RECOMMENDATION

Bulova has been a world leader in fuses, safe and arming devices, and “load, assemble and pack” of key military ammunition programs for over 50 years. The Company has entrenched, strong working relationships at all levels within the U.S. Defense Departments during this time. Bulova intends to expand its operations and profitability significantly by bidding on major government contracts.

The Company has also been a contract manufacturing company building electronic systems for over 20 years serving varied industry verticals. Bulova undertakes high-end manufacturing projects that involve very complex printed circuit board assembly, technical design and engineering, rigorous testing procedures and final system builds. Bulova’s onsite testing capabilities allows considerable cost savings. We believe Bulova’s excellent quality products and value-added services will enable continued business opportunities in the growing commercial contract manufacturing sector.

Strong current orders and continued future revenue visibility positions the Company on a fast growth trajectory. We believe the Company’s strong relationship with the government, growth potential in its marketplace, and seasoned management team makes the stock a valuable investment proposition. The current valuations remain low, and we believe the Bulova story will be tremendously rewarding for the long-term risk adverse investor.



# DCF Valuation Summary

## Chart 1: DCF Target Price

	FY-09E	FY-10E	FY-11E	FY-12E	FY-13E
Net Income	3,918	19,539	39,759	67,627	111,835
Interest Expense (Tax Shield)	557	1,134	1,915	2,386	4,042
Depreciation and Amortization	675	1,716	4,800	6,367	11,184
<b>NOPLAT</b>	<b>5,150</b>	<b>22,389</b>	<b>46,474</b>	<b>76,380</b>	<b>127,061</b>
Change in Working Capital	(8,196)	(23,168)	(29,610)	(24,824)	(45,981)
Capital Expenditure (Including Acquisitions)	(5,330)	(22,774)	(30,880)	(12,149)	(57,715)
<b>Free Cash Flow To Firm (FCFF)</b>	<b>(8,375)</b>	<b>(23,553)</b>	<b>(14,016)</b>	<b>39,407</b>	<b>23,365</b>
Discount Factor	0.92	0.84	0.75	0.67	0.60
<b>Present Value of Free Cash Flow to Firm</b>	<b>(7,721)</b>	<b>(19,757)</b>	<b>(10,574)</b>	<b>26,348</b>	<b>14,093</b>
Continuing Value	258,183				
Discount Factor	0.60				
<b>Present Value of Continuing Value</b>	<b>155,724</b>				
<b>Value of Operations</b>	<b>158,114</b>				
Excess Marketable Securities	-				
Excess Pension Assets	-				
<b>Enterprise Value</b>	<b>158,114</b>				
Net Debt	8,712				
Capitalized Operating Lease	-				
Retirement Related Liability	-				
Preferred Stock	-				
Minority Interest	-				
Restructuring Provision	-				
Value of Options Outstanding	-				
<b>Equity Value</b>	<b>166,825</b>				
Number of Shares Outstanding	65,000				
<b>Equity Value Per Share/ DC \$</b>	<b>2.57</b>				
Current Stock Price	\$1.44				
<b>Upside/ (Downside) Potential</b>	<b>78.2%</b>				

At \$1.44 per share, we believe Bulova Technologies is considerably undervalued even when compared to our most conservative valuation model. The Discounted Cash Flow methodology employed to value the Company indicates that an investment in BLVT is likely to yield high returns in the long term. We used three different scenarios – Base Case, Optimistic Case and Pessimistic Case – while valuing the Company through our Discounted Cash Flow method. Under our most conservative long-term valuation approach based on the Pessimistic Scenario, Bulova Technologies is valued at \$2.57 per share. There is significant potential for appreciation from current levels.

### Table 1 : Price Targets<sup>1</sup>

Discount rate	11%	13%	15%	17%
Optimistic Case	6.61	5.99	5.42	4.91
Base Case	4.55	4.14	3.76	3.42
Pessimistic Case	3.81	3.51	3.24	2.99

<sup>1</sup> Long-term price target based on our Discounted Cash Flow Method of Valuation



# COHEN GROWTH DRIVER ANALYSIS – BASE CASE

Cohen Growth Driver Analysis (in \$'000)	FY-06	FY-07	FY-08	FY-09	FY-10	FY-11	FY-12	FY-13
Revenues	54,089	62,272	16,659	62,799	254,869	539,421	853,681	1,318,447
Operating Income Margin	-7.48%	0.78%	-36.26%	10.26%	12.12%	11.60%	12.21%	13.08%
Net Income Margin	-7.5%	0.8%	-36.3%	6.2%	7.7%	7.4%	7.9%	8.5%
EPS - Diluted	(0.06)	0.01	(0.09)	0.06	0.30	0.61	1.04	1.72
EBITDA Margin	-5.4%	2.6%	-36.3%	11.3%	12.8%	12.5%	13.0%	13.9%
Free Cash Flow	(174)	3,512	(10,435)	(8,932)	(24,687)	(15,931)	37,021	19,323
Cash	7	9	16	3,918	19,539	39,759	67,627	111,835
Working Capital	(914)	(5,189)	6,902	4,464	4,297	18,809	81,070	166,373
Long Term Debt	13,377	14,979	3,633	2,400	4,052	5,200	5,701	25,800
Total Debt	23,964	25,828	3,730	8,252	16,053	24,877	31,408	55,329
Total Assets	38,149	34,253	21,276	34,703	81,889	155,702	245,363	414,531
Days Receivable	63.4	39.2	0.3	57.0	64.0	62.0	52.0	53.0
Days of Inventories	128.6	110.4	127.9	80.0	31.0	18.0	16.0	12.5
Days Payable	67.0	79.6	19.5	33.0	37.0	35.0	29.0	29.0

## Annual Percent Change in Revenues, Margins, Assets

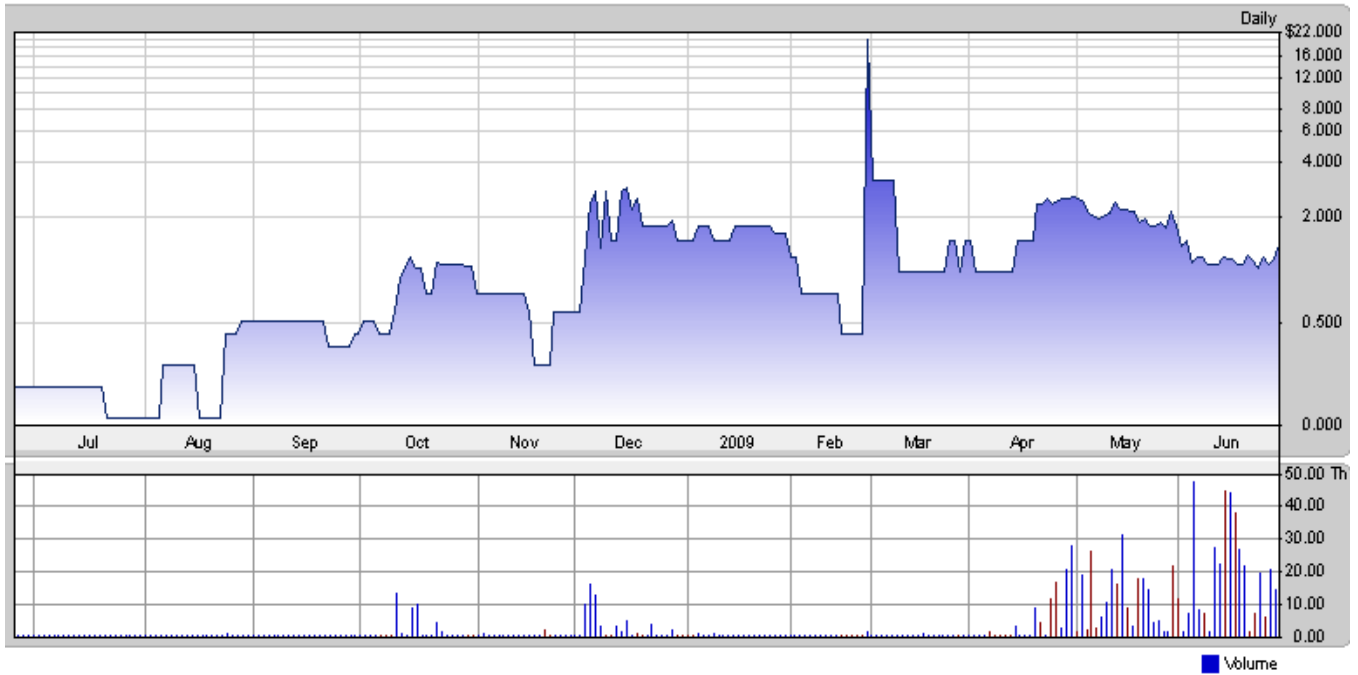
Revenues	15.1%	-73.2%	277.0%	305.8%	111.6%	58.3%	54.4%
Operating Margin	8.3%	-37.0%	46.5%	1.9%	-0.5%	0.6%	0.9%
EBITDA Margin	8.0%	-38.9%	47.6%	1.5%	-0.3%	0.5%	1.0%
Net Margin	8.3%	-37.0%	42.5%	1.4%	-0.3%	0.6%	0.6%
EPS - Diluted	NM	-1340.5%	NM	398.6%	103.5%	70.1%	65.4%
Free Cash Flow	NM	-397.1%	NM	NM	NM	NM	-47.8%
Cash	28.6%	77.8%	24390.5%	398.6%	103.5%	70.1%	65.4%
Working Capital	NM	NM	-35.3%	-3.8%	337.8%	331.0%	105.2%
Long Term Debt	12.0%	-75.7%	-33.9%	68.8%	28.3%	9.6%	352.5%
Total Debt	7.8%	-85.6%	121.2%	94.5%	55.0%	26.3%	76.2%
Total Assets	-10.2%	-37.9%	63.1%	136.0%	90.1%	57.6%	68.9%
Days Receivable	-38.2%	-99.2%	17484.5%	12.3%	-3.1%	-16.1%	1.9%
Days of Inventories	-14.2%	15.9%	-37.5%	-61.3%	-41.9%	-11.1%	-21.9%
Days Payable	18.9%	-75.5%	69.3%	12.1%	-5.4%	-17.1%	0.0%

Bulova Technologies is expected to deliver impressive top-line growth. Revenues are expected to grow from \$62.8 million in 2009 to \$1318.4 million by 2013, representing a compounded annual growth rate of 176%. We expect Bulova's expertise and experience in manufacturing electronic mechanical devices, including military fuses to enable increased contracts from the US defense department. Increased demand for printed circuit board, as evident from contract wins from existing and new clients, also should aid top-line growth. We expect gross margins in the range of 18% to 21% between 2009 and 2013. The operating margins are expected to range between 10% and 13% in 2009-2013. Earnings are expected to be \$0.06 per share in 2009. We estimate the Company to generate a negative free cash flow of approximately \$8.9 million in 2009 primarily due to its higher operating expenses during the initial years. The growth story is exciting.



## Price and Volume

■ BULOVA TECHNOLOGY GROUP INC  
as of 6/26/2009



	Open	High	Low	Close	Volume
2009/06/23	1.05	1.44	1.05	1.44	14,850

	Last Month	Last 3 Months
High Price	2.2	2.75
Low Price	1	1
Close Price	1.82	1.01
Total Volume	381,556	692,225
Average Daily Volume	17,343	10,650



# THE REPORT

**BULOVA TECHNOLOGIES GROUP, INC.**  
(OTC: BLVT.PK)

**STRONG BUY**  
**CURRENT PRICE \$1.44**  
**TARGET PRICE \$3.51-\$5.99**



# TABLE OF CONTENTS

BULOVA TECHNOLOGIES EXECUTIVE SUMMARY ..... 3

INVESTMENT THESIS AND RECOMMENDATION ..... 4

DCF VALUATION SUMMARY ..... 5

    Chart 1: DCF Target Price ..... 5

    Table 1 : Price Targets ..... 5

COHEN GROWTH DRIVER ANALYSIS – BASE CASE ..... 6

PRICE AND VOLUME ..... 7

TABLE OF CONTENTS ..... 9

**THE REPORT ..... 11**

    THE COMPANY ..... 11

*Evolution of the Company* ..... 13

            Evolution of Bulova Technologies Group, Inc. .... 13

            BULOVA Business Structure ..... 15

    BULL CASE ..... 19

    BEAR CASE ..... 20

    SUMMARY OF RECENT EVENTS ..... 21

    COMPANY’S EARNING MODEL ..... 22

        Bulova Earnings Model ..... 22

    BULOVA TECHNOLOGIES GROUP, INC. – VALUE DRIVERS ..... 23

        Bulova Technologies Group, Inc. – Value Drivers ..... 23

*Scalable Business Model* ..... 23

*Strong Order Book* ..... 23

*Qualified and Efficient Workforce* ..... 24

*Established Presence in Defense Industry* ..... 24

*Cost Rationalization Initiatives* ..... 24

*New Product Implementation* ..... 24

    INDUSTRY OVERVIEW ..... 25

        Valuation Metrics – Comparable Companies ..... 28

    LATEST FINANCIAL STATEMENT ANALYSIS ..... 29

    FINANCIAL FORECAST ..... 29

*Revenue Forecast* ..... 29

*Cost Forecast* ..... 30

*Earnings Forecast* ..... 32

    VALUATION ..... 32

        Target Price vs. Long-term Growth Rates ..... 33

        Target Price vs. Discount Rates ..... 34

    CONCLUSION ..... 34

**FINANCIAL EXHIBITS ..... 36**

    Consolidated Income Statement – Base Case ..... 37

    Consolidated Balance Sheet – Base Case ..... 38

    Consolidated Cash Flow Statement – Base Case ..... 39

    DCF Valuation – Base Case ..... 40

    Consolidated Income Statement – Optimistic Case ..... 41

    Consolidated Balance Sheet – Optimistic Case ..... 42

    Consolidated Cash Flow Statement – Optimistic Case ..... 43

    DCF Valuation – Optimistic Case ..... 44

    Consolidated Income Statement – Pessimistic Case ..... 45

    Consolidated Balance Sheet – Pessimistic Case ..... 46

    Consolidated Cash Flow Statement – Pessimistic Case ..... 47

    DCF Valuation – Pessimistic Case ..... 48

**APPENDICES ..... 49**

    APPENDIX 1: FINANCIAL ANALYSIS AND VALUATION ..... 50



<i>Cohen Net Cash Flows from Operations</i> .....	50
Cohen Net Cash Flows from Operations – Base Case .....	50
Cohen Cash Flow from Operations Analysis – Base Case.....	51
<i>Cohen Free Cash Flow/Assets</i> .....	51
Cohen Free Cash Flows to Assets – Base Case.....	52
VALUATION ASSUMPTIONS.....	53
APPENDIX 2: BULOVA EXECUTIVE TEAM .....	54
APPENDIX 3: RECENT NEWS RELEASE .....	57
APPENDIX 4: FORECAST TABLES AND CHARTS .....	59
APPENDIX 5: DISCOUNTED CASH FLOW EXPLANATION.....	91
Table 2: Present value of \$100.....	91
Table 3: Free Cash Flow Calculation of XYZ Company .....	92
Table 4: DCF Analysis With Terminal Growth Rates .....	97
Table 5: Example of WACC Method.....	100
Table 6: Sensitivity Analysis with Discount Rate.....	101
Table 7: Sensitivity Analysis with Growth Rate .....	101
Table 8: Comparing NCFO to Traditional Bottom up Cash Flow .....	105
GLOSSARY OF TERMS .....	107



# THE REPORT

## BULOVA TECHNOLOGIES GROUP, INC. (OTC: BLVT.PK)

**STRONG BUY**  
**CURRENT PRICE \$1.44**  
**TARGET PRICE \$3.51-\$5.99**

July 1, 2009

## THE COMPANY

Bulova Technologies Group owns and operates contract-manufacturing facilities in the United States. The Company provides ammunitions and pyrotechnic devices to the defense industry. Bulova's integrated services include printed circuit board assembly, cable assembly, metal fabrication, machining and finishing, final system builds, and design assistance to telecommunication, computer, and industrial equipment commercial manufacturers. The Company also offers training, development, delivery, distribution, call center support, and field services. The Company operates under the following three divisions:

- ***Bulova Technologies Ordnance Systems:*** Manufactures a variety of pyrotechnic devices, ammunition, fuses and other energetic materials for the U.S. Government and other allied forces across the globe.
- ***BT Manufacturing Company:*** Assembles a wide array of printed circuit boards, including single sided through 14 layers, through-hole, surface mount and mixed technology. The Company also offers value-added services such as direct-ship to end customers, depot- repair and design support.
- ***Bulova Technologies Combat Systems:*** sells military vehicles, weapons and munitions from the Clearwater headquarters.

Recently, the Company formed another subsidiary, BulovaTech Labs.

- ***BulovaTech Labs:*** This subsidiary will incubate, develop and license commercial applications of technologies applicable to the defense, alternative energy and healthcare industries.



Bulova is likely to gain a significant competitive advantage in the market due to the following important factors:

- Bulova is a direct supplier of initiators, simulators and fuses to a number of leading defense companies. The Company is a registered broker with the United States Department of State Directorate of Defense Trade Controls (DDTC), which facilitates transmission of military materials to allied countries. The Company also maintains requisite licenses with the Bureau of Alcohol, Tobacco, Firearms and Explosives.
- The Company has been a defense contractor for over 46 years and has established strong and trusted relations with the Defense Department in the U.S and other allied nations. The Company has developed association with both, Senator Mel Martinez (Republican) and Senator Bill Nelson (Democrat). Senator Martinez is associated with the Armed Services Committee and committees on Banking, Housing & Urban Affairs, Commerce, Science, & Transportation and Aging. Senator Nelson is a member of the following committees: Armed Services, Budget, Commerce, Science, & Transportation, Foreign Relations, Intelligence and Aging. Extensive business network and long-standing political relationships enhances the Company's growth potential
- The Company has orders worth \$72 million for completion in 2009. Bulova Technologies Ordnance Systems was also awarded a \$30 million contract from the Army Research Development and Engineering Command for delivery of non-standard weapons to the allied forces in Iraq. Un-awarded bids for new work exceed \$100 million. The business is principally a tender driven one and a sound order book proffers revenue visibility for the Company. Government contracts provide revenue stability.
- The Company has highly skilled personnel with sound domain expertise and comprehensive industry understanding. The Company's long standing experience as a government contract manufacturer provides a competitive edge in terms order procurement.

Robust Order book and long-standing customer & political relationship provide Bulova with a significant competitive advantage.

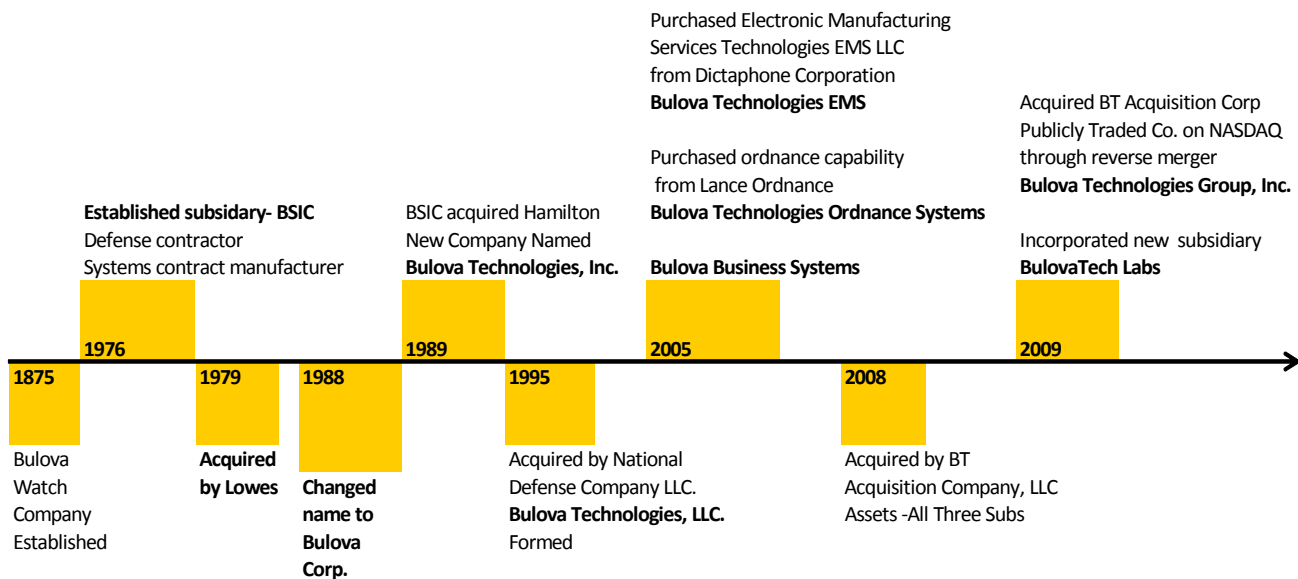
*These factors representing Bulova's robust business model targeting multi-billion dollar markets make it an exciting long-term investment story.*



## Evolution of the Company

Established in 1875, Bulova Watch Company operated as a defense contractor and systems contract manufacturer since 1962. In 1976, the Company established a formal operating subsidiary, Bulova Systems & Instruments Corporation (“BSIC”), for its defense related business.

## Evolution of Bulova Technologies Group, Inc.



In 1979, Loews Corporation acquired Bulova Watch Company including its subsidiaries. The Company grew substantially and became profitable in 1982. In 1988, Bulova Watch Company changed its name to Bulova Corporation.

In 1989, the BSIC acquired its main competitor, Hamilton Technologies Inc. The merged entity was known as Bulova Technologies, subsidiary of Bulova Corp.

National Defense Company, LLC, lead by CEO Stephen Gurba acquired Bulova Technologies (subsidiary) from Bulova Corporation in 1995. Between 1995 and 2005, the Company bought the electronic manufacturing services division from Dictaphone Corporation. The Company also purchased ordnance capability for load, assemble and pack of munitions from Lance Ordnance in Mayo in October 2005. The Company also added a new division, Bulova Technologies Business Systems Group, which bought supplies for federal employees at military bases.

In 2008, BT Acquisition Corporation purchased operating assets of Bulova Technologies, LLC that principally relate to printed circuit board manufacturing, ordnance design and production and combat systems.



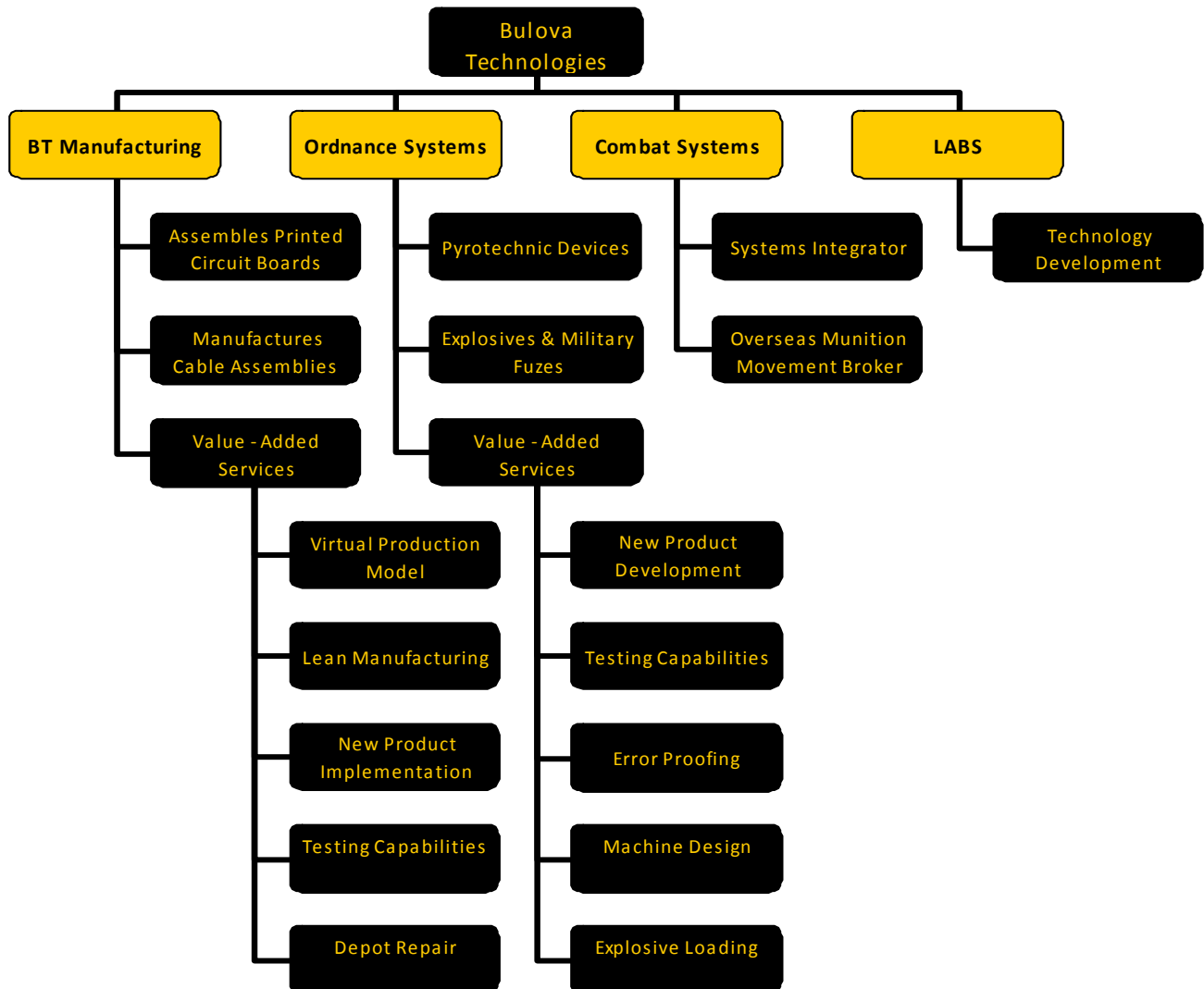
*2005 was a year of significant changes for BLVT as it acquired capabilities to set up its business divisions to serve the defense and electric component industry*

In 2009, Bulova Technologies Group acquired BT Acquisition Corporation. The Company became public through a reverse merger with 3Si Holdings, Inc and is listed on NASDAQ. The Company, also, incorporated a new, wholly-owned subsidiary, BulovaTech Labs (LABS), engaged in technological development, such as the introduction of time based fuse and arming mechanisms.

*Currently, the Company operates through two facilities; BT Manufacturing LLC located in Melbourne, FL and Bulova Technologies Ordnance Systems in Mayo, FL to cater to the electronic component industry and defense industry. Bulova Technologies Combat Systems fulfills systems military contracts from the Clearwater headquarters and LABS develops commercial applications of the technologies related to defense, alternative energy and healthcare industries.*



## BULOVA Business Structure



Bulova Technologies Group, Inc. is organized into the following four primary divisions:

### ***BT Manufacturing***

*BT Manufacturing assembles PCBs, produces cable assemblies and provides value-added services*

In 2005, Bulova Technologies LLC purchased the Electronic Manufacturing Services Division of Dictaphone Corporation and renamed it BT Manufacturing Company, LLC (BT). The subsidiary operates a 125,000 square foot facility, located in Melbourne, Florida.

### ***Primary Customers***



Primary customers include the U.S. Army (by subcontract) and homeland security. The Company also serves various commercial customers including major producers of ground and space based communications.

### ***Products & Services***

BT assembles a wide range of printed circuit boards (PCBs), manufactures cable assemblies and complete systems and offers other value-add services. The products manufactured have application in communication, medical application, banking ATM application, robotics, pay phone systems and voice recording devices.

BT Manufacturing also offers services such as, Virtual Production Model, Lean Manufacturing, New Product Implementation, Testing Capabilities, and Depot Repair. These services add value to the products sold by the subsidiary.

### ***Current Contracts***

*DRS Tactical Systems, Inc.:* BT assists in developing battlefield technology with the Appliqué-Legacy program for DRS Tactical Systems. This \$9.6 million contract offers an additional \$5 million annual upside potential.

*Protel Inc:* BT currently provides assemblies to Protel, one of the world's leading payphone manufacturers. The Company estimates future contract work of approximately \$3 million to \$5 million annually.

*Nuance Communications:* BT provides dictation, transcription and speech recognition products for customers in the healthcare industry.

*Custom Manufacturing & Engineering, Inc:* BT manufactures printed circuit boards for Custom Manufacturing & Engineering, Inc., used in helicopter power supply units by the U.S. Army. The Company estimates future contracts in the range of \$3 million to \$5 million annually.

*HunterLab:* The Company creates and tests finely tuned optical assemblies and circuit boards for a variety of HunterLab end products.

*Mykotronx:* BT manufactures communications security devices which are used in sensitive electronic messaging. BT Manufacturing has begun the security clearance process needed to bring this contract in-house. Significant upside potential exists by winning a larger portion of the total business that Mykotronx awards and by taking on the depot repair services.

*Thoratec:* The Company provides intricate microcircuits to Thoratec. These are used to monitor and control the circulatory assist pumps.

BT Manufacturing LLC has committed and backlog contracts worth \$24 million for 2009.





## ***Bulova Technologies Ordnance Systems***

Bulova Technologies Ordnance Systems, LLC (Bulova OS) operates a facility located on 261 acres in Mayo, Florida. Bulova OS is within short distance of several major cities allowing an abundant and inexpensive labor base.

### ***Primary Customers***

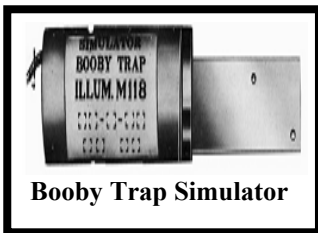
The U.S. Department of Defense and Defense departments in other allied governments throughout the world. The Department of Defense is one of its largest clients with over \$20.0 million in contracts.

*Bulova OS recently received a \$30 million contract from the Army Research Development and Engineering Command*

### ***Products and Services***

Bulova OS is a load, assembly, and pack (L.A.P.) facility specializing in fuses, safe and arming devices and explosive simulators. The Company has successfully produced and assembled products such as, M60 and M81 Igniters, M49A1 Trip Flares, M21 Artillery Simulators, M918TP Cartridges, M80 Explosive Simulators, JAU 22/b Initiator, and Booby Trap Simulators including the M117, M118 and M119.

Bulova can integrate an existing customer test network into the manufacturing processes or provide full test support services for product test development. Bulova OS emphasizes on program management, quick-turn prototypes, supply chain management strategy, design (DFx) reports prior and post-build, advanced manufacturing process design and flow, and service transition management.



**Booby Trap Simulator**

### ***Current Contracts***

**Booby Trap Simulator:** The Company has \$13 million Booby Trap Simulator Usage backlog and \$24 million pending awards for 2009. Bulova will deliver M117, M118, and M119 Booby Trap Simulators to the US Army for indefinite delivery/indefinite quantity (ID/IQ).



**JAU 22/b Initiator**

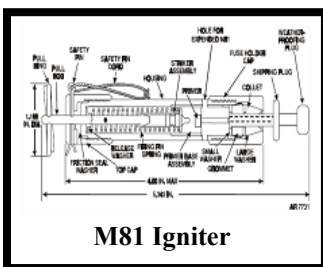
**JAU 22/b Initiator:** The Company has a one-year \$2.7 million contract for delivery of 170,000 JAU 22/b initiators to the US Navy.

**M81 & M60 Igniters:** Bulova OS also has orders to supply weatherproof time blasting fuse igniter M81 and M60.

Bulova OS LLC has a current backlog worth \$31.2 million and orders worth \$153 million pending for 2009.

## ***Bulova Technologies Combat Systems***

Combat Systems is a full Systems Integrator, providing U.S. Armed Services and Allied Forces with material that extends significant edge to homeland soldiers over enemy forces. The Company executes military contracts from the



**M81 Igniter**



headquarter in Clearwater, Florida. Combat Systems is registered with the United States Department of State Directorate of Defense Trade Controls (DDTC) as a broker which allows for the movement of military articles across friendly borders to support soldiers throughout the world.

Combat Systems is comprised of proficient workforce which has experience in Government Contracting, including International Traffic in Arms Regulations compliance, import and export licensing, and Foreign Corrupt Practices Act. The team has expertise in the knowhow of non standard ammunition, weapons, and weapons systems.

The pending awards by September 2009 is estimated at \$816 million, including the US Department of Defense, international NATO Governments and prime contractors.

### ***BulovaTech Labs***

The Company incorporated BulovaTech Labs (LABS) in May 2009. LABS will incubate, develop and license commercial applications of technologies pertinent to the defense, alternative energy and healthcare industries. LABS will continue to be involved in technological development, such as the introduction of time based fuse and arming systems.

LABS is expected to evolve as a catalyst for the Company's growth by contributing significant intellectual property, either through direct ownership or by Joint Ventures.



## BULL CASE

- Bulova provides an array of capabilities that allow customers to take on a ‘virtual production’ model, facilitating them to focus on their core competencies and business growth.
- The products provided by the Company can be used for multiple industry usage. This makes the business model highly scalable and improves its ability to tap potential opportunities in other sectors.
- The Company differentiates itself from competition on the basis of its capabilities in the loading, assembling and packing of small explosives and military fuses. The Company also has a highly skilled workforce and extensive contracts.
- Adoption of lean manufacturing techniques will result in increased productivity through improvements in production cycle times, productivity, inventory management, etc.
- Bulova’s onsite testing capabilities provides cost rationalization.
- Rising global terrorism and increased geopolitical tensions makes defense a priority sector.
- The Department of Defense (DoD) budget proposes \$663.8 billion for the for the fiscal year 2010, 4% over the fiscal year 2009 base budget. The budget includes \$533.8 billion in discretionary budget authority to fund base defense programs and \$130 billion to support overseas contingency operations, primarily in Iraq and Afghanistan. The Company stands to benefit from this due to its domain expertise and long standing association with the Government.
- Long-term contracts and Government projects dominate the order book providing revenue stability.
- Strategic locations of the facilities provide significant competitive advantage with the availability of abundant and cheap labor base.
- Recently, the Company has received a \$30 million order from the Army Research Development and Engineering Command for delivery of non-standard weapons in Iraq.
- The Company is also likely to benefit from its experienced management team and their strong and established customer relationships.



## BEAR CASE

- Existing U.S. Government contracts are subject to continued appropriations by Congress and may be terminated or delayed if future funding is not made available. Reduced funding for defense procurement and R&D programs can adversely affect the Company's sales and profitability.
- Although Congress has continued to express concern about the size of supplemental budget requests, funding for ongoing operations has not been significantly curtailed to date.
- The Company is subject to a number of procurement rules and regulations as a US Government contractor. Any violation of specific laws and regulations could result in the imposition of fines and penalties, contract termination, or debarment from bidding on contracts.
- The growth in the US electronic component industry has been almost flat since 2006. The growth is slated to be slow as most end-user industries are at the mature stage of their growth cycle.
- The competition within the electronic component industry is high due to the low level of industry concentration and extensive number of companies in the market.
- There are certain employee dissonance issues with the Company.

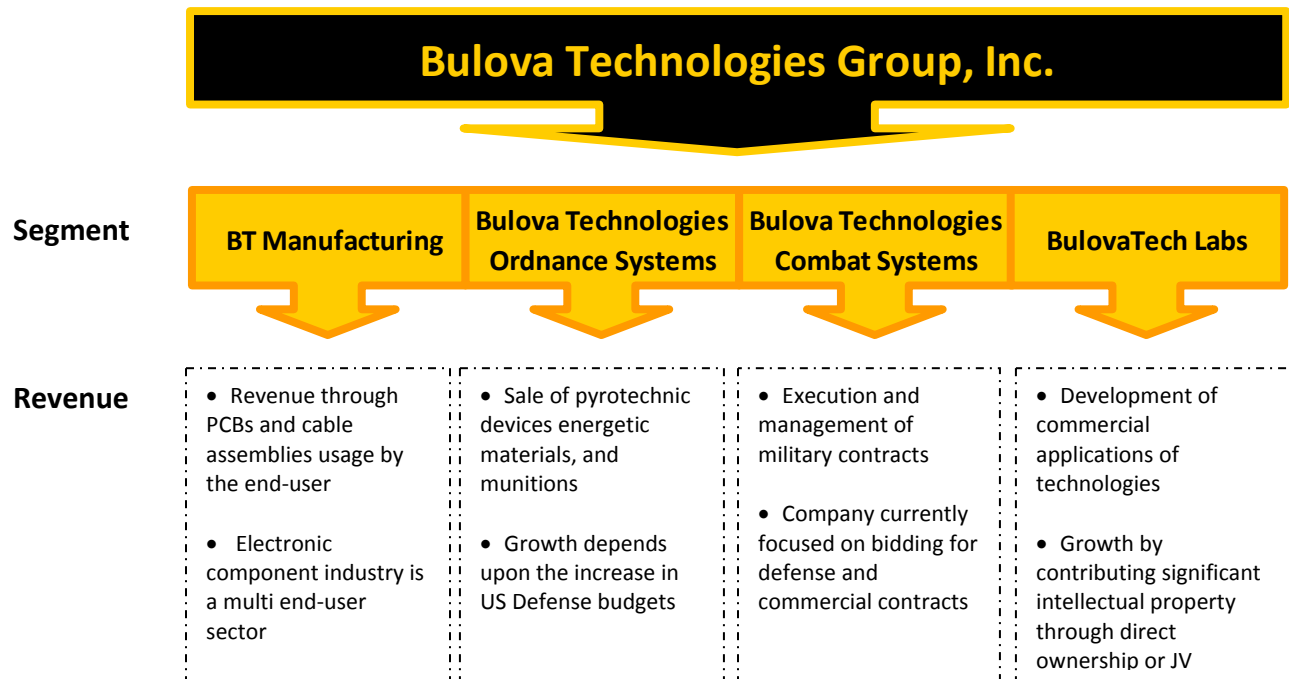


## SUMMARY OF RECENT EVENTS

- 06/25/2009 **Bulova Technologies Announces R & D Contract to Develop Environmentally Sensitive Ordnance for U.S. Army.** Bulova Technologies Group, Inc. (Pink Sheets: BLVT) ("BulovaTech" or "the Company") announced today the awarding of a \$574,153 Research and Development contract from Science Applications International Corporation
- 06/11/2009 **Bulova Technologies Group Inc. Announces Significant New Contract Awards to Subsidiary BT Manufacturing.** Bulova Technologies Group, announced that its wholly-owned subsidiary, BT Manufacturing Company LLC, was awarded two significant new contracts.....
- 05/14/2009 **Bulova Technologies Group Announces New Wholly-Owned Subsidiary BulovaTech Labs, Inc.** Bulova Technologies Group, Inc. announced today that it has incorporated a new, wholly-owned subsidiary, BulovaTech Labs, Inc. ("LABS"). LABS will incubate, develop and license commercial applications of technologies applicable to the defense, alternative energy and healthcare industries....
- 05/04/2009 **Bulova Technologies Announces Profitable Q1 Earnings on \$14.9 million in Revenue; Plans Begin to Go Fully Reporting and File Complete Quarterly Financials** Bulova Technologies Group, Inc. announced today that it earned \$541,000 on revenue of \$14,901,000 in the quarter ended March 31, 2009. The Company also announced today that it is interviewing accounting firms to begin the process of becoming a fully reporting company....
- 04/30/2009 **Bulova Technologies Announces Contract** Bulova Technologies Group, Inc. announced today that its subsidiary, Bulova Technologies Ordnance Systems LLC was awarded a \$30 million contract from the Army Research Development and Engineering Command for Delivery of Non Standard Weapons to our Allied Forces in Iraq. The Company will manage this contract from its office....
- 04/14/2009 **Bulova Technologies Completes Acquisition** Bulova Technologies Group, Inc. announced today that it has acquired BT Acquisition Corporation, effectively completing the acquisition of the Bulova Technologies, LLC group of companies...
- 02/25/2009 **Bulova Technologies Announces New Symbol** Bulova Technologies Group, Inc. announced that effective today it will trade under the symbol "BLVT". The Company also announced that its previously disclosed 15-1 reverse split would also be in effect.



# COMPANY'S EARNING MODEL



## Bulova Earnings Model

Bulova has created potential multiple revenue streams as PCBs can be used to serve different market segments. New demand from various end-user verticals including telecommunications, healthcare, security communications, defense, robotics, etc. will stimulate robust top-line growth. Rising number of contracts from the defense sector is expected to be the major revenue driver for the Company. US defense spending increased more than 60% to \$612.5 billion in fiscal 2009. As per our base case estimates, the defense business is expected to be the primary revenue contributor for the Company. Revenue from ordnance systems are expected to account for 50% of total sales in 2009, which will temper down to 11% by 2013.

*Multiple and high-growth-potential revenue streams will result in a significant increase in top-line and lower the revenue-related risk*



# BULOVA TECHNOLOGIES GROUP, INC. – VALUE DRIVERS

## Bulova Technologies Group, Inc. – Value Drivers

<b>Scalable Business Model</b>	Bulova existing business verticals are highly scalable and offers significant economies of scale as multiple uses exist for its products and services
<b>Robust Order Book</b>	Strong order pipeline and long term Government contracts and provides revenue visibility and stability
<b>Proficient Workforce</b>	The Company has highly skilled and experienced management team that has significant expertise in ammunitions and systems
<b>Established Presence in Growing Defense Industry</b>	Bulova procures contracts by leveraging its long-standing political relationship in the defense space
<b>Cost Advantage</b>	Cost rationalisation through onsite testing capabilities and lean manufacturing techniques implementation
<b>New Product Implementation</b>	Focuses on on program management, quick-turn prototypes, supply chain management strategy, design reviews prior and post-build, advanced manufacturing process design and flow, and service transition management.

### *Scalable Business Model*

The Company extended its business model to include non-defense commercial sector in its portfolio. The products and services have application in varied industries such as defense, telecom equipment, healthcare, color measurement instrumentation, security communications, robotics, etc. The value added services enables multiple and increased uses of the products.

### *Strong Order Book*

Bulova’s order book provides strong revenue visibility. The Company intends to leverage on the business relationships to increase revenues through increased order volumes from the existing customers. Bulova’s order book is skewed towards Government projects, providing revenue stability.



### ***Qualified and Efficient Workforce***

The Company has seasoned personnel with strong knowledge and long-standing experience in Government Contracting. This provides a competitive edge in terms of quality order implementation and procurement. The team also has expertise in non standard ammunition, weapons, and weapons systems.

### ***Established Presence in Defense Industry***

The Company has operated as a defense contractor for 46 years. Bulova has developed relationships with both of Florida's United States Senators; Senator Mel Martinez (Republican) and Senator Bill Nelson (Democrat). The Company benefits from its political ties in terms of defense business procurement.

### ***Cost Rationalization Initiatives***

Bulova has extensive "onsite" testing capabilities. These capabilities significantly reduce test and evaluation costs without compromising on the quality. The Company has also adopted lean manufacturing techniques which should significantly impact costs.

### ***New Product Implementation***

The Company's products are characterized by complexity, short life-cycles, lack of volume, and difficult-to-predict demand coupled with short lead-times. Bulova's agility ensures that projects move from prototype to production smoothly and on time and that the customer's "time-to-production" and "time-to-volume" schedules are met.



# Industry Overview

*War in Iraq and Afghanistan, along with the global war on terrorism provides robust revenue visibility to the defense industry players*

Bulova Technologies Group, Inc and its subsidiaries operate and compete primarily are mainly focused on the following industries:

- Defense Industry
- Electronic Component Industry

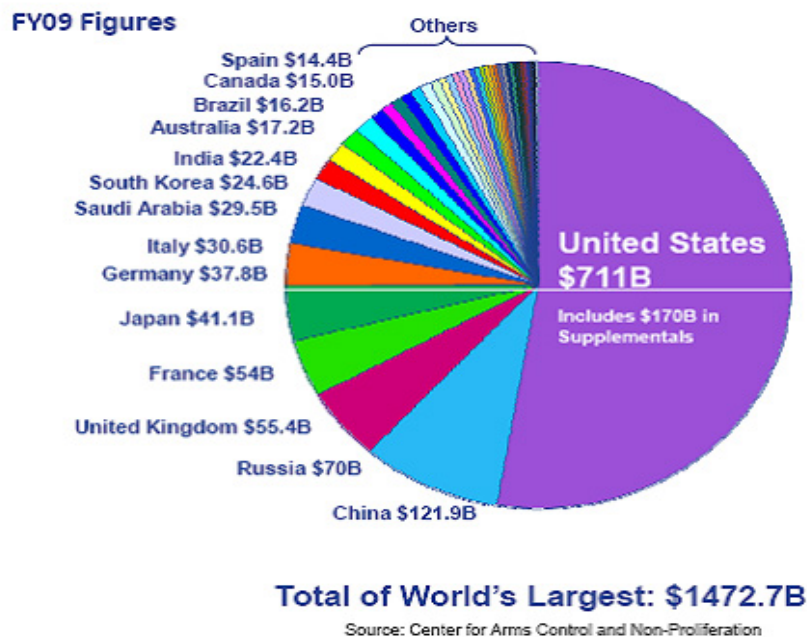
The Company has focused its businesses is primarily United States. However, defense equipments are sold to other countries and peace keeping forces around the world.

## Defense Industry

Governments around the world are planning to inject billions of dollars into their militaries this year, despite the recession. The ongoing surge in international military spending may be explained by the more prominent international roles played by both previously inward-focused countries, such as China and India, and terror outfits, such as Al Qaeda.

The 15 countries with the highest spending account for more than 80% of the total spending. The USA is responsible for 45% of the world total, distantly followed by China, Russia, UK, France, and Japan.

## Worldwide Defense Spending

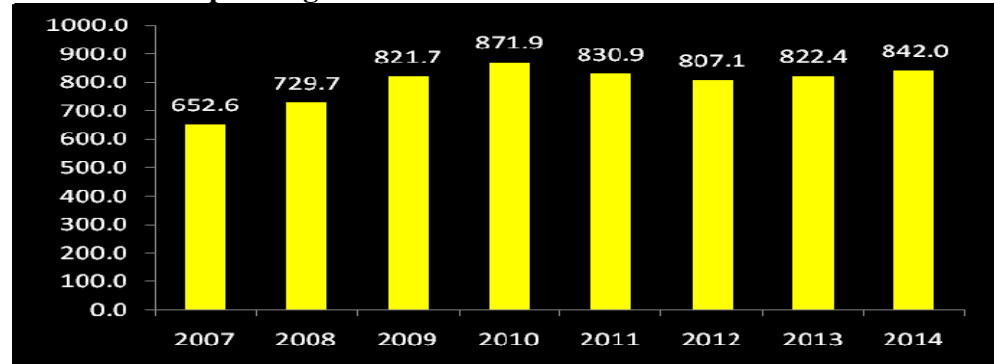




*US defense spending climbed more than 60% during the Bush administration and will total \$612.5 billion in 2009*

The defense industry in the United States has witnessed a sustained robust growth for almost a decade. The Department of Defense (DoD) base budget, which excludes emergency funding has grown at a CAGR of 7% from 2001-2008. The fiscal budget for 2010 includes \$534 billion for baseline defense budget and \$130 billion for overseas military operations, primarily for wars in Iraq and the Afghanistan. Total DoD funding for homeland security is expected to rise to \$549.0 billion in 2013, 14.4% higher than the fiscal year 2008 budget. The chart below shows the expected US defense sector spending till 2014.

### U.S. Defense Spending



Source: [www.usgovernmentspending.com](http://www.usgovernmentspending.com)

### Growth Drivers

**Increasing Geopolitical Tensions** – Increased geopolitical tensions globally will trigger increased defense spending by government. Continued tension in Afghanistan, Iraq will require more defense preparedness leading to higher defense spending.

**Defense modernization plans by United States** – The US Department of Defense has embarked on modernization plans for defense equipments. Aging fleets of aircraft, ships, submarines, tanks, and transport vehicles will be replaced signaling a positive for defense contractors who stand to gain the most from this proposed modernization.

**Robust investment in local defense industry** – Areas of growth in the local defense industry include continued work on the Joint Program Executive Office (JPEO) Joint Tactical Radio System (JTRS) program and Program Executive Office of Command Control Computers and Intelligence efforts to provide integrated communications and information technology systems.

**Robust defense spending in emerging economies** – The defense budget for China, India, Russia, Saudi Arabia and South Korea is expected to grow by 30% during the next three years. This will help US defense companies sustain their growth in spite of flat US defense spending over this period.

*Increasing Geopolitical tensions and robust defense related spending in emergin economies would be the key defense industry growth driver*



***Setting up Army and Police Operations in failed states*** – The United States government intends to procure nearly \$500 million of ammunitions to assist with the readiness of the Afghan Army and Police and the Iraqi Army.

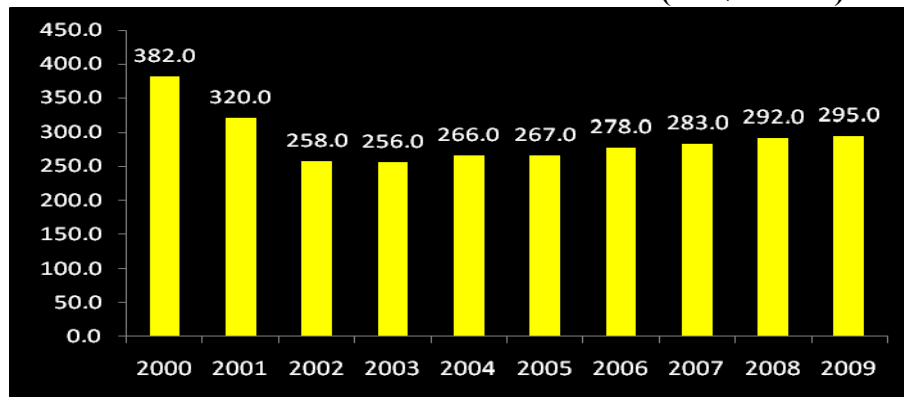
***Constant equipment requirement for peacekeeping forces*** – The NATO and other peacekeeping forces, which are stationed at different locations globally, are in constant need for defense equipments. This ensures a constant demand for various equipments and keeps order books for defense players healthy.

### ***Electronic Components Industry***

The market for printed and potentially printed electronics, including organics, inorganics and composites, will rise from \$1.92 billion in 2009 to \$57.16 billion in 2019, according to research group IDTechEX. The demand for electronic components is dependent on sales of products in application markets including consumer electronics, computers, transportation (including automobiles), and telecommunications. The world economy is expected to turn around in mid-2010 driving the demand for consumer electronic products.

*Even a fractional market share in the \$ 50 billion electronic component industry would fuel Bulova's revenue significantly*

**Electronic Product Production in United States (US \$ Billion)**



Source: sinohub.com

In the U.S the electronic components market is in the mature stage of their growth cycle. The growth in the electronic component industry in the US has been almost flat in the last few years. Bulova has opportunities to tap allied markets and emerging markets.

### ***Competition***

The defense industry has a large number of listed suppliers. Defense spending has been aggressive in the U.S. in the past few years and all players received a good share of the spending. The chart below gives some of the major players in the industry. Bulova is small player compared to other players in the industry. The Company is not comparable on the basis of its size and trades at a significant discount to its industry peers.



Competition within the electronic component industry is high, as the market remains fragments with many players. The companies in the industry compete primarily on pricing, new product innovation, better customer service and also on high product quality and reliability

### Valuation Metrics – Comparable Companies

Company	-----P/E-----			-----P/Sales-----		
	LTM	Cur Year + 1	Cur Year + 2	LTM	Cur Year + 1	Cur Year + 2
CPI Aerostructures Inc	15.9	16.3	9.6	1.1	1.2	0.9
Astronics Corp	16.0	11.7	9.3	0.6	0.5	0.5
LMI Aerospace Inc	8.0	7.2	7.9	0.5	0.4	0.4
Hawk Corp	7.3	22.7	15.1	0.5	0.7	0.6
TASER International Inc	157.7	26.3	33.8	3.1	3.2	2.5
Bulova Technologies Groups Inc	-12.0	23.9	4.8	5.6	1.5	0.4
<b>Overall Average</b>	<b>32.1</b>	<b>18.0</b>	<b>13.4</b>	<b>1.9</b>	<b>1.3</b>	<b>0.9</b>
<b>Average (excluding BLVT)</b>	<b>41.0</b>	<b>16.8</b>	<b>15.1</b>	<b>1.2</b>	<b>1.2</b>	<b>1.0</b>
<b>Premium/ (Discount)</b>	<b>-129%</b>	<b>42%</b>	<b>-68%</b>	<b>384.6%</b>	<b>23.6%</b>	<b>-62.7%</b>



## LATEST FINANCIAL STATEMENT ANALYSIS

*First quarter results exhibit net income of \$0.5 million of revenues of \$14.9 million.*

The Company reported results for the first quarter of 2009 ending March 31, 2009. Net income was \$0.5 million. Consolidated revenues were \$14.9 million. Bulova is on the process of becoming a fully reported Company during the year. The Company did not provide detailed financials in the first quarter of 2009.

Existing orders along with the new contract worth \$30 million from the US government is expected to significantly drive full-year revenue.

## FINANCIAL FORECAST

Our projections reflect a strong and positive outlook for Bulova Technologies in the intermediate-to-long term. The favorable market dynamics for the Company's products and technologies enhances our outlook. In addition to forecasting the Company's financial statements under the realistic Base Case Scenario, we also forecasted its financial condition under the Optimistic and Pessimistic Case Scenarios.

### *Revenue Forecast*

*Forecast based on the earning potential and increased government contracts indicate a strong and positive outlook.*

Our revenue forecasts are based on the Company's operations in defense and non-defense sectors. The current order book aggregated \$72 million and total un-bid contracts are estimated to be more than \$100 million for 2009. The non-defense sector should also perform well on the back of increased demand of printed circuit boards in communication, pay phone systems, medical application, robotics, and voice recording devices. Overall, we expect Bulova Technologies Ordnance to be the highest revenues generator in 2009 with 50% of total revenues, as per our base case estimate.

We expect revenues of Bulova Technologies Ordnance Systems to increase from approximately \$31 million in 2009 to \$147 million in 2013, representing a compounded annual growth of 67.4% (as per our base case estimates). Revenues for the BT Combat System should approximate \$20 million in 2009 and more than \$882 million in 2013. Over time, we are expecting BT Combat Systems to be the highest revenue contributor with 67% of consolidated sales. Our estimates include orders worth \$38 million scheduled for delivery in 2009. We are anticipating revenues from fuses, propellant and other related products to grow from \$9 million in 2009 to more than \$170 million by 2013. We expect continued order flow for the Company with increase in defense spending in 2009.

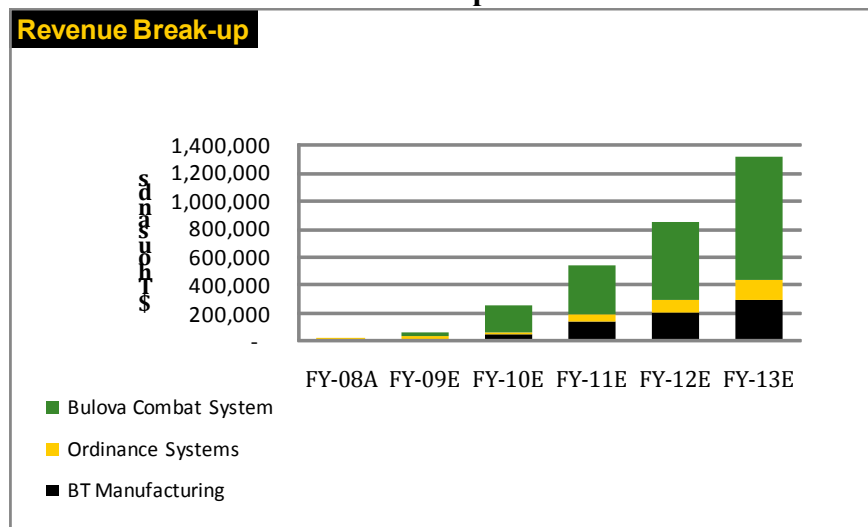


BT Manufacturing is expected to post revenues in the range of \$11 million to \$289 million between 2009 and 2013, reflecting a CAGR of 195%, as per our base case estimate. Total order backlog for PCBs is \$24 million as of April 2009.

### Revenues Forecast – Base Case Scenario

All figures in \$'000	FY-08A	FY-09E	FY-10E	FY-11E	FY-12E	FY-13E
BT Manufacturing	89.8%	17.9%	20.3%	25.4%	23.3%	21.9%
Ordnance Systems	10.2%	49.8%	6.6%	10.2%	11.3%	11.1%
Bulova Combat System		32.3%	73.1%	64.4%	65.5%	66.9%
<b>Total Revenues</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

### Revenue Break-Up – Base Case



### Revenues – All Scenarios

All figures in \$'000	FY-08A	FY-09E	FY-10E	FY-11E	FY-12E	FY-13E
Optimistic Case	16,659	79,865	400,534	861,998	1,456,111	2,406,674
Base Case	16,659	62,799	254,869	539,421	853,681	1,318,447
Pessimistic Case	16,659	47,500	122,000	257,500	365,000	502,500

### Cost Forecast

*The Company's cost realignment initiatives should expand gross and operating profit margins.*

We are expecting consolidated cost of revenues to be in the range of 79% to 82% over our five-year forecasted period between 2009 and 2013. Given the capital intensive nature of the business fixed expense are higher. Expense in the BT Ordnance Systems is likely to stay at approximately 84%. We believe the Company's transitions of operations from the Lancaster PA facility to Bulova EMS facility in Melbourne and plant wide re-layout based on lean manufacturing techniques should bring cost savings. We expect cost of sales to moderate from 117% in 2008 to around 81% in 2010. We anticipate overall gross margins to improve to 19% in 2010 from a negative margin of 17% in 2008.

**Forecasted Cost of Goods Sold – Base Case**

<b>Income Statement Metrics</b>	<b>FY-08A</b>	<b>FY-09E</b>	<b>FY-10E</b>	<b>FY-11E</b>	<b>FY-12E</b>	<b>FY-13E</b>
Gross Profit	(2,843)	13,175	48,907	97,014	151,312	236,385
<i>Gross Profit Sequential Growth %</i>	<i>NM</i>	<i>NM</i>	<i>271.2%</i>	<i>98.4%</i>	<i>56.0%</i>	<i>56.2%</i>
<i>Gross Profit as % of Sales</i>	<i>-17.1%</i>	<i>21.0%</i>	<i>19.2%</i>	<i>18.0%</i>	<i>17.7%</i>	<i>17.9%</i>

Selling, general and administrative (SG&A) expenses are also expected to moderate after a higher \$6.1 million in 2009, representing 10% of total revenues. These expenses are expected to trend down to 4% to 6% of total revenues in the coming years. We anticipate the Company will improve its operating margins from 10% in 2009 to 13% by 2013. We believe our estimates are conservative.

**Operating Expenses – Base Case**

<b>Income Statement Metrics</b>	<b>FY-08A</b>	<b>FY-09E</b>	<b>FY-10E</b>	<b>FY-11E</b>	<b>FY-12E</b>	<b>FY-13E</b>
SG&A Expense	2,626	6,059	16,291	29,627	40,699	52,738
<i>SG&amp;A Sequential Growth %</i>	<i>NM</i>	<i>130.7%</i>	<i>168.9%</i>	<i>81.9%</i>	<i>37.4%</i>	<i>29.6%</i>
<i>SG&amp;A as % of Sales</i>	<i>15.8%</i>	<i>9.6%</i>	<i>6.4%</i>	<i>5.5%</i>	<i>4.8%</i>	<i>4.0%</i>

**Operating Profit – Base Case**

<b>Income Statement Metrics</b>	<b>FY-08A</b>	<b>FY-09E</b>	<b>FY-10E</b>	<b>FY-11E</b>	<b>FY-12E</b>	<b>FY-13E</b>
EBIT	(6,041)	6,441	30,901	62,587	104,246	172,463
<i>EBIT Sequential Growth %</i>	<i>NM</i>	<i>NM</i>	<i>379.7%</i>	<i>102.5%</i>	<i>66.6%</i>	<i>65.4%</i>
<i>EBIT Margin %</i>	<i>-36.3%</i>	<i>10.3%</i>	<i>12.1%</i>	<i>11.6%</i>	<i>12.2%</i>	<i>13.1%</i>

**Net Profit – All Scenarios**

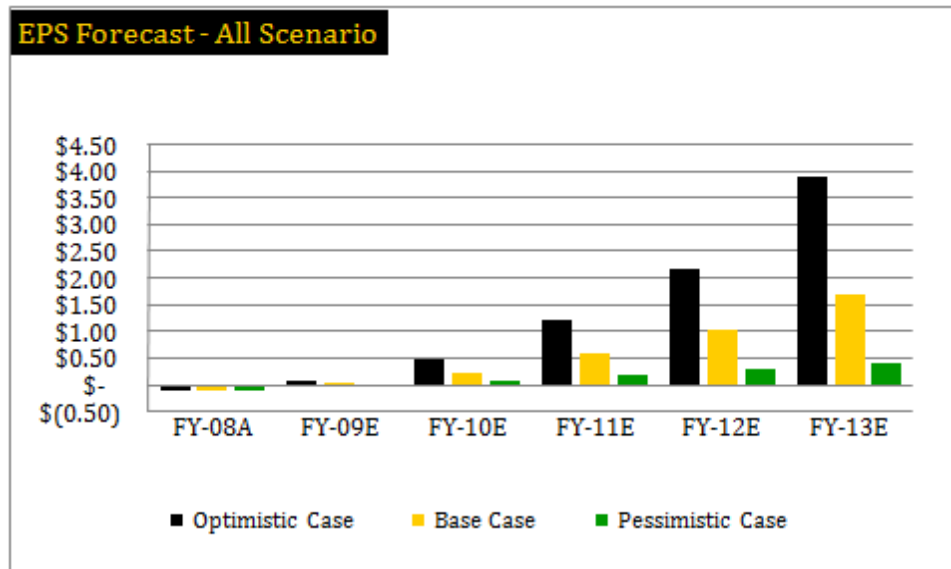
<b>All figures in \$'000</b>	<b>FY-08A</b>	<b>FY-09E</b>	<b>FY-10E</b>	<b>FY-11E</b>	<b>FY-12E</b>	<b>FY-13E</b>
Optimistic Case	(6,041)	6,778	32,383	79,397	141,705	255,263
Base Case	(6,041)	3,911	16,120	39,696	67,552	111,982
Pessimistic Case	(6,041)	1,638	6,175	12,198	19,027	27,950



## Earnings Forecast

Continued order flow augmented by cost saving initiatives is expected to enhance the bottom line and drive earnings growth. We expect the Company's earnings to increase from \$0.06 per share in 2009 to \$1.72 per share in 2013.

EPS Forecast – All Scenarios



## VALUATION

We calculated the long term price target for BLVT using our discounted cash flow (DCF) analysis<sup>2</sup>. Our fair-value estimate for BLVT ranges between \$3.94 and \$6.17 based on our Base Case forecast, with an estimated long-term terminal growth rate of 2%-6% and discount rate range of 11%-17%. Based on our mid-level target price estimates, the Company's stock is currently significantly underpriced and carries a large discount based on the Company's current market price of \$1.44. We calculated the fair-value range for the stock price based on our free cash flow projections under three scenarios – Base Case, Optimistic Case, and Pessimistic Case.

*Long-term valuation as indicated by our DCF approach results in a price target of \$0.42-\$0.53*

Our fair-value estimate for the stock is based on the cash flows forecasted for the Company during our forecast period. Thereafter (beyond 2013), we have used an appropriate growth rate to derive the long-term fair value for the stock. We have broadly used the following assumptions<sup>3</sup> to derive the 12-month fair value of the stock:

<sup>2</sup> Refer appendices for a detailed explanation of Discounted Cash Flow Valuation method

<sup>3</sup> A detailed description about our valuation assumptions is given in the Appendix Section of this report.



**Beta:** Since BLVT does not have a relevant trading history, we have used an average beta of 1.6 instead of its historical beta. We believe this beta measure captures the volatility associated with a development stage Company such as Bulova.

**Risk-Free Rate:** We have used the US 10-year Treasury yield as the benchmark Risk Free Rate. As of the valuation date, the US 10-Year yield stood at 3.6%.

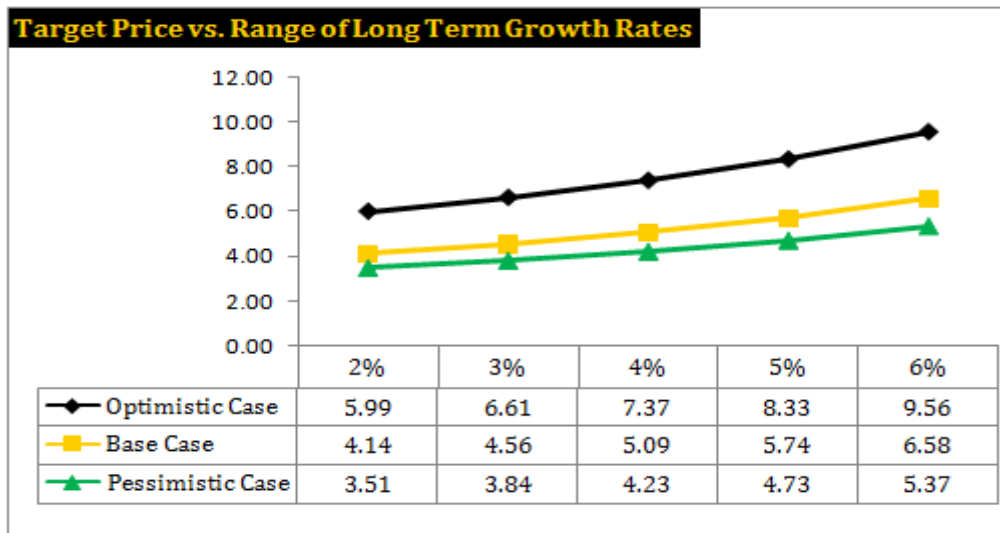
**Equity Risk Premium:** The equity risk premium represents the expected return of the stockholder over and above the returns from investing in a risk-free asset. We have assumed an equity risk premium of 6.0% in order to calculate the cost of equity applicable to BLVT common stock.

**Cost of Equity:** Based on our assumptions regarding the beta, risk-free rate and equity risk premium, the *Cost of Equity for BLVT is estimated to 13%*.

**Long-Term Growth Rate:** We have developed explicit FCF estimates until the year 2013. After 2013, we have assumed a *perpetual growth rate of 2.0%*.

The following chart and table describes the target price range for the stock for each scenario for a range of terminal growth rates with the discount rate of 13%.

### Target Price vs. Long-term Growth Rates

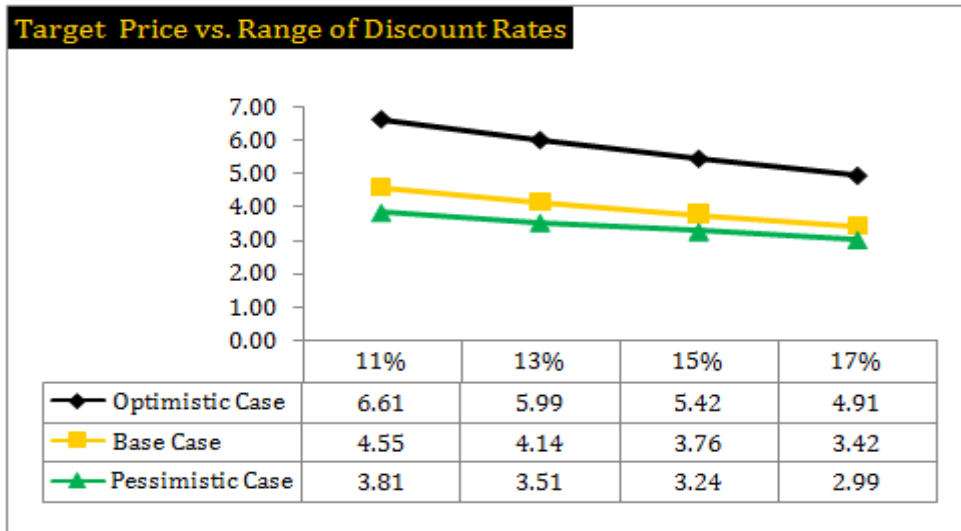


Stock price is more sensitive to change in discount rate than to growth rate.

The following chart and table describes the target price range for the stock in each scenario for a range of discount rates with the terminal growth rate at 2%. This indicates that the target price for BLVT is more sensitive to changes in the growth rates.



## Target Price vs. Discount Rates



*Even our most pessimistic valuation target price of \$3.51 highlights significant upside potential from current stock price levels.*

It is interesting to note that the stock is considerably undervalued given our Pessimistic Case scenario. Our Pessimistic Case price target of \$3.51 translates to a very large premium of approximately 144% from the current price. We believe this is due to the Company's limited visibility in the marketplace. Bulova is in the process of becoming a fully reporting Company in 2009. This will enhance transparency and provide better visibility into future growth prospects. We believe the upcoming government projects will create value in the long term.

## CONCLUSION

Bulova Technologies Group is principally engaged in defense contracting and has established working relationships within the defense department in the U.S. The Company has been working as a defense contractor for over 45 years. The Company is bidding on major government contracts to expand operations and profitability by a significant margin by leveraging on customer and political ties.

Constant geopolitical tensions across the world and the 'war on terror' ensure ongoing demand for defense equipments and increased Defense budgets of countries around the globe. U.S defense spending constitutes more than 45% of the total world defense spending.

Bulova's presence in the electronic component industry, a multi end-user sector, provides scalability and creates diverse revenue sources for the Company. Bulova serves industries with differing economic cycles enabling revenue continuity and stability. The Company is currently bidding on several substantial new contracts in both the defense and commercial sectors.

Bulova is in the process of restructuring its operations through lean manufacturing techniques. Management expects to realize significant productivity gains, reduce production cycle time, and improve inventory management from the initiative. The Company effectively rationalizes cost through its in-house testing capabilities.



Bulova has a very talented and experienced management team at its helm. The Company is likely to benefit significantly from the management's expertise in contract manufacturing and working relationships in the government.

We believe that the Company's high end capabilities and current market position will enable it to capture a larger share of the growing defense pie and also in the growing commercial contract manufacturing sector.

---

SC/Cohen Independent Research Group



# FINANCIAL EXHIBITS

**BULOVA TECHNOLOGIES GROUP, INC.**  
(OTC : BVLT.PK)

**STRONG BUY**  
**CURRENT PRICE \$1.44**  
**TARGET PRICE \$3.51-\$5.99**

**Consolidated Income Statement – Base Case**

<b>Amounts in \$'000</b>	<b>FY-09</b>	<b>FY-10</b>	<b>FY-11</b>	<b>FY-12</b>	<b>FY-13</b>
BT Manufacturing	11,244	51,661	136,901	198,506	289,361
Ordinance Systems	31,255	16,787	54,977	96,209	146,719
Bulova Combat System	20,300	186,422	347,543	558,965	882,367
<b>Total Revenues</b>	<b>62,799</b>	<b>254,869</b>	<b>539,421</b>	<b>853,681</b>	<b>1,318,447</b>
Costs of sales	49,624	205,962	442,407	702,369	1,082,061
Overhead	-	-	-	-	-
<b>Gross profit</b>	<b>13,175</b>	<b>48,907</b>	<b>97,014</b>	<b>151,312</b>	<b>236,385</b>
SG&A	6,059	16,291	29,627	40,699	52,738
Corporate Exp	-	-	-	-	-
R&D Exp	-	-	-	-	-
D&A Exp	675	1,716	4,800	6,367	11,184
<b>Operating Income</b>	<b>6,441</b>	<b>30,901</b>	<b>62,587</b>	<b>104,246</b>	<b>172,463</b>
Interest Expense	413	840	1,419	1,780	3,017
<b>Income before income taxes</b>	<b>6,028</b>	<b>30,061</b>	<b>61,168</b>	<b>102,466</b>	<b>169,447</b>
Provision for income taxes	2,110	10,521	21,409	34,838	57,612
<b>Net income</b>	<b>3,918</b>	<b>19,539</b>	<b>39,759</b>	<b>67,627</b>	<b>111,835</b>
<b>Earnings per share:</b>					
Basic	<b>0.06</b>	<b>0.30</b>	<b>0.61</b>	<b>1.04</b>	<b>1.72</b>
Diluted	<b>0.06</b>	<b>0.30</b>	<b>0.61</b>	<b>1.04</b>	<b>1.72</b>
Outstanding Shares - Basic	65,000	65,000	65,000	65,000	65,000
Outstanding Shares - Diluted	65,000	65,000	65,000	65,000	65,000

**Consolidated Balance Sheet – Base Case**

<b>Amounts in \$'000</b>	<b>FY-06</b>	<b>FY-07</b>	<b>FY-08</b>	<b>FY-09</b>	<b>FY-10</b>	<b>FY-11</b>	<b>FY-12</b>	<b>FY-13</b>
<b>Assets</b>								
Current assets:								
Cash	7	9	16	(4,863)	(21,299)	(25,972)	18,195	62,143
Accounts Receivable	9,530	6,777	15	9,943	45,310	92,900	123,309	194,105
Inventory	17,649	16,196	6,930	10,876	17,493	21,817	30,789	37,057
Prepaid expenses	1,320	427	1,100	408	688	863	1,110	2,637
<b>Total current assets</b>	<b>28,506</b>	<b>23,409</b>	<b>8,061</b>	<b>16,365</b>	<b>42,192</b>	<b>89,609</b>	<b>173,403</b>	<b>295,941</b>
<b>Property and equipment, at cost:</b>								
Building and Improvements	3,472	3,665	4,450	5,884	13,559	28,913	37,263	57,814
Machinery, Furniture and Equipment	10,483	12,413	8,633	12,528	27,628	43,154	46,952	84,117
	<b>13,955</b>	<b>16,078</b>	<b>13,083</b>	<b>18,413</b>	<b>41,187</b>	<b>72,067</b>	<b>84,216</b>	<b>141,931</b>
Less accumulated depreciation and amortization	(4,924)	(6,057)	-	(675)	(2,390)	(7,190)	(13,557)	(24,741)
<b>Net property and equipment</b>	<b>9,031</b>	<b>10,021</b>	<b>13,083</b>	<b>17,738</b>	<b>38,796</b>	<b>64,877</b>	<b>70,659</b>	<b>117,190</b>
<b>Other assets:</b>								
Real Estate				-	-	-	-	-
Other Asstes	612	823	132	601	901	1,216	1,301	1,400
<b>Total other assets</b>	<b>612</b>	<b>823</b>	<b>132</b>	<b>601</b>	<b>901</b>	<b>1,216</b>	<b>1,301</b>	<b>1,400</b>
<b>Total Assets</b>	<b>38,149</b>	<b>34,253</b>	<b>21,276</b>	<b>34,703</b>	<b>81,889</b>	<b>155,702</b>	<b>245,363</b>	<b>414,531</b>
<b>Liabilities and Stockholders' Equity</b>								
Current liabilities:								
Accounts payable	9,195	11,685	1,056	4,549	21,168	43,012	56,580	87,166
Accrued Expenses and Liabilities	9,638	6,064	6	1,500	3,976	4,612	5,848	7,871
Current portion of notes payable	1,113	1,104	-	500	1,500	2,000	2,500	3,000
Current portion of capital lease obligations	81	34	-	852	2,500	4,675	5,200	6,001
Short-term notes payable				-	750	3,500	4,199	5,001
Revolving credit facility	9,393	9,711	97	4,500	8,001	13,002	18,007	20,528
<b>Total current liabilities</b>	<b>29,420</b>	<b>28,598</b>	<b>1,159</b>	<b>11,901</b>	<b>37,895</b>	<b>70,800</b>	<b>92,334</b>	<b>129,568</b>
Notes payable, net of current portion	5,330	3,221	1,608	1,200	2,600	3,400	3,600	12,300
Capital Lease Obligations	14	80	-	1,200	1,452	1,800	2,101	13,500
Notes Payable - Shareholders	1,600	4,850	2,025	-	-	-	-	-
Subordinated Debt	6,433	6,828	-	-	-	-	-	-
Other Non-Current Liabilities	1,841	1,498	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>44,638</b>	<b>45,075</b>	<b>4,792</b>	<b>14,301</b>	<b>41,947</b>	<b>76,000</b>	<b>98,035</b>	<b>155,368</b>
<b>Stockholders' equity</b>	<b>(6,489)</b>	<b>(10,822)</b>	<b>16,484</b>	<b>20,402</b>	<b>39,942</b>	<b>79,701</b>	<b>147,329</b>	<b>259,164</b>
<b>Total liabilities and stockholders' equity</b>	<b>38,149.0</b>	<b>34,253</b>	<b>21,276</b>	<b>34,703</b>	<b>81,889</b>	<b>155,702</b>	<b>245,363</b>	<b>414,531</b>

**Consolidated Cash Flow Statement – Base Case**

<b>Amounts in \$'000</b>	<b>FY-06</b>	<b>FY-07</b>	<b>FY-08</b>	<b>FY-09</b>	<b>FY-10</b>	<b>FY-11</b>	<b>FY-12</b>	<b>FY-13</b>
<b>Cash Flows from Operating Activities</b>								
Net income	(4,045)	487	(6,041)	3,918	19,539	39,759	67,627	111,835
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>								
Depreciation and amortization	1,133	1,133	(6,057)	675	1,716	4,800	6,367	11,184
Loss on sale of fixed assets								
Common stock issued for services								
Other Adjustment								
<b>Change in:</b>								
Receivables	(2,242)	2,753	6,762	(9,928)	(35,367)	(47,590)	(30,409)	(70,795)
Prepaid expenses	(327)	893	(673)	692	(280)	(175)	(247)	(1,527)
Inventory	(3,317)	1,453	9,266	(3,946)	(6,616)	(4,325)	(8,971)	(6,268)
Other Current Assets								
Accounts payable	4,942	2,490	(10,629)	3,493	16,619	21,843	13,568	30,586
Accrued Expenses and Liabilities	4,335	(3,574)	(6,058)	1,494	2,476	636	1,236	2,023
Other Current Liabilities								
<b>Net cash provided by (used in) operating activities</b>	<b>479</b>	<b>5,635</b>	<b>(13,430)</b>	<b>(3,603)</b>	<b>(1,913)</b>	<b>14,949</b>	<b>49,170</b>	<b>77,038</b>
<b>Cash Flows from Investing Activities</b>								
(Purchase)/Sale of Property & Equipment	(653)	(2,123)	2,995	(5,330)	(22,774)	(30,880)	(12,149)	(57,715)
Changes in other assets	(1,598)	(554)	(807)	(469)	(300)	(315)	(85)	(99)
<b>Net cash (used in) investing activities</b>	<b>(2,251)</b>	<b>(2,677)</b>	<b>2,188</b>	<b>(5,798)</b>	<b>(23,075)</b>	<b>(31,195)</b>	<b>(12,234)</b>	<b>(57,814)</b>
<b>Cash Flows from Financing Activities</b>								
Notes Payable	(2,701)	1,527	(12,370)	(1,933)	3,150	4,049	1,400	10,002
Capital Lease	(96)	19	(114)	2,052	1,900	2,523	825	12,200
Revolving Facility	4,123	318	(9,614)	4,403	3,501	5,001	5,006	2,521
Contributed capital	426	(4,820)	33,347					
<b>Net cash provided by financing activities</b>	<b>1,752</b>	<b>(2,956)</b>	<b>11,249</b>	<b>4,522</b>	<b>8,551</b>	<b>11,574</b>	<b>7,231</b>	<b>24,723</b>
Effect of exchange rate differences on cash								
<b>Net increase in cash</b>	<b>(20)</b>	<b>2</b>	<b>7</b>	<b>(4,879)</b>	<b>(16,436)</b>	<b>(4,673)</b>	<b>44,167</b>	<b>43,947</b>
Cash, beginning of period	27	7	9	16	(4,863)	(21,299)	(25,972)	18,195
<b>Cash, end of period</b>	<b>7</b>	<b>9</b>	<b>16</b>	<b>(4,863)</b>	<b>(21,299)</b>	<b>(25,972)</b>	<b>18,195</b>	<b>62,143</b>



## DCF Valuation – Base Case

	2009F	2010F	2011F	2012F	2013F	Terminal Value				
Net Cash from Operations	(3,603)	(1,913)	14,949	49,170	77,038					
CAPEX	(5,330)	(22,774)	(30,880)	(12,149)	(57,715)	Range of Terminal Growth Rate				
Net Debt Additions	4,522	8,551	11,574	7,231	24,723	2%	3%	4%	5%	6%
<b>Free Cash Flows Equity</b>	<b>(4,410)</b>	<b>(16,136)</b>	<b>(4,357)</b>	<b>44,252</b>	<b>44,046</b>	<b>408,430</b>	<b>453,677</b>	<b>508,980</b>	<b>578,108</b>	<b>666,987</b>
<b>PV</b>	<b>-</b>	<b>(4,024)</b>	<b>(13,029)</b>	<b>(3,114)</b>	<b>27,983</b>	<b>228,557</b>	<b>253,878</b>	<b>284,825</b>	<b>323,509</b>	<b>373,246</b>

### Sensitivity Analysis with Growth Rate

Discount Rate	13%	13%	13%	13%	13%
Terminal Growth	2%	3%	4%	5%	6%
Shares O/S	65,000	65,000	65,000	65,000	65,000
Sum PV of FCFE	261,022	286,342	317,290	355,974	405,711
Add: Cash	(4,863)	(4,863)	(4,863)	(4,863)	(4,863)
Equity Value	256,159	281,479	312,427	351,111	400,848
<b>Value Per Share (in \$)</b>	<b>3.94</b>	<b>4.33</b>	<b>4.81</b>	<b>5.40</b>	<b>6.17</b>

### Sensitivity Analysis with Di (With Terminal growth rate of 2%)

Range of Discount Rate	PV of Free Cash Flows (in \$'000)					Terminal Value	Sum of PV of FCFE			Equity Value
	2009F	2010F	2011F	2012F	2013F		of FCFE	Add Cash		
11%	(4,078)	(13,442)	(3,270)	29,921	26,830	248,790	284,750	(4,863)	4.31	
13%	(4,024)	(13,029)	(3,114)	27,983	24,648	228,557	261,022	(4,863)	3.94	
15%	(3,971)	(12,635)	(2,967)	26,201	22,677	210,282	239,587	(4,863)	3.61	
17%	(3,920)	(12,259)	(2,830)	24,561	20,894	193,747	220,192	(4,863)	3.31	

**Consolidated Income Statement – Optimistic Case**

<b>Amounts in \$'000</b>	<b>FY-09</b>	<b>FY-10</b>	<b>FY-11</b>	<b>FY-12</b>	<b>FY-13</b>
BT Manufacturing	12,740	59,808	164,473	254,933	397,108
Ordinance Systems	31,425	20,020	67,569	125,003	203,129
Bulova Combat System	35,700	320,705	629,956	1,076,175	1,806,437
<b>Total Revenues</b>	<b>79,865</b>	<b>400,534</b>	<b>861,998</b>	<b>1,456,111</b>	<b>2,406,674</b>
Costs of sales	61,780	318,016	693,857	1,175,086	1,934,581
Overhead	-	-	-	-	-
<b>Gross profit</b>	<b>18,084</b>	<b>82,518</b>	<b>168,141</b>	<b>281,025</b>	<b>472,093</b>
SG&A	6,763	22,537	40,633	56,970	74,186
Corporate Exp	-	-	-	-	-
R&D Exp	-	-	-	-	-
D&A Exp	823	2,529	7,498	10,639	20,036
<b>Operating Income</b>	<b>10,498</b>	<b>57,452</b>	<b>120,011</b>	<b>213,416</b>	<b>377,871</b>
Interest Expense	332	681	1,167	1,479	2,489
<b>Income before income taxes</b>	<b>10,166</b>	<b>56,771</b>	<b>118,844</b>	<b>211,937</b>	<b>375,383</b>
Provision for income taxes	3,355	18,735	39,218	69,939	120,123
<b>Net income</b>	<b>6,811</b>	<b>38,037</b>	<b>79,625</b>	<b>141,997</b>	<b>255,260</b>
<b>Earnings per share:</b>					
Basic	<b>0.10</b>	<b>0.59</b>	<b>1.23</b>	<b>2.18</b>	<b>3.93</b>
Diluted	<b>0.10</b>	<b>0.59</b>	<b>1.23</b>	<b>2.18</b>	<b>3.93</b>
Outstanding Shares - Basic	65,000	65,000	65,000	65,000	65,000
Outstanding Shares - Diluted	65,000	65,000	65,000	65,000	65,000

**Consolidated Balance Sheet – Optimistic Case**

<b>Amounts in \$'000</b>	<b>FY-06</b>	<b>FY-07</b>	<b>FY-08</b>	<b>FY-09</b>	<b>FY-10</b>	<b>FY-11</b>	<b>FY-12</b>	<b>FY-13</b>
<b>Assets</b>								
Current assets:								
Cash	7	9	16	(10,778)	(44,080)	(47,793)	36,272	103,051
Accounts Receivable	9,530	6,777	15	13,089	73,431	158,033	218,417	374,372
Inventory	17,649	16,196	6,930	13,710	28,752	30,796	47,164	63,603
Prepaid expenses	1,320	427	1,100	519	1,081	1,379	1,893	4,813
<b>Total current assets</b>	<b>28,506</b>	<b>23,409</b>	<b>8,061</b>	<b>16,540</b>	<b>59,184</b>	<b>142,416</b>	<b>303,746</b>	<b>545,838</b>
<b>Property and equipment, at cost:</b>								
Building and Improvements	3,472	3,665	4,450	7,164	20,107	43,617	60,647	100,719
Machinery, Furniture and Equipment	10,483	12,413	8,633	15,294	40,614	68,960	80,086	153,546
	<b>13,955</b>	<b>16,078</b>	<b>13,083</b>	<b>22,458</b>	<b>60,721</b>	<b>112,577</b>	<b>140,733</b>	<b>254,265</b>
Less accumulated depreciation and amortization	(4,924)	(6,057)	-	(823)	(3,352)	(10,850)	(21,489)	(41,525)
<b>Net property and equipment</b>	<b>9,031</b>	<b>10,021</b>	<b>13,083</b>	<b>21,635</b>	<b>57,369</b>	<b>101,727</b>	<b>119,244</b>	<b>212,740</b>
<b>Other assets:</b>								
Real Estate				-	-	-	-	-
Other Asstes	612	823	132	594	891	1,203	1,287	1,384
<b>Total other assets</b>	<b>612</b>	<b>823</b>	<b>132</b>	<b>594</b>	<b>891</b>	<b>1,203</b>	<b>1,287</b>	<b>1,384</b>
<b>Total Assets</b>	<b>38,149</b>	<b>34,253</b>	<b>21,276</b>	<b>38,769</b>	<b>117,444</b>	<b>245,345</b>	<b>424,276</b>	<b>759,962</b>
<b>Liabilities and Stockholders' Equity</b>								
Current liabilities:								
Accounts payable	9,195	11,685	1,056	5,663	32,685	67,458	94,660	145,094
Accrued Expenses and Liabilities	9,638	6,064	6	1,500	6,409	7,758	9,683	14,440
Current portion of notes payable	1,113	1,104	-	500	1,500	2,000	2,500	3,000
Current portion of capital lease obligations	81	34	-	852	2,556	4,856	5,439	6,309
Short-term notes payable				-	750	3,750	4,688	5,625
Revolving credit facility	9,393	9,711	97	4,559	8,161	13,465	18,851	21,679
<b>Total current liabilities</b>	<b>29,420</b>	<b>28,598</b>	<b>1,159</b>	<b>13,074</b>	<b>52,060</b>	<b>99,288</b>	<b>135,820</b>	<b>196,147</b>
Notes payable, net of current portion	5,330	3,221	1,608	1,200	2,600	3,300	3,400	12,100
Capital Lease Obligations	14	80	-	1,200	1,452	1,800	2,101	13,500
Notes Payable - Shareholders	1,600	4,850	2,025	-	-	-	-	-
Subordinated Debt	6,433	6,828	-	-	-	-	-	-
Other Non-Current Liabilities	1,841	1,498	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>44,638</b>	<b>45,075</b>	<b>4,792</b>	<b>15,474</b>	<b>56,112</b>	<b>104,388</b>	<b>141,322</b>	<b>221,747</b>
<b>Stockholders' equity</b>	<b>(6,489)</b>	<b>(10,822)</b>	<b>16,484</b>	<b>23,295</b>	<b>61,332</b>	<b>140,957</b>	<b>282,955</b>	<b>538,215</b>
<b>Total liabilities and stockholders' equity</b>	<b>38,149.0</b>	<b>34,253</b>	<b>21,276</b>	<b>38,769</b>	<b>117,444</b>	<b>245,345</b>	<b>424,276</b>	<b>759,962</b>

**Consolidated Cash Flow Statement – Optimistic Case**

<b>Amounts in \$'000</b>	<b>FY-06</b>	<b>FY-07</b>	<b>FY-08</b>	<b>FY-09</b>	<b>FY-10</b>	<b>FY-11</b>	<b>FY-12</b>	<b>FY-13</b>
<b>Cash Flows from Operating Activities</b>								
Net income	(4,045)	487	(6,041)	6,811	38,037	79,625	141,997	255,260
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>								
Depreciation and amortization	1,133	1,133	(6,057)	823	2,529	7,498	10,639	20,036
Loss on sale of fixed assets								
Common stock issued for services								
Other Adjustment								
<b>Change in:</b>								
Receivables	(2,242)	2,753	6,762	(13,074)	(60,342)	(84,602)	(60,384)	(155,955)
Prepaid expenses	(327)	893	(673)	581	(562)	(298)	(514)	(2,920)
Inventory	(3,317)	1,453	9,266	(6,780)	(15,042)	(2,044)	(16,369)	(16,438)
Other Current Assets								
Accounts payable	4,942	2,490	(10,629)	4,607	27,022	34,773	27,201	50,434
Accrued Expenses and Liabilities	4,335	(3,574)	(6,058)	1,494	4,909	1,349	1,925	4,757
Other Current Liabilities								
<b>Net cash provided by (used in) operating activities</b>	<b>479</b>	<b>5,635</b>	<b>(13,430)</b>	<b>(5,538)</b>	<b>(3,450)</b>	<b>36,303</b>	<b>104,497</b>	<b>155,174</b>
<b>Cash Flows from Investing Activities</b>								
(Purchase)/Sale of Property & Equipment	(653)	(2,123)	2,995	(9,375)	(38,263)	(51,856)	(28,156)	(113,532)
Changes in other assets	(1,598)	(554)	(807)	(462)	(297)	(312)	(84)	(97)
<b>Net cash (used in) investing activities</b>	<b>(2,251)</b>	<b>(2,677)</b>	<b>2,188</b>	<b>(9,837)</b>	<b>(38,560)</b>	<b>(52,168)</b>	<b>(28,240)</b>	<b>(113,628)</b>
<b>Cash Flows from Financing Activities</b>								
Notes Payable	(2,701)	1,527	(12,370)	(1,933)	3,150	4,200	1,537	10,137
Capital Lease	(96)	19	(114)	2,052	1,956	2,649	883	12,269
Revolving Facility	4,123	318	(9,614)	4,462	3,602	5,304	5,386	2,828
Contributed capital	426	(4,820)	33,347					
<b>Net cash provided by financing activities</b>	<b>1,752</b>	<b>(2,956)</b>	<b>11,249</b>	<b>4,581</b>	<b>8,708</b>	<b>12,153</b>	<b>7,807</b>	<b>25,234</b>
Effect of exchange rate differences on cash								
<b>Net increase in cash</b>	<b>(20)</b>	<b>2</b>	<b>7</b>	<b>(10,794)</b>	<b>(33,303)</b>	<b>(3,712)</b>	<b>84,064</b>	<b>66,779</b>
Cash, beginning of period	27	7	9	16	(10,778)	(44,080)	(47,793)	36,272
<b>Cash, end of period</b>	<b>7</b>	<b>9</b>	<b>16</b>	<b>(10,778)</b>	<b>(44,080)</b>	<b>(47,793)</b>	<b>36,272</b>	<b>103,051</b>



## DCF Valuation – Optimistic Case

	2009F	2010F	2011F	2012F	2013F	Terminal Value				
Net Cash from Operations	(5,538)	(3,450)	36,303	104,497	155,174					
CAPEX	(9,375)	(38,263)	(51,856)	(28,156)	(113,532)	Range of Terminal Growth Rate				
Net Debt Additions	4,581	8,708	12,153	7,807	25,234	2%	3%	4%	5%	6%
<b>Free Cash Flows Equity</b>	<b>(10,332)</b>	<b>(33,006)</b>	<b>(3,400)</b>	<b>84,148</b>	<b>66,876</b>	<b>620,122</b>	<b>688,822</b>	<b>772,788</b>	<b>877,746</b>	<b>1,012,692</b>
<b>PV</b>	<b>-</b>	<b>(9,427)</b>	<b>(26,650)</b>	<b>(2,430)</b>	<b>53,211</b>	<b>347,020</b>	<b>385,464</b>	<b>432,452</b>	<b>491,187</b>	<b>566,702</b>

### Sensitivity Analysis with Growth Rate

Discount Rate	13%	13%	13%	13%	13%
Terminal Growth	2%	3%	4%	5%	6%
Shares O/S	65,000	65,000	65,000	65,000	65,000
Sum PV of FCFE	399,148	437,592	484,580	543,315	618,830
Add: Cash	(10,778)	(10,778)	(10,778)	(10,778)	(10,778)
Equity Value	388,370	426,815	473,802	532,537	608,052
<b>Value Per Share (in \$)</b>	<b>5.97</b>	<b>6.57</b>	<b>7.29</b>	<b>8.19</b>	<b>9.35</b>

### Sensitivity Analysis with Di (With Terminal growth rate of 2%)

Range of Discount Rate	PV of Free Cash Flows (in \$'000)					Terminal Value	Sum of PV		
	2009F	2010F	2011F	2012F	2013F		of FCFE	Add Cash	Equity Value
11%	(9,554)	(27,496)	(2,552)	56,896	40,737	377,740	435,771	(10,778)	6.54
13%	(9,427)	(26,650)	(2,430)	53,211	37,424	347,020	399,148	(10,778)	5.97
15%	(9,304)	(25,844)	(2,315)	49,823	34,431	319,273	366,064	(10,778)	5.47
17%	(9,184)	(25,076)	(2,208)	46,703	31,724	294,167	336,126	(10,778)	5.01

**Consolidated Income Statement – Pessimistic Case**

<b>Amounts in \$'000</b>	<b>FY-09</b>	<b>FY-10</b>	<b>FY-11</b>	<b>FY-12</b>	<b>FY-13</b>
BT Manufacturing	9,000	40,000	100,000	130,000	170,000
Ordinance Systems	31,000	12,000	37,500	60,000	82,500
Bulova Combat System	7,500	70,000	120,000	175,000	250,000
<b>Total Revenues</b>	<b>47,500</b>	<b>122,000</b>	<b>257,500</b>	<b>365,000</b>	<b>502,500</b>
Costs of sales	38,513	101,640	217,725	310,050	427,175
Overhead	-	-	-	-	-
<b>Gross profit</b>	<b>8,987</b>	<b>20,360</b>	<b>39,775</b>	<b>54,950</b>	<b>75,325</b>
SG&A	5,416	8,960	17,025	20,600	25,125
Corporate Exp	-	-	-	-	-
R&D Exp	-	-	-	-	-
D&A Exp	517	750	2,000	2,501	2,996
<b>Operating Income</b>	<b>3,054</b>	<b>10,650</b>	<b>20,750</b>	<b>31,849</b>	<b>47,204</b>
Interest Expense	495	1,002	1,691	2,118	3,532
<b>Income before income taxes</b>	<b>2,559</b>	<b>9,648</b>	<b>19,060</b>	<b>29,730</b>	<b>43,672</b>
Provision for income taxes	921	3,473	6,862	10,703	15,722
<b>Net income</b>	<b>1,638</b>	<b>6,175</b>	<b>12,198</b>	<b>19,027</b>	<b>27,950</b>
<b>Earnings per share:</b>					
Basic	<b>0.03</b>	<b>0.09</b>	<b>0.19</b>	<b>0.29</b>	<b>0.43</b>
Diluted	<b>0.03</b>	<b>0.09</b>	<b>0.19</b>	<b>0.29</b>	<b>0.43</b>
Outstanding Shares - Basic	65,000	65,000	65,000	65,000	65,000
Outstanding Shares - Diluted	65,000	65,000	65,000	65,000	65,000

**Consolidated Balance Sheet – Pessimistic Case**

<b>Amounts in \$'000</b>	<b>FY-06</b>	<b>FY-07</b>	<b>FY-08</b>	<b>FY-09</b>	<b>FY-10</b>	<b>FY-11</b>	<b>FY-12</b>	<b>FY-13</b>
<b>Assets</b>								
Current assets:								
Cash	7	9	16	942	5,057	4,570	22,897	59,491
Accounts Receivable	9,530	6,777	15	7,521	21,689	44,347	52,722	73,979
Inventory	17,649	16,196	6,930	8,441	8,632	10,737	13,591	14,629
Prepaid expenses	1,320	427	1,100	309	329	412	475	1,005
<b>Total current assets</b>	<b>28,506</b>	<b>23,409</b>	<b>8,061</b>	<b>17,213</b>	<b>35,708</b>	<b>60,066</b>	<b>89,685</b>	<b>149,105</b>
<b>Property and equipment, at cost:</b>								
Building and Improvements	3,472	3,665	4,450	4,703	6,002	12,000	13,012	16,005
Machinery, Furniture and Equipment	10,483	12,413	8,633	9,405	12,005	18,025	20,075	22,010
	<b>13,955</b>	<b>16,078</b>	<b>13,083</b>	<b>14,108</b>	<b>18,007</b>	<b>30,025</b>	<b>33,087</b>	<b>38,014</b>
Less accumulated depreciation and amortization	(4,924)	(6,057)	-	(517)	(1,267)	(3,267)	(5,768)	(8,764)
<b>Net property and equipment</b>	<b>9,031</b>	<b>10,021</b>	<b>13,083</b>	<b>13,590</b>	<b>16,740</b>	<b>26,758</b>	<b>27,319</b>	<b>29,250</b>
<b>Other assets:</b>								
Real Estate				-	-	-	-	-
Other Asstes	612	823	132	601	901	1,216	1,301	1,400
<b>Total other assets</b>	<b>612</b>	<b>823</b>	<b>132</b>	<b>601</b>	<b>901</b>	<b>1,216</b>	<b>1,301</b>	<b>1,400</b>
<b>Total Assets</b>	<b>38,149</b>	<b>34,253</b>	<b>21,276</b>	<b>31,404</b>	<b>53,349</b>	<b>88,040</b>	<b>118,306</b>	<b>179,755</b>
<b>Liabilities and Stockholders' Equity</b>								
Current liabilities:								
Accounts payable	9,195	11,685	1,056	3,530	10,446	21,168	24,976	34,411
Accrued Expenses and Liabilities	9,638	6,064	6	1,500	1,903	2,202	2,500	3,000
Current portion of notes payable	1,113	1,104	-	500	1,500	2,000	2,500	2,975
Current portion of capital lease obligations	81	34	-	852	2,500	4,675	5,200	5,927
Short-term notes payable				-	750	3,500	4,199	4,829
Revolving credit facility	9,393	9,711	97	4,500	8,001	13,002	18,007	20,708
<b>Total current liabilities</b>	<b>29,420</b>	<b>28,598</b>	<b>1,159</b>	<b>10,882</b>	<b>25,101</b>	<b>46,545</b>	<b>57,383</b>	<b>71,851</b>
Notes payable, net of current portion	5,330	3,221	1,608	1,200	2,500	3,200	3,300	11,300
Capital Lease Obligations	14	80	-	1,200	1,452	1,800	2,101	13,132
Notes Payable - Shareholders	1,600	4,850	2,025	-	-	-	-	-
Subordinated Debt	6,433	6,828	-	-	-	-	-	-
Other Non-Current Liabilities	1,841	1,498	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>44,638</b>	<b>45,075</b>	<b>4,792</b>	<b>13,282</b>	<b>29,053</b>	<b>51,546</b>	<b>62,784</b>	<b>96,284</b>
<b>Stockholders' equity</b>	<b>(6,489)</b>	<b>(10,822)</b>	<b>16,484</b>	<b>18,122</b>	<b>24,296</b>	<b>36,494</b>	<b>55,522</b>	<b>83,472</b>
<b>Total liabilities and stockholders' equity</b>	<b>38,149.0</b>	<b>34,253</b>	<b>21,276</b>	<b>31,404</b>	<b>53,349</b>	<b>88,040</b>	<b>118,306</b>	<b>179,755</b>

**Consolidated Cash Flow Statement – Pessimistic Case**

<b>Amounts in \$'000</b>	<b>FY-06</b>	<b>FY-07</b>	<b>FY-08</b>	<b>FY-09</b>	<b>FY-10</b>	<b>FY-11</b>	<b>FY-12</b>	<b>FY-13</b>
<b>Cash Flows from Operating Activities</b>								
Net income	(4,045)	487	(6,041)	1,638	6,175	12,198	19,027	27,950
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>								
Depreciation and amortization	1,133	1,133	(6,057)	517	750	2,000	2,501	2,996
Loss on sale of fixed assets								
Common stock issued for services								
Other Adjustment								
<b>Change in:</b>								
Receivables	(2,242)	2,753	6,762	(7,506)	(14,168)	(22,658)	(8,375)	(21,257)
Prepaid expenses	(327)	893	(673)	791	(21)	(83)	(63)	(531)
Inventory	(3,317)	1,453	9,266	(1,511)	(191)	(2,105)	(2,854)	(1,038)
Other Current Assets								
Accounts payable	4,942	2,490	(10,629)	2,474	6,916	10,721	3,809	9,435
Accrued Expenses and Liabilities	4,335	(3,574)	(6,058)	1,494	403	298	299	500
Other Current Liabilities								
<b>Net cash provided by (used in) operating activities</b>	<b>479</b>	<b>5,635</b>	<b>(13,430)</b>	<b>(2,103)</b>	<b>(136)</b>	<b>372</b>	<b>14,344</b>	<b>18,055</b>
<b>Cash Flows from Investing Activities</b>								
(Purchase)/Sale of Property & Equipment	(653)	(2,123)	2,995	(1,025)	(3,900)	(12,017)	(3,063)	(4,927)
Changes in other assets	(1,598)	(554)	(807)	(469)	(300)	(315)	(85)	(99)
<b>Net cash (used in) investing activities</b>	<b>(2,251)</b>	<b>(2,677)</b>	<b>2,188</b>	<b>(1,493)</b>	<b>(4,200)</b>	<b>(12,333)</b>	<b>(3,148)</b>	<b>(5,026)</b>
<b>Cash Flows from Financing Activities</b>								
Notes Payable	(2,701)	1,527	(12,370)	(1,933)	3,050	3,949	1,300	9,105
Capital Lease	(96)	19	(114)	2,052	1,900	2,523	825	11,759
Revolving Facility	4,123	318	(9,614)	4,403	3,501	5,001	5,006	2,701
Contributed capital	426	(4,820)	33,347					
<b>Net cash provided by financing activities</b>	<b>1,752</b>	<b>(2,956)</b>	<b>11,249</b>	<b>4,522</b>	<b>8,451</b>	<b>11,474</b>	<b>7,131</b>	<b>23,565</b>
Effect of exchange rate differences on cash								
<b>Net increase in cash</b>	<b>(20)</b>	<b>2</b>	<b>7</b>	<b>926</b>	<b>4,115</b>	<b>(487)</b>	<b>18,327</b>	<b>36,594</b>
Cash, beginning of period	27	7	9	16	942	5,057	4,570	22,897
<b>Cash, end of period</b>	<b>7</b>	<b>9</b>	<b>16</b>	<b>942</b>	<b>5,057</b>	<b>4,570</b>	<b>22,897</b>	<b>59,491</b>



## DCF Valuation – Pessimistic Case

	2009F	2010F	2011F	2012F	2013F	Terminal Value					
Net Cash from Operations	(2,103)	(136)	372	14,344	18,055						
CAPEX	(1,025)	(3,900)	(12,017)	(3,063)	(4,927)	Range of Terminal Growth Rate					
Net Debt Additions	4,522	8,451	11,474	7,131	23,565	2%	3%	4%	5%	6%	
<b>Free Cash Flows Equity</b>	<b>1,395</b>	<b>4,415</b>	<b>(172)</b>	<b>18,412</b>	<b>36,693</b>	<b>340,245</b>	<b>377,939</b>	<b>424,009</b>	<b>481,597</b>	<b>555,638</b>	
<b>PV</b>	<b>-</b>	<b>1,273</b>	<b>3,565</b>	<b>(123)</b>	<b>11,643</b>	<b>20,533</b>	<b>190,401</b>	<b>211,494</b>	<b>237,275</b>	<b>269,501</b>	<b>310,935</b>

### Sensitivity Analysis with Growth Rate

Discount Rate	13%	13%	13%	13%	13%
Terminal Growth	2%	3%	4%	5%	6%
Shares O/S	65,000	65,000	65,000	65,000	65,000
Sum PV of FCFE	227,292	248,386	274,167	306,393	347,826
Add: Cash	942	942	942	942	942
Equity Value	228,234	249,328	275,109	307,335	348,768
<b>Value Per Share (in \$)</b>	<b>3.51</b>	<b>3.84</b>	<b>4.23</b>	<b>4.73</b>	<b>5.37</b>

### Sensitivity Analysis with Di (With Terminal growth rate of 2%)

Range of Discount Rate	PV of Free Cash Flows (in \$'000)					Terminal Value	Sum of PV		
	2009F	2010F	2011F	2012F	2013F		of FCFE	Add Cash	Equity Value
11%	1,290	3,678	(129)	12,449	22,351	207,256	246,896	942	3.81
13%	1,273	3,565	(123)	11,643	20,533	190,401	227,292	942	3.51
15%	1,256	3,457	(117)	10,902	18,892	175,177	209,566	942	3.24
17%	1,240	3,354	(111)	10,219	17,406	161,402	193,510	942	2.99



**APPENDICES**  
**BULOVA TECHNOLOGIES GROUP**  
(OTC: BLVT.PK)  
**STRONG BUY**  
**CURRENT PRICE \$1.44**  
**TARGET PRICE \$3.51-\$5.99**



## APPENDIX 1: FINANCIAL ANALYSIS AND VALUATION

### *Cohen Net Cash Flows from Operations*

We derive our Cohen Net Cash Flow from Operations (NCFO) to analyze cash flowing through the enterprise. The Cohen NCFO analysis uses income statement and balance sheet data to reconstruct how cash is generated and used. We start with revenues, adjusting for the change in receivables to determine Gross Cash Collections. Cost of Goods Sold, and SG&A expenses are aggregated to determine Total Operating Expenses. We then look at the changes in all working capital accounts, except

receivables and cash, to determine how much cash was used or generated while managing current assets and liabilities, such that a negative value for change in working capital is a generator of cash. We derive the Cohen NCFO by adding the working capital cash requirements/generation with operating expenses and then subtracting from Gross Cash Collections. For comparison purposes, Reported Cash from Operations in the Statement of Changes in Cash is displayed in the following table.

### Cohen Net Cash Flows from Operations – Base Case

<b>Cohen Net Cash Flow from Operations</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>	<b>2012E</b>	<b>2013E</b>
Revenues	62,799	254,869	539,421	853,681	1,318,447
plus decrease (-increase) in AR	(9,928)	(35,367)	(47,590)	(30,409)	(70,795)
<b>Gross Cash Collections from Operations</b>	<b>52,871</b>	<b>219,502</b>	<b>491,830</b>	<b>823,271</b>	<b>1,247,651</b>
Operating Expenses					
Cost of Goods Sold	49,624	205,962	442,407	702,369	1,082,061
Selling, General and Administrative Expenses	6,059	16,291	29,627	40,699	52,738
R&D Expenses	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>55,683</b>	<b>222,253</b>	<b>472,034</b>	<b>743,068</b>	<b>1,134,799</b>
Working Capital Changes					
Increase in Inventories	(3,946)	(6,616)	(4,325)	(8,971)	(6,268)
Increase in Prepaid exp	692	(280)	(175)	(247)	(1,527)
Increase in Deferred Charges	-	-	-	-	-
Increase in Other Current Assets	-	-	-	-	-
Decrease (inc) in Accounts Payable	3,493	16,619	21,843	13,568	30,586
Decrease (inc) in Deffered Revenues	1,494	2,476	636	1,236	2,023
Decrease (inc) in Current LTD	-	-	-	-	-
Decrease (inc) in Current Cap Leases	-	-	-	-	-
Decrease (inc) in Income Tax Payable	-	-	-	-	-
Decrease (inc) in Other Current Liab	1,494	2,476	636	1,236	2,023
<b>Total Changes in Working Capital</b>	<b>3,226</b>	<b>14,675</b>	<b>18,616</b>	<b>6,821</b>	<b>26,838</b>
<b>Total Cash Outflows for Op (Op Exp+Chg WC)</b>	<b>58,909</b>	<b>236,928</b>	<b>490,650</b>	<b>749,889</b>	<b>1,161,637</b>
<b>Net Cash Flow from Operations (NCFO)</b>	<b>(6,038)</b>	<b>(17,426)</b>	<b>1,180</b>	<b>73,383</b>	<b>86,014</b>



## Cohen Cash Flow from Operations Analysis – Base Case

<b>NCFO/Diluted Share</b>					
<b>All Figures in \$</b>					
	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>	<b>2012E</b>	<b>2013E</b>
NCFO/Dilute Share	(0.09)	(0.27)	0.02	1.13	1.32
Diluted EPS	0.06	0.30	0.61	1.04	1.72
<b>Cohen NCFO Coverage</b>					
<b>All Figures in \$</b>					
	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>	<b>2012E</b>	<b>2013E</b>
Int & CAPX Coverage (NCFO/Int Exp +CAPX)	(1.05)	(0.74)	0.04	5.27	1.42

The Cohen NCFO and the Reported Cash provided by/used in Operations (i.e., Net Cash from Operating Activities) may follow a similar trend, but their value and sources are different. The Cohen NCFO is a top-down analysis starting with Revenues that inherently provides clarity about how cash changes. Reported Net Cash from Operating Activities begins with Net Income (Profit or Loss). A negative Cohen NCFO is a good indicator of the cash burn rate of a company before capital expenditures and interest expenses. Since we use changes in short-term debt as a component of change in the working capital, the Cohen NCFO data for BLVT indicates the cash burn rate after debt financing. According to our Cohen NCFO analysis, BLVT has a negative Cohen NCFO balance, indicating that the cash outflows

(operating expenditure) has not been absorbed by cash inflows. This can be attributed to the development stage of the Company.

### ***Cohen Free Cash Flow/Assets***

Another cash flow metric we find to be insightful is the Cohen Free Cash Flow to Assets (FCF/A) ratio. The value of FCF/A reflects operational expertise and competitive pressures. The trend in this ratio rather than the absolute value is more important for this metric. When improving, the trend indicates that management is creating value; in other words, for every dollar invested, the Company receives higher returns in the form of cash flows. This metric is highly correlated to the trend in stock prices of many companies.

**Cohen Free Cash Flows to Assets – Base Case**

<b>Cohen Free Cash Flows</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>	<b>2012E</b>	<b>2013E</b>
Cash Flow = ni+depr+amort	4,593	21,255	44,559	73,994	123,019
Net Cash Flow (CF-Div)	4,593	21,255	44,559	73,994	123,019
Exchange rate effects	-	-	-	-	-
CAPX	(5,330)	(22,774)	(30,880)	(12,149)	(57,715)
<b>Free Cash Flow</b>	<b>3,857</b>	<b>19,736</b>	<b>58,238</b>	<b>135,839</b>	<b>188,323</b>
Cash Flow/Assets	0.132	0.260	0.286	0.302	0.297
<b>Net Cash Flow/Assets</b>	<b>0.132</b>	<b>0.260</b>	<b>0.286</b>	<b>0.302</b>	<b>0.297</b>
<b>Free Cash Flow/Assets</b>	<b>0.111</b>	<b>0.241</b>	<b>0.374</b>	<b>0.554</b>	<b>0.454</b>
Net Cash Flow Per Share	0.07	0.33	0.69	1.14	1.89
Free Cash Flow Per Share	0.06	0.30	0.90	2.09	2.90
NCFO Per Share	(0.09)	(0.27)	0.02	1.13	1.32
Report Net CF from Oper Per Share	(0.06)	(0.03)	0.23	0.76	1.19
Diluted EPS, Before Extraordinary Items	0.06	0.30	0.61	1.04	1.72

The Cohen Free Cash Flow/Assets (FCF/A) metric for BLVT has been following a declining trend. However, going forward, we expect this metric to improve substantially from current levels. Beyond 2009, we expect the FCF to significantly rise as the company realizes benefits from its productivity improvement

initiatives based on lean manufacturing techniques. Also, the increase in top line and profitability is likely to result in higher operating cash flows. The consequent increase in revenues will outpace the growth in operating and capital expenses and improve cash flows, going forward.



## Valuation Assumptions

To determine an appropriate valuation for BLVT, we apply a present valuation formula to the forecasted free cash flows to equity. An important component of the present valuation formulation is the discount rate used for calculation. We normally determine an appropriate discount rate beginning with the 10-year Treasury bond yield of 3.6%, adjusting it for the equity risk premium and stock volatility. For BLVT, we have assumed the total market risk premium to be 6.0%.

The volatility measure, Beta, is based on the last five years of trading. Since BLVT does not have a relevant trading history, using the historical beta as a measure of volatility to determine the discount rate, in our view, is not reasonable. However, we assume that the stock will be volatile in the near future. The Company is still in the development phase, which we believe will

lead to increased trading activity. Therefore, the beta for BLVT is estimated at 1.6.

Another important component of the present-value analyses for stock valuation is determining the growth rate investors will attribute to the Company toward the end of the forecast period (beyond 2013 in the case of BLVT). Assuming strong growth in free cash flows during the next few years of our forecast period, our conservative estimate for the terminal growth rate (after 2013) is in the 2%–6% range. We discount the respective streams of cash flows in the forecast period using a present valuation formulation. We then add the present value of the terminal value to derive the value of the Company.



## APPENDIX 2: BULOVA EXECUTIVE TEAM<sup>4</sup>

### **John Stanton**

#### *Chairman*

John Stanton has served as a strategic leader and operational executive of numerous public and private companies since the mid-1980s. Mr Stanton was previously with the international professional services firm, now known as Ernst & Young, LLP. A decorated Vietnam veteran of the U.S. Army, Mr. Stanton earned a Bachelors of Arts degree in Marketing and Accounting and an MBA from the University of South Florida. He also was a Sells Award winner for high grades on the National CPA examination.

### **Stephen L. Gurba**

#### *President*

#### *Chief Executive Officer*

Stephen L. Gurba has over 30 years of experience in the design, development, production, and management of complex systems for both the defense ammunition industry as well as commercial products. His experience has included responsibility for companies with sales of up to \$300 million annually and employing as many as 2000 employees.

Mr. Gurba has previously held the position of Senior Vice President of General Defense Corporation, Vice President of Marketing for Olin Ordnance, President of Valentec International Corporation, President and CEO of National Manufacturing Corporation, and President, CEO and Owner of Bulova Technologies LLC. He currently holds the position of President and CEO for Bulova Technologies Group Inc. in this position he has responsibility for the Defense and Commercial operations of the Company. Mr. Gurba holds Associates, Bachelors, Masters and Doctoral degrees in Math, Science and Management.

### **Stephen C. Steckel**

#### *Chief Financial Officer*

Stephen C. Steckel brings 20 years of banking and finance experience to Bulova. Through 2008, Steckel spent 10 years in the Cleveland commercial banking market first with National City Bank, where he was the manager of the Special Credits Department, and later at KeyBank where he managed bank relations with underperforming small and middle-market companies in the Cleveland market.

---

<sup>4</sup> Taken directly from the Company's website



Mr. Steckel spent the first 10 years of his career working as a credit analyst and capital markets trader for financial institutions in New York, Tokyo and Los Angeles. He has held positions at Mitsubishi Trust, Cantor Fitzgerald Securities, and Weil, Gotshal & Manges. Mr. Steckel has an MBA in finance from the University of Wisconsin-Madison, and a BA in International Studies from the Johns Hopkins University and is conversant in Japanese.

## **Angelo Saitta**

### ***President, Bulova Technologies Ordnance Systems, LLC***

Angelo Saitta received his Bachelor of Science degree in Mechanical Engineering from the New Jersey Institute of Technology and has 25 years of progressive experience in a DOD environment. Angelo received his Six Sigma Black Belt training from the Breakthrough Management Group (BMG) and Green Belt training from the VSE Corporation. His career began as a project engineer with Picatinny Arsenal in 1982, responsible for product and process development.

In 1986, Mr. Saitta joined General Defense (now General Dynamics Ordnance and Tactical Systems) where he progressed from Systems Engineer to Program Director. Angelo was a member of General Dynamics' elite manufacturing council responsible for communicating the latest state-of-the-art Lean/Sigma methods to all Ordnance and Tactical Systems locations.

## **Craig Schnee**

### ***President, BT Manufacturing Co., LLC***

Craig Schnee is currently the President of BT Manufacturing Co., LLC. Mr. Schnee joined Bulova Technologies in 1995 as General Counsel and Senior Vice President where he was responsible for all of the legal affairs of the Company, as well as human resources, contracts, environmental affairs, security and building supervision.

Prior to joining Bulova, Mr. Schnee was General Counsel for National Manufacturing Corporation, Valentec International Corporation, General Dynamics Corporation and the Government Systems Division of the Olin Corporation. Mr. Schnee was also Division Counsel for the Government Systems Division of the Western Union Telegraph Company and a Trial Attorney for the Contract Appeals Division of the United States Legal Services Agency in Falls Church, Virginia. Mr. Schnee is a frequent guest lecturer and holds the following degrees: a Bachelor of Arts from Temple University, a Juris Doctor from the University of Virginia, a Master of Laws from Georgetown University and Master of Business Administration from the University of Pennsylvania.



## **William Mitrik**

### ***Vice President, Quality Assurance***

William Mitrik earned his Bachelor of Science degree in Industrial Management from Purdue University and has more than 30 years of progressive technical and quality assurance experience with more than 25 years in a DOD environment. Mr. Mitrik began his career with Reliance Electric Corporation as a laboratory technician before becoming Lead Quality Engineer with the FMC Corporation in 1983. Mr. Mitrik joined General Defense in 1986 as Quality Assurance Manager and was an industry team member responsible for the development of MIL-STD-1916.

## **James Davis**

### ***Executive Vice President, Quality, Engineering, Marketing***

Jim Davis has 29 years of experience with the operation, including technical and leadership roles in quality, engineering, and operations. Mr. Davis led the operation from November, 2000, to March, 2007. Mr. Davis earned his BSEE from Florida Institute of Technology on a part-time basis while working full-time for the organization. He is very active in local business organizations including the Industry Advisory Committee of the Economic Development Commission of Florida's Space Coast and Founders Forum. Mr. Davis has had articles published in local business magazines and been quoted by national industry trade magazines.

## **Edward Viola**

### ***Operations Consultant***

Eddie Viola has over 24 years of pyrotechnic manufacturing experience working with Action Manufacturing's AMCOM Division as Chief Project Engineer and with Camden Ordnance and Pyrotechnic Specialties, serving as Operations Manager for both organizations. He was originally employed by Bulova OS, (formerly Lance Ordnance) in 1991 and has collectively spent over ten (10) years with the company. Mr. Viola has performed in a technical and safety capacity that includes the development and implementation of semi-automated and fully automated processes for the numerous cartridge actuated devices, fuse and lap components, hand grenades and signal flares. He has additionally served in a quality engineering capacity since 1984. Mr. Viola's product experience includes such devices as the CCU-43/B, -44/B and -45/B Impulse Cartridges, BBU-35/B and BBU-36/B Impulse Cartridges and MK79, MK108 and MK135 Distress Signal Kits, M49A1 Flare, M505A3 20MM PD Fuses, and M60/M81 Igniters.



## APPENDIX 3: RECENT NEWS RELEASE

### **Bulova Technologies Announces R & D Contract to Develop Environmentally Sensitive Ordnance for U.S. Army**

Press Release

Thursday June 25, 2009,

CLEARWATER, Fla.--(BUSINESS WIRE)--Bulova Technologies Group, Inc. (Pink Sheets: BLVT) ("BulovaTech" or "the Company") announced today the awarding of a \$574,153 Research and Development contract from Science Applications International Corporation ( SAIC , NYSE:SAI) to develop "perchlorate free" energetic mixes for use in the US Army's M118 and M119 Booby Trap Simulators. The work will be performed at the Company's Ordnance Systems facility in Mayo, Florida. The research tasks require Bulova to develop mixes that will reduce materials that have a negative effect on the environment. The study includes an initial production run that will facilitate a smooth and seamless transition into full scale production.

SAIC plays an important role in assisting the U.S. Department of Defense ("DOD") in the development of environmentally compliant solutions for DOD operations and training. In January 2009, SAIC announced an up to \$25 million award from Defense Advanced Research Projects Agency ("DARPA") for the development of cellulosic based alternatives to petroleum derived jet fuel used and consumed by the DOD and US Forces worldwide.

BulovaTech CEO Stephen Gurba commented, "We look forward to working with SAIC on this important and challenging project. By combining Bulova's ordnance simulator expertise with the expertise of SAIC in adopting environmentally compliant technologies into DOD requirements, we look forward to development of a new generation of ordnance simulators that fully train US Forces for combat while at the same time minimizing the impact of training on the environment."

Bulova has assisted the United States Government's military missions around the globe since the 1940's, providing our soldiers material that afford them an overwhelming advantage over enemy forces. Bulova



has become a diverse systems integrator capable of managing technology and supply, resulting in best value solutions to meet our customers' needs.

**About Bulova Technologies Group, Inc.**

Headquartered in Clearwater, Florida, Bulova Technologies Group, Inc. operates two facilities, Bulova Technologies Ordnance Systems in Mayo, FL and BT Manufacturing Company in Melbourne, FL. The headquarters also houses the Bulova Technologies Combat Systems Company which is a world leader in the international sale of military vehicles, weapons and munitions in support of the U.S. Department of Defense.

**Please visit our website at [www.BulovaTechGroup.com](http://www.BulovaTechGroup.com) for more information.**

Statements about the Company's future expectations and all other statements in this press release other than historical facts, are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934, and as that term is defined in the Private Securities Litigation Reform Act of 1995. The Company intends that such forward-looking statements be subject to the safe harbors created thereby. The above information contains information relating to the Company that is based on the beliefs of the Company and/or its management as well as assumptions made by and information currently available to the Company or its management.

Contact:

Bulova Technologies Group, Inc.

Steve Gurba, 727-536-6607



## APPENDIX 4: FORECAST TABLES AND CHARTS

### BASE CASE

<b>Revenue Metrics - Annual</b>	<b>FY-08A</b>	<b>FY-09E</b>	<b>FY-10E</b>	<b>FY-11E</b>	<b>FY-12E</b>	<b>FY-13E</b>
BT Manufacturing	14,961	11,244	51,661	136,901	198,506	289,361
Ordinance Systems	1,698	31,255	16,787	54,977	96,209	146,719
Bulova Combat System		20,300	186,422	347,543	558,965	882,367
<b>Total Revenues</b>	<b>16,659</b>	<b>62,799</b>	<b>254,869</b>	<b>539,421</b>	<b>853,681</b>	<b>1,318,447</b>
<b>Sequential Growth</b>						
BT Manufacturing		-24.8%	359.4%	165.0%	45.0%	45.8%
Ordinance Systems		1740.7%	-46.3%	227.5%	75.0%	52.5%
Bulova Combat System		NM	818.3%	86.4%	60.8%	57.9%
<b>Total Revenues</b>		<b>277.0%</b>	<b>305.8%</b>	<b>111.6%</b>	<b>58.3%</b>	<b>54.4%</b>
<b>Profitability Metrics</b>						
<b>Profitability Metrics</b>	<b>FY-08A</b>	<b>FY-09E</b>	<b>FY-10E</b>	<b>FY-11E</b>	<b>FY-12E</b>	<b>FY-13E</b>
Operating Margin	-36%	10%	12%	12%	12%	13%
Pre Tax Profit Margin	-36%	10%	12%	11%	12%	13%
Net Profit Margin	-36%	6%	8%	7%	8%	8%
Interest Coverage		17.2	38.8	47.5	62.1	60.9
Tax Rate	0%	35%	35%	35%	34%	34%
<b>Performance Metrics</b>						
<b>Performance Metrics</b>	<b>FY-08A</b>	<b>FY-09E</b>	<b>FY-10E</b>	<b>FY-11E</b>	<b>FY-12E</b>	<b>FY-13E</b>
Return on Equity (ROE)	NM	19%	49%	50%	46%	43%
Return on Assets (ROA)	NM	11%	24%	26%	28%	27%
Return on Invested Capital (ROI)	NM	31%	74%	79%	72%	64%
<b>Per Share Data</b>						
<b>Per Share Data</b>	<b>FY-08A</b>	<b>FY-09E</b>	<b>FY-10E</b>	<b>FY-11E</b>	<b>FY-12E</b>	<b>FY-13E</b>
Sales per Share	0.26	0.97	3.92	8.30	13.13	20.28
Cash - per Share	0.00	(0.07)	(0.33)	(0.40)	0.28	0.96
Current Assets per Share	0.12	0.25	0.65	1.38	2.67	4.55
Total Assets per Share	0.33	0.53	1.26	2.40	3.77	6.38
Book Value per Share	0.25	0.31	0.61	1.23	2.27	3.99
Long Term Debt - per Share	0.06	0.04	0.06	0.08	0.09	0.40
Working Capital per Share	0.11	0.07	0.07	0.29	1.25	2.56
Free Cash Flow per Share	-	(0.07)	(0.25)	(0.07)	0.68	0.68
<b>Price/ Earnings</b>						
<b>Price/ Earnings</b>	<b>FY-08A</b>	<b>FY-09E</b>	<b>FY-10E</b>	<b>FY-11E</b>	<b>FY-12E</b>	<b>FY-13E</b>
Price Earnings Ratio - Closing Price	(15.49)	23.89	4.79	2.35	1.38	0.84
Price to Sales Ratio - Closing Price	5.62	1.49	0.37	0.17	0.11	0.07
<b>Valuation Metrics</b>						
<b>Valuation Metrics</b>	<b>FY-08A</b>	<b>FY-09E</b>	<b>FY-10E</b>	<b>FY-11E</b>	<b>FY-12E</b>	<b>FY-13E</b>
Price to Sales	5.62	1.49	0.37	0.17	0.11	0.07
Price to Book Value	5.68	4.59	2.34	1.17	0.64	0.36
Price to Cash Flow	5,850.00	(19.25)	(4.39)	(3.60)	5.14	1.51
Price to Free Cash Flow	NM	(21.22)	(5.80)	(21.48)	2.12	2.13
Price to Equity	5.68	4.59	2.34	1.17	0.64	0.36
<b>Leverage Ratios</b>						
<b>Leverage Ratios</b>	<b>FY-08A</b>	<b>FY-09E</b>	<b>FY-10E</b>	<b>FY-11E</b>	<b>FY-12E</b>	<b>FY-13E</b>
Debt to Equity	0.22	0.12	0.10	0.07	0.04	0.10
Times interest Earned	-	17.2	38.8	47.5	62.1	60.9



Income Statement Metrics	FY-08A	FY-09E	FY-10E	FY-11E	FY-12E	FY-13E
<b>Sales</b>						
Sales	16,659	62,799	254,869	539,421	853,681	1,318,447
<i>Sequential Sales Growth %</i>		277.0%	305.8%	111.6%	58.3%	54.4%
<b>Expenses</b>						
Gross Profit	(2,843)	13,175	48,907	97,014	151,312	236,385
<i>Gross Profit Sequential Growth %</i>	NM	NM	271.2%	98.4%	56.0%	56.2%
<i>Gross Profit as % of Sales</i>	-17.1%	21.0%	19.2%	18.0%	17.7%	17.9%
SG&A Expense	2,626	6,059	16,291	29,627	40,699	52,738
<i>SG&amp;A Sequential Growth %</i>	NM	130.7%	168.9%	81.9%	37.4%	29.6%
<i>SG&amp;A as % of Sales</i>	15.8%	9.6%	6.4%	5.5%	4.8%	4.0%
Corporate Exp	572	-	-	-	-	-
<i>Coprorate exp as % of Sales</i>	3.4%	0.0%	0.0%	0.0%	0.0%	0.0%
EBITDA	(6,041)	7,116	32,616	67,387	110,613	183,648
<i>EBITDA Sequential Growth %</i>	NM	NM	358.4%	106.6%	64.1%	66.0%
<i>EBITDA Margin %</i>	-36.3%	11.3%	12.8%	12.5%	13.0%	13.9%
Depreciation and Amortization	-	675	1,716	4,800	6,367	11,184
EBIT	(6,041)	6,441	30,901	62,587	104,246	172,463
<i>EBIT Sequential Growth %</i>	NM	NM	379.7%	102.5%	66.6%	65.4%
<i>EBIT Margin %</i>	-36.3%	10.3%	12.1%	11.6%	12.2%	13.1%
Interest Expense	-	413	840	1,419	1,780	3,017
<i>Interest Rate %</i>	0.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Pretax Income	(6,041)	6,028	30,061	61,168	102,466	169,447
<i>Pre-Tax Income Sequential Growth %</i>		NM	398.6%	103.5%	67.5%	65.4%
<i>Pre-Tax Income Margin</i>	-36.3%	9.6%	11.8%	11.3%	12.0%	12.9%
Income Taxes	-	2,110	10,521	21,409	34,838	57,612
<i>Tax Rate %</i>	0.0%	35.0%	35.0%	35.0%	34.0%	34.0%
Net Income from Continuing Operations	(6,041)	3,918	19,539	39,759	67,627	111,835
Net Income from Discontinued Operations		-	-	-	-	-
Net Income from Total Operations	(6,041)	3,918	19,539	39,759	67,627	111,835
Extraordinary Income Losses	-	-	-	-	-	-
Other Gains Losses	-	-	-	-	-	-
<b>Net Income</b>						
Total Net Income	(6,041)	3,918	19,539	39,759	67,627	111,835
<i>Net Income Sequential Growth %</i>		NM	398.6%	103.5%	70.1%	65.4%
<i>Net Income Margin %</i>	-36.3%	6.2%	7.7%	7.4%	7.9%	8.5%
<b>Earnings Per Share</b>						
Basic EPS	(0.09)	0.06	0.30	0.61	1.04	1.72
<i>Basic EPS Sequential Growth %</i>			398.6%	103.5%	70.1%	65.4%
Diluted EPS	(0.09)	0.06	0.30	0.61	1.04	1.72
<i>Diluted EPS Sequential Growth %</i>			398.6%	103.5%	70.1%	65.4%



<b>Balance Sheet Metrics</b>	<b>FY-08A</b>	<b>FY-09E</b>	<b>FY-10E</b>	<b>FY-11E</b>	<b>FY-12E</b>	<b>FY-13E</b>
<b>Assets</b>						
Cash and Equivalents	16	(4,863)	(21,299)	(25,972)	18,195	62,143
<i>Cash Sequential Growth %</i>			338%	22%	-170%	242%
<i>Cash as % of Total Assets</i>	0.1%	-14.0%	-26.0%	-16.7%	7.4%	15.0%
Accounts Receivable	15	9,943	45,310	92,900	123,309	194,105
<i>Accounts Receivable Sequential Growth %</i>			356%	105%	33%	57%
<i>Accounts Receivable as % of Total Assets</i>	0.1%	28.7%	55.3%	59.7%	50.3%	46.8%
Inventories	6,930	10,876	17,493	21,817	30,789	37,057
<i>Inventories Sequential Growth %</i>		57%	61%	25%	41%	20%
<i>Inventories as % of Total Assets</i>	32.6%	31.3%	21.4%	14.0%	12.5%	8.9%
Prepaid Expenses	1,100	408	688	863	1,110	2,637
<b>Total Current Assets</b>	<b>8,061</b>	<b>16,365</b>	<b>42,192</b>	<b>89,609</b>	<b>173,403</b>	<b>295,941</b>
Equipments	13,083	17,738	38,796	64,877	70,659	117,190
<i>Equipments Sequential Growth %</i>		35.6%	118.7%	67.2%	8.9%	65.9%
<i>Equipments as % of Total Assets</i>	61.5%	51.1%	47.4%	41.7%	28.8%	28.3%
Real Estate	-	-	-	-	-	-
Other Non Current Assets	132	601	901	1,216	1,301	1,400
<b>Total Assets</b>	<b>21,276</b>	<b>34,703</b>	<b>81,889</b>	<b>155,702</b>	<b>245,363</b>	<b>414,531</b>
<b>Liabilities</b>						
Accounts Payable	1,056	4,549	21,168	43,012	56,580	87,166
<i>Accounts Payable Sequential Growth %</i>		331%	365%	103%	32%	54%
<i>Accounts Payable as % of Total Assets</i>	5.0%	13.1%	25.8%	27.6%	23.1%	21.0%
Revolving credit facility	97	4,500	8,001	13,002	18,007	20,528
Current portion of notes payable	-	500	2,250	5,499	6,699	8,001
<i>Debt Payable Sequential Growth %</i>			350%	144%	22%	19%
<i>Debt Payable as % of Total Assets</i>	0.0%	1.4%	2.7%	3.5%	2.7%	1.9%
Accrued Expenses	6	1,500	3,976	4,612	5,848	7,871
Other Current Liabilities	-	852	2,500	4,675	5,200	6,001
<b>Total Current Liabilities</b>	<b>1,159</b>	<b>11,901</b>	<b>37,895</b>	<b>70,800</b>	<b>92,334</b>	<b>129,568</b>
<i>Current Liabilities Sequential Growth %</i>		927%	218%	87%	30%	40%
<i>Current Liabilities as % of Total Assets</i>	5.4%	34.3%	46.3%	45.5%	37.6%	31.3%
Long Term Debt	3,633	2,400	4,052	5,200	5,701	25,800
<i>Long Term Debt Sequential Growth %</i>		-33.9%	68.8%	28.3%	9.6%	352.5%
<i>Long Term Debt as % of Total Assets</i>	17%	7%	5%	3%	2%	6%
Other Non Current Liabilities	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>4,792</b>	<b>14,301</b>	<b>41,947</b>	<b>76,000</b>	<b>98,035</b>	<b>155,368</b>
<i>Total Liabilities Sequential Growth %</i>		198.4%	193.3%	81.2%	29.0%	58.5%
<i>Total Liabilities as % of Total Assets</i>	23%	41%	51%	49%	40%	37%
<b>Shareholders Equity</b>						
<b>Total Equity</b>	<b>16484</b>	<b>20402</b>	<b>39942</b>	<b>79701</b>	<b>147329</b>	<b>259164</b>
<i>Total Equity Sequential Growth %</i>		23.8%	95.8%	99.5%	84.9%	75.9%
<i>Total Equity as % of Total Assets</i>	77%	59%	49%	51%	60%	63%
<b>Total Liabilities and Stock Equity</b>	<b>21276</b>	<b>34703</b>	<b>81889</b>	<b>155702</b>	<b>245363</b>	<b>414531</b>
<b>Shareholding/ Employees</b>						
Total Common Shares Outstanding	65,000	65,000	65,000	65,000	65,000	65,000
<i>Shares Outstanding Sequential Growth %</i>		0.0%	0.0%	0.0%	0.0%	0.0%
Treasury Shares						
Basic Weighted Shares Outstanding	65,000	65,000	65,000	65,000	65,000	65,000
Diluted Weighted Shares Outstanding	65,000	65,000	65,000	65,000	65,000	65,000
<i>Diluted Shares Outstanding Sequential Growth %</i>		0.0%	0.0%	0.0%	0.0%	0.0%



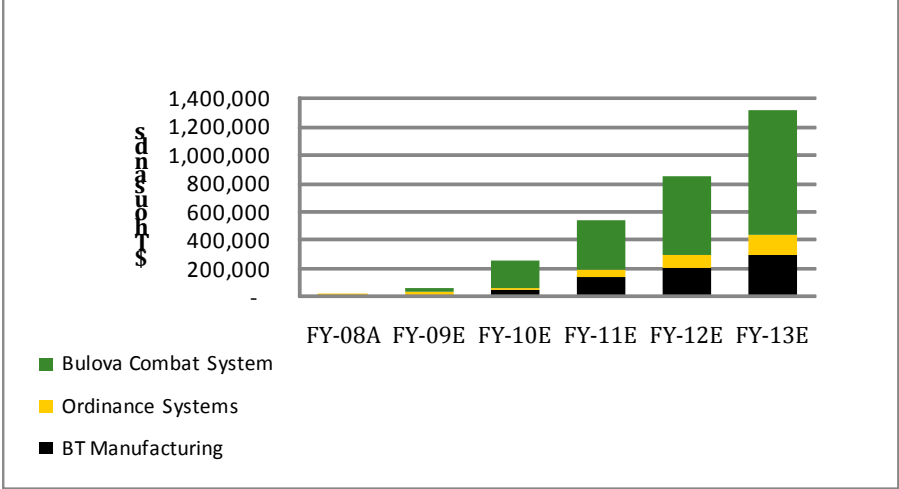
<b>Cash Flow Metrics</b>	<b>FY-08A</b>	<b>FY-09E</b>	<b>FY-10E</b>	<b>FY-11E</b>	<b>FY-12E</b>	<b>FY-13E</b>
<b>Cash Flow from Operations</b>						
Net Income/Loss	(6,041)	3,918	19,539	39,759	67,627	111,835
Depreciation and amortization	(6,057)	675	1,716	4,800	6,367	11,184
Other Adjustment	-	-	-	-	-	-
Increase Decrease - Receivables	6,762	(9,928)	(35,367)	(47,590)	(30,409)	(70,795)
Increase Decrease - Inventories	9,266	(3,946)	(6,616)	(4,325)	(8,971)	(6,268)
Increase Decrease - Prepaid Expenses	(673)	692	(280)	(175)	(247)	(1,527)
Increase Decrease - Other Current Assets	-	-	-	-	-	-
Increase Decrease - Payables	(10,629)	3,493	16,619	21,843	13,568	30,586
Increase Decrease - Accrued Expenses and Liabilit	(6,058)	1,494	2,476	636	1,236	2,023
Other Non Cash Items		-	-	-	-	-
Net Cash - Continuing Operations	(13,430)	(3,603)	(1,913)	14,949	49,170	77,038
Net Cash - Discontinued Operations		-	-	-	-	-
<b>Net Cash - Operating Activities</b>	<b>(13,430)</b>	<b>(3,603)</b>	<b>(1,913)</b>	<b>14,949</b>	<b>49,170</b>	<b>77,038</b>
<i>Net Cash - Operations Sequential Growth %</i>		<i>NM</i>	<i>NM</i>	<i>-882%</i>	<i>229%</i>	<i>57%</i>
<i>Net Cash - Operations as % of Change in Cash</i>		<i>73.8%</i>	<i>11.6%</i>	<i>-319.9%</i>	<i>111.3%</i>	<i>175.3%</i>
<b>Cash Flow from Investing Activities</b>						
Purchase of Property Plant Equipment	2,995	(5,330)	(22,774)	(30,880)	(12,149)	(57,715)
Other Investing Changes Net	(807)	(469)	(300)	(315)	(85)	(99)
Cash - Discontinued Investing Activities	-	-	-	-	-	-
<b>Net Cash - Investing Activities</b>	<b>2,188</b>	<b>(5,798)</b>	<b>(23,075)</b>	<b>(31,195)</b>	<b>(12,234)</b>	<b>(57,814)</b>
<i>Net Cash - Investing Sequential Growth %</i>			<i>298%</i>	<i>35%</i>	<i>-61%</i>	<i>373%</i>
<i>Net Cash -Investing as % of Change in Cash</i>		<i>-119%</i>	<i>-140%</i>	<i>-668%</i>	<i>28%</i>	<i>132%</i>
<b>Cash Flow from Financing Activities</b>						
Notes Payable	(12,370)	(1,933)	3,150	4,049	1,400	10,002
Capital Lease	(114)	2,052	1,900	2,523	825	12,200
Revolving Facility	(9,614)	4,403	3,501	5,001	5,006	2,521
Contributed capital	33,347	-	-	-	-	-
Cash - Discontinued Financing Activities						
<b>Net Cash - Financing Activities</b>	<b>11,249</b>	<b>4,522</b>	<b>8,551</b>	<b>11,574</b>	<b>7,231</b>	<b>24,723</b>
<i>Net Cash - Financing Sequential Growth %</i>			<i>89%</i>	<i>35%</i>	<i>-38%</i>	<i>242%</i>
<i>Net Cash - Financing as % of Change in Cash</i>		<i>-93%</i>	<i>-52%</i>	<i>-248%</i>	<i>16%</i>	<i>56%</i>
Effect of Exchange Rate Changes	-	-	-	-	-	-
<b>Net Change - Cash and Cash Equivalents</b>	<b>7</b>	<b>(4,879)</b>	<b>(16,436)</b>	<b>(4,673)</b>	<b>44,167</b>	<b>43,947</b>
<b>Cash at Beginning of Period</b>	<b>9</b>	<b>16</b>	<b>(4,863)</b>	<b>(21,299)</b>	<b>(25,972)</b>	<b>18,195</b>
<b>Cash at End of Period</b>	<b>16</b>	<b>(4,863)</b>	<b>(21,299)</b>	<b>(25,972)</b>	<b>18,195</b>	<b>62,143</b>
<i>Cash Sequential Growth %</i>			<i>438%</i>	<i>122%</i>	<i>-70%</i>	<i>342%</i>



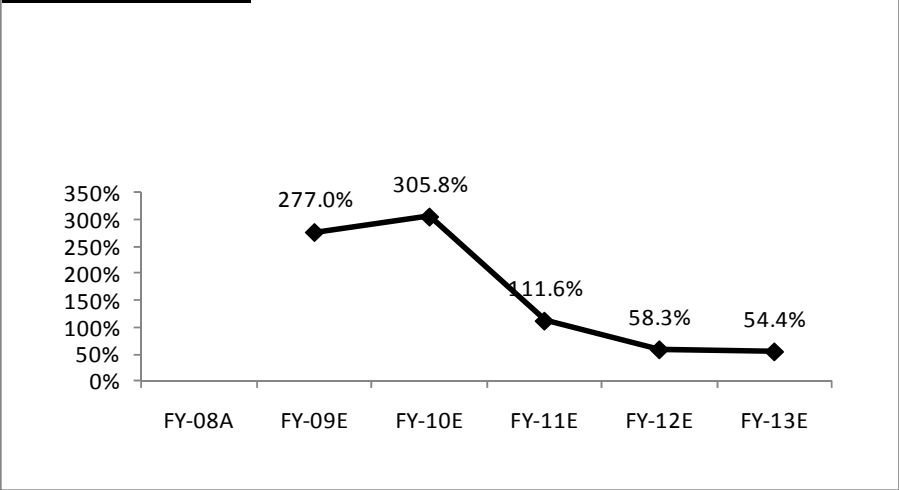
<b>Cohen Net Cash Flow from Operations</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>	<b>2012E</b>	<b>2013E</b>
Revenues	62,799	254,869	539,421	853,681	1,318,447
plus decrease (-increase) in AR	(9,928)	(35,367)	(47,590)	(30,409)	(70,795)
<b>Gross Cash Collections from Operations</b>	<b>52,871</b>	<b>219,502</b>	<b>491,830</b>	<b>823,271</b>	<b>1,247,651</b>
Operating Expenses					
Cost of Goods Sold	49,624	205,962	442,407	702,369	1,082,061
Selling, General and Administrative Expenses	6,059	16,291	29,627	40,699	52,738
R&D Expenses	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>55,683</b>	<b>222,253</b>	<b>472,034</b>	<b>743,068</b>	<b>1,134,799</b>
Working Capital Changes					
Increase in Inventories	(3,946)	(6,616)	(4,325)	(8,971)	(6,268)
Increase in Prepaid exp	692	(280)	(175)	(247)	(1,527)
Increase in Deferred Charges	-	-	-	-	-
Increase in Other Current Assets	-	-	-	-	-
Decrease (inc) in Accounts Payable	3,493	16,619	21,843	13,568	30,586
Decrease (inc) in Deffered Revenues	1,494	2,476	636	1,236	2,023
Decrease (inc) in Current LTD	-	-	-	-	-
Decrease (inc) in Current Cap Leases	-	-	-	-	-
Decrease (inc) in Income Tax Payable	-	-	-	-	-
Decrease (inc) in Other Current Liab	1,494	2,476	636	1,236	2,023
<b>Total Changes in Working Capital</b>	<b>3,226</b>	<b>14,675</b>	<b>18,616</b>	<b>6,821</b>	<b>26,838</b>
<b>Total Cash Outflows for Op (Op Exp+Chg WC)</b>	<b>58,909</b>	<b>236,928</b>	<b>490,650</b>	<b>749,889</b>	<b>1,161,637</b>
<b>Net Cash Flow from Operations (NCFO)</b>	<b>(6,038)</b>	<b>(17,426)</b>	<b>1,180</b>	<b>73,383</b>	<b>86,014</b>



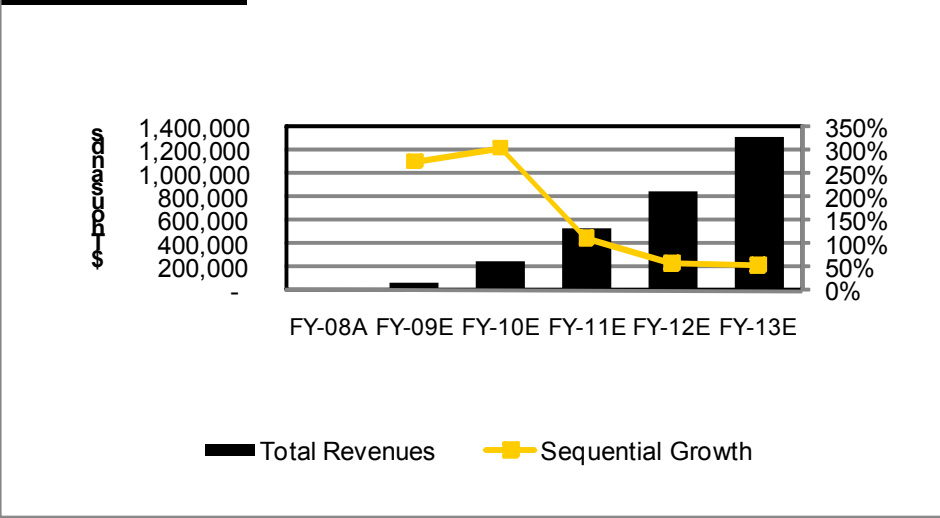
### Revenue Break-up



### Revenue - Growth

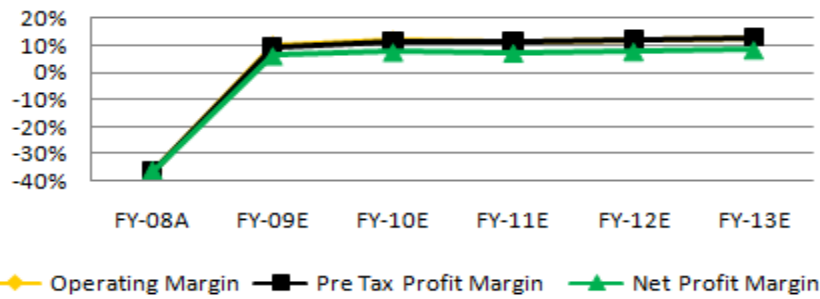


### Revenue Metrics

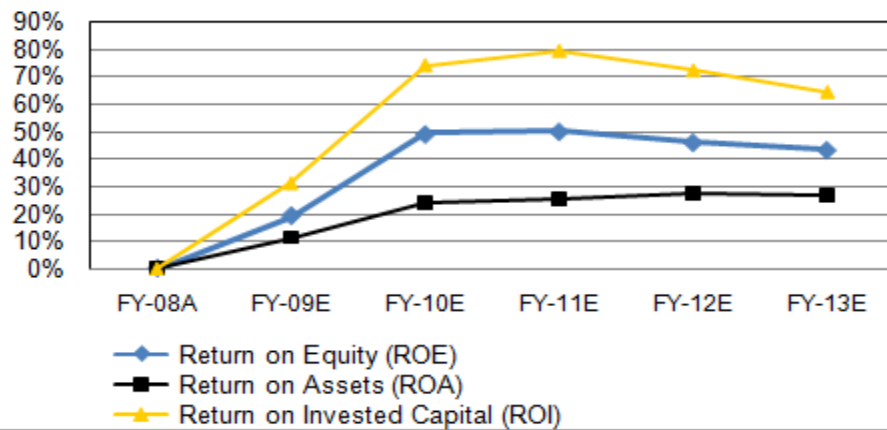




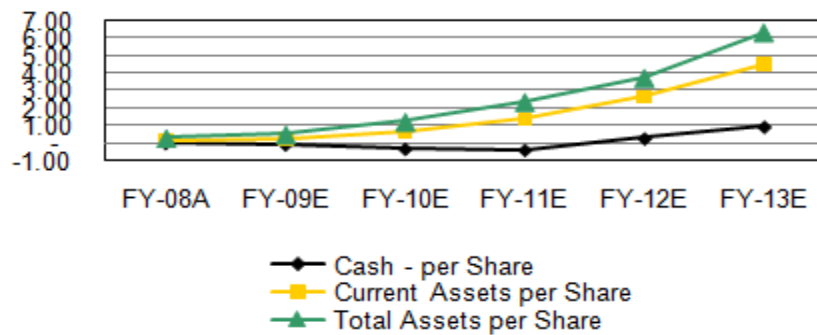
### Margins



### Performance Metrics

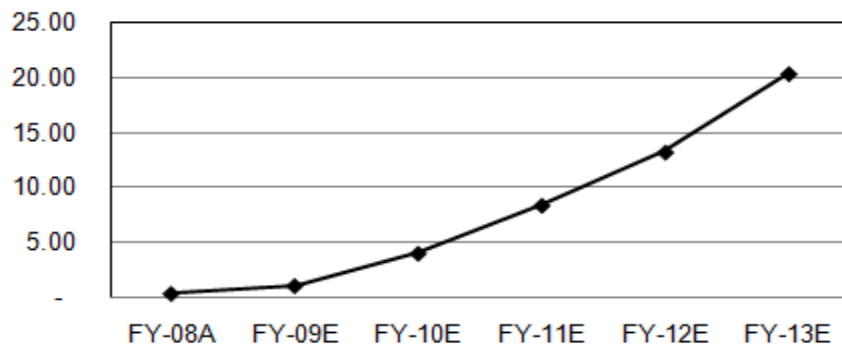


### Assets per Share

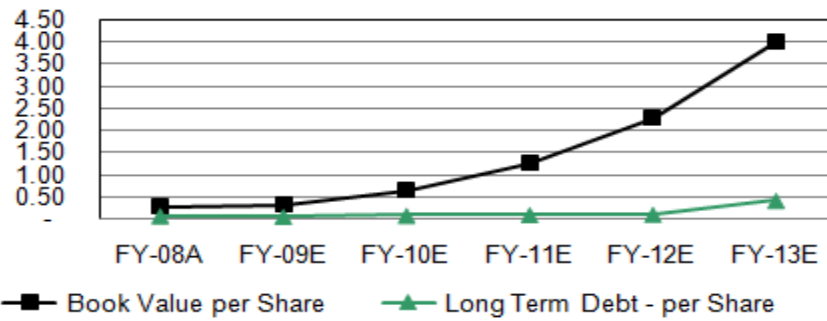




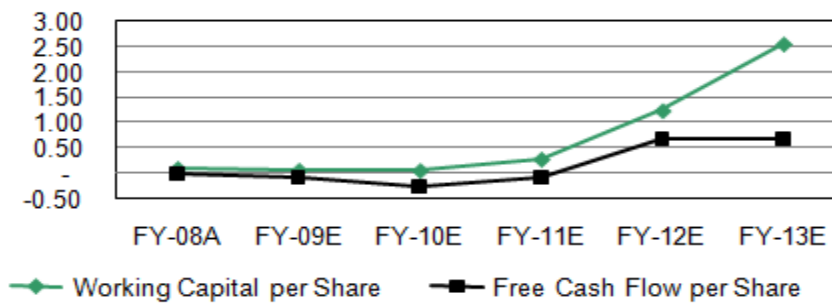
### Sales per Share



### Liabilities and Equity per Share

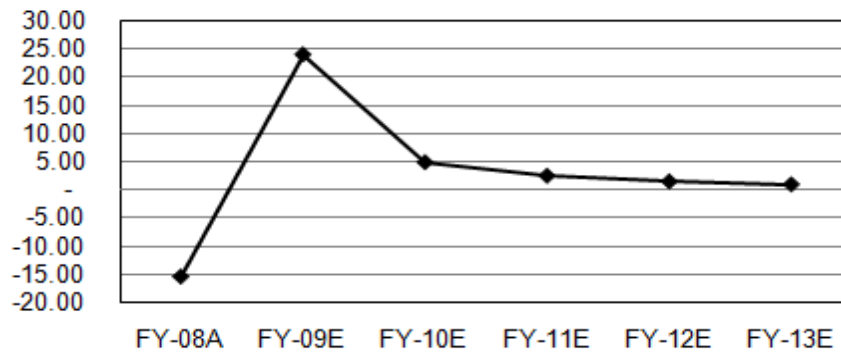


### Additional Per Share Data

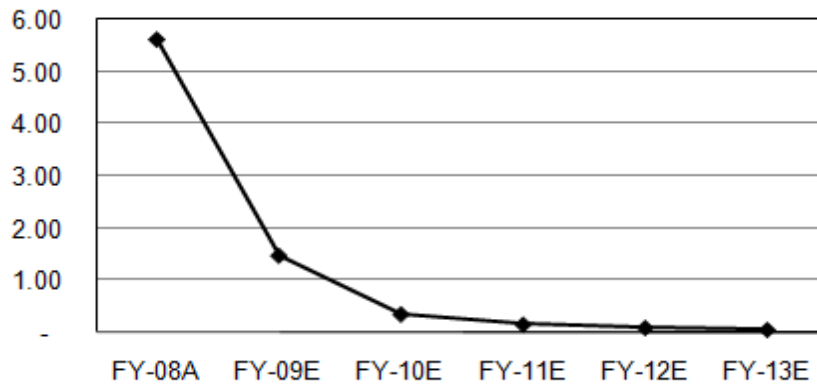




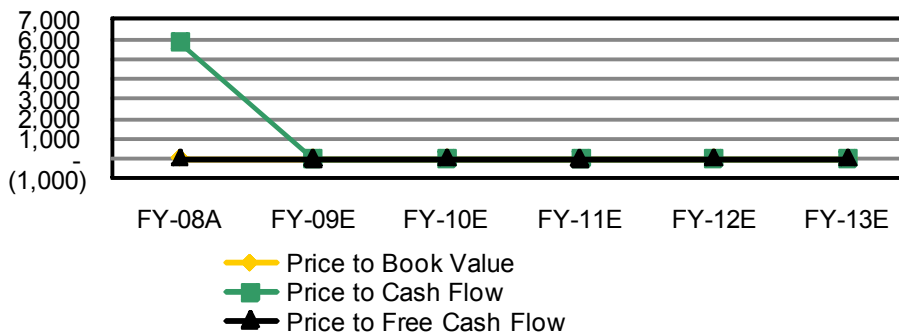
### Price to Earnings

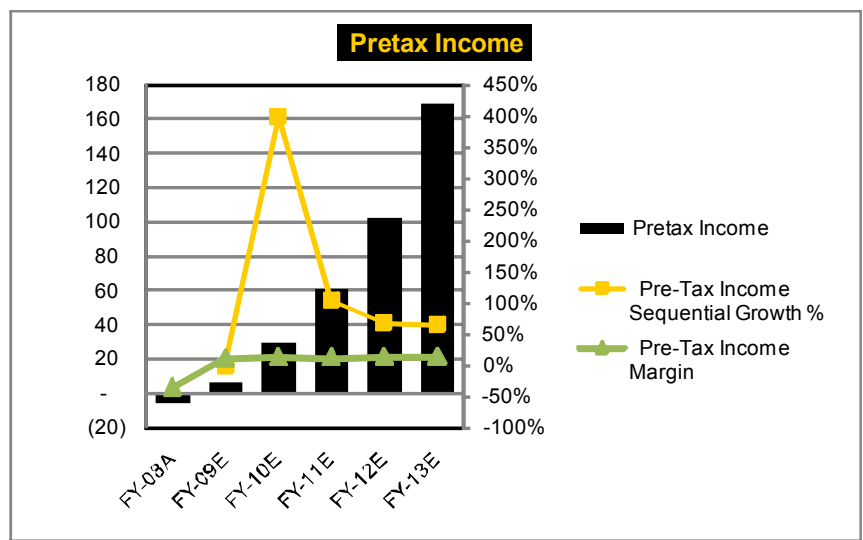
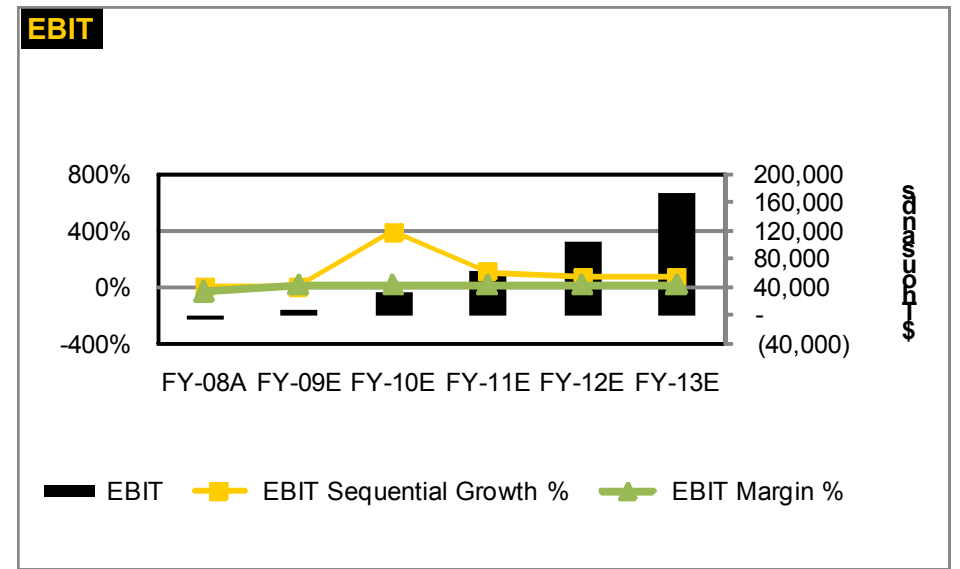
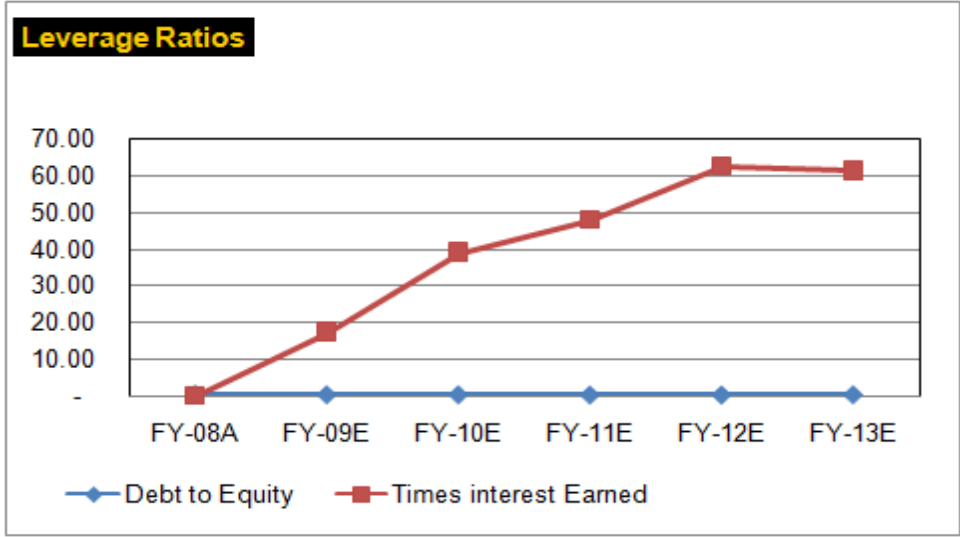


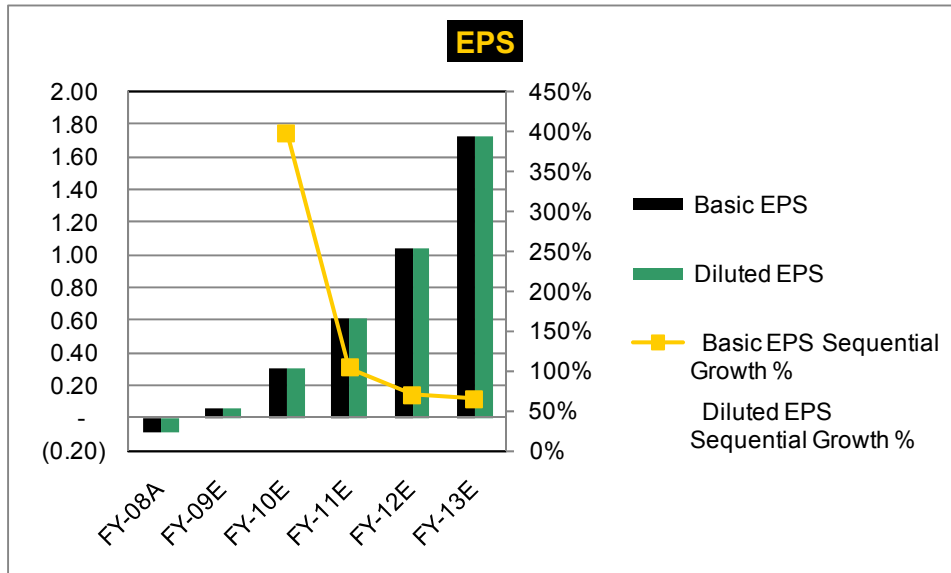
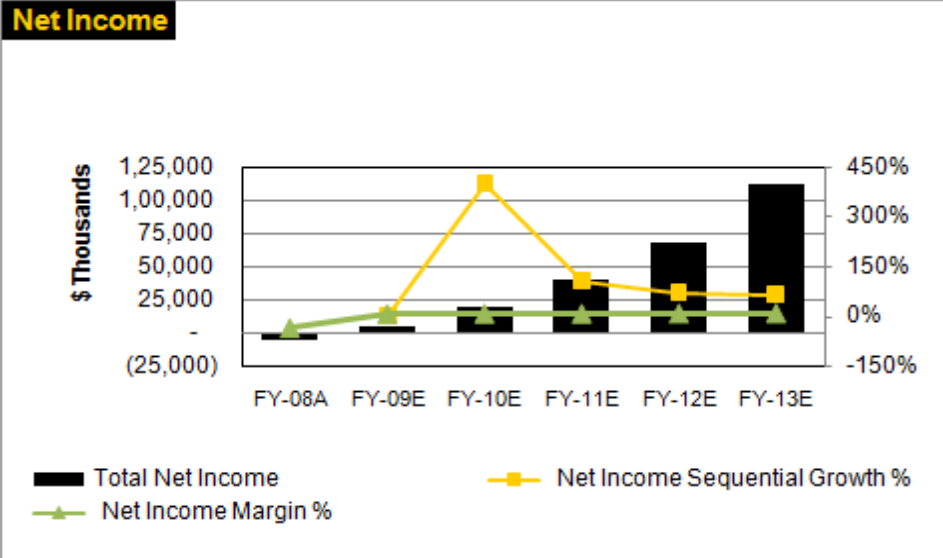
### Price to Sales



### Other Valuation Metrics







**OPTIMISTIC CASE**

<b>Revenue Metrics - Annual</b>	<b>FY-08A</b>	<b>FY-09E</b>	<b>FY-10E</b>	<b>FY-11E</b>	<b>FY-12E</b>	<b>FY-13E</b>
BT Manufacturing	14,961	12,740	59,808	164,473	254,933	397,108
Ordinance Systems	1,698	31,425	20,020	67,569	125,003	203,129
Bulova Combat System		35,700	320,705	629,956	1,076,175	1,806,437
<b>Total Revenues</b>	<b>16,659</b>	<b>79,865</b>	<b>400,534</b>	<b>861,998</b>	<b>1,456,111</b>	<b>2,406,674</b>
<b>Sequential Growth</b>						
BT Manufacturing		-14.8%	369.4%	175.0%	55.0%	55.8%
Ordinance Systems		1750.7%	-36.3%	237.5%	85.0%	62.5%
Bulova Combat System		NM	798.3%	96.4%	70.8%	67.9%
<b>Total Revenues</b>		<b>379.4%</b>	<b>401.5%</b>	<b>115.2%</b>	<b>68.9%</b>	<b>65.3%</b>
<b>Profitability Metrics</b>						
<b>Profitability Metrics</b>	<b>FY-08A</b>	<b>FY-09E</b>	<b>FY-10E</b>	<b>FY-11E</b>	<b>FY-12E</b>	<b>FY-13E</b>
Operating Margin	-36%	13%	14%	14%	15%	16%
Pre Tax Profit Margin	-36%	13%	14%	14%	15%	16%
Net Profit Margin	-36%	9%	9%	9%	10%	11%
Interest Coverage		34.1	88.1	109.3	151.5	159.9
Tax Rate	0%	33%	33%	33%	33%	32%
<b>Performance Metrics</b>	<b>FY-08A</b>	<b>FY-09E</b>	<b>FY-10E</b>	<b>FY-11E</b>	<b>FY-12E</b>	<b>FY-13E</b>
Return on Equity (ROE)	NM	29%	62%	56%	50%	47%
Return on Assets (ROA)	NM	18%	32%	32%	33%	34%
Return on Invested Capital (ROI)	NM	44%	92%	87%	78%	71%
<b>Per Share Data</b>	<b>FY-08A</b>	<b>FY-09E</b>	<b>FY-10E</b>	<b>FY-11E</b>	<b>FY-12E</b>	<b>FY-13E</b>
Sales per Share	0.26	1.23	6.16	13.26	22.40	37.03
Cash - per Share	0.00	(0.17)	(0.68)	(0.74)	0.56	1.59
Current Assets per Share	0.12	0.25	0.91	2.19	4.67	8.40
Total Assets per Share	0.33	0.60	1.81	3.77	6.53	11.69
Book Value per Share	0.25	0.36	0.94	2.17	4.35	8.28
Long Term Debt - per Share	0.06	0.04	0.06	0.08	0.08	0.39
Working Capital per Share	0.11	0.05	0.11	0.66	2.58	5.38
Free Cash Flow per Share	-	(0.16)	(0.51)	(0.05)	1.29	1.03
<b>Price/ Earnings</b>	<b>FY-08A</b>	<b>FY-09E</b>	<b>FY-10E</b>	<b>FY-11E</b>	<b>FY-12E</b>	<b>FY-13E</b>
Price Earnings Ratio - Closing Price	(15.49)	13.74	2.46	1.18	0.66	0.37
Price to Sales Ratio - Closing Price	5.62	1.17	0.23	0.11	0.06	0.04
<b>Valuation Metrics</b>	<b>FY-08A</b>	<b>FY-09E</b>	<b>FY-10E</b>	<b>FY-11E</b>	<b>FY-12E</b>	<b>FY-13E</b>
Price to Sales	5.62	1.17	0.23	0.11	0.06	0.04
Price to Book Value	5.68	4.02	1.53	0.66	0.33	0.17
Price to Cash Flow	5,850.00	(8.68)	(2.12)	(1.96)	2.58	0.91
Price to Free Cash Flow	NM	(9.06)	(2.84)	(27.53)	1.11	1.40
Price to Equity	5.68	4.02	1.53	0.66	0.33	0.17
<b>Leverage Ratios</b>	<b>FY-08A</b>	<b>FY-09E</b>	<b>FY-10E</b>	<b>FY-11E</b>	<b>FY-12E</b>	<b>FY-13E</b>
Debt to Equity	0.22	0.10	0.07	0.04	0.02	0.05
Times interest Earned	-	34.1	88.1	109.3	151.5	159.9



<b>Income Statement Metrics</b>	<b>FY-08A</b>	<b>FY-09E</b>	<b>FY-10E</b>	<b>FY-11E</b>	<b>FY-12E</b>	<b>FY-13E</b>
<b>Sales</b>						
Sales	16,659	79,865	400,534	861,998	1,456,111	2,406,674
<i>Sequential Sales Growth %</i>		379.4%	401.5%	115.2%	68.9%	65.3%
<b>Expenses</b>						
Gross Profit	(2,843)	18,084	82,518	168,141	281,025	472,093
<i>Gross Profit Sequential Growth %</i>	NM	NM	356.3%	103.8%	67.1%	68.0%
<i>Gross Profit as % of Sales</i>	-17.1%	22.6%	20.6%	19.5%	19.3%	19.6%
SG&A Expense	2,626	6,763	22,537	40,633	56,970	74,186
<i>SG&amp;A Sequential Growth %</i>	NM	157.5%	233.2%	80.3%	40.2%	30.2%
<i>SG&amp;A as % of Sales</i>	15.8%	8.5%	5.6%	4.7%	3.9%	3.1%
Corporate Exp	572	-	-	-	-	-
<i>Coprorate exp as % of Sales</i>	3.4%	0.0%	0.0%	0.0%	0.0%	0.0%
EBITDA	(6,041)	11,321	59,981	127,508	224,055	397,907
<i>EBITDA Sequential Growth %</i>	NM	NM	429.8%	112.6%	75.7%	77.6%
<i>EBITDA Margin %</i>	-36.3%	14.2%	15.0%	14.8%	15.4%	16.5%
Depreciation and Amortization	-	823	2,529	7,498	10,639	20,036
EBIT	(6,041)	10,498	57,452	120,011	213,416	377,871
<i>EBIT Sequential Growth %</i>	NM	NM	447.2%	108.9%	77.8%	77.1%
<i>EBIT Margin %</i>	-36.3%	13.1%	14.3%	13.9%	14.7%	15.7%
Interest Expense	-	332	681	1,167	1,479	2,489
<i>Interest Rate %</i>	0.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Pretax Income	(6,041)	10,166	56,771	118,844	211,937	375,383
<i>Pre-Tax Income Sequential Growth %</i>		NM	458.4%	109.3%	78.3%	77.1%
<i>Pre-Tax Income Margin</i>	-36.3%	12.7%	14.2%	13.8%	14.6%	15.6%
Income Taxes	-	3,355	18,735	39,218	69,939	120,123
<i>Tax Rate %</i>	0.0%	33.0%	33.0%	33.0%	33.0%	32.0%
Net Income from Continuing Operations	(6,041)	6,811	38,037	79,625	141,997	255,260
Net Income from Discontinued Operations	-	-	-	-	-	-
Net Income from Total Operations	(6,041)	6,811	38,037	79,625	141,997	255,260
Extraordinary Income Losses	-	-	-	-	-	-
Other Gains Losses	-	-	-	-	-	-
<b>Net Income</b>						
Total Net Income	(6,041)	6,811	38,037	79,625	141,997	255,260
<i>Net Income Sequential Growth %</i>		NM	458.4%	109.3%	78.3%	79.8%
<i>Net Income Margin %</i>	-36.3%	8.5%	9.5%	9.2%	9.8%	10.6%
<b>Earnings Per Share</b>						
Basic EPS	(0.09)	0.10	0.59	1.23	2.18	3.93
<i>Basic EPS Sequential Growth %</i>			458.4%	109.3%	78.3%	79.8%
Diluted EPS	(0.09)	0.10	0.59	1.23	2.18	3.93
<i>Diluted EPS Sequential Growth %</i>			458.4%	109.3%	78.3%	79.8%



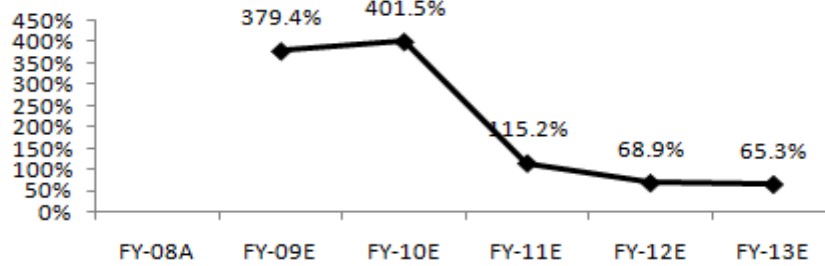
<b>Cash Flow Metrics</b>	<b>FY-08A</b>	<b>FY-09E</b>	<b>FY-10E</b>	<b>FY-11E</b>	<b>FY-12E</b>	<b>FY-13E</b>
<b>Cash Flow from Operations</b>						
Net Income/Loss	(6,041)	6,811	38,037	79,625	141,997	255,260
Depreciation and amortization	(6,057)	823	2,529	7,498	10,639	20,036
Other Adjustment	-	-	-	-	-	-
Increase Decrease - Receivables	6,762	(13,074)	(60,342)	(84,602)	(60,384)	(155,955)
Increase Decrease - Inventories	9,266	(6,780)	(15,042)	(2,044)	(16,369)	(16,438)
Increase Decrease - Prepaid Expenses	(673)	581	(562)	(298)	(514)	(2,920)
Increase Decrease - Other Current Assets	-	-	-	-	-	-
Increase Decrease - Payables	(10,629)	4,607	27,022	34,773	27,201	50,434
Increase Decrease - Accrued Expenses and Liabilit	(6,058)	1,494	4,909	1,349	1,925	4,757
Other Non Cash Items		-	-	-	-	-
Net Cash - Continuing Operations	(13,430)	(5,538)	(3,450)	36,303	104,497	155,174
Net Cash - Discontinued Operations		-	-	-	-	-
<b>Net Cash - Operating Activities</b>	<b>(13,430)</b>	<b>(5,538)</b>	<b>(3,450)</b>	<b>36,303</b>	<b>104,497</b>	<b>155,174</b>
<i>Net Cash - Operations Sequential Growth %</i>		<i>NM</i>	<i>NM</i>	<i>-1152%</i>	<i>188%</i>	<i>48%</i>
<i>Net Cash - Operations as % of Change in Cash</i>		<i>51.3%</i>	<i>10.4%</i>	<i>-977.9%</i>	<i>124.3%</i>	<i>232.4%</i>
<b>Cash Flow from Investing Activities</b>						
Purchase of Property Plant Equipment	2,995	(9,375)	(38,263)	(51,856)	(28,156)	(113,532)
Other Investing Changes Net	(807)	(462)	(297)	(312)	(84)	(97)
Cash - Discontinued Investing Activities	-	-	-	-	-	-
<b>Net Cash - Investing Activities</b>	<b>2,188</b>	<b>(9,837)</b>	<b>(38,560)</b>	<b>(52,168)</b>	<b>(28,240)</b>	<b>(113,628)</b>
<i>Net Cash - Investing Sequential Growth %</i>			<i>292%</i>	<i>35%</i>	<i>-46%</i>	<i>302%</i>
<i>Net Cash -Investing as % of Change in Cash</i>		<i>-91%</i>	<i>-116%</i>	<i>-1405%</i>	<i>34%</i>	<i>170%</i>
<b>Cash Flow from Financing Activities</b>						
Notes Payable	(12,370)	(1,933)	3,150	4,200	1,537	10,137
Capital Lease	(114)	2,052	1,956	2,649	883	12,269
Revolving Facility	(9,614)	4,462	3,602	5,304	5,386	2,828
Contributed capital	33,347	-	-	-	-	-
Cash - Discontinued Financing Activities						
<b>Net Cash - Financing Activities</b>	<b>11,249</b>	<b>4,581</b>	<b>8,708</b>	<b>12,153</b>	<b>7,807</b>	<b>25,234</b>
<i>Net Cash - Financing Sequential Growth %</i>			<i>90%</i>	<i>40%</i>	<i>-36%</i>	<i>223%</i>
<i>Net Cash - Financing as % of Change in Cash</i>		<i>-42%</i>	<i>-26%</i>	<i>-327%</i>	<i>9%</i>	<i>38%</i>
Effect of Exchange Rate Changes	-	-	-	-	-	-
<b>Net Change - Cash and Cash Equivalents</b>	<b>7</b>	<b>(10,794)</b>	<b>(33,303)</b>	<b>(3,712)</b>	<b>84,064</b>	<b>66,779</b>
<b>Cash at Beginning of Period</b>	<b>9</b>	<b>16</b>	<b>(10,778)</b>	<b>(44,080)</b>	<b>(47,793)</b>	<b>36,272</b>
<b>Cash at End of Period</b>	<b>16</b>	<b>(10,778)</b>	<b>(44,080)</b>	<b>(47,793)</b>	<b>36,272</b>	<b>103,051</b>
<i>Cash Sequential Growth %</i>			<i>409%</i>	<i>108%</i>	<i>-76%</i>	<i>284%</i>



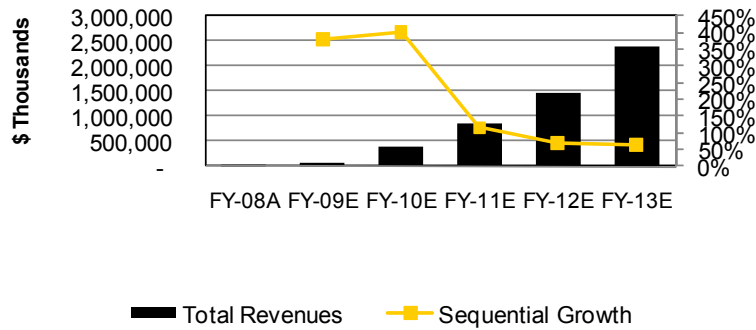
<b>Cohen Net Cash Flow from Operations</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>	<b>2012E</b>	<b>2013E</b>
Revenues	79,865	400,534	861,998	1,456,111	2,406,674
plus decrease (-increase) in AR	(13,074)	(60,342)	(84,602)	(60,384)	(155,955)
<b>Gross Cash Collections from Operations</b>	<b>66,791</b>	<b>340,192</b>	<b>777,397</b>	<b>1,395,728</b>	<b>2,250,719</b>
Operating Expenses					
Cost of Goods Sold	61,780	318,016	693,857	1,175,086	1,934,581
Selling, General and Administrative Expenses	6,763	22,537	40,633	56,970	74,186
R&D Expenses	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>68,543</b>	<b>340,553</b>	<b>734,490</b>	<b>1,232,056</b>	<b>2,008,767</b>
Working Capital Changes					
Increase in Inventories	(6,780)	(15,042)	(2,044)	(16,369)	(16,438)
Increase in Prepaid exp	581	(562)	(298)	(514)	(2,920)
Increase in Deferred Charges	-	-	-	-	-
Increase in Other Current Assets	-	-	-	-	-
Decrease (inc) in Accounts Payable	4,607	27,022	34,773	27,201	50,434
Decrease (inc) in Deffered Revenues	1,494	4,909	1,349	1,925	4,757
Decrease (inc) in Current LTD	-	-	-	-	-
Decrease (inc) in Current Cap Leases	-	-	-	-	-
Decrease (inc) in Income Tax Payable	-	-	-	-	-
Decrease (inc) in Other Current Liab	1,494	4,909	1,349	1,925	4,757
<b>Total Changes in Working Capital</b>	<b>1,396</b>	<b>21,235</b>	<b>35,131</b>	<b>14,169</b>	<b>40,589</b>
<b>Total Cash Outflows for Op (Op Exp+Chg WC)</b>	<b>69,939</b>	<b>361,787</b>	<b>769,621</b>	<b>1,246,225</b>	<b>2,049,356</b>
<b>Net Cash Flow from Operations (NCFO)</b>	<b>(3,148)</b>	<b>(21,596)</b>	<b>7,776</b>	<b>149,502</b>	<b>201,364</b>



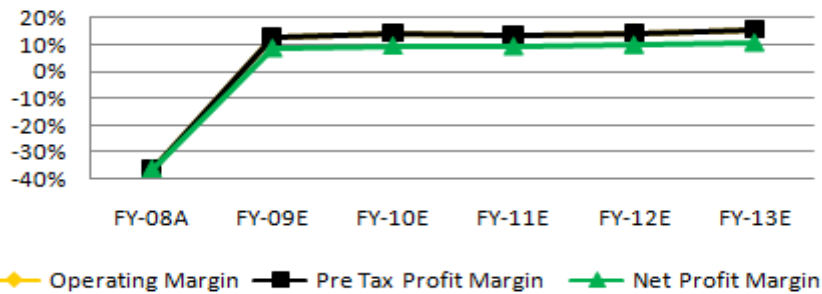
### Revenue - Growth



### Revenue Metrics

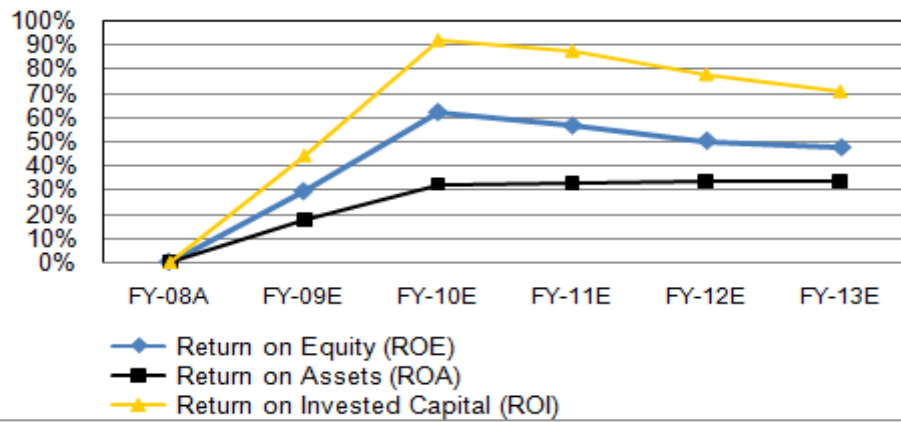


### Margins

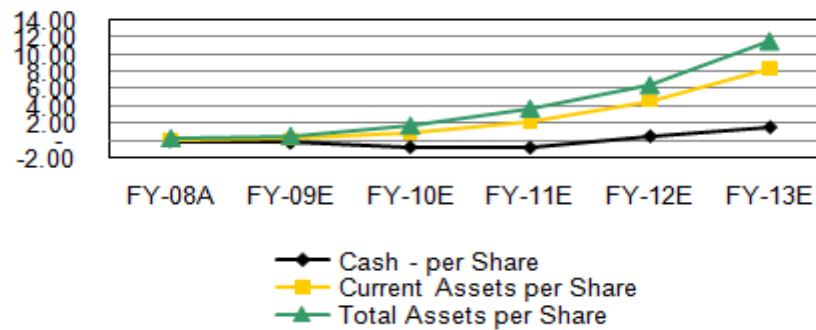




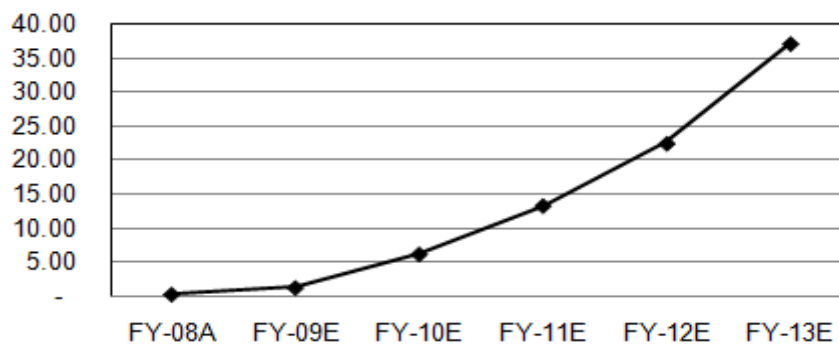
### Performance Metrics



### Assets per Share

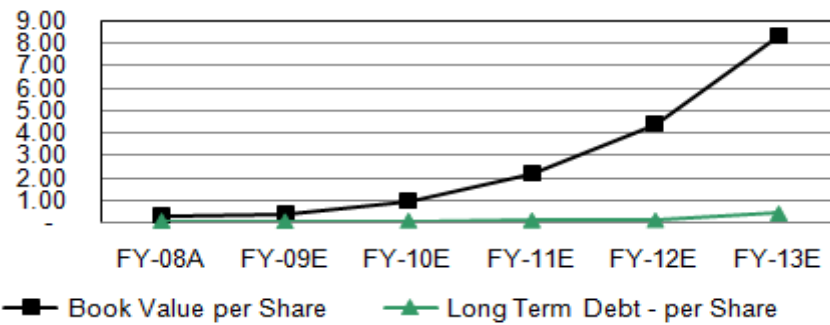


### Sales per Share

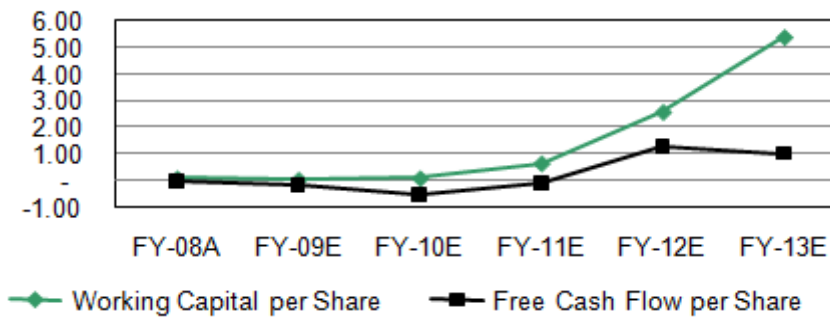




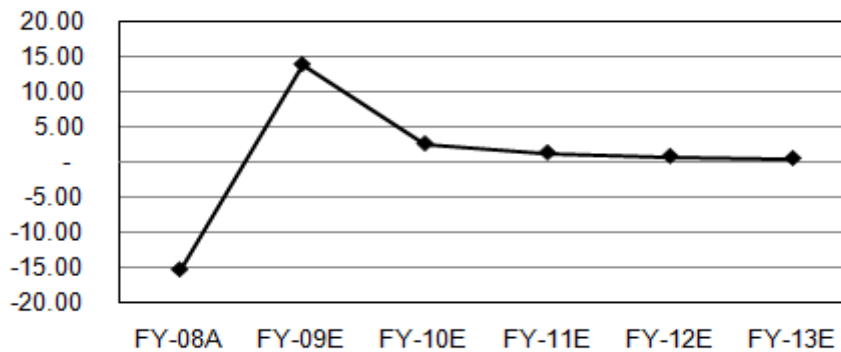
### Liabilities and Equity per Share



### Additional Per Share Data

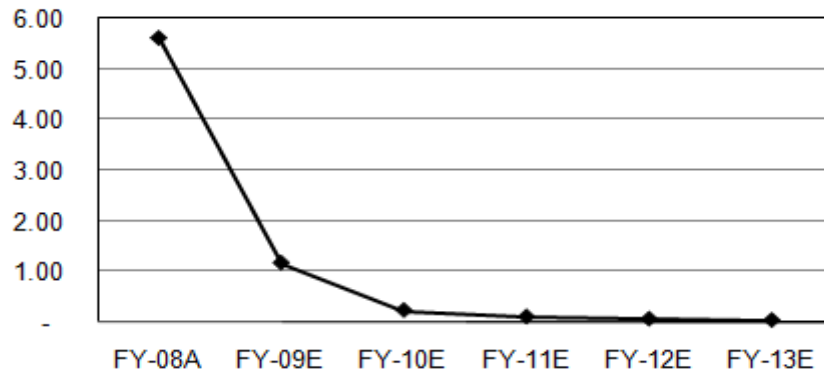


### Price to Earnings

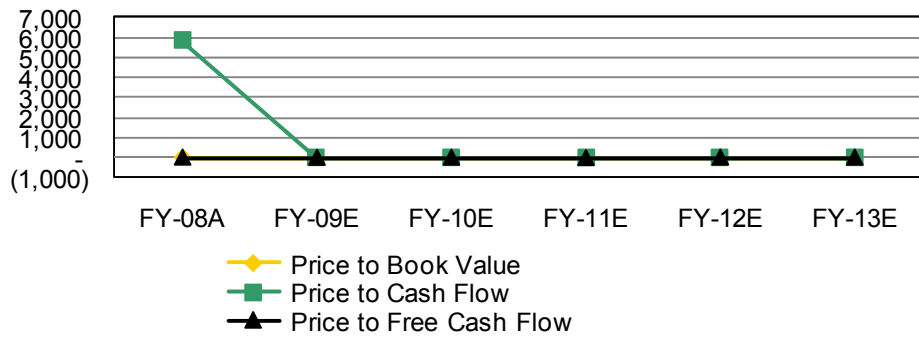




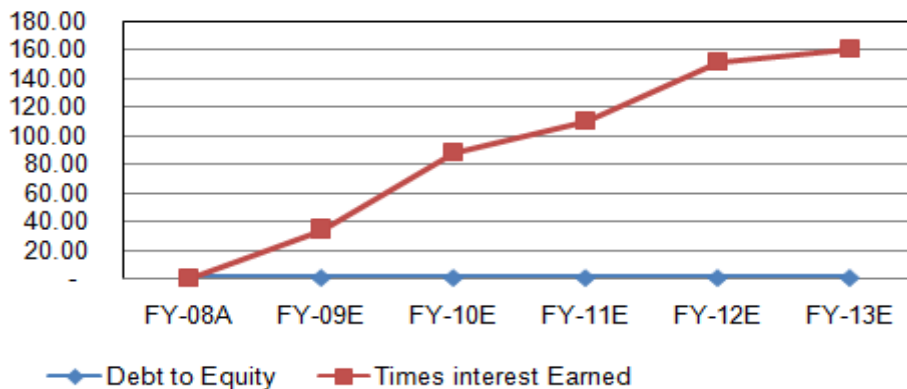
### Price to Sales

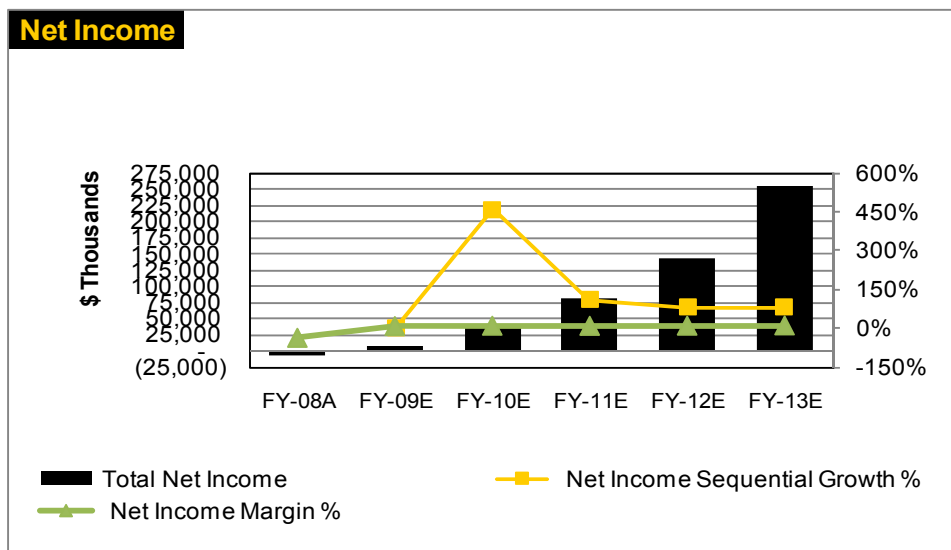
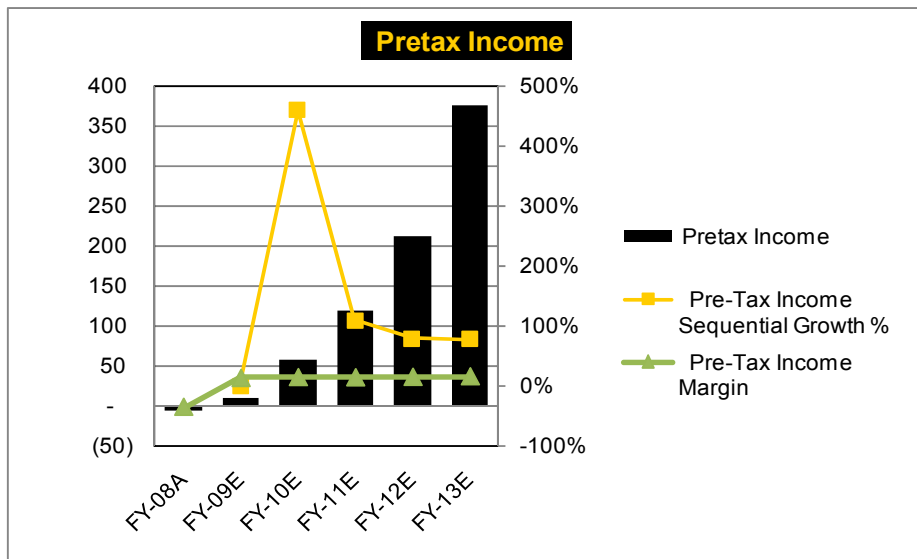
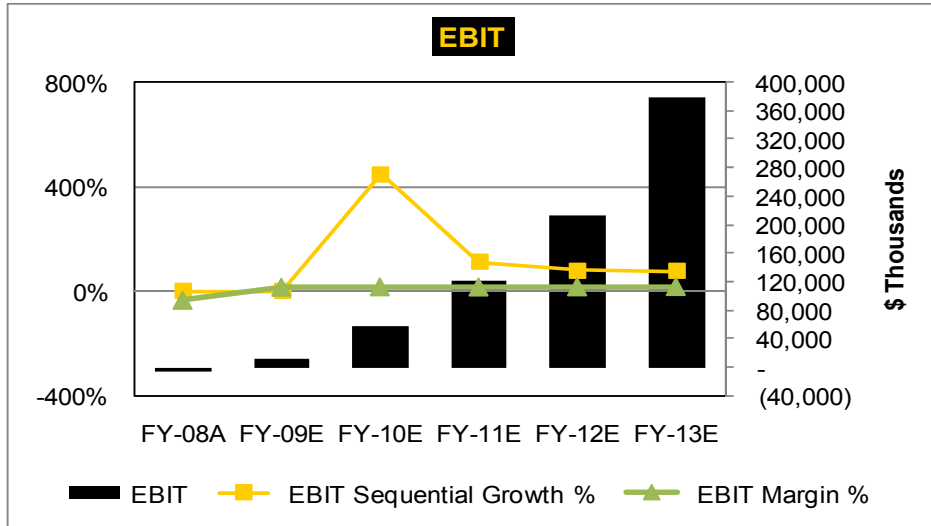


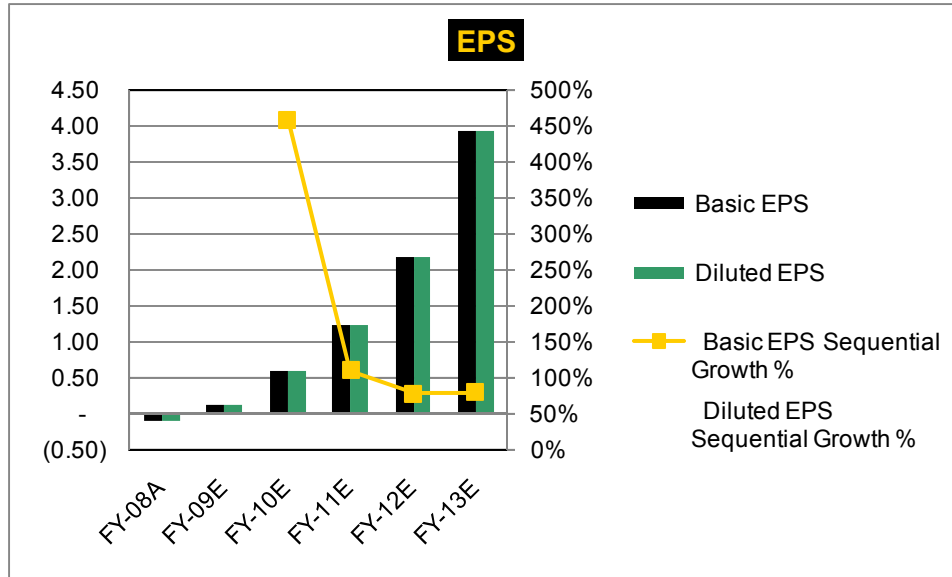
### Other Valuation Metrics



### Leverage Ratios









**PESSIMISTIC CASE**

<b>Revenue Metrics - Annual</b>	<b>FY-08A</b>	<b>FY-09E</b>	<b>FY-10E</b>	<b>FY-11E</b>	<b>FY-12E</b>	<b>FY-13E</b>
BT Manufacturing	14,961	9,000	40,000	100,000	130,000	170,000
Ordinance Systems	1,698	31,000	12,000	37,500	60,000	82,500
Bulova Combat System		7,500	70,000	120,000	175,000	250,000
<b>Total Revenues</b>	<b>16,659</b>	<b>47,500</b>	<b>122,000</b>	<b>257,500</b>	<b>365,000</b>	<b>502,500</b>
<b>Sequential Growth</b>						
BT Manufacturing		-39.8%	344.4%	150.0%	30.0%	30.8%
Ordinance Systems		1725.7%	-61.3%	212.5%	60.0%	37.5%
Bulova Combat System		NM	833.3%	71.4%	45.8%	42.9%
<b>Total Revenues</b>		<b>185.1%</b>	<b>156.8%</b>	<b>111.1%</b>	<b>41.7%</b>	<b>37.7%</b>
<b>Profitability Metrics</b>						
<b>Profitability Metrics</b>	<b>FY-08A</b>	<b>FY-09E</b>	<b>FY-10E</b>	<b>FY-11E</b>	<b>FY-12E</b>	<b>FY-13E</b>
Operating Margin	-36%	6%	9%	8%	9%	9%
Pre Tax Profit Margin	-36%	5%	8%	7%	8%	9%
Net Profit Margin	-36%	3%	5%	5%	5%	6%
Interest Coverage		7.2	11.4	13.5	16.2	14.2
Tax Rate	0%	36%	36%	36%	36%	36%
<b>Performance Metrics</b>						
<b>Performance Metrics</b>	<b>FY-08A</b>	<b>FY-09E</b>	<b>FY-10E</b>	<b>FY-11E</b>	<b>FY-12E</b>	<b>FY-13E</b>
Return on Equity (ROE)	NM	9%	25%	33%	34%	33%
Return on Assets (ROA)	NM	5%	12%	14%	16%	16%
Return on Invested Capital (ROI)	NM	17%	40%	55%	56%	47%
<b>Per Share Data</b>						
<b>Per Share Data</b>	<b>FY-08A</b>	<b>FY-09E</b>	<b>FY-10E</b>	<b>FY-11E</b>	<b>FY-12E</b>	<b>FY-13E</b>
Sales per Share	0.26	0.73	1.88	3.96	5.62	7.73
Cash - per Share	0.00	0.01	0.08	0.07	0.35	0.92
Current Assets per Share	0.12	0.26	0.55	0.92	1.38	2.29
Total Assets per Share	0.33	0.48	0.82	1.35	1.82	2.77
Book Value per Share	0.25	0.28	0.37	0.56	0.85	1.28
Long Term Debt - per Share	0.06	0.04	0.06	0.08	0.08	0.38
Working Capital per Share	0.11	0.10	0.16	0.21	0.50	1.19
Free Cash Flow per Share	-	0.02	0.07	(0.00)	0.28	0.56
<b>Price/ Earnings</b>						
<b>Price/ Earnings</b>	<b>FY-08A</b>	<b>FY-09E</b>	<b>FY-10E</b>	<b>FY-11E</b>	<b>FY-12E</b>	<b>FY-13E</b>
Price Earnings Ratio - Closing Price	(15.49)	57.15	15.16	7.67	4.92	3.35
Price to Sales Ratio - Closing Price	5.62	1.97	0.77	0.36	0.26	0.19
<b>Valuation Metrics</b>						
<b>Valuation Metrics</b>	<b>FY-08A</b>	<b>FY-09E</b>	<b>FY-10E</b>	<b>FY-11E</b>	<b>FY-12E</b>	<b>FY-13E</b>
Price to Sales	5.62	1.97	0.77	0.36	0.26	0.19
Price to Book Value	5.68	5.17	3.85	2.56	1.69	1.12
Price to Cash Flow	5,850.00	99.35	18.51	20.48	4.09	1.57
Price to Free Cash Flow	NM	67.11	21.20	(545.21)	5.08	2.55
Price to Equity	5.68	5.17	3.85	2.56	1.69	1.12
<b>Leverage Ratios</b>						
<b>Leverage Ratios</b>	<b>FY-08A</b>	<b>FY-09E</b>	<b>FY-10E</b>	<b>FY-11E</b>	<b>FY-12E</b>	<b>FY-13E</b>
Debt to Equity	0.22	0.13	0.16	0.14	0.10	0.29
Times interest Earned	-	7.2	11.4	13.5	16.2	14.2



<b>Income Statement Metrics</b>	<b>FY-08A</b>	<b>FY-09E</b>	<b>FY-10E</b>	<b>FY-11E</b>	<b>FY-12E</b>	<b>FY-13E</b>
<b>Sales</b>						
Sales	16,659	47,500	122,000	257,500	365,000	502,500
<i>Sequential Sales Growth %</i>		185.1%	156.8%	111.1%	41.7%	37.7%
<b>Expenses</b>						
Gross Profit	(2,843)	8,987	20,360	39,775	54,950	75,325
<i>Gross Profit Sequential Growth %</i>	NM	NM	126.5%	95.4%	38.2%	37.1%
<i>Gross Profit as % of Sales</i>	-17.1%	18.9%	16.7%	15.4%	15.1%	15.0%
SG&A Expense	2,626	5,416	8,960	17,025	20,600	25,125
<i>SG&amp;A Sequential Growth %</i>	NM	106.2%	65.4%	90.0%	21.0%	22.0%
<i>SG&amp;A as % of Sales</i>	15.8%	11.4%	7.3%	6.6%	5.6%	5.0%
Corporate Exp	572	-	-	-	-	-
<i>Coprorate exp as % of Sales</i>	3.4%	0.0%	0.0%	0.0%	0.0%	0.0%
EBITDA	(6,041)	3,571	11,400	22,750	34,350	50,200
<i>EBITDA Sequential Growth %</i>	NM	NM	219.2%	99.6%	51.0%	46.1%
<i>EBITDA Margin %</i>	-36.3%	7.5%	9.3%	8.8%	9.4%	10.0%
Depreciation and Amortization	-	517	750	2,000	2,501	2,996
EBIT	(6,041)	3,054	10,650	20,750	31,849	47,204
<i>EBIT Sequential Growth %</i>	NM	NM	248.7%	94.8%	53.5%	48.2%
<i>EBIT Margin %</i>	-36.3%	6.4%	8.7%	8.1%	8.7%	9.4%
Interest Expense	-	495	1,002	1,691	2,118	3,532
<i>Interest Rate %</i>	0.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Pretax Income	(6,041)	2,559	9,648	19,060	29,730	43,672
<i>Pre-Tax Income Sequential Growth %</i>		NM	277.0%	97.6%	56.0%	46.9%
<i>Pre-Tax Income Margin</i>	-36.3%	5.4%	7.9%	7.4%	8.1%	8.7%
Income Taxes	-	921	3,473	6,862	10,703	15,722
<i>Tax Rate %</i>	0.0%	36.0%	36.0%	36.0%	36.0%	36.0%
Net Income from Continuing Operations	(6,041)	1,638	6,175	12,198	19,027	27,950
Net Income from Discontinued Operations	-	-	-	-	-	-
Net Income from Total Operations	(6,041)	1,638	6,175	12,198	19,027	27,950
Extraordinary Income Losses	-	-	-	-	-	-
Other Gains Losses	-	-	-	-	-	-
<b>Net Income</b>						
Total Net Income	(6,041)	1,638	6,175	12,198	19,027	27,950
<i>Net Income Sequential Growth %</i>		NM	277.0%	97.6%	56.0%	46.9%
<i>Net Income Margin %</i>	-36.3%	3.4%	5.1%	4.7%	5.2%	5.6%
<b>Earnings Per Share</b>						
Basic EPS	(0.09)	0.03	0.09	0.19	0.29	0.43
<i>Basic EPS Sequential Growth %</i>			277.0%	97.6%	56.0%	46.9%
Diluted EPS	\$ (0.09)	\$ 0.03	\$ 0.09	\$ 0.19	\$ 0.29	\$ 0.43
<i>Diluted EPS Sequential Growth %</i>			277.0%	97.6%	56.0%	46.9%



<b>Balance Sheet Metrics</b>	<b>FY-08A</b>	<b>FY-09E</b>	<b>FY-10E</b>	<b>FY-11E</b>	<b>FY-12E</b>	<b>FY-13E</b>
<b>Assets</b>						
Cash and Equivalents	16	942	5,057	4,570	22,897	59,491
<i>Cash Sequential Growth %</i>			437%	-10%	401%	160%
<i>Cash as % of Total Assets</i>	0.1%	3.0%	9.5%	5.2%	19.4%	33.1%
Accounts Receivable	15	7,521	21,689	44,347	52,722	73,979
<i>Accounts Receivable Sequential Growth %</i>			188%	104%	19%	40%
<i>Accounts Receivable as % of Total Assets</i>	0.1%	23.9%	40.7%	50.4%	44.6%	41.2%
Inventories	6,930	8,441	8,632	10,737	13,591	14,629
<i>Inventories Sequential Growth %</i>		22%	2%	24%	27%	8%
<i>Inventories as % of Total Assets</i>	32.6%	26.9%	16.2%	12.2%	11.5%	8.1%
Prepaid Expenses	1,100	309	329	412	475	1,005
<b>Total Current Assets</b>	<b>8,061</b>	<b>17,213</b>	<b>35,708</b>	<b>60,066</b>	<b>89,685</b>	<b>149,105</b>
Equipments	13,083	13,590	16,740	26,758	27,319	29,250
<i>Equipments Sequential Growth %</i>		3.9%	23.2%	59.8%	2.1%	7.1%
<i>Equipments as % of Total Assets</i>	61.5%	43.3%	31.4%	30.4%	23.1%	16.3%
Real Estate	-	-	-	-	-	-
Other Non Current Assets	132	601	901	1,216	1,301	1,400
<b>Total Assets</b>	<b>21,276</b>	<b>31,404</b>	<b>53,349</b>	<b>88,040</b>	<b>118,306</b>	<b>179,755</b>
<b>Liabilities</b>						
Accounts Payable	1,056	3,530	10,446	21,168	24,976	34,411
<i>Accounts Payable Sequential Growth %</i>		234%	196%	103%	18%	38%
<i>Accounts Payable as % of Total Assets</i>	5.0%	11.2%	19.6%	24.0%	21.1%	19.1%
Revolving credit facility	97	4,500	8,001	13,002	18,007	20,708
Current portion of notes payable	-	500	2,250	5,499	6,699	7,804
<i>Debt Payable Sequential Growth %</i>			350%	144%	22%	16%
<i>Debt Payable as % of Total Assets</i>	0.0%	1.6%	4.2%	6.2%	5.7%	4.3%
Accrued Expenses	6	1,500	1,903	2,202	2,500	3,000
Other Current Liabilities	-	852	2,500	4,675	5,200	5,927
<b>Total Current Liabilities</b>	<b>1,159</b>	<b>10,882</b>	<b>25,101</b>	<b>46,545</b>	<b>57,383</b>	<b>71,851</b>
<i>Current Liabilities Sequential Growth %</i>		839%	131%	85%	23%	25%
<i>Current Liabilities as % of Total Assets</i>	5.4%	34.7%	47.0%	52.9%	48.5%	40.0%
Long Term Debt	3,633	2,400	3,952	5,000	5,401	24,432
<i>Long Term Debt Sequential Growth %</i>		-33.9%	64.7%	26.5%	8.0%	352.4%
<i>Long Term Debt as % of Total Assets</i>	17%	8%	7%	6%	5%	14%
Other Non Current Liabilities	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>4,792</b>	<b>13,282</b>	<b>29,053</b>	<b>51,546</b>	<b>62,784</b>	<b>96,284</b>
<i>Total Liabilities Sequential Growth %</i>		177.2%	118.7%	77.4%	21.8%	53.4%
<i>Total Liabilities as % of Total Assets</i>	23%	42%	54%	59%	53%	54%
<b>Shareholders Equity</b>						
<b>Total Equity</b>	<b>16484</b>	<b>18122</b>	<b>24296</b>	<b>36494</b>	<b>55522</b>	<b>83472</b>
<i>Total Equity Sequential Growth %</i>		9.9%	34.1%	50.2%	52.1%	50.3%
<i>Total Equity as % of Total Assets</i>	77%	58%	46%	41%	47%	46%
<b>Total Liabilities and Stock Equity</b>	<b>21276</b>	<b>31404</b>	<b>53349</b>	<b>88040</b>	<b>118306</b>	<b>179755</b>
<b>Shareholding/ Employees</b>						
Total Common Shares Outstanding	65,000	65,000	65,000	65,000	65,000	65,000
<i>Shares Outstanding Sequential Growth %</i>		0.0%	0.0%	0.0%	0.0%	0.0%
Treasury Shares						
Basic Weighted Shares Outstanding	65,000	65,000	65,000	65,000	65,000	65,000
Diluted Weighted Shares Outstanding	65,000	65,000	65,000	65,000	65,000	65,000
<i>Diluted Shares Outstanding Sequential Growth %</i>		0.0%	0.0%	0.0%	0.0%	0.0%



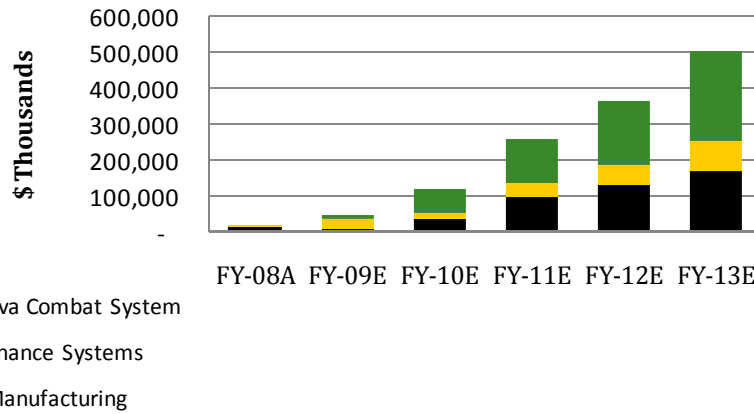
<b>Cash Flow Metrics</b>	<b>FY-08A</b>	<b>FY-09E</b>	<b>FY-10E</b>	<b>FY-11E</b>	<b>FY-12E</b>	<b>FY-13E</b>
<b>Cash Flow from Operations</b>						
Net Income/Loss	(6,041)	1,638	6,175	12,198	19,027	27,950
Depreciation and amortization	(6,057)	517	750	2,000	2,501	2,996
Other Adjustment	-	-	-	-	-	-
Increase Decrease - Receivables	6,762	(7,506)	(14,168)	(22,658)	(8,375)	(21,257)
Increase Decrease - Inventories	9,266	(1,511)	(191)	(2,105)	(2,854)	(1,038)
Increase Decrease - Prepaid Expenses	(673)	791	(21)	(83)	(63)	(531)
Increase Decrease - Other Current Assets	-	-	-	-	-	-
Increase Decrease - Payables	(10,629)	2,474	6,916	10,721	3,809	9,435
Increase Decrease - Accrued Expenses and Liabilit	(6,058)	1,494	403	298	299	500
Other Non Cash Items		-	-	-	-	-
Net Cash - Continuing Operations	(13,430)	(2,103)	(136)	372	14,344	18,055
Net Cash - Discontinued Operations		-	-	-	-	-
<b>Net Cash - Operating Activities</b>	<b>(13,430)</b>	<b>(2,103)</b>	<b>(136)</b>	<b>372</b>	<b>14,344</b>	<b>18,055</b>
<i>Net Cash - Operations Sequential Growth %</i>		<i>NM</i>	<i>NM</i>	<i>-373%</i>	<i>3755%</i>	<i>26%</i>
<i>Net Cash - Operations as % of Change in Cash</i>		<i>-227.0%</i>	<i>-3.3%</i>	<i>-76.4%</i>	<i>78.3%</i>	<i>49.3%</i>
<b>Cash Flow from Investing Activities</b>						
Purchase of Property Plant Equipment	2,995	(1,025)	(3,900)	(12,017)	(3,063)	(4,927)
Other Investing Changes Net	(807)	(469)	(300)	(315)	(85)	(99)
Cash - Discontinued Investing Activities	-	-	-	-	-	-
<b>Net Cash - Investing Activities</b>	<b>2,188</b>	<b>(1,493)</b>	<b>(4,200)</b>	<b>(12,333)</b>	<b>(3,148)</b>	<b>(5,026)</b>
<i>Net Cash - Investing Sequential Growth %</i>			<i>181%</i>	<i>194%</i>	<i>-74%</i>	<i>60%</i>
<i>Net Cash -Investing as % of Change in Cash</i>		<i>161%</i>	<i>102%</i>	<i>-2532%</i>	<i>17%</i>	<i>14%</i>
<b>Cash Flow from Financing Activities</b>						
Notes Payable	(12,370)	(1,933)	3,050	3,949	1,300	9,105
Capital Lease	(114)	2,052	1,900	2,523	825	11,759
Revolving Facility	(9,614)	4,403	3,501	5,001	5,006	2,701
Contributed capital	33,347	-	-	-	-	-
Cash - Discontinued Financing Activities						
<b>Net Cash - Financing Activities</b>	<b>11,249</b>	<b>4,522</b>	<b>8,451</b>	<b>11,474</b>	<b>7,131</b>	<b>23,565</b>
<i>Net Cash - Financing Sequential Growth %</i>			<i>87%</i>	<i>36%</i>	<i>-38%</i>	<i>230%</i>
<i>Net Cash - Financing as % of Change in Cash</i>		<i>488%</i>	<i>205%</i>	<i>-2356%</i>	<i>39%</i>	<i>64%</i>
Effect of Exchange Rate Changes	-	-	-	-	-	-
<b>Net Change - Cash and Cash Equivalents</b>	<b>7</b>	<b>926</b>	<b>4,115</b>	<b>(487)</b>	<b>18,327</b>	<b>36,594</b>
<b>Cash at Beginning of Period</b>	<b>9</b>	<b>16</b>	<b>942</b>	<b>5,057</b>	<b>4,570</b>	<b>22,897</b>
<b>Cash at End of Period</b>	<b>16</b>	<b>942</b>	<b>5,057</b>	<b>4,570</b>	<b>22,897</b>	<b>59,491</b>
<i>Cash Sequential Growth %</i>			<i>537%</i>	<i>90%</i>	<i>501%</i>	<i>260%</i>



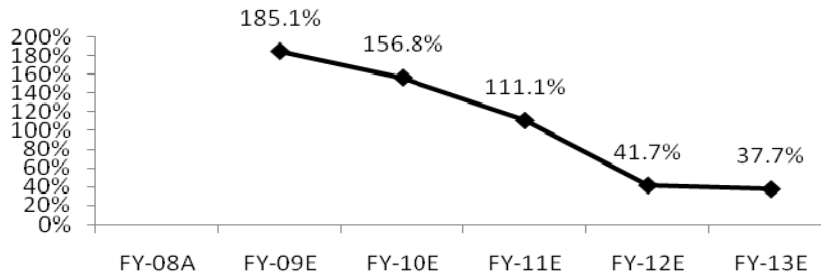
<b>Cohen Net Cash Flow from Operations</b>	<b>2009E</b>	<b>2010E</b>	<b>2011E</b>	<b>2012E</b>	<b>2013E</b>
Revenues	47,500	122,000	257,500	365,000	502,500
plus decrease (-increase) in AR	(7,506)	(14,168)	(22,658)	(8,375)	(21,257)
<b>Gross Cash Collections from Operations</b>	<b>39,994</b>	<b>107,832</b>	<b>234,842</b>	<b>356,625</b>	<b>481,243</b>
Operating Expenses					
Cost of Goods Sold	38,513	101,640	217,725	310,050	427,175
Selling, General and Administrative Expenses	5,416	8,960	17,025	20,600	25,125
R&D Expenses	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>43,929</b>	<b>110,600</b>	<b>234,750</b>	<b>330,650</b>	<b>452,300</b>
Working Capital Changes					
Increase in Inventories	(1,511)	(191)	(2,105)	(2,854)	(1,038)
Increase in Prepaid exp	791	(21)	(83)	(63)	(531)
Increase in Deferred Charges	-	-	-	-	-
Increase in Other Current Assets	-	-	-	-	-
Decrease (inc) in Accounts Payable	2,474	6,916	10,721	3,809	9,435
Decrease (inc) in Deffered Revenues	1,494	403	298	299	500
Decrease (inc) in Current LTD	-	-	-	-	-
Decrease (inc) in Current Cap Leases	-	-	-	-	-
Decrease (inc) in Income Tax Payable	-	-	-	-	-
Decrease (inc) in Other Current Liab	1,494	403	298	299	500
<b>Total Changes in Working Capital</b>	<b>4,742</b>	<b>7,510</b>	<b>9,131</b>	<b>1,489</b>	<b>8,866</b>
<b>Total Cash Outflows for Op (Op Exp+Chg WC)</b>	<b>48,671</b>	<b>118,110</b>	<b>243,881</b>	<b>332,139</b>	<b>461,166</b>
<b>Net Cash Flow from Operations (NCFO)</b>	<b>(8,677)</b>	<b>(10,279)</b>	<b>(9,039)</b>	<b>24,486</b>	<b>20,077</b>



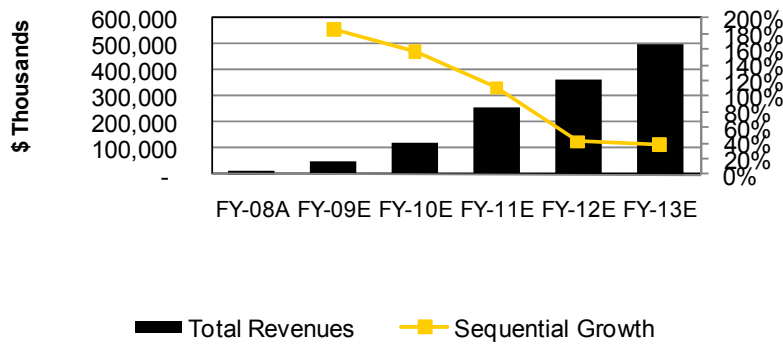
### Revenue Break-up

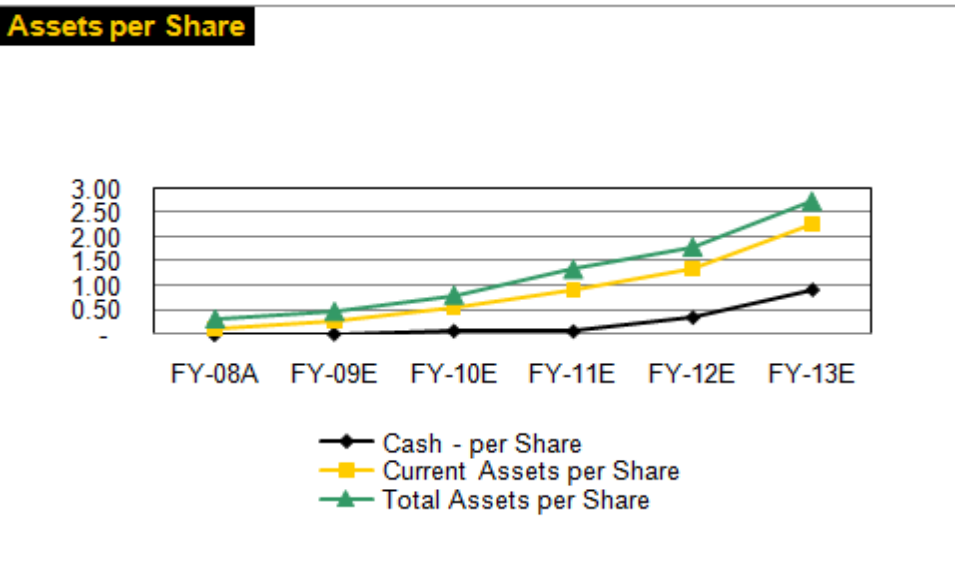
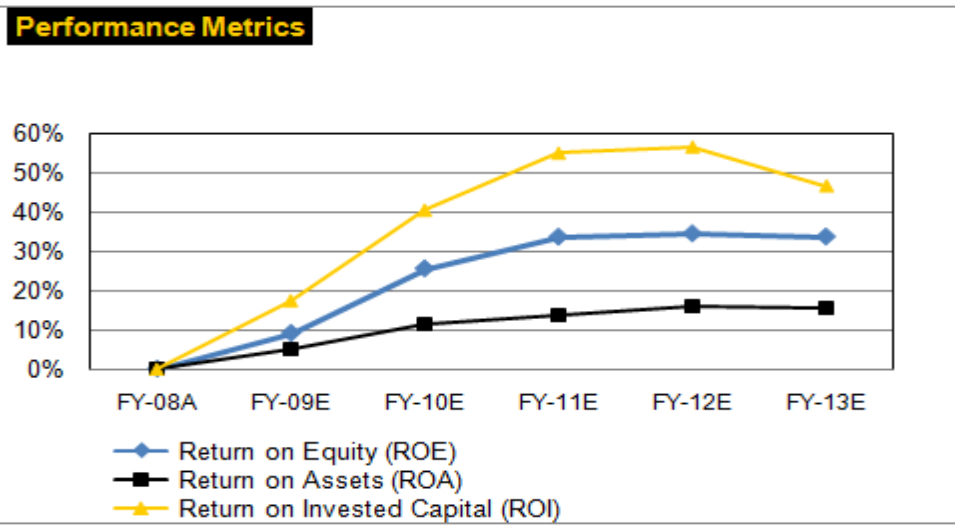
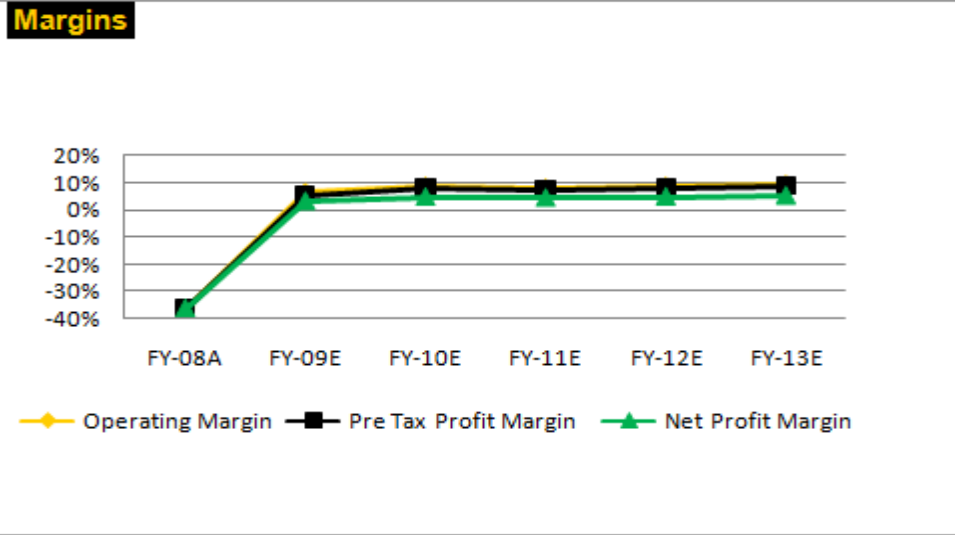


### Revenue - Growth



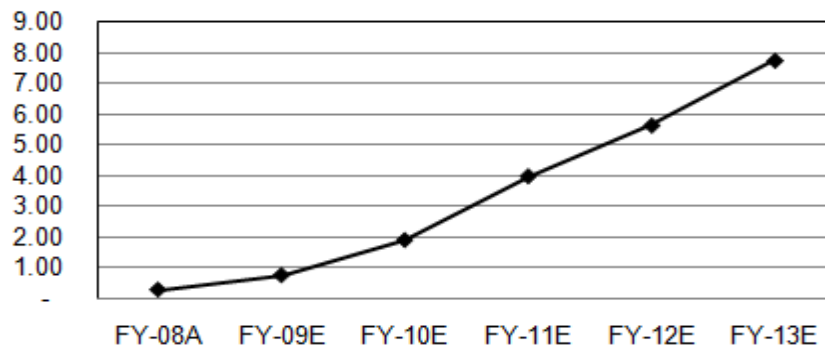
### Revenue Metrics



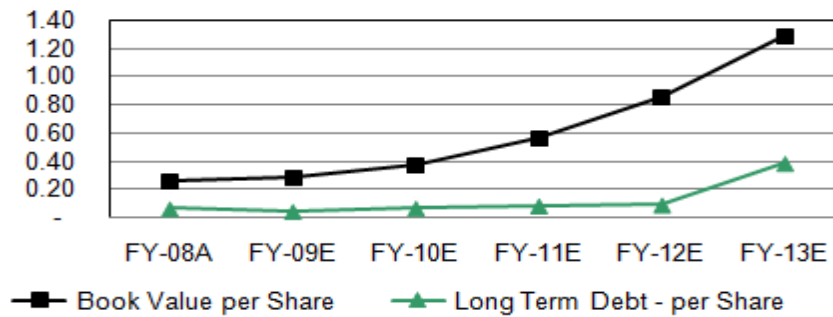




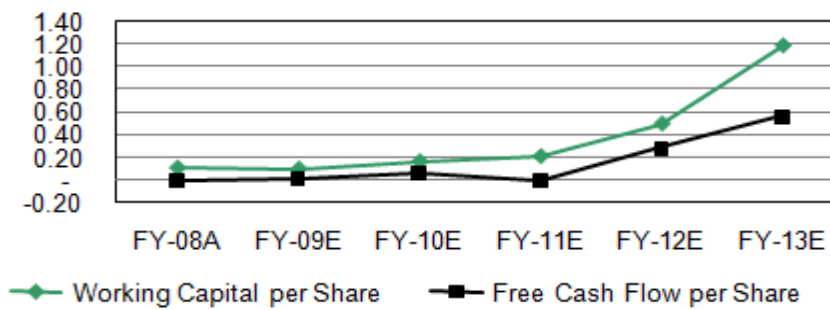
### Sales per Share



### Liabilities and Equity per Share

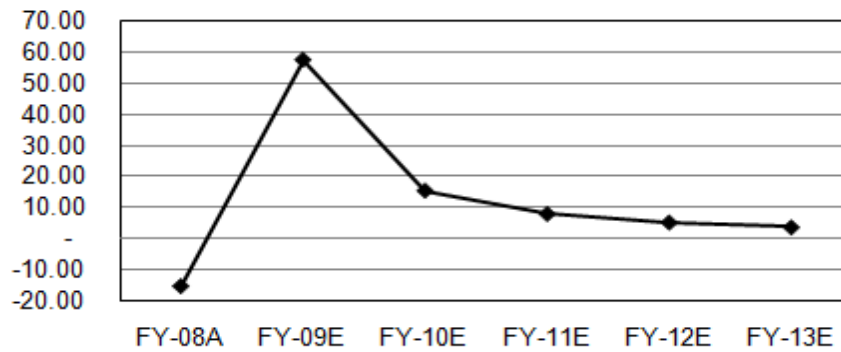


### Additional Per Share Data

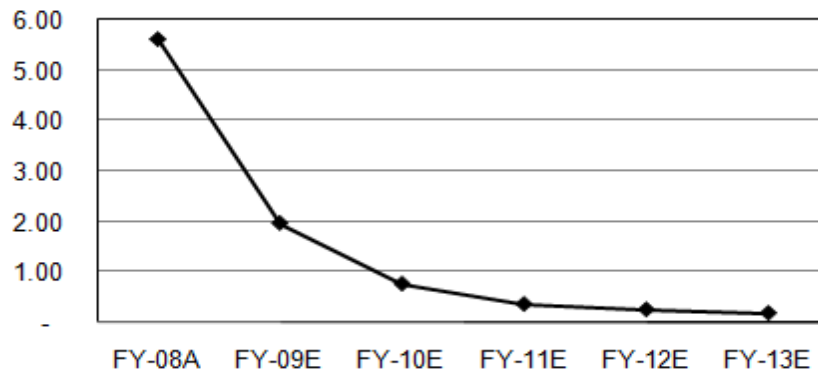




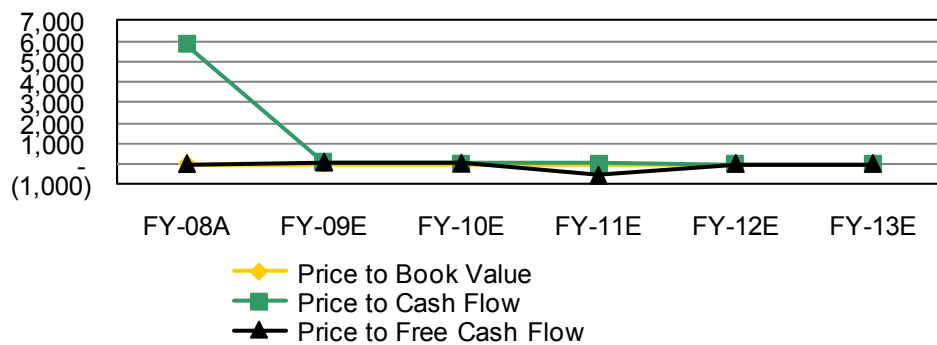
### Price to Earnings

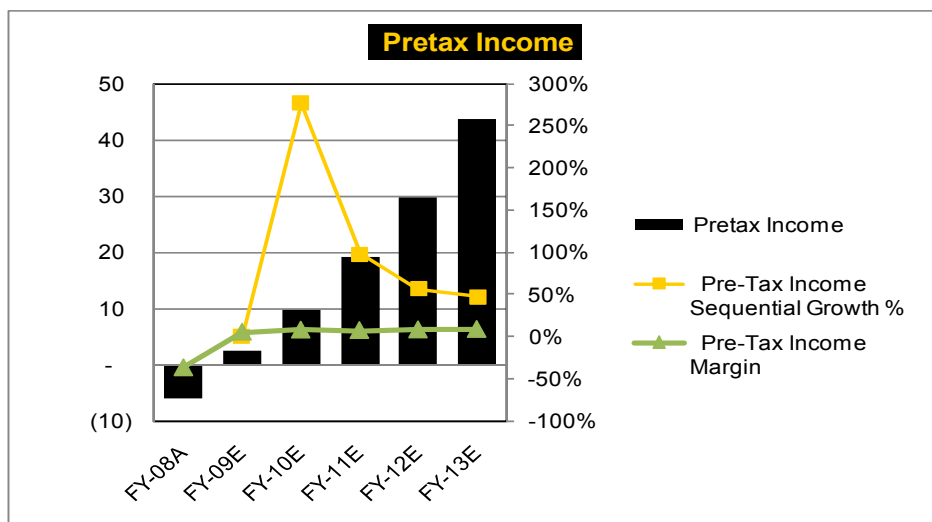
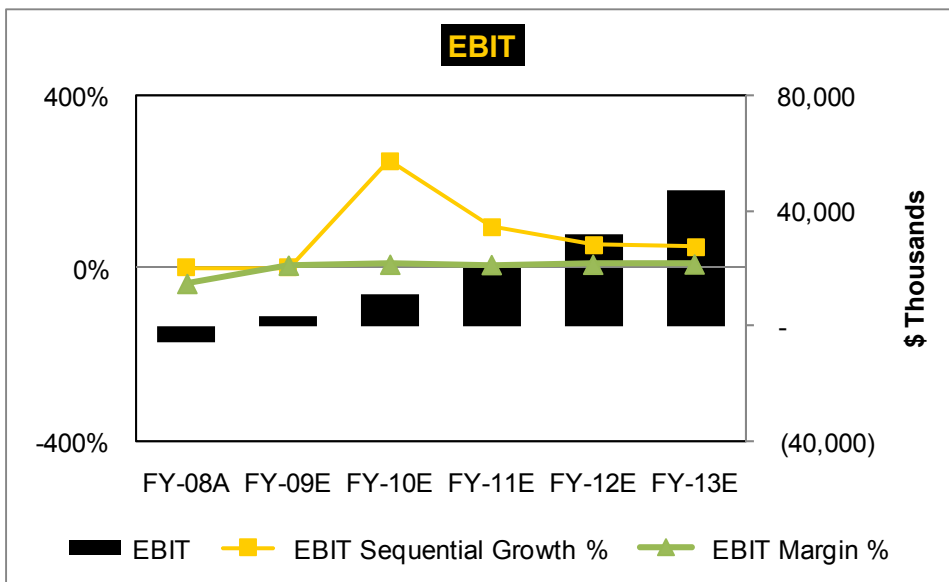
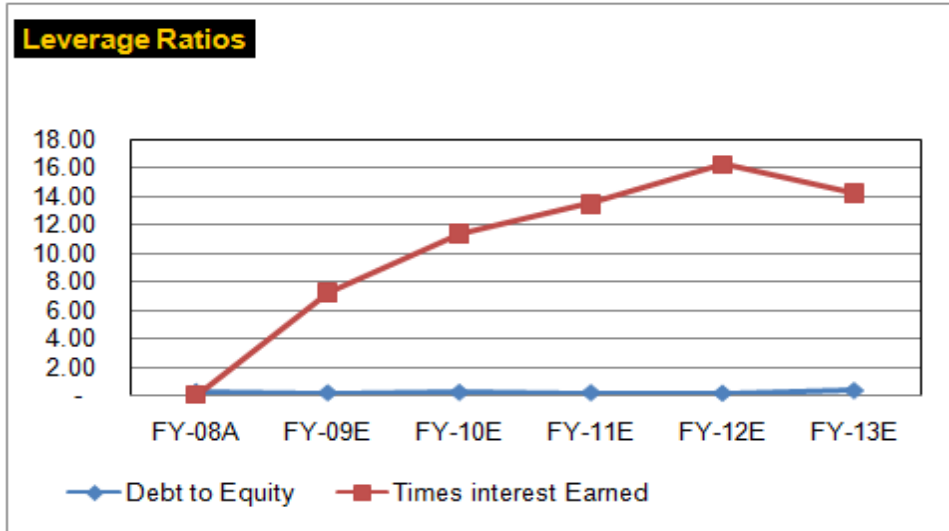


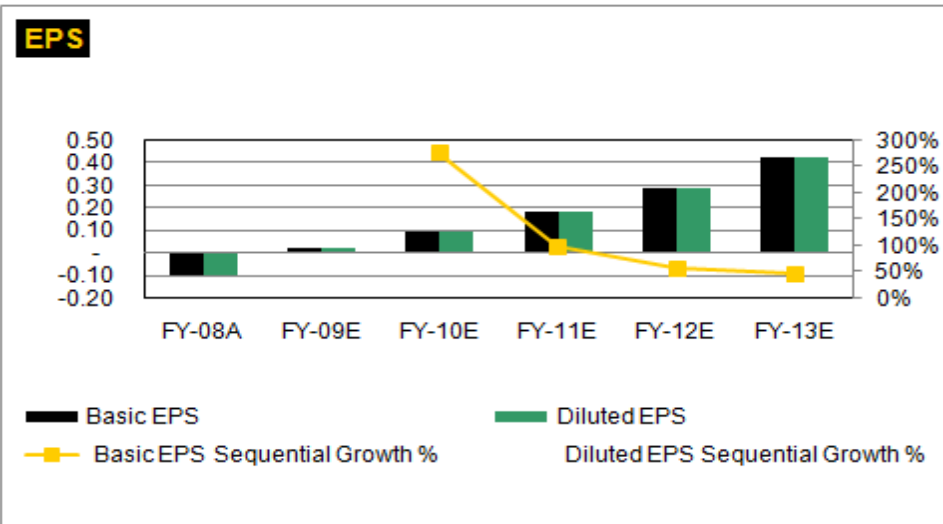
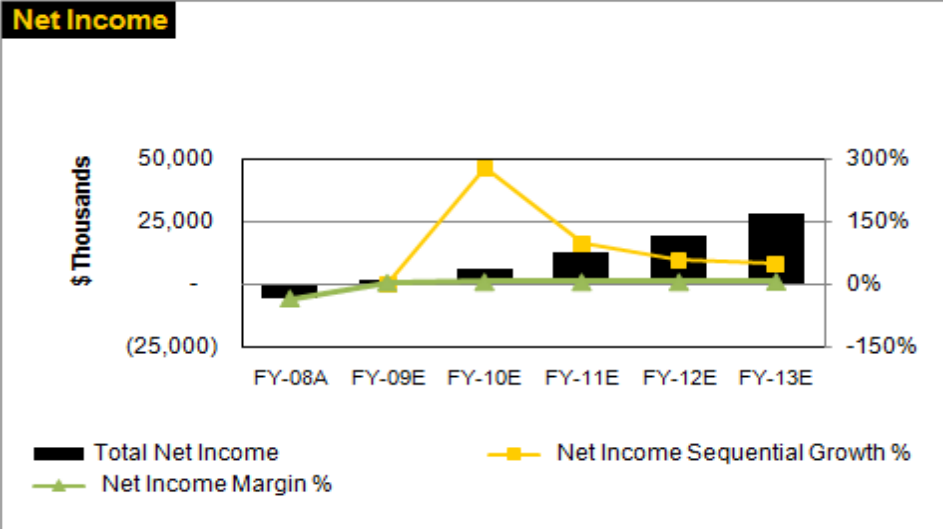
### Price to Sales



### Other Valuation Metrics









## APPENDIX 5: DISCOUNTED CASH FLOW EXPLANATION

**Discounted Cash Flow Analysis (DCF)** values a company today, based on projections of how much cash will be generated from a company in the future. A DCF analysis assumes that a company is worth all of the cash that it can make available to investors in the future. It is called a "discounted" cash flow because cash in the future is worth less than cash today, and therefore must be discounted to today.

For example, suppose someone asked an investor to choose between receiving \$100

today and receiving \$100 in a year. Chances are the investor will take the money today, knowing that he can invest that \$100 now and have more than \$100 in a year's time. In simple terms, the amount that the investor would have in one year is worth \$100 dollars today - or the discounted value is \$100. We make the same calculation for all the cash expected to be generated by a company in the future to get a valid measure of the company's value today. As seen in the table below, the present Value of \$100 reduces as the number of years forecasted increases.

**Table 2: Present value of \$100**

<b>Amount (\$)</b>	<b>Discount Rate (r)</b>	<b>Year (n)</b>	<b>PV (Amt/(1+r)^n)</b>
100	10%	1	90.91
100	10%	2	82.64
100	10%	3	75.13
100	10%	4	68.30
100	10%	5	62.09
100	10%	6	56.45
100	10%	7	51.32
100	10%	8	46.65
100	10%	9	42.41
100	10%	10	38.55



We use a Discounted Cash Flow Analysis (DCF) to forecast future cash flows to determine a fair value range for a given stock price.

We normally forecast cash flows during a five-year period from the Income Statement, which requires additional forecasting inputs. We focus on the Present Value of Future Cash Flows to compute a target price. The **Cash Flow Statement** is as an accounting statement that shows the amount of cash generated and used by a company in a given period, calculated by adding non-cash charges (such as

depreciation) to net income after taxes. Cash flow can be attributed to a specific project, or to a business as a whole.

**Free Cash Flow (FCF)** represents the cash that a company is able to generate after spending the money required to maintain/expand its asset base. Free cash flow is important because it allows a company to pursue opportunities that enhance shareholder value. Without cash, it is difficult to develop new products, make acquisitions, pay dividends and reduce debt.

#### Free Cash Flows Computation

Net Cash From Operations	xx
Less/add: (increase)/decrease in working capital	xx
Less: Capital Expenditure	(xx)
<b><i>Free Cash Flows</i></b>	<b>xx</b>

The table below demonstrates how we calculate FCF for a company.

**Table 3: Free Cash Flow Calculation of XYZ Company**

<i>Figures in \$'000 unless specified</i>	<b>Y 0</b>	<b>Y+1</b>	<b>Y+2</b>	<b>Y+3</b>	<b>Y+4</b>	<b>Y+5</b>
Net Cash from Operations	2.07	20.37	55.42	129.01	241.43	397.98
CAPEX	(24.00)	(77.00)	(169.40)	(372.68)	(614.92)	(901.89)
Net Debt Additions	19.20	61.60	134.90	278.94	430.34	585.99
<b>Free Cash Flows Equity</b>	<b>(2.73)</b>	<b>4.97</b>	<b>20.93</b>	<b>35.28</b>	<b>56.84</b>	<b>82.08</b>



The theory behind the DCF model is that investors are willing to pay for a stream of future cash flows. Future cash flows are discounted with a present value formulation to determine a fair stock price today, given what we know and how we forecast the future. **Present Value (PV)** is the value in today's dollars assigned to an amount of money in the

future, based on our estimate of rate-of-return over the long-term. In this analysis, rate-of-return is calculated based on annual compounding. A given amount of money is always more valuable sooner than later since this enables one to take advantage of investment opportunities. Because of this, present values are less than corresponding future values.

$$\text{Value of Firm} = \sum_{t=1}^{t=n} \frac{\text{CF to Firm}_t}{(1+WACC)^t}$$

Our key input is the rate used to discount future cash flows to their present values. Most firms have a well-defined policy regarding their capital structure. Therefore, the Weighted Average Cost of Capital (WACC) (after tax) is appropriate for use with all projects. Present value is additive. The present value of a quantity of cash flows is the sum of each one's present value.

There are three main steps to calculating a DCF

1. First, we calculate the stream of cash flows in the five-year forecast period. Then we discount these cash flows back to the beginning of

the first forecasted fiscal year. The method we use to discount back to the present is the **Present Value Method** where we discount the free cash flows of the company by the **WACC**.

2. The second step is to determine the company's value at the end of the forecast period. This is the **Terminal Value**. The Terminal Value is then discounted back to the beginning of the first forecasted fiscal year. The method we use to discount back to the present is the **Perpetuity Growth Model**. The Perpetuity Growth Model accounts



for the value of free cash flows that continues into perpetuity in the future, growing at an assumed constant rate. To determine the present value of the terminal value, one must discount the Terminal Value by a factor equal to the number of years included in the initial projection period. If N is the fifth and final year in this period, then the Terminal Value is divided by  $(1 + r)^5$ .

3. The final step is adding these two to determine a fair value today based on what we know about the future.

An important decision in using Present Value models is deciding what cash flow or earnings stream will be forecasted and eventually discounted to compute an evaluation. We forecast Free Cash Flow which requires more input than simply using EBITDA (Earnings before Interest, Tax, Depreciation and Amortization).

A simpler method for discounting cash flow forecasts is using EBITDA (not a GAAP reporting required item). EBITDA can be defined as gross cash flow. This method of discounting is appropriate when EBITDA forms

the basis of evaluation for the company. This method works well with small companies that have yet to post positive earnings. For all other companies, it is a good idea to examine at how the valuation methodology is applied.

DCF is a more involved forecasting method because it calculates the forecasted Free Cash Flow. The method requires forecasting of items such as the Operating Margins, tax rates, capital expenditures and changes in working capital. In addition, Debt is not subtracted from the discounted Free Cash Flow since Free Cash Flow is, by definition, net of the debt payments.

For the most part, free cash flow is a trustworthy measure that cuts through much of the arbitrary "guesstimates" involved in reported earnings. Regardless of whether a cash outlay is counted as an expense or turned into an asset on the balance sheet, free cash flow tracks the money left over for investors.

DCF analysis treats a company as a business rather than as a ticker symbol and a stock price. It requires us to think through all the factors that will affect the company's performance. DCF analysis really gives the investor an appreciation for what drives stock values.



Five years of forecasting in the Income Statement must be forecasted for the complete 5 year forecast timeframe. We analyze prior year's data to aid in making better forecasts.

### Terminal Value

Since we cannot estimate cash flows forever, we generally impose closure in discounted cash flow valuation by stopping our estimates of cash flows five years (Y+5) in the future and then computing a terminal value that reflects the value of the firm at that point.

$$\text{Value of a Firm} = \sum_{t=1}^{t=n} \frac{CF_t}{(1+k_c)^t} + \frac{\text{Terminal Value}_n}{(1+k_c)^n}$$

The Terminal Value is the forecasted value of the stream of cash flows the company will have at the end of the forecast period. We base this on the company's prospects at that time. We assume that the cash flow in year five (Y+5) will continue at a stable growth for five more

years. Since this is too far in the future to accurately forecast, we do not attempt to forecast the individual line items that compute cash flow. We use the **Long Term Sustainable Growth Rate** as the primary determinant of the Terminal Value.

$$\text{Terminal Value}_t = \frac{\text{Cash Flow}_{t+1}}{r - g_{\text{stable}}}$$

Therefore, our DCF computes a value for the company in year five. We have found that calculating the terminal value using the stable growth method provides more accuracy because of the multiple or sum of years method we employ.

The Terminal Multiple is an important component of equity valuation. This is the value one expects will be the growth rate at the end of the forecast time period, Y+5. Since it is difficult to accurately forecast this, it is common to use the Long Term Growth Rate as the proxy for the Y+5 growth rate. As analysts, we can experiment with Terminal Multiples that are



appropriate for the company in which we are analyzing. We normally forecast a long term growth rate in the middle of this range. Our output graphs then describe the range of target prices based on a range of assumed growth rates. When studying the target price output, one quickly sees the target price sensitivity to the terminal multiple. Our sensitivity index is defined as “A technique for determining the outcome of a decision if a key variable (discount rate) differs from projected one.” This makes empirical sense. When the perception of growth prospects changes for a company, the stock typically reacts strongly. These graphs

objectively quantify such a strong potential reaction to the upside or downside.

We use the **Gordon Growth Model** to determine Terminal Value.

This method assumes that the company is a perpetual entity and will continue to generate positive cash flows throughout its life. However, on reaching maturity, the growth rate of the company slows down. Hence, we assume that the company will grow at a average constant rate for the rest of its life. The terminal value is calculated using the following formula

$$\text{Terminal Value} = \frac{\text{Final Projected Year Cash Flow} * (1 + \text{Long-Term Cash Flow Growth Rate})}{(\text{Discount Rate} - \text{Long-Term Cash Flow Growth Rate})}$$

The formula simplifies the practical problem of projecting cash flows far into the future. However, it rests on the significant assumption that the cash flow of the last projected year will stabilize and continue at the same rate forever. This is an average of the future growth rates, not a single rate expected to occur every year into perpetuity. Some growth will be higher or

lower, but the expectation is that future growth will average the long-term growth assumption. This formula uses the final year’s projected cash flows (Y+5), and multiplies it by a long-term nominal growth rate. This is further discounted by the difference between the discount rate used for Present value calculation (WACC) and the assumed long term growth rate.

**Table 4: DCF Analysis With Terminal Growth Rates**

<i>Figures in \$'000 unless specified</i>	Y-0	Y-1	Y-2	Y-3	Y-4	Y-5	Terminal Value		
Net Cash from Operations	2	20	55	129	241	398			
CAPEX	(24)	(77)	(169)	(373)	(615)	(902)	<b>Range of Terminal Growth Rate</b>		
Net Debt Additions	19	62	135	279	430	586	3%	4%	5%
<b>Free Cash Flows Equity</b>	<b>(3)</b>	<b>5</b>	<b>21</b>	<b>35</b>	<b>57</b>	<b>82</b>	<b>592</b>	<b>630</b>	<b>672</b>
<b>PV</b>	<b>(3)</b>	<b>4</b>	<b>13</b>	<b>18</b>	<b>23</b>	<b>28</b>	<b>71</b>	<b>76</b>	<b>81</b>

### Discount Rate

The Discount rate is an important determinant in using PV calculations for equity valuation. We display the assumed discount rates used in the valuation output tables and charts. We can use two different discount rates; one for the five year forecast period and another for the terminal value. Normally we use the same discount rate throughout the valuation model.

To better understand the discount rate, let us compare the Present Valuation formulation to financing a house. The interest rate on the mortgage is analogous to the discount rate, whereas the monthly mortgage payments are analogous to the cash flows. The PV of the Cash Flows is analogous to the face value of the mortgage. To analyze a company we first forecast the cash flows (mortgage payments) with the income statement. To determine the current value of these future cash flows, (face

value of the mortgage), we use a discount rate (interest rate). In setting up a mortgage payment, the interest rate is the starting point to compute the mortgage payment. For a stock valuation, we forecast the future cash flows and need to apply an appropriate discount rate to equate a current value.

There are methods to calculate Discount Rates.

### Cost of Equity or the Required Rate of Return for Equity Holders

Unlike debt, which the company must pay at a set rate of interest, equity does not have a concrete price that the company must pay. However, that does not mean that there is no cost of equity. Equity shareholders expect to obtain a certain return on their equity investment in a company. From the company's perspective, the equity holders' required rate of return is a cost, because if the company does not



deliver this expected return, shareholders will simply sell their shares, causing the price to drop.

Therefore, the cost of equity is what it costs the company to maintain a share price that is

satisfactory (at least in theory) to investors. The most commonly accepted method for calculating cost of equity comes from the Nobel Prize-winning capital asset pricing model (CAPM), where:

$$\text{Cost of Equity (Re)} = R_f + \beta(R_m - R_f)$$

***R<sub>f</sub> - Risk-Free Rate*** - This is the rate obtained from investing in securities considered free from credit risk, such as government bonds from developed countries. The interest rate of 10-year U.S. Treasury bills or the long-term bond rate is used frequently as a proxy for the risk-free rate. If the Risk Free Rate is assumed to be higher in a DCF calculation, the projected share price will be lower, all other metrics being assumed as equal.

***β - Beta*** – The Beta measures how much a company's share price moves against the market as a whole. A Beta of one, for example, indicates that the company moves in line with the market. If the Beta is in excess of one, the stock price is more volatile than the market's movement; less than one means the share is more stable. Occasionally, a company may have a negative Beta (e.g. a gold mining company),

which means the share price moves in the opposite direction to the broader market. If the Beta is assumed to be higher in a DCF calculation, the projected share price will be lower, all other metrics being assumed as equal.

***(R<sub>m</sub> - R<sub>f</sub>) = Equity Market Risk Premium*** - The equity market risk premium (EMRP) represents the returns investors expect, over and above the risk-free rate, to compensate them for taking extra risk by investing in the stock market. In other words, it is the difference between the risk-free rate and the market rate. It is a highly contentious figure. Many analysts argue that this metric rises due to the concept that holding shares has become a riskier proposition. If the Equity Market Risk Premium is assumed to be higher in a DCF calculation, the projected share price will be lower, all other metrics being assumed as equal.



## Weighted Average Cost of Capital (WACC)

The WACC is the weighted average of the cost of equity and the cost of debt based on the percentage of debt and equity in the company's capital structure. The percentage of debt is represented by **Debt/Value**, a ratio comparing

the company's debt to the company's **Total Value (equity + debt)**. The percentage of equity is represented by **Equity/Value**, a ratio comparing the company's equity to the company's total value. We calculate the WACC by using the following formula:

$$\text{WACC} = \text{Cost of Equity} * [\text{Equity}/(\text{Debt} + \text{Equity})] + \text{After Tax Cost of Debt} * \text{Debt}/(\text{Debt} + \text{Equity})]$$

A company's WACC is a function of the mix between debt and equity and the cost of that debt and equity. On one hand, in the past few years, falling interest rates have reduced the WACC of companies. On the other hand, corporate disasters such as those at Enron and WorldCom have increased the perceived risk of equity investments.

An appropriate discount rate is computed quantitatively using historical rates to assume and to equate the time value of money of future flows. For a stock, we compute a rate adjusted

for the shares outstanding to compute a stock price. It is important for the analyst to be comfortable with the discount rate used. Important parameters to consider are

- 1) Is the cost of equity greater than the cost of debt?
- 2) Is the equity risk premium today different from the long term average?
- 3) Is the historically based Beta indicative of the future volatility in the stock price?
- 4) Does the discount rate accurately reflect the required rate of return for the stock?



**Table 5: Example of WACC Method**

<b>WACC</b>	
<b>Cost of Equity</b>	
Risk free rate	5.25%
Risk premium	7%
Beta	1.0
<b>Cost of Equity [A]</b>	<b>12.25%</b>
Weight of Equity [B]	80%
-	
<b>Cost of Debt</b>	
<b>Cost of Debt [C]</b>	<b>7.87%</b>
Weight of Debt [D]	20%
<b>WACC <math>\{(A*B)+(C*D)\}</math></b>	<b>11.37%</b>

### What If Analyses

As analysts, we can change the quarterly estimated data for future quarters depending on a company's prospects. A company may have revenue targets or margin guidance that can be used. If management is adopting a different growth strategy, changes to capital expenditures and working capital may be appropriate. We can change the discount rate to analyze the sensitivity to it.

Any changes in margins, revenues, tax rate, depreciation, including tax rate, CAPEX and working capital inputs will be reflected in the our valuation charts. This occurs because our analysis is sensitive to changes in any of these parameters. Such changes in our inputs allow us to select an appropriate range of terminal multiples.

**Table 6: Sensitivity Analysis with Discount Rate**

Range of Discount Rates	PV of Free Cash Flows						
	Y-0	Y-1	Y-2	Y-3	Y-4	Y-5	Terminal Value
20%	(2.57)	3.90	13.68	19.22	25.81	31.06	102.17
22%	(2.55)	3.82	13.17	18.19	24.03	28.44	86.13
24%	(2.54)	3.73	12.68	17.23	22.40	26.08	72.82
26%	(2.53)	3.66	12.21	16.34	20.90	23.95	61.72

**Table 7: Sensitivity Analysis with Growth Rate**

Discount Rate	23%	23%	23%	23%	23%
Terminal Growth	3%	4%	5%	6%	7%
Shares O/S	24.69	24.69	24.69	24.69	24.69
Sum PV of FCFE	210.31	214.84	219.88	225.52	231.88
Add: Cash	21.81	21.81	21.81	21.81	21.81
Equity Value	232.12	236.65	241.69	247.33	253.69
<b>Value Per Share (in \$)</b>	<b>9.40</b>	<b>9.59</b>	<b>9.79</b>	<b>10.02</b>	<b>10.28</b>



### **Optimistic Case, Base Case, Pessimistic Case**

As analysts, we form our own estimates about the company's financials based on certain information provided by the management and our own understanding of the company's business model. We generally create three scenarios, the Optimistic Case Scenario, the Base Case Scenario, and the Pessimistic Case Scenario.

The Optimistic Case is a bullish outlook of the company's value while the Pessimistic case is a conservative view. The Base case scenario illustrates our expectation of the Company's value under normal circumstances.

This analysis allows us to create a wide range of forecasts and compare implied target prices. We always need to adjust our forecasts as a company grows.

For the Optimistic Case, Revenues and Margins may be stronger, along with the same or higher CAPEX and Depreciation. For the Pessimistic Case, Revenues and Margins will normally be weaker, Debt may increase, and CAPEX and Depreciation may decline.

If we wish to make changes to the Base Case, we can go back to the forecasting of the Income Statement.



## Net Cash Flow from Operations (NCFO)

### Top-Down Cash Flow

Net Cash Flow from Operations (NCFO) analyzes the flow of cash through the enterprise, using income statement and balance sheet data items to reconstruct how cash is generated and used. We start with revenues, adjusting for the change in receivables to determine Gross Cash Collections. Cost of goods sold, net of depreciation and SG&A expenses, are aggregated to determine Total Operating Expenses. We then look at the changes in the working capital accounts that represent operating activity, to determine how much cash was used or generated while managing operations (current assets and liabilities). Receivables are excluded here since they have already been used in calculating gross cash collections, and cash is excluded here since cash is our resultant. Change in working capital accounts is calculated as an expense item such that a negative value is a generation of cash. We derive the NCFO by adding the working capital cash requirements/generation with operating expenses and then subtracting from Gross Cash Collections.

Since the NCFO is the actual cash generated from the core business, it is a very good

barometer of the health of the business. It is a report card on how well it is managed. NCFO interest coverage and NCFO interest and capital expenditure coverage indicates how well interest payments and capital expenditures can be covered by ongoing business operations. One negative value after a string of positive values does not necessarily mean that debt or lines of credit need to be used. Prior cash balances may cover outflows. Trends and values are important. The reasons for a change in the trend may be apparent from examining the line items in our NCFO calculations, especially in working capital accounts.

### Traditional Bottom-Up Cash Flow

The financial community primarily uses the traditional method for calculating cash flow. Beginning with net income, non-cash charges are added back. This typically includes depreciation, amortization and changes in deferred charges. Trends and values are important when analyzing net cash flow and free cash flow. We define net cash flow as the amounts of cash being received and spent by a business during a defined period of time. It includes cash flows from different streams such



as operating activities, investing activities and financing activities.

- **Operational cash flows:** Cash received or expended as a result of the company's core business activities.
- **Investment cash flows:** Cash received or expended by making capital expenditures (i.e. the purchase of new

machinery), the making of investments or acquisitions.

- **Financing cash flows:** Cash received or expended as a result of financial activities such as receiving or paying loans, issuing stock, and paying dividends.



**Table 8: Comparing NCFO to Traditional Bottom up Cash Flow**

Bottom-Up Cash Flow	Net Cash Flows From Operations
<b>Operating Activities, Cash Flows Provided By or Used In</b>	
Net Income	Revenues
Adjustments To Net Income	plus decrease (-increase) in AR
Depreciation	<b>Gross Cash Collections from Operations</b>
Changes in Account Receivables	
Changes In Liabilities	<b>Operating Expenses</b>
Changes In Inventories	COGS, less Depreciation & Amort
Changes In Other Operating Activities	SGA
<b>Total Cash Flow From Operating Activities</b>	R&D
	<b>Total Operating Expenses</b>
<b>Investing Activities, Cash Flows Provided By or Used In</b>	
Capital Expenditures	<b>Working Capital Changes</b>
Investments	Increase in Inventories
Other Cashflows from Investing Activities	Increase in Notes Receivable
<b>Total Cash Flows From Investing Activities</b>	Increase in Deferred Charges
	Increase in Other Current Assets
<b>Financing Activities, Cash Flows Provided By or Used In</b>	Decrease (inc) in Accounts Payable
Dividends Paid	
Treasury stock acquired Paid	Decrease (inc) in Notes Payable
Issuance of long-term debt	Decrease (inc) in Current LTD
Payments and redemptions of long-term debt	Decrease (inc) in Current Cap Leases
Change in deposits	Decrease (inc) in Accrued Expenses
Contractholder fund deposits	Decrease (inc) in Income Tax Payable
Contractholder fund withdrawals	Decrease (inc) in Other Current Liab
	<b>Total Changes in Working Capital</b>
<b>Cash flows from financing activities of continuing operations</b>	Total Cash Outflows for Op (Op Exp+Chg WC)
	<b>Net Cash Flow from Operations (NCFO)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	
	<b>STATEMENT OF CHANGES IN CASH</b>
<b>Change in cash and due from banks</b>	<b>Cash from Operating Activities</b>
	Net Income (\$mil)
	Depreciation (\$mil)
	Cash from Discontinued Oper (\$mil)
	Net Other Adjustments (\$mil)
	Net Ch in Oper Assets and Liabilities
	<b>Net Cash from Oper Activities \$mil</b>



### **Cohen Free Cash Flow to Assets**

A very useful analysis is to compare the free cash flow back to the asset base that generates the cash. The value of this ratio is related to the type of business.

A trend analysis is a very good indicator of whether the company is creating value or not. When FCF/Assets are increasing, management is receiving higher returns for every dollar invested. If this metric is decreasing, the company is receiving lower returns on their investments. Quarterly data can fluctuate and be seasonal, so the trend of the LTM data series is more important. When a company is going through a peak or trough in its business cycle, the trend of the quarterly data is typically volatile. Such inflection points are a sign of change. A

change in the LTM data is more descriptive of changing fortunes, but it can also fluctuate towards the end of a business cycle change (trough of peak). If a company's assets do not generate adequate free cash flow over time, that company might very well be a short sale candidate or at worst, a bankruptcy candidate. This would indicate that the company might be in the wrong business.

We find that the trend in the FCF/A is highly correlated to the movement in the stock price for many different companies over time. That is, when increasing, the stock will tend to rise and vice versa. This presumes the stock price is not ahead of itself. Another caveat is that the FCA/A needs to be consistently positive (negative) over an extended period of time as related to share prices.



## Glossary of Terms

1. **Net Cash from Operations(NCFO):** The NCFO method traces the flow of cash through the company in the manner that cash actually is generated and used
2. **CAPEX:** Funds used by a company to acquire or upgrade physical assets such as property, industrial buildings or equipment. This type of outlay is made by companies to maintain or increase the scope of their operation. These expenditures can include everything from repairing a roof to building a brand new factory. These expenses are deducted from the cash flows while calculating the DCF
3. **Working Capital:** A measure of both a company's efficiency and its short-term financial health. It is calculated by subtracting current liabilities from current assets. Positive working capital means that the company is able to pay off its short-term liabilities. Negative working capital means that a company currently is unable to meet its short-term liabilities with its current assets (cash, accounts receivable, inventory).
4. **DCF:** A valuation method used to estimate the attractiveness of an investment opportunity. Discounted cash flow (DCF) analysis uses future free cash flow projections and discounts them (most often using the weighted average cost of capital) to arrive at a present value, which is used to evaluate the potential for investment.
5. **FCF:** A measure of financial performance calculated as operating cash flow, minus capital expenditures. Free Cash Flow (FCF) represents the cash that a company is able to generate after laying out the money required to maintain/expand its asset base. Free cash flow is important because it allows a company to pursue opportunities that enhance shareholder value.
6. **Terminal Value:** The value of an investment at the end of a period, taking into account a specified discount rate.



7. **WACC:** A calculation of a firm's cost of capital in which each category of capital is proportionately weighted. All capital sources – common stock, preferred stock, bonds and any other long-term debt – are included in a WACC calculation. This is generally used to discount the cash flows in a DCF calculation.
  
8. **Discount Rate:** Discounting is the process of finding the present value of an amount of cash at some future date. The rate (usually WACC) used in determining the present value of future cash flows is known as the discount rate.
  
9. **Present Value:** The amount that a future sum of money is worth today given a specified rate of return.
  
10. **Sensitivity Analysis:** A technique for determining the outcome of a decision if a key prediction turns out to be wrong.
  
11. **Optimistic Case, Base Case, and Pessimistic Case:** The Optimistic Case is a bullish outlook of the company's value while the Pessimistic case is a conservative view. The Base Case Scenario illustrates our expectation of the Company's value under normal circumstances.



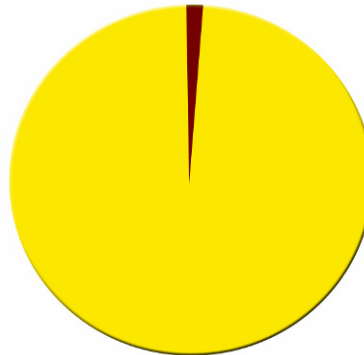
## Disclaimer:

Cohen Independent Research Group Inc. (CIRG) distributes research and other information purchased and compiled from outside sources and analysts. This report/release/advertisement is an advertisement and is for general information purposes only. Do not base any investment decision on information in this report. All information herein should be viewed as a commercial advertisement and is not intended to be used for investment advice. CIRG complies with current securities laws, regulations and ethical standards as related to CIRG's compliance requirements. CIRG intends to comply with any new securities laws, federal and state regulations that might be promulgated in the future. Ethical standards are the foundation of those laws and regulations we follow. CIRG is not a member of any association for other research providers. CIRG is a registered investment advisor. CIRG and its outside sources use certain financial data derived from the U.S. Securities and Exchange Commission (SEC) filings, financial information supplied by the company to CIRG and data compiled by other vendors. Certain pink sheet stocks may or may not have audited financial statements. CIRG and its data vendors do not warrant that such SEC filing data and other compiled data is accurate. CIRG advises recipients of all such data to be validated from the issuing company including all statistical information derived from SEC filings, from data sources or financial information and data from the issuing company contained herein. The reader should verify all claims and do his/her own research and due diligence before investing in any securities mentioned. Neither CIRG, its outside sources, nor any data vendor shall be held liable for any misinformation or errors contained in any SEC filing data or compiled data from issuing companies or from various data feeds. Guests of CIRG's website, readers of CIRG's distributed report/release/advertisements, and other interested parties assume full responsibility for the accuracy of all SEC filing data, compiled data from other sources including data from the issuing company, and are urged to confirm that data with the specific issuing company. CIRG will not be liable to any person or entity for the quality, accuracy, completeness, reliability or timeliness of information in this report/release/advertisement, or for any direct, indirect, consequential, incidental, special or punitive damages that may arise out of the use of information, products or services from any person or entity including but not limited to lost profits, loss of opportunities, trading losses, and damages that may result from any incompleteness or inaccuracy in any of Grass Roots Research and Distribution, Inc's profiled companies. CIRG, the issuing company, its analysts, outside sources, investor awareness groups and its data vendors do not assume any responsibility or liability for any investor decision made as a result of accessing fundamental and/or financial data from CIRG's various data vendors. Pink Sheet companies may not have reported full financial information and audited financial information to the SEC. CIRG's outside analysts and sources attempt to compile financial information from Pink Sheet companies. This information may or may not be reliable and/or accurate. Readers of this report/release/advertisement are encouraged to research all financial information on Pink Sheet companies and are urged not to rely on any financial information in this report/release/advertisement. CIRG encourages its readers and visitors to its website to invest carefully and read the investor information available on the web sites of the Securities and Exchange Commission ("SEC") at [www.sec.gov](http://www.sec.gov) and/or the National Association of Securities Dealers ("NASD") at [www.nasd.com](http://www.nasd.com). Investors interested in purchasing securities are advised to contact the company directly, read the Prospectus, 10K, 10Q other relevant public documents in full, request company financial information and to conduct their own research and due diligence. Investing in securities is speculative and carries a high degree of risk including potential bankruptcy, fraud, and trading manipulation. Investors can lose their entire investment. Investors are encouraged to seek financial advice regarding the appropriateness of investing in any securities or investment strategies discussed or recommended in this report/release/advertisement and should understand that statements regarding future prospects may not be realized. Investors are encouraged to consult with their financial advisors and/or conduct their own due diligence prior to making an investment in any of CIRG's) featured companies. Under no circumstances is this report/release/advertisement to be used or considered as an offer to sell or a solicitation of any offer to buy any security or other debt instruments, or any options, futures or other derivatives related to such securities herein. CIRG and its affiliates, outside sources, investor awareness selling groups, directors, officers, principals and employees may trade for their own accounts, have long or short positions in the Company's securities, and effect securities transactions of the issuer's securities at any time. When paid in stock, CIRG its affiliates, directors, officers, outside sources, investor awareness groups and employees may liquidate shares at any time or hold for investment purposes. Such securities transactions might result in volatile market price changes and might create a conflict of interest to remain objective in CIRG's communication with profiled companies. CIRG does not supervise any outside analyst and does not guarantee any report/release/advertisement to be error-free or factually accurate. Outside analysts may at their discretion use the Cohen Financial and Valuation Model for statistical purposes in preparing their independent research. Research reports include forecasted valuations and forecasted price targets that are accepted securities analysis protocol in the academic community. These valuations are academically defensible and include assumptions that the Company will raise capital to meet the analyst's projections. These price targets, the Cohen Financial and Valuation Model and valuations, including business prospects, are theory and should not be relied upon for investment decisions. There is no guarantee that the predicted business results for the Company will be met. Under NASD Rule 2711, CIRG is not defined as a financial analyst. Conclusions prepared by outside analysts are deemed to be reasonable at the time of issuance of the report. All decisions are made by the outside analyst and are independent of outside parties or influence. Neither the analyst's compensation nor the compensation received by CIRG is related to the specific recommendations or views contained in this report/release/advertisement or note, nor is it related to price performance or volume of shares traded in the referenced security. CIRG and its outside sources have no firsthand knowledge of any profiled company's capabilities, intent, resources, financing, operations, politics, inner workings, plans, management competence and decisions, internal corporate goals, nor their ability to reach their corporate goals. CIRG or its affiliates may from time to time perform consulting or other services for, or solicit consulting or other business from any entity mentioned in this report/release/advertisement. Consulting agreements that CIRG may have with a given company are not related to research or distribution of research. This report/release/advertisement does not have regard to the specific investment objective, financial situation, suitability, and the particular need of any specific person who may receive this report/release/advertisement. Investors should note that income from such securities, if any, may fluctuate and that each security's price or value may rise or fall substantially. Accordingly, investors may receive back less than originally invested, or lose their entire investment. Past performance is not indicative of future performance. CIRG has not



entered into a soft dollar agreement with the referred to Company. CIRG does not currently have an investment banking relationship with the Company, or a finder's fee agreement with the Company. The Private Securities Litigation Reform Act of 1995 provides investors a 'safe harbor' in regard to forward-looking statements. CIRG cautions all investors that such forward-looking statements in this report/release/advertisement are not guarantees of future performance. Unknown risk, including bankruptcy, uncertainties, fraud, stock manipulation as well as other uncontrollable or unknown factors may cause actual results to materially differ from the results, performance or expectations expressed or implied by such forward-looking statements. Smaller companies may have a higher likelihood of filing for bankruptcy. Investors are urged to do their own research regarding the dangers of a potential bankruptcy filing. The enclosed researched company may have to raise additional capital to remain solvent and to meet forecasted valuation and price projections in this report/release/advertisement. Investor awareness distribution programs can materially affect the price of the company's stock. When used, the words "anticipate," "believe," "estimate," "expect," and similar expressions as they relate to the Company or its management are intended to identify such forward-looking statements. The Company's actual results, performance or achievements could differ materially from the results expressed in, or implied by these forward looking statements. Further management discussion of risks and uncertainties can be found in the Company's quarterly filing with the Securities Exchange Commission and other periodic SEC filings. Readers hereby acknowledge that any reliance upon any materials shall be at the reader's sole risk. CIRG distributes its research reports through the research distribution network available to research firms, and by investor awareness advertising programs to various types of investors. Recipients of such distribution may be short term investors such as day traders, traders, retail investors, institutions, and/or long term risk adverse retail and institutional investors. CIRG reserves the right, in its sole discretion, at any time, and without any obligation, to make improvements to, or correct any error or omission(s) in any portion of the service or the materials. The service and the materials are provided by CIRG on an 'as is' basis. CIRG expressly disclaims any and all warranties, express or implied, including without limitation warranties or merchantability and fitness for a particular purpose, with respect to the service or any materials and products. This report/release/advertisement has been prepared in accordance with the SEC's rules and amendments, Oct 23, 2000, regarding 17 CFR Parts, 240, 243 and 249, (Selective Disclosure and Insider Trading), Regulation FD (Fair Disclosure), 10b5-1, 10b5-2, NASD Rules 2250, 2420, 2710 and 2711 and the Can-Spam Act of 2003. CIRG is sometimes paid in cash, stock, warrants, options or other securities in lieu of or in addition to CIRG 's stated compensation schedule. CIRG has been compensated 50,000 shares of company's common stock for this report. This document shall not be copied nor reproduced in any form without the expressed written and authorized consent of CIRG. Copyright: Cohen Independent Research Group Inc., D. Paul Cohen

Recommendations: BUY 98%, SELL 2%





**Notes:**



**Notes:**