

**PRICING ANALYSIS MEMORANDUM**

**THE EXMO GROUP OF COMPANIES**

**AND**

**EXMOVEERE HOLDINGS INC.**

**AND**

**BT2 INTERNATIONAL INC.**

**INTELLECTUAL PROPERTY**

**Manassas, Virginia**

**March 31, 2008**

**(Updated on March 27, 2009 to reflect Ownership Change)**

**BT2 INTERNATIONAL, INC.  
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## **1.0 ASSIGNMENT AND BACKGROUND**

### **1.1 Assignment**

Evans & Evans, Inc. (“Evans & Evans”) was engaged by Exmocare, LLC (“Exmocare”) of Manassas, Virginia to prepare a Pricing Analysis Memorandum (the “Report”) on all the intellectual property (the “Exmocare Intellectual Property”) held by Exmocare and its related companies Exmovere, LLC (“Exmovere”) and Exmogate, LLC (“Exmogate”). Collectively Exmocare, Exmovere and Exmogate are referred to as the “Exmo Group” or the “Companies”. Evans & Evans understands that collectively in June 2008, the Companies have entered into an exclusive licensing agreement (the “Licensing Agreement”) with BT2 International Inc. (“BT2I”), a private Nevada Corporation, whereby BT2I has the exclusive world rights to market the products that may be produced from the Exmo Group Intellectual Property.

Subsequently, on January 28, 2009 BT2 International Inc. and the Exmo Group transferred this license and (all rights that had been granted) to Exmovere Holdings Inc. Exmovere Holdings Inc. (formerly Clopton House Corporation) is a Delaware blank check corporation that is fully S.E.C. reporting and is scheduled to become a public company, once approved by an operating stock exchange.

Given the completion of the Licensing Agreement and the transfer of this license to Exmovere Holdings Inc., the Report is intended to provide an estimate of the potential price of the Exmocare Intellectual Property as at January 31, 2008 (the “Pricing Date”). The Report is for internal purposes only, and it may not be submitted to any Canadian or U.S. stock exchange/regulatory authorities.

### **1.2 Background of the Exmo Group**

Mr. David Bychkov (the “Companies’ Founder”) founded Biograph North America, LLC (“Biograph”) in 2003, and its name was subsequently changed to Exmovere, LLC. Mr. Bychkov is the owner of the majority shares of both Exmogate, LLC and Exmovere.

Exmocare, LLC was formed as a limited liability company under the laws of the state of Delaware on June 19, 2006. Exmocare is a wholly-owned subsidiary of Exmovere.

In June 2008, the Companies entered into an exclusive Licensing agreement with BT2I whereby BT2I has the exclusive world rights to market the products that may be produced from the Exmocare Intellectual Property. As noted above, this license has been transferred to Exmovere Holdings Inc.

Exmovere, then operating as Biograph, was initially focused on offering biosensor research and development consulting services to governments. Mr. Bychkov offered consulting services in conjunction with Dr. William Giroladini, Dr. Hans-Joachim Ruff, Paul Tulipana his research partners from Universita' dell' Immagine of Milan and the European Graduate School of Saas Fee, Milan. While several projects were undertaken, the business model was abandoned as unprofitable.

In early 2005, Fabrizio Ferri purchased 49% of Biograph and name was changed to Exmovere. The Latin verb "exmovere" is one of the oldest antecedents for the English word "emotion." The name change reflected a change in the business model to develop products which incorporated biosensors to detect human emotions. Building on Biograph's research, Exmovere began work on three commercial products – (1) a Bluetooth biosensor wristwatch – the first model which was the BT1/Empath and the new enhanced BT2; (2) a biosensor-guided security turnstile – the Exmogate, and (3) an artificially emotional passenger vehicle.

All intellectual property related to the biosensor wristwatch is held in Exmocare. Exmogate was created to develop and commercialize the biosensor-guided security turnstile. Exmovere is the holding company for Exmocare and Exmogate and has a broad product pipeline of new products to be introduced once the wristwatch and turnstile gain traction in the market.

**1.3 Reference To Work Undertaken**

As Evans & Evans is relying extensively on information, materials and representations provided to us by the Companies' management and associated representatives, the authors of the Report will require that management of the Companies confirm to Evans & Evans in writing that they have reviewed the Report in detail and that the information and management's representations contained in the Report are accurate, correct and complete, and that there are no material omissions of information that would affect the conclusions contained in the Report.

Evans & Evans, or its staff and associates, will not assume any legal and financial responsibility or liability for losses incurred by the Exmo Group and/or their directors, officers, management, advisors and representatives and or any other parties as a result of the circulation, publication, reproduction, or use of the Report, or any excerpts thereto as well as such use contrary to the provisions of this section of the Report. Evans & Evans reserves the right to review all calculations included or referred to in the Report and, if Evans & Evans considers it necessary, to revise the Report in light of any information existing at the Pricing Date which becomes known to Evans & Evans after the date of the Report.

For the purpose of this Report, the Pricing Date is January 31, 2008. Unless otherwise indicated, all monetary amounts are stated in United States dollars.

**2.0 DESCRIPTION OF THE EXMOCARE INTELLECTUAL  
PROPERTY AND FUTURE PLANS**

The Exmo Group plans to commercialize the products using the Exmocare Intellectual Property through the licensing model, where the Exmo Group will enter into licensing and distribution agreements with dealers. The dealers are committed to purchase a certain number of units from the Companies, and in return the dealers receive exclusive distribution and marketing rights to the Exmocare Intellectual Property products in the regions specified in each of the agreements.

The biggest priority for the Companies regarding the Exmocere Intellectual Property is to commercialize the products in development: the BT2 and the Exmogate. Once these products have been established in the market the Companies will focus their efforts on leveraging the Exmocere Intellectual Property and develop a diverse line of products using the technology.

**(1) The BT2 / Empath**

*Product Description*

On July 2006, Exmocere launched the BT1 a watch designed to detect heart rate without the use of a chest strap, two handed contact or connection to the skin by electrodes. The biosensors in the BT1 measured heart rate, heart rate variability, galvanic skin response, skin temperature and movement.

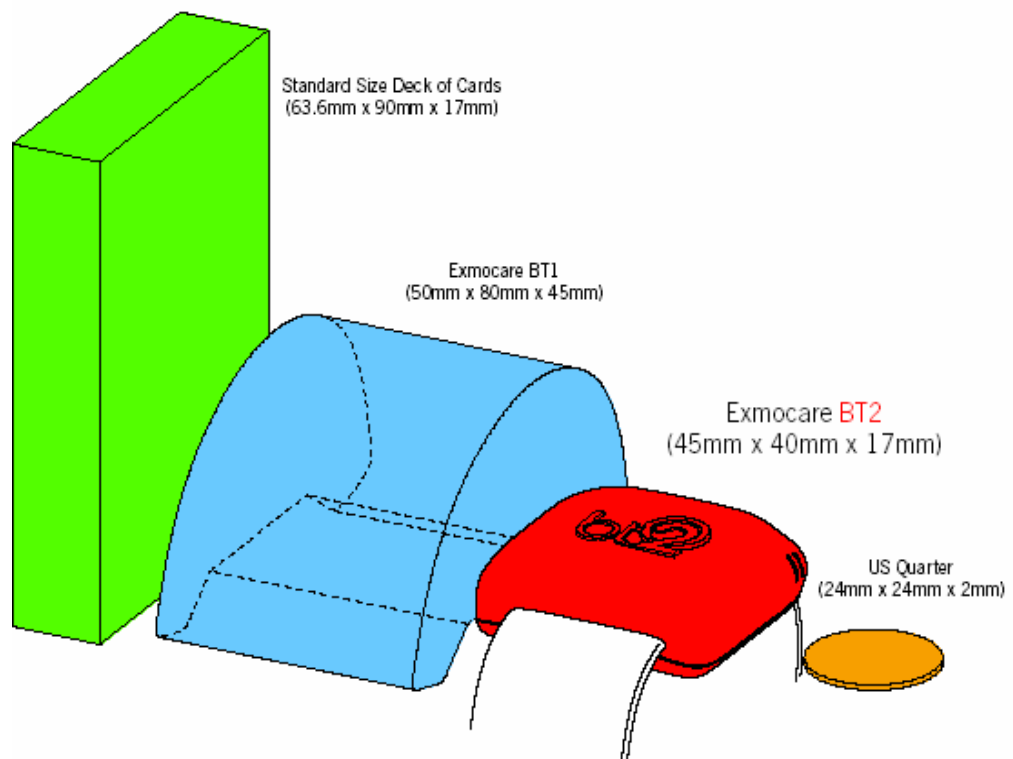
***Reader note:** Galvanic skin response (“GSR”) is a method of measuring the electrical resistance of the skin. It has been known for decades that the magnitude of this electrical resistance is affected, not only by the subject's general mood, but also by immediate emotional reactions. The GSR is highly sensitive to emotions in some people. Fear, anger, startle response, orienting response and sexual feelings are all among the emotions which may produce similar GSR responses.*

The BT1 wristwatch was a wearable home care product designed to provide meaningful data to care givers and gives family members an opportunity to control and configure their experience at every level. While Exmocere did receive initial orders for the BT1 the chosen manufacturer was unable to deliver the units to the quality standard set by Exmocere. As a result, the manufacturing contract was cancelled in July of 2007.

The Exmocere wristwatch delivers alerts to care givers online and by text message to cell phones. The BT1 and the second generation BT2 report information on a person to care givers through the internet and also by GPRS data upload through Bluetooth-paired cell phones. The target users of the BT1/BT2 are individuals with chronic

health issues. The BT2 is the short-term focus of the Companies with respect to commercialization.

The BT2 is an improved version of the BT1. In independent testing BT1's heart rate measurement accuracy decreased with increased movement from the wearer; the BT2 specifically address this issue and achieved an accuracy rate of over 90% during internal testing. The BT2's high heart rate interpretation accuracy relies on removing motion and gravitational effects. The BT2 is over 1000 times more sensitive to these effects than the BT1. It has a tighter photoreceiver spectral response and a wider angle emitter output increase infrared heart rate resolution with less than half the number of infrared receivers. In addition to increased accuracy in monitoring heart rate and heart rate variability, the BT2 is capable of simultaneously monitoring skin conductance, skin temperature, and relative movement. The BT2 is also smaller and resembles a normal wrist watch, whereas the BT1 is more bulky and has the feel of a strapped-on medical device on the wrist. The following diagram gives a comparison of the sizes of BT1 and BT2:



The Empath is the second generation of the Exmocare biosensor watch which makes significant improvements upon current hardware. All digital signal processing will be done within the watch itself, reducing the risk of transmission errors. It will have an expanded and more intuitive user interface, with graphical displays of critical information and functions similar to a programmable digital watch. Built-in flash memory allows for more useful information to be stored within the watch itself, such as the patients' emergency medical information. The biggest difference the Empath will have over the BT2 is the use of the ZigBee technology in place of Bluetooth. The ZigBee is a low-cost, low-power, wireless mesh networking standard. The low cost allows the technology to be widely deployed in wireless control and monitoring applications, the low power-usage allows longer life with smaller batteries, and the mesh networking provides high reliability and larger range. This allows the Empath to operate on longer battery life and have a longer transmission range than the BT2.

*Potential Competitors*

The BT2 / Empath are targeted at the home health monitoring or remote patient monitoring ("RPM") market. RPM is generally considered a branch of telemedicine that focuses on monitoring a single, or set of, health related indicators of a patient located in his or her home.

With the rapid growth of the RPM industry, there are many innovations in the area and firms with larger capitalization and resources have developed products and services that may compete with the BT2/Empath. The following is a summary of recent developments from these firms:

- In January of 2008 the Times Online reported that Microsoft Corporation is developing software capable of remotely monitoring a worker's productivity, physical wellbeing and competence. The Times Online reported the computer system would links workers to their computers via wireless sensors that measure their metabolism allowing managers to monitor employees performance by

measuring their heart rate, body temperature, movement, facial expression and blood pressure.

- The Bosch Group recently purchased a majority shareholding in Health Hero Network, a remote health monitoring business. Health Hero Network, headquartered in Palo Alto, California, develops and sells technology solutions that allow the remote monitoring and management of patient health data. Since it was founded in 1992, Health Hero Network has been issued 63 patents. The Bosch Group is a leading global supplier of technology and services. In the areas of automotive and industrial technology, consumer goods, and building technology, some 260,000 associates generated sales of 43.7 billion euros in fiscal 2006.
- In July of 2007 IBM Corp. and the University of Florida announced they had developed middleware which would allow doctors to remotely monitor the health of their patients. The technology makes it possible for standard wired or wireless devices like blood-pressure and glucose monitors to be reconfigured so that when used by patients at home the devices can automatically send the collected readings to health-care professionals.
- Partners HealthCare - the largest healthcare provider in Massachusetts and the parent company of Massachusetts General and Brigham and Women's hospitals announced in January of 2007, the organization would double its investment in telehealthcare to \$6 million over four years, to pay for telemedicine programs for diabetes, emphysema, and depression, as well as a blood pressure trial.

**(2) The Exmogate Turnstile**

*Product Description*

The Exmogate is a wirelessly controlled secure turnstile. The Exmogate design (commercial models have not yet been built) incorporates embedded GSR, skin temperature, pressure and auto-diagnostic sensors, as well as a video camera. The

intention is to have the Exmogate gather and process physiological data almost instantaneously to help security screeners to detect hostility. Exmogate will come with a built-in PC for transmitting and receiving data securely over a local wireless network. A computer operated by the security screener will control all the Exmogates in a certain facility or location. The Exmogate is designed to look and perform like a normal subway or building turnstile. Its design incorporates standard turnstile functionality, including the ability to count how many people pass through it. The Exmogate will be locked by default, and only a wireless command will enable opening of the hydraulic arm. The Exmogate will be entirely battery operated and its weight will be increased or decreased by adding water to an internal bladder. A float sensor in the bladder and a mercury switch indicating tilt will alert the local Exmogate control center if Exmogate is fractured or inoperable.

The Companies are in the process of building the first prototype of the Exmogate with the Embry Riddle Aeronautical University at Berlin, Germany. The prototype is being constructed and tested specifically for airport security purposes.

*Potential Competitors*

A review of potential competition to the Exmogate is as follows:

- Alvarado Manufacturing Company, Inc. (“Alvarado”) of Chino, California is a company that specializes in four areas: physical access control/corporate security, admission control/venue solutions, crowd control/pedestrian queuing, and asset protection. Some of the systems and services include security gates, waist-high, full height and optical turnstiles, ticket validation and patron counting software, and handheld scanners. Alvarado security turnstiles are used at tens of thousands of locations in the U.S. and abroad. Companies such as General Electric, Boeing, Chevron, FedEx, Coca-Cola, Hewlett Packard, Proctor & Gamble, Merck and many others uses Alvarado turnstiles for entrance security at thousands of facilities around the country. Alvarado security turnstiles are also installed at various types of government facility, including military installations, research

laboratories, federal reserve banks, embassies, and a host of other federal, state, county and municipal facilities. A brief list of Alvarado government clients includes the U.S. Department of Defense, Sandia National Laboratories, the Tennessee Valley Authority, the FBI, DEA and NASA.

- Turnstile Security Systems Inc. (“TSS”) is a Canadian manufacturer of security gates, turnstiles and rail systems specializing in public guidance applications. TSS security products have been field tested in locations such as airports, commercial retail, theaters, stadiums, hotels and all areas where pedestrian access control and crowd access control products are required. TSS’s product offerings include turnstile gates, stanchions, turnstiles, swing gates, entrance gates security and access control products. Clients of TSS include Canada’s Wonderland, Shoppers Drug Mart, Zellers, Home Depot, Canadian Tire, Lester B. Pearson International Airport, Blockbuster Video, Future Shop, The Toronto Transit System and The Metropolitan Toronto Library System.

**(3) Future Products based on the Exmocare Intellectual Property**

In addition to the Exmogate and the BT2, the Companies has designs and product plans for a variety of products and services based on the core GSR detection technology and associated interpretive algorithms. As the sales of the Exmogate and BT2/Empath expand, new products will be introduced. Applications of the technology range from “artificially intelligent” toys and appliances to military personnel monitoring and tracking. The research and development team of the Exmo Group is working to bring out the ideas and concept of these products into reality concurrently with BT2/Empath and the Exmogate line of products, but the primary focus remains on commercializing the Exmo Group’s flagship products.

Some of the product and service concepts that the Exmo Group is looking to develop include:

- Biofeedback steering wheel;

- Ear buds that can track the user's emotion and alertness;
- Running shoes that can measure the athlete's performance through measuring GSR;
- Software support for reality shows giving the viewers a glimpse of what the subject is feeling emotionally;
- Biotags tracking the vital signs of the law enforcement officers; and,
- Toys with artificial emotion.

### **3.0 MARKET OVERVIEW**

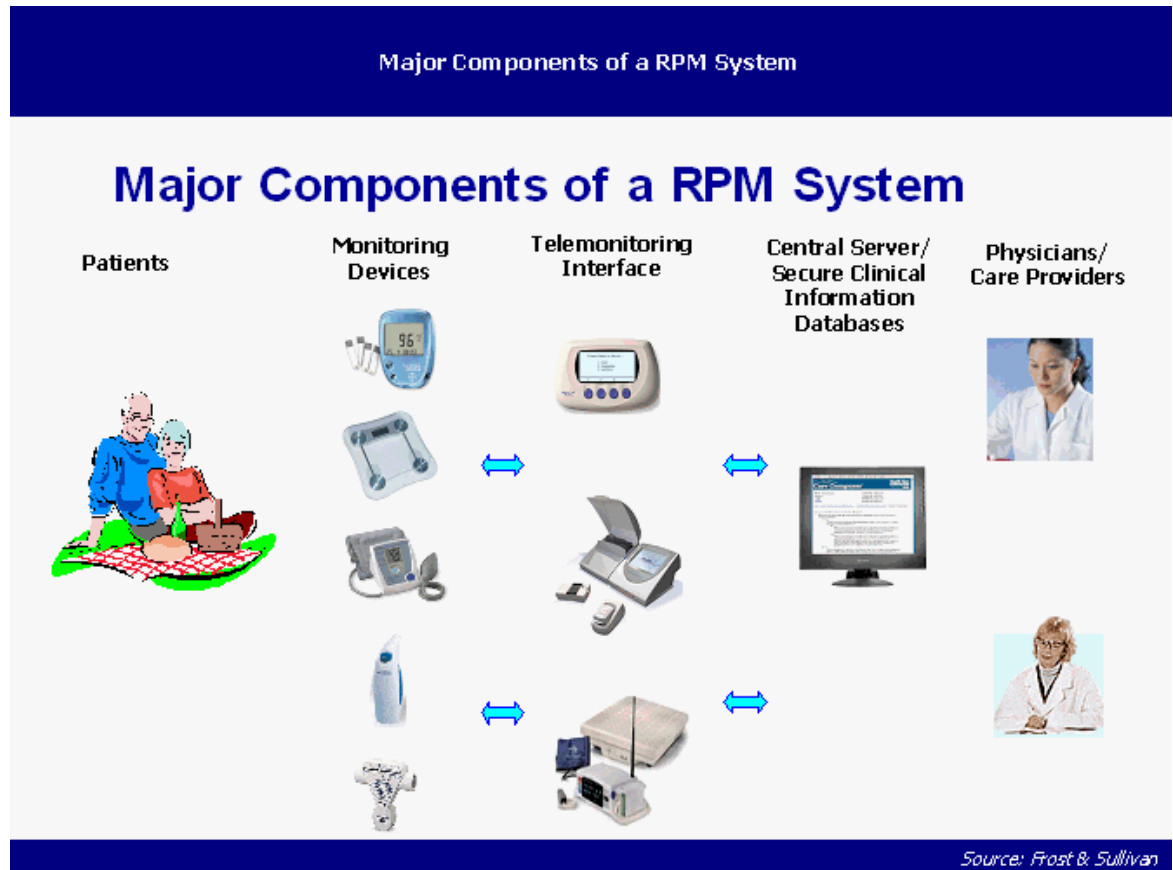
#### **3.1 Remote Patient Monitoring**

As healthcare facilities are bearing the responsibility of treating a growing population of elderly patients suffering from chronic illnesses, home health agencies are looking for innovative ways to improve patient outcomes and reduce re-hospitalization rates. Certain agencies are turning to RPM technology to achieve their goals in expanding the range of their services to effectively and efficiently treat larger volumes of patients. There is a large potential patient group for such services, and the recent emphasis on preventative care has helped raise awareness about remote monitoring solutions.

Healthcare providers are increasingly looking to technology providers to develop primary care systems which enable patients to be in their own home (thus unburdening hospitals) while still receiving quality care. In addition to the aging population, the number of patients suffering from multiple chronic conditions is expected to support long-term growth in the RPM solutions and services market.

Reliable and effective remote monitoring of chronically ill patients is expected to significantly reduce costs incurred on hospital stays and shorten waiting times for doctor appointments. These are the promises of devices such as BT2 but the market is still new and changing.

Evans & Evans found in its due diligence that the market for RPM primarily consists of agencies that pay for home health care. As outlined in a recent Frost & Sullivan report, the major components of an RPM system are depicted below:



While the promise of RPM is great, there are still significant obstacles which stand in the way of widespread adoption. Key obstacles are a) a lack of funding/reimbursement for RPM; b) a lack of acceptance of RPM by health care practitioners; c) a true measure of return on investment (“ROI”) or cost effectiveness; d) the perception it is too challenging to integrate into existing medical systems and routines; and e) that it yields too many false positives and ends up consuming more time and resources for the health care professional than normal forms of monitoring

In a 2006 report entitled “Home Monitoring Technologies in the Community / Home Care Environment” conducted for Industry Canada, one of the key findings was the

importance of quality partnerships in the RPM business. The report found that strategic partners that already have *“quality partnerships in place are likely necessary participants in any successful research and development effort, both as a market oriented influence on research direction and as an outlet for technology developed by the effort.”*

Industry analysts do expect their to be consolidation in the RPM market in the future as small, innovate technology companies are acquired by large health care companies with the funding and operational / marketing resources to really build the business.

In September of 2007 market analyst Datamonitor projected that the homecare telehealth market, otherwise known as RPM, will grow at a five-year compound annual growth rate of 56%, exceeding the 9.9% growth projected for the clinical telehealth market. Datamonitor expects to see the global telehealth market will reach US\$8 billion or more by 2012.

Market research firm Frost & Sullivan found that the U.S. RPM market earned revenues of \$81.1 million in 2005 and was expected to grow to US\$191.5 million by 2009. The U.S. Disease Management Market was valued at US\$1.01 billion in 2005 and expected to reach US\$2.2 billion in 2009.

### **3.2 Access Control**

Access Control is the use of qualifying devices or identification methods at various points to control the passages of people, assets and vehicles into or out of an area or structure. Access control systems limit access to people who have authorization to enter through selected points. In short, it can control WHO/WHAT goes WHERE and WHEN. Access control is typically to control entry to parking lots/structures, building entrances, critical areas within buildings, elevators, etc. Mechanical locks and keys are the most basic form of access control, but electronic access control solutions are now the norm in commercial facilities and increasingly in residential applications.

Typical users of access control technologies include:

- Commercial office buildings both single and multi-tenant
- Property Management companies
- Government / Military
- Airports
- Educational facilities
- Public buildings (libraries, museums)
- Manufacturing
- Financial institutions
- Parking structures and lots
- Prison Systems
- Healthcare

It is evident that the majority of security installations are becoming more and more complex. No longer content to monitor and manage separate access control, fire alarm, video surveillance, factory alarms and heating, ventilating, and air conditioning control systems, corporate security and technology managers want to consolidate and integrate various disconnected security and facility management systems. At a dramatically increasing pace, the information technology department is leading the initiative, particularly given the trend toward convergence of physical and logical security systems.

End-user customers are demanding that their integrator or dealer understand their business and their infrastructure. Security dealers and integrators must quickly decide whether or not they want to be part of this new security market or slowly wither away, providing traditional standalone solutions. And, it is not a one-time decision.

With every new advance in the installation marketplace, dealers and integrators must again and again decide whether to keep pace. Successful implementations require greater technical knowledge of systems than ever before along with products that work together more easily, while simultaneously providing better ease of use to end users.

Dealers and integrators who want to be positioned for continued success in this evolving marketplace need to choose not only the right products for any given installation, but align with manufacturing partners who will provide them with the best prospects for long-term success, manufacturers that heavily invest in both new scalable technologies for their products and support programs for their channels.

Across Europe, the heightened need for higher levels of security is pushing organizations to opt for multi-layered security that incorporates access control, video surveillance and other security devices into the security infrastructure. Market participants are addressing shortcomings related to network-based solutions even as they move to educate end users and promote the uptake of integrated solutions.

As technology advances in the security industry from analog to digital to internet protocol, vendors and customers are reviewing opportunities to secure facilities more comprehensively through multi-layered technology instead of isolated security products. Corporate security services such as video surveillance, access control and fraud detection are increasingly database-driven and network-delivered, leading to internet protocol becoming ever-more tightly tied in with physical security.

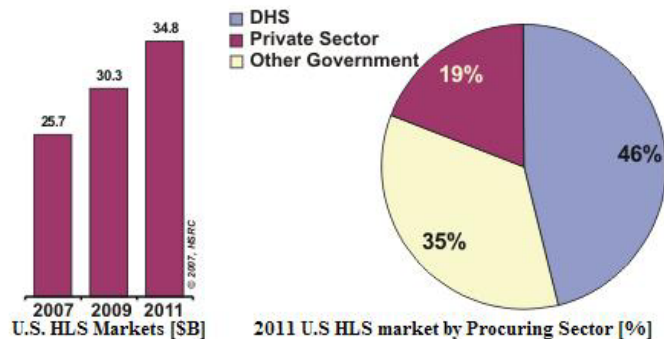
However, implementation has been sluggish due to low end-user awareness about the benefits of integrating disparate security solutions. Also, the use of integrated systems has been restricted to high-end applications due to the high cost of network infrastructure and integration software.

Educating end users and distribution partners and making them aware about the considerable benefits and return on investment to be accrued from integrated solutions should be the key focus for industry participants.

Recent analysis from Frost & Sullivan of the world corporate security (physical and logical access) market found earned revenues of US\$120.4 million in 2006, with estimates to reach US\$235.0 million in 2012.

### 3.3 Homeland Security (“HLS”)

According to Homeland Security Research Corporation (“HSRC”), research specialists in the fields of Homeland Security engineering, intelligence, high-tech market analysis, airport security, and Homeland Security Technologies Research and Development, America’s Homeland Security industry and markets will experience a major transformation over the period of 2006 to 2011. During this span, the demand for U.S. Homeland Security products and services will grow by approximately 50% - from US\$23.8 Billion in 2006 to US\$34.8 Billion by 2011 (assuming no new major terror attack). The private sector procurement of HLS products and services alone will grow from US\$4.8 billion in 2007 to US\$6.7 Billion by 2011 as summarized below:



Source: Homeland Security Research Corp.

In a separate report, HSRC indicated that overseas homeland security markets -- especially China, India and Europe -- were growing faster than the U.S. market. The United States comprises just over half of the global homeland security market but its share is shrinking. The global market would nearly quadruple in size over the next decade to more than US\$178 billion from 2006 to 2015, the report predicts. But U.S. customers will make up only 42 percent of that market, down from the 52 percent they represent in 2006.

The report predicts huge growth rates in homeland security spending in Asia, with the Indian and Chinese markets growing from a combined US\$1.7 billion in 2006 to more than US\$16 billion, 9 percent of the global market, by 2015.

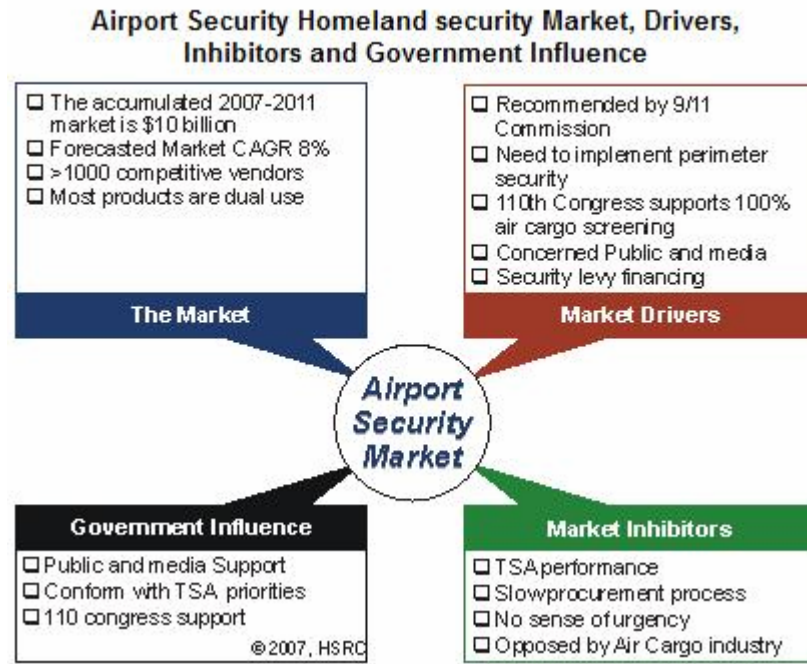
In Europe, the report says spending will nearly quintuple, from just over \$8 billion a year at present to nearly US\$40 billion by 2015.

America's aviation security markets are forecast to grow rapidly over the 2007-2011 period. According to HSRC's research, this growth stems from the strong support by the 110th Congress of several major programs, including the establishment of an effective air cargo screening (on scheduled passengers flights) infrastructure, the construction of perimeter protection around high profile airports, the outsourcing of security screening services to the private sector and the continued development of the "trusted passenger" programs.

The lion share of the expenditures in this market will be financed by security surcharges. Some of the major programs in this market include:

- Airports IT & Telecommunications Restructuring Program
- Air Cargo Screening Program
- Airport Perimeters Security Program
- Airport Employee and Service Personal Identification Program
- Passengers and Baggage Screening Program
- Checked Baggage Screening Programs
- TSA – Electronic Surveillance Program
- ICE – Air to Ground Communications Program
- Airport Screener Outsourcing Program

The following chart summarizes the significant factors that affect the airport security market:



A brief summary of the companies in the homeland security market is as follows:

- L-3 Communications Holdings (“L-3”) – L-3 is the sixth largest aerospace and defense company in the U.S. In homeland security, L-3 has products in aviation, port, maritime and cargo security as well as solutions for mass transportation. In addition, L-3 offers other homeland security products and services for crisis management, intrusion detection, law enforcement and vehicles for first responders. With an installed base of more than 18,000 systems, L-3 is a major supplier of mature and next-generation systems and technology products for aviation, rail and cargo screening; port and border inspection; facility and infrastructure security; explosives and landmine detection and air remediation.
- L-1 Identity Solutions, Inc. (“L-1”) – L-1 was formed in 2006 via a merger of two biometrics companies, Viisage Technology, Inc. and Indentix Incorporated. The company provides products and solutions to help customers to respond to critical

federal legislation and international mandates aimed at fighting global terrorism and crime. In terms of boarder security, the company offers systems for iris and fingerprint identification, document authentication, and watch list screening for wanted individuals.

- BQT Solutions (“BQT”) – BQT is an international technology company based in the United Kingdom specializing in providing solutions to meet the security requirements in the world today. The company offers a wide range of products to meet the needs of organizations, both large and small from perimeter security, access control software, biometrics access control, mifare contactless smart card applications and personal identification technology for both physical and network security applications.

#### **4.0 PRICING CONCLUSION**

It is the view of Evans & Evans, Inc., given the scope of this stage of its engagement and with reference to its engagement letter the price (refer to section 5.0 for the appropriate definition of price) of 100% of the Exmocare Intellectual Property is in the range of \$27.1 million to \$28.6 million.

This Pricing Conclusion as well as the entire Report is subject to the scope of the work conducted (refer to section 8.0) as well as the assumptions made (refer to section 10.0) and to all of the other sections of the Report.

#### **5.0 DEFINITION OF PRICE VERSUS FAIR MARKET VALUE**

In this Report, Price refers to the most likely price at which an arm’s length party would purchase the Exmocare Intellectual Property through an organized and regulated and liquid stock market, given the information and assumptions outlined in the Report.

The reader should realize this includes reference to all of the terms and conditions and the assumptions set out in the Report.

**Most importantly, price as defined in the Report, which approximates “Market Potential” does not equal fair market value.**

Price, as defined in the Report, refers to the implied potential value and/or price of the Exmovere Intellectual Property. Such analysis is based principally on a comparison of the future revenues and/or EBIT and/or cash flows from the Exmovere Intellectual Property. The calculated price is based on many internal and external factors, including market conditions, as well as specific projected organizational performance.

Fair market value, on the other hand, is very different. In this Report, fair market value is defined as the highest price available in an open and unrestricted market between informed and prudent parties, acting at arm's length and under no compulsion to act, expressed in terms of cash.

With respect to the fair market value for the shares of a company viewed “en bloc” there are, in essence, as many “prices” for any business interest as there are purchasers and each purchaser for a particular “pool of assets”, be it represented by overlying shares or the assets themselves, can likely pay a price unique to it because of its ability to utilize the assets in a manner peculiar to it.

In any open market transaction, a purchaser will review a potential acquisition in relation to what economies of scale (e.g., reduced or eliminated competition, ensured source of material supply or sales, cost savings arising on business combinations following acquisitions, and so on), or “synergies” that may result from such an acquisition.

Theoretically, each corporate purchaser can be presumed to be able to enjoy such economies of scale in differing degrees and therefore each purchaser could pay a different price for a particular pool of assets than can each other purchaser.

Based on Evans & Evans’ experience, it is only in negotiations with such a special purchaser that potential synergies can be quantified and even then, the purchaser is generally in a better position to quantify the price of any special benefits than is the vendor.

As fair market value was not considered or undertaken the authors of the Report have not reflected any special purchaser considerations in the indication of the price of the Exmocare Intellectual Property.

## **6.0 METHODOLOGY USED**

In determining the price of an asset and/or a business, there is no single or specific mathematical formula. The particular approach and the factors to consider will vary in each case.

Pricing approaches are primarily income-based or asset-based. Income-based approaches are appropriate where an asset and/or enterprise's future earnings are likely to support a Price in excess of the Price of the net assets employed in its operation. Commonly used income-based approaches are the discounted cash flow methods.

Asset-based approaches can be founded on either going concern assumptions (i.e. an enterprise is viable as a going concern but has no commercial goodwill) or liquidation assumptions (i.e. an enterprise is not viable as a going concern, or going concern price is closely related to liquidation price).

Pricing approaches applicable to determining the price of technology-based assets and companies that are comprised predominantly of intangible assets (e.g. software, Web-based processes and communication protocols, optimization techniques, alpha and beta research and patents) can be grouped into five general categories:

- (1) Cost Approach;
- (2) Market Approach (or Multiple of Revenues Approach);
- (3) Income Based Approach;
- (4) Rules-of-thumb Approach; and
- (5) Combination of any of the above approaches.

As there are many definitions of cost, the Cost Approach generally reflects the original cost of the assets and/or business in question or the cost to reproduce the intangible assets of the business itself. This approach is premised on the principle that the most a notional purchaser and/or an investor will pay for an investment is the cost to obtain an investment of equal utility (whether by purchase or reproduction).

The Market or Sales Comparison Approach uses the sales price of comparable assets as the basis for determining price. If necessary, the market transaction data is adjusted to improve its comparability and applicability to the asset being priced.

The Income-based Approach considers the expected future earnings to be derived through the use of the asset. The present price of the expected future earnings is determined with the application of a discount or capitalization rate, reflecting the investor's required rate of return on investment.

The Rules-of-thumb Approach can be applied to certain assets to serve as a useful determination of price when industry professionals provide specific information as to standard industry characteristics and/or acknowledged and accepted rules. Rules-of-thumb often involve the input of specific industry competitors and professionals to indicate certain measurable criteria that can be assessed and applied to as indications of price.

Lastly, a combination of the above approaches may be necessary to consider the various intangible elements that are often found within high technology companies and/or are associated with software and intellectual property. For example, the use of a Modified Cost Approach, with an attached discount and/or premium to adjust the price based on a case-by-case assessment of the business, may be made to the industry Rules-of-Thumb.

## **7.0 EXMOCARE INTELLECTUAL PROPERTY PRICING APPROACH**

Given the nature and status of the Exmocare Intellectual Property at the Pricing Date as well as the approaches of pricing outlined above, it is the view of the authors of the

Report that an appropriate method in determining the range of the price of the Exmocere Intellectual Property at the Pricing Date involved an Income Based Approach.

The authors of the Report utilized a specific type of Income Based Approach; namely, a Relief from Royalty Method, as the primary method to determine the price of the Exmocere Intellectual Property. The Relief from Royalty Method is based on the proposition that a firm would be willing to pay a royalty in lieu of ownership, to possess the benefits of the Exmocere Intellectual Property. This methodology is very commonly used for intangible assets – such as the Exmocere Intellectual Property.

In this method a royalty rate is applied to the product-related revenue (i.e., not third party products or related services) to arrive at an estimate of the royalty income directly attributable to the Exmocere Intellectual Property. The royalty cash flow is then discounted to its present value at an appropriate discount rate (taking into account both opportunities and risks) and subsequently, totaled to arrive at a pricing conclusion for the Exmocere Intellectual Property.

The reader should note that Evans & Evans also attempted to use a variety of other traditional pricing approaches. In this regard, Evans & Evans examined and considered the following approaches, but were unable to use any of them:

- (1) Income Approach considering historical earnings or cash flow. The Companies have no positive earnings / cash flow at the Pricing Date and is not forecasting stable earnings / cash flow in the short-term. Accordingly, these methods were deemed inappropriate.
- (2) Market Approach. Evans & Evans considered a review of comparable companies / industry transactions in arriving at the price of the Exmocere Intellectual Property. However, given the nominal revenues of the Companies as at the Pricing Date, Evans & Evans did not believe a comparison of future results to trading multiples derived from actual results was appropriate. Further, such public company multiples reflect the value of a business and tangible assets and not just its identified intangible assets.

(3) Asset-Based Approach. The Asset-Based Approach is generally utilized where either: (i) the company is not deemed to be a going concern; (ii) the nature of the business is such that asset values represent the largest portion of the company's worth (e.g., real estate holding companies); and, (iii) there are no earnings or cash flow to be capitalized. In the case of the Exmocare Intellectual Property, in the view of Evans & Evans future cash flows are more indicative of the price than the historical costs of development and accordingly the Asset-Based Approach was deemed inappropriate.

## **8.0 SCOPE OF WORK AND CONDITIONS OF THE REPORT**

The authors of the Report have reached the assessments contained herein by relying on the following:

- Interviewed Mr. Bychkov on numerous occasions regarding the background of the Companies and the development of the Exmocare Intellectual Property.
- Reviewed various reviews of the wristwatch including a July 17, 2006 column in Business Week, a review written for the American Association of Retired Person's, an article in PC Magazine, and an article in the Wall Street Journal.
- Reviewed a video of Mr. Bychkov CNBC discussing the Empath (i.e., the wristwatch) in July of 2007.
- Various product brochures / descriptive documents / PowerPoint Presentations outlining current and planned products. The Exmo Group has plans to introduce a number of new products for the entertainment, media & advertising, healthcare, sportswear, defence and transportation industries.
- Reviewed the Exclusive Distribution Agreement dated May 28, 2007 between Exmocare and Mr. Jeon-Hwan Kim for marketing Exmocare's products in Korea. The original term of the agreement was two years. The agreement does automatically

renew for a second two year term. Also reviewed a plan for EXMOCORE Inc., a distributor for Exmocare products in Korea (undated).

- Reviewed correspondence to the Exmo Group from CanCare Health Services Inc. a potential distributor of the BT2 in Canada, expressing its support for the BT2.
- Reviewed various user support documents for the Companies' products. The BT2 has both enterprise and end user software associated with the product and the Companies has developed detailed documents which were used in outlining the structure of the software and has also developed end-user manuals.
- Reviewed an Exmocare Executive Summary dated June 2007.
- Reviewed the Certificate of Formation for Exmocare LLC.
- Reviewed the Companies' website at [www.exmove.com](http://www.exmove.com).
- Reviewed the Semi-Exclusive Foreign Seller Distribution Agreement dated September 19, 2006 between Exmocare and Exmocare Canada Limited. The original term of the agreement was two years. The agreement does automatically renew if certain sales targets are met (which increase over time). Management of the Exmo Group noted their intention to repurchase these rights.
- Reviewed the Exmocare LLC Limited Liability Company Agreement dated June 19, 2007, among David Bychkov and Douglas Freidenberg.
- Reviewed a letter dated May 20, 2007 from the National Aeronautics and Space Administration ("NASA") Ames Research Center to the Companies. NASA tested the BT1 watch and indicated a desire to conduct further tests on the BT2 watch.
- Reviewed a detailed management-prepared schedule which outlines the milestones and timing for production of the BT2 watch.
- Reviewed a management-prepared PowerPoint presentation on Exmogate.

- Reviewed a letter dated January 20, 2008 to Exmovere from Embry Riddle Aeronautical University (“ERAU”), Campus Berlin. ERAU expressed interest in assisting the Exmo Group in developing a turnstile to meet international requirements and would undertake testing at European airports with whom they currently have relationships.
- Reviewed the Exmogate LLC Limited Liability Company Agreement dated August 25, 2006.
- Reviewed various pricing sheets for products of the Exmo Group.
- Reviewed a provisional patent application for “A Device To Detect Heart Rate From Moving Wrist”.
- Reviewed the provisional patent application for the “Biofeedback Steering Wheel” submitted May 31, 2007.
- Reviewed the provisional patent application for the “Biofeedback Turnstile” submitted May 31, 2007.
- Reviewed the Curriculum Vitae of David Bychkov.
- Reviewed the Certificate of Registration with the U.S. Patent and Trademark Office for “EXMOVEVERE”.
- Reviewed the Agency Agreement dated July 23, 2006 between Exmovere and International Robotics, Inc. (“IRI”) of New York, NY. IRI was engaged to negotiate, and procure contracts for the sale, licensing and procurement of other commercial transactions of the Exmo Group’s products worldwide.
- Reviewed a letter of support for the Companies’ proposed reality TV programs incorporating the Exmovere GSR technology from Voice of America.
- Reviewed Mr. Bychkov’s 2004, 2005 and 2006 personal tax returns.

- Reviewed Exmovere's 2006 corporate tax return.
- Reviewed a letter of recommendation for the Exmo Group's products from ExmoBiosensor Technology Ltd. of the United Kingdom.
- Reviewed a letter dated January 31, 2008 from LUTH Research to Exmovere offering support for a biofeedback computer mouse.
- Reviewed the paper "Providing remote patient monitoring services in residential care homes" by M. Clarke - Department of Information Systems and Computing Brunel University, R.W. Jones - Chorleywood Health Centre, T. Bratan - Department of Information Systems and Computing Brunel University, and A. Larkworthy - Chorleywood Health Centre.
- Reviewed information on the Exmo Group's markets from online and offline sources such as Parks Associates, Frost & Sullivan, Telemedicine Information Exchange, Times Online, Datamonitor, Reuters, FierceHealthIT, iHealthbeat, Homeland Security Research Corporation, CSP Associates, Inc., Washington Post, Boston Globe, Medical News Today, and Industry Canada.
- Interviewed representatives of and / or reviewed information on certain companies whose shares trade on North American stock exchanges who operate in similar industries to the Companies.

**Scope Restriction**

- Management of the Companies was unable to provide detailed financial statements since inception for Exmovere, Exmocare, and Exmogate. Management noted that as the above companies are limited liability companies there was no requirement for independent reporting. Had such detailed information been available, valuation approaches and conclusions may have differed.

## **9.0 CONDITIONS OF THE REPORT**

- The Report may not be issued, nor relied upon by any party beyond the Exmo Group and BT2I, nor can it be issued to any Canadian or U.S. stock exchange/regulatory authorities.
- The Report may not be issued and/or used to support any type of value with any legal authorities, nor other foreign stock exchanges, or other regulatory authorities, nor Canada Revenue Agency nor the Internal Revenue Service. Such use is done so without the consent of Evans & Evans and readers are advised of such restricted use as set out above. Nor can it be used or relied upon by any of these parties or relied upon in any legal proceeding and/or court matter.
- Any use beyond that defined above is done so without the consent of Evans & Evans and readers are advised of such restricted use as set out above.
- Evans & Evans did rely only on the information, materials and representations provided to it by the Companies Evans & Evans did apply generally accepted valuation principles to the financial information it did receive from the Companies.
- We have assumed that the information which is contained in the Report, is 100% accurate, correct and complete, and that there are no material omissions of information that would affect the conclusions contained in the Report that the Companies are aware of. Evans & Evans did attempt to verify the accuracy or completeness of the data and information available.
- Should the assumptions used in the Report be found to be incorrect, then the valuation conclusion may be rendered invalid and would likely have to be reviewed in light of correct and/or additional information.
- Evans & Evans denies any responsibility, financial or legal or other, for any use and/or improper use of the Report however occasioned.

- Evans & Evans's assessments and conclusion is based on the information that has been made available to it. Evans & Evans reserves the right to review all information and calculations included or referred to in the Report and, if it considers it necessary, to revise part and/or its entire Report in light of any information which becomes known to Evans & Evans during or after the date of this Report.
- Evans & Evans as well as all of its principals, partner, staff or associates' total liability for any errors, omissions or negligent acts, whether they are in contract or in tort or in breach of fiduciary duty or otherwise, arising from any professional services performed or not performed by Evans & Evans, its principals, partner, any of its directors, officers, shareholders or employees, shall be limited to the fees charged and paid for the Report. No claim shall be brought against any of the above parties, in contract or in tort, more than two years after the date of the Report.

## **10.0 ASSUMPTIONS**

In arriving at its conclusions, Evans & Evans have made the following assumptions:

1. An audit of the financial information provided to Evans & Evans would not result in any material changes.
2. The Companies' financial information, as provided by the representatives of the Exmo Group, is assumed to be accurate and complete. Evans & Evans has not verified the accuracy or completeness of this financial data.
3. Evans & Evans has assumed that Companies and all of their related parties and their principals have no current and/or other contingent liabilities, unusual contractual arrangements, or substantial commitments, other than in the ordinary course of business, nor litigation pending or threatened, nor judgments rendered against, other than those disclosed by management and included in the Report, (the Report is not a formal fairness opinion) that would affect Evans & Evans' evaluation or comments.

4. The Companies have complied with all government taxation, import and export and regulatory practices as well as all aspects of its contractual agreements that would have an effect on the Report, and there are no other material agreements entered into by the Companies that are not disclosed in the Report.
5. The Exmovere Intellectual Property is being transferred without any liabilities and there are no claims against any of the Companies or the Exmovere Intellectual Property that would have an impact on the pricing conclusions contained herein.
6. At the Pricing Date, no specific special purchaser(s) was/were identified that would pay a premium to purchase the Exmovere Intellectual Property.

The authors of the Report believe these assumptions to be reasonable and appropriate for the purposes of this Report.

This Report is based upon information made available to Evans & Evans and on the assumptions that have been made. Evans & Evans reserves the right to review all information and calculations included or referred to in this Report and, if we consider it necessary, to revise our views in the light of any information which becomes known to us during or after the date of this Report.

## **11.0 DUE DILIGENCE - BUSINESS AND MARKET ASSESSMENTS**

Evans & Evans found the following through its due diligence:

1. The Exmo Group's plan to commercialize the Exmovere Intellectual Property is through granting exclusive licensing rights to distributors for targeted regions. Over the past 24 – 36 months, the Companies has been actively looking for, and signing up, distribution partners to market and sell the BT2 worldwide. While certain of these parties are in place, the Exmo Group needs to soon deliver products in order not to lose the traction they have gained in the market.

2. While the Exmo Group is initially focused on launching the BT2 and Empath followed by the Exmogate, the Companies do have a number of additional products planned for the future. The key, however is to focus efforts on the BT2 initially, for which there does exist a real market opportunity. Thereafter, in the view of Evans & Evans, the Exmo Group will need to undertake market research to determine which follow on products offer the best opportunities.
3. The Companies' products have been tested by very large organizations in the United States. However, given the early stage of these relationships Evans & Evans' has been provided with documentation but has been requested not to include company names in the Report.
4. Exmovere was recently awarded the 2008 Frost & Sullivan North American Technology Innovation of the Year Award in the field of emotion monitoring is presented to New York-based, Exmovere LLC, for developing the Exmocare physiology and emotion monitoring platform. The Exmo Group should be able to leverage off the publicity provided by this announcement.
5. The Exmo Group has developed user and enterprise level software to go with the BT2, i.e., related to the diagram referenced in section 3.1. The Companies provides both the monitoring device and the telemonitoring interface.
6. Evans & Evans found a real opportunity does exist for the BT2 watch. In North American and Europe, the aging population is expected to cause significant problems for health care systems. The challenges created by an older population are: a) increased prevalence of chronic disease which has to be managed efficiently and effectively; b) older individuals can be overcome by acute illness quickly; and , c) after succumbing to an acute illness, older people often reach a critical point more quickly than younger individuals.

7. The Exmo Group has applied for patent protection on three core areas: a) detection of heart rate from a moving wrist; b) detection of vital signs from a driver; and c) detection of vital signs from people passing through security portals.
8. The Exmo Group does have a plan to submit the BT2 to the U.S. Food and Drug Administration (“FDA”) for approval for various indications. This is critical if the Companies want to target a larger market that is looking for this type of product to be reimbursable.
9. In developing the BT2 watch, the Companies included design enhancements such as a smaller form factor and new sensor components which should allow for more accurate readings and lower power consumption.
10. In addition to RPM, the Exmo Group has identified a number of military and security / surveillance uses for the BT2 and Empath.
11. The reader should be aware that the second product, the Exmogate is still in the design stage. A prototype has not yet been built but BTI has developed a relationship with a European research facility that would test the Exmogate in European airports once the prototype is developed.
12. The Companies do not have any large strategic partners in the United States focusing on commercializing the Exmo Group’s products on a wide scale.
13. In the physical access control industry, the use of biometrics (identifying individuals through physical and/or behavioural traits) is becoming increasingly common. While there are similarities, the Exmogate is not a biometric system because it cannot identify a specific individual upon reading; it can only tell what mood the subject is in while read. The Exmogate can make a nice complement to existing biometric systems, however; for example, the Exmogate technology can be incorporated into a fingerprint reading system for restricted area access to warn authorities of any potential threats from agitated individuals even if they are cleared for access.

14. Related to the above point, the Exmogate is more comparable to metal detectors and x-ray scanners at airport because it identifies certain types of threats (i.e. agitated / unstable individuals in Exmogate's case).
15. Following the recent incident at the Vancouver International Airport where a Polish immigrant died from Taser shock when he became agitated and confronted authorities, the Vancouver Airport Authority announced it will spend C\$1.3 million on its upcoming budget to prevent a repeat of the incident. Airports around the world may look to the Exmogate and Exmocare Intellectual Property products to address this potential problem.
16. The access control industry and homeland security industry are highly competitive with many companies in the space having larger financial capabilities and resources than the Exmo Group.

## **12.0 FINANCIAL HISTORY AND PROJECTIONS**

### **Financial Position**

Evans & Evans was not provided with detailed financial statements for the Companies, which outlined historical costs to develop the Exmocare Intellectual Property and / or any revenues derived from the sale of the Exmocare Intellectual Property historically.

### **Financial Projections**

The authors of the Report also requested, but management was unable to provide revenue projections for the Exmocare Intellectual Property. Evans & Evans worked with management to develop reasonable estimates of market penetration in order to develop projections and created four scenarios to be used in the Relief from Royalty Method. Refer to Schedule 1.0 - Pricing of the Exmocare Intellectual Property.

### **13.0 PRICING ANALYSIS APPROACH**

Given Evans & Evans' qualitative due diligence and findings, the authors of the Report considered that a value based on a Relief from Royalty Method was the appropriate method to determine the price of Exmocere Intellectual Property as at the Pricing Date.

The Relief from Royalty Method is based on the proposition that a firm would be willing to pay a royalty in lieu of ownership, to possess the benefits of the Exmocere Intellectual Property. In undertaking the Relief from Royalty Method, the authors of the Report deemed it appropriate to separately analyze the market segments that the Exmocere Intellectual Property will be competing in. Such an approach was deemed necessary given the different rates of growth for each market segment.

Application of the Relief from Royalty Method involves:

- (i) estimating the remaining useful life over which the Exmocere Intellectual Property will be generating revenue (Evans & Evans has estimated that the Exmocere Intellectual Property can generate revenues for the foreseeable future given market demands and the Companies' commitment to develop the BT2 and other products that leverages the Exmocere Intellectual Property.);
- (ii) an estimate of future product related revenue and a reasonable royalty rate to apply to the financial projections and certain adjustments by Evans & Evans. The authors of the Report reviewed royalty agreements in the industries that the Exmocere Intellectual Property competes in, and from discussions with management the reasonable royalty rate is estimated to be 10%, and
- (iii) the estimation of an appropriate discount rate (30% to 35%) that reflects the assessment of royalty and business opportunities and risk as well as the market potential and provides a larger range breadth to reflect technical/business uncertainty.

The royalty cash flow is then discounted to present value at an appropriate discount rate and subsequently, totaled to arrive at a pricing conclusion for the Exmocare Intellectual Property.

In arriving at the price of the Exmocare Intellectual Property, Evans & Evans used the Relief-from-Royalty Method outlined above, combined with a probability analysis to address the uncertainty associated with achieving such projected levels of revenues for the Exmocare Intellectual Property in the future.

Such an approach takes into consideration that a company such as the Exmo Group that is projecting rapid growth based on commercialization of its products typically:

- (1) has revenues growing at very high rates; successful companies in a growth stage may increase their revenues very rapidly in the early going; and
- (2) operating revenues and earnings that are largely uncertain (with respect to the take up of the products going forward).

The reader is advised to refer to Schedule 1.0 – Pricing of the Exmocare Intellectual Property.

Four separate Relief-from-Royalty analyses were performed to reflect the differing probabilities associated with achieving the extrapolated financial projections. One scenario was outlined in which the overall market size was growing at the industry projected pace, and then three scenarios were calculated in which the market was forecast to grow at a slower pace. The purpose of the probability weighting is to address the uncertainty associated with ultrahigh growth rates while utilizing traditional pricing approaches. Thus the four scenarios included in Schedule 1.0 represent the potential range of results the Exmo Group may achieve in the future from best case to worst case. Uncertainty is the most difficult part of valuing new technologies, and the use of the probability-weighted scenarios is a way to manage such uncertainty. What results are four scenarios in which the price of the Exmocare Intellectual Property ranges from a low

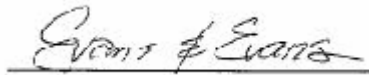
to a high. The next step in the analysis is to then assign a probability weighting to each of the scenarios.

The potential market value of the Exmovere Intellectual Property at the Pricing Date is in the range of US\$27.1 million to US\$28.6 million.

#### **14.0 PRICING ANALYSIS CONCLUSIONS**

In undertaking the above pricing analysis approach, it was apparent that based on and subject to all of the foregoing, including the assumptions and scope of work conducted, it is reasonable for Evans & Evans to outline that the **price of the 100% of the Exmovere Intellectual Property. as at the Pricing Date was in the range of US\$27.1 million to US\$28.6 million.**

**EVANS & EVANS, INC.**



#### **15.0 RESTRICTIONS AND CONDITIONS**

This Report is intended for the purpose stated in this Report and, in particular, is based on assumptions as to results that could reasonably be expected at the date of the Report. The authors of the Report advise the reader to carefully review section 10.0 Assumptions to understand the critical assumptions that the Report is based on. It is not to be the basis of any subsequent pricing and/or valuation and is not to be reproduced or used other than for the purpose of this Report without prior written permission in each specific instance. The authors of the Report disclaim any responsibility or liability for losses occasioned to any parties as a result of the circulation, publication, reproduction or use of this Report contrary to the provisions of this paragraph. This Report is based upon information made available to the authors of the Report and on the assumptions made.

## **16.0 STATEMENT OF INDEPENDENCE**

Evans & Evans, Inc. is, for the purposes of preparing this Report, an independent chartered business valuation firm. The authors of the Report have no present or prospective interest in the Companies and we have no personal interest with respect to the parties involved. Neither Evans & Evans, Inc. nor any of its affiliate is an advisor to the Companies.

## **17.0 STATEMENT OF QUALIFICATIONS**

The Report preparation, and related fieldwork and due diligence investigations, were carried out by Michael A. Evans, Richard W. Evans, Jennifer Lucas and certain qualified employees of Evans & Evans.

Mr. Michael A. Evans, Principal, founded Evans & Evans, Inc. in 1989. For the past eighteen years, he has been extensively involved in the financial services and management consulting fields in Vancouver, where he was a Vice-President of two firms, The Genesis Group (1986-1989) and Western Venture Development Corporation (1989-1990). Over this period he has been involved in the preparation of over 300 technical and assessment reports, business plans, business valuations, and feasibility studies for submission to various Canadian stock exchanges and securities commissions as well as for private purposes. Formerly, he spent three years in the computer industry in Western Canada with Wang Canada Limited (1983-1986) where he worked in the areas of marketing and sales. Mr. Michael A. Evans holds: a Bachelor of Business Administration degree from Simon Fraser University, British Columbia (1981); a Master's degree in Business Administration from the University of Portland, Oregon (1983) where he graduated with honors; the professional designation of Chartered Financial Analyst (CFA); the professional designation of Chartered Business Valuator (CBV); and the professional designation of Accredited Senior Appraiser. Mr. Evans is a member of the Association for Investment Management and Research (AIMR), the Institute of Chartered Financial Analysts (ICFA), the Vancouver Society of Financial Analysts (VSFA), the

Canadian Institute of Chartered Business Valuators and the American Society of Appraisers.

Richard W. Evans, Principal, began full-time work with Evans & Evans, Inc. in 1993. Since then he has been involved in the financial services and management consulting fields and has been involved in the preparation of over 500 technical and assessment reports, business plans, business valuations, and feasibility studies for submission to the Vancouver and Alberta Stock Exchanges and the British Columbia and Alberta Securities Commissions as well as for private purposes.

For ten years previous to this, he was extensively involved in the computer industry in Vancouver where he served for two years as the General Manager of Sidus Systems Inc. responsible for the company's C\$15 million business operation in Western Canada. Previous to this, he spent eight years with Digital Equipment of Canada Limited where he was laterally involved in a sales, marketing and management capacity in the company's direct and channel organizations. In his capacity with Digital and Sidus he was involved in assessing and assisting various technology companies with their marketing and financial operations. Furthermore, he was involved with over fifty software, hardware and telecommunications organizations in establishing various OEM, distribution and VAR marketing agreements with Digital and Sidus. During his tenure with Digital he initially held positions as Technical Service and Support Analyst as well as System Integration Project Manager. As a Technical Service and Support Analyst he was responsible for reviewing various mainframe, mini-computer and PC software and network applications as well as supporting a variety of Digital software applications. In this capacity he was involved with over thirty different western Canadian corporate accounts. As a System Integration Project Manager with Digital he was involved directly in the software development process. During the past eleven years he, through Evans & Evans, Inc., has actively been involved in the process of evaluating and valuing various types of software applications for U.S. and Canadian regulatory bodies, private companies, U.S. and Canadian financial institutions and brokerage firms as well as government agencies.

Mr. Evans holds: a Bachelor of Business Administration degree from Simon Fraser University, British Columbia (1981); a Master's degree in Business Administration from the University of Portland, Oregon (1984) where he graduated with honors.

Mr. Evans holds the professional designation of Chartered Business Valuator and Accredited Senior Appraiser. He is a member of the Canadian Institute of Chartered Business Valuators and the American Society of Appraisers.

Ms. Jennifer Lucas, MBA, CBV joined Evans & Evans in 1997. Ms. Lucas possesses several years of relevant experience as an analyst in the public and private sector in British Columbia and Saskatchewan. Her background includes working for the Office of the Superintendent of Financial Institutions of British Columbia as a Financial Analyst. Ms. Lucas has also gained experience in the Personal Security and Telecommunications industries. For the past ten years at Evans & Evans Ms. Lucas has been involved in writing and reviewing over 300 valuation and due diligence reports for public and private transactions.

Ms. Lucas holds: a Bachelor of Commerce degree from the University of Saskatchewan (1993), a Masters in Business Administration degree from the University of British Columbia (1995). Ms. Lucas holds the professional designation of Chartered Business Valuator and Accredited Senior Appraiser. She is a member of the Canadian Institute of Chartered Business Valuators and the American Society of Appraisers.

## **18.0 SCHEDULES**

### **Schedule 1.0 – Pricing of the Exmocare Intellectual Property**

**SCHEDULE 1.0 – PRICING OF THE EXMOCARE INTELLECTUAL PROPERTY**

## PRICING OF EXMOCARE INTELLECTUAL PROPERTY

US\$	<b>Base Outcome</b>		
	<b>Discounted Cash Flow Value</b>	<b>Probability</b>	<b>Expected Value</b>
Scenario A	29,300,000	25%	7,325,000
Scenario B	28,700,000	25%	7,175,000
Scenario C	27,300,000	25%	6,825,000
Scenario D	26,100,000	25%	6,525,000
<b>Pricing, say</b>			<b>\$ 27,900,000</b>

US\$	<b>Low Outcome</b>		
	<b>Discounted Cash Flow Value</b>	<b>Probability</b>	<b>Expected Value</b>
Scenario A	29,300,000	5%	1,465,000
Scenario B	28,700,000	15%	4,305,000
Scenario C	27,300,000	40%	10,920,000
Scenario D	26,100,000	40%	10,440,000
<b>Pricing, say</b>			<b>\$ 27,100,000</b>

US\$	<b>High Outcome</b>		
	<b>Discounted Cash Flow Value</b>	<b>Probability</b>	<b>Expected Value</b>
Scenario A	29,300,000	40%	11,720,000
Scenario B	28,700,000	40%	11,480,000
Scenario C	27,300,000	15%	4,095,000
Scenario D	26,100,000	5%	1,305,000
<b>Pricing, say</b>			<b>\$ 28,600,000</b>

## Relief from Royalty

### Exmocare Intellectual Property Pricing Summary Based upon Management-Prepared Multi-Year Projections

US\$ - Scenario A

For the Years Ended December 31,

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Projected Market Growth Rate		11.8%	11.8%	11.8%	11.8%
<b>Global Remote Patient Monitoring Market</b>	<b>5,128,200,000</b>	<b>5,733,300,000</b>	<b>6,409,800,000</b>	<b>7,166,200,000</b>	<b>8,011,800,000</b>
Forecast Market Penetration - Exmocare Intellectual Property	0.25%	0.38%	0.56%	0.84%	1.27%
<b>Forecast Revenue - Global Remote Patient Monitoring Market</b>	<b>12,800,000</b>	<b>21,500,000</b>	<b>36,100,000</b>	<b>60,500,000</b>	<b>101,400,000</b>

Projected Market Growth Rate		11.8%	11.8%	11.8%	11.8%
<b>World Corporate Security Market (Physical &amp; Logical Access)</b>	<b>150,500,000</b>	<b>168,300,000</b>	<b>188,200,000</b>	<b>210,400,000</b>	<b>235,200,000</b>
Forecast Market Penetration - Exmocare Intellectual Property	0.30%	0.40%	0.50%	0.50%	0.60%
<b>Forecast Revenue - World Corporate Security Market</b>	<b>500,000</b>	<b>700,000</b>	<b>900,000</b>	<b>1,100,000</b>	<b>1,400,000</b>

Projected Market Growth Rate		7.9%	7.9%	7.9%	7.9%
<b>Global Homeland Security Market - Note 1</b>	<b>56,543,400,000</b>	<b>62,281,400,000</b>	<b>68,631,400,000</b>	<b>75,663,100,000</b>	<b>83,454,800,000</b>
Forecast Market Penetration - Exmocare Intellectual Property	0.03%	0.05%	0.08%	0.12%	0.20%
<b>Forecast Revenue - Global Homeland Security Market</b>	<b>17,000,000</b>	<b>29,900,000</b>	<b>52,700,000</b>	<b>93,000,000</b>	<b>164,100,000</b>

<b>Total Exmocare Intellectual Property Revenue</b>	<b>30,300,000</b>	<b>52,100,000</b>	<b>89,700,000</b>	<b>154,600,000</b>	<b>266,900,000</b>
Royalty Rate - Note 2	10%	10%	10%	10%	10%
<b>Exmo Group Royalty Revenues</b>	<b>3,030,000</b>	<b>5,210,000</b>	<b>8,970,000</b>	<b>15,460,000</b>	<b>26,690,000</b>
Less: Administration Fees - Note 3	90,900	156,300	269,100	463,800	800,700
Income Before Taxes	2,939,100	5,053,700	8,700,900	14,996,200	25,889,300
Income Taxes	1,028,685	1,768,795	3,045,315	5,248,670	9,061,255

<b>Net Income</b>	<b>1,910,415</b>	<b>3,284,905</b>	<b>5,655,585</b>	<b>9,747,530</b>	<b>16,828,045</b>
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After-Tax Cash Flow	1,910,415	3,284,905	5,655,585	9,747,530	16,828,045
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Present Value - High	1,693,962	2,265,182	2,999,953	3,977,298	5,281,823
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Present Value - Low	1,664,912	2,147,253	2,738,446	3,496,130	4,470,878
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Add: Residual Value (Multiple x 2012) and apply Discount Rate of 30%

15,090,923

Add: Residual Value (Multiple x 2012) and apply Discount Rate of 35%

12,773,938

Total Discounted Cash Flow (High)

31,309,141

Total Discounted Cash Flow (Low)

27,291,559

#### Discount Rates

High - Note 4	30%		
Low - Note 4	35%		
		<b>Residual Multiple</b>	<b>2.9</b>
		<b>Income Tax Rate</b>	<b>35%</b>

#### Relief from Royalty Pricing Range

<u>High</u>	<b>31,300,000</b>		
<u>Low</u>	<b>27,300,000</b>		
		<b>Mid-Point, say</b>	<b>29,300,000</b>

See the following page for notes:

## Relief from Royalty

Notes:

**1** Based on data from Homeland Security Research Corp., Evans & Evans estimated the size of Homeland Security market which the Exmocare Intellectual Property is competing in.

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
US Homeland Security Market	27,706,257,858	29,895,052,228	32,256,761,355	34,805,045,502	37,554,644,096
US Homeland Security Market Share	49%	48%	47%	46%	45%
Global Homeland Security Market	<b>56,543,383,383</b>	<b>62,281,358,809</b>	<b>68,631,407,137</b>	<b>75,663,142,395</b>	<b>83,454,764,658</b>

**2** Through discussions with management and due diligence performed, Evans & Evans estimated the appropriate royalty rate applicable to the Exmocare Intellectual Property.

Royalty Rate 10%

**3** Administration Fee 3%

**3 Discount Rate Build Up Method**

**Factor**

	<u>Low</u>	<u>High</u>
Risk Free Rate	1.96%	1.96%
Risk Associated with Securing Strategic Partnerships	4.00%	5.00%
Risk Associated with BT2 Development Delays	5.00%	5.00%
Risk Associated with New Product Breakthroughs	5.00%	5.00%
Risk Associated with Obtaining FDA Approval	5.00%	6.00%
Risk Associated with Achieving Revenue Targets	4.00%	6.00%
Competitive Nature of the Market	5.00%	6.00%
	30.00%	35.00%

## Relief from Royalty

### Exmocare Intellectual Property Pricing Summary Based upon Management-Prepared Multi-Year Projections

US\$ - Scenario B

For the Years Ended December 31,

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Projected Market Growth Rate		7.7%	7.7%	7.7%	7.7%
<b>Global Remote Patient Monitoring Market</b>	<b>5,128,200,000</b>	<b>5,521,500,000</b>	<b>5,945,000,000</b>	<b>6,401,000,000</b>	<b>6,892,000,000</b>
Forecast Market Penetration - Exmocare Intellectual Property	0.25%	0.38%	0.56%	0.84%	1.27%
<b>Forecast Revenue - Global Remote Patient Monitoring Market</b>	<b>12,800,000</b>	<b>20,700,000</b>	<b>33,400,000</b>	<b>54,000,000</b>	<b>87,200,000</b>

Projected Market Growth Rate		10.0%	10.0%	10.0%	10.0%
<b>World Corporate Security Market (Physical &amp; Logical Access)</b>	<b>150,500,000</b>	<b>165,600,000</b>	<b>182,200,000</b>	<b>200,400,000</b>	<b>220,400,000</b>
Forecast Market Penetration - Exmocare Intellectual Property	0.30%	0.40%	0.50%	0.50%	0.60%
<b>Forecast Revenue - World Corporate Security Market</b>	<b>500,000</b>	<b>700,000</b>	<b>900,000</b>	<b>1,000,000</b>	<b>1,300,000</b>

Projected Market Growth Rate		6.5%	6.5%	6.5%	6.5%
<b>Global Homeland Security Market - Note 1</b>	<b>56,543,400,000</b>	<b>61,473,300,000</b>	<b>66,862,000,000</b>	<b>72,756,000,000</b>	<b>79,207,000,000</b>
Forecast Market Penetration - Exmocare Intellectual Property	0.03%	0.05%	0.08%	0.12%	0.20%
<b>Forecast Revenue - Global Homeland Security Market</b>	<b>17,000,000</b>	<b>29,500,000</b>	<b>51,400,000</b>	<b>89,400,000</b>	<b>155,700,000</b>

<b>Total Exmocare Intellectual Property Revenue</b>	<b>30,300,000</b>	<b>50,900,000</b>	<b>85,700,000</b>	<b>144,400,000</b>	<b>244,200,000</b>
Royalty Rate - Note 2	10%	10%	10%	10%	10%
<b>Exmo Group Royalty Revenues</b>	<b>3,030,000</b>	<b>5,090,000</b>	<b>8,570,000</b>	<b>14,440,000</b>	<b>24,420,000</b>
Less: Administration Fees - Note 3	90,900	156,300	269,100	463,800	800,700
Income Before Taxes	2,939,100	4,933,700	8,300,900	13,976,200	23,619,300
Income Taxes	1,028,685	1,726,795	2,905,315	4,891,670	8,266,755

<b>Net Income</b>	<b>2,000,000</b>	<b>3,400,000</b>	<b>5,700,000</b>	<b>9,500,000</b>	<b>16,200,000</b>
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After-Tax Cash Flow	2,000,000	3,400,000	5,700,000	9,500,000	16,200,000
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Present Value - High	1,773,397	2,344,548	3,023,512	3,876,298	5,084,699
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Present Value - Low	1,742,985	2,222,488	2,759,952	3,407,349	4,304,019
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Add: Residual Value (Multiple x 2012) and apply Discount Rate of 30%	14,527,710
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Add: Residual Value (Multiple x 2012) and apply Discount Rate of 35%	12,297,198
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Total Discounted Cash Flow (High)	30,630,164
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Total Discounted Cash Flow (Low)	26,733,991
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#### Discount Rates

High - Note 4	30%		
Low - Note 4	35%		
		<b>Residual Multiple</b>	<b>2.9</b>
		<b>Income Tax Rate</b>	<b>35%</b>

<b>Relief from Royalty Pricing Range</b>	<b>High</b>	<b>30,600,000</b>
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	<b>Low</b>	<b>26,700,000</b>
	<b>Mid-Point, say</b>	<b>28,700,000</b>

See the following page for notes:

## Relief from Royalty

Notes:

1 Based on data from Homeland Security Research Corp., Evans & Evans estimated the size of Homeland Security market which the Exmocare Intellectual Property is competing in.

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
US Homeland Security Market	27,706,257,858	29,507,164,618	31,425,130,319	33,467,763,789	35,643,168,436
US Homeland Security Market Share	49%	48%	47%	46%	45%
Global Homeland Security Market	<b>56,543,383,383</b>	<b>61,473,259,622</b>	<b>66,861,979,401</b>	<b>72,756,008,238</b>	<b>79,207,040,968</b>

See Scenario A for the remaining notes

## Relief from Royalty

### Exmocare Intellectual Property Pricing Summary Based upon Management-Prepared Multi-Year Projections

US\$ - Scenario C

For the Years Ended December 31,

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Projected Market Growth Rate		5.8%	5.8%	5.8%	5.8%
<b>Global Remote Patient Monitoring Market</b>	<b>5,128,200,000</b>	<b>5,423,200,000</b>	<b>5,735,200,000</b>	<b>6,065,100,000</b>	<b>6,414,000,000</b>
Forecast Market Penetration - Exmocare Intellectual Property	0.25%	0.38%	0.56%	0.84%	1.27%
<b>Forecast Revenue - Global Remote Patient Monitoring Market</b>	<b>12,800,000</b>	<b>20,300,000</b>	<b>32,300,000</b>	<b>51,200,000</b>	<b>81,200,000</b>

Projected Market Growth Rate		9.0%	9.0%	9.0%	9.0%
<b>World Corporate Security Market (Physical &amp; Logical Access)</b>	<b>150,500,000</b>	<b>164,000,000</b>	<b>178,800,000</b>	<b>194,900,000</b>	<b>212,400,000</b>
Forecast Market Penetration - Exmocare Intellectual Property	0.30%	0.40%	0.50%	0.50%	0.60%
<b>Forecast Revenue - World Corporate Security Market</b>	<b>500,000</b>	<b>700,000</b>	<b>900,000</b>	<b>1,000,000</b>	<b>1,300,000</b>

Projected Market Growth Rate		5.0%	5.0%	5.0%	5.0%
<b>Global Homeland Security Market - Note 1</b>	<b>56,543,400,000</b>	<b>60,607,400,000</b>	<b>64,991,800,000</b>	<b>69,724,900,000</b>	<b>74,838,100,000</b>
Forecast Market Penetration - Exmocare Intellectual Property	0.03%	0.05%	0.08%	0.12%	0.20%
<b>Forecast Revenue - Global Homeland Security Market</b>	<b>17,000,000</b>	<b>29,100,000</b>	<b>49,900,000</b>	<b>85,700,000</b>	<b>147,100,000</b>

<b>Total Exmocare Intellectual Property Revenue</b>	<b>30,300,000</b>	<b>50,100,000</b>	<b>83,100,000</b>	<b>137,900,000</b>	<b>229,600,000</b>
Royalty Rate - Note 2	10%	10%	10%	10%	10%
<b>Exmo Group Royalty Revenues</b>	<b>3,030,000</b>	<b>5,010,000</b>	<b>8,310,000</b>	<b>13,790,000</b>	<b>22,960,000</b>
Administration Fees - Note 3	90,900	156,300	269,100	463,800	800,700
Income Before Taxes	2,939,100	4,853,700	8,040,900	13,326,200	22,159,300
Income Taxes	1,028,685	1,698,795	2,814,315	4,664,170	7,755,755

<b>Net Income</b>	<b>2,000,000</b>	<b>3,300,000</b>	<b>5,500,000</b>	<b>9,100,000</b>	<b>15,200,000</b>
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After-Tax Cash Flow 2,000,000 3,300,000 5,500,000 9,100,000 15,200,000

Present Value - High 1,773,397 2,275,591 2,917,424 3,713,085 4,770,828

Present Value - Low 1,742,985 2,157,121 2,663,112 3,263,881 4,038,339

Add: Residual Value (Multiple x 2012) and apply Discount Rate of 30% 13,630,938

Add: Residual Value (Multiple x 2012) and apply Discount Rate of 35% 11,538,112

Total Discounted Cash Flow (High) 29,081,264

Total Discounted Cash Flow (Low) 25,403,550

#### Discount Rates

High - Note 4	30%		
Low - Note 4	35%		
		<b>Residual Multiple</b>	<b>2.9</b>
		<b>Income Tax Rate</b>	<b>35%</b>

#### Relief from Royalty Pricing Range

<u>High</u>	29,100,000		
<u>Low</u>	25,400,000	<b>Mid-Point, say</b>	<b>27,300,000</b>

See the following page for notes:

## Relief from Royalty

### Notes:

**1** Based on data from Homeland Security Research Corp., Evans & Evans estimated the size of Homeland Security market which the Exmocare Intellectual Property is competing in.

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
US Homeland Security Market	27,706,257,858	29,091,570,751	30,546,149,288	32,073,456,753	33,677,129,590
US Homeland Security Market Share	49%	48%	47%	46%	45%
Global Homeland Security Market	<b>56,543,383,383</b>	<b>60,607,439,064</b>	<b>64,991,806,996</b>	<b>69,724,905,984</b>	<b>74,838,065,756</b>

See Scenario A for the remaining notes

## Relief from Royalty

### Exmocare Intellectual Property Pricing Summary Based upon Management-Prepared Multi-Year Projections

US\$ - Scenario D

For the Years Ended December 31,

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Projected Market Growth Rate		4.3%	4.3%	4.3%	4.3%
<b>Global Remote Patient Monitoring Market</b>	<b>5,128,200,000</b>	<b>5,349,400,000</b>	<b>5,580,200,000</b>	<b>5,821,000,000</b>	<b>6,072,100,000</b>
Forecast Market Penetration - Exmocare Intellectual Property	0.25%	0.38%	0.56%	0.84%	1.27%
<b>Forecast Revenue - Global Remote Patient Monitoring Market</b>	<b>12,800,000</b>	<b>20,100,000</b>	<b>31,400,000</b>	<b>49,100,000</b>	<b>76,900,000</b>

Projected Market Growth Rate		8.0%	8.0%	8.0%	8.0%
<b>World Corporate Security Market (Physical &amp; Logical Access)</b>	<b>150,500,000</b>	<b>162,500,000</b>	<b>175,500,000</b>	<b>189,500,000</b>	<b>204,700,000</b>
Forecast Market Penetration - Exmocare Intellectual Property	0.30%	0.40%	0.50%	0.50%	0.60%
<b>Forecast Revenue - World Corporate Security Market</b>	<b>500,000</b>	<b>700,000</b>	<b>900,000</b>	<b>900,000</b>	<b>1,200,000</b>

Projected Market Growth Rate		3.5%	3.5%	3.5%	3.5%
<b>Global Homeland Security Market - Note 1</b>	<b>56,543,400,000</b>	<b>59,741,600,000</b>	<b>63,148,200,000</b>	<b>66,779,200,000</b>	<b>70,652,400,000</b>
Forecast Market Penetration - Exmocare Intellectual Property	0.03%	0.05%	0.08%	0.12%	0.20%
<b>Forecast Revenue - Global Homeland Security Market</b>	<b>17,000,000</b>	<b>28,700,000</b>	<b>48,500,000</b>	<b>82,100,000</b>	<b>138,900,000</b>

<b>Total Exmocare Intellectual Property Revenue</b>	<b>30,300,000</b>	<b>49,500,000</b>	<b>80,800,000</b>	<b>132,100,000</b>	<b>217,000,000</b>
Royalty Rate - Note 2	10%	10%	10%	10%	10%
<b>Exmo Group Royalty Revenues</b>	<b>3,030,000</b>	<b>4,950,000</b>	<b>8,080,000</b>	<b>13,210,000</b>	<b>21,700,000</b>
Administration Fees - Note 3	90,900	156,300	269,100	463,800	800,700
Income Before Taxes	2,939,100	4,793,700	7,810,900	12,746,200	20,899,300
Income Taxes	1,028,685	1,677,795	2,733,815	4,461,170	7,314,755

<b>Net Income</b>	<b>2,000,000</b>	<b>3,300,000</b>	<b>5,300,000</b>	<b>8,700,000</b>	<b>14,400,000</b>
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After-Tax Cash Flow 2,000,000 3,300,000 5,300,000 8,700,000 14,400,000

Present Value - High 1,773,397 2,275,591 2,811,336 3,549,873 4,519,732

Present Value - Low 1,742,985 2,157,121 2,566,271 3,120,414 3,825,795

Add: Residual Value (Multiple x 2012) and apply Discount Rate of 30% 12,913,520

Add: Residual Value (Multiple x 2012) and apply Discount Rate of 35% 10,930,843

Total Discounted Cash Flow (High) 27,843,449

Total Discounted Cash Flow (Low) 24,343,429

#### Discount Rates

High - Note 4	30%		
Low - Note 4	35%		
		<b>Residual Multiple</b>	<b>2.9</b>
		<b>Income Tax Rate</b>	<b>35%</b>

<b>Relief from Royalty Pricing Range</b>	<b>High</b>	<b>27,800,000</b>	
	<b>Low</b>	<b>24,300,000</b>	
		<b>Mid-Point, say</b>	<b>26,100,000</b>

See the following page for notes:

## Relief from Royalty

Notes:

1 Based on data from Homeland Security Research Corp., Evans & Evans estimated the size of Homeland Security market which the Exmocare Intellectual Property is competing in.

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
US Homeland Security Market	27,706,257,858	28,675,976,883	29,679,636,074	30,718,423,336	31,793,568,153
US Homeland Security Market Share	49%	48%	47%	46%	45%
Global Homeland Security Market	<b>56,543,383,383</b>	<b>59,741,618,506</b>	<b>63,148,161,859</b>	<b>66,779,181,166</b>	<b>70,652,373,673</b>

See Scenario A for the remaining notes