

# Economic Damages



**Trugman Valuation**  
ASSOCIATES, INC.

The certified leader in business valuation expertise.™

***RASCAL HOUSE***  
***v.***  
***METROPOLITAN BOARD OF ZONING APPEALS AT SOME***  
***COUNTY,***  
***SOME STATE; COMMUNITY ORGANIZATION, INC., SMITH***  
***HEALTH CARE CENTER, INC.; SMITH EAST HEALTHCARE***  
***CENTER; ET AL.***

**DAMAGES REPORT**



September 30, 1999

Mr. David Brown, Jr.  
Rascal House, Inc.  
1066 Tent Avenue  
Any Town, RI 02920

Re: *Rascal House v. Metropolitan Board of Zoning Appeals at Some County, Some State; Community Organization, Inc.; Smith Health Care Center, Inc.; Smith East Healthcare Center; et al.*

Dear Mr. Smtih:

In accordance with your request, we have calculated the damages suffered by Rascal House, Inc. as a result of the defendants' actions in the above referenced matter.

In our opinion, the minimum amount of quantifiable damages are:

**ONE MILLION, FOUR HUNDRED SIXTY-ONE THOUSAND,  
SIX HUNDRED AND TWELVE DOLLARS (\$1,461,612)**

Our analysis and conclusions are detailed in the attached report.

Very truly yours,

TRUGMAN VALUATION ASSOCIATES, INC.

Gary R. Trugman  
CPA\*/ABV, MCBA, ASA, MVS

GRT/ejb  
Attachment

\* Licensed in the State of Florida

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Professional Qualifications of Expert

## **INTRODUCTION**

### **DESCRIPTION OF THE ASSIGNMENT**

Trugman Valuation Associates, Inc. was retained by Rascal House, Inc. (“RHI” or “The Company”) to calculate the economic damages that have been incurred as a result of the actions of the defendants in this matter. These damages are calculated as part of the litigation entitled *Rascal House v. Metropolitan Board Of Zoning Appeals At Some County, Some State et al.*, filed in the Some County Superior Court sitting at Some City, Some State, Cause No: 129D06-9634-CP-1234.

In order to perform this assignment, numerous documents were reviewed and relied on. These items include the following:

1. Tax returns for an S Corporation for several Rascal House, Inc.’s clinics including (years of tax returns in parentheses):
  - a. Rhode Island Substance Abuse Treatment (1989-1997)
  - b. Center For Behavioral Health – PA (1990-1997)
  - c. Center For Behavioral Health – RI (1987-1991, 1993, 1997)
  - d. Center For Behavioral Health – ME (1992-1997)
  - e. Center For Behavioral Health – HA (1993-1997)
  - f. Rascal House, Inc. – Bucks County (1995-1997)
  - g. Rascal House, Inc. – Providence, RI (1995-1997)
  - h. Rascal House Utah, Inc. (1995-1997)
  
2. Annual Reports for Rascal House clinics including:

- a. Rascal House Midwest Business Plan, Fourth Quarter 1995
  - b. Rascal House, Inc., 1997 Annual Report
  - c. Rascal House – Rhode Island and Northern Rhode Island, 1996 Annual Report
  - d. Rascal House – Bucks County, Lake County, and Some City, 1996 Annual Report
  - e. Rascal House – Pittsburgh and Butler, 1996 Annual Report
  - f. Rascal House – Maine and Utah, 1996 Annual Report
  - g. Rascal House Inc., 1995 Annual Report
  - h. Rascal House Inc., 1994 Annual Report
3. A Rascal House general ledger that details the costs incurred for the unopened Some City clinic.
  4. Documentation such as invoices and bills supporting the incurred costs detailed in # 3.
  5. Legal documents pertaining to the case of *Rascal House, Inc. vs. Some City; and the Metropolitan Board of Zoning Appeals at Some County, Some State.*
  6. Income statements for the following Rascal House, Inc. clinics:
    - a. Rascal House, PA (For years ended 1995-1998)
    - b. Rascal House, Butler (For years ended 1995-1998)
    - c. Rascal House, Inc. (For year ended 1998)
    - d. Rascal House, Bucks County (For year ended 1998)
    - e. Rhode Island Substance Abuse Treatment, Providence (For years ended 1997-1998)
    - f. Rhode Island Substance Abuse Treatment, Woonsocket (For years ended 1997-1998)

- g. Center For Behavioral Health, Maine (For year ended 1998)
  - h. Rascal House, Utah (For year ended 1998)
  - i. Center For Behavioral Health, HA (For year ended 1998)
  - j. Rascal House Central Maine (For year ended 1998)
7. A leasing agreement for the unopened Some City property.

## **DAMAGES CALCULATIONS**

The damages calculated in this report have been adjusted for a present value date of October 31, 1999. The damages sustained by Rascal House, Inc. ("RHI"), because of the actions of Some City are as follows:

- Lost profits.
- Clinic costs including capital expenditures and operating expenses.
- Legal and expert fees.
- Statutory interest.

Each of these items is explained in the following sections of the report.

### **DAMAGES FROM LOST PROFITS**

The calculation of lost profits involves the estimation of the period over which profits have been and will be lost, and the amount of profits lost in each period. Based on our discussions with management, a facility is typically open to service patients six months after the signing of a lease and/or three months after U.S. Drug Enforcement Agency ("DEA") inspection. RHI signed a lease for the facility in Some City on November 9, 1995 and had already ascertained that the zoning regulations permitted the establishment of a methadone clinic at the location.

Due to the difficulties that RHI had with the Some City, the DEA did not come in to inspect the facility. According to management, DEA wanted to wait until the community and political issues were resolved. Therefore, since an inspection never occurred, we used the lease signing date as a trigger date for the opening of the clinic. Consequently, we have assumed RHI would have

opened on June 1, 1996 (6 months after the lease signing, rounded to the beginning of the next month).

The calculation of lost profits is based on the estimation of two factors: expected profits and mitigation of damages. To estimate expected profits, we have reviewed the financial information for 12 clinics owned, operated and/or managed by SMART Management, Inc. ("SMI"), RHI's management company. The clinics reviewed include:

1. Rascal House CBH - Pennsylvania
2. Rascal House CBH - Butler, Pennsylvania
3. RI Substance Abuse Treatment - Providence, RI
4. RI Substance Abuse Treatment - Woonsocket, RI
5. Rascal House, Inc. - Utah
6. Rascal House, Inc. - Bucks County, Pennsylvania
7. Center For Behavioral Health - Harrisburg, Pennsylvania
8. Center For Behavioral Health - Maine
9. Rascal House Inc. - Lake County, Indiana
10. Center For Behavioral Health - Rhode Island
11. Center For Behavioral Health - NPA
12. Rascal House Central Maine

Financial information was compiled through tax returns and internal financial documents provided to us by RHI. We have reviewed the financial statements for each clinic since its

inception to understand the growth pattern of a typical methadone clinic under management similar to that which Some City would have had. While we cannot predict the actual growth pattern for RHI, we can estimate the typical growth pattern for clinics under similar management. Tables 1 through 11 present historical income statements for the 11 clinics reviewed by us in order to estimate expected profits. The Rascal House of Central Maine, which opened in August 1998 is not presented due to the fact that it does not have enough history of operations to be meaningful in this analysis.

**TABLE 1  
RASCAL HOUSE CBH-PA  
INCOME STATEMENT**

	1990	1991	1992	1993	1994	1995	1996	1997	1998
	1	2	3	4	5	6	7	8	9
Revenues	\$ 213,048	\$ 548,249	\$ 744,130	\$ 825,745	\$ 1,035,102	\$ 1,027,653	\$ 1,135,822	\$ 1,312,382	\$ 1,455,434
Cost of Sales	12,133	42,121	67,016	72,151	77,138	72,687	71,854	79,947	95,866
Gross Profit	<u>\$ 200,915</u>	<u>\$ 506,128</u>	<u>\$ 677,114</u>	<u>\$ 753,594</u>	<u>\$ 957,964</u>	<u>\$ 954,966</u>	<u>\$ 1,063,968</u>	<u>\$ 1,232,435</u>	<u>\$ 1,359,568</u>
Operating Expenses:									
Salaries & Wages	\$ 84,113	\$ 154,105	\$ 188,026	\$ 191,246	\$ 289,474	\$ 230,440	\$ 280,882	\$ 341,906	\$ 381,720
Security	-	1,232	4,100	2,904	1,049	3,045	1,722	7,432	12,322
Payroll Taxes	-	-	-	-	-	32,770	43,714	34,395	34,270
Insurance	3,354	6,899	9,575	18,805	28,260	29,226	33,160	41,279	32,853
Medical Director Fees	-	-	-	57,415	-	55,869	82,392	92,138	96,286
Consultant Fees	13,183	53,407	71,113	12,988	8,017	1,040	2,600	827	1,294
Administrative Expense	-	-	14,089	9,370	3,291	4,676	9,629	4,676	11,522
SMART Management	6,300	16,000	22,000	49,557	62,106	61,648	68,307	78,743	87,327
Rent	24,851	27,566	28,344	26,088	26,647	26,088	28,107	28,759	28,759
Utilities	4,235	6,860	9,569	7,893	8,120	9,153	9,951	9,939	9,682
Telephone	3,920	5,824	-	-	-	9,304	12,747	12,563	11,144
Repairs and Maintenance	1,003	1,599	2,537	3,535	3,382	3,271	6,793	4,515	5,399
Software/Hardware Expense	-	-	-	-	-	2,231	4,458	5,526	3,830
Supplies	8,451	13,827	6,921	7,804	47	9,838	10,902	12,536	10,726
Freight	1,615	3,413	4,817	2,571	9,211	1,067	1,379	1,970	1,881
Postage	-	-	-	-	-	646	1,134	421	701
Credit Card Charges	-	-	-	-	-	1,848	2,229	2,893	3,927
Patient Refunds	-	-	-	-	-	888	148	544	28
Property & Other Taxes	12,710	38,160	41,629	35,693	68,305	4,908	3,585	1,969	1,978
Printing Costs	1,490	1,883	1,160	351	878	952	2,204	2,960	4,428
Legal & Professional Fees	4,683	4,935	42,674	20,950	17,548	799	2,512	3,631	7,840
Dues & Subscriptions	250	265	-	-	480	511	397	304	883
Education & Seminars	-	735	1,683	495	1,261	972	3,272	2,557	2,592
Royalty Fees	10,849	26,798	37,346	41,297	51,755	51,373	56,923	65,619	72,773
Accounting/Bookkeeping	-	-	-	-	-	13,530	21,811	21,440	18,265
Auto Expense	28	-	-	673	-	282	936	1,257	1,834
Travel & Entertainment	3,733	8,747	15,132	4,899	2,581	1,764	8,135	4,254	9,755
Bank Service Charge	461	720	1,531	971	1,863	326	909	1,083	925
Licenses & Fees	-	60	-	-	-	535	335	292	250
Advertising & Promotion	1,405	1,041	706	3,166	448	694	2,080	3,802	7,286
Contributions/Donations	-	-	-	-	-	-	100	-	500
Janitorial Services	664	2,511	5,679	5,769	6,086	6,858	9,139	10,438	10,917
Depreciation Expense	1,392	6,561	19,434	19,433	12,798	8,940	23,296	15,944	2,287
Bad Debts Expense	955	10,532	16,483	8,006	8,826	20,233	33,551	33,408	43,969
Interest Expense	1,481	1,410	1,003	953	340	330	239	-	431
Equipment Rental	-	-	1,751	994	1,528	4,861	1,719	-	-
Penalties/Late Charges	-	-	-	-	-	-	-	18	-
Vacation/Sick Pay Expense	-	-	-	-	-	19,129	28,123	-	-
Employee Benefits	-	11,106	8,481	-	-	1,085	1,727	-	-
Miscellaneous	143	109	914	733	8,092	-	-	-	-
Communications	-	-	7,139	8,267	9,296	-	-	-	-
Subcontractor	-	1,773	-	-	-	-	-	-	-
Total Operating Expenses	<u>\$ 191,269</u>	<u>\$ 408,078</u>	<u>\$ 563,836</u>	<u>\$ 542,826</u>	<u>\$ 631,689</u>	<u>\$ 621,129</u>	<u>\$ 801,244</u>	<u>\$ 850,039</u>	<u>\$ 920,581</u>
Net Income From Operations	\$ 9,646	\$ 98,050	\$ 113,278	\$ 210,768	\$ 326,275	\$ 333,838	\$ 262,724	\$ 382,397	\$ 438,987
Other Income/Expenses	475	270	-	-	20,032	(56,935)	(46,617)	(61,181)	(26,236)
Earnings Before Income Tax	<u>\$ 10,121</u>	<u>\$ 98,320</u>	<u>\$ 113,278</u>	<u>\$ 210,768</u>	<u>\$ 346,307</u>	<u>\$ 276,903</u>	<u>\$ 216,107</u>	<u>\$ 321,216</u>	<u>\$ 412,752</u>

**TABLE 2  
RASCAL HOUSE CBH - BUTLER  
INCOME STATEMENT**

	1995 <u>1</u>	1996 <u>2</u>	1997 <u>3</u>	1998 <u>4</u>
Revenues	\$ 168,423	\$ 378,125	\$ 484,741	\$ 466,633
Cost of Sales	10,816	26,896	34,543	29,692
Gross Profit	<u>\$ 157,607</u>	<u>\$ 351,229</u>	<u>\$ 450,197</u>	<u>\$ 436,941</u>
Operating Expenses:				
Salaries & Wages	\$ 37,310	\$ 100,658	\$ 148,268	\$ 129,604
Security	335	90	469	985
Payroll Taxes	-	-	17,634	17,459
Insurance	-	12	1,899	16,493
Medical Director Fees	3,306	27,182	63,111	33,736
Consultant Fees	-	-	253	225
Administrative Expense	548	130	855	3,286
SMART Management	16,964	37,813	48,474	46,664
Rent	14,675	14,625	14,625	14,625
Utilities	797	1,339	1,488	1,360
Telephone	3,562	4,828	6,466	7,494
Repairs and Maintenance	1,098	391	366	227
Software/Hardware Expense	38	2,292	2,827	3,057
Supplies	771	1,771	2,113	3,938
Freight	234	822	717	926
Postage	195	137	189	746
Credit Card Charges	8	-	245	2,383
Patient Refunds	290	40	59	-
Property & Other Taxes	-	47	-	-
Printing Costs	726	460	635	1,723
Legal & Professional Fees	-	416	3,093	7,498
Dues & Subscriptions	-	-	222	303
Education & Seminars	26	1,165	1,781	3,317
Royalty Fees	8,482	18,906	24,233	23,332
Accounting/Bookkeeping	329	248	-	8,180
Auto Expense	2,933	1,549	657	940
Travel & Entertainment	766	1,775	1,009	1,871
Licenses & Fees	70	-	170	150
Advertising & Promotion	200	416	1,323	1,589
Contributions/Donations	-	100	-	525
Janitorial Services	60	543	1,843	2,235
Depreciation Expense	-	-	-	2,837
Bad Debts Expense	1,910	10,713	13,312	9,773
Equipment Rental	-	501	1,371	1,312
Total Operating Expenses	<u>\$ 95,633</u>	<u>\$ 228,968</u>	<u>\$ 359,707</u>	<u>\$ 348,792</u>
Net Income From Operations	\$ 61,974	\$ 122,261	\$ 90,490	\$ 88,149
Other Income/Expenses	-	-	-	-
Earnings Before Income Tax	<u>\$ 61,974</u>	<u>\$ 122,261</u>	<u>\$ 90,490</u>	<u>\$ 88,149</u>

**TABLE 3**  
**R.I. SUBSTANCE ABUSE TREATMENT - PROVIDENCE**  
**INCOME STATEMENT**

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
	1	2	3	4	5	6	7	8	9	10
Revenues	\$ 129,514	\$ 393,261	\$ 624,909	\$ 798,533	\$ 956,442	\$ 918,795	\$ 990,335	\$ 1,057,991	\$ 1,294,308	\$ 1,429,228
Cost of Sales	57,544	280,779	57,329	104,406	99,517	102,069	86,120		81,719	76,056
Gross Profit	\$ 71,970	\$ 112,482	\$ 567,580	\$ 694,127	\$ 856,925	\$ 816,726	\$ 904,215	\$ 986,073	\$ 1,212,589	\$ 1,353,172
Operating Expenses:										
Salaries & Wages	\$ 9,861	\$ 105,875	\$ 155,868	\$ 171,358	\$ 226,711	\$ 232,237	\$ 299,516	\$ 330,724	\$ 358,315	\$ 425,756
Security	1,316	21,989	18,013	25,746	24,237	2,637	2,077	26,765	24,556	24,822
Payroll Taxes	5,031	-	24,956	-	-	-	-	37,700	43,923	50,205
Insurance	4,251	4,303	5,505	11,682	15,987	25,986	27,595	34,676	37,617	46,263
Medical Director Fees	-	10,057	20,500	32,965	33,608	38,970	34,463	52,104	75,112	79,883
Consultant Fees	8,949	6,900	23,522	50,957	65,179	-	9,991	67,660	172,034	11,815
Administrative Expense	-	-	-	5,036	24,028	4,667	5,977	5,796	4,584	12,451
Management Expense	-	-	-	-	-	58,480	61,113	-	88,662	85,754
Rent	10,900	21,900	21,600	23,700	27,300	28,800	44,200	53,846	38,919	42,059
Utilities	200	2,432	600	500	600	600	2,156	7,683	8,459	6,992
Telephone	2,003	-	6,883	-	-	-	-	8,808	9,688	10,296
Repairs and Maintenance	1,752	808	2,230	7,479	10,536	8,009	9,129	24,736	5,536	13,032
Software/Hardware Expense	-	-	-	-	-	-	-	-	3,324	5,274
Supplies	3,519	4,895	10,589	8,182	4,290	3,955	7,284	7,507	10,601	10,453
Freight	-	183	541	-	306	282	681	740	1,065	1,893
Postage	352	-	-	-	-	-	-	-	-	-
Credit Card Charges	-	-	-	-	-	-	-	626	362	812
Patient Refunds	-	-	-	-	-	-	-	490	1,867	718
Property & Other Taxes	-	18,263	701	19,987	30,716	31,827	43,603	8,361	15,176	8,385
Printing Costs	-	1,537	1,247	3,995	3,295	2,385	2,107	2,287	4,241	7,850
Legal & Professional Fees	7,246	15,069	24,491	50,276	23,854	23,501	28,464	17,613	7,817	8,223
Dues & Subscriptions	100	50	72	-	-	1,389	1,078	7,287	3,468	1,452
Education & Seminars	-	224	1,180	-	-	988	513	2,806	493	3,513
Royalty Fees	-	19,836	31,295	40,064	47,830	48,735	50,927	53,225	64,715	71,461
Accounting/Bookkeeping	-	-	-	-	-	-	-	19,135	19,446	20,692
Auto Expense	-	-	-	-	-	-	-	174	314	329
Travel & Entertainment	67	70	887	639	724	935	1,186	258	469	3,864
Bank Service Charge	138	214	259	-	333	587	607	237	494	167
Licenses & Fees	-	70	70	-	-	-	-	1,805	791	234
Advertising & Promotion	591	1,021	1,607	4,150	4,252	5,450	4,543	5,777	6,647	20,179
Contributions/Donations	-	-	-	-	-	-	-	-	-	2,168
Janitorial Services	-	4,148	5,108	7,760	7,929	8,461	11,727	9,659	9,498	12,387
Depreciation Expense	3,528	12,852	12,690	23,824	25,488	17,923	38,897	12,971	28,367	26,470
Bad Debts Expense	615	9,770	2,937	16,038	20,762	16,986	13,028	36,746	-	26,094
Interest Expense	2,639	3,942	3,632	382	34	114	3,860	9,223	26,356	19,046
Equipment Rental	144	3,460	1,560	-	-	879	5,114	10	553	2,756
Contract Labor	-	-	-	-	6,521	23,690	47,511	10,704	10,426	406
Penalties/Late Charges	-	-	-	-	-	-	-	-	684	-
Miscellaneous	88	-	88	1,808	3,878	905	28,064	3,237	-	-
Communications	-	-	-	7,728	6,034	6,654	6,598	-	-	-
Employee Benefits	-	-	-	-	1,181	4,002	1,424	-	-	-
Total Operating Expenses	\$ 63,290	\$ 269,868	\$ 378,631	\$ 514,256	\$ 615,613	\$ 600,034	\$ 793,433	\$ 861,376	\$ 1,117,999	\$ 1,064,154
Net Income From	\$ 8,680	\$ (157,386)	\$ 188,949	\$ 179,871	\$ 241,312	\$ 216,692	\$ 110,782	\$ 124,697	\$ 94,590	\$ 289,018
Other Income/Expenses	-	1,199	742	-	-	-	29,459	10,243	754	1,286
Earnings Before Income Tax	\$ 8,680	\$ (156,187)	\$ 189,691	\$ 179,871	\$ 241,312	\$ 216,692	\$ 140,241	\$ 134,940	\$ 95,344	\$ 290,304

**TABLE 4**  
**R.I. SUBSTANCE ABUSE TREATMENT - WOONSOCKET**  
**INCOME STATEMENT**

	1997	1998
	<u>1</u>	<u>2</u>
Revenues	\$ 137,529	\$ 234,027
Cost of Sales	9,480	14,672
Gross Profit	<u>\$ 128,049</u>	<u>\$ 219,355</u>
Operating Expenses:		
Salaries & Wages	\$ 61,052	\$ 88,432
Security	3,514	3,524
Payroll Taxes	8,221	11,326
Insurance	-	4,931
Medical Director Fees	9,371	15,740
Consultant Fees	8,694	1,776
Administrative Expense	3,959	3,579
Management Expense	13,277	14,042
Rent	15,877	16,232
Utilities	4,373	3,470
Telephone	4,423	5,527
Repairs and Maintenance	145	387
Software/Hardware Expense	2,511	4,535
Supplies	1,357	3,406
Freight	23	76
Property & Other Taxes	-	345
Printing Costs	793	1,207
Legal & Professional Fees	-	2,609
Dues & Subscriptions	1,534	2,416
Education & Seminars	157	940
Royalty Fees	6,876	11,701
Accounting/Bookkeeping	5,040	7,183
Auto Expense	312	282
Travel & Entertainment	197	1,391
Licenses & Fees	145	120
Advertising & Promotion	1,094	3,213
Contributions/Donations	-	500
Janitorial Services	1,442	1,277
Depreciation Expense	-	4,872
Bad Debts Expense	5,208	12,070
Equipment Rental	906	867
Contract Labor	2,707	39
Penalties/Late Charges	-	-
Total Operating Expenses	<u>\$ 163,208</u>	<u>\$ 228,015</u>
Net Income From Operations	\$ (35,160)	\$ (8,660)
Other Income/Expenses	-	-
Earnings Before Income Tax	<u>\$ (35,160)</u>	<u>\$ (8,660)</u>

**TABLE 5  
RASCAL HOUSE, INC. - UTAH  
INCOME STATEMENT**

	1995 <u>1</u>	1996 <u>2</u>	1997 <u>3</u>	1998 <u>4</u>
Revenues	\$ 12,130	\$ 196,565	\$ 308,454	\$ 269,086
Cost of Sales	1,171	21,309	25,735	20,820
Gross Profit	<u>\$ 10,959</u>	<u>\$ 175,256</u>	<u>\$ 282,719</u>	<u>\$ 248,266</u>
Operating Expenses:				
Salaries & Wages	\$ 9,787	\$ 93,969	\$ 111,174	\$ 113,450
Security	149	265	602	889
Payroll Taxes	-	7,991	10,587	9,153
Insurance	1,655	7,388	10,894	11,212
Medical Director Fees	4,726	26,836	26,497	23,315
Consultant Fees	1,006	4,468	2,407	16,725
Administrative Expense	-	-	-	590
Management Expense	-	-	25,000	-
Rent	10,048	15,072	15,313	15,485
Utilities	-	-	-	-
Telephone	-	8,092	5,341	7,334
Repairs and Maintenance	-	489	475	1,884
Software/Hardware Expense	-	171	-	3,734
Supplies	1,937	3,972	2,750	4,373
Freight	1,312	1,318	1,208	871
Postage	-	173	198	263
Credit Card Charges	-	-	697	2,415
Patient Refunds	-	56	569	1,050
Property & Other Taxes	1,458	498	2,407	241
Printing Costs	719	1,574	1,771	1,501
Legal & Professional Fees	5,659	3,141	355	733
Dues & Subscriptions	38	195	395	507
Education & Seminars	-	746	144	712
Royalty Fees	-	-	-	3,523
Accounting/Bookkeeping	-	1,300	1,324	939
Auto Expense	-	611	643	3,718
Travel & Entertainment	11,009	5,597	7,766	18,996
Bank Service Charge	34	138	390	203
Licenses & Fees	-	484	452	400
Advertising & Promotion	3,796	3,271	6,891	5,705
Contributions/Donations	-	-	-	100
Janitorial Services	-	-	-	47
Depreciation Expense	2,759	5,073	3,915	3,262
Bad Debts Expense	12	24,015	15,698	15,990
Interest Expense	87	5,026	235	98
Equipment Rental	-	221	862	1,123
Contract Labor	274	3,530	190	3,537
Penalties/Late Charges	-	-	-	-
Communications	1,654	-	-	-
Total Operating Expenses	<u>\$ 58,119</u>	<u>\$ 225,680</u>	<u>\$ 257,150</u>	<u>\$ 274,076</u>
Net Income From Operations	\$ (47,160)	\$ (50,424)	\$ 25,569	\$ (25,811)
Other Income/Expenses	-	11	21	27
Earnings Before Income Tax	<u>\$ (47,160)</u>	<u>\$ (50,413)</u>	<u>\$ 25,590</u>	<u>\$ (25,784)</u>

**TABLE 6  
RASCAL HOUSE, INC. - BUCKS COUNTY  
INCOME STATEMENT**

	1995 <u>1</u>	1996 <u>2</u>	1997 <u>3</u>	1998 <u>4</u>
Revenues	\$ 6,403	\$ 72,142	\$ 241,163	\$ 337,960
Cost of Sales	661	7,361	17,057	16,347
Gross Profit	<u>\$ 5,742</u>	<u>\$ 64,781</u>	<u>\$ 224,106</u>	<u>\$ 321,613</u>
Operating Expenses:				
Salaries & Wages	\$ 14,132	\$ 62,270	\$ 96,918	\$ 146,254
Security	-	545	793	450
Payroll Taxes	-	5,960	8,410	(7,798)
Insurance	942	4,502	5,532	10,950
Medical Director Fees	1,900	17,625	37,060	40,688
Consultant Fees	-	-	-	7,000
Administrative Expense	15,888	-	-	-
Management Expense	-	-	-	-
Rent	8,925	13,000	13,900	14,260
Utilities	647	3,019	3,266	4,067
Telephone	-	5,430	8,393	8,439
Repairs and Maintenance	1,928	2,234	2,223	2,796
Software/Hardware Expense	-	-	-	2,868
Supplies	2,101	3,134	3,828	6,274
Freight	1,023	-	-	382
Postage	-	1,046	905	478
Credit Card Charges	-	-	-	-
Patient Refunds	-	-	1,675	418
Property & Other Taxes	1,647	600	1,266	322
Printing Costs	1,329	542	950	879
Legal & Professional Fees	4,691	715	926	3,137
Dues & Subscriptions	350	341	288	372
Education & Seminars	290	128	288	1,391
Royalty Fees	-	-	-	3,085
Accounting/Bookkeeping	-	2,575	1,272	1,997
Auto Expense	-	4,503	5,091	6,928
Travel & Entertainment	9,864	5,359	7,125	12,703
Bank Service Charge	81	1,012	766	502
Licenses & Fees	-	599	154	199
Advertising & Promotion	14,085	2,796	3,150	10,272
Contributions/Donations	-	-	-	100
Janitorial Services	317	1,105	1,381	980
Depreciation Expense	1,559	8,392	11,802	8,136
Bad Debts Expense	161	4,185	5,628	6,557
Interest Expense	34	141	154	79
Equipment Rental	-	-	159	1,094
Contract Labor	658	731	202	-
Penalties/Late Charges	-	-	-	-
Miscellaneous Expense	101	222	45	-
Communication	<u>2,555</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>\$ 85,208</u>	<u>\$ 152,711</u>	<u>\$ 223,550</u>	<u>\$ 296,258</u>
Net Income From Operations	\$ (79,466)	\$ (87,930)	\$ 556	\$ 25,355
Other Income/Expenses	-	-	82	104
Earnings Before Income Tax	<u>\$ (79,466)</u>	<u>\$ (87,930)</u>	<u>\$ 638</u>	<u>\$ 25,459</u>

**TABLE 7  
CENTER FOR BEHAVIORAL HEALTH - HA  
INCOME STATEMENT**

	1993 <u>1</u>	1994 <u>2</u>	1995 <u>3</u>	1996 <u>4</u>	1997 <u>5</u>	1998 <u>6</u>
Revenues	\$ 75,407	\$ 189,712	\$ 224,794	\$ 309,657	\$ 489,186	\$ 476,131
Cost of Sales	8,458	14,049	22,139	22,679	31,975	28,545
Gross Profit	<u>\$ 66,949</u>	<u>\$ 175,663</u>	<u>\$ 202,655</u>	<u>\$ 286,978</u>	<u>\$ 457,211</u>	<u>\$ 447,586</u>
Operating Expenses:						
Salaries & Wages	\$ 26,147	\$ 79,639	\$ 85,451	\$ 112,613	\$ 182,741	\$ 163,630
Security	-	184	216	280	3,249	3,818
Payroll Taxes	-	-	-	10,291	14,863	16,583
Insurance	5,660	5,375	6,608	8,538	10,889	7,231
Medical Director Fees	6,888	10,960	15,228	35,081	47,465	38,738
Consultant Fees	-	10,241	22,479	31,278	100	47,882
Administrative Expense	6,439	1,703	2,083	-	5,512	10,249
Management Expense	-	-	1,541	-	39,639	-
Rent	14,384	11,400	11,919	14,382	27,193	18,256
Utilities	20	-	-	-	643	-
Telephone	4,680	5,654	4,615	9,297	15,633	16,175
Repairs and Maintenance	360	121	-	2,575	3,518	2,699
Software/Hardware Expense	769	-	-	-	2,613	4,396
Supplies	1,391	2,517	2,760	10,328	9,498	7,823
Freight	655	1,349	2,476	2,413	3,033	1,384
Postage	-	-	-	-	-	-
Credit Card Charges	-	-	-	-	-	-
Patient Refunds	-	-	-	-	731	351
Property & Other Taxes	4,748	9,359	8,705	2,455	1,322	61
Printing Costs	1,582	1,101	837	1,341	2,581	2,406
Legal & Professional Fees	-	-	250	1,812	9,227	4,046
Dues & Subscriptions	-	115	208	455	853	409
Education & Seminars	295	958	429	925	573	420
Royalty Fees	-	-	-	-	-	23,807
Accounting/Bookkeeping	7,694	7,998	7,074	13,627	8,839	15,371
Auto Expense	599	279	-	1,007	4,300	1,630
Travel & Entertainment	5,208	2,520	2,206	4,323	3,168	7,127
Bank Service Charge	786	565	61	206	591	186
Licenses & Fees	192	-	-	380	780	220
Advertising & Promotion	14,001	1,154	677	2,225	4,829	6,628
Contributions/Donations	-	-	-	-	-	100
Janitorial Services	-	-	35	76	503	22
Depreciation Expense	3,013	4,064	4,955	5,278	8,747	3,564
Bad Debts Expense	1,808	5,585	5,146	5,077	3,291	8,706
Interest Expense	-	-	160	236	328	1,547
Equipment Rental	-	5,172	8,031	8,031	4,773	2,465
Contract Labor	-	899	-	1,648	3,376	9,197
Penalties/Late Charges	-	-	-	-	-	-
Miscellaneous	-	-	335	123	5	22,942
Employee Benefits	-	-	125	-	-	-
Total Operating Expenses	<u>\$ 107,319</u>	<u>\$ 168,912</u>	<u>\$ 194,610</u>	<u>\$ 286,301</u>	<u>\$ 425,406</u>	<u>\$ 450,067</u>
Net Income From Operations	\$ (40,370)	\$ 6,751	\$ 8,045	\$ 677	\$ 31,805	\$ (2,482)
Other Income/Expenses	-	636	-	615	170	-
Earnings Before Income Tax	<u>\$ (40,370)</u>	<u>\$ 7,387</u>	<u>\$ 8,045</u>	<u>\$ 1,292</u>	<u>\$ 31,975</u>	<u>\$ (2,482)</u>

**TABLE 8  
CENTER FOR BEHAVIORAL HEALTH - ME  
INCOME STATEMENT**

	1994	1995	1996	1997	1998
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
Revenues	\$ 70,276	\$ 260,985	\$ 737,447	\$ 917,219	\$ 1,099,345
Cost of Sales	8,124	19,341	52,265	64,238	69,410
Gross Profit	<u>\$ 62,152</u>	<u>\$ 241,644</u>	<u>\$ 685,182</u>	<u>\$ 852,981</u>	<u>\$ 1,029,936</u>
Operating Expenses:					
Salaries & Wages	\$ 24,983	\$ 89,817	\$ 190,167	\$ 239,568	\$ 249,556
Security	1,117	304	569	1,756	15,300
Payroll Taxes	-	-	19,978	24,768	25,889
Insurance	1,952	5,450	11,752	14,088	35,930
Medical Director Fees	10,400	24,960	20,280	26,921	49,966
Consultant Fees	870	3,050	13,115	6,020	125,607
Administrative Expense	445	7,010	-	4,201	10,770
Management Expense	-	26,098	81,700	91,722	-
Rent	-	20,400	31,500	28,800	32,400
Utilities	-	-	-	4,193	4,434
Telephone	4,236	6,323	9,271	10,906	11,670
Repairs and Maintenance	1,257	261	12,155	5,053	11,575
Software/Hardware Expense	-	-	-	2,556	-
Supplies	47	4,174	12,658	5,430	6,283
Freight	475	840	-	-	-
Postage	-	-	1,387	1,288	1,961
Credit Card Charges	-	-	-	-	-
Patient Refunds	-	-	-	12,868	364
Property & Other Taxes	3,699	10,231	256	3,036	3,483
Printing Costs	1,398	1,245	2,197	2,151	3,658
Legal & Professional Fees	12,513	30,290	37,732	37,027	11,809
Dues & Subscriptions	613	52	1,105	70	441
Education & Seminars	584	454	1,917	529	1,401
Royalty Fees	-	-	53,721	45,861	54,967
Accounting/Bookkeeping	2,399	8,273	14,642	12,988	16,118
Auto Expense	1,074	683	4,011	4,933	999
Travel & Entertainment	4,021	2,463	1,835	2,930	2,737
Bank Service Charge	70	178	172	220	212
Licenses & Fees	-	-	1,279	1,240	1,069
Advertising & Promotion	7,095	1,971	2,137	2,431	9,844
Contributions/Donations	-	-	-	-	200
Janitorial Services	-	1,480	3,038	13,678	13,854
Depreciation Expense	9,428	10,279	10,288	10,267	6,187
Bad Debts Expense	709	15,739	21,886	12,155	8,447
Interest Expense	53	119	1,040	92	868
Equipment Rental	61	12,128	11,418	12,191	1,238
Contract Labor	973	1,370	15,259	11,077	2,795
Penalties/Late Charges	-	-	-	-	-
Consolidated Expense	-	-	-	-	39,910
Miscellaneous	-	96	201	240	-
Total Operating Expenses	<u>\$ 90,472</u>	<u>\$ 285,738</u>	<u>\$ 588,666</u>	<u>\$ 653,254</u>	<u>\$ 761,942</u>
Net Income From Operations	\$ (28,320)	\$ (44,094)	\$ 96,516	\$ 199,727	\$ 267,994
Other Income/Expenses	-	85	416	75	645
Earnings Before Income Tax	<u>\$ (28,320)</u>	<u>\$ (44,009)</u>	<u>\$ 96,932</u>	<u>\$ 199,802</u>	<u>\$ 268,639</u>

**TABLE 9  
RASCAL HOUSE INC. - LAKE COUNTY  
INCOME STATEMENT**

	1996 <u>1</u>	1997 <u>2</u>	1998 <u>3</u>
Revenues	\$ 18,396	\$ 170,026	\$ 177,881
Cost of Sales	3,359	14,607	14,082
Gross Profit	<u>\$ 15,037</u>	<u>\$ 155,419</u>	<u>\$ 163,800</u>
Operating Expenses:			
Salaries & Wages	\$ 35,331	\$ 83,871	\$ 89,657
Security	1,722	1,195	840
Payroll Taxes	2,844	8,861	8,616
Insurance	2,404	4,555	4,936
Medical Director Fees	4,600	15,750	15,664
Consultant Fees	-	29	6,090
Administrative Expense	-	-	85
SMART Management	-	-	-
Rent	28,805	22,112	11,885
Utilities	2,398	3,915	2,801
Telephone	6,564	9,681	5,481
Repairs and Maintenance	3,491	1,939	596
Software/Hardware Expense	-	617	3,589
Supplies	3,260	5,617	3,834
Freight	-	-	811
Postage	1,391	1,578	354
Credit Card Charges	-	-	-
Patient Refunds	-	29	65
Property & Other Taxes	-	427	154
Printing Costs	1,302	1,131	1,247
Legal & Professional Fees	8,852	10,254	28,733
Dues & Subscriptions	31	32	44
Education & Seminars	624	257	1,157
Royalty Fees	-	-	2,373
Accounting/Bookkeeping	1,300	1,220	1,334
Auto Expense	2,011	3,705	623
Travel & Entertainment	4,279	13,984	3,745
Bank Service Charge	610	1,248	57
Licenses & Fees	47	259	160
Advertising & Promotion	4,474	3,829	3,681
Contributions/Donations	-	-	100
Janitorial Services	464	1,045	2,804
Depreciation Expense	3,426	5,244	3,910
Bad Debts Expense	7,441	10,712	10,068
Interest Expense	562	173	77
Equipment Expense	-	-	-
Penalties/Late Charges	-	-	-
Vacation/Sick Pay Expense	-	-	-
Employee Benefits	-	-	-
Contract Labor	1,343	4,134	75
Total Operating Expenses	<u>\$ 129,576</u>	<u>\$ 217,403</u>	<u>\$ 215,646</u>
Net Income From Operations	\$ (114,539)	\$ (61,984)	\$ (51,846)
Other Income/Expenses	-	11	371
Earnings Before Income Tax	<u>\$ (114,539)</u>	<u>\$ (61,973)</u>	<u>\$ (51,476)</u>

**TABLE 10**  
**CENTER FOR BEHAVIORAL HEALTH - RI**  
**INCOME STATEMENT**

	<b>1987</b>	<b>1988</b>	<b>1989</b>	<b>1990</b>	<b>1991</b>
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Revenues	\$ 489,705	\$ 906,476	\$ 943,254	\$ 723,465	\$ 730,471
Cost of Sales		73,123	138,780	316,770	62,794
Gross Profit	<u>\$ 489,705</u>	<u>\$ 833,353</u>	<u>\$ 804,474</u>	<u>\$ 406,695</u>	<u>\$ 667,677</u>
Operating Expenses:					
Salaries & Wages	\$ 104,461	\$ 263,049	\$ 278,412	\$	\$ 161,675
Security	7,316	24,545	29,273	19,376	16,999
Payroll Taxes	-	-	29,737	-	19,930
Insurance	582	23,644	31,902	7,809	13,668
Medical Director Fees	14,709	-	-	-	-
Medical Supplies	21,929	-	-	-	-
Consultant Fees	14,653	40,892	500	-	-
Compensation of Officers	36,815	26,742	-	-	-
Management Fees	-	19,985	-	34,433	43,266
Rent	16,312	29,422	22,788	19,460	25,800
Utilities	-	-	890	4,112	10,813
Telephone	8,574	9,126	9,906	5,872	-
Repairs and Maintenance	-	4,370	573	1,512	3,862
Software/Hardware Expense	-	684	4,830	4,719	-
Supplies	12,177	15,383	8,278	8,548	12,008
Freight	-	-	-	1,346	2,103
Postage	-	-	2,523	-	-
Property & Other Taxes	17,959	32,146	665	-	3,298
Printing Costs	-	-	857	1,486	-
Legal & Professional Fees	9,550	17,865	32,107	23,782	46,783
Dues & Subscriptions	2,312	2,632	1,767	2,940	-
Education & Seminars	339	4,724	1,455	25	1,252
Accounting/Bookkeeping	-	-	1,409	-	-
Auto Expense	-	-	-	7,299	7,467
Travel & Entertainment	5,159	7,758	3,036	1,999	1,700
Bank Service Charge	-	256	268	212	215
Licenses & Fees	1,258	185	883	809	-
Advertising & Promotion	994	15,663	6,521	2,428	1,338
Janitorial Services	-	-	4,619	4,429	9,375
Depreciation Expense	23,343	25,238	61,368	27,791	30,717
Bad Debts Expense	-	15,692	20,936	33,872	3,796
Interest Expense	-	-	15,014	7,441	270
Equipment Rental	697	1,706	1,697	4,110	-
Penalties/Late Charges	-	351	-	-	-
Employee Benefits	4,698	-	-	-	-
Miscellaneous	750	6,177	5,123	-	451
Bonus	3,450	200	-	-	-
Communications	-	-	-	-	-
Subcontractor	-	16,346	33,653	-	-
Lab Fees	23,861	-	-	-	-
Total Operating Expenses	<u>\$ 331,898</u>	<u>\$ 604,781</u>	<u>\$ 610,990</u>	<u>\$ 225,810</u>	<u>\$ 416,786</u>
Net Income From Operations	\$ 157,807	\$ 228,572	\$ 193,484	\$ 180,885	\$ 250,891
Other Income/Expenses	2,079	894	8,421	3,309	2,802
Earnings Before Income Tax	<u>\$ 159,886</u>	<u>\$ 229,466</u>	<u>\$ 201,905</u>	<u>\$ 184,194</u>	<u>\$ 253,693</u>

**TABLE 11**  
**CENTER FOR BEHAVIORAL HEALTH - NPA**  
**INCOME STATEMENT**

	<u>1998</u>
	<u>1</u>
Revenues	\$ 392,924
Cost of Sales	<u>25,422</u>
Gross Profit	<u>\$ 367,502</u>
Operating Expenses:	
Salaries & Wages	\$ 133,912
Security	437
Payroll Taxes	8,151
Insurance	7,795
Medical Director Fees	33,301
Consultant Fees	39,483
Administrative Expense	5,880
Rent	19,980
Telephone	7,674
Utilities	1,507
Repairs and Maintenance	6,031
Software/Hardware Expense	3,162
Supplies	7,658
Freight	2,203
Patient Refunds	65
Property & Other Taxes	200
Printing Costs	1,942
Legal & Professional Fees	318
Dues & Subscriptions	314
Education & Seminars	1,255
Royalty Fees	19,632
Accounting/Bookkeeping	8,859
Auto Expense	7,626
Travel & Entertainment	8,605
Bank Service Charge	16
Licenses & Fees	93
Advertising & Promotion	3,153
Contributions/Donations	100
Janitorial Services	4,838
Bad Debts Expense	17,926
Interest Expense	36
Equipment Rental	716
Contract Labor	<u>398</u>
Total Operating Expenses	<u>\$ 353,264</u>
Net Income From Operations	\$ 14,239
Other Income/Expenses	<u>-</u>
Earnings Before Income Tax	<u>\$ 14,239</u>

Each of these clinics was discussed with management to determine its applicability to this analysis. We have excluded several clinics based on factors that make them markedly

different from the clinic planned for Some City. The clinics excluded, and the reasons for each are as follows:

- Rascal House – Bucks County. This clinic is located in Pennsylvania. The state has the ability to strictly regulate methadone clinics. In the case of Bucks County, the state limited the facility's capacity to 35 patients and subsequently raised it to 105. This limitation is not consistent with the planned Some City clinic and most of the other clinics. We have excluded Bucks County because it distorts the growth pattern of a clinic free of severe operating restrictions. Even at 105 patients, this is still 50 to 100 fewer patients than many of the operating capacities of other SMART Management clinics.
- Center for Behavioral Health – Harrisburg. This clinic is also located in Pennsylvania and has had operating restrictions imposed on it by the state. While the initial location of the clinic was determined to be poor, we have eliminated the clinic due to the state-imposed restriction.
- Rascal House, Inc. This entity operated a clinic in Lake County, Indiana, similar to the location (state) of the clinic that is the subject of this analysis. However, SMI designed the Lake County facility to be a feeder clinic, designed to enhance the performance of Some City. As a result of the Some City clinic not opening, Lake County has suffered significantly. Therefore, we have excluded Lake County, and thus Rascal House, Inc. from our analysis.
- Rascal House Utah. This clinic does not have a long enough history of operations to be meaningful in this analysis.

After eliminating these locations from our analysis, we then compared the remaining seven clinics by year of operations (i.e., first year, second year, etc., as opposed to calendar year, 1995, 1996, etc.). This information was used to create an average income statement for each of the first four years of operations. The result is a four-year profile of an “average” clinic.

Before we could utilize this data to analyze the expected profits from RHI, several adjustments were necessary. The first set of adjustments deals with creating the average for the first year of operations. As will be shown in Table 15, we annualized the clinics' income statements, so that each represented 12 months of operations. This was necessary because each clinic opened at a different time during the year. However, this procedure could not be performed on Rascal House-NPA and Rascal House-Maine because they were only open for less than three and four months, respectively. These short periods do not allow annualization to be meaningful. For these clinics, we used their second fiscal year as our first year calculations. This gave us a much more meaningful presentation of how the clinics progressed, and did not detract from the analysis of startup. This is especially true in the case of Rascal House-Maine, as the startup costs were minimal, because the clinic initially used staff from another SMART Management clinic.

The second set of adjustments pertains to expenses that we can calculate directly for Some City. These expenses are management fees, depreciation, consulting fees, rent, royalties, medical director's fees and interest expense. We have removed these expenses from the four-year profile of a typical clinic.

We selected to end our analysis after four years of operations for two reasons. First, our sample of clinics that had been in operation for five years was only three (there were five in the fourth year). Data becomes less reliable as the sample size decreases. Second, after its third year of operations, Rascal House – Rhode Island experienced a decrease in revenues as the result of competition from another SMART Management clinic. While this affected the fourth year of operations, it did not have as much effect on the fourth year average, because there were five clinics in the fourth year sample. Taking these two factors in combination, we did not have enough data to create a meaningful fifth year average. Instead, we assumed that the fourth year

represented stability for the average clinic and continued our projections thereafter based on a long-term rate of growth. We believe that this assumption is reasonable in light of the fifth year of operations projection that SMI developed and presented in the Rascal House-Midwest offering document. The result of this projection for year five is very similar to what we have developed for year four.

The clinics in the sample are of various sizes. To simply average their revenues and ascribe this to Some City would be improper. To make the data useable we have performed two additional analyses. The first was to create common size income statements, from the four-year profile, to make the cost of sales and expenses a percentage of revenues. This allowed us to scale the profile to the size of the planned Some City clinic. The second analysis was to estimate revenues for each clinic as a percentage of maximum capacity revenues. Maximum capacity revenues can be defined as the maximum annual revenue a clinic can achieve based on its clinic capacity to treat clients. Comparing average clinic capacity for each profile year to the maximum average clinic capacity resulted in the average capacity utilization for the “typical” clinic. This allowed us to determine how a clinic develops, regardless of actual size. The following presents our forecasted income statements for an average clinic, including common size, by year of operation.

**TABLE 12  
RASCAL HOUSE  
FIRST YEAR OF COMPANY OPERATIONS  
INCOME STATEMENT**

	<b>Rascal House PA</b>	<b>CBH - Butler</b>	<b>RISAT - Providence</b>	<b>RISAT - Woonsocket</b>	<b>CBH - Maine</b>	<b>CBH- NPA</b>	<b>CBH- Rhode Island</b>	<b>Average</b>
Revenues	\$ 213,048	\$ 168,423	\$ 129,514	\$ 137,529	\$ 260,985	\$ 392,924	\$ 489,705	\$ 256,018
Cost of Sales	12,133	10,816	57,544	9,480	19,341	25,422	-	19,248
Gross Profit	\$ 200,915	\$ 157,607	\$ 71,970	\$ 128,049	\$ 241,644	\$ 367,502	\$ 489,705	\$ 236,770
Total Operating Expenses	191,269	95,633	63,290	163,208	285,738	353,264	331,898	212,043
Net Income From Operations	\$ 9,646	\$ 61,974	\$ 8,680	\$ (35,160)	\$ (44,094)	\$ 14,239	\$ 157,807	\$ 24,727
Other Income/Expenses	475	-	-	-	85	-	2,079	377
Pretax Income	\$ 10,121	\$ 61,974	\$ 8,680	\$ (35,160)	\$ (44,009)	\$ 14,239	\$ 159,886	\$ 25,104
<u>Addbacks:</u>								
Management Fees	\$ 6,300	\$ 16,964	\$ -	\$ 13,277	\$ 26,098	\$ -	\$ -	\$ 8,948
Depreciation	1,392	-	3,528	-	10,279	-	23,343	5,506
Consulting Fees	13,183	-	8,949	8,694	3,050	39,483	14,653	12,573
Rent	24,851	14,675	10,900	15,877	20,400	33,301	16,312	19,474
Royalties	10,849	8,482	-	6,876	-	19,980	-	6,598
Medical Director's Fees	-	3,306	-	9,371	24,960	19,632	14,709	10,283
Interest Expense	1,481	-	2,639	-	119	36	-	611
Other Income/Expense	(475)	-	-	-	(85)	-	(2,079)	(377)
Total Addback Expenses	\$ 57,581	\$ 43,427	\$ 26,016	\$ 54,095	\$ 84,821	\$ 112,432	\$ 66,938	\$ 63,616
Adjusted Pretax Income	\$ 67,702	\$ 105,401	\$ 34,696	\$ 18,935	\$ 40,812	\$ 126,670	\$ 226,824	\$ 88,720

**TABLE 13  
RASCAL HOUSE  
FIRST YEAR OF COMPANY OPERATIONS  
COMMON SIZE INCOME STATEMENT**

	<b>Rascal</b>							
	<b>House PA</b>	<b>CBH - Butler</b>	<b>RISAT - Providence</b>	<b>RISAT - Woonsocket</b>	<b>CBH - Maine</b>	<b>CBH- NPA</b>	<b>CBH- Rhode Island</b>	<b>Average</b>
Revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Sales	5.69%	6.42%	44.43%	6.89%	7.41%	6.47%	0.00%	7.52%
Gross Profit	94.31%	93.58%	55.57%	93.11%	92.59%	93.53%	100.00%	92.48%
Total Operating Expenses	89.78%	56.78%	48.87%	118.67%	109.48%	89.91%	67.78%	82.82%
Net Income From Operations	4.53%	36.80%	6.70%	-25.57%	-16.90%	3.62%	32.22%	9.66%
Other Income/Expenses	0.22%	0.00%	0.00%	0.00%	0.03%	0.00%	0.42%	0.15%
Pretax Income	4.75%	36.80%	6.70%	-25.57%	-16.86%	3.62%	32.65%	9.81%
Total Expense Addbacks	27.03%	25.78%	20.09%	39.33%	32.50%	28.61%	13.67%	24.85%
Adjusted Pretax Income	<u>31.78%</u>	<u>62.58%</u>	<u>26.79%</u>	<u>13.77%</u>	<u>15.64%</u>	<u>32.24%</u>	<u>46.32%</u>	<u>34.65%</u>

**TABLE 14  
RASCAL HOUSE  
FIRST YEAR OF COMPANY OPERATIONS  
NUMBER OF VISITS AND CAPACITY UTILIZATION**

	<b>Rascal House PA</b>	<b>CBH - Butler</b>	<b>RISAT - Providence</b>	<b>RISAT - Woonsocket</b>	<b>CBH - Maine</b>	<b>CBH- NPA</b>	<b>CBH- Rhode Island</b>	<b>Average</b>
Revenues	\$ 213,048	\$ 168,423	\$ 129,514	\$ 137,529	\$ 260,985	\$ 392,924	\$ 489,705	\$ 256,018
Fee per Visit	77	70	60	63	76	80	60	-
Number of Visits	2,767	2,406	2,159	2,183	3,434	4,912	8,162	3,717
Visit Capacity	10,920	3,900	7,800	7,800	7,800	7,280	7,800	7,614
Capacity Utilization	25.3%	61.7%	27.67%	27.99%	44.03%	67.47%	104.64%	55.6%
Adjusted Capacity Utilization	25.34%	61.69%	27.67%	27.99%	44.03%	67.47%	100.00%	54.8%

**TABLE 15  
RASCAL HOUSE  
FIRST YEAR OF COMPANY OPERATIONS - ANNUALIZED (1)  
INCOME STATEMENT**

	<b>Rascal House PA</b>	<b>CBH - Butler</b>	<b>RISAT - Providence</b>	<b>RISAT - Woonsocket</b>	<b>CBH - Maine</b>	<b>CBH- NPA</b>	<b>CBH- Rhode Island</b>	<b>Average</b>
Revenues	\$ 213,048	\$ 224,564	\$ 310,834	\$ 137,529	\$ 260,985	\$ 392,924	\$ 489,705	\$ 289,941
Cost of Sales	12,133	14,422	138,106	9,480	19,341	25,422	-	31,272
Gross Profit	\$ 200,915	\$ 210,142	\$ 172,728	\$ 128,049	\$ 241,644	\$ 367,502	\$ 489,705	\$ 258,669
Total Operating Expenses	191,269	127,511	151,896	163,208	285,738	353,264	331,898	229,255
Net Income From Operations	\$ 9,646	\$ 82,631	\$ 20,832	\$ (35,160)	\$ (44,094)	\$ 14,239	\$ 157,807	\$ 29,415
Other Income/Expenses	475	-	-	-	85	-	2,079	377
Pretax Income	\$ 10,121	\$ 82,631	\$ 20,832	\$ (35,160)	\$ (44,009)	\$ 14,239	\$ 159,886	\$ 29,792
<b>Addbacks:</b>								
Management Fees	\$ 6,300	\$ 22,618	\$ -	\$ 13,277	\$ 26,098	\$ -	\$ -	\$ 9,756
Depreciation	1,392	-	8,467	-	10,279	-	23,343	6,212
Consulting Fees	13,183	-	21,478	8,694	3,050	39,483	14,653	14,363
Rent	24,851	19,567	26,160	15,877	20,400	33,301	16,312	22,353
Royalties	10,849	11,309	-	6,876	-	19,980	-	7,002
Medical Director's Fees	-	4,408	-	9,371	24,960	19,632	14,709	10,440
Interest Expense	1,481	-	6,334	-	119	36	-	1,139
Other Income/Expense	(475)	-	-	-	(85)	-	(2,079)	(377)
Total Addback Expenses	\$ 57,581	\$ 57,903	\$ 62,438	\$ 54,095	\$ 84,821	\$ 112,432	\$ 66,938	\$ 70,887
Adjusted Pretax Income	<u>\$ 67,702</u>	<u>\$ 140,534</u>	<u>\$ 83,270</u>	<u>\$ 18,935</u>	<u>\$ 40,812</u>	<u>\$ 126,670</u>	<u>\$ 226,824</u>	<u>\$ 100,678</u>

(1) The following annualization factors were used:  
CBH - Butler 4/3  
RISAT - Providence 12/5

**TABLE 16  
RASCAL HOUSE  
FIRST YEAR OF COMPANY OPERATIONS - ANNUALIZED (1)  
COMMON SIZE INCOME STATEMENT**

	<b>Rascal House PA</b>	<b>CBH - Butler</b>	<b>RISAT - Providence</b>	<b>RISAT - Woonsocket</b>	<b>CBH - Maine</b>	<b>CBH- NPA</b>	<b>CBH- Rhode Island</b>	<b>Average</b>
Revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Sales	5.69%	6.42%	44.43%	6.89%	7.41%	6.47%	0.00%	10.79%
Gross Profit	94.31%	93.58%	55.57%	93.11%	92.59%	93.53%	100.00%	89.21%
Total Operating Expenses	89.78%	56.78%	48.87%	118.67%	109.48%	89.91%	67.78%	79.07%
Net Income From Operations	4.53%	36.80%	6.70%	-25.57%	-16.90%	3.62%	32.22%	10.14%
Other Income/Expenses	0.22%	0.00%	0.00%	0.00%	0.03%	0.00%	0.42%	0.13%
Pretax Income	4.75%	36.80%	6.70%	-25.57%	-16.86%	3.62%	32.65%	10.28%
Total Expense Addbacks	27.03%	25.78%	20.09%	39.33%	32.50%	28.61%	13.67%	24.45%
Adjusted Pretax Income	<u>31.78%</u>	<u>62.58%</u>	<u>26.79%</u>	<u>13.77%</u>	<u>15.64%</u>	<u>32.24%</u>	<u>46.32%</u>	<u>34.72%</u>

(1) The following annualization factors were used:

CBH - Butler 4/3

RISAT - Providence 12/5

**TABLE 17  
RASCAL HOUSE  
FIRST YEAR OF COMPANY OPERATIONS - ANNUALIZED (1)  
NUMBER OF VISITS AND CAPACITY UTILIZATION**

	<b>Rascal House PA</b>	<b>CBH - Butler</b>	<b>RISAT - Providence</b>	<b>RISAT - Woonsocket</b>	<b>CBH - Maine</b>	<b>CBH- NPA</b>	<b>CBH- Rhode Island</b>	<b>Average</b>
Revenues	\$ 213,048	\$ 224,564	\$ 310,834	\$ 137,529	\$ 260,985	\$ 392,924	\$ 489,705	\$ 289,941
Fee per Visit	77	77	60	63	76	80	60	-
Number of Visits	2,767	2,916	5,181	2,183	3,434	4,912	8,162	4,222
Visit Capacity	10,920	5,460	7,800	7,800	7,800	7,280	7,800	7,837
Capacity Utilization	25.3%	53.4%	66.4%	28.0%	44.0%	67.5%	104.6%	60.7%
Adjusted Capacity Utilization	25.34%	53.41%	66.42%	27.99%	44.03%	67.47%	100.00%	59.9%

**TABLE 18  
RASCAL HOUSE  
SECOND YEAR OF COMPANY OPERATIONS  
INCOME STATEMENT**

	<b>Rascal House PA</b>	<b>CBH - Butler</b>	<b>RISAT - Providence</b>	<b>RISAT - Woonsocket</b>	<b>CBH - Maine</b>	<b>CBH- Rhode Island</b>	<b>Average</b>
Revenues	\$ 548,249	\$ 378,125	\$ 393,261	\$ 234,027	\$ 737,447	\$ 906,476	\$ 532,931
Cost of Sales	42,121	26,896	280,779	14,672	52,265	73,123	81,643
Gross Profit	\$ 506,128	\$ 351,229	\$ 112,482	\$ 219,355	\$ 685,182	\$ 833,353	\$ 451,288
Total Operating Expenses	408,078	228,968	29,868	228,015	588,666	604,781	388,063
Net Income From Operations	\$ 98,050	\$ 122,261	\$ (157,386)	\$ (8,660)	\$ 96,516	\$ 228,572	\$ 63,226
Other Income/Expenses	270	-	1,199	-	416	894	463
Pretax Income	\$ 98,320	\$ 122,261	\$ (156,187)	\$ (8,660)	\$ 96,932	\$ 229,466	\$ 63,689
<u>Addbacks:</u>							
Management Fees	\$ 16,000	\$ 37,813	\$ -	\$ 14,042	\$ 81,700	\$ 19,985	\$ 28,257
Depreciation	6,561	-	12,852	4,872	10,288	25,238	9,968
Consulting Fees	53,407	-	6,900	1,776	13,115	40,892	19,348
Rent	27,566	14,625	21,900	16,232	31,500	29,422	23,541
Royalties	26,798	18,906	19,836	11,701	53,721	-	21,827
Medical Director's Fees	-	27,182	10,057	15,740	20,280	-	12,210
Interest Expense	1,410	-	3,942	-	1,040	-	1065
Other Income/Expense	(270)	-	(1,199)	-	(416)	(894)	(463)
Total Addback Expenses	\$ 131,472	\$ 98,526	\$ 74,288	\$ 64,362	\$ 211,228	\$ 114,643	\$ 115,753
Adjusted Pretax Income	<u>\$ 229,792</u>	<u>\$ 220,787</u>	<u>\$ (81,899)</u>	<u>\$ 55,703</u>	<u>\$ 308,160</u>	<u>\$ 344,109</u>	<u>\$ 179,442</u>

**TABLE 19  
RASCAL HOUSE  
SECOND YEAR OF COMPANY OPERATIONS  
COMMON SIZE INCOME STATEMENT**

	<b>Rascal House PA</b>	<b>CBH - Butler</b>	<b>RISAT - Providence</b>	<b>RISAT - Woonsocket</b>	<b>CBH - Maine</b>	<b>CBH- Rhode Island</b>	<b>Average</b>
Revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Sales	7.68%	7.11%	71.40%	6.27%	7.09%	8.07%	15.32%
Gross Profit	92.32%	92.89%	28.60%	93.73%	92.91%	91.93%	84.68%
Total Operating Expenses	74.43%	60.55%	68.62%	97.43%	79.82%	66.72%	72.82%
Net Income From Operations	17.88%	32.33%	-40.02%	-3.70%	13.09%	25.22%	11.86%
Other Income/Expenses	0.05%	0.00%	0.30%	0.00%	0.06%	0.10%	0.09%
Pretax Income	17.93%	32.33%	-39.72%	-3.70%	13.14%	25.31%	11.95%
Total Expense Addbacks	23.98%	26.06%	18.89%	27.50%	28.64%	12.65%	21.72%
Adjusted Pretax Income	<u>41.91%</u>	<u>58.39%</u>	<u>-20.83%</u>	<u>23.80%</u>	<u>41.79%</u>	<u>37.96%</u>	<u>33.67%</u>

**TABLE 20  
RASCAL HOUSE  
SECOND YEAR OF COMPANY OPERATIONS  
NUMBER OF VISITS AND CAPACITY UTILIZATION**

	<u>Rascal House PA</u>	<u>CBH - Butler</u>	<u>RISAT - Providence</u>	<u>RISAT - Woonsocket</u>	<u>CBH - Maine</u>	<u>CBH- Rhode Island</u>	<u>Average</u>
Revenues	\$ 548,249	\$ 378,125	\$ 393,261	\$ 234,027	\$ 737,447	\$ 906,476	\$ 532,931
Fee per Visit	77	77	60	60	76	60	-
Number of Visits	7,120	4,911	6,554	3,900	9,703	15,108	7,883
Visit Capacity	10,920	5,460	7,800	7,800	10,400	10,400	8,797
Capacity Utilization	65.2%	89.9%	84.0%	50.0%	93.3%	145.3%	88.0%
Adjusted Capacity Utilization	65.20%	89.94%	84.03%	50.01%	93.30%	100.00%	80.4%

**TABLE 21  
RASCAL HOUSE  
THIRD YEAR OF COMPANY OPERATIONS  
INCOME STATEMENT**

	<u>Rascal House PA</u>	<u>CBH - Butler</u>	<u>RISAT - Providence</u>	<u>CBH - Maine</u>	<u>CBH- Rhode Island</u>	<u>Average</u>
Revenues	\$ 744,130	\$ 484,741	\$ 624,909	\$ 917,219	\$ 943,254	\$ 742,851
Cost of Sales	<u>67,016</u>	<u>34,543</u>	<u>57,329</u>	<u>64,238</u>	<u>138,780</u>	<u>72,381</u>
Gross Profit	\$ 677,114	\$ 450,197	\$ 567,580	\$ 852,981	\$ 804,474	\$ 670,469
Total Operating Expenses	<u>563,836</u>	<u>359,707</u>	<u>378,631</u>	<u>653,254</u>	<u>610,990</u>	<u>513,284</u>
Net Income From Operations	\$ 113,278	\$ 90,490	\$ 188,949	\$ 199,727	\$ 193,484	\$ 157,186
Other Income/Expenses	<u>-</u>	<u>-</u>	<u>742</u>	<u>75</u>	<u>8,421</u>	<u>1,848</u>
Pretax Income	<u>\$ 113,278</u>	<u>\$ 90,490</u>	<u>\$ 189,691</u>	<u>\$ 199,802</u>	<u>\$ 201,905</u>	<u>\$ 159,033</u>
<u>Addbacks:</u>						
Management Fees	\$ 22,000	\$ 48,474	\$ -	\$ 91,722	\$ -	\$ 32,439
Depreciation	19,434	-	12,690	10,267	61,368	20,752
Consulting Fees	71,113	253	23,522	6,020	500	20,282
Rent	28,344	14,625	21,600	28,800	22,788	23,231
Royalties	37,346	24,233	31,295	45,861	-	27,747
Medical Director's Fees	-	63,111	20,500	26,921	-	22,106
Interest Expense	1,003	-	3,632	92	15,014	3,948
Other Income/Expense	<u>-</u>	<u>-</u>	<u>(742)</u>	<u>(75)</u>	<u>(8,421)</u>	<u>(1,848)</u>
Total Addback Expenses	<u>\$ 179,240</u>	<u>\$ 150,697</u>	<u>\$ 112,497</u>	<u>\$ 209,608</u>	<u>\$ 91,249</u>	<u>\$ 148,658</u>
Adjusted Pretax Income	<u><u>\$ 292,518</u></u>	<u><u>\$ 241,187</u></u>	<u><u>\$ 302,188</u></u>	<u><u>\$ 409,410</u></u>	<u><u>\$ 293,154</u></u>	<u><u>\$ 307,691</u></u>

**TABLE 22  
RASCAL HOUSE  
THIRD YEAR OF COMPANY OPERATIONS  
COMMON SIZE INCOME STATEMENT**

	<b>Rascal House PA</b>	<b>CBH - Butler</b>	<b>RISAT - Providence</b>	<b>CBH - Maine</b>	<b>CBH- Rhode Island</b>	<b>Average</b>
Revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Sales	9.01%	7.13%	9.17%	7.00%	14.71%	9.74%
Gross Profit	90.99%	92.87%	90.83%	93.00%	85.29%	90.26%
Total Operating Expenses	75.77%	74.21%	60.59%	71.22%	64.77%	69.10%
Net Income From Operations	15.22%	18.67%	30.24%	21.78%	20.51%	21.16%
Other Income/Expenses	0.00%	0.00%	0.12%	0.01%	0.89%	0.25%
Pretax Income	15.22%	18.67%	30.35%	21.78%	21.41%	21.41%
Total Expense Addbacks	24.09%	31.09%	18.00%	22.85%	9.67%	20.01%
Adjusted Pretax Income	<u>39.31%</u>	<u>49.76%</u>	<u>48.36%</u>	<u>44.64%</u>	<u>31.08%</u>	<u>41.42%</u>

**TABLE 23  
RASCAL HOUSE  
THIRD YEAR OF COMPANY OPERATIONS  
NUMBER OF VISITS AND CAPACITY UTILIZATION**

	<u>Rascal House PA</u>	<u>CBH - Butler</u>	<u>RISAT - Providence</u>	<u>CBH - Maine</u>	<u>CBH- Rhode Island</u>	<u>Average</u>
Revenues	\$ 744,130	\$ 484,741	\$ 624,909	\$ 917,219	\$ 943,254	\$ 742,851
Fee per Visit	77	77	60	76	60	-
Number of Visits	9,664	6,295	10,415	12,069	15,721	54,164
Visit Capacity	10,920	7,280	10,400	14,300	10,400	53,300
Capacity Utilization	88.5%	86.5%	100.1%	84.4%	151.2%	102.1%
Adjusted Capacity Utilization	88.50%	86.47%	100.00%	84.40%	100.00%	91.9%

**TABLE 24  
RASCAL HOUSE  
FOURTH YEAR OF COMPANY OPERATIONS  
INCOME STATEMENT**

	<u>Rascal House PA</u>	<u>CBH - Butler</u>	<u>RISAT - Providence</u>	<u>CBH - Maine</u>	<u>CBH- Rhode Island</u>	<u>Average</u>
Revenues	\$ 825,745	\$ 466,633	\$ 798,533	\$ 1,099,345	\$ 723,465	\$ 782,744
Cost of Sales	<u>72,151</u>	<u>29,692</u>	<u>104,406</u>	<u>69,410</u>	<u>316,770</u>	<u>118,486</u>
Gross Profit	\$ 735,594	\$ 436,941	\$ 694,127	\$ 1,029,936	\$ 406,695	\$ 664,259
Total Operating Expenses	<u>542,826</u>	<u>348,792</u>	<u>514,256</u>	<u>761,942</u>	<u>225,810</u>	<u>478,725</u>
Net Income From Operations	\$ 210,768	\$ 88,149	\$ 179,871	\$ 267,994	\$ 180,885	\$ 185,533
Other Income/Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>645</u>	<u>3,309</u>	<u>791</u>
Pretax Income	<u>\$ 210,768</u>	<u>\$ 88,149</u>	<u>\$ 179,871</u>	<u>\$ 268,639</u>	<u>\$ 184,194</u>	<u>\$ 186,324</u>
<u>Addbacks:</u>						
Management Fees	\$ 49,557	\$ 46,664	\$ -	\$ -	\$ 34,433	\$ 26,131
Depreciation	19,433	2,837	23,824	6,187	27,791	16,014
Consulting Fees	12,988	225	50,957	125,607	-	37,955
Rent	26,088	14,625	23,700	32,400	19,460	23,255
Royalties	41,297	23,332	40,064	54,967	-	31,932
Medical Director's Fees	57,415	33,736	32,965	49,966	-	34,816
Interest Expense	953	-	382	868	7,441	1,929
Other Income/Expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>(645)</u>	<u>(3,309)</u>	<u>(791)</u>
Total Addback Expenses	<u>\$ 207,731</u>	<u>\$ 121,419</u>	<u>\$ 171,892</u>	<u>\$ 269,351</u>	<u>\$ 85,816</u>	<u>\$ 171,242</u>
Adjusted Pretax Income	<u>\$ 418,499</u>	<u>\$ 209,567</u>	<u>\$ 351,763</u>	<u>\$ 537,989</u>	<u>\$ 270,010</u>	<u>\$ 357,566</u>

**TABLE 25  
RASCAL HOUSE  
FOURTH YEAR OF COMPANY OPERATIONS  
COMMON SIZE INCOME STATEMENT**

	<u>Rascal House PA</u>	<u>CBH - Butler</u>	<u>RISAT - Providence</u>	<u>CBH - Maine</u>	<u>CBH- Rhode Island</u>	<u>Average</u>
Revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Sales	8.74%	6.36%	13.07%	6.31%	43.79%	15.14%
Gross Profit	91.26%	93.64%	86.93%	93.69%	56.21%	84.86%
Total Operating Expenses	65.74%	74.75%	64.40%	69.31%	31.21%	61.16%
Net Income From Operations	25.52%	18.89%	22.53%	24.38%	25.00%	23.70%
Other Income/Expenses	0.00%	0.00%	0.00%	0.06%	0.46%	0.10%
Pretax Income	25.52%	18.89%	22.53%	24.44%	25.46%	23.80%
Total Expense Addbacks	25.16%	26.02%	21.53%	24.50%	11.86%	21.88%
Adjusted Pretax Income	<u>50.68%</u>	<u>44.91%</u>	<u>44.05%</u>	<u>48.94%</u>	<u>37.32%</u>	<u>45.68%</u>

**TABLE 26  
RASCAL HOUSE  
FOURTH YEAR OF COMPANY OPERATIONS  
NUMBER OF VISITS AND CAPACITY UTILIZATION**

	<u>Rascal House PA</u>	<u>CBH - Butler</u>	<u>RISAT - Providence</u>	<u>CBH - Maine</u>	<u>CBH- Rhode Island</u>	<u>Average</u>
Revenues	\$ 825,745	\$ 466,633	\$ 798,533	\$ 1,099,345	\$ 723,465	\$ 782,744
Fee per Visit	77	77	60	76	60	-
Number of Visits	10,724	6,060	13,309	14,465	12,058	56,616
Visit Capacity	10,920	7,280	13,000	14,300	10,400	55,900
Capacity Utilization	98.2%	83.2%	102.4%	101.2%	115.9%	100.2%
Adjusted Capacity Utilization	98.20%	83.24%	100.00%	100.00%	100.00%	96.3%

**TABLE 27  
RASCAL HOUSE  
PROFILE OF COMPANY OPERATIONS  
INCOME STATEMENTS**

	<u>First Year Average</u>	<u>Second Year Average</u>	<u>Third Year Average</u>	<u>Fourth Year Average</u>
Revenues	\$ 289,941	\$ 532,931	\$ 742,851	\$ 782,744
Cost of Sales	<u>31,272</u>	<u>81,643</u>	<u>72,381</u>	<u>118,486</u>
Gross Profit	\$ 258,669	\$ 451,288	\$ 670,469	\$ 664,259
Total Operating Expenses	<u>229,255</u>	<u>388,063</u>	<u>513,284</u>	<u>478,725</u>
Net Income From Operations	\$ 29,415	\$ 63,226	\$ 157,186	\$ 185,533
Other Income/Expenses	<u>377</u>	<u>463</u>	<u>1,848</u>	<u>791</u>
Pretax Income	<u>\$ 29,792</u>	<u>\$ 63,689</u>	<u>\$ 159,033</u>	<u>\$ 186,324</u>
<u>Addbacks:</u>				
Management Fees	\$ 9,756	\$ 28,257	\$ 32,439	\$ 26,131
Depreciation	6,212	9,968	20,752	16,014
Consulting Fees	14,363	19,348	20,282	37,955
Rent	22,353	23,541	23,231	23,255
Royalties	7,002	21,827	27,747	31,932
Medical Director's Fees	10,440	12,210	22,106	34,816
Interest Expense	1,139	1,065	3,948	1,929
Other Income/Expense	<u>(377)</u>	<u>(463)</u>	<u>(1,848)</u>	<u>(791)</u>
Total Addback Expenses	<u>\$ 70,887</u>	<u>\$ 115,753</u>	<u>\$ 148,658</u>	<u>\$ 171,242</u>
Adjusted Pretax Income	<u>\$ 100,678</u>	<u>\$ 179,442</u>	<u>\$ 307,691</u>	<u>\$ 357,566</u>

**TABLE 28a**  
**RASCAL HOUSE**  
**PROFILE OF COMPANY OPERATIONS**  
**COMMON SIZE INCOME STATEMENT**

	<u>First Year Average</u>	<u>Second Year Average</u>	<u>Third Year Average</u>	<u>Fourth Year Average</u>
Revenues	100.00%	100.00%	100.00%	100.00%
Cost of Sales	<u>10.79%</u>	<u>15.32%</u>	<u>9.74%</u>	<u>15.14%</u>
Gross Profit	89.21%	84.68%	90.26%	84.86%
Total Operating Expenses	<u>79.07%</u>	<u>72.82%</u>	<u>69.10%</u>	<u>61.16%</u>
Net Income From Operations	10.14%	11.86%	21.16%	23.70%
Other Income/Expenses	<u>0.13%</u>	<u>0.09%</u>	<u>0.25%</u>	<u>0.10%</u>
Pretax Income	10.28%	11.95%	21.41%	23.80%
Total Expense Addbacks	<u>24.45%</u>	<u>21.72%</u>	<u>20.01%</u>	<u>21.88%</u>
Adjusted Pretax Income	<u><u>34.72%</u></u>	<u><u>33.67%</u></u>	<u><u>41.42%</u></u>	<u><u>45.68%</u></u>

**TABLE 28b**  
**RASCAL HOUSE**  
**PROFILE OF COMPANY OPERATIONS**  
**NUMBER OF VISITS AND CAPACITY UTILIZATION**

	<u>First Year Average</u>	<u>Second Year Average</u>	<u>Third Year Average</u>	<u>Fourth Year Average</u>
Revenues	\$ 289,941	\$ 532,931	\$ 742,851	\$ 782,744
Capacity Utilization	60.7%	88.0%	102.1%	100.2%
Adjusted Capacity Utilization	59.9%	80.4%	91.9%	96.3%

Using the average profile of company operations displayed in Table 28, an operations profile for the unopened Some City clinic can be created. In order to accomplish this, we needed to identify the maximum client capacity of the clinic, and apply the capacity utilization percentages to this capacity. This provided the estimated number of patient weeks the clinic would have had per year. In the case of Some City, the weekly client capacity was 300 clients. Multiplying 300 clients times 52 weeks results in 15,600 client weeks per year. This is the maximum number of weeks the clinic could have received weekly fees for in one year. By taking the maximum clinic capacity per year and multiplying that figure by the estimated capacity utilization, the estimated number of patient weeks per year could be obtained. Multiplying this estimate by the average weekly fee, \$74, gives the estimated annual projected clinic revenue. For 1997, revenues at the clinic would have been \$616,790 (8,335 estimated patient weeks times \$74). The following presents our income forecast for the Some City clinic through 2000, had the opening of the clinic not been interrupted.

**TABLE 29  
RASCAL HOUSE  
PROFILE OF SOME CITY OPERATIONS  
INCOME STATEMENT**

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Maximum Capacity	15,600	15,600	15,600	15,600
Estimated Capacity Utilization	59.89%	80.41%	91.87%	96.29%
Estimated Patients	9,342	12,544	14,332	15,021
Fees per Patient	\$ 74	\$ 74	\$ 74	\$ 74
Revenues	\$ 691,308	\$ 928,256	\$ 1,060,568	\$ 1,111,554
Common Size Expenses	54.62%	51.10%	49.08%	39.28%
Typical Expenses	\$ 377,592	\$ 474,339	\$ 520,527	\$ 436,618
Some City Expenses				
Rent	18,509	18,509	18,509	21,600
Depreciation	4,018	8,035	8,035	8,035
Management Fees	69,131	92,826	106,057	111,155
Royalties	34,565	46,413	53,028	55,578
Medical Directors Fees	26,000	26,780	27,583	28,410
Consulting Fees	26,000	26,780	27,583	28,410
Total Some City Expenses	\$ 178,223	\$ 219,343	\$ 240,795	\$ 253,188
Total Expenses	\$ 555,815	\$ 693,682	\$ 761,322	\$ 689,806
Net Income Before Taxes	<u>\$ 135,493</u>	<u>\$ 234,574</u>	<u>\$ 299,246</u>	<u>\$ 421,748</u>

**TABLE 30  
RASCAL HOUSE  
PROFILE OF SOME CITY OPERATIONS  
COMMON SIZE INCOME STATEMENT**

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Revenues	100.00%	100.00%	100.00%	100.00%
Common Size Expenses	<u>54.62%</u>	<u>51.10%</u>	<u>49.08%</u>	<u>39.28%</u>
Some City Expenses				
Rent	2.68%	1.99%	1.75%	1.94%
Depreciation	0.58%	0.87%	0.76%	0.72%
Management Fees	10.00%	10.00%	10.00%	10.00%
Royalties	5.00%	5.00%	5.00%	5.00%
Medical Directors Fees	3.76%	2.88%	2.60%	2.56%
Consulting Fees	<u>3.76%</u>	<u>2.88%</u>	<u>2.60%</u>	<u>2.56%</u>
Total Some City Expenses	<u>25.78%</u>	<u>23.63%</u>	<u>22.70%</u>	<u>22.78%</u>
Total Expenses	<u>80.40%</u>	<u>74.73%</u>	<u>71.78%</u>	<u>62.06%</u>
Net Income Before Taxes	<u>19.60%</u>	<u>25.27%</u>	<u>28.22%</u>	<u>37.94%</u>

To derive lost profits for the Some City clinic, we subtracted expenses and costs of sales from the revenues. The first step in this process was to multiply revenues by the common size expense percentages developed in the profile. For a given year, this results in income before the directly estimated expenses for Some City. We have calculated each of these expenses as follows:

- RHI pays management fees to Smart Management, Inc. based on 10 percent of revenues.
- The clinic pays royalty fees to David Brown, Sr. based on 5 percent of revenues.
- We based depreciation on actual capital expenditures which included:
  - Telephone System \$ 1,200
  - Copier/Fax \$ 3,000
  - Software/Hardware \$ 50,000
  - Furniture & Fixtures \$ 5,000

The useful life for the telephone system and furniture and fixtures was determined to be 10 years. The copier/fax and software/hardware were estimated to have a useful life of six years.

- We determined rents based on the lease signed by Rascal House, Inc. In 1996, the lease calls for payments of \$1,545.42 per month for the first three years of the lease. An amendment was added which gives the option to extend the lease for an additional six years. Rent per month in the extension period would be \$1,800 in the first year, \$1,900 in the second year, \$2,000 in the third year, and an applicable market rate for the other three years.
- The clinic pays Medical Director's fees to a doctor who oversees the clinic. Fees are calculated as \$100 per hour for 5 hours per week, or \$26,000 for the first year. They have been grown 3 percent per year thereafter.
- The clinic pays consulting fees to nurses who are contracted to perform services at the clinics. Fees are estimated as \$25 per hour for 20 hours per week, or \$26,000 for the first year. They have been grown 3 percent per year thereafter.
- We did not forecast interest expense, as there was no expectation for The Company to borrow funds. In addition, we have not seen any indication that The Company would need to do so.

Projecting and subtracting each of these expenses from the income statement projections for Some City results in pretax income, which is expected profits.

The next step in the process is to determine RHI's mitigation of lost expected profits. We have based the mitigation on the same four-year forecast for RHI. To use the forecast, the date that RHI may begin operations needs to be determined. Based on discussions with management and counsel, we have assumed that Rascal House, Inc. will be able to open a clinic in Some City after the completion of this litigation. We have estimated damages based on a trial date of October 31, 1999. Therefore, we have assumed that Rascal House could begin developing a

new location at that time. According to management, The Company most likely will be in a position to sign a lease shortly after the litigation is completed. Therefore, we have assumed that the clinic will open on May 1, 2000. This assumes that the trial is completed and Rascal House signs a lease by December 1, 1999.

Lost profits are the difference between what The Company would have made if it were not harmed (expected profits) and what it will make after suffering the damage (mitigation). Since RHI could not operate from June 1, 1996 to May 1, 2000, lost profits over that period equal total expected profits. Thereafter, lost profits become the difference between expected profits and mitigation. We have extended the projections of expected profits beyond four years to allow the mitigation earnings stream to stabilize. We have done this by growing revenues and expenses at a stable growth rate of 3 percent.

We have forecast lost profits based on periods ending on June 30. Due to the timing of events, we have forecast the mitigation based on periods ending on April 30. This creates a mismatch of periods when subtracting mitigation from the expected profits. To compensate for this, we have adjusted the mitigation for the overlapping periods as follows:

- 1999's mitigation represents two months of the first forecasted year of operations (May and June).
- 2000's mitigation represents 10 months of the first forecasted year of operations and two months of the second year.
- 2001's mitigation represents 10 months of the second forecasted year of operations and two months of the third year.
- 2002's represents 10 months of the third forecasted year of operations and two months of the fourth year.
- 2003's represents 10 months of the fourth forecasted year of operations and two months of the fourth year as well. We also used year four's figures for the last two months since stabilization has been reached after four years.

We have calculated damages from lost profits as of October 31, 1999. Table 31 reflects these computations. The discount rate used in the present and future value calculations is 8 percent, the statutory rate of interest provided to us by legal counsel.

**TABLE 31  
RASCAL HOUSE  
CALCULATION OF LOST PROFITS**

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Estimated Profits	\$ 135,493	\$ 234,574	\$ 299,246	\$ 421,748	\$ 455,488	\$ 491,927	\$ 531,281
Estimated Mitigated Profits	<u>-</u>	<u>-</u>	<u>22,582</u>	<u>152,006</u>	<u>245,352</u>	<u>319,663</u>	<u>427,371</u>
Estimated Lost Profits	\$ 135,493	\$ 234,574	\$ 276,664	\$ 269,742	\$ 210,136	\$ 172,264	\$ 103,910
Present Value Factor	<u>1.1664</u>	<u>1.0800</u>	<u>1.0000</u>	<u>0.9259</u>	<u>0.8573</u>	<u>0.7938</u>	<u>0.7350</u>
Present Value of Lost Profits	<u>\$ 158,039</u>	<u>\$ 253,339</u>	<u>\$ 276,664</u>	<u>\$ 249,754</u>	<u>\$ 180,150</u>	<u>\$ 136,743</u>	<u>\$ 76,374</u>
Total Damages From Lost Profits	<u>\$ 1,331,063</u>						

Lost profits, after mitigation, amounts to \$1,331,063. This includes statutory interest through October 31, 1999.

## **DAMAGES FROM CLINIC COSTS**

In preparing to open a clinic in Some City, RHI began making necessary expenditures, and therefore, incurred costs to prepare and build out their facility. Due to the actions of the City, RHI lost its capital equipment and incurred significant operating expenses.

To calculate damages from these sources, we reviewed internal accounting records and detailed invoices to support the expenses. Costs incurred from each type of capital expenditure or operating expense is detailed separately. We have calculated interest on each expense at the statutory rate of 8 percent to bring the damages forward to a present value. The trial date of October 31, 1999 was used as a present value date. Table 32 presents costs incurred by Rascal House.

**TABLE 32  
RASCAL HOUSE  
COSTS INCURRED**

	<u>Date</u>	<u>Amount</u>	<u>Days</u>	<u>Daily Interest Factor</u>	<u>Interest</u>	<u>Damage</u>
<u>Capital Expenditures</u>						
Furniture and Fixtures						
Al James	2/15/96	253.00	1,336	0.022%	75.11	328.11
Al James	2/23/96	294.99	1,328	0.022%	87.05	382.04
New England Surgical	5/15/96	332.85	1,246	0.022%	92.16	425.01
DP Interior Design	5/30/96	1423.00	1,230	0.022%	388.95	1811.95
DP Interior Design	5/30/96	409.00	1,230	0.022%	111.79	520.79
Office Equipment						
Jones & Company	2/29/96	1645.00	1,320	0.022%	482.53	2127.53
Security System						
Alarm Co.	2/14/96	1927.50	1,337	0.022%	572.68	2500.18
Alarm Co.	2/29/96	1927.50	1,320	0.022%	565.40	2492.90
Leasehold Improvements						
TJ Construction Company	2/12/96	1061.50	1,339	0.022%	315.86	1377.36
TJ Construction Company	4/15/96	1061.50	1,276	0.022%	300.99	1362.49
Deposits						
	11/9/95	3084.90	1,432	0.022%	981.68	4066.58
Rent						
Landlord One	1/30/96	1542.45	1,350	0.022%	462.74	2005.19
Landlord One	2/15/96	1542.45	1,336	0.022%	457.94	2000.39
Landlord One	3/15/96	1542.45	1,306	0.022%	447.65	1990.10
Landlord One	4/15/96	1542.45	1,276	0.022%	437.37	1979.82
Landlord One	5/15/96	1542.45	1,246	0.022%	427.09	1969.54
Landlord One	6/15/96	1542.45	1,216	0.022%	416.80	1959.25
Landlord One	7/15/96	1542.45	1,186	0.022%	406.52	1948.97
Landlord One	8/15/96	1542.45	1,156	0.022%	396.24	1938.69
Landlord One	9/15/96	1542.45	1,126	0.022%	385.96	1928.41
Landlord One	10/15/96	1542.45	1,096	0.022%	375.67	1918.12
Landlord One	11/15/96	1542.45	1,066	0.022%	365.39	1907.84
Landlord One	12/15/96	1542.45	1,036	0.022%	355.11	1897.56
Landlord One	1/15/97	1542.45	1,006	0.022%	344.82	1887.27
Landlord One	2/15/97	1542.45	976	0.022%	334.54	1876.99
Landlord One	3/15/97	1542.45	946	0.022%	324.26	1866.71
Landlord One	4/15/97	1542.45	916	0.022%	313.97	1856.42
Landlord One	5/15/97	1542.45	886	0.022%	303.69	1846.14
Landlord One	6/15/97	1542.45	856	0.022%	293.41	1835.86
Landlord One	7/15/97	1542.45	826	0.022%	283.13	1825.58

**TABLE 32  
RASCAL HOUSE  
COSTS INCURRED**

	<u>Date</u>	<u>Amount</u>	<u>Days</u>	<u>Daily Interest Factor</u>	<u>Interest</u>	<u>Damage</u>
Utilities						
Some City Power & Light	4/2/96	31.62	1,289	0.022%	9.06	40.68
Some City Power & Light	5/30/96	39.35	1,230	0.022%	10.76	50.11
Some City Power & Light	5/30/96	16.33	1,230	0.022%	4.46	20.79
Some City Power & Light	5/30/96	-1.30	1,230	0.022%	-0.36	-1.66
Some City Power & Light	6/15/96	31.30	1,216	0.022%	8.46	39.76
Some City Power & Light	6/15/96	-1.04	1,216	0.022%	-0.28	-1.32
Some City Power & Light	7/30/96	29.19	1,170	0.022%	7.59	36.78
Some City Power & Light	8/30/96	30.23	1,140	0.022%	7.66	37.89
Some City Power & Light	9/15/96	26.47	1,126	0.022%	6.62	33.09
Some City Power & Light	10/30/96	26.34	1,080	0.022%	6.32	32.66
Some City Power & Light	11/30/96	26.48	1,050	0.022%	6.18	32.66
Some City Power & Light	12/15/96	30.03	1,036	0.022%	6.91	36.94
Some City Power & Light	1/30/97	33.16	990	0.022%	7.30	40.46
Some City Power & Light	2/28/97	30.64	960	0.022%	6.54	37.18
Some City Power & Light	3/30/97	30.88	930	0.022%	6.38	37.26
Some City Power & Light	4/30/97	31.73	900	0.022%	6.35	38.08
Some City Power & Light	5/30/97	35.93	870	0.022%	6.95	42.88
Some City Power & Light	6/15/97	31.64	856	0.022%	6.02	37.66
Some City Power & Light	7/30/97	30.40	810	0.022%	5.47	35.87
Some City Power & Light	8/20/97	31.41	791	0.022%	5.52	36.93
Some City Power & Light	9/20/97	30.24	761	0.022%	5.11	35.35
Some City Power & Light	10/20/97	21.16	731	0.022%	3.44	24.60
Telephone						
Ameritech	1/30/96	219.46	1,350	0.022%	65.84	285.30
Ameritech	2/29/96	122.65	1,320	0.022%	35.98	158.63
Ameritech	3/29/96	18.14	1,292	0.022%	5.21	23.35
AT&T	3/29/96	5.15	1,292	0.022%	1.48	6.63
AT&T	3/29/96	5.15	1,292	0.022%	1.48	6.63
Ameritech	3/30/96	131.84	1,290	0.022%	37.79	169.63
Ameritech	4/30/96	17.38	1,260	0.022%	4.87	22.25
AT&T	4/30/96	5.15	1,260	0.022%	1.44	6.59
AT&T	4/30/96	5.15	1,260	0.022%	1.44	6.59
Ameritech	4/30/96	128.27	1,260	0.022%	35.92	164.19
Ameritech	5/30/96	17.38	1,230	0.022%	4.75	22.13
AT&T	5/30/96	5.15	1,230	0.022%	1.41	6.56
Ameritech	5/30/96	116.68	1,230	0.022%	31.89	148.57
AT&T	5/30/96	5.15	1,230	0.022%	1.41	6.56
Ameritech	6/30/96	17.23	1,200	0.022%	4.59	21.82
AT&T	6/30/96	5.15	1,200	0.022%	1.37	6.52
Ameritech	6/30/96	125.88	1,200	0.022%	33.57	159.45

**TABLE 32  
RASCAL HOUSE  
COSTS INCURRED**

	<u>Date</u>	<u>Amount</u>	<u>Days</u>	<u>Daily Interest Factor</u>	<u>Interest</u>	<u>Damage</u>
Ameritech	7/30/96	17.23	1,170	0.022%	4.48	21.71
AT&T	7/30/96	5.15	1,170	0.022%	1.34	6.49
Ameritech	7/30/96	127.35	1,170	0.022%	33.11	160.46
AT&T	8/30/96	5.15	1,140	0.022%	1.30	6.45
Ameritech	8/30/96	17.23	1,140	0.022%	4.36	21.59
Ameritech	8/30/96	127.17	1,140	0.022%	32.22	159.39
Ameritech	9/30/96	17.23	1,110	0.022%	4.25	21.48
Ameritech	9/30/96	126.54	1,110	0.022%	31.21	157.75
AT&T	9/30/96	5.15	1,110	0.022%	1.27	6.42
Paul Greene	10/8/96	14.49	1,103	0.022%	3.55	18.04
Ameritech	10/30/96	17.23	1,080	0.022%	4.14	21.37
AT&T	10/30/96	5.15	1,080	0.022%	1.24	6.39
Ameritech	10/30/96	130.72	1,080	0.022%	31.37	162.09
Ameritech	11/30/96	17.23	1,050	0.022%	4.02	21.25
AT&T	11/30/96	5.15	1,050	0.022%	1.20	6.35
Ameritech	11/30/96	123.36	1,050	0.022%	28.78	152.14
Ameritech	12/30/96	17.50	1,020	0.022%	3.97	21.47
Ameritech	12/30/96	130.61	1,020	0.022%	29.60	160.21
AT&T	12/30/96	5.15	1,020	0.022%	1.17	6.32
Ameritech	1/30/97	17.50	990	0.022%	3.85	21.35
AT&T	1/30/97	5.15	990	0.022%	1.13	6.28
Ameritech	1/30/97	127.04	990	0.022%	27.95	154.99
Ameritech	2/28/97	17.23	960	0.022%	3.68	20.91
AT&T	2/28/97	5.15	960	0.022%	1.10	6.25
Ameritech	2/28/97	130.72	960	0.022%	27.89	158.61
Ameritech	2/28/97	130.72	960	0.022%	27.89	158.61
Ameritech	3/30/97	17.50	930	0.022%	3.62	21.12
AT&T	3/30/97	5.15	930	0.022%	1.06	6.21
Ameritech	3/30/97	127.04	930	0.022%	26.25	153.29
Ameritech	4/30/97	17.23	900	0.022%	3.45	20.68
Ameritech	4/30/97	130.72	900	0.022%	26.14	156.86
AT&T	4/30/97	5.15	900	0.022%	1.03	6.18
Ameritech	5/30/97	17.50	870	0.022%	3.38	20.88
AT&T	5/30/97	5.15	870	0.022%	1.00	6.15
Ameritech	5/30/97	127.04	870	0.022%	24.56	151.60
Ameritech	6/30/97	17.23	840	0.022%	3.22	20.45
Ameritech	6/30/97	127.04	840	0.022%	23.71	150.75
AT&T	6/30/97	5.15	840	0.022%	0.96	6.11
Ameritech	7/30/97	17.50	810	0.022%	3.15	20.65
AT&T	7/30/97	5.15	810	0.022%	0.93	6.08
Ameritech	7/30/97	121.96	810	0.022%	21.95	143.91
Ameritech	8/30/97	17.23	780	0.022%	2.99	20.22
AT&T	8/30/97	5.15	780	0.022%	0.89	6.04

**TABLE 32  
RASCAL HOUSE  
COSTS INCURRED**

	<u>Date</u>	<u>Amount</u>	<u>Days</u>	<u>Daily Interest Factor</u>	<u>Interest</u>	<u>Damage</u>
Ameritech	8/30/97	124.22	780	0.022%	21.53	145.75
Ameritech	9/30/97	17.23	750	0.022%	2.87	20.10
AT&T	9/30/97	5.15	750	0.022%	0.86	6.01
Ameritech	10/20/97	124.22	731	0.022%	20.18	144.40
Ameritech	10/30/97	17.23	720	0.022%	2.76	19.99
Ameritech	11/30/97	17.50	690	0.022%	2.68	20.18
Ameritech	12/30/97	17.23	660	0.022%	2.53	19.76
Ameritech	1/30/98	17.23	630	0.022%	2.41	19.64
Ameritech	2/28/98	17.23	600	0.022%	2.30	19.53
Ameritech	3/30/98	18.20	570	0.022%	2.31	20.51
Ameritech	4/20/98	17.93	551	0.022%	2.20	20.13
Ameritech	5/30/98	19.34	510	0.022%	2.19	21.53
Ameritech	6/30/98	18.58	480	0.022%	1.98	20.56
Ameritech	7/30/98	18.58	450	0.022%	1.86	20.44
<b>Professional Fees</b>						
Alan A. Weinberg, MD	1/15/96	218.75	1,366	0.022%	66.40	285.15
Alan A. Weinberg, MD	1/30/96	125.00	1,350	0.022%	37.50	162.50
Alan A. Weinberg, MD	1/30/96	62.50	1,350	0.022%	18.75	81.25
Alan A. Weinberg, MD	4/15/96	125.00	1,276	0.022%	35.44	160.44
Alan A. Weinberg, MD	4/30/96	125.00	1,260	0.022%	35.00	160.00
Alan A. Weinberg, MD	6/30/97	187.50	840	0.022%	35.00	222.50
<b>Auto Expense</b>						
Paul Greene	10/8/96	81.61	1,103	0.022%	20.00	101.61
Paul Greene	10/8/96	74.96	1,103	0.022%	18.37	93.33
Paul Greene	10/8/96	70.96	1,103	0.022%	17.39	88.35
Paul Greene	11/8/96	68.96	1,073	0.022%	16.44	85.40
<b>Travel</b>						
Nationsbank of Delaware	9/15/96	733.00	1,126	0.022%	183.41	916.41
Paul Greene	10/8/96	80.69	1,103	0.022%	19.78	100.47
Paul Greene	11/8/96	194.70	1,073	0.022%	46.43	241.13
American Express	2/20/98	139.00	611	0.022%	18.87	157.87
<b>Meals and Entertainment</b>						
Nationsbank of Delaware	10/8/96	20.68	1,103	0.022%	5.07	25.75
Nationsbank of Delaware	10/8/96	22.93	1,103	0.022%	5.62	28.55
Nationsbank of Delaware	11/8/96	31.27	1,073	0.022%	7.46	38.73
Nationsbank of Delaware	2/20/98	6.44	611	0.022%	0.87	7.31
<b>Advertising &amp; Promotion</b>						
Some City Newspapers	4/15/96	451.80	1,276	0.022%	128.11	579.91

**TABLE 32  
RASCAL HOUSE  
COSTS INCURRED**

	<u>Date</u>	<u>Amount</u>	<u>Days</u>	<u>Daily Interest Factor</u>	<u>Interest</u>	<u>Damage</u>
Some City Newspapers	4/30/96	117.00	1,260	0.022%	32.76	149.76
Some City Newspapers	4/30/96	110.50	1,260	0.022%	30.94	141.44
Some City Newspapers	4/30/96	97.50	1,260	0.022%	27.30	124.80
Some City Newspapers	4/30/96	34.35	1,260	0.022%	9.62	43.97
Some City Newspapers	4/30/96	38.93	1,260	0.022%	10.90	49.83
Some City Newspapers	3/30/97	230.00	930	0.022%	47.53	277.53
Some City Newspapers	6/15/97	303.28	856	0.022%	57.69	360.97
<b>Legal and Expert Costs</b>						
HDW & Company	11/30/97	1039.77	690	0.022%	159.43	1199.20
SJ Expertss	11/30/97	500.00	690	0.022%	76.67	576.67
SJ Experts	11/30/97	2793.00	690	0.022%	428.26	3221.26
SJ Experts	12/15/97	500.00	676	0.022%	75.11	575.11
SJ Experts	1/15/98	500.00	646	0.022%	71.78	571.78
SJ Experts	2/15/98	500.00	616	0.022%	68.44	568.44
SJ Experts	2/20/98	2883.75	611	0.022%	391.55	3275.30
SJ Experts	3/20/98	500.00	581	0.022%	64.56	564.56
SJ Experts	4/20/98	500.00	551	0.022%	61.22	561.22
SJ Experts	5/20/98	500.00	521	0.022%	57.89	557.89
SJ Experts	6/20/98	500.00	491	0.022%	54.56	554.56
SJ Experts	7/20/98	500.00	461	0.022%	51.22	551.22
Stephen Marx	7/30/98	458.50	450	0.022%	45.85	504.35
SJ Experts	7/30/98	4422.22	450	0.022%	442.22	4864.44
Stephen Marx	8/10/98	475.00	441	0.022%	46.55	521.55
SJ Experts	8/20/98	500.00	431	0.022%	47.89	547.89
HDW & Company	9/20/98	192.25	401	0.022%	17.13	209.38
HDW & Company	9/20/98	154.00	401	0.022%	13.72	167.72
SJ Experts	9/20/98	500.00	401	0.022%	44.56	544.56
SJ Experts	9/30/98	3517.70	390	0.022%	304.87	3822.57
SJ Experts	10/20/98	500.00	371	0.022%	41.22	541.22
SJ Experts	10/30/98	8033.77	360	0.022%	642.70	8676.47
SJ Experts	11/20/98	575.00	341	0.022%	43.57	618.57
SJ Experts	12/20/98	1316.30	311	0.022%	90.97	1407.27
Stephen Marx	12/31/98	525.00	300	0.022%	35.00	560.00
Trugman Valuation	1/6/99	10000.00	295	0.022%	655.56	10655.56
Stephen Marx	3/10/99	625.00	231	0.022%	32.08	657.08
SJ Experts	3/30/99	2553.10	210	0.022%	119.14	2672.24
Marx & Robes	8/30/96	275.00	1,140	0.022%	69.67	344.67
Marx & Robes	11/30/96	1292.25	1,050	0.022%	301.53	1593.78
SJ Experts	12/31/96	5000.00	1,020	0.022%	1133.33	6133.33
Marx & Robes	1/30/97	499.25	990	0.022%	109.84	609.09
SJ Experts	5/30/97	4219.94	870	0.022%	815.86	5035.80
Marx & Robes	4/20/98	150.00	551	0.022%	18.37	168.37

**TABLE 32  
RASCAL HOUSE  
COSTS INCURRED**

	<u>Date</u>	<u>Amount</u>	<u>Days</u>	<u>Daily Interest Factor</u>	<u>Interest</u>	<u>Damage</u>
SJ Experts	4/20/99	3202.46	191	0.022%	135.93	3338.39
United Parcel Service	4/20/99	12.50	191	0.022%	0.53	13.03
<b>Grand Total</b>		<b>110805.57</b>			<b>19743.85</b>	<b>130549.42</b>

## **SUMMARY OF DAMAGES**

Several elements of damages were discussed in this report. They are summarized as follows and include adjustments for lost interest.

Lost Profits	\$ 1,331,063
Damages from Costs Incurred	<u>130,549</u>
Total Damages	<u><u>\$ 1,461,612</u></u>

We reserve the right to adjust our damage calculations as additional information becomes available.

**GARY R. TRUGMAN, C.P.A.\* / A.B.V., M.C.B.A., A.S.A., M.V.S.  
PROFESSIONAL QUALIFICATIONS**

**Experience**

President of Trugman Valuation Associates, Inc., a firm specializing in business valuation and litigation support services. Business valuation experience includes a wide variety of assignments including closely-held businesses, professional practices and thinly traded public companies. Industries include but are not limited to security, automotive, funeral homes, health care, securities brokerage and financial institutions, retail, manufacturing, service, and professional business establishments. Assignments have also included the valuation of stock options and various types of intangible assets.

Business valuation and litigation support services have been rendered for a variety of purposes including, but not limited to family law matters, business damages, lender liability litigation, buy-sell agreements, shareholder litigation, estate and gift tax matters, buying and selling businesses, malpractice litigation, wrongful death, sexual discrimination, age discrimination, wrongful termination, and breach of contract. Representation in litigation includes plaintiff, defendant, mutual, and court-appointed neutral.

*Court Testimony.* Has been qualified as an expert witness in State Courts of New Jersey, New York, Pennsylvania, Connecticut, Florida, Michigan and Federal District Court in Newark, New Jersey and Hammond, Indiana, and has performed extensive services relating to court testimony. Testimony has also been provided in arbitration cases before the National Association of Securities Dealers and the American Stock Exchange, as well as other forms of arbitration.

*Court Appearances.* Has appeared in the following courts: *New Jersey* • Morris, Atlantic, Sussex, Bergen, Burlington, Passaic, Mercer, Middlesex, Monmouth, Essex, Hunterdon, Warren, Hudson, and Union. *New York* • Bronx • Westchester. *Florida* • Palm Beach. Polk, Lee, Broward, Miami-Dade and Leon. *Connecticut* • Fairfield, Milford/Ansonia, Middlesex. *Pennsylvania* • Montgomery, Lehigh. *Massachusetts* • Middlesex. *Indiana* • Marion. *California* • San Jose. *Michigan* • Ottawa.

*Court Appointments.* Has been court appointed in New Jersey's Morris, Sussex, Essex, Union, Hunterdon, Somerset, Monmouth, Middlesex, Passaic, Warren, Bergen, and Hudson counties by numerous judges, as well as Orange County, Florida.

*Mutual Expert.* Regularly serves as a mutually-agreed upon expert.

*Early Settlement Panel.* Has served on the Blue Ribbon Early Settlement Panel in Sussex County.

**Professional Designations**

- **\*CPA:** Licensed in Connecticut (2007), Florida (1996), New Jersey (1978) and New York (1977).
- **ABV:** Accredited in Business Valuation designated by The American Institute of Certified Public Accountants (1998).

**GARY R. TRUGMAN, C.P.A.\* / A.B.V., M.C.B.A., A.S.A., M.V.S.  
PROFESSIONAL QUALIFICATIONS**

**Professional Designations**

- **MCBA:** Master Certified Business Appraiser designated by The Institute of Business Appraisers, Inc. (1999). Original certification (CBA) in 1987.
- **ASA:** Accredited Senior Appraiser designated by the American Society of Appraisers (1991). Reaccredited in 2006.

**Education**

- Masters in Valuation Sciences - Lindenwood College, St. Charles, MO (1990). Thesis topic: Equitable Distribution Value of Closely-Held Businesses and Professional Practices.
- B.B.A. in Accountancy - Bernard M. Baruch College, New York, NY (1977).

**Faculty**

- *National Judicial College*, Reno, Nevada since 1997.

**Appraisal Education**

- *IBA Symposium 2007*. Denver, CO, The Institute of Business Appraisers, 2007.
- *FICPA Valuation, Accounting and Litigation Services Conference*. Ft. Lauderdale, FL, Florida Institute of Certified Public Accountants, 2007.
- *AICPA National Business Valuation Conference*. Austin, TX, American Institute of Certified Public Accountants, 2006.
- *FCG Conference*. Austin, TX, Financial Consulting Group, 2006.
- *Personal Goodwill*. BV Resources Telephone Conference, 2006.
- *FICPA Valuation, Accounting and Litigation Services Conference*. Ft. Lauderdale, FL, Florida Institute of Certified Public Accountants, 2006.
- *Valuation<sup>2</sup>*. Las Vegas, NV, American Institute of Certified Public Accountants and American Society of Appraisers, 2005.
- *AICPA National Business Valuation Conference*. Orlando, FL, American Institute of Certified Public Accountants, 2004.
- *23rd Annual Advanced Business Valuation Conference*. San Antonio, TX, American Society of Appraisers, 2004.

**GARY R. TRUGMAN, C.P.A.\*/A.B.V., M.C.B.A., A.S.A., M.V.S.  
PROFESSIONAL QUALIFICATIONS**

**Appraisal Education**

- *2004 National Business Valuation Conference.* Las Vegas, NV, Institute of Business Appraisers, 2004.
- *New Jersey Law and Ethics Course.* Parsippany, NJ, New Jersey Society of Certified Public Accountants, 2004.
- *22<sup>nd</sup> Annual Advanced Business Valuation Conference.* Chicago, IL, American Society of Appraisers, 2003.
- *AICPA National Business Valuation Conference.* New Orleans, LA, American Institute of Certified Public Accountants, 2002.
- *Brown v. Brown: The Most Important Equitable Distribution Decision Since Painter.* Fairfield, NJ, New Jersey Institute for Continuing Legal Education, 2002.
- *2001 National Business Valuation Conference.* Las Vegas, NV, American Institute of Certified Public Accountants, 2001.
- *2001 Share the Wealth Conference.* Orlando, FL, The Institute of Business Appraisers, 2001.
- *2000 National Conference on Business Valuation,* Miami, FL, American Institute of Certified Public Accountants, 2000.
- *19<sup>th</sup> Annual Advanced Business Valuation Conference,* Philadelphia, PA, American Society of Appraisers, 2000.
- *Hot Issues in Estate and Gift Tax Returns: What do the Auditors Look For?* Fairfield, NJ, New Jersey Institute for Continuing Legal Education, 2000.
- *Pulling Ahead of the Pack - The Institute of Business Appraisers' 2000 National Conference.* Phoenix, AZ, The Institute of Business Appraisers, 2000.
- *Business Valuation Conference.* Las Vegas, NV, American Institute of Certified Public Accountants, 1999.
- *1999 International Appraisal Conference.* Boston, MA, American Society of Appraisers, 1999
- *1999 Annual Conference: The Future of Business Valuation.* Orlando, FL, The Institute of Business Appraisers, Inc., 1999.
- *1998 Joint Business Valuation Conference.* Montreal, Canada, American Society of Appraisers and Canadian Institute of Chartered Business Valuators, 1998.
- *The Future of Business Valuation Annual Conference.* San Antonio, TX, The Institute of Business Appraisers, Inc., 1998.

**GARY R. TRUGMAN, C.P.A.\* / A.B.V., M.C.B.A., A.S.A., M.V.S.**  
**PROFESSIONAL QUALIFICATIONS**

**Appraisal Education**

- *Business Valuation Conference.* San Diego, CA, American Institute of Certified Public Accountants, 1997.
- *16<sup>th</sup> Annual Advanced Business Valuation Conference.* San Francisco, CA, American Society of Appraisers, 1997.
- *Quantifying Marketability Discounts.* San Francisco, CA, Mercer Capital, 1997.
- *Introduction to Machinery & Equipment Valuation.* Chicago, IL, American Society of Appraisers, 1997.
- *National Conference on Appraising Closely-Held Businesses.* San Diego, CA, The Institute of Business Appraisers, Inc., 1997.
- *Business Valuation Conference.* Phoenix, AZ, American Institute of Certified Public Accountants, 1996.
- *15th Annual Business Valuation Conference.* Memphis, TN, American Society of Appraisers, 1996.
- *1996 Business Valuation Conference.* Holmdel, NJ, NJ Society of Certified Public Accountants, 1996.
- *National Conference on Appraising Closely-Held Businesses.* Orlando, FL, The Institute of Business Appraisers, Inc., 1996.
- *Business Valuation Conference.* New Orleans, LA, American Institute of Certified Public Accountants, 1995.
- *14<sup>th</sup> Annual Business Valuation Conference.* Boston, MA, American Society of Appraisers, 1995.
- *1995 Matrimonial Conference.* Holmdel, NJ, New Jersey Society of Certified Public Accountants, 1995.
- *Joint Business Valuation Conference.* San Diego, CA, American Institute of Certified Public Accountants - The Institute of Business Appraisers, Inc., 1995.
- *1995 Business Valuation Conference.* Holmdel, NJ, New Jersey Society of Certified Public Accountants, 1995.
- *National Conference on Appraising Closely-Held Businesses.* Las Vegas, NV, The Institute of Business Appraisers, Inc., 1995.
- *1994 International Conference.* Chicago, IL., American Society of Appraisers, 1994.

**GARY R. TRUGMAN, C.P.A.\* / A.B.V., M.C.B.A., A.S.A., M.V.S.  
PROFESSIONAL QUALIFICATIONS**

**Appraisal Education**

- *National Conference on Appraising Closely-Held Businesses.* Orlando, FL, The Institute of Business Appraisers, Inc., 1994.
- *1993 International Conference.* Seattle, WA, American Society of Appraisers, 1993.
- *Uniform Standards of Professional Appraisal Practice and Professional Appraisal Ethics.* Seattle, WA, American Society of Appraisers, 1993.
- *11th Annual Business Valuation Conference.* Atlanta, GA, American Society of Appraisers, 1992.
- *1992 International Conference.* New Orleans, LA, American Society of Appraisers 1992.
- *National Conference on Appraising Closely-Held Businesses.* Orlando, FL, The Institute of Business Appraisers, Inc., 1992.
- *10th Annual Business Valuation Conference.* Scottsdale, AZ, American Society of Appraisers, 1991.
- *1991 International Conference.* Philadelphia, PA, American Society of Appraisers, 1991.
- *Appraising Closely-Held Businesses.* Orlando, FL, The Institute of Business Appraisers, Inc., 1991.
- *Principles of Valuation-Business Valuation Case Study.* New Orleans, LA, American Society of Appraisers, 1989.
- *Principles of Valuation-Business Valuation Methodology.* New Orleans, LA, American Society of Appraisers, 1988.
- *Divorce Tax Planning.* American Institute of Certified Public Accountants, 1988.
- *Valuation of Closely-Held Businesses.* Total Tape Inc., 1987.
- *Business Valuation for Accountants.* Paramus, NJ, The Institute of Business Appraisers, Inc., 1986.
- *Valuation of Closely-Held Businesses.* American Institute of Certified Public Accountants, 1986.
- Has performed extensive reading and research on business valuation and related topics.

**Lecturer**

- *Expert Witness - A Primer,* Orlando, FL, FICPA FABExpo, 2007.

**GARY R. TRUGMAN, C.P.A.\* / A.B.V., M.C.B.A., A.S.A., M.V.S.  
PROFESSIONAL QUALIFICATIONS**

**Lecturer**

- *Personal Goodwill: Does the Non-Propertied Spouse Really Lose the Battle?* Ft. Lauderdale, FL, Florida Bar Family Law Section, 2007.
- *Do's and Don't's of Expert Testimony*, Ft. Lauderdale, FL, FICPA Valuation, Accounting and Litigation Services Conference, 2007.
- *Valuing Small Businesses for Divorce*, Austin, TX, AICPA National Business Valuation Conference, 2006.
- *Ask the Experts*, Austin, TX, AICPA National Business Valuation Conference, 2006.
- *Changes to the 2006 USPAP*, Overland Park, KS, Kansas Valuation Conference, 2006.
- *Tax Effecting S Corporations and Other Flow Through Entities*, Overland Park, KS, Kansas Society of CPAs Valuation Conference, 2006.
- *Valuation Discounts*, Minneapolis, MN, MN Society of CPAs Valuation Conference, 2006.
- *Malpractice and Business Valuation*, Minneapolis, MN, MN Society of CPAs Valuation Conference, 2006.
- *Mock Trial - Being an Expert Witness*, Woodbridge, NJ, NJ Divorce Conference, 2006.
- *Expert Reports Used in Divorce*, Las Vegas, AICPA Divorce Conference, 2006.
- *Ask the Expert*, Ft. Lauderdale, FL, FICPA Valuation, Accounting and Litigation Services Conference, 2006.
- *Valuing the Very Small Company*, Las Vegas, NV, Valuation<sup>2</sup>, American Institute of Certified Public Accountants and American Society of Appraisers, 2005.
- *Being an Effective Witness*, Las Vegas, NV, Valuation<sup>2</sup>, American Institute of Certified Public Accountants and American Society of Appraisers, 2005.
- *Divorce Valuation versus Other Valuations*, Richmond, VA, Virginia Society of CPA's Conference, 2005.
- *Hot Topics in Business Valuation*, Cleveland, OH, SSG, 2005.
- *Valuing Small Businesses and Professional Practices*. Atlanta, GA, George Society of CPAs' Super Conference, 2005.
- *Personal Goodwill in a Divorce Setting*. Ft. Lauderdale, FL, Florida Institute of Certified Public Accountants' Valuation & Litigation Services Conference, 2005.
- *The Market Approach: Case Study*. Orlando, FL, American Institute of CPAs, 2004.

**GARY R. TRUGMAN, C.P.A.\* / A.B.V., M.C.B.A., A.S.A., M.V.S.**  
**PROFESSIONAL QUALIFICATIONS**

**Lecturer**

- *Valuing Professional Practices*, Orlando, FL, American Institute of CPAs, 2004.
- *How to Develop Discount Rates*. Ft. Lauderdale, FL, Florida Institute of CPAs Valuation and Litigation Conference, 2004; Detroit, Michigan, MI Valuation Conference, 2004.
- *To Tax or Not to Tax - That is the Question: Tax Effecting S Corporations*, Chicago, IL, Illinois Business Valuation Conference, 2004.
- *Controversial Topics*. Richmond, VA, VA Valuation and Litigation Conference, 2004.
- *Guideline Company Methods: Levels of Value Issues, Telephone Panel*, Business Valuation Resources, 2004.
- *Small Business Case Study*. Phoenix, AZ, American Institute of Certified Public Accountants National Business Valuation Conference, 2003; Ft. Lauderdale, FL, Florida Institute of CPAs, 2004.
- *Valuation Issues - What You Need to Know*. San Antonio, TX, AICPA National Auto Dealer Conference, 2003.
- *Professional Practice Valuations*. Tampa, FL, The Florida Bar - Family Law Section, 2003.
- *Business Valuation Basics*. Orlando, FL, The Florida Bar Annual Meeting, 2003.
- *Business Valuation for Divorce*. Orlando, FL, The Florida Bar Annual Meeting, 2003.
- *Business Valuation in a Litigation Setting*. Las Vegas, NV, CPAmerica International, 2003.
- *The Transaction Approach - How Do We Really Use It?* Tampa, FL, American Society of Appraisers International Conference, 2003.
- *Advanced Testimony Techniques*. Chicago, IL, Illinois Business Valuation Conference, 2003.
- *To Tax or Not to Tax? Issues Relating to S Corps and Built-In Gains Taxes*. Washington, DC, Internal Revenue Service, 2003.
- *Issues for CPAs in Business Valuation Reports*. New Orleans, LA, American Institute of Certified Public Accountants, 2002.
- *Guideline Public Company Method: Minority Versus Control – Dueling Experts*. New Orleans, LA, American Institute of Certified Public Accountants, 2002.
- *To Tax or Not To Tax? - That Is The Question*. Minneapolis, MN, Minnesota Society of Certified Public Accountants, 2002.

**GARY R. TRUGMAN, C.P.A.\* / A.B.V., M.C.B.A., A.S.A., M.V.S.  
PROFESSIONAL QUALIFICATIONS**

**Lecturer**

- *Pressing Problems and Savvy Solutions When Retained by the Non-Propertied Spouse.* Las Vegas, NV, American Institute of Certified Public Accountants/American Academy of Matrimonial Lawyers, 2002.
- *The Transaction Method - IBA Database.* Atlanta, GA, Financial Consulting Group, 2002.
- *Valuation Landmines - How Not To Get In Trouble.* Washington, DC, 2002 Annual Business Valuation Conference, The Institute of Business Appraisers, 2002.
- *Guest Lecturer on Business Valuation.* New York, NY, Fordham Law School, 2002.
- *Guideline Company Analysis.* Chicago, IL, Illinois CPA Foundation, 2002.
- *Guideline Company Analysis.* Las Vegas, NV, American Institute of Certified Public Accountants, 2001.
- *Discount and Capitalization Rates.* Bloomington, MN, Minnesota Society of CPAs, 2001.
- *Valuation Premiums and Discounts.* Louisville, KY, Kentucky Tax Institute, 2001.
- *Business Valuation.* St. Louis, MO, Edward Jones, 2001.
- *Business Valuation for Marital Dissolutions.* Dublin, OH, Ohio Supreme Court, 2001.
- *Testimony Techniques.* Chicago, IL, Illinois CPA Society, 2001.
- *Valuing the Very Small Business.* Chicago, IL, Illinois CPA Society, 2001.
- *Valuations in Divorce.* Ft. Lauderdale, FL, Florida Institute of Certified Public Accountants, 2001.
- *Valuation Land Mines To Watch Out For.* Miami, FL, American Institute of Certified Public Accountants, 2000.
- *Ask the Experts - Discounts and Premia.* Miami, FL, American Institute of Certified Public Accountants, 2000.
- *Understanding a Financial Report.* Columbia, SC, South Carolina Bar Association, 2000.
- *Business Damages.* Columbia, SC, South Carolina Bar Association, 2000.
- *A Fresh Look at Revenue Rulings 59-60 and 68-609.* New Orleans, LA, Practice Valuation Study Group, 2000.
- *Business Valuation: What's It Really All About?* New York, NY, New York State Society of Certified Public Accountants, 1999.

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PROFESSIONAL QUALIFICATIONS**

**Lecturer**

- *Understanding and Increasing the Value of Your Business.* Phoenix, AZ, Inc. Growth Conference, 1999.
- *Equitable Distribution of Closely-Held Businesses – Fair Market Value or Fair Value?* Atlantic City, NJ, Association of Trial Lawyers of America -- New Jersey, 1999.
- *Controversial Topics In Business Valuation.* Orlando, FL, The Institute of Business Appraisers, Inc., 1999; Ft. Lauderdale, FL, Florida Institute of Certified Public Accountants, 1999, 2003.
- *Discount and Capitalization Rates.* San Antonio, TX, The Institute of Business Appraise, Inc., 1998; Asheville, NC, North Carolina Association of Certified Public Accountants, 1998; Ohio, Ohio Society of Certified Public Accountants, 1998.
- *Developing a Niche in Business Valuation.* Las Vegas, NV, American Institute of Certified Public Accountants, 1998.
- *Digesting Business Valuation for Legal Transactions.* New Brunswick, NJ, Institute of Continuing Legal Education, 1997.
- *The Market Approach to Business Valuation.* Baltimore, MD, CPA Associates International, 1997.
- *Valuing Accounting Practices for Sale or Merger.* New Orleans, LA, American Institute of Certified Public Accountants Practitioners Symposium, 1997.
- *The Value of a Deal.* New York, NY, Practicing Law Institute, 1997.
- *Revenue Ruling 59-60 Revisited .* San Diego, CA, The Institute of Business Appraisers, Inc., 1997.
- *Capitalization Rates.* Greensboro, NC, National Association of Certified Valuation Analysts, 1996.
- *Valuation Discounts and Premiums.* Greensboro, NC, National Association of Certified Valuation Analysts, 1996; New York, NY, New York State Society of Certified Public Accountants, 1999; San Francisco, CA, Accounting Firms Associated, Inc., 1999.
- *Equitable Distribution Value of Small Closely-Held Businesses and Professional Practices.* Greensboro, NC, North Carolina Association of Certified Public Accountants, 1996.
- *Does the Market Transaction Method Really Work?* Phoenix, AZ, National Business Valuation Conference, American Institute of Certified Public Accountants, 1996.
- *Valuation Issues Affecting Transfers of Family Businesses.* Princeton, NJ, New Jersey Society of Certified Public Accountants Financial Planning Conference, 1996.

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PROFESSIONAL QUALIFICATIONS**

**Lecturer**

- *Crossfire: Why You Should Not Use the Excess Earnings Method.* New Orleans, LA, American Institute of Certified Public Accountants Business Valuation Conference, 1995.
- *Practice Aid 93-3, What Did We Do?* Tampa, FL, Florida Institute of Certified Public Accountants, 1995.
- *Revenue Ruling 59-60: What Does It Really Say?* East Brunswick, NJ, New Jersey Society of Certified Public Accountants, 1995.
- *Preparing and Defending a Business Valuation Report in Litigation.* Holmdel, NJ, New Jersey Society of Certified Public Accountants, 1995.
- *Using the Market Approach to Value Small and Medium Sized Businesses.* San Diego, CA; Orlando, FL, American Institute of Certified Public Accountants, Institute of Business Appraisers, Inc., Joint Conference, 1995 - 1996.
- *CPA's Role in Divorce Litigation.* Holmdel, NJ, New Jersey Society of Certified Public Accountants, 1995.
- *Business Valuation and Litigation.* Reno and Las Vegas, NV, Nevada Society of Certified Public Accountants, 1994.
- *Business Valuation with an Emphasis on Employee Stock Ownership Plans, Mergers and Acquisitions, and Initial Public Offerings.* Phoenix, AZ, National Industry Conference, American Institute of Certified Public Accountants, 1994.
- *Business Valuation-There's a Right Way and a Wrong Way to Do It.* Dallas, TX, Dallas Estate Planning Council, 1993, Chattanooga, TN, Chattanooga Estate Planning Council, 1998.
- *The CPA's Role in Divorce Litigation.* Louisville, KY, Kentucky Society of Certified Public Accountants, 1993.
- *Valuation of Accounting and Other Professional Practices.* West Orange, NJ, Small and Medium Firm Conference, NJ Society of Certified Public Accountants, 1993.
- *Information Gathering Strategies for Business Appraisal.* San Diego, CA, National Conference on Appraising Closely-Held Businesses, The Institute of Business Appraisers, Inc., 1993.
- *Capitalization Rates.* Edison, NJ, Matrimonial Conference, NJ Society of Certified Public Accountants, 1993.
- *Measure of Value in Theory and Reality for Marital Dissolutions.* Orlando, FL, National Conference on Appraising Closely-Held Businesses, The Institute of Business Appraisers, Inc., 1992.

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PROFESSIONAL QUALIFICATIONS**

**Lecturer**

- *Equitable Distribution Value of Closely-Held Companies and Professional Practices.* San Diego, CA, National Conference on Appraising Closely-Held Businesses, The Institute of Business Appraisers, Inc., 1991.
- *Tax Aspects of Divorce.* NJ, Institute of Continuing Legal Education, 1989-1990, 1992.
- *Appraising Closely-Held Businesses: Expert Testimony.* Orlando, FL, National Conference on Appraising Closely-Held Businesses, The Institute of Business Appraisers, Inc., 1990.
- *Business Valuation for Accountants.* NJ, The Institute of Business Appraisers, Inc., 1988, 1989, 1990.
- *Using Forecasts and Projections in Business Valuation.* Orlando, FL, Valuation Study Group, 1989.
- *What You Need to Know About Valuation and Litigation Support Services.* East Hanover, NJ, CPA Club, 1989.
- *Valuing Professional Practices.* San Diego, CA, National Conference on Appraising Closely-Held Businesses, The Institute of Business Appraisers, Inc., 1989.
- *What is Your Business Worth?* Wayne, NJ, Dean Witter Reynolds, 1988.
- *Understanding Business Valuation for the Practice of Law.* NJ, Institute of Continuing Legal Education, 1987.

**Instructor**

- *Standards and Ethics: An Appraiser's Obligation.* The Institute of Business Appraisers, Denver, CO, 2007.
- *Principles of Valuation - Part 2.* American Society of Appraisers, Austin, TX, 2005; Chicago, IL, 2006; Brooklyn, NY 2006; Herndon, VA 2007; Chicago, IL 2007; Deloitte & Touche, NY 2007.
- *Small Business Valuation: A Real Life Case Study.* American Institute of Certified Public Accountants, Rocky Hill, CT, 2005; Richmond, VA, 2005; Columbia, MD, 2005, Providence, RI, 2007.
- *Valuation Discount and Capitalization Rates, Valuations Premiums and Discounts.* Rhode Island Society of CPAs, Providence, RI, 2004.
- *Mergers and Acquisitions.* Rhode Island Society of CPAs, Providence, RI, 2004.
- *Valuing a Small Business: Case Study.* Rhode Island Society of CPAs, Providence, RI, 2004.

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PROFESSIONAL QUALIFICATIONS**

**Instructor**

- *Discounts & Premiums in a Business Valuation Environment.* American Institute of Certified Public Accountants, Roseland, NJ; 2004, Rocky Hill, CT, 2005.
- *Advanced Cost of Capital Computations.* American Society of Certified Public Accountants, Rhode Island, NJ 2004.
- *Fundamentals of Business Valuation - Part 2.* American Institute of Certified Public Accountants, Atlanta, GA, 2004.
- *Splitting Up is Hard to Do: Advanced Valuation Issues in Divorce and Other Litigation Disputes.* American Institute of Certified Public Accountants, Providence, RI, 2002.
- *Fundamentals of Business Valuation - Part 1.* American Institute of Certified Public Accountants, Dallas, TX, 2001.
- *Advanced Topics.* The Institute of Business Appraisers, Orlando, FL, 2001.
- *Business Valuation.* Federal Judicial Center, Washington, DC, 2001.
- *Business Issues: Business Valuation-State Issues; Marital Dissolution; Shareholder Issues and Economic Damages.* National Judicial College, Charleston, SC, 2000.
- *Business Valuation for Marital Dissolutions.* National Judicial College, San Francisco, CA, 2000.
- *Business Valuation Workshop.* 2000 Spring Industry Conference, American Institute of Certified Public Accountants, Seattle, WA, 2000.
- *Developing Discount & Capitalization Rates.* The Institute of Business Appraisers, Phoenix, AZ, 2000.
- *Mergers & Acquisitions.* National Association of Certified Valuation Analysts, Nevada, 1998; Ohio, 1998.
- *Valuation Issues in Divorce Settings.* American Institute of Certified Public Accountants, New Jersey, 1998.
- *Financial Statements in the Courtroom (Business Valuation Component).* American Institute of Certified Public Accountants for the National Judicial College, Texas, 1997; Florida, 1997, 1998, 2001; Louisiana, 1998, 1999; Nevada, 1999, 2001; South Carolina, 2000, 2006; Georgia, 2000; Arizona, 2001; New York, 2002; Colorado, 2003; Ohio, 2003; Florida, 2003; New Jersey 2005, 2007.
- *Preparing for AICPA's ABV Examination Review Course.* American Institute of Certified Public Accountants, New York, 1997, 2000, 2001; Pennsylvania, 1998; Kansas, 1998; Maryland, 2000, 2001; Massachusetts, 2000; Virginia, 2002.

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PROFESSIONAL QUALIFICATIONS**

**Instructor**

- *How to Value Mid-Size and Smaller Businesses/Using Transaction Data to Value Closely-Held Businesses.* Atlanta, GA, Chicago, IL, 1996.
- *Conducting a Valuation of a Closely-Held Business.* The Institute of Business Appraisers, Inc., 1996.
- *How To Value Mid-Size and Smaller Businesses.* The Institute of Business Appraisers, Inc., 1995.
- *Valuation of Small Businesses and Professional Practices.* American Society of Appraisers, 1995.
- *Uniform Standards of Professional Appraisal Practice.* American Society of Appraisers, 1995.
- *Advanced Topics in Business Valuation.* New Jersey Society of Certified Public Accountants, 1995, 1996, 1997.
- *Business Valuation Theory.* New Jersey, 1994, 1995, 1996, 1997, 1999, 2000, 2002; Rhode Island, 2004.
- *Business Valuation Approaches and Methods.* New Jersey, 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2002; North Carolina, 1997, 1999, 2000; Louisiana, 1997, 1998; Massachusetts, 1997, 1998, 1999; Pennsylvania, 1997; New York, 1997, 2000; Indiana, 1997; Connecticut, 1997, 2000; Ohio, 1998; Rhode Island, 1999, 2003.
- *Business Valuation Discount Rates, Capitalization Rates, Valuation Premiums and Discounts.* New Jersey, 1998, 2000, 2002; North Carolina, 1997, 1999, 2000; Louisiana, 1997; Massachusetts, 1997, 1998; Rhode Island, 1997, 1999; Indiana, 1997; Connecticut, 1997, 2000.
- *Business Valuation.* Champaign, IL, American Institute of Certified Public Accountants National Tax School, 1994, 1995, 1996.
- *Principles of Valuation: Introduction to Business Valuation.* American Society of Appraisers, 1998, 1999, 2001, 2002.
- *Principles of Valuation: Business Valuation Methodology.* American Society of Appraisers, 1992, 1993, 1995, 1996, 1997, 1998, 1999, 2001.
- *Principles of Valuation: Case Study.* American Society of Appraisers, 1993, 1999, 2000, 2001, 2002, 2003.
- *Principles of Valuation: Selected Advanced Topics.* American Society of Appraisers, 1992, 1994, 1995, 1996, 1998, 2002.

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PROFESSIONAL QUALIFICATIONS**

**Instructor**

- *Developing Your Business Valuation Skills: An Engagement Approach.* NJ Society of Certified Public Accountants, 1992, 1993.
- *Advanced Business Valuation Seminar.* The Institute of Business Appraisers, Inc., 1991, 1992.
- *10 Day Workshop on Appraising Closely-Held Businesses.* The Institute of Business Appraisers, Inc., 1991, 1998.
- *Financial Statement Analysis.* St. Charles, MO, Lindenwood College Valuation Sciences Program, 1989, 1990.
- *Former Adjunct Instructor of Federal Income Taxation and Intermediate Accounting.* Centenary College, Hackettstown, NJ, 1982-1987.

**Organizations**

- The Institute of Business Appraisers, Inc.
- American Society of Appraisers.
- American Institute of Certified Public Accountants.
- New Jersey Society of Certified Public Accountants.
- New York State Society of Certified Public Accountants.
- Florida Institute of Certified Public Accountants.
- Collaborative Family Lawyers of South Florida

**Awards**

- Presented with the "Outstanding Chair Award" by the Florida Institute of Certified Public Accountants in June 2007 for service to the 2006-2007 Valuation, Forensic Accounting and Litigation Services Section.
- Presented with the "Hall of Fame Award" by the American Institute of Certified Public Accountants in December 1999 for dedication towards the advancement of the business valuation profession.
- Presented with the "Fellow Award" by The Institute of Business Appraisers Inc., in January 1996 for contributions made to the profession.

**GARY R. TRUGMAN, C.P.A.\* / A.B.V., M.C.B.A., A.S.A., M.V.S.  
PROFESSIONAL QUALIFICATIONS**

**Professional Appointments**

- *The Institute of Business Appraisers, Inc.* Former Regional Governor for the Mid-Atlantic Region consisting of Delaware, Kentucky, Maryland, New Jersey, Pennsylvania, Ohio, Virginia, and West Virginia.
- *The American Society of Appraisers Chapter 73.* Treasurer, 1996 - 1997.

**Current Committee Service**

- Chairman of Valuation, Forensic Accounting and Litigation Services Section - Florida Institute of CPAs.
- Chairman of Disciplinary and Ethics Committee - The Institute of Business Appraisers, Inc. (committee established 1989).
- AICPA ABV Examination Committee.

**Past Committee Service**

- AICPA Committee with the Judiciary.
- AICPA ABV Credential Committee.
- AICPA Management Consulting Services Division - Executive Committee.
- Chairman of the Valuation Standards Subcommittee - NJ Society of Certified Public Accountants Litigation Services Committee.
- Matrimonial Subcommittee - NJ Society of Certified Public Accountants Litigation Services Committee.
- Co-Chair of Courses and Seminars for Certified Public Accountants Subcommittee - NJ Society of Certified Public Accountants.
- Education Committee - The Institute of Business Appraisers, Inc.
- Chairman of Education Committee - North Jersey Chapter of American Society of Appraisers.
- AICPA Subcommittee on Business Valuation & Appraisal.
- International Board of Examiners - American Society of Appraisers.
- Qualifications Review Committee - The Institute of Business Appraisers, Inc.

**GARY R. TRUGMAN, C.P.A.\* / A.B.V., M.C.B.A., A.S.A., M.V.S.  
PROFESSIONAL QUALIFICATIONS**

**Editor**

- Editorial Advisor for *Financial Valuation and Litigation Expert*, Valuation Products and Services.
- Editorial Advisor for *CPA Expert*, American Institute of Certified Public Accountants.
- Editorial Advisor for *The Journal of Accountancy*, American Institute of Certified Public Accountants.
- Former Editorial Advisor of *BV Q&A*, Business Valuation Resources.
- Former Editorial Board of *CPA Litigation Service Counselor*, Harcourt Brace, San Diego, CA.
- Former Editorial Board of *Business Valuation Review*, American Society of Appraisers, Herndon, VA.

**Author**

- Course entitled *Standards and Ethics: An Appraiser's Obligation*, The Institute of Business Appraisers (2007).
- Course entitled *Small Business Valuation: A Real Life Case Study*, American Institute of Certified Public Accountants (2005).
- *Guideline Public Company Method - Control or Minority Value?*, Shannon Pratt's Business Valuation Update (2003).
- *Signed, Sealed, Delivered*, Journal of Accountancy (2002).
- *A CPA's Guide to Valuing a Closely Held Business*, American Institute of Certified Public Accountants (2001).
- Course entitled *Business Issues - State Courts*, National Judicial College, Reno, NV (2000).
- *Understanding Business Valuation: A Practical Guide to Valuing Small to Medium-Sized Businesses*, American Institute of Certified Public Accountants, First Edition (1998) Second Edition (2002).
- Contributing author to *The Handbook of Advanced Business Valuation*, McGraw-Hill (1999).
- Course entitled *Valuation Issues in Divorce Settings* for the American Institute of Certified Public Accountants (1997).
- Co-author of course entitled *Accredited Business Valuer Review Course* (Market Approach Chapter) for the American Institute of Certified Public Accountants (1997).

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PROFESSIONAL QUALIFICATIONS**

**Author**

- *Understanding Business Valuations* for The Institute of Continuing Legal Education (1997).
- Six Day Business Valuation Series consisting of *Business Valuation Theory, Valuation Approaches & Methods* and *Advanced Topics in Business Valuation* (1994, 1995.)
- *Advocacy vs. Objectivity, CPA Litigation Service Counselor*, Harcourt Brace, San Diego, CA (1993).
- *Valuation of a Closely-Held Business*, Practice Aid for the American Institute of Certified Public Accountants (1993).
- Co-author of *Guide to Divorce Engagements*, Practitioners Publishing Company, Fort Worth, TX (1992).
- *A Threat to Business Valuation Practices*, *Journal of Accountancy* (December 1991).
- Course entitled *Advanced One Day Seminar* for The Institute of Business Appraisers, Inc. (1991).
- Course entitled *Understanding Business Valuation for the Practice of Law* for the Institute of Continuing Legal Education in NJ.
- *An Appraiser's Approach to Business Valuation, Fair\$hare*, Prentice Hall Law & Business (July & August, 1991).
- *What is Fair Market Value? Back to Basics, Fair\$hare*, Prentice Hall Law & Business (June 1990).