

### *About Cisco Equipment*

Cisco is the dominant player in the network communications arena with equipment servicing a broad spectrum of companies from the small business LAN networks to the backbone of the Internet and the Internet Service Providers. From their web site: "Cisco service provider products and solutions enable service providers to increase revenue by offering compelling data and managed services to enterprises, small/medium business, and residential customers. In its aim to be the preferred partner for profitable services, Cisco offers three advantages to its service provider customers: industry-leading technology and solutions, expertise in creating products that support new services, and the ability to identify and influence business demand for service provider offerings."

I was president of Daley Marketing Corporation from 1980 to 2001 and I have been publishing the DMC Network Communications Report since 1996. I used the DMC Network End-User reports from March 1999 and July 1999 to determine the opinion of value. I obtained the values for my report from the publications below plus information from brokers/dealers and lessors around the country. Information is available from:

- The Processor
- Compu-Mart
- Telecom Manager
- Computer Manager
- Various web sites

### *DMC Fair Market Value Report Analysis*

The data used by Daley Marketing for the reporting of current market values for the computer industry has come from various brokers and lessors within the industry. The Daley Marketing reports have been an integral part of the computer marketplace since 1985 with the first publication of the IBM Market Value Report. Daley Marketing Corporation was a computer lessor from 1980 to 1985 prior to entering into the publishing business. The DMC Fair Market Value reports are published monthly to the end-user and brokerage community.

The use of the computer broker information as opposed to end-user information is used to avoid reporting on hidden costs that could be included in a quote from an end-user and distort the real fair market value. Sales reports from different end-users may include different soft costs that can distort the end-user fair market value. Because the marketplace allows one broker to sell a machine to another broker without soft costs such as free rent, systems help and/or software, this has become the basis for the Daley Marketing reports.

Daley Marketing Corporation utilizes the broker information as the basis for its reports and then adds a gross margin to arrive at an End-User FMV. The gross margin is derived from conversations with computer brokers, dealers, lessors and past experience with Daley Marketing Corporation. The gross margin can vary depending on the equipment and the cost of the equipment but represents what can be expected by the sale of equipment from a broker, dealer or lessor to an end-user.

**Conclusions of Value - Summary**

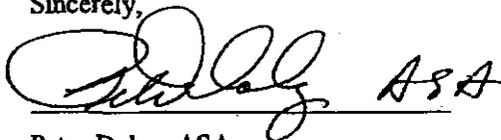
The portfolio consisted of Cisco Catalyst 5000, 2820 and 1900 Switches and Router equipment. I used the information presented in the DMC Market Value Reports to arrive at my *opinion of value*. The following represents a summary of conclusions from Exhibit B.

	Riverside County Expected Invoice Price	End-User Fair Market Value March 1999	End-User Fair Market Value July 1999
Cisco Portfolio	\$2,643,383	\$1,859,321	\$1,316,159

Figure 1. Summary of Conclusions March 1999 and July 1999.

The information contained in this desktop letter appraisal is to be used as a guide in formulating Fair Market Values for the Cisco equipment listed. All estimates of value presented in this report are the appraisers considered opinion. Should you need additional information, please call.

Sincerely,



Peter Daley, ASA  
 Accredited Senior Appraiser  
 DMC Consulting Group  
 61 Wentworth  
 Newport Beach, CA 92660  
 949-737-7780

## Assumptions and Limiting Conditions

I certify that, in the preparation of this report and to the best of my knowledge and belief:

*The statements of fact contained in this report are true and correct.*

*The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal and unbiased professional analyses, opinions, and conclusions.*

*I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.*

*My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report.*

*My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Practice.*

*No one else has provided significant professional assistance in the preparation of this report.*

*This valuation report is prepared solely for the purpose stated herein and is accurate to best of my knowledge and belief. No other purpose is intended or should be inferred.*

*DMC renders no opinion as to the legal owner of the equipment and is not aware of any tax liens or encumbrances of the property*

*I understand that I may be called upon to offer expert testimony regarding this independent valuation opinion.*



Peter Daley, ASA  
Accredited Senior Appraiser  
DMC Consulting Group

Date March 12, 2003

## Exhibit A Curriculum Vita for Peter Daley

Peter Daley  
61 Wentworth  
Newport Beach, CA 92660

### EDUCATION:

Bachelor of Science, Business Administration  
Cal State Northridge - 1965  
Masters of Business Administration  
Pepperdine University -1991  
Accredited Senior Appraiser  
American Society of Appraisers -1999

### BUSINESS:

**IBM Corporation, Marketing Representative.** Marketed mid-range computer systems and peripherals in the Southern California area. Received Regional Managers Award and two District Managers Awards for competitive wins. Qualified for three hundred percent clubs.

**Itel Corporation, Marketing Representative.** Re-marketed the IBM System/360 portfolio to customers in Southern California, Hawaii, Colorado and Arizona. Qualified for three hundred percent clubs.

**Saddleback Marketing Corporation, President.** Brokered and leased used IBM equipment to customers in the western United States. Sales volume varied between \$3 and \$5 million per year.

**1980-2001 - Daley Marketing Corporation. President.** From 1980 to summer of 1985, brokered and leased IBM equipment in the Western United States. In 1981 began to market an IBM Computer Price List and in June of 1985 sold existing leasing business and created the market value and residual value publications that are sold worldwide today.

**1994-Present - DMC Consulting Group. President.** From 1994 to present Mr. Daley has been writing computer appraisals and reports for Fortune 500 customers. He received his Accredited Senior Appraisal certificate in April 1999 from the American Society of Appraisers.

**2001-Present - Computer Economics. President.** Mr. Daley acquired CEI on January 1, 2001. CEI is an IT Consulting company that deals with economics of running and managing an Information Technology department. It publishes FMV and Residual Values for the computer equipment as well as salary and demographic information.

## **Appraiser Qualifications**

**PETER DALEY, Accredited Senior Appraiser**

### **Professional Overview**

Mr. Daley is an ASA (Accredited Senior Appraiser) for the discipline of Machinery and Equipment with a specialty in High-Tech for the valuation of computer equipment.

Mr. Daley has been in the computer business since 1965, first with IBM as a computer broker/lessor and then with Daley Marketing Corporation (DMC), a firm he founded in July 1980 to publish reports about computer equipment, including "Market Value Reports" and "Residual Value Reports." In January 2001 Mr. Daley acquired Computer Economics, (CEI), and recently merged DMC into CEI. CEI is an independent research organization founded in 1979 devoted to helping IT executives control and manage IT costs. CEI has an on-line subscription based IT consulting web site and advisory service as well as a number of monthly and quarterly print newsletters. Today, the combination of CEI and DMCs published and online reports and services cover all segments of the secondary computer markets. These reports are used extensively by Fortune 500 companies in the preparation of IT budgets. Mr. Daley directs the company's research and the publication of its reports. Additionally, Mr. Daley remains president of DMC Consulting Group, a separate company that specializes in writing Appraisals, Portfolio Analysis and Property Tax Valuation from Fair Market Value (FMV) to Residual Value (RV) valuations.

Mr. Daley has developed a database of "Fair Market Value" equipment values from 1989 to the present, utilizing a variety of reports and publications along with the DMC Market Value Reports. This database has been successfully used in the valuation of computer equipment in the settlement of a number of Virginia tax cases. He has also previously testified in California, Minnesota, Michigan, New York and the Virginia Courts as an expert in the field of valuation of computer equipment.

### Lectures/Seminars/Presentations

Equipment Leasing Associations Management Conference - Residual Value Forecasting, Tuscon, AZ, February 1997.

American Society of Appraisers Machinery Conference - Determining Fair Market Values and Residual Value Forecasting, Chicago, IL, October 2001.

Panelist at the fall Comdex - Orderly Disposition of Computer Assets. Las Vegas, November 2001.

American Society of Appraiser's International Conference - Residual Value Forecasting for the Computer Industry, San Diego, CA, August 2002.

### Mr. Daley has testified in Federal and Tax Courts in the following cases:

United States v. Knutson and Harper  
United States District Court for the Eastern District of New York  
97-CR-957 (ILG)  
May 1998  
Brooklyn, NY

EDS v. Flint Township  
Local Property Tax Court  
March 2003

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Lansing, Michigan  
October 1998

Andantech, LLC v. Commissioner of IRS  
No. 15532-98, 4277-00, 6348-00  
U.S. Tax Court  
October 2000  
St. Paul, MN

Nicole Rose v. Commissioner of IRS  
No. 1967-00  
U.S. Tax Court  
December 2000  
New York, NY

Central Funding Inc v. CompuServe Interactive Services, Inc.  
Case No. 01CVH05-4019  
May 10, 2002  
Columbus, Ohio

CMA Consolidated, Inc and Subsidiaries, Inc. v. Commissioner of IRS  
No. 12746-01  
U.S. Tax Court  
October 2002  
San Francisco, CA

Mr. Daley has been deposed in the following cases:

Fogler v. Motorola; Adv 94-939  
ComNet Technologies, Inc. 93-113243-PHx-GBN  
U.S. Bankruptcy Court, District of Arizona  
Phoenix, AZ.  
February 3, 1998

Central Funding Inc v. CompuServe Interactive Services, Inc.  
Case No. 01VH05-4019  
Santa Ana, CA  
April 23, 2002

Magnetek v. United States  
Case No. 3-00-0925  
Los Angeles, CA  
July 16, 2002

Long Term Capital Holdings v United States  
Case No. 8176  
Santa Ana, CA  
February 19, 2003

## **Background**

The mission statement of Computer Economics is: to be the recognized leader in capturing today's information and to disseminate that information in a quality and timely service to companies around the world; to provide pertinent and timely information that benefits companies to make business decisions that allow them to obtain the greatest amount of profit from each transaction; and to use the latest technology to publish and transmit information to our customers in a timely manner.

Market values are obtained from brokerage and leasing companies across the United States. The information is compiled and these values then become an integral part of the Market Value Reports published monthly.

Computer Economics publishes four different Residual Value reports that cover everything from Hubs, Routers, PC's, to midrange and mainframe products. These reports cover the future value of over 1,000 pieces of equipment. Besides the normal reports, Computer Economics does independent residual forecasting for a number of clients.

The Computer Economics Computer Price List reports on the description, feature code, and purchase and maintenance prices of current machines marketed by IBM. This report supplements the market value reports and keeps the broker/dealer up to date with IBM list prices.

The Computer Economics reports are distributed in hard copy and over the Internet. Computer Economics subscription list consists of some of the largest end-users, broker/dealers and lessors in the world. Computer Economics also markets its' products in 15 countries around the world.

Peter Daley is a member of the ASA (American Society of Appraisers).

## **Computer Economics, Inc.**

### **Partial Customer List**

Accenture  
BankAmerica Leasing & Capital  
Boeing Computer Services  
Charles Schwab & Company  
Commonwealth Capital Corp  
Compaq Capital Corp  
Copelco Capital Corp  
Dreamworks Interactive  
E-Systems  
EMC Corporation  
FLC Partnership  
Fleet Credit Corporation  
Forsythe Solutions Group  
G.E. Capital Corporation  
Gartner Group  
GTE Service Corporation  
Hewitt & Associates  
Hewlett Packard  
Hitachi Data Corporation  
IBM Corporation  
Information Leasing Corp.  
Internal Revenue Service  
KPMG Peat Marwick  
Leasing Technologies Int'l  
Meridian Leasing Corporation  
Price Waterhouse  
Pacific Gas & Electric  
Ratheon - E Systems  
Sanwa Business Credit Corporation  
StorageTek Corporation  
Sun Data Inc.  
United Computer Capital  
Wisconsin Gas

## DMC Publications History

The following is a breakdown of reports conceived and marketed by Daley Marketing Corporation and now part of Computer Economics:

PRODUCT	STARTED	DESCRIPTION
Manufacturer's Price Lists		
IBM Computer Price Lists	1981	Mfr's List Price, Maintenance Prices
Market Value Reports - Broker and End-User Reports		
IBM/PCM Market Value Report	1985	Market Values for Amdahl, IBM, EMC, HDS, Memorex, STK . From Mainframes to Midrange to I/O Equipment
DEC Market Value Report	1991	Market Values for DEC I/O Equipment, VAX, MicroVAX
Workstation/PC Market Value	1992	Market Values for DEC, HP, IBM, SGI, SUN, Compaq etc.
Network Communications	1995	Market Values for over 25 mfrs. Bridges, Hubs, Routers, Switches
Residual Value Reports		
Mainframe/Midrange Report	1987	Mainframe Residuals for Amdahl, HDS, HP, IBM and Stratus
Disk/Tape/Miscellaneous I/O Report	1987	Residual Values on DASD, printers, controllers and tape Subsystems for Amdahl, EMC, HDS, IBM, HP & StorageTek.
Workstation & PC Report	1994	Residual Values for DEC, HP, IBM, SGI, SUN, Compaq etc.
Network Communications Report	1995	Residual Values on Bridges, Hubs, Routers, Switches, etc.

The above subscriber products are available either hard copy, on-line or email.

**Exhibit B. Portfolio Analysis - Detail**

# Spectrum Communications

## Cisco Portfolio

					March 1, 1999	July 1, 1999
Model Number	Description	Total Units	Original Unit Price	Original Extended Price	End-User Fair Market Value/Extended	End-User Fair Market Value/Extended
WS-C5000	Cisco 5 Slot Core Switch Management Module w/2 FX SC	36	2,097	75,474	57,360	57,360
WS-X5006	Ports	33	6,297	207,785	157,916	157,916
WS-X5009	Management Module w/2 TX Ports	5	4,897	24,483	18,607	18,607
WS-X5213A	C5000 Fast Ethernet Switching (10/100BaseTX, 12port)	35	6,997	244,878	186,107	186,107
WS-X5010	Amphenol Module C5000 Fast Ethernet Switching	26	3,497	90,909	69,091	69,091
WS-X5011	(10BaseFX, 12port)	4	6,997	27,986	21,269	21,269
WS-C5008B	Catalyst 5000/5505AC Power Supply	72	1,397	100,548	76,416	76,416
WS-X5111	12 port 100baseFX Switching Module	8	13,997	111,972	85,099	85,099
WS-C2822-A	Switch 2820 24 port 10base-T	239	2,797	668,364	227,244	227,244
WS-X2824	4 port 100 FX Module for 2822	269	2,097	563,959	191,746	191,746
WS-X2821	1 port 100 FX Module for 2822	1	837	837	284	284
WS-C1912A	12 port 10base-T Switch w/2 100base TX ports Ent Ed Upgradable	54	1,747	94,311	56,587	56,587
WS-C1900C	24 port 10base T Switch with 1 100base TX port and 1 100 base FX port	183	2,360	431,880	168,433	168,433
<b>Total</b>				<b>\$2,643,383</b>	<b>\$1,359,321</b>	<b>\$1,316,159</b>

→ \$1,359,321

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**Exhibit 4**

Price, John

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**From:** Ed Falkowitz [efalkowitz@universalservice.org]  
**Sent:** Monday, March 03, 2003 7:56 AM  
**To:** 'Price, John'  
**Cc:** Robert Rivera; George McDonald  
**Subject:** Riverside (Ben 143743) FY 1999 - Equipment Traded-In

We have received guidance from the FCC regarding trade-in values. Their guidance is that the presumption is that equipment traded-in had a useful life of 3 years when originally purchased and that the value of the equipment declines in a straight line basis. This is a rebuttable presumption and SLD is to consider evidence to support a different fair market value. In the case of the equipment purchased by Riverside County ( BEN 143743) for funding year 1999, this guidance is analyzed on the attached spreadsheet. I would appreciate your review of the attached. Let me know in the next couple of days if you have any comment on the analysis. Also, let me know if you have any additional evidence to support the fair market value of the equipment other than what you have already supplied.

Thanks,

Ed Falkowitz  
Schools and Libraries Division  
Phone: 202-263-1620  
Fax: 202-776-0080

style of Trade In received by Spectrum  
 Riverside County (BEN 143743)

BEN	471 FRN#	Applicant	SPIN	Service Provider	Amount Paid	Amount Approved	Year	School	Quantity Traded-in		Trade-In Value	Paid in Cash	Total Payments by Applicant	Maximum Commitment Amount	Refund Due	
									Discount	Portion						
143743	148309	299371 R O P - RIVERSIDE COUNTY	143010185	Spectrum Communications	\$190,018.55	\$190,018.55	1999	Alvord	67	\$95,591.23	2	27	\$ 24,338.26	\$ 24,338.26	\$ 49,409.08	\$ 140,608.87
143743	148309	299376 R O P - RIVERSIDE COUNTY	143010185	Spectrum Communications	\$103,272.47	\$103,272.47	1999	Banning	67	\$50,865.94	1	15	\$ 13,083.35	\$ 13,083.35	\$ 26,583.17	\$ 76,709.30
143743	148309	299375 R O P - RIVERSIDE COUNTY	143010185	Spectrum Communications	\$82,254.87	\$82,254.87	1999	Beaumont	67	\$45,438.67			\$ 45,438.69	\$ 45,438.68	\$ 92,254.31	\$ 0.56
143743	148309	299374 R O P - RIVERSIDE COUNTY	143010185	Spectrum Communications	\$174,886.16	\$174,886.16	1999	Cocchele	67	\$86,137.96			\$ 86,137.92	\$ 86,137.92	\$ 174,886.08	\$ 0.08
143743	148309	299358 R O P - RIVERSIDE COUNTY	143010185	Spectrum Communications	\$335,986.71	\$335,986.71	1999	Corona Norco	67	\$165,478.14	4	46	\$ 43,791.33	\$ 43,791.33	\$ 88,909.67	\$ 247,057.04
143743	148309	299370 R O P - RIVERSIDE COUNTY	143010185	Spectrum Communications	\$16,528.39	\$16,528.39	1999	Desert Center	67	\$8,139.89			\$ 8,139.87	\$ 8,139.87	\$ 16,528.40	\$ (0.01)
143743	148309	299370 R O P - RIVERSIDE COUNTY	143010185	Spectrum Communications	\$313,831.52	\$313,831.52	1999	Desert Sands	67	\$154,822.99	4	42	\$ 41,350.74	\$ 41,350.74	\$ 83,954.63	\$ 229,976.89
143743	148309	299370 R O P - RIVERSIDE COUNTY	143010185	Spectrum Communications	\$212,053.73	\$212,053.73	1999	Hemet	67	\$104,444.37	2	31	\$ 26,776.85	\$ 26,776.85	\$ 54,365.12	\$ 157,688.61
143743	148309	299365 R O P - RIVERSIDE COUNTY	143010185	Spectrum Communications	\$217,582.53	\$217,582.53	1999	Jurupa	67	\$107,157.66	1	14	\$ 12,473.20	\$ 12,473.20	\$ 25,324.38	\$ 192,258.15
143743	148309	299372 R O P - RIVERSIDE COUNTY	143010185	Spectrum Communications	\$184,508.75	\$184,508.75	1999	Lake Elsinore	67	\$90,877.94	2	26	\$ 23,726.11	\$ 23,726.11	\$ 48,171.19	\$ 138,338.56
143743	148309	299367 R O P - RIVERSIDE COUNTY	143010185	Spectrum Communications	\$44,070.38	\$44,070.38	1999	Menifee	67	\$21,708.31	0	8	\$ 4,881.19	\$ 4,881.19	\$ 8,910.29	\$ 34,160.09
143743	148309	299382 R O P - RIVERSIDE COUNTY	143010185	Spectrum Communications	\$385,168.80	\$385,168.80	1999	Morano Valley	67	\$194,635.38	5	53	\$ 51,893.50	\$ 51,893.50	\$ 104,582.55	\$ 289,606.25
143743	148309	299381 R O P - RIVERSIDE COUNTY	143010185	Spectrum Communications	\$125,307.85	\$125,307.85	1999	Murietta	67	\$61,718.68	1	39	\$ 27,726.91	\$ 27,726.91	\$ 56,284.03	\$ 89,013.82
143743	148309	299354 R O P - RIVERSIDE COUNTY	143010185	Spectrum Communications	\$33,052.78	\$33,052.78	1999	Huview	67	\$16,278.73			\$ 16,278.73	\$ 16,278.73	\$ 33,052.78	\$ (0.01)
143743	148309	299355 R O P - RIVERSIDE COUNTY	143010185	Spectrum Communications	\$173,492.15	\$173,492.15	1999	Palm Springs	67	\$85,451.36	2	24	\$ 22,505.81	\$ 22,505.81	\$ 45,895.62	\$ 127,796.53
143743	148309	299383 R O P - RIVERSIDE COUNTY	143010185	Spectrum Communications	\$88,746.08	\$88,746.08	1999	Palo Verde	67	\$42,725.68	1	32	\$ 23,455.87	\$ 23,455.87	\$ 47,622.53	\$ 39,123.55
143743	148309	299378 R O P - RIVERSIDE COUNTY	143010185	Spectrum Communications	\$44,070.38	\$44,070.38	1999	Perris Elementary	67	\$21,708.31	0	8	\$ 4,881.19	\$ 4,881.19	\$ 9,910.29	\$ 34,160.09
143743	148309	299377 R O P - RIVERSIDE COUNTY	143010185	Spectrum Communications	\$88,746.08	\$88,746.08	1999	Perris High	67	\$42,725.68			\$ -	\$ -	\$ -	\$ 88,746.08
143743	148309	299353 R O P - RIVERSIDE COUNTY	143010185	Spectrum Communications	\$246,431.28	\$246,431.28	1999	Riverside USD	67	\$121,376.80	5	26	\$ 35,519.49	\$ 35,519.49	\$ 72,115.33	\$ 174,315.95
143743	148309	299388 R O P - RIVERSIDE COUNTY	143010185	Spectrum Communications	\$38,581.58	\$38,581.58	1999	Romoland	67	\$18,893.02	0	7	\$ 4,271.04	\$ 4,271.04	\$ 8,671.50	\$ 29,910.08
143743	148309	299359 R O P - RIVERSIDE COUNTY	143010185	Spectrum Communications	\$75,728.48	\$75,728.48	1999	San Jacinto	67	\$37,289.11			\$ -	\$ -	\$ -	\$ 75,728.48
143743	148309	299379 R O P - RIVERSIDE COUNTY	143010185	Spectrum Communications	\$179,000.95	\$179,000.95	1999	Temecula	67	\$88,164.65	2	25	\$ 23,115.96	\$ 23,115.96	\$ 46,932.41	\$ 132,068.54
143743	148309	299381 R O P - RIVERSIDE COUNTY	143010185	Spectrum Communications	\$312,806.76	\$312,806.76	1999	Val Verde	67	\$153,970.48	1	53	\$ 36,268.99	\$ 36,268.99	\$ 73,837.04	\$ 238,969.72
											33	478	\$ 420,157.79	\$ 420,157.79	\$ 1,189,767.21	\$ 2,512,198.83

ge at Trade in 2.5 Years  
 Original Cost Value @ 3yr Rte  
 300 series switch \$23,586.78 \$3,931.13  
 200/2822 Switch \$ 3,660.89 \$ 610.15