Exhibit A.1
Initial Buy-in: CPM-based Income Method
Calculating a Lump Sum Buy-in Payment Using Taxpayer's Projections.
(units = millions of US dollars)

This Example addresses simultaneous transfers to CFC of: (1) make-sell rights for current product; and (2) "platform" rights, allowing further R&D to be conducted.
Half-year convention is used for present value calculations. Terminal value calculations are presented on page 2.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Present Value of Years 1 -10 (A)	Present Value of Terminal Value (B)	**TOTAL (A+B=C)**
Sales from current and future generations of product	400	450	500	550	600	650	700	750	750	750	3,021	1,325	**4,347**
operating expenses attributable to product exploitation (routine costs so does not include intangible development costs)	240	270	300	330	360	390	420	450	450	450	1,813	795	**2,608**
Operating Income from exploitation	160	180	200	220	240	260	280	300	300	300	1,209	530	**1,739**
Intangible Development Costs	40	45	50	55	60	65	70	75	75	75	302	133	**435**

Lump-Sum Buy-in Calculation

Item	Amount	Explanation
PV of CFC's operating income	1,043.25	Total Operating Income * 60% RAB share
less PV of CFC's return to routine costs	-125.19	(Total oper. costs * .08) * 60% RAB share
less PV of CFC's cost sharing payments	-260.81	Total Intang. Dev. Costs * 60% RAB share
equals lump sum buy-in	**657.25**	(Note: Totals from column (C), above)

Assumptions:
(1) RAB share of buy-in payor is 60%.
(2) Risk-adjusted discount rate is 15%.
(3) CPM return to routine functions is net cost plus 8%.
(4) Taxpayer projections are reliable.
(5) Revenues and routine costs are distributed between U.S. parent and CFC pro rata to RAB share.

Exhibit A.1 (cont'd)

Terminal value calculation

Terminal value calculated using Gordon Constant Growth Model, which treats value in Year 10 of payments from Year 11 onward as equal to (payment in Year 11)/(Discount Rate -Growth Rate). In this Exhibit, after Year 10, current dollar sales and all costs are assumed to grow at 0% rate.

	Revenues	COGS, SG&A & other operating expenses	Operating Income	Intang. Devel. Costs
Year 11 amounts, current dollars	750	450	300	75
Terminal value in middle of Year 10	5,000	3,000	2,000	500
PV of terminal value at start of Year 1	1,325.38	795.23	530.15	132.54

Exhibit A.2

Initial Buy-in: CPM-based Income Method

Calculating a Lump Sum Buy-in Payment Using Projections Based on Extrapolation from Actual Experience.

(units = millions of US dollars)

This Example addresses simultaneous transfers to CFC of: (1) make-sell rights for current product; and (2) "platform" rights, allowing further R&D to be conducted.
Half-year convention is used for present value calculations. Terminal value calculations are presented on page 2.

	Year 1 (actual)	Year 2 (actual)	Year 3 (actual)	Year 4 (actual)	Year 5 (actual)	Year 6 (extrapo-lated)	Year 7 (extrapo-lated)	Year 8 (extrapo-lated)	Year 9 (extrapo-lated)	Year 10 (extrapo-lated)	Present Value of Years 1 - 10 (A)	Present Value of Terminal Value (B)	**TOTAL (A+B=C)**
Sales from current and future generations of product	900	1,100	1,300	1,400	1,500	1,575	1,654	1,736	1,823	1,914	6,586	2,207	**8,794**
COGS, SG&A and other operating expenses attributable to product exploitation (routine costs so does not include intangible development costs)	495	605	715	770	825	866	910	955	1,003	1,053	3,622	1,214	**4,836**
Operating Income from exploitation	405	495	585	630	675	709	744	781	820	861	2,964	993	**3,957**
Intangible Development Costs	180	220	195	210	225	236	248	260	273	287	1,072	331	**1,403**

Lump-Sum Buy-in Calculation

Item	Amount	Explanation
PV of CFC's operating income	1,582.85	Total Operating Income * 40% RAB share
less PV of CFC's return to routine costs	-96.73	(Total oper. costs * .05) * 40% RAB share
less PV of CFC's cost sharing payments	-561.35	Total Intang. Dev. Costs * 40% RAB share
equals lump sum buy-in	**924.77**	(Note: Totals from column (C), above)

Assumptions:

(1) RAB share of buy-in payor is 40%.
(2) Risk-adjusted discount rate is 18%.
(3) CPM return to routine function is net cost plus 5%.
(4) Taxpayer projections are not available or are not reliable.
(5) Actual results for CSA are available for first 5 years after inception.
(6) Revenues and routine costs are distributed between U.S. parent and CFC pro rata to RAB share.

Projections:

(1) Years 1 to 5 are actual results.
(2) Projections for years 6 to 10 are based on constant 5% growth factor from Year 5.

(3) R&D costs are set at 15% of gross sales after year 5.
(4) Routine costs are assumed to be the same percentage of sales (55%) as in Years 1 to 5.

Exhibit A.2 (cont'd)

Terminal value calculation

Terminal value calculated using Gordon Constant Growth Model, which treats value
in Year 10 of payments from Year 11 onward as equal to (payment in Year 11)/(Discount Rate -Growth Rate).
In this Exhibit, after Year 10, current dollar sales and all costs are assumed to grow at 0% rate.

	Revenues	COGS, SG&A & other operating expenses	Operating Income	Intang. Devel. Costs
Year 11 amounts, current dollars	1,914.42	1,052.93	861.49	287.16
Terminal value in middle of Year 10	10,635.68	5,849.62	4,786.06	1,595.35
PV of terminal value at start of Year 1	2,207.43	1,214.08	993.34	331.11

Exhibit A.3
Initial Buy-in: CPM-based Income Method
Converting a Lump-sum Buy-in Payment (from Exhibit A.2) into a Perpetual Royalty.
(units = millions of US dollars or percentages)

Calculation of lump sum buy-in payment is from Exhbit A.2

	Year 1 (actual)	Year 2 (actual)	Year 3 (actual)	Year 4 (actual)	Year 5 (actual)	Year 6 (extrapo-lated)	Year 7 (extrapo-lated)	Year 8 (extrapo-lated)	Year 9 (extrapo-lated)	Year 10 (extrapo-lated)	Present Value of Years 1 - 10 (A)	Present Value of Terminal Value (B)	**TOTAL (A+B=C)**
Sales from current and future generations of product	900	1,100	1,300	1,400	1,500	1,575	1,654	1,736	1,823	1,914	6,586	2,207	**8,794**
COGS, SG&A and other operating expenses attributable to product exploitation (routine costs so does not include intangible development costs)	495	605	715	770	825	866	910	955	1,003	1,053	3,622	1,214	**4,836**
Operating Income from exploitation	405	495	585	630	675	709	744	781	820	861	2,964	993	**3,957**
Intangible Development Costs	180	220	195	210	225	236	248	260	273	287	1,072	331	**1,403**

Determine royalty rate required in perpetuity as % of gross sales

Item	Amount	Explanation
lump sum buy-in payment	924.77	(From Exhibit A.2)
divided by PV of CFC's total sales	3517.45	Total Sales *40% RAB share
equals perpetual royalty rate	**26.29%**	

Assumptions:
(1) For assumptions, See Exhibit A.2.

Exhibit A.4
Initial Buy-in: CPM-based Income Method
Converting a Lump-sum Buy-in Payment (from Exhibit A.2) into a Royalty payable over 10 years.
(units = millions of US dollars or percentages)

Calculation of lump sum buy-in payment is from Exhbit A.2

	Year 1 (actual)	Year 2 (actual)	Year 3 (actual)	Year 4 (actual)	Year 5 (actual)	Year 6 (extrapo-lated)	Year 7 (extrapo-lated)	Year 8 (extrapo-lated)	Year 9 (extrapo-lated)	Year 10 (extrapo-lated)	**Present Value of Years 1 -10**
Sales from current and future generations of product	900	1,100	1,300	1,400	1,500	1,575	1,654	1,736	1,823	1,914	**6,586**
COGS, SG&A and other operating expenses attributable to product exploitation (routine costs so does not include intangible development costs)	495	605	715	770	825	866	910	955	1,003	1,053	**3,622**
Operating Income from exploitation	405	495	585	630	675	709	744	781	820	861	**2,964**
Intangible Development Costs	180	220	195	210	225	236	248	260	273	287	**1,072**

Determine royalty rate required over 10 years as % of gross sales

Item	Amount	Explanation
lump sum buy-in payment	924.77	(From Exhibit A.2)
divided by PV of CFC's Sales in Years 1 to 10	2634.48	Sales in years 1-10 *40% RAB share
equals royalty rate payable over 10 years	**35.10%**	

Assumptions:
(1) For assumptions, See Exhibit A.2.

Exhibit A.5
Initial Buy-in: CPM-based Income Method
Arm's Length Range of Results.
(units = millions of US dollars)

This Example addresses simultaneous transfers to CFC of: (1) make-sell rights for current product; and (2) "platform" rights, allowing further R&D to be conducted. Half-year convention is used for present value calculations. Ranges calculated on page 2. Terminal value calculated on page 3.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Sales from current and future generations of product	60	65	70	80	92	106	122	140	147	154
COGS, SG&A and other operating expenses attributable to product exploitation (routine costs so does not include intangible development costs)	24	26	28	32	37	42	49	56	59	62
Operating Income from exploitation	36	39	42	48	55	63	73	84	88	93
Intangible Development Costs	30	30	21	20	18	16	18	21	22	23

	13% Discount Rate 0% Growth Rate Post Year 10				10% Discount Rate 5% Growth Rate Post Year 10		
	Present Value of Years 1 -10 (A)	Present Value of Terminal Value (B)	**TOTAL (A+B=C)**		Present Value of Years 1 -10 (A)	Present Value of Terminal Value (B)	**TOTAL (A+B=C)**
Sales from current and future generations of product	533	372	**904**		610	1,310	**1,920**
COGS, SG&A and other operating expenses attributable to product exploitation (routine costs)	213	149	**362**		244	524	**768**
Operating Income from exploitation	320	223	**543**		366	786	**1,152**
Intangible Development Costs	132	56	**188**		146	196	**343**

Ranges:

Lump Sum Buy-in payment	**119.07 to 272.57**
Perpetual Royalty Rate	**13.17% to 14.20%**
Royalty Payable over 10 Years	**22.36% to 44.67%**

Exhibit A.5 (cont'd)

Calculation of lump sum buy-in payment, perpetual royalty rate and royalty payable over 10 years.

	13% Discount Rate 0% Growth Rate Post Year 10		10% Discount Rate 5% Growth Rate Post Year 10
Lump-Sum Buy-in Calculation			
PV of CFC's operating income	189.88		403.23
less PV of CFC's routine returns	-5.06		-10.75
less PV of cost sharing payments	-65.75		-119.91
equals lump sum buy-in	**119.07**		**272.57**
Determine royalty rate required in perpetuity as % of gross sales			
Item			
lump sum buy-in payment	119.07		272.57
divided by PV of CFC's total sales	904		1,920
equals perpetual royalty rate	**13.17%**		**14.20%**
Determine royalty rate required over 10 years as % of gross sales			
Item			
lump sum buy-in payment	119.07		272.57
divided by PV of CFC Sales to Year 10	533		610
equals royalty rate payable over 10 years	**22.36%**		**44.67%**

Assumptions:
(1) RAB share of buy-in payor is 35%.
(2) Risk-adjusted discount rate is **10 to 13%**.
(3) CPM return to routine function is net cost plus 4%.
(4) Revenues and routine costs are distributed between U.S. parent and CFC pro rata to RAB share.

Projections:
(1) Projection accepted as reliable (but source not specified).
(2) Terminal value calculated assuming perpetual growth of either **0% or 5%** per annum after year 10.

Note: other combinations of assumptions (10% discount rate and 0% growth rate after Year 10 or 13% discount rate and 5% growth rate after Year 10) produce lump sum buy-in payments and royalty rates that fall within the arm's length range reported above. Therefore, calculations of the lump sum buy-in payment or royalty rates under these assumptions are not reproduced in this exhibit.

Exhibit A.5 (cont'd)

Terminal value calculation

Terminal value calculated using Gordon Constant Growth Model, which treats value in Year 10 of payments from Year 11 onward as equal to (payment in Year 11)/(Discount Rate -Growth Rate).

	13% discount rate; 0% growth post Year 10					10% discount rate, 5% growth post Year 10			
	Revenues	COGS, SG&A & other operating expenses	Operating Income	Intang. Devel. Costs		Revenues	COGS, SG&A & other operating expenses	Operating Income	Intang. Devel. Costs
Year 11 amounts, current dollars	154.26	61.70	92.56	23.14		161.98	64.79	97.19	24.30
Terminal value in middle of Year 10	1,186.63	474.65	711.98	178.00		3,239.51	1,295.80	1,943.71	485.93
PV of terminal value at start of Year 1	371.59	148.64	222.96	55.74		1,309.93	523.97	785.96	196.49

Exhibit A.6

Initial Buy-in: CPM-based Income Method

Providing separate return to Marketing Intangibles used privately by CFC in exploiting the results of the CSA.

(units = millions of US dollars)

This Example addresses simultaneous transfers to CFC of: (1) make-sell rights for current product; and (2) "platform" rights, allowing further R&D to be conducted.
Half-year convention is used for present value calculations. Method of calculating terminal value not specified in thie Exhibit.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Present Value of Years 1 -10 (A)	Present Value of Terminal Value (B)	**TOTAL (A+B=C)**
Sales from current and future generations of product	1,000	1,100	1,200	1,300	1,375	1,444	1,516	1,592	1,671	1,755	8,962	1,500	**10,462**
COGS, SG&A and other operating expenses attributable to product exploitation (routine costs so does not include intangible development costs)	800	825	840	910	894	938	910	875	919	965	5,878	825	**6,703**
Operating Income from exploitation	200	275	360	390	481	505	606	716	752	790	3,084	675	**3,759**
Intangible Development Costs	250	220	240	195	206	217	227	239	251	263	1,537	225	**1,762**

Calculate residual attributable to CFC's interest in buy-in and other pre-existing (i.e., marketing) intangibles

Item	Amount	Explanation
PV of CFC's operating income	2,067.69	Total Operating Income * 55% RAB share
less PV of CFC's return to routine costs	-258.06	(Total oper. costs * .07) * 55% RAB share
less PV of CFC's cost sharing payments	-969.00	Total Intang. Dev. Costs * 55% RAB share
equals residual attributable to CFC intangibles	840.63	(Note: Totals from column (C), above)

Calculate Lump Sum Buy-in payment as the value of CFC's interest in intangibles minus value of CFC interest in other pre-exixting (i.e.marketing) intangibles.

Item	Amount	Explanation
Value of CFC intangible assets	840.63	Residual calculated above
less value of marketing intangibles of CFC	-336.25	40% of value of CFC's intangible assets.
equals lump sum Buy-in Payment	**504.38**	

Assumptions:

(1) RAB share of CFC (buy-in payor) is 55%.
(2)Risk-adjusted discount rate is 9%.
(3) CPM return to routine function is net cost plus 7%
(4) Projection accepted as reliable (but source not specified).
(5) Revenues and routine costs are distributed between U.S. parent and CFC pro rata to RAB share.
(6) Terminal value taken as given (but source not specified).
(7) Study indicates relative value of buy-intangible to CFC and private marketing intangible of CFC is 60%/40%.