

## Pro-Dex (PDEX)

Price:	\$1.90	Net Tang. Bk Value Incl. Cash, Excl.	\$9,850,000.00	Net Tang. Book Yr. 5 (Inc. Cash):	\$1,425,500.00
Market Cap:	\$6,384,000	Goodwill (NTBVIC):		Avg. Year Op. Cash:	-\$1,034,900.00
Cash:	\$2,550,000	NTBVIC/Market Downside Recovery:	154.29%	Year 5 Disposition FCF Multiple:	3.0
Debt:	\$0	Op. Cash Flow:	-\$1,034,900	Year 5 Disposition Price:	-\$1,679,200.00
Net Cash:	\$2,550,000	Implied Years to Fill Gap:	3.35		
Enterprise Value:	\$3,834,000	Today's Equity if 5x Op. CF:	\$6,745,300		
Shares Outstanding:	3,360,000			Net Tang. Book+ Gain Disposition:	-\$1,679,200.00
				IRR:	-176.56%
				Price:	-\$0.50
				Target Market Cap:	-\$1,679,200
				Target Enterprise Value:	-\$4,229,200

\* Our future intrinsic value measures the total return, which includes both capital appreciation and dividend income.

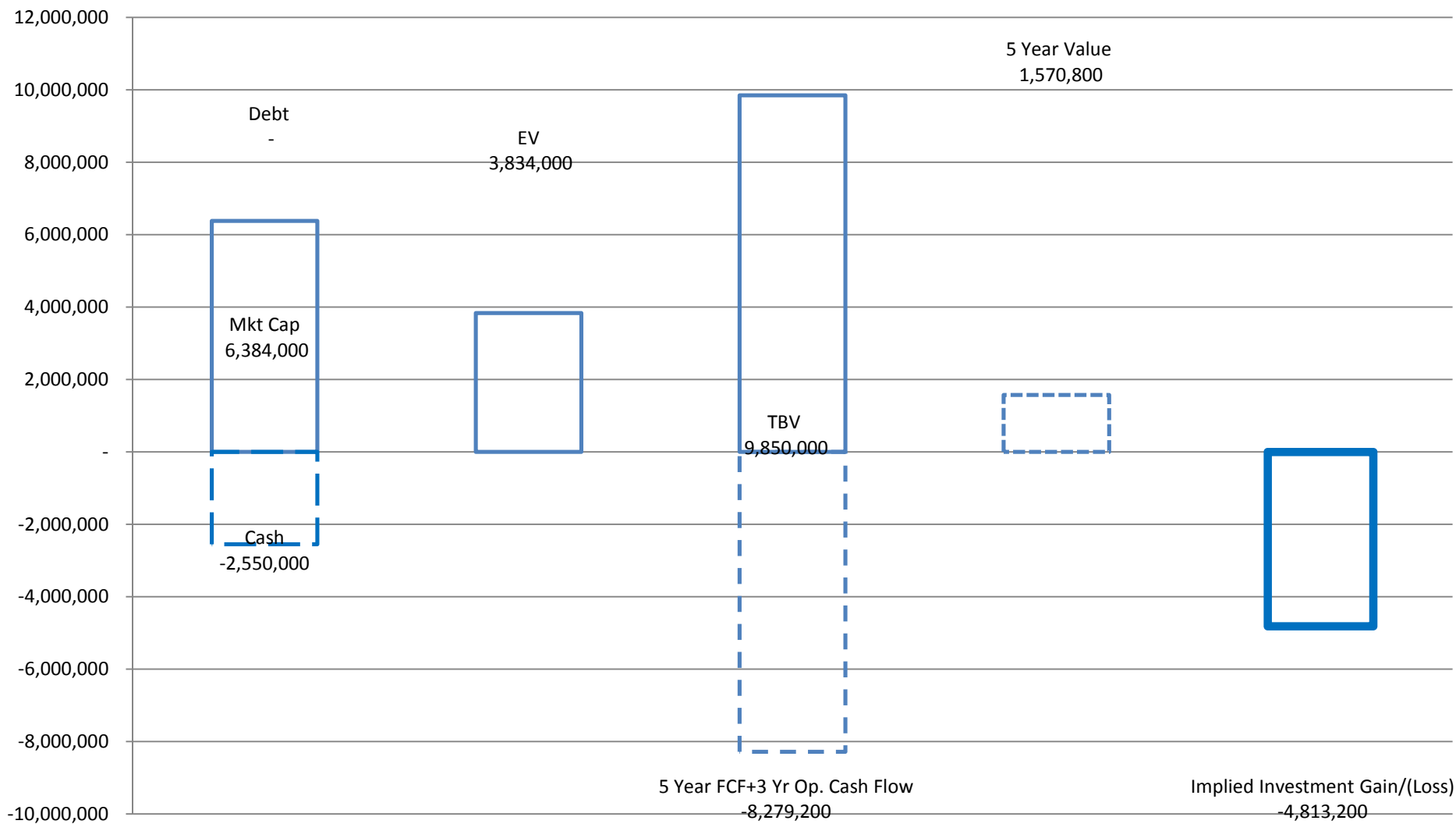
PDEX fell off the shelf when its largest customer, who purchased nearly 50% of total revenue, announced they would be developing their own products, which would replace PDEX's product. As a result, the Co's sales fell, while fixed costs were relatively unchanged. The Co. has burned cash since the announcement and we anticipate further cash burn.

Another example of a Co. where their reliance on a large customer can prove to be a double edged dagger, more often than not. ASYS and another electronics manufacturer in our portfolio faced the same situation and their stocks have been cut in half and failed to recover, even after 6 months.

The values were very attractive before the customer pulled out. This proves that our reliance on future cash flow, which is even more inflated by the perpetuity formula used for the Terminal Value, can result in a permanent capital loss since they may not materialize. It is much more prudent to find our value in the present.

Pro-Dex, Inc., was incorporated in the State of Colorado. The Company with operations in Irvine, California and Beaverton, Oregon, designs and produces powered surgical and dental instruments and motion control products used in the medical, factory automation and scientific research industries. The Company's products are found in hospitals, dental offices, medical engineering labs, commercial and military aircraft, scientific research facilities and high-tech manufacturing operations around the world. The names Micro Motors, Oregon Micro Systems, and Astronec are used for marketing purposes as brand names. The majority of its revenue is derived from designing, developing and manufacturing powered instruments for the medical and dental industries, and motion control software and hardware for industrial and scientific applications. The Company's medical device products utilize proprietary designs developed by it under exclusive design and supply agreements and are manufactured in its Irvine, California facility, as are its dental products. Its medical device products are sold mainly to original equipment manufacturers and its dental products are sold mainly to dental product distributors. In its Beaverton, Oregon facility, it design and manufacture embedded multi-axis motion controllers which are sold to distributors or original equipment manufacturers in the automation or research industries. The Company competes in all of its markets with other major medical device and motion control related companies. As a provider of outsourced services, it also competes with its customers' own internal development and manufacturing groups. The manufacture and distribution of medical and dental devices are subject to state and federal requirements set forth by various agencies including state dental boards and the U.S. Food and Drug Administration.

<b>Company Name:</b>		<b>Pro-Dex</b>			<b>Income Statement</b>	
Ticker Symbol:	PDEX	Market Capitalization:	\$6,384,000.00	Revenue:	\$13,180,000.00	100.0%
Last Price:	\$1.90	Total Debt:	\$0.00	Cost of Goods Sold:	\$7,760,000.00	58.9%
Net Cash/Share:	\$0.76	Total Cash:	\$2,550,000.00	Gross Profit:	\$5,420,000.00	41.1%
Net Cash to Last Price:	39.94%	Net Cash/(Debt):	\$2,550,000.00	EBITDA:	-\$1,480,000.00	-11.2%
Shares Outstanding:	3,360,000	Enterprise Value:	\$3,834,000.00	Net Income:	-\$1,620,000.00	-12.3%
Industry:	Medical Instruments & Supplies	Current EV/Share:	\$1.14			
Sector:	Healthcare	EBITDA:	-\$710,000.00	<b>Balance Sheet</b>		
Institutional Ownership:	14.78%	EV/EBITDA Multiple:	-5.40	Cash:	\$2,550,000.00	
Mutual Fund Ownership:	0.14%	EV/EBITDA Multiple Average Year 1-5:	-3.56	Short Term Investment:	\$0.00	
Insider Ownership:	84.21%	EV/FCF Multiple (excluding acquisition):	-13.22	A/R:	\$1,600,000.00	
Retail Ownership:	-98.42%	EV/FCF Multiple Average Year 1-5 (excluding acquisition):	-2.50	PP&E:	\$3,000,000.00	
Float:	0.71%			Assets:	\$11,810,000.00	
		<b>Upper Range</b>		A/P:	\$700,000.00	
		<b>DCF: EV/EBITDA Terminal Value</b>		Deferred Tax:	\$110,000.00	
		Implied TV from 3 X EV/EBITDA Multiple	-\$5,178,000.00	Other Liabilities:	\$1,210,000.00	
		Enterprise Value	-\$5,178,000.00	Short term Debt:	\$0.00	
		Cash at Year 5:	-\$5,124,500.00	Long Term Debt:	\$0.00	
		Debt at Year 5:	\$0.00	Liabilities:	\$2,020,000.00	
		Equity Value Year 5:	-\$10,302,500.00	Retained Earnings:	-\$7,000,000.00	
		<b>Equity/Share at Year 5:</b>	<b>-\$3.07</b>	Paid-In Capital:	\$16,850,000.00	
		Annualized Return:	-210.04%	Treasury Stock:	\$0.00	
				Stockholder's Equity:	\$9,850,000.00	
		<b>Lower Range</b>		<b>Cash Flow</b>		
		<b>DCF: Net Tangible Asset excluding Cash/Debt Terminal Value</b>		Net Income:	-880,000.00	
		Year 5 Net Tangible Assets excluding cash and debt	\$2,940,000.00	Depreciation/Amortization:	650,000.00	
		Enterprise Value	\$2,940,000.00	Change in Working capital:	160,000.00	
		Cash at Year 5:	-\$5,124,500.00	Cash from Operating Activities:	40,000.00	
		Debt at Year 5:	\$0.00	Capital Expenditures:	-340,000.00	
		Equity Value Year 5:	-\$2,184,500.00	Cash from Investing Activities:	-260,000.00	
		<b>Equity/Share at Year 5:</b>	<b>-\$0.65</b>	Total Cash Dividends Paid:	0.00	
		Annualized Return:	-180.70%	Issuance (Retirement) of Stock:	-10,000.00	
				Issuance (Retirement) of Debt:	-360,000.00	
		<b>EVA</b>		Cash from Financing Activities:	-360,000.00	
		EVA today:	\$7,906,020.55			
		EVA in 5 Years:	\$29,445.24	<b>Profitability Margins</b>		
		EVA/Share:	\$0.01	Debt to Equity:	0.00%	
		Cash at Year 5:	-\$5,124,500.00	Return on Assets:	-8.13%	
		Debt at Year 5:	\$0.00	Return on Capital:	-9.75%	
		Equity Value Year 5:	-\$5,095,054.76	Return on Equity:	-9.75%	
		<b>Equity/Share at Year 5:</b>	<b>-\$1.52</b>			
		Annualized return	<b>-67.33%</b>			
		<b>Current Net Tangible Asset</b>				
		<b>Net Tangible Asset/Share:</b>	<b>\$2.91</b>			
		<b>Net Tangible Asset/Share in Year 5:</b>	<b>\$0.41</b>			
		Annualized return	-32.56%			
		Average EV to EBITDA:	N/A			
		Company EV to EBITDA:	-5.40			
		Average EV to EBIT:	N/A			
		Company EV to EBITA:	-2.82			
		Current Equity Price:	\$1.90			
		Selling at Discount?	Discount			
		Appreciation Potential:	53.35%			



SN VALUATION

LBO Pro Forma Income Statement

Name:

Pro-Dex

Ticker:

PDEX

	Historical				Forecasted				
	12 months ending 2009-06-30	12 months ending 2010-06-30	12 months ending 2011-06-30	12 months ending 2012-06-30	2013	2014	2015	2016	2017
Revenue	21.12	23.21	24.06	17.26	17.26	17.26	17.26	17.26	17.26
COGS	14.37	14.85	13.92	11.84	12.08	12.08	12.08	12.08	12.08
Gross margin	6.75	8.36	10.14	5.42	5.18	5.18	5.18	5.18	5.18
SG&A	4.45	4.67	4.77	4.71	4.83	4.83	4.83	4.83	4.83
R&D	2.79	2.48	1.89	2.07	2.07	2.07	2.07	2.07	2.07
Unusual expense	1.00	4.44	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other operating expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation is: Included within COGS					0.00	0.00	0.00	0.00	0.00
Operating Income (EBITA)	-1.49	-3.23	3.48	-1.36	-1.73	-1.73	-1.73	-1.73	-1.73
Interest income/(expense)	-0.22	-0.20	-0.15	-0.04	0.04	0.04	0.04	0.04	0.04
Gain (loss) on sale of asset	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.01	0.04	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income before tax	-1.70	-3.39	3.33	-1.40	-1.68	-1.68	-1.68	-1.68	-1.68
Tax	1.15	-0.42	0.53	-0.44	0.00	0.00	0.00	0.00	0.00
Income after tax	-2.85	-2.97	2.80	-0.96	-1.68	-1.68	-1.68	-1.68	-1.68
Minority Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Equity in affiliates	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net income	-2.85	-2.97	2.80	-0.96	-1.68	-1.68	-1.68	-1.68	-1.68
*Figures are in millions (\$)									
EPS (based off today's share count)	-\$0.85	-\$0.88	\$0.83	-\$0.29	-\$0.50	-\$0.50	-\$0.50	-\$0.50	-\$0.50
P/E (historical today's price; forecasted intrinsic price)	-2.24	-2.15	2.28	-6.65	2.90	-2.22	1.70	-1.30	1.00
Revenue Growth	N/A	9.90%	3.66%	-28.26%	0.00%	0.00%	0.00%	0.00%	0.00%
Tax Rate	-67.65%	12.39%	15.92%	31.43%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	-6.61%	-6.92%	-13.27%	-5.19%	NA	NA	NA	NA	NA
Margins									
COGS	68.04%	63.98%	57.86%	68.60%	70.00%	70.00%	70.00%	70.00%	70.00%
Gross margin	31.96%	36.02%	42.14%	31.40%	30.00%	30.00%	30.00%	30.00%	30.00%
SG&A	21.07%	20.12%	19.83%	27.29%	28.00%	28.00%	28.00%	28.00%	28.00%
R&D	13.21%	10.69%	7.86%	11.99%	12.00%	12.00%	12.00%	12.00%	12.00%
Unusual expense	4.73%	19.13%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other operating expense	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation is: Included within COGS	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Operating Income (EBITA)	-7.05%	-13.92%	14.46%	-7.88%	-10.00%	-10.00%	-10.00%	-10.00%	-10.00%
Interest income/(expense)	-1.04%	-0.86%	-0.23%	-0.23%	0.24%	0.24%	0.24%	0.24%	0.24%
Gain (loss) on sale of asset	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other	0.05%	0.17%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	-8.05%	-14.61%	13.84%	-8.11%	-9.76%	-9.76%	-9.76%	-9.76%	-9.76%
Tax	5.45%	-1.81%	2.20%	-2.55%	0.00%	0.00%	0.00%	0.00%	0.00%
Income after tax	-13.49%	-12.80%	11.64%	-5.56%	-9.76%	-9.76%	-9.76%	-9.76%	-9.76%
Minority Interest	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Equity in affiliates	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net income	-13.49%	-12.80%	11.64%	-5.56%	-9.76%	-9.76%	-9.76%	-9.76%	-9.76%

	As of 2009-06-30	As of 2010-06-30	As of 2011-06-30	As of 2012-06-30	Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
					+	-						
Cash	1.12	3.79	4.69	4.11	2.55		2.55	1.02	-0.52	-2.05	-3.59	-5.12
Short term investment	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
<b>Cash and Short term</b>	<b>1.12</b>	<b>3.79</b>	<b>4.69</b>	<b>4.11</b>	<b>2.55</b>		<b>2.55</b>	<b>1.02</b>	<b>-0.52</b>	<b>-2.05</b>	<b>-3.59</b>	<b>-5.12</b>
Accounts Receivable	2.52	2.68	3.13	1.58	1.60		1.60	1.60	1.60	1.60	1.60	1.60
Other receivables	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Receivables</b>	<b>2.52</b>	<b>2.68</b>	<b>3.13</b>	<b>1.58</b>	<b>1.60</b>		<b>1.60</b>	<b>1.60</b>	<b>1.60</b>	<b>1.60</b>	<b>1.60</b>	<b>1.60</b>
Total Inventory	3.37	3.23	3.70	2.79	3.52		3.52	3.52	3.52	3.52	3.52	3.52
Prepaid Expenses	0.23	0.17	0.14	0.17	0.24		0.24	0.24	0.24	0.24	0.24	0.24
Other Current Assets	0.00	0.21	0.16	0.11	0.11		0.11	0.11	0.11	0.11	0.11	0.11
<b>Current Assets</b>	<b>7.24</b>	<b>10.08</b>	<b>11.82</b>	<b>8.76</b>	<b>8.02</b>	<b>0.00</b>	<b>8.02</b>	<b>6.49</b>	<b>4.95</b>	<b>3.42</b>	<b>1.88</b>	<b>0.35</b>
PP&E, Gross	11.13	9.95	10.20	0.00	10.00		10.00	10.50	11.00	11.50	12.00	12.50
Change in Depreciation	0.81	0.73	0.70	0.65	0.65		0.65	0.65	0.65	0.65	0.65	0.65
Accumulated Depreciation	5.15	5.86	6.54	0.00	7.00		7.00	7.65	8.30	8.95	9.60	10.25
<b>PP&amp;E, Net</b>	<b>5.98</b>	<b>4.09</b>	<b>3.66</b>	<b>0.00</b>	<b>3.00</b>		<b>3.00</b>	<b>2.85</b>	<b>2.70</b>	<b>2.55</b>	<b>2.40</b>	<b>2.25</b>
Goodwill	3.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Intangibles	0.15	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Long term investments	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Other long term assets	0.09	0.08	0.06	0.79	0.79		0.79	0.79	0.79	0.79	0.79	0.79
<b>Long Term Assets</b>	<b>9.22</b>	<b>4.17</b>	<b>3.72</b>	<b>0.79</b>	<b>3.79</b>		<b>3.79</b>	<b>3.64</b>	<b>3.49</b>	<b>3.34</b>	<b>3.19</b>	<b>3.04</b>
<b>Total Assets</b>	<b>16.46</b>	<b>14.25</b>	<b>15.54</b>	<b>9.55</b>	<b>11.81</b>	<b>0.00</b>	<b>11.81</b>	<b>10.13</b>	<b>8.44</b>	<b>6.76</b>	<b>5.07</b>	<b>3.39</b>
Accounts Payable	0.83	1.28	1.21	0.63	0.70		0.70	0.70	0.70	0.70	0.70	0.70
Accrued Expense	1.39	1.95	2.38	1.43	1.40		1.40	1.40	1.40	1.40	1.40	1.40
Other current Liabilities	0.05	0.08	0.08	0.05	0.05		0.05	0.05	0.05	0.05	0.05	0.05
<b>Total Current Liabilities</b>	<b>2.27</b>	<b>3.31</b>	<b>3.67</b>	<b>2.11</b>	<b>2.15</b>	<b>0.00</b>	<b>2.15</b>	<b>2.15</b>	<b>2.15</b>	<b>2.15</b>	<b>2.15</b>	<b>2.15</b>
Notes Payables/Short Term Debt	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Current port. Of LT Debt/Capital Leases	0.43	0.43	0.36	0.77	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Long term Debt	2.90	2.46	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Lease Obligations	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Interest Earning Debt</b>	<b>3.33</b>	<b>2.89</b>	<b>1.13</b>	<b>0.77</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Deferred Income tax	0.17	0.21	0.16	0.11	0.11		0.11	0.11	0.11	0.11	0.11	0.11
Minority Interest	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Other liabilities	0.21	0.26	0.28	0.28	-0.24		-0.24	-0.24	-0.24	-0.24	-0.24	-0.24
<b>Total Liabilities</b>	<b>5.98</b>	<b>6.67</b>	<b>5.24</b>	<b>3.27</b>	<b>2.02</b>	<b>0.00</b>	<b>2.02</b>	<b>2.02</b>	<b>2.02</b>	<b>2.02</b>	<b>2.02</b>	<b>2.02</b>
Redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Non-redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Common Stock	16.57	16.68	16.74	16.85	16.85	0.00	16.85	16.85	16.85	16.85	16.85	16.85
Additional Paid-in capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividends Paid	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Retained Earnings	-6.09	-9.06	-6.42	-7.30	-7.00		-7.00	-8.68	-10.37	-12.05	-13.74	-15.42
Treasury Stock	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Other Equity	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Equity</b>	<b>10.48</b>	<b>7.62</b>	<b>10.32</b>	<b>9.55</b>	<b>9.85</b>	<b>0.00</b>	<b>9.85</b>	<b>8.17</b>	<b>6.48</b>	<b>4.80</b>	<b>3.11</b>	<b>1.43</b>
<b>Liability + Equity</b>	<b>16.46</b>	<b>14.29</b>	<b>15.56</b>	<b>12.82</b>	<b>11.87</b>	<b>0.00</b>	<b>11.87</b>	<b>10.19</b>	<b>8.50</b>	<b>6.82</b>	<b>5.13</b>	<b>3.45</b>
<b>Variance</b>	0.00	-0.04	-0.02	-3.27	-0.06		-0.06	-0.06	-0.06	-0.06	-0.06	-0.06
<b>Debt/Equity</b>	0.32	0.38	0.11	0.08	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Inventory Turnover	6.27	7.19	6.50	6.19	4.90		4.90	4.90	4.90	4.90	4.90	4.90
Inventory Turnover Days	58.24	50.79	56.13	59.00	74.44		74.44	74.44	74.44	74.44	74.44	74.44
Days Inventory Outstanding	85.60	79.39	97.02	86.01	106.34		108.51	106.34	106.34	106.34	106.34	106.34
Accounts Receivable Turnover	8.38	8.66	7.69	10.92	10.79		10.79	10.79	10.79	10.79	10.79	10.79
Accounts Receivable Turnover Days	43.55	42.15	47.48	33.41	33.84		33.84	33.84	33.84	33.84	33.84	33.84
Days Payable Outstanding	21.08	31.46	31.73	19.42	21.15		21.58	21.15	21.15	21.15	21.15	21.15
Days Sales Outstanding	43.55	42.15	47.48	33.41	33.84		33.41	33.84	33.84	33.84	33.84	33.84
Cash Conversion Cycle	108.07	90.07	112.77	100.00	119.03		120.35	119.03	119.03	119.03	119.03	119.03
Net tangible assets/share	\$2.18	\$2.27	\$3.07	\$2.84	\$2.93		\$2.43	\$1.93	\$1.43	\$0.93	\$0.43	\$0.42

	12 months ending 2009-06-30	12 months ending 2010-06-30	12 months ending 2011-06-30	12 months ending 2012-06-30	2011	2012	2013	2014	2015
Net Income	-2.85	-2.97	2.64	-0.88	-1.68	-1.68	-1.68	-1.68	-1.68
Depreciation	0.81	0.73	0.70	0.65	0.65	0.65	0.65	0.65	0.65
<b>Net Income + Depreciation</b>	<b>-2.04</b>	<b>-2.24</b>	<b>3.34</b>	<b>-0.23</b>	<b>-1.03</b>	<b>-1.03</b>	<b>-1.03</b>	<b>-1.03</b>	<b>-1.03</b>
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	1.06	-0.09	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Non Cash Items	1.10	4.52	0.03	0.12	0.00	0.00	0.00	0.00	0.00
Change in Working capital	1.60	1.05	-0.46	0.16	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	-0.16	-0.45	1.55	0.00	0.00	0.00	0.00	0.00
Other Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	0.00	0.14	-0.47	0.91	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	0.06	0.03	-0.03	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	0.45	-0.07	-0.58	0.00	0.00	0.00	0.00	0.00
<b>Cash from Operating Activities</b>	<b>1.72</b>	<b>3.24</b>	<b>2.91</b>	<b>0.05</b>	<b>-1.03</b>	<b>-1.03</b>	<b>-1.03</b>	<b>-1.03</b>	<b>-1.03</b>
Capital Expenditures Expenditures	-0.27	-0.14	-0.27	-0.34	-0.50	-0.50	-0.50	-0.50	-0.50
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	0.00	0.00	0.00	0.08	0.00	0.00	0.00	0.00	0.00
<b>Cash from Investing Activities</b>	<b>-0.27</b>	<b>-0.14</b>	<b>-0.27</b>	<b>-0.26</b>	<b>-0.50</b>	<b>-0.50</b>	<b>-0.50</b>	<b>-0.50</b>	<b>-0.50</b>
Financing Cash flow items	-0.04	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	-0.14	0.00	0.03	-0.01	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Current Portion Debt	-	-	-	-	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Long Term Debt	-0.66	-0.43	-1.76	-0.36	0.00	0.00	0.00	0.00	0.00
<b>Cash from Financing Activities</b>	<b>-0.84</b>	<b>-0.43</b>	<b>-1.73</b>	<b>-0.37</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Foreign Exchange effect	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	0.51	1.12	3.79	4.69	2.55	1.02	-0.52	-2.05	-3.59
<b>Net Change in Cash</b>	<b>0.61</b>	<b>2.67</b>	<b>0.90</b>	<b>-0.58</b>	<b>-1.53</b>	<b>-1.53</b>	<b>-1.53</b>	<b>-1.53</b>	<b>-1.53</b>
Ending Cash Balance	1.12	3.79	4.69	4.11	1.02	-0.52	-2.05	-3.59	-5.12
Capex to Revenue	1.28%	0.60%	1.12%	1.97%	2.90%	2.90%	2.90%	2.90%	2.90%
Depreciation to Sales	3.84%	3.15%	2.91%	3.77%	3.77%	3.77%	3.77%	3.77%	3.77%
Amortization to Sales	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
A/R to Sales	11.93%	11.55%	13.01%	9.15%	9.15%	9.15%	9.15%	9.15%	9.15%
Distributable FCF/EV Yield	37.82%	80.86%	68.86%	-5.48%	-40.03%	-40.03%	-40.03%	-40.03%	-40.03%
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing)	1.45	3.10	2.64	-0.29	-1.53	-1.53	-1.53	-1.53	-1.53

# SN VALUATION

# LBO Debt Schedule

Ticker:

PDEX

	Proforma	2013	2014	2015	2016	2017
<b>Net Change in Cash</b>	<b>-0.58</b>	<b>-1.53</b>	<b>-1.53</b>	<b>-1.53</b>	<b>-1.53</b>	<b>-1.53</b>
Current Portion Debt Repayment						
Long Term Debt Repayment						
<b>Outstanding Debt</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Current Portion Debt Balance	0.00	0.00	0.00	0.00	0.00	0.00
Long Term Debt Balance	0.00	0.00	0.00	0.00	0.00	0.00
Forward Libor Curve		3.00%	3.00%	3.00%	3.00%	3.00%
Spread		4.00%	4.00%	4.00%	4.00%	4.00%
<b>Interest Rate</b>		<b>7.00%</b>	<b>7.00%</b>	<b>7.00%</b>	<b>7.00%</b>	<b>7.00%</b>
<b>Interest Expense</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Cash Balance		4.11				
Interest @ 1.0%		0.04	0.04	0.04	0.04	0.04
<b>Net Interest Expense/(Income)</b>		<b>(0.04)</b>	<b>(0.04)</b>	<b>(0.04)</b>	<b>(0.04)</b>	<b>(0.04)</b>
<b>Net Interest Rate</b>		<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>
EBITDA		(1.73)	(1.73)	(1.73)	(1.73)	(1.73)
<b>EBITDA/Interest Expense Coverage</b>		<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>

Interest Rate Coverage Table

Debt Rating	2013	2014	2015	2016	2017
AAA	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
AA	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
A+	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
A	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
A-	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
BBB	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
BB+	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
BB	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
B+	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
B	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
B-	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
CCC	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
CC	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
C	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
D	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

\*Source: NYU; Professor Damodaran

## Altman Z Score

Company Name:

Pro-Dex

Ticker:

PDEX

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	4.97	6.77	8.15	5.87	4.34	2.80	1.27	-0.27	-1.80
Total Assets	16.46	14.25	15.54	11.81	10.13	8.44	6.76	5.07	3.39
<b>X1</b>	<b>0.30</b>	<b>0.48</b>	<b>0.52</b>	<b>0.50</b>	<b>0.43</b>	<b>0.33</b>	<b>0.19</b>	<b>-0.05</b>	<b>-0.53</b>
Retained Earnings	-6.09	-9.06	-6.42	-7.00	-8.68	-10.37	-12.05	-13.74	-15.42
Total Assets	16.46	14.25	15.54	11.81	10.13	8.44	6.76	5.07	3.39
<b>X2</b>	<b>-0.37</b>	<b>-0.64</b>	<b>-0.41</b>	<b>-0.59</b>	<b>-0.86</b>	<b>-1.23</b>	<b>-1.78</b>	<b>-2.71</b>	<b>-4.56</b>
EBITDA	-1.49	-3.23	3.48	-1.36	-1.73	-1.73	-1.73	-1.73	-1.73
Total Assets	16.46	14.25	15.54	11.81	10.13	8.44	6.76	5.07	3.39
<b>X3</b>	<b>-0.09</b>	<b>-0.23</b>	<b>0.22</b>	<b>-0.12</b>	<b>-0.17</b>	<b>-0.20</b>	<b>-0.26</b>	<b>-0.34</b>	<b>-0.51</b>
Market Value of Equity	6.38	6.38	6.38	6.38	-4.89	3.74	-2.86	2.19	-1.68
Total Liabilities	5.98	6.67	5.24	2.02	2.02	2.02	2.02	2.02	2.02
<b>X4</b>	<b>1.07</b>	<b>0.96</b>	<b>1.22</b>	<b>3.16</b>	<b>-2.42</b>	<b>1.85</b>	<b>-1.42</b>	<b>1.09</b>	<b>-0.83</b>
Net Sales	21.12	23.21	24.06	17.26	17.26	17.26	17.26	17.26	17.26
Total Assets	16.46	14.25	15.54	11.81	10.13	8.44	6.76	5.07	3.39
<b>X5</b>	<b>1.28</b>	<b>1.63</b>	<b>1.55</b>	<b>1.46</b>	<b>1.70</b>	<b>2.04</b>	<b>2.56</b>	<b>3.40</b>	<b>5.10</b>
<b>Altman Z Score</b>	<b>1.47</b>	<b>1.14</b>	<b>3.07</b>	<b>2.74</b>	<b>-1.00</b>	<b>1.16</b>	<b>-1.41</b>	<b>-0.93</b>	<b>-4.10</b>

$$Z = 1.2 \times X1 + 1.4 \times X2 + 3.3 \times X3 + 0.6 \times X4 + 1.0 \times X5$$

Z-SCORE ABOVE 3.0 –The company is considered 'Safe' based on the financial figures only.

Blue

Z-SCORE BETWEEN 2.7 and 2.99 – 'On Alert'. This zone is an area where one should 'Exercise Caution'.

Green

Z-SCORE BETWEEN 1.8 and 2.7 – Good chance of the company going bankrupt within 2 years.

Yellow

Z-SCORE BELOW 1.80- Probability of Financial Catastrophe is Very High.

Red



Year	Present Value	Holding Period					Terminal Value			Sale Price
	0	1	2	3	4	5	6	7	8	TBV at Year 5 + 3 Years FCF
<b>Tangible Book Value</b>	9.85	8.17	6.48	4.80	3.11	1.43				1.43
Annual Change		(1.68)	(1.68)	(1.68)	(1.68)	(1.68)				
<b>Annual FCF</b>	(0.29)	(1.53)	(1.53)	(1.53)	(1.53)	(1.53)	(1.53)	(1.53)	(1.53)	(4.60)
Annual Op. Cash Flow	0.05	(1.03)	(1.03)	(1.03)	(1.03)	(1.03)	(1.03)	(1.03)	(1.03)	
Annual PP&E Investment	(0.34)	(0.50)	(0.50)	(0.50)	(0.50)	(0.50)	(0.50)	(0.50)	(0.50)	
<b>Today's Tangible Book Value</b>	9.85	6.69	4.55	3.09	2.10	1.43				(3.18)
Intrinsic Value IRR	-32.06%									
<b>Market Price</b>	6.38	-5.55	4.83	-4.20	3.65	-3.18				(3.18)
Market Price IRR	-186.99%									

Debt	50.00%	3.19
Equity	50.00%	3.19
<b>Total</b>	<b>100.00%</b>	<b>6.38</b>

	Present Value	Holding Period					Terminal Value			Sale Price	
	Historic	ProForma	1	2	3	4	5	6	7	8	
Book Equity	9.85	3.19	1.24	(0.71)	(2.66)	(4.61)	(6.56)				
Goodwill	0	(3.47)	(3.47)	(3.47)	(3.47)	(3.47)	(3.47)				
Debt	0	3.19	3.19	3.19	3.19	3.19	3.19				
Debt Interest Rate		7.00%	7.00%	7.00%	7.00%	7.00%	7.00%				
Additional Interest Expense		0.26	0.26	0.26	0.26	0.26					
<b>Tangible Book Value</b>	9.85	6.66	4.71	2.76	0.81	-1.14	-3.09				-3.09
Annual Change			-1.95	-1.95	-1.95	-1.95	-1.95				
<b>Annual FCF</b>	(0.29)		(1.80)	(1.80)	(1.80)	(1.80)	(1.80)	(1.80)	(1.80)	(1.80)	(5.40)
Annual Net Income	(0.96)		(1.95)	(1.95)	(1.95)	(1.95)	(1.95)	(1.95)	(1.95)	(1.95)	
<b>Annual Op. Cash Flow</b>	0.05		(1.30)	(1.30)	(1.30)	(1.30)	(1.30)	(1.30)	(1.30)	(1.30)	
Dividend Payments											
<b>Annual PP&amp;E Investment</b>	(0.34)		(0.50)	(0.50)	(0.50)	(0.50)	(0.50)	(0.50)	(0.50)	(0.50)	
Debt Paydown	0.00							0.00	0.00	0.00	
<b>Sale Price in Year 5</b>											(3.48)
<b>Remaining Debt Balance</b>											3.19
<b>Capital Left for Equity Investor</b>											(11.68)
Dividend Payments											0.00
<b>Total Cash In Flow</b>											(11.68)
<b>Invested Equity</b>	3.19	-4.14	5.36	-6.95	9.01	-11.68					
IRR	-229.62%										

Value Creation

TBV Growth (equals sum of NI Year 1-5)	-9.75
Cash Flow (Year 6-8)	-5.40
	<b>-15.15</b>

Value Dilution

Debt	3.19
Goodwill	-3.47
Additional Interest	1.32
	<b>1.05</b>