SIGNET ENGINEERING LTD.

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Estimate of Percentage Change of Materials and Labor For CATV Plant
From July 1, 2007 to June 30, 2008

Introduction

A) Methods Used For 2003 – 2004 Estimates

The July 1, 2003 pricing was not known since the last comprehensive cost analysis was done for July 1, 2001; however, some coaxial cable pricing was available for July 8, 2003.

The known 2003 coaxial cable pricing was compared to the known 2001 pricing and the difference compared with the US/Canadian exchange rate for the period.

The exchange rate used in the 2001 model was 1.5145 and the July 8, 2003 exchange rate was 1.3644, which indicated a 10% reduction of costs.

The actual average costs indicate a 9% reduction over the same period, which is evidence that the exchange rate is a good indicator for materials costing.

Since there was good correlation between actual pricing and the exchange rate it was decided to use the exchange rates for estimating the materials cost change for July of 2004.

The July 2, 2004 exchange rate was 1.3242, which equates to an approximate 3% reduction compared to July 8, 2003 and the 3% reduction was used to determine 2004 materials costs.

The labor costs over the 2003 to 2004 period were obtained from discussions with a cable contractor and was found to have increased by about 6.5%

B) Methods Used For The 2004 – 2005 Estimates

Using the data for the 2003 – 2004 percent changes and the 2001 labor and materials percentages, the estimated 2004 materials and labor percentages were calculated.

The exchange rate on July 4, 2005 was 1.2405, therefore, there was a 6.3% reduction compared with the July 2, 2004 exchange rate of 1.3242.

Assuming that there still is a good correlation between the cost of materials and the US/Canadian exchange rate, the cost of materials has been estimated to have decreased by 6.3% over the past year.

The labor cost increases over the 2004 – 2005 period was obtained from the same cable contractor contacted in 2004. The contractor was found to have increased rates by about 8% over the past year. These cost increases were largely due to increased wages to attract new staff and retain experienced staff in the competitive Alberta labor market and to offset rising fuel costs.

C) Methods Used For The July 4, 2005 to June 30, 2006 Estimates

Using the data for the 2004 – 2005 percent changes and the 2001 labor and materials percentages, the estimated 2005 materials and labor percentages were calculated.

The exchange rate on June 30, 2006 was 1.1162, therefore, there was a 10.02% reduction compared with the July 4, 2005 exchange rate of 1.2405.

Assuming that there still is a good correlation between the cost of materials and the US/Canadian exchange rate, the cost of materials has been estimated to have decreased by 10.02% over the period from July 4, 2005 to June 30, 2006.

The labor cost increases over this same period was obtained from the same cable contractor contacted in 2004 and 2005. The contractor was found to have increased rates by about 9.64% over this period. These cost increases were largely due to increased wages to attract new staff and retain experienced staff in the competitive Alberta labor market and to offset rising fuel costs.

D) Methods Used For The July 1, 2006 to June 30, 2007 Estimates

Using the data for the 2005 – 2006 percent changes and the 2001 labor and materials percentages, the estimated 2006 materials and labor percentages were calculated.

The exchange rate on June 30, 2007 was 1.0634, therefore, there was a 4.73% reduction compared with the July 1, 2006 exchange rate of 1.1162.

Assuming that there still is a good correlation between the cost of materials and the US/Canadian exchange rate, the cost of materials has been estimated to have decreased by 4.73% over the period from July 1, 2006 to June 30, 2007.

The labor cost increases over this same period was obtained from the same cable contractor contacted in 2004, 2005 and 2006. The contractor was found to have increased rates by about 4.5% over this period. These cost increases were largely due to increased wages to attract new staff and retain experienced staff in the competitive Alberta labor market and to offset changes in fuel costs.

E) Methods Used For The July 1, 2007 to June 30, 2008 Estimates

Using the data for the 2006 – 2007 percent changes and the 2001 labor and materials percentages, the estimated 2007 materials and labor percentages were calculated.

The exchange rate on June 30, 2008 was 1.0197, therefore, there was a 4.11% reduction compared with the July 1, 2007 exchange rate of 1.0634.

Assuming that there still is a good correlation between the cost of materials and the US/Canadian exchange rate, the cost of materials has been estimated to have decreased by 4.11% over the period from July 1, 2007 to June 30, 2008.

The labor cost increases over this same period was obtained from the same cable contractor contacted in 2004, 2005, 2006 and 2007. The contractor was found to have increased rates by about 3.0 % over this period. These cost increases were largely due to increased wages to retain experienced staff in the competitive Alberta labor market and to offset increases in fuel costs and cost-of-living expenses.

Analysis

The following items were calculated from the 2001 CATV asset model and modified as shown to reflect the estimated percent change of costs for the 2006 to 2007 period and extended to June 30, 2008.

The percent Labor and percent Materials were obtained from the 2001 CATV asset model and was assumed to be valid for the 2003 to 2007 time period. This data was modified to reflect the estimated cost adjustments for the June 30, 2008 study.

The June 30, 2008 estimates for percent change in the Cost Per KM are shown below and are calculated using the same methods and assumption used for the 2003 – 2007 analysis.

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500 P3 Distribution (550 Mhz)

	Estimated 2007 % Labor	Estimated 2007 % Materials	% Change Labor	% Change Materials	Estimated June 30, 2008 % Change Cost Per KM
2-Way Aerial Plant	56.68	43.32	3.00	-4.11	-0.08
2-Way Joint Use	81.91	18.09	3.00	-4.11	1.71

750 P3 Trunking (550 Mhz)

	Estimated 2007 % Labor	Estimated 2007 % Materials	% Change Labor	% Change Materials	Estimated June 30, 2008 % Change Cost Per KM
2-Way Aerial Plant	16.81	83.19	3.00	-4.11	-2.92
2-Way Joint Use	55.80	44.20	3.00	-4.11	-0.14

4 Fiber Cable

	Estimated 2007 % Labor	Estimated 2007 % Materials	% Change Labor	% Change Materials	Estimated June 30, 2008 % Change Cost Per KM
2-Way Aerial Plant	37.97	62.03	3.00	-4.11	-1.41
2-Way Joint Use	78.94	21.06	3.00	-4.11	1.50

Subscriber Drops

	Estimated 2007 % Labor	Estimated 2007 % Materials	% Change Labor	% Change Materials	Estimated June 30, 2008 % Change Cost Per Drop
Aerial	48.89	51.11	3.00	-4.11	- 0.63
Underground	91.86	8.14	3.00	-4.11	2.42

Headend

	Estimated 2007 % Labor	Estimated 2007 % Materials	% Change Labor	% Change Materials	Estimated June 30, 2008 % Change Cost Per Channel
	N/A	N/A	N/A	-4.11	-4.11

It should be noted that the 2003 – 2004, 2004 – 2005, 2005 – 2006, 2006 - 2007 and the June 30, 2008 cost change studies are simplistic in nature and should only be used as a rough guide for estimating the cost changes over these time periods.

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