

### **Intellectual Capital Index Survey Methodology**

The Talent Growth Advisors' (TGA) Intellectual Capital Index (ICI) was calculated for stocks included in the Dow Jones Industrial Average (DJIA) based on research conducted of annual reports (form 10K) filed by each company with the Securities and Exchange Commission for the fiscal year 2015. The ICI measures the market value of a company above and beyond tangible assets, including internally developed brands, patents, technologies and other intangible assets not recorded on the company's books (per current accounting rules) as well as those on the books acquired through purchase.

TGA developed an algorithm that calculates the difference between the Enterprise Value and Adjusted Book Value of each company and adds the value of booked trademarks, goodwill and other intangible assets. The result is expressed as a ratio of Enterprise Value to produce the ICI amount.

Five of the DJIA stocks (petroleum: Exxon and Chevron and financial: Goldman Sachs, J.P. Morgan Chase, Travelers) were excluded from the study. The accounting rules for these businesses are distinct due to the nature of the asset categories (oil and money) they trade in and do not allow for comparable and accurate analysis. The specific stocks included in the TGA analysis of the DJIA are:

3M	Johnson & Johnson
American Express	McDonald's
Apple	Merck
Boeing	Microsoft
Caterpillar	Nike
Cisco	Pfizer
Coca-Cola	Procter & Gamble
Disney	United Technologies
DuPont	United Health
General Electric	Verizon
Home Depot	Visa
IBM	Wal-Mart
Intel	

While all five of the prominent companies excluded from the study (Exxon, Chevron, Goldman Sachs, J.P. Morgan Chase and Travelers) employ highly qualified talent, the accounting nature of their businesses is distinct from the others because:

- Petroleum enterprise valuation relies materially on the assumed value of petroleum reserves. While the accounting profession and SEC require a disclosure of reserves valuation (FAS 69), the companies explicitly state in the footnote disclosure their belief that the estimates are unreliable, rendering their use of questionable value for our purposes.
- Bank and insurance financial information does not lend itself to enterprise valuation. The comingling of asset and liability groups in addition to heavy regulation on debt ratios makes this kind of analysis very arbitrary at best.
- The excluded industries are similar in the sense that their value is in managing the trade in large asset categories (the world's largest commodities – oil, and money), to which adding intellectual capital value is not a practical objective.

This excludes only about 15% of the underlying total enterprise value in the DJIA and an inconsequential amount of the intellectual capital for the reasons described above.