SIRE LINE
Capital Management

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Sire Line Capital Overview

A New York-based Registered Investment Adviser

- Fee-only Investment adviser
- We have a fiduciary responsibility to our clients
- Our clients have full online access to their accounts 24/7 to check their balance and current performance.

Two Portfolios

- Northern Dancer
- Mr. Prospector

Primary objective: To achieve the maximum long-term, after-tax total return on capital obtainable with the minimum risk of permanent loss.

Strategy: Employ a disciplined, value-oriented investment process to build a focused portfolio of high-quality companies.

Inspired by the private investment partnerships of:

- Ben Graham (The Grahar Fund)
- Warren Buffett (Buffett Partnership, Ltd.)

Sire Line Capital Overview (cont.)

Client Information			
Management Fee	1% of AUM	Minimum Investment	$15,000
Custodian Fee	0.30% of AUM	Additions	Daily
Portfolio Manager	Daren Taylor, CFA	Redemptions	Daily
Custodian/Broker	FOLIO Institutional		

Sire Line Capital Overview (cont.)

Sire Line Capital Management, LLC

- Founded in 2009
- A New York Limited Liability Company
- A New York Registered Investment Adviser

Daren Taylor, CFA — Portfolio Manager

- Past experience as Vice President and Equity Research Analyst at Oppenheimer Capital ($20+ billion in AUM) in New York. Oppenheimer Capital is a subsidiary of Allianz Global Investors ($1.3+ trillion in AUM).
- M.B.A. from Columbia Business School in New York (2003). (Studied in Bruce Greenwald's Value Investing Program.)
- B.S. in Finance and Economics from the Leonard N. Stern School of Business at NYU (2000). (Graduated with honors.)
- Chartered Financial Analyst (CFA).
- Member: CFA Institute, New York Society of Security Analysts.

Our Investment Approach

Sire Line Capital invests in outstanding businesses that…

- have strong balance sheets.
- possess a durable competitive advantage.
- consistently earn more than their cost of capital.
- generate significant cash, not consume it.
- are growing their underlying business value at an above-average rate.

The portfolio manager will only invest in businesses that:

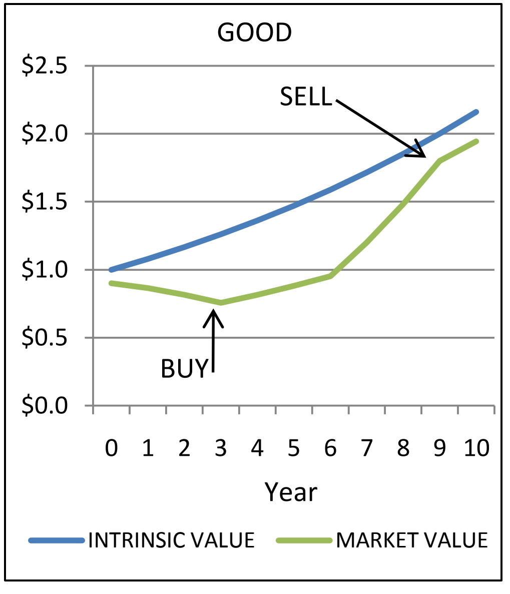
- Are simple to understand.
- Have a consistent operating history and favorable long-term prospects.
- Are managed by competent and honest managers whose interests are aligned with ours.
- Can be purchased at a significant discount to intrinsic value (Margin of Safety).

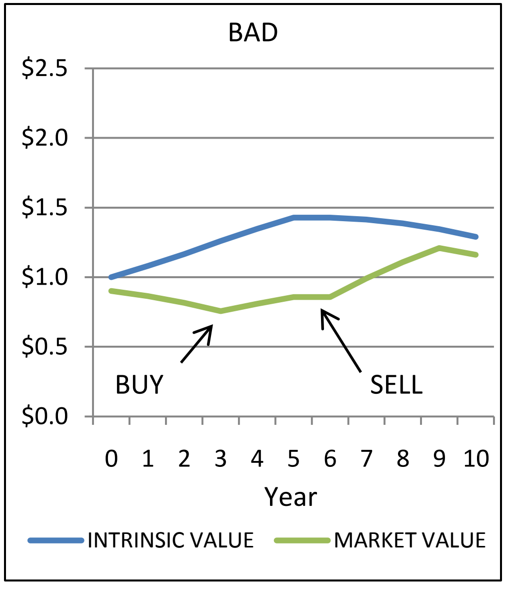
Margin of Safety

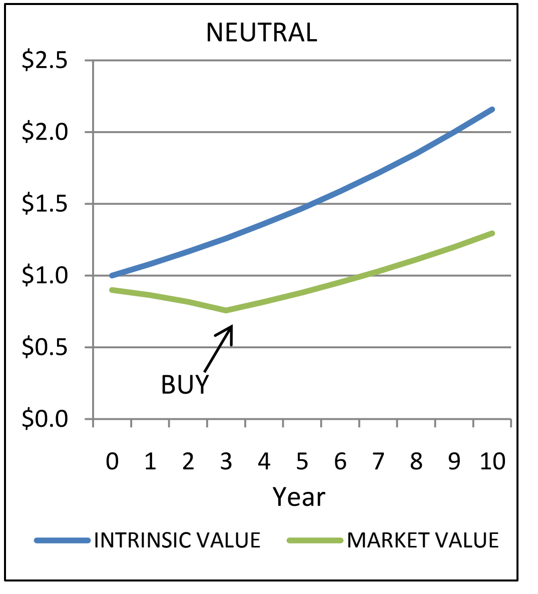
Our buy/sell discipline removes emotion from the investment process:

- Buy when market value is less than 60% of intrinsic value.
- Sell when 1) market value reaches 90% of intrinsic value, 2) business fundamentals deteriorate or 3) we find a better investment opportunity.

Scenarios	Good Case	Bad Case	Neutral Case
Growth Rate	8%	Declining	8%
Value Gap*	90%-60%-90%	90%-60%-90%	90%-60%-60%







* Value Gap is the market value as a % of intrinsic value.

A Typical Situation — Medtronic

I. Simple to understand?

- The world's largest "pure-play" medical supply company.
- Makes medical devices and systems to treat cardiac, spinal and nervous-system issues, as well as diabetes.
- Well diversified within the industry with over 150,000 products.
- 7 operating segments:

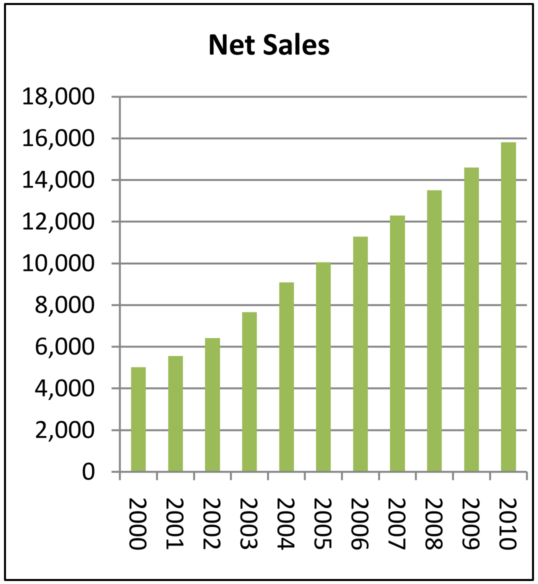
Segments:	Main Product Lines:	% of Sales
CRDM*	Pacemakers, implantable defibrillators	33%
Spinal	Core spinal, biologics	22%
Cardio Vascular	Stents, endovascular, surgical therapies	18%
Neuromodulation	Implantable neurostimulation therapies	10%
Diabetes	Insulin pumps/consumables, glucose monitoring	8%
Surgical Technologies	Ear, nose & throat, neurologic, navigation	6%
Physio-Control	External defibrillators	3%

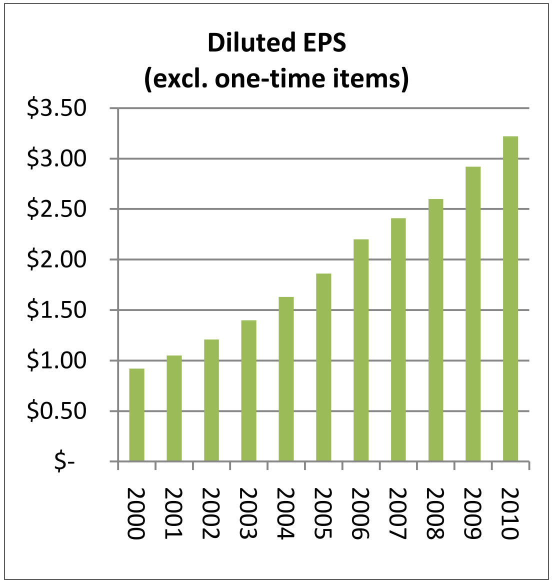
**CRDM stands for Cardio Rhythm Disease Management*

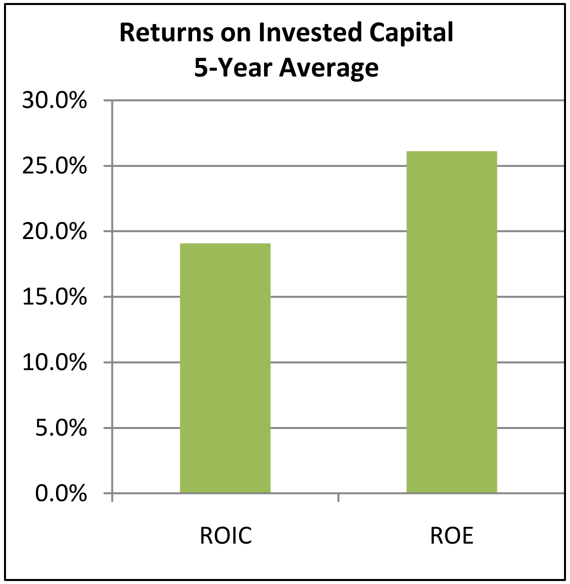
A Typical Situation — Medtronic

II. Consistent operating history/favorable long-term prospects?

- 21,000+ patents awarded.
- 100 consecutive quarters of cc revenue growth.
- 5 yr. CAGR: Sales = 9%, EPS = 12%
- Free cash flow margins ~25%.
- Attractive returns on capital







A Typical Situation — Medtronic

II. Consistent operating history/favorable long-term prospects?

- A strong research & development pipeline.
- Deepest and broadest product portfolio.
- All businesses growing double-digit internationally. (~40% of sales)
- Global population is aging.
- Largest operator in attractive markets.

Segment	MDT Market Share	Market Growth
CRDM	#1	3-6%
Spinal & Biologics	#1	7-9%
Cardio Vascular	#2	2-5%
Neuromodulation	#1	10-12%
Diabetes	#1	10-12%
Surgical Technologies	#1	6-9%
Physio-Control	#1	7-8%

A Typical Situation — Medtronic

III. Managed by honest and able managers?

- $370K of revenue per employee is among the highest in the industry.
- Gross and operating margins are among the highest in the industry.
- Strong balance sheet.
- Executive officers voted themselves a 5% reduction in salary for FY2010.
- Returning value to shareholders.

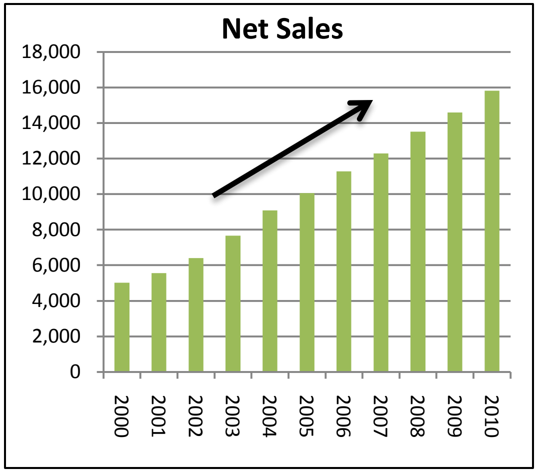
Historical Cash Flows

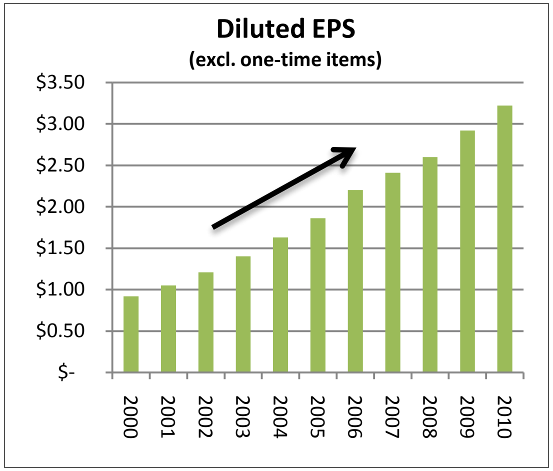
(in millions)

Cumulative Cash Flows: 2005-2009		Total	Line
	Cash flows from operations	$17,623	**1**
-	Capital expenditures	2,564	**2**
=	**Free cash flow (FCF)**	**15,059**	**3**
-	Additions to other assets	1,278	**4**
-	Acquisitions	6,488	**5**
=	**FCF before financing activities**	**7,293**	**6**
+	Net Issuance of debt	7,259	**7**
=	**FCF available for div. & repurchases**	**14,552**	**8**
	Cash dividends paid	3,284	**9**
+	Stock repurchases	6,686	**10**
=	**Total Returned to Shareholders**	**$9,970**	**11**

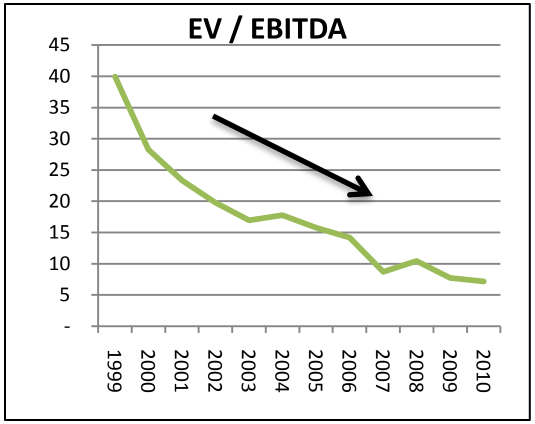
IV. Trading at a significant discount to intrinsic value?

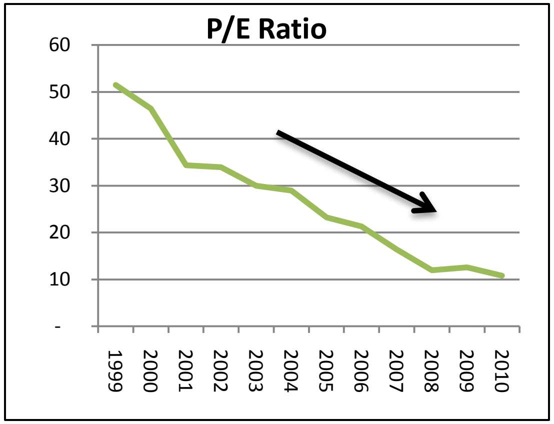
- We look for companies whose business economics…





- …have performed better than their stock prices.





A Typical Situation — Medtronic

IV. Trading at a significant discount to intrinsic value? (cont.)

- Traditional measures of value suggest the stock <u>might</u> be attractive…

	Traditional Valuations *(in millions, except per share)*	<u>As of</u> <u>8/25/2010</u>
	stock price	$31.00
x	shares outstanding	1,090
=	equity value	$33,781
+	total debt	$10,508
-	cash	$3,917
=	**enterprise value (EV)**	**$40,372**
	FY2010 EPS	$3.22
	FY2010 EBITDA	$5,902
	FY2010 SALES	$15,817
	P/E	**9.6 x**
	EV/SALES	**2.6 x**
	EV/EBITDA	**6.8 x**

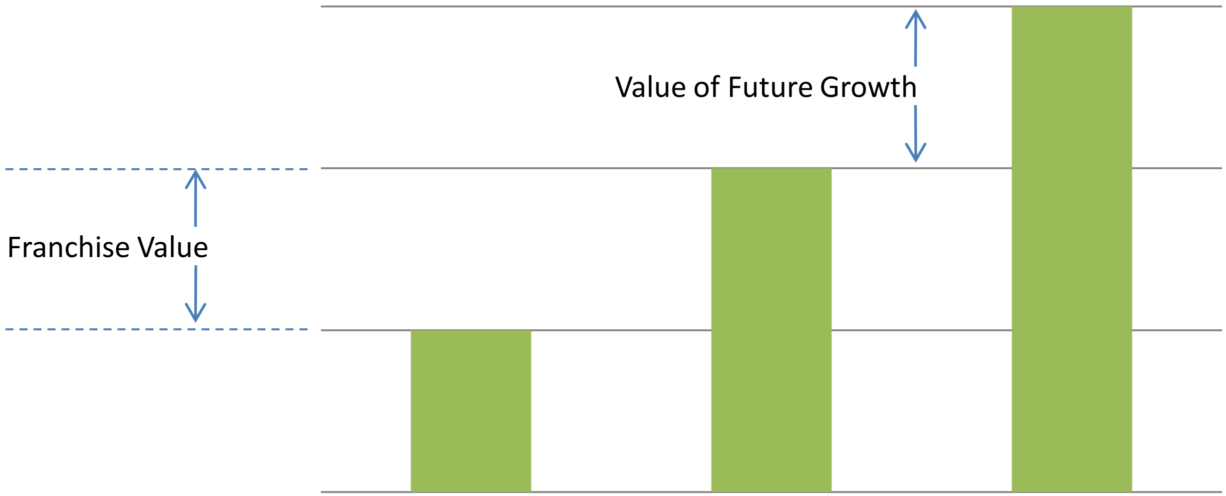
"The stock market is filled with individuals who know the <u>price</u> of everything, but the <u>value</u> of nothing." -Philip Fisher

…but what is the <u>VALUE</u> of Medtronic?

A Typical Situation — Medtronic

IV. Trading at a significant discount to intrinsic value? (cont.)

- Value comes from three main sources: assets, earnings power and growth.
- Start with the most reliable data (reproduction value & current earnings power).
- If the Earnings Power Value is greater than Asset Value, growth adds value!



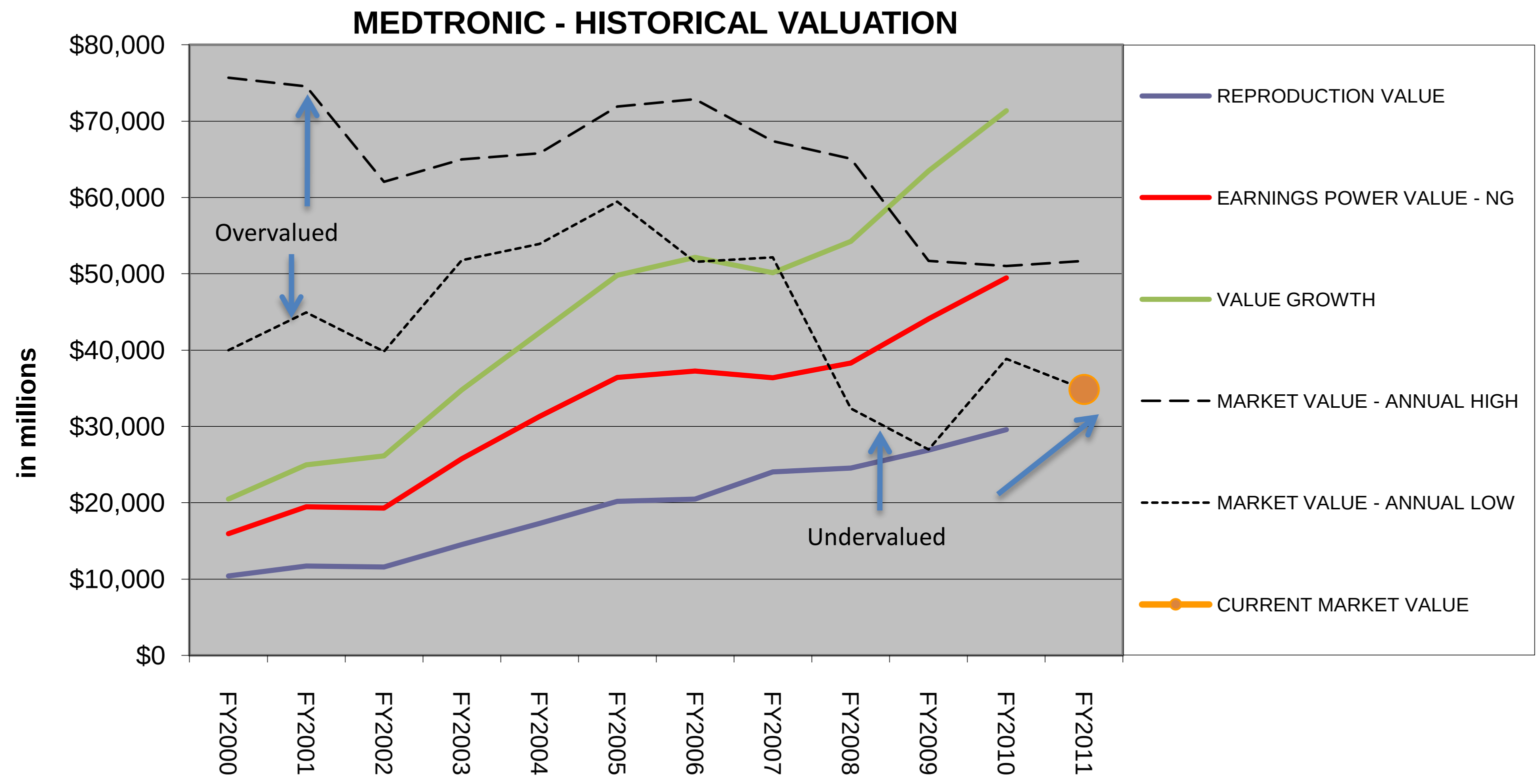
Reliability Dimension:	Asset Value (Reproduction Value)	Earnings Power Value (EPV)	Growth Value (EPV with Growth)
	✓Tangible	✓Current Earnings	✓Includes Growth
	✓Balance Sheet	✓Extrapolation	✓Extrapolation
	✓No Extrapolation	✓No Forecast	✓Forecast
	MOST RELIABLE	**LESS RELIABLE**	**LEAST RELIABLE**

Adapted from Bruce Greenwald's Value Investing class at Columbia Business School.

A Typical Situation — Medtronic

IV. Trading at a significant discount to intrinsic value? (cont.)

- From FY2000 through FY2007, the stock was significantly overvalued.
- In FY2009, the stock was trading at reproduction value.
- Today (August 2010), the stock remains significantly undervalued.



Another Typical Situation — LIBERTY INTERACTIVE

I. The business is easy to understand.
   - QVC is the primary operating asset.
   - Multi-channel retail platform, without expensive bricks and mortar.

II. QVC has a consistent operating history and favorable long-term prospects.
   - QVC sales were <$1 billion in 1990 and >$7 billion in 2009.
   - International is main driver of growth. Recently launched in Italy.

III. Management is very capable with a long history of success.
   - John Malone (Chairman) and Greg Maffei (President/CEO).

IV. Stock is cheap on an "adjusted basis."

*Catalyst coming: Board announced LINTA is to become a stand-alone, asset-backed stock (currently a tracking stock within Liberty Media Corp.).

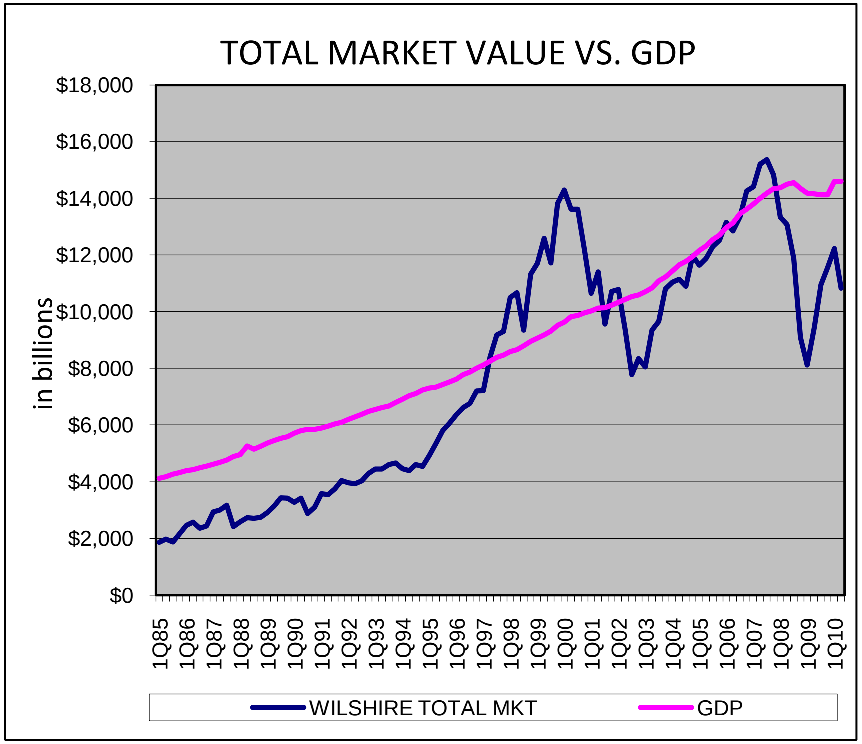
Liberty Interactive (LINTA)

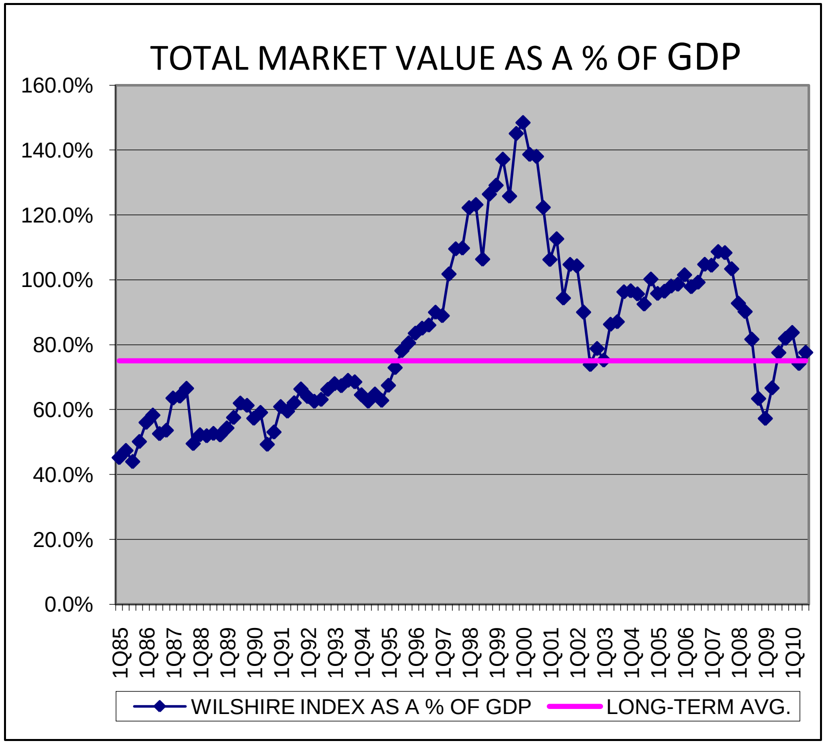
	Current stock price	$ 10.20
/	Expected 2011 EPS	$ 0.75
=	**P/E**	**13.6 x**
Valuation Adjustments:		
	Current price	**$ 10.20**
-	Equity investments on B/S	$ 3.64
-	Cash on B/S	$ 2.17
=	Adjusted stock price	$ 4.39
	Expected 2011 EPS	**$ 0.75**
+	Non-cash amortization exp.	$ 0.38
-	Interest on cash	$ 0.01
=	Cash EPS in 2010	$ 1.12
	Adjusted P/E	**3.9 x**

Expected Returns – The Market

The value of the market relative to Gross Domestic Product (GDP):

- The Wilshire 5000 Index is currently about 77% of GDP.
- Long-term average is around 75%.
- Implies the overall market is not significantly overvalued or significantly undervalued.





Expected Returns – The Market

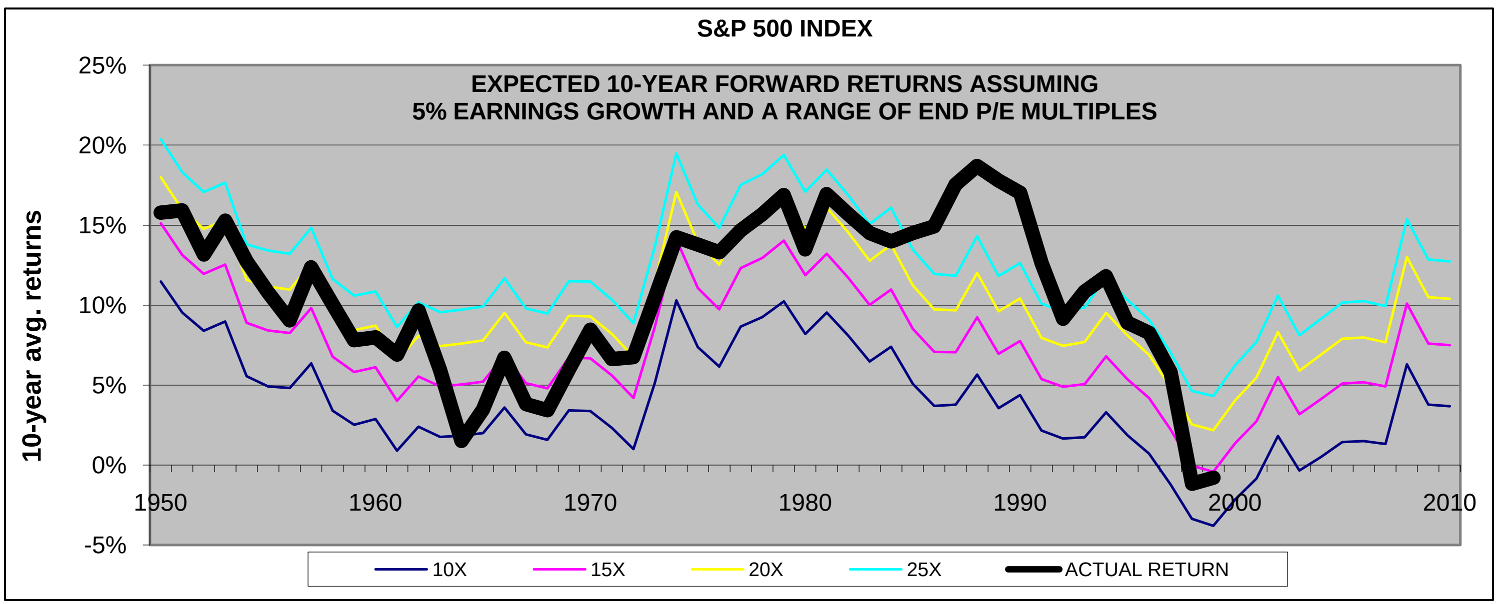
Long-term returns for the general market will likely be 6%-11% from here.

<u>Assumptions:</u>

- 5% earnings growth for the S&P 500 Index.
- A range (10x-25x) of price/earnings multiples for the S&P 500 ten years out (smaller colored lines).

<u>Results:</u>

- The thick black line is the actual 10-year rolling average forward return for the S&P 500.
- In 1999, the average forward 10-year return for the market was negative.
- Looking forward from 2010, average annual returns could be as high as 13% (assuming end P/E multiple of 25), or as low as 4% (assuming end P/E multiple of 10).



"When you walked in a room and you saw him and saw he was a part of something, you knew it was something that was branded with integrity and solid and something you could stand behind."

-Robert Kraft on Lamar Hunt