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Initiating Report

October 4, 2007

GATORZ INC.

($0.25, GTZ.S: TSX-V)

Recommendation
Speculative Buy

Risk
High

Price (Oct 3)
$0.25

52-Week Range
$0.35 - $0.25

Target Price
1 Year: $0.43
5 Year: $1.85

Potential Return
1 Year: 1.7x
5 Year: 7.4x

Shares O/S
30.65 million

Market Cap
$7.66 million

Average Daily Volume
Insufficient Data

Year-End
December 31

C$	BVPS	EPS
2005	$(0.04)	($0.01)
2006	$(0.05)	($0.01)
2007E	$0.00	$(0.01)
2008E	$0.00	$(0.01)

BVPS: Book Value Per Share
EPS: Earnings Per Share

Analysts
Ross Deep, B.A.(Economics), MBA
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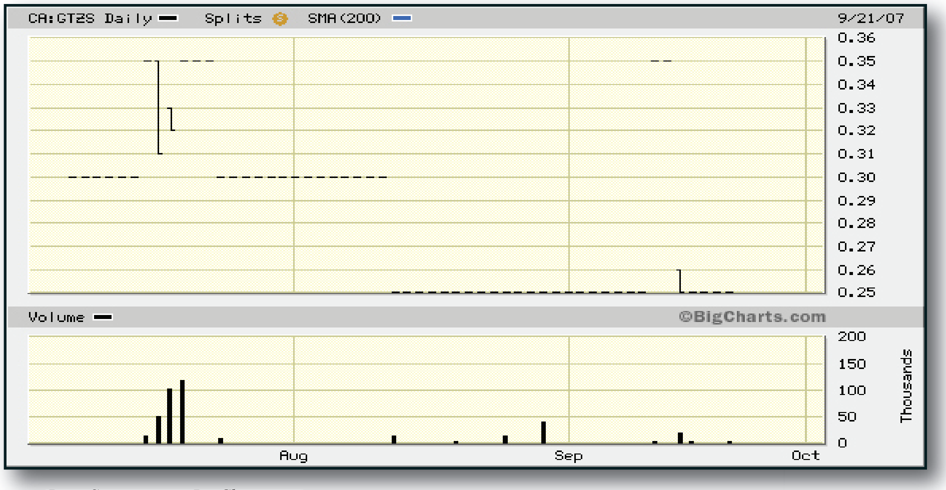

Data Source: www.BigCharts.com

UPFRONT

Gaining brand awareness and increasing its distribution channels are major challenges facing this former CPC company that is attempting to find its niche, both in its industry and in the minds of investors. However, there is huge upside potential if management can successfully execute its game-plan.

RECOMMENDATION

We are initiating coverage of Gatorz Inc. with a Speculative Buy, and are setting our 12-month share price target at $0.43, and our five-year price target at $1.85. The stock is recommended for higher-risk investors, but currently share liquidity is a substantial problem and a deterrent to higher market capitalization.

PROFILE

Gatorz Inc. ("Gatorz" or the "Company") is an emerging player in the high-performance, action sunglasses and lifestyle segment of the multi-billion dollar nonprescription eyewear industry.

HIGHLIGHTS

- Early stages of emerging potential brand leader.
- Original aluminum sunglasses manufacturer with all relevant patents to design/manufacturing process.
- Proven business model with excellent operating leverage.
- Substantial product superiority versus many top competitors.
- Wide product appeal to attractive "Generation-Y" demographic, lifestyle and action sports target groups.
- Highly coveted sponsorship agreements with Nascar and Indy car drivers.
- Well positioned for growth with rapidly expanding distribution channels.

CONTENTS

GATORZ INC.	GATORZ INC.
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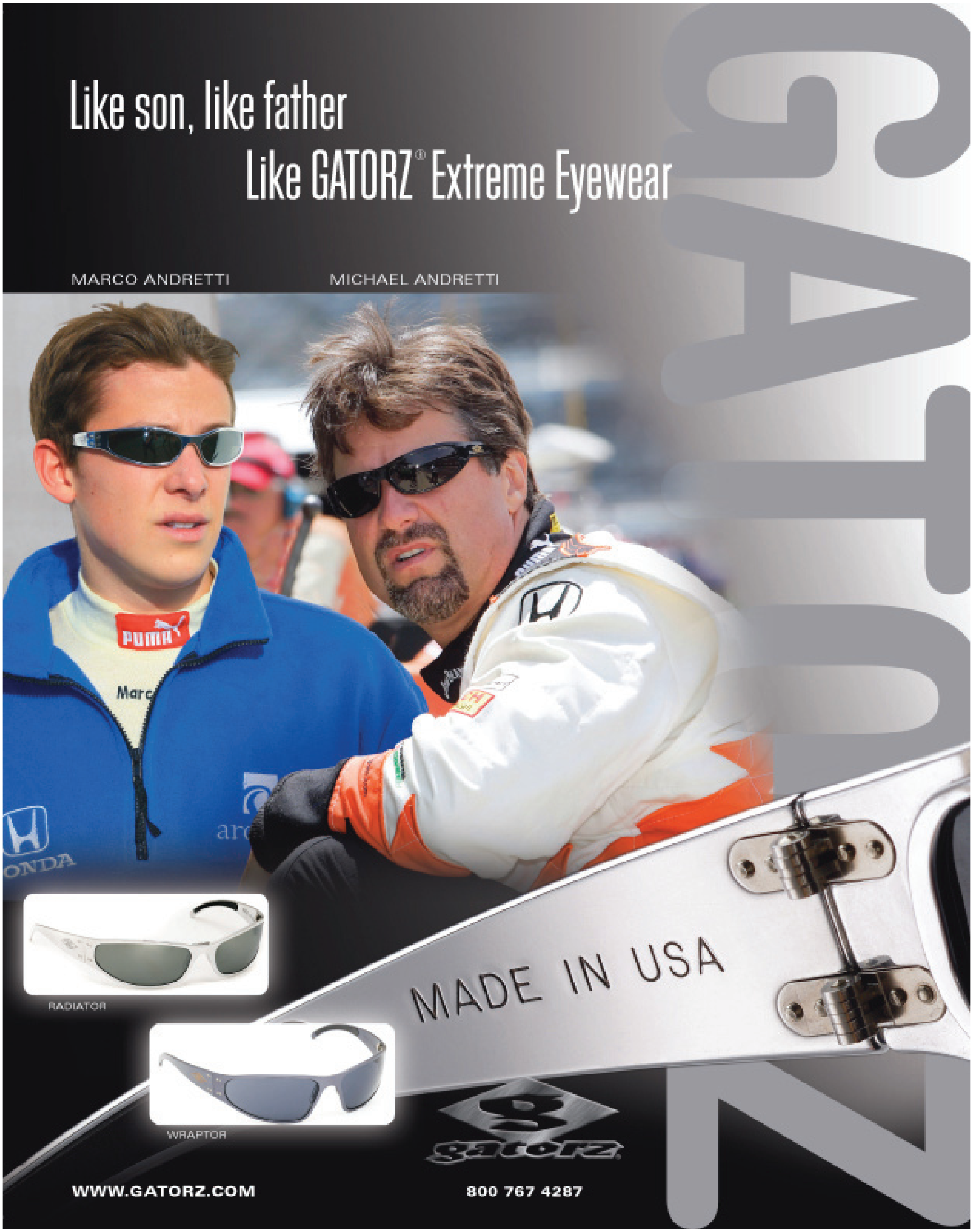
THE COMPANY

Gatorz Inc. is a publicly traded manufacturer and marketer of high performance sunglasses for the action sporting goods and equipment market and youth lifestyle market. The Company was formed in 2006 as the result of a Capital Pool Company (CPC) “qualifying transaction” (QT) or “reverse takeover” (RTO) of I B F – 1 Corp., under the Capital Pool Company program of the Toronto Venture Exchange (TSX-V). Reno Wilson Inc., the target company in the CPC transaction, had been operating as Gatorz Eyewear since 1998. The “Resulting Issuer” undertook a name-change and commenced trading as Gatorz Inc. on the TSX-V on July 13, 2007 under the symbol GTZ.S.

Headquartered in Poway, California, Gatorz Inc. is an emerging player in the high-performance, action sunglasses segment of the multi-billion-dollar performance eyewear industry. Gatorz Inc. designs, manufacturers, distributes and markets high-performance, precision-made, action sunglasses internationally under the brand name “Gatorz”, to both the consumer, and OEM markets. Gatorz sunglasses are precision built from 7075 billet aircraft aluminum, which is stronger than steel and lighter than plastic. Gatorz sunglasses’ patented 22-step manufacturing process includes the addition of double hinges and top optical lenses. The resulting product is extremely high quality, durable, uniquely customizable eyewear that can be form-fitted to the face, for comfort and high-performance sports applications. Gatorz also makes plastic performance eyewear using the same plastic as used in motorcycle and auto racing helmets.

The Company has started to diversify its product line-up, having added a line of “GatorZgear” branded apparel. Gatorz has also developed and patented the first aluminum skateboard deck and a line of aluminum skateboards to be launched in the future, as they are not an immediate strategic focus of the Company.



Like son, like father
Like GATORZ® Extreme Eyewear
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MICHAEL ANDRETTI
GATORZ
MADE IN USA
RADIATOR
WRAPTOR
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STRATEGY

Gatorz' long-term strategic priorities include:

- **Distribution:** Building and/or acquiring distribution domestically and internationally by
  i. Expanding into specialty chain store distribution channels;
  ii. Capitalizing on strategic, non-traditional/alternative distribution channels; and
  iii. Pursuing licensing agreements for international product distribution rights.

- **Brand Building:**
  - Building Gatorz brand equity, primarily by growing brand awareness and creating consumer pull.
  - Capturing an increasing share of the action sports and youth lifestyle markets.
  - Increasing market share, deriving demand through premium quality and innovative design.
  - Expanding the Gatorz brand through complementary product range-extensions and line-extensions into apparel and accessories.
  - Developing unique and highly targeted niche markets.
  - Continuing to support amateur athletes through grassroots marketing and promotion programs such as Gatorz Cup to further develop targeted brand awareness, relevance, and authenticity.
  - Stimulating trial/purchase amongst prospective channel partners, resellers, target consumers and OEMs.
  - Continuing to offer a quality, high-technology product and a strong consumer value proposition.

- **Profitability:** Increasing EBITDA margins and profitability.

- **Manufacturing:** Continuing to strengthen and expand key manufacturing and supplier relationships, building redundancy and augmenting manufacturing capacity and scalability.

- **Mergers and Acquisitions:** Opportunistically pursuing strategic mergers and acquisitions that expand distribution, add complementary branded lines of apparel and accessories to broaden product offering, and are accretive to earnings.

COMMENT: *eResearch believes that Gatorz has an aggressive strategic agenda and in order to execute its plan, the Company will need to bring on additional strategic marketing talent with relevant lifestyle consumer marketing experience. Distribution deals are top priority. Strategic acquisitions that bring distribution channels with them Brand Building must be carefully managed in order to achieve brand awareness and consumer pull. Profitability and margin growth will follow as*

INVESTMENT CONSIDERATIONS

1. Strengths

Promising Early Stage Opportunity: Very early stage opportunity to participate in a developing player in the global market for nonprescription performance eyewear.

Promotion: Gatorz has formulated an effective grassroots approach to its sponsorship and promotion activities, which will ultimately contribute to enhancing its brand equity. The Company has cultivated a strong following at the amateur sports level. Gatorz has also built a loyal roster of top professional athletes dedicated to endorsing Gatorz brand sunglasses based upon Gatorz' product superiority claim.

Product Superiority: Gatorz uses several product attributes including dimensions of performance, durability, comfort and fit, as a basis for its product superiority claim when compared with many of its competitors who offer plastic, non-customizable sunglasses at a similar or higher price.

Value Proposition: Gatorz offers strong value to consumers compared with its competition, with a durable, high-quality product at an attractive price.

Customer Satisfaction: Gatorz customer satisfaction and product loyalty is high.

Made In USA: Gatorz eyewear merchandises its MADE IN USA heritage, which enhances the product's appeal to much of its target market.

Approved U.S. Military Supplier: Gatorz is now an official supplier to the U.S. Military and its nonprescription eyewear is now worn by U.S. Navy Seals. Gatorz brand eyewear is qualified to be carried in PX posts worldwide. Prior to this, market leader Oakley Inc. had been the sole supplier to the U.S. Military.

Product Development: Gatorz introduced four new styles in 2007 including the rimless "Edge" model designed to appeal more to the premium lifestyle segment. The Company also commenced the use of top quality 100% UVA, UVB, UVC ray blocking TruRay Optics™ polycarbonate lenses in 2007.

Recent Distribution Wins: Gatorz added travel retail distribution channels in August 2007 through agreements with Delta and American Airlines to sell Gatorz eyewear in their duty free shops.

2. Challenges

Distribution: The number one strategic challenge for Gatorz is distribution. A lack of distribution channels remains a barrier that Gatorz must address. The Company needs to continue to build distribution, consummate licensing agreements and close its first major strategic specialty chain store channel deal.

Competition: Gatorz competes in a highly competitive market, against competitive firms that have far greater financial and marketing resources, and brand name recognition. Competition from many robust competitors with well-developed marketing, sales, merchandising and distribution resources could disrupt Gatorz' marketing plan, as could new entrants to the non-prescription eyewear market.

Strategic Marketing: Marketing to date has taken a tactical promotional and sales/distribution approach, with focus on stock-keeping units (SKUs), rather than a strategic marketing approach. Gatorz will need to demonstrate that it can develop a more strategic marketing approach, necessary to effectively develop and manage the Gatorz brand.

Product Sourcing: Gatorz relies primarily on a sole source of supply for the majority of its frame styles and should continue to develop alternate supplier relationships to mitigate the risk of supply disruption. The steep learning curve that new suppliers face requires many months of development time before a manufacturer is ready to produce Gatorz frames, underscoring the importance of forging close relationships with chosen suppliers. Gatorz is also examining select product sourcing options in China.

Product/Line Extensions: Gatorz must add complementary Gatorz branded product extensions and line extensions in order to increase the appeal of the brand to high-end specialty retailers and niche performance retail chains.

Direct Internet Channel: Gatorz must begin to carefully manage the direct Internet channel in order to reduce any cannibalization of retail sales and undermining of key retail channel sales efforts that it may cause.

Strategic Question: Gatorz is faced with the strategic question of whether to fully-launch its lower priced version of Gatorz in plastic. While the addition of a lower price-point helps round out the product line and broaden its appeal to both retailers and consumers, it may dilute or damage the Gatorz brand franchise/equity and might best be launched under another brand name.

Single Product: Gatorz is still virtually a single-product company that relies on its nonprescription eyewear for its existence. The company is adding to its product line with “GatorZgear” apparel and skateboard lines, which are still early stage. These and other complementary product lines, when launched, will enhance the overall appeal of Gatorz to retailers.

Sales Cycle: Gatorz may experience significant time lags between establishing new distributor channels and ensuing revenues after the pipeline is filled.

Seasonality: The Company’s business is affected by seasonal consumer buying patterns, which can be seen in the quarterly sales data. There is some correlation between sunny weather and Gatorz eyewear sales as would be expected. With the growth of international sales channels, this seasonality is likely to decline.

Consumer Confidence: Gatorz is a premium-priced discretionary consumer product/purchase decision, which may be influenced by the level of consumer confidence in the economy, subjecting Gatorz to vulnerability in the event of an economic downturn.

Intellectual Property: The Company may face challenges to intellectual property rights. Look-alike, and me-too products could dilute the Gatorz brand equity, point-of-difference and appeal. The Company holds the intellectual property and patents to the design and manufacturing process, and has successfully defended its intellectual property in the U.S.

Liquidity Risk: There is not yet a very active/liquid market for the shares of Gatorz.

COMMENT: *Consolidation within the nonprescription eyewear industry continues unabated – driven by brand-hungry multi-nationals. Growth for even large, well-established brands such as Oakley Inc. continues in the 25% range annually. Gatorz has an opportunity to market a unique product with broad appeal to the coveted Gen-Y target demographic. One question is whether the Gatorz brand franchise is strong enough to build a product line around. Gatorz Inc. must build Gatorz brand equity, and then build a product line around it. eResearch believes that the strength of the Gatorz' brand equity and heritage would support the addition of Gatorz branded apparel and accessories to build a more robust label/product line.*

Another strategic alternative for Gatorz would be to acquire additional complementary apparel and accessory brands with distribution channels in-place, and manage the intellectual property rights of a portfolio of brands. The Company could then open-up these new channels to Gatorz brand eyewear. Gatorz could continue to use third party contract manufacturers for production, and build further distribution based on small to medium sized specialty chain stores, and further regional distribution/licensing agreements.

Finally, Gatorz might also consider acquiring a target company that is a manufacturer, and distributor of a complementary line of apparel products, eyewear and/or accessories. Such acquisition strategies would not be mutually exclusive. Any such acquisition should be highly targeted in order to maximize incremental distribution for Gatorz brand eyewear.

Adding complementary brands and new Gatorz branded products to the Company's product portfolio will provide incremental synergies in sales, marketing, distribution, manufacturing, and general and administrative expenses.

VALUATION SUMMARY

We are setting our 12-month Target Price for Gatorz at C$0.43 per share and a five-year Target Price of C$1.85 per share.

eResearch examined three alternative valuation methodologies for Gatorz:

A. Discounted Cash Flow Analysis
B. Peer Group Analysis
C. Precedent Transaction Analysis

eResearch used the Discounted Cash Flow (DCF) Method to derive an intrinsic value per share for Gatorz. In so doing, we have developed a revenue model, forecast financials and discounted free cash flows (FCFs) for a five-year forecast period and a corresponding terminal value (TV). We then conducted a probability-based scenario analysis examining multiple growth scenarios to arrive at a probability-weighted estimate of the intrinsic value for the shares of Gatorz.

Based on our DCF analysis, our estimate of the intrinsic value of the shares of Gatorz is C$0.43 per share, which we are selecting as our 12-month Target Price for the shares of Gatorz.

Based on our Peer Group analysis in combination with our Precedent Transaction analysis we derived a 2012 forward intrinsic value of the shares of Gatorz of C$1.85 per share which we are selecting as our five-year Target Price for Gatorz shares.

PRODUCT

1. Brand Attributes

Gatorz brand sunglasses are precision built using a 22-step precision manufacturing process from 7075 billet aircraft aluminum, which is stronger than steel and lighter than plastic. Gatorz brand sunglasses feature the addition of double hinges and top quality, 100% UVA, UVB, and UVC ray blocking, TruRay Optics ™ polycarbonate G-15 lenses made by industry-leading manufacturer Christian Dalloz Sunoptics (France). Polarized lenses are also available. The resulting product is extremely high quality, durable, lightweight and uniquely customizable eyewear that can be form-fitted to the face, for comfort and high performance/high-speed applications, that is stamped MADE IN USA.

Gatorz brand sunglasses have the following product/brand attributes:

- Precision, high quality craftsmanship;
- Category leader in product durability, performance and warranty;
- Impact resistant qualities similar to OHSA certified protective eyewear;
- Meet the ANSI test requirements, and are approved as safety glasses;
- Low coefficient of drag;
- Ability to custom form-fit to any shaped head for personal fit and comfort;
- Allows fit to extreme tolerances for high-performance applications;
- High thermal conductivity of aluminum frames prevents overheating, thereby virtually eliminating fogging in high-performance sports applications;
- Cutting-edge performance and engineering driven style;
- Broad appeal with “must have” cachet for a certain segment of the market; and
- Gatorz eyewear carries the CE mark, allowing them to be marketed throughout 23 countries in Europe.

Gatorz Eyewear Line: Gatorz brand line of eyewear offers 15 aluminum sunglass models in 11 different colours and a spectrum of TruRay™ lens combinations. Gatorz also offers five acetate models and three titanium models. The different models available are:

Billet Aluminum
- Batray
- Competitor
- Converter
- Demora
- Edge
- Element
- Envy
- Fusion
- Magnum
- Radiator
- Rockstar
- Shadow
- Vector
- Velocity
- Wraptor

Acetate
- Avalon
- Illusion
- Matrix
- Mirage
- Savannah
-

Titanium
- Century
- Flyer
- Titan

2. Positioning

Gatorz Brand sunglasses are positioned as premium lifestyle and action sports (X-Game/extreme sports) high-performance sunglasses "for riders, racers and extreme-sports enthusiasts". The Gatorz brand is positioned to represent a "symbol of strength and precision".

The company uses the following USP tag lines:

"Gatorz – Born From Metal – Precision Built Eyewear…*Sculpted to Harness the Extreme.*"

" Gatorz – *There is No Substitute*"

"*Real Men Don't Wear Plastic* – Gatorz Aluminum Eyewear"

Gatorz Brand eyewear's point of difference and product superiority claim are based on: precision engineering, durability, and design/performance characteristics along with the brand's status as the original state-of-the-art manufacturer of aluminum sunglasses with MADE IN USA appeal.

Gatorz brand eyewear has a strong value proposition offering leading product durability, build strength, and performance characteristics along with cutting edge style, precision quality craftsmanship and strong warranty at a competitive price.

3. Target Market

Gatorz brand eyewear targets the action sports enthusiast market, Generation-Y (Gen-Y) lifestyle, and premium lifestyle markets.

Action Sports Market: Gatorz' primary target market has been the action sports enthusiasts, including motorsports/racing, skydiving, "X-Game" extreme sports and boardsports enthusiasts in particular.

Generation "Y" Youth Lifestyle Market: Gatorz has also targeted the Gen-Y youth lifestyle demographic, (those born between approximately 1978 and 2000) which represents a target market of 73 million potential buyers in the U.S. and will represent over 40% of the U.S. population by 2010, according to the U.S. Census Bureau.

There is a high degree of overlap between these first two target groups because of the high rate of association by the Gen-Y target demographic with action sports.

Premium Lifestyle Segment: Gatorz has recently expanded its primary target market to include the broader premium lifestyle market, which would include the fashion, music and entertainment lifestyle segments. Gatorz has introduced three new rimless styles, which include the Edge, Envy, and Rockstar models to address this segment.

Motorsports Heritage: The Company originally targeted the "Harley Davidson Enthusiast" sub-segment, which has developed into the "motorcycle enthusiast", "motorsports enthusiast", "extreme sports enthusiast" and "custom car and bike builder markets".

OEM Market: Gatorz is also actively pursuing the OEM market, and offers product versions with company, association or affinity group logos machined into the sides.

Alternative/Niche Target Groups: Examples of alternative/niche target groups that Gatorz has had some success in pursuing are police and law enforcement, security, fire departments, EMS and the military. Gatorz are worn by U.S. Navy Seal Teams, and the Company is now an official supplier of nonprescription eyewear to the U.S. Military, which qualifies Gatorz brand eyewear to be carried in PX posts worldwide. Previous to this, market leader Oakley Inc. was the sole supplier to the US Military.

4. Manufacturing

Outsourcing: Gatorz outsources its manufacturing to a primary third party contract manufacturer - Vista Industrial Products (V.I.P.) - located in Vista California. Gatorz has added another contract manufacturer, Lee Two Metal Inc., based in Quebec. This has added a measure of manufacturing flexibility, redundancy and increased scalability and will ultimately double its capacity. Each of Gatorz' frame suppliers has the capacity to produce 100,000 units per year. Gatorz is also examining various China and offshore manufacturing options for the manufacture of some select product styles.

Intellectual Property: The Company is the original manufacturer of aluminum sunglasses and owns all of the relevant patents for the manufacturing process and eyewear designs. Gatorz successfully litigated a patent infringement lawsuit in the U.S. during 2003.

COMMENT: *While the technical complexity and proprietary nature of the Gatorz' manufacturing process may appear to provide a small barrier to entry to "knock-off" or look-alike products by would-be or immediate competitors, this has not necessarily been the case. eResearch has found more than one competitive product with a high degree of product similarity to Gatorz. The downside of this technical complexity is that it takes a new supplier many months to become proficient in the manufacture and assembly of Gatorz eyewear. This underscores the need for Gatorz to build very close relationships with its suppliers to preserve the investment of time and ensure continuity of supply.*

5. Pricing

Gatorz Aluminum sunglasses are priced at a competitive retail price point in the US$140 to $170 price range and Gatorz acetate models are priced in the US$60 to $80 range, representing strong value to the consumer relative to many of the leading premium performance brands that are made of plastic and priced from $200 to $300.

6. Distribution

Domestic (North American) and international distribution and sales channel growth is the single most important strategic priority for Gatorz. The Company's international distribution network is comprised of optical stores, sunglasses retailers, specialty sports stores, biking stores, board sports retailers (including, surf, skate and snow) motorcycle, motorsports, sporting goods retail outlets, Sky Mall airport duty-free shops, sunglass specialty retailers and athletic footwear shops.

Direct Marketing Internet Channel: Gatorz traditional sales channels are complimented by a direct-to-consumer Internet channel, via Gatorz own e-commerce website and myriad e-commerce websites and e-tailers of sunglasses and action sporting goods and accessories that offer Gatorz eyewear for sale. Gatorz is in the process of revamping its Internet e-commerce capability, changing over from which has been an email-based system to an e-commerce engine.

COMMENT: *The direct e-commerce, or Internet channel may not be strategic for Gatorz and may actually undermine the more traditional sales channels that will ultimately become the lifeblood of the company, as prospective buyers defer in-store purchases of Gatorz, hoping to be able to buy them more cheaply on the Internet. The strategic decision might be made to decommission the existing e-tailers that are selling Gatorz online at a discount.*

Alternate Distribution Channels: Gatorz is actively pursuing alternate distribution channels such as aftermarket automotive, and car dealerships as well as captive "equipment target groups" such as military, law enforcement and fire/EMS/rescue. One such alternate distribution channel is the travel retailers. Under recent agreements with Delta and American Airlines announced in August 2007, Gatorz "Wraptor" model sunglasses will be featured in in-flight magazines, and stocked for retail sale through duty-free shops. American Airlines reviewed major sunglass brands and chose Gatorz and one other brand to be represented in their retail stores.

7. Advertising & Promotion

Advertising, Sponsorship and Promotion: Gatorz has a line-up of professional racers and athletes and endorsing the brand. Some of these include:

Auto Racing:
Marco Andretti - IndyCar Driver
Michael Andretti - IndyCar
Sam Hornish Jr. - IndyCar
Kurt Busch - NASCAR
Bryan Herta - IndyCar
Alex Tagliani - Formula One
Joey Hand - Grand-Am
Colin Braun – Grand Am/ARCA
Ray Robinson - FX Kart
Jesse Chiansson – Karting
Raul "Rockit" - Flores CORR ProLite
Dan Pentico - CORR ProLite

Other Sponsorships:
Brett Myers- Professional Baseball Pitcher
Donald Stewart – US Olympic Speed Skater
Mark Phillippi – Worlds Strongest Man
Rob Bortolameolli – Professional Jet Skier
Jonathan Tangle Professional Skydiver
Los Gringos – Professional Motocross Team
Team Kokopelli – Outdoor Adventure Team
John Hood – Professional Runner
Jesse Andres – Professional Skate boarder
Taz – Drummer
Erika Allison – NHRA Drag Bike

Gatorz' sponsorship program has developed "teams" of athletes that compete at various levels of their particular sports, from professional athletes right down to "Stars of Tomorrow".

The Company's promotion plan has two components: 1) As a core component of its tactical guerilla marketing efforts, Gatorz operates two Event Merchandise Trailers which it uses to generate a positive image/presence at targeted motorsports and boating events; 2) Gatorz is also heavily involved in both vehicle and event sponsorship for KART racing.

Warranty: The Company offers a strong warranty with a one-year guarantee for any defects and a lifetime rebuild. The extremely durable frames limit the associated warranty costs for Gatorz sunglasses.

Apparel: Gatorz also markets a line of "GatorZgear" apparel including shirts, jackets and hats, branded with variations of the Gatorz logos.

COMMENT: *Competition in the nonprescription eyewear industry is fierce (see Appendix 1, 2, and 3 for Industry, Competition and Consolidation). Gatorz is competing against multi-billion-dollar companies with well-established distribution networks and very deep marketing resources. Management faces many challenges and has a daunting task ahead of it in order to develop Gatorz' brand equity to its full potential. eResearch believes that Gatorz' is a very competitive and appealing product/brand with a strong value proposition and "must-have" cachet for a segment of its target market. Based on the sheer strength of the product offering, we believe that the Gatorz brand virtually sleepwalk to a significant position in the market, and that, if marketed correctly with the right strategic global marketing talent in place, the brand has the potential to become one of the leading brands in the premium sunglasses/nonprescription eyewear category.*

VALUATION

eResearch examined three alternative valuation methodologies for Gatorz:

A. Discounted Cash Flow Analysis
B. Peer Group Analysis
C. Precedent Transaction Analysis

A. Discounted Cash Flow Analysis

In our DCF analysis, we have derived three scenarios: base case; pessimistic; and optimistic. The assumptions for each scenario are presented in Table 1 (see overleaf.)

DCF Assumptions: The following assumptions and parameters have been incorporated in our base case scenario:

- **Status Quo Forecast:** eResearch has assumed Gatorz pursues organic growth throughout the forecast period.

- **Terminal Growth Rate:** We have used a terminal growth rate of 7.0% for revenues in our base case.

- **Discount Rate:** We have used a discount rate of 25% for the forecast growth period.

- **Revenue Growth:** We assume that revenue growth is 12.5% for 2007, 25% for 2008, 33% for 2009 and 48% for 2010 – 2012. This results in revenue CAGR of 40% over the forecast growth period, which compares to the 25% that Gatorz eyewear achieved over the four-year period prior to the QT. We forecast this revenue growth acceleration derived from the new leadership, and more aggressive strategic marketing/brand management and approach to the business plan that the Company acquired via the CPC transaction. eResearch expects that the results will be reflected in significant new distribution wins as we have already seen with the recent airline/travel retailers agreements.

- **Gross Margin:** We have assumed that Gatorz is able to sustain a 55% gross profit margin.

- **Tax Rate:** The Company's tax rate is assumed to be 35%.

Analysis: Using the key assumptions shown in the table below, the results from our three forecast DCF scenarios are as follows:

Pessimistic – Our pessimistic scenario suggests an equity value per share of US$0.18.

Base Case – Our base case scenario suggests an equity value per share of US$0.40.

Optimistic – Our optimistic scenario suggests an equity value per share of US$0.73.

Probability-Weighted Scenario Analysis:

The following table outlines the valuation scenarios and Gatorz' corresponding equity values per share. We have assigned a probability of 0.5 to our base case and 0.25 to both our pessimistic and optimistic scenarios. Using these weights, we have determined our probability-weighted intrinsic value for the shares of Gatorz to be C$0.43.

Table 1: Gatorz Inc. - DCF Valuation Scenarios

		PESSIMISTIC	BASE CASE	OPTIMISTIC	WEIGHTED AVERAGE
Discount Rate		35.00%	30.00%	20.00%	
Forecast Period Revenue CAGR		11.00%	40.00%	52.00%	
Terminal Growth Rate		6%	6%	6%	
Gross Margin		55.00%	55.00%	55.00%	
Valuation	US$	$0.18	$0.40	$0.73	
Probability		0.25	0.50	0.25	
Intrinsic Value per Share C$					$0.43

Source: eResearch

B. Peer Group Analysis

We compared Gatorz to a select peer group of six major publicly traded competitors in the nonprescription eyewear, and youth lifestyle space. Five of the selected peer group companies have a market capitalization that is near or above $1 Billion.

Peer Group Companies: Our selected peer group includes:

	Market Capitalization
Luxottica Group S.p.A. -	**$15.6 Billion**
Oakley Inc.	**$2.0 Billion**
Orange 21 – Spy Optics -	**$36 Million**
Billabong FPO	**$2.7 Billion**
Quiksilver Corp.	**$1.7 Billion**
Volcom Inc.	**$1.0 Billion**

Luxottica Group S.p.A. (LUX: NYSE): Luxottica Group (Luxottica) is a publicly traded, vertically integrated, designer, manufacturer, wholesale and retail distributor of eyewear. Luxottica markets both house-brand and designer-branded prescription frames and sunglasses in the mid- to premium-priced segments of the market through its extensive retail operations. In June 2007, Luxottica agreed to acquire Oakley Inc. for $2.1 billion or $29.30 a share having acquired Ray Ban in 1999. Its premium, performance and youth-targeted brands range in price from $65 to $400 and include Ray Ban, Revo, Killer Loop and Arnette.

Oakley Inc. (OO: NYSE): Oakley Inc. (Oakley) is a California-based marketer of nonprescription eyewear, performance apparel, footwear, watches and other accessories with its own retail operation. Oakley premium sunglasses are a sport and lifestyle brand positioned as a "fusion of art and science". Oakley was listed by Forbes magazine as one of the top 30 luxury brands, and is in the process of being acquired by Luxottica for $29.30 per share.

Orange 21 (ORNG: Q): Orange 21 is a developer and marketer of retail brands and premium products for the action sports and youth lifestyle markets. The company produces SPY Optic brand sunglasses and goggles and was publicly spun-off from No Fear Inc. by way of initial public offering in December 2004. Orange 21 has built a significant brand franchise, participating in grassroots marketing strategies and supporting action sports athletes, in an effort to develop brand relevance and authenticity amongst the Gen-Y, action sports and youth lifestyle target demographics. Orange 21 is the most closely comparable peer company to Gatorz, representing another pure play in the action sports/Gen-Y, nonprescription premium-performance eyewear segments with similar strategic positioning and marketing approach.

Billabong FPO (BBG.AX: ASX): Billabong FPO (Billabong) is involved in wholesale and retail marketing of surf, skate and snow apparel, action sports accessories, and the licensing of its trademarks for regional distribution agreements. Billabong owns Nixon brand watches, Element skateboards and shoes, Von Zipper brand sunglasses, and has extensive lines of apparel, which target the action sports and Gen-Y demographic.

Quiksilver Inc. (ZQK: NYSE): Headquartered in Huntington Beach, California, Quiksilver Inc. (Quiksilver) is a diversified designer, manufacturer, and distributor of branded outdoor-sports lifestyle apparel including wintersports and golf equipment, footwear, accessories and related products. Quiksilver's products are sold in over 90 countries through surf shops, ski shops, skateboard shops, snowboard shops, proprietary Boardriders Club shops, other specialty stores and select department stores.

Volcom Inc. (VLCM: NYSE): Founded in Orange County California, Volcom Inc. (Volcom) markets surfing and skateboarding equipment and apparel including T-shirts, pants, shorts and denim that target the Gen-Y, action- sports segment, positioning itself as anti-establishment with the tag line "Youth against establishment". The company IPO took place in 2005. The brand is still oriented towards the boardsports culture and is worn by Olympic gold medalist and professional snowboarder Shaun White.

Analysis: Since Gatorz is still embryonic in comparison to its much larger market capitalization "peer group" companies, eResearch compared its 2012 forecast financial data for Gatorz to the peer group data using the following metrics:

i. **Price/Earnings:** Gatorz' peer group is trading at an average of 28.7x its 2006 earnings, which would imply a 2012 forward intrinsic value of $1.79 for Gatorz based on our forecast 2012 net earnings.

ii. **Price/EBITDA:** The Price/EBITDA multiple for the peer group averaged 13.1x which would imply a 2012 forward intrinsic value of $1.29 for Gatorz based on our forecast 2012 EBITDA.

iii. **Price/Revenue:** The peer group is trading at an average of 2.2x revenues, which would imply a 2012 forward intrinsic value of $0.74 for Gatorz based on our forecast 2012 revenues.

iv. **PEG Ratio:** The peer group's PEG ratio (price/earnings to earnings growth) is 1.46, which would imply a 2012 forward intrinsic value of $2.28 for Gatorz based on 25% earnings growth, and our forecast 2012 net earnings. (eResearch expects earnings growth in the vicinity of 100% in the year 2012.)

Table 2: Gatorz Peer Group Comparison*

	Shares O/S	Price**	Market Cap	Revenue	EBITDA	P/Earnings	P/EBITDA	P/Revenue	PEG Ratio
Premium Performance Eyewear									
Orange 21 (ORNG: Q)	8.1	$ 4.47	$36.2	$44.1	-$5.3	N/A	N/A	0.82 x	N/A
Billabong FPO (BBG.AX: ASX) $AU	180.0	$ 15.20	2,736.0	1,010.0	235.2	25 x	11.63 x	2.71 x	1.25
Oakley (OO: NYSE)	69.6	$ 28.80	2,004.5	868.9	131.6	38.4 x	15.23 x	2.31 x	1.89
Luxottica Group SpA (LUX: NYSE)	455.3	$ 34.32	15,627.3	6,720.0	1,490.0	22.8 x	10.49 x	2.33 x	1.60
Quiksilver (ZQK : NYSE)	124.5	$ 13.88	1,728.1	2,460.0	224.4	25.3 x	7.70 x	0.70 x	1.57
Volcom (VLCM: Q)	24.3	$ 39.03	950.0	226.1	46.1	32.2 x	20.59 x	4.20 x	0.98
AVERAGE		$ 19.39	$3,847.0	$1,888.2	$353.7	28.7 x	13.1 x	2.2 x	1.46
Gatorz Inc. (GTZ.S: TSX-V) ($US)***	30.7	$ 0.27	$8.1	$10.5	$3.0	4.2 x	2.70 x	0.78 x	0.17
Implied Intrinsic Value for Gatorz ($C)***						$ 1.79	$ 1.29	$ 0.74	$ 2.28

**$MM and $US unless otherwise indicated*
*** Closing share prices Sept 13, 2007*
****Based on Gatorz 2012 Pro Forma Financials*
Source: eResearch

Our peer group analysis, using the above four metrics, suggests a possible 2012 forward intrinsic value range for the shares of Gatorz of C$0.74-C$2.28. In order for Gatorz to achieve these market multiples it must successfully execute its business plan.

C. Precedent Transaction Analysis

There have been several acquisitions in the nonprescription eyewear industry with varying degrees of relevance to Gatorz (see Appendix 3 - Industry Consolidation). Examples are:

Oakley Inc. – Luxottica is currently in the process of acquiring Oakley.
Gargoyles Inc. – FGX International acquired Gargoyles in 2004.
Ray Ban – Luxottica acquired Ray Ban, the eyewear division of Bausch & Lomb in 1999.

Of these three transactions, the still pending acquisition of Oakley Inc. by Luxottica is the most transparent and recent, and best reflects the current acquisition premiums for developed brand portfolios in the nonprescription eyewear segment. While Oakley, the leading brand in the premium performance segment, with a $2.0 billion market capitalization is at the opposite end of the size spectrum from Gatorz, the pending transaction gives us an indication of what the absolute upper limit to any future potential acquisition value (or exit value) of the shares of Gatorz might be.

The Oakley acquisition price/earnings multiple of 38.4x and PEG ratio of 1.89, would imply a 2012 maximum potential acquisition value for the shares of Gatorz in the range of C$2.39–C$2.95 per share. In order to reach such a full valuation, the Company would have to successfully execute its business plan, and become the target of a motivated bidder.

Table 3: Precedent Tansaction Analysis*

	Shares O/S	Price**	Market Cap	Revenue	EBITDA	P/Earnings	P/EBITDA	P/Revenue	PEG Ratio
Oakley (OO: NYSE)	69.6	$ 28.80	2,004.5	868.9	131.6	38.4 x	15.23 x	2.31 x	1.89
Gatorz Inc. (GTZ.S: TSX-V) ($US)***	30.7	$ 0.27	8.1	10.5	3.0	4.2 x	2.70 x	0.78 x	0.17
Implied Potential Intrinsic Value for Gatorz ($C)***						$ 2.39			$ 2.95

**$MM and $US unless otherwise indicated*
*** Closing share prices Sept 13, 2007*
****Based on Gatorz 2012 Pro Forma Financials*
Source:eResearch

VALUATION CONCLUSION

eResearch examined three alternative valuation methodologies for Gatorz:

A. Discounted Cash Flow Analysis
B. Peer Group Analysis
C. Precedent Transaction Analysis

We have used our DCF analysis to estimate the short-term intrinsic value for the shares of Gatorz. We then combined our Peer Group and Precedent Transaction Analyses to explore the implied 2012 forward intrinsic value range that Gatorz could achieve if it successfully executes its business plan.

A. Using our DCF analysis, we have derived a probability-weighted intrinsic value for the shares of Gatorz of C$0.43.

B. Our Peer Group Analysis using Gatorz 2012 pro forma financials implies a forward intrinsic value range for Gatorz of C$0.74-C$2.28 per share.

C. Using our Precedent Transaction Analysis, we observed that the transaction multiples for the pending acquisition of market leader Oakley Inc., when applied to Gatorz, imply an absolute upward limit to any likely future acquisition price of Gatorz shares in the range of C$2.39–C$2.95 per share (assuming management is able to fully execute its business plan through the year 2012).

Taken together, the Peer Group and Precedent Transaction analyses imply a future (2012) valuation range for Gatorz of C$0.74-C$2.95 per share. We have taken the midpoint of that range of C$1.85 to represent our estimate of the intrinsic value of the shares of Gatorz in five years. Discounting at a rate of 30% for five years, we arrive at a current estimate of the intrinsic value for Gatorz of C$0.50 per share.

Using our DCF analysis, we derived an intrinsic value for the shares of Gatorz of C$0.43, which we are using as our 12-month Target Price for the shares of Gatorz.

Combining our Peer Group and Precedent Transaction analyses we derived a 2012 forward intrinsic value for the shares of Gatorz of C$1.85, which we are selecting as our five-year Target Price for the shares of Gatorz.

FINANCIAL REVIEW AND OUTLOOK

Revenue: Revenue for the six-month period ending June 30, 2007 decreased by 0.07% to $900,000 compared to the prior six months ended December 31, 2006. The slight sales weakness for the period is partly attributable to the Company’s transition to public capital markets and the associated distraction for management. Compounding this was sales weakness in Australia, primarily as a result of distribution issues. The Company is seeking to resolve these issues and is reviewing prospective new Australian distribution partners.

Profitability: Gatorz’ gross profit margin increased to 55% in the first half of 2007 versus the 51.7% it achieved in the previous six-month period ended December 2006.

Cash: Gatorz had a cash balance of $40,000 as at June 30, 2007, and currently has a balance of approximately $1.4 million on its balance sheet after completing an equity private placement in June 2007.

Capital Structure: As at June 30, 2007, Gatorz had long-term debt of $475,000, excluding the current portion, which is $40,000. Gatorz has $933,381 million in convertible shareholder loans due to former shareholders of Reno Wilson. These convertible loans require mandatory conversion to common shares at the market price but not less than $0.40 per share, at the Company's election until December 2010 when they will automatically be converted using the same formula. Gatorz also has $572,500 in subordinated, unsecured 12% mandatory convertible debentures, which were issued via a brokered private placement in January 2007. eResearch is treating all outstanding issues of convertible debt as non-participating equity equivalents, for the purpose of our analysis. Gatorz had 24.5 million shares outstanding at the end of Q2/2007, prior to its July 2007 financing (see Convertible Debt below for discussion of dilution).

Share Liquidity: The public float is very thin and a current deterrent to the prospects for increasing market capitalization. Approximately 85% of the 30 million shares outstanding are estimated to be held by management, "insiders", or the providers of seed capital.

Financing: Gatorz closed a brokered equity private placement in July 2007, under which it placed 6,050,000 units at a price of $0.25 per unit for net proceeds of $1,406,500. The units consist of one common share plus one purchase warrant which is exercisable into one common share of Gatorz at a price of $0.40. Broker options to acquire 484,000 shares of Gatorz at a price of $0.25 were issued as part of the associated investment banking fees. The private placement increases the current number of shares outstanding to 31.6 million. Gatorz has one large institutional investor that currently has a 6% equity position in the Company.

COMMENT: *eResearch does not anticipate that Gatorz will need to raise additional capital in the near future given a status-quo marketing strategy using its current grassroots guerilla marketing tactics, selectively adding channel partners and regional master distributor licensing agreements and growing organically.*

Warrants and Options: Gatorz has 801,500 warrants and 2,459,000 stock options issued. The warrants and stock options that would be "in-the-money" in relation to our Target Price over our 12-month forecast period are shown in italics in the table below. If all of the warrants and options expiring in the next year were exercised, this would result in an additional 290,000 shares issued and outstanding, representing potential new equity and cash of $72,500 to Gatorz.

Table 4: Gatorz Inc. Warrants and Options

1. Warrants

Exercise Price Warrants	Number	Expiry Date	Comments	Potential Equity
$0.40	6,050,000	January 2009	In-the-Money	$2,420,000
$0.60	85,875	June 2009	Out-of-the-Money	$51,525
$0.42	715,625	January 2012	In-the-Money	$300,563
	6,851,500			**$2,772,088**

2. Options

Exercise Price Options	Number	Expiry Date	Comments	Potential Equity
$0.25	650,000	June 2011	In-the-Money	$162,500
$0.25	*290,000*	*June 2008*	*In-the-Money*	*$72,500*
$0.25	484,000	July 2009	In-the-Money	$121,000
$0.40	1,035,000	January 2012	In-the-Money	$414,000
	2,459,000			**$770,000**
TOTALS	**9,310,500**			**$3,542,088**

NOTE: The entries in *italics* are within our 12-month forecast period, and are either "in-the-money" now, or will be during our forecast period. These total as shown below and are added to the shares currently outstanding in our determination of the Company's intrinsic value.

Number of Shares	Potential Equity
290,000	**$72,500**

Source: Gatorz Inc and eResearch

Convertible Debt: Assuming conversion of both convertible debentures at a conversion price of $0.40 at the end of our one-year forecast period, the dilutive effect would be the addition of 3,764,703 shares.

Table 5: Convertible Debentures

	Face Amount	Assumed Conversion Price	Assumed Conversion Date	Share Dilution
1) Mandatory Cvbl. Debenture of $572,500:	**$ 572,500**	**$ 0.40**	**Sept-08**	**1,431,250**
2) Mandatory Cvbl. Debenture of $933,381:	**$ 933,381**	**$ 0.40**	**Sept-08**	**2,333,453**
Total	**$ 1,505,881**			**3,764,703**

Source: eResearch

Conversion of the debentures will result in the further issuance of 715,625 warrants, exercisable at $0.60, and expiring in January 2012.

COMMENT: *eResearch anticipates that Gatorz will need to further tap equity markets if it undertakes a strategic acquisition or business combination in order to acquire a suitable existing distribution network or complementary strategic product lines - i.e., apparel or accessories company or brands. The experience of former competitor Gargoyles Inc. (Gargoyles) is noteworthy as an example of a similar single product company that successfully entered into a series of strategic acquisitions that were highly accretive to revenues and growth. After building a very targeted brand portfolio through acquisitions, Gargoyles was acquired by FGX International, which still positions the Gargoyles brands as a premium-priced, high-technology product in the action sports and youth lifestyle segments of the nonprescription eyewear space. eResearch expects that, with the proper execution, Gatorz may ultimately follow a similar path to that of Gargoyles.*

Selected Financial Information: The following abridged financial statements include a Statement of Income/(Loss), Statement of Cash Flow, and Balance Sheet along with our forecast for 2007 and 2008, and are accompanied by a financial outlook commentary:

Table 5: Selected Financial Information (U.S. Dollars)

	RENO WILSON	GATORZ	RENO WILSON		GATORZ	
	6 Months Ending:		Year Ending December 31:			
	June 30, 2006	June 30, 2007	2005	2006	2007E	2008E
Statement of Income/(Loss):						
Revenue	$ 907,054	$ 900,331	$ 1,413,248	$ 1,726,316	$ 1,942,106	$ 2,427,632
Cost of Sales	437,765	404,921	707,128	838,820	873,947	1,092,434
Gross Profit	469,289	495,410	706,120	887,496	1,068,158	1,335,198
Gross Profit Margin	51.7%	55.0%	50.0%	51.4%	55.0%	55.0%
S,G,&A	555,947	796,471	905,338	1,119,278	1,287,170	1,480,245
Stock Based Compensation		44,901			60,000	80,000
EBITDA	(86,658)	(345,962)	(199,218)	(231,782)	(279,012)	(225,048)
EBITDA Margin	-9.6%	-38.4%	-14.1%	-13.4%	-14.4%	-9.3%
Amortization	(5,533)	(6,564)	(8,304)	(11,800)	(12,000)	(12,000)
EBIT	(92,191)	(352,526)	(207,522)	(243,582)	(291,012)	(237,048)
Interest on Long Term Debt	(40,514)	(60,502)	(63,709)	(84,972)	(100,000)	(100,000)
Net Income/(Loss)	**(132,705)**	**(413,028)**	**(271,231)**	**(328,554)**	**(391,012)**	**(337,048)**
Total Shares Outstanding	24,500,000	31,550,000	24,500,000	24,500,000	30,625,000	34,679,703
Weighted Average Shares Outstanding	24,500,000	31,550,000	24,500,000	24,500,000	27,562,500	32,652,351
Earnings (Loss) Per Share	($0.01)	($0.01)	($0.01)	($0.01)	($0.01)	($0.01)
			December 31:			
	June 30, 2006	June 30, 2007	2005	2006	2007E	2008E
Statement of Cash Flow:						
Net Income (Loss)	(132,705)	(413,028)	(271,231)	(328,554)	(391,012)	(337,048)
All Non-Cash Items	5,533	6,564	8,304	11,800	12,000	0
Cash Flow from Operations	(127,172)	(406,464)	(262,927)	(316,754)	(379,012)	(337,048)
Capital Expenditures	(8,024)	(8,193)	(9,924)	(26,256)	(20,000)	(20,000)
Free Cash Flow	**(135,196)**	**(369,091)**	**(272,851)**	**(343,010)**	**(399,012)**	**(357,048)**
Working Capital Changes	148,776	(70,253)	168,043	(5,706)	0	0
Equity Financing	0	0	76,267	365,904	1,406,500	572,500
Debt Financing	57,552	475,148	(32,829)	(35,625)	0	(500,000)
Change in Cash	**71,132**	**35,804**	**(61,370)**	**(18,437)**	**1,007,488**	**(284,548)**
Cash, Beginning of the Period	22,668	4,231	84,038	22,668	4,231	1,011,719
Cash, End of the Period	93,800	40,035	22,668	4,231	1,011,719	727,172
	As at:		As at December 31:			
	Dec 31, 2006	June 30, 2007	2005	2006	2007E	2008E
Balance Sheet:						
Cash	4,231	40,035	22,668	4,231	1,011,719	727,172
Accounts Receivable	129,556	202,491	72,258	129,556	132,983	128,480
Other Current Assets	531,159	632,948	306,876	531,159	531,159	631,159
Capital Assets	33,489	37,628	14,012	33,489	33,489	33,489
Intangible Assets	56,519	54,009	61,540	56,519	50,000	50,000
Total Assets	**754,954**	**967,111**	**477,354**	**754,954**	**1,759,350**	**1,570,300**
Current Liabilities	1,371,202	1,099,723	801,388	1,371,202	1,355,189	1,430,686
Long Term Debt	495,079	474,528	533,739	495,079	500,000	0
Total Liabilities	1,866,281	1,574,251	1,335,127	1,866,281	1,855,189	1,430,686
Shareholders' Equity	(1,111,327)	(607,140)	(857,773)	(1,111,327)	(95,839)	139,614
Total Liabilities & Equity	**754,954**	**967,111**	**477,354**	**754,954**	**1,759,350**	**1,570,300**
Book Value (S.E.) Per Share	($0.05)	($0.02)	($0.04)	($0.05)	($0.00)	$0.00

Source: Gatorz Inc. and eResearch

COMMENT: *The Company, as Reno Wilson, had achieved a revenue CAGR in excess of 23% over the four years leading up to the CPC qualifying transaction. Although there has been a flattening of revenue growth in the first half of 2007, eResearch expects that Gatorz will resume its previous growth trajectory with revenue growing at rate of 12.5% to reach $1.94 million overall for 2007, and 25% to reach $2.43 million for 2008. With the distraction and turbulence of Gatorz' transition to public markets having subsided, management has been able to return its attention to managing the Company.*

In line with Gatorz' experience in the first half of 2007, we are forecasting gross margins of 55% for both 2007 and 2008. We expect that Gatorz will sustain a net loss of $0.01 per share in both 2007 and 2008 and breakeven in 2009.

APPENDIX 1 – MANAGEMENT AND DIRECTORS

Scott Samuel – Chairman and Director, Mississauga, Ontario
Scott Samuel is Chairman and Director of Gatorz Inc. He is also President, co-founder and sole shareholder of Investor Based Finance Group Inc. where he founded IBF-1 Inc., a Capital Pool Corporation that completed its qualifying transaction with Reno Wilson Inc. and became Gatorz Inc. Investor Based Finance Group Inc. is an independent strategic business advisory firm based in Markham. Mr. Samuel has an extensive background in investment banking and corporate advisory services. He served as Vice President, Merchant Banking at Central Capital Corporation, and Vice-President, Investment Banking at Citibank Canada from 1988 to 1989. Mr. Samuel was Executive Vice President, Director and Executive Committee Member at Midland Walwyn Capital Inc. in the area of investment banking, underwriting and advisory services from 1989 to1995. Subsequently, he was Chairman of ABN AMRO Capital Markets (Canada) and Executive Vice-President of ABN AMRO Bank (Canada) from 1995 to 1997. He served as Co-Head of Corporate Finance and Executive Committee Member at Gordon Capital Corporation, in 1997. Mr. Samuel then served as Director and Head of Corporate Finance and Investment Banking at Canada Trust Securities, from 1997 to 2000. Immediately prior to co-founding Investor Based Finance Group Inc., Mr. Samuel held the position of Executive Vice President of PriceWaterhouseCoopers Securities Inc., providing capital markets advisory services and valuation work from 2000 to 2003.

Kerry Lynch – President, CEO and Director, Poway California
Kerry Lynch was appointed President and Chief Executive Officer of Gatorz in 2001. He is the former Vice President of Sales and Director of Racquet Development for Wilson Sporting Goods. Mr. Lynch continues to contribute to the design and development of the Gatorz product line in addition to managing the business affairs of Gatorz. He was also a highly ranked professional racquetball player from 1979 through 1988 and a trick jet-ski performer from 1985 through 1988. He has participated in the “Formula TR Pro Series: Formula Renault Open” wheel car driving for Knudsen Racing. Mr. Lynch is also the 2005 Rotax Max Karting Masters Champion. Mr. Lynch is currently involved with Andretti Racing as well as with other persons who are active in IRL, Champ Car and NASCAR.

Patrick Westfall – Chief Financial Officer, Ancaster, Ontario
Patrick Westfall, CFO of Gatorz Inc, is also a Director of Investor Based Finance Group Inc. Prior to joining Investor Based Finance Group Inc. in 2004, Mr. Westfall spent ten years as Chief Financial Officer of Afton Food Group Ltd., a franchisor in the restaurant industry. Mr. Westfall obtained his Bachelor of Business Administration degree with Honours from Wilfrid Laurier University in 1990 and his Chartered Accountancy designation in 1993.

Michael Dianna – Chief Operating Officer, Director, Poway, California
Michael Dianna organized the leadership at Gatorz where he continues to work on all aspects of expanding the business, including product development, sales, accounting, and operations. He is currently a partner in Uptown Investment Group, which owns, manages and develops apartments, condos and retail real estate in the San Diego area. Mr. Dianna has also owned and managed operations of other successful businesses since the late 1970s.

Robert Coffey – Director, Toronto, Ontario
Robert Coffey is currently an independent management consultant, following his retirement in 1997 as Senior Vice President of Commercial Lending for ABN AMRO Bank (Canada), a position he held from 1994. Mr. Coffey is also the Chairman and a director of the Kiwanis Music Festival Foundation and Chairman of InterRent International properties, a corporation listed on the TSX

Venture Exchange. Prior to that, Mr. Coffey spent 28 years at KPMG LLP, holding various executive positions until his retirement as Vice Chair of KPMG in 1994. Mr. Coffey obtained his Chartered Accountant designation in Quebec in 1959, his Certified Management Consultants designation in Ontario in 1965 and his Bachelor of Commerce degree from McGill University in 1966.

Mark Alden – Director, Stouffville, Ontario

Mark Alden is the President and co-owner of Scott Woods Transport, a company servicing the specialized transportation market since 2004. Prior to Scott Woods, Mr. Alden spent 11 years as the Vice President and General Manager of Muirs Cartage Limited, a transportation organization. His background is in finance and business management, having obtained his Bachelor of Business Administration degree with Honours from Wilfred Laurier University in 1990 and his Chartered Accountant designation in 1993.

Jean François Thormann – Director, Allentown, Pennsylvania

Jean François Thormann is currently the Managing Director of Andretti International as well as the business manager for the Andretti family. He was involved with certain Andretti family auto dealership ventures including Andretti Toyota, Andretti Scion, Andretti Ford and Andretti Chrysler-Dodge-Jeep, as well a motorcycle/all terrain vehicle dealership known as Michael Andretti Powersports. Mr. Thorman was also involved in Andretti Global Development, Andretti Restaurant Group, Andretti Georgia and Andretti III (which operates an indoor go-karting and entertainment facility). He also serves on the board of directors for Andretti Green Racing, a four-car Indy Racing team. Mr. Thorman was the Managing Director for International Retail Corporation, which operated 17 high-volume Amoco, Mobil and Sunoco service stations on the New Jersey, Connecticut, and Maryland Turnpikes. In September 2006, Mr. Thorman was appointed Executive Vice President of Andretti Green Racing. He is a graduate of Towson University with a Bachelor of Arts in International Business.

APPENDIX 2 – INDUSTRY

The premium performance eyewear segment is characterized by intense competition from multi-billion-dollar competitors and the need for the agility to anticipate and respond to changing market demands and preferences.

Market Size and Growth: The market for sunglasses represents $1.9 billion of the $3.3 billion global eyewear industry. Competitors Orange 21 and Oakley both cite high single-digit growth rates for the action sports eyewear segments.

Critical Success Factors: Critical success factors needed in the performance eyewear industry are: 1) the ability to offer superior performance; 2) aesthetically appealing design; 3) the ability to build brand equity and a strong brand franchise.

Industry Concentration: The nonprescription eyewear market is dominated by several major multinational firms that are vertically integrated with well-developed marketing resources, sales forces and distribution channels. These large competitors manage portfolios of brands of eyewear and may design, manufacture, market, distribute and retail the brands depending on their business model. Often these brands are licensed labels such as North Face or Nike. These large players have developed many of their own house brands and have acquired brands and brand portfolios.

Barriers to Entry: Although barriers to entry are low for the low-priced, mass-marketed, plastic nonprescription eyewear segment, barriers are high for the high-end, premium performance eyewear segment where Gatorz competes. These barriers to entry take the form of:

1. **Brand Equity:** Brand equity with sports enthusiasts, the source of which stems from factors such as product design/engineering/technology, product performance attributes, and requisite product endorsements particularly from elite athletes.

2. **Distribution:** The premium segment of the market requires a well-developed distribution network.

3. **Intellectual Property:** Intellectual property, design, engineering and technical product complexity considerations.

Market heavyweight Luxottica Inc. commented in its annual report that demand for sunglasses in the mid-to-premium price segments are always driven by “design, quality and choice of new fashionable colours”, and that technology applies especially to the sports segment.

Industry Trends: Significant trends driving the nonprescription eyewear industry include:

- Growing consumer awareness of the need to protect the eyes from infrared and ultraviolet rays.
- Increasingly specialized applications for sunglasses with different features and specialized characteristics.
- Increasing acceptance of sunglasses as a fashion accessory.
- Increasing proliferation of new brands.
- Increasing industry concentration and consolidation.

Market Segmentation: The sunglasses market can be roughly segmented into three main segments:

- Sport.
- Fashion.
- Traditional.

APPENDIX 3 – COMPETITION

The performance, action sports premium nonprescription eyewear segment is populated by:

I. Very large, international, vertically integrated and mostly publicly listed players, including:

- Luxottica Group S.p.A.
- FGX International.
- Oakley Inc.
- Marcolin S.p.A.
- Marchon Eyewear Inc.
- Safilo Group.
- Volcom Inc.

II. Large and intermediate sized players that are often privately owned:

- Orange 21 – Spy Optics
- Maui Jim
- Rudy Project
- Billabong
- Quiksilver
- PanOptx

III. Many small to mid-sized players that are mostly private, and often obscure and specialized. Some of these include:

- Signature Eyewear
- GRIX Genuine Billet Aluminum Eyewear
- CliC Aluminum Eyewear
- ICICLES Performance Eyewear Inc.
- Outlaw Eyewear
- Wiley-X
- ESS

Many of the specialized group III companies above are direct competitors to Gatorz, targeting a similar demographic and psychographic group as Gatorz, with a similar product - eyewear manufactured from billet aluminum, and are highly analogous with respect to stage of development and market penetration. Some, such as ESS and Wiley-X, have a military/tactical performance heritage and market protective eyewear for hostile environment applications such as military, law enforcement, and fire/rescue. Many of this group target "Gasoline Alley", and custom-build motorcycle, automobile and motorsports segments.

COMMENT: *One of the immediate competitor companies above, ICICLES Performance Eyewear Inc., produces and markets a very similar product to Gatorz, and may represent a challenge to Gatorz Eyewear with respect to intellectual property rights. ICICLES and several other companies in this third segment might represent attractive acquisition candidates for Gatorz to broaden the product line and consolidate distribution channels. Alternatively, Gatorz could be acquired.*

APPENDIX 4 - CONSOLIDATION

The nonprescription eyewear industry has been undergoing consolidation driven by economies of both scale and scope. There have been several precedent transactions in the nonprescription eyewear industry with varying degrees of relevance to Gatorz (see Precedent Transaction Analysis, p.17). These transactions provide us with some industry context. Examples are:

Oakley Inc. – Luxottica is currently in the process of acquiring Oakley.
Gargoyles Inc. – FGX International acquired Gargoyles in 2000.
Ray Ban – Luxottica acquired Ray Ban, the eyewear division of Bausch & Lomb in 1999.

Oakley Inc.: The recently announced, and still-pending acquisition of Oakley Inc. by Luxottica gives us a precedent transaction and an important valuation benchmark against which to compare the value of Gatorz shares. (See Luxottica above.) Despite its $2 billion price tag, eResearch examined the transaction in its analysis as an indication of the current premiums attainable in the segment for mature brands.

Gargoyles Inc.: In 2004, FGX International (see below) acquired Gargoyles and its portfolio of premium performance sunglasses (See FGX International above). Gargoyles designed, assembled, marketed and distributed premium performance eyewear, which combined its proprietary "Toric Curve" optical technology in its polycarbonate lenses with durable contemporary design. Gargoyles started off as a single-product company, much like Gatorz and, through strategic acquisitions, built a multi-brand portfolio targeting youth-lifestyle and action-sports segments of the nonprescription eyewear market. Addressing the same market segment, Gargoyles is the most closely comparable of the precedent transactions due to the earlier stage of the company.

FGX International: FGX International (FGX) is a privately owned, diversified marketer of a full spectrum of eyewear and costume jewellery, through various channels. FGX acquired five premium eyewear brands from Gargoyles Inc. in 2004 in order to address the youth lifestyle market. These included Gargoyles, Anarchy, Angel, GForce, and Idol-Eyez brands, which retail at a premium price point (generally $50-$170). FGX's Anarchy brand of sunglasses targets male skaters and board-sports enthusiasts aged 14-25 and retail for $45-$60. The Company has recently announced its pending initial public offering.

Ray-Ban: On June 26,1999 Luxottica acquired the Ray Ban and its brand portfolio from Bausch & Lomb for consideration of $636 million. General Douglas MacArthur, commander-in-chief of Allied forces in the Pacific during World War II, initially made Ray-Ban sunglasses famous. The brand's cult status has been amplified by personalities such as Tom Cruise, Brad Pitt, Jack Nicholson, Will Smith, Cameron Diaz, and Madonna.

COMMENT: *Of the three transactions, the Oakley acquisition is the most recent and most transparent.*

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Medium Risk: *Financial* - Several years of revenue and positive earnings, balance sheet in line with industry average, positive free cash flow, adequate working capital solvency, may or may not pay a dividend.

Operational - Competitive market position and cost structure, industry stable, business model/technology is well established and consistent with current state of industry

Low Risk: *Financial* - Strong revenue growth and earnings over several years, stronger than average balance sheet, strong positive free cash flows, above average working capital solvency, company may pay (and stock may yield) substantial dividends or company may actively buy back stock.

Operational - Dominant player in its market, below average cost structure, company may be a consolidator, company may have a leading market/technology position.

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