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Fundamental Research Corp.

Investment Analysis for Intelligent Investors

June 20, 2008

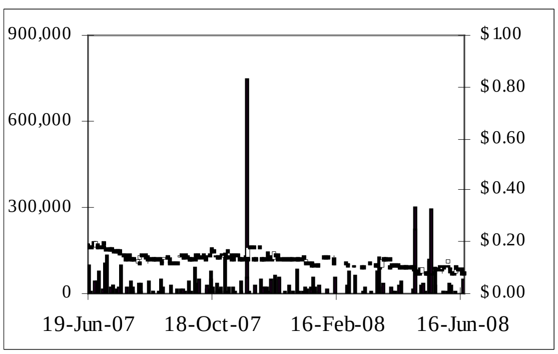
International Water-Guard Industries Inc. (TSX-V: IWG) – Positive developments in Q3 overshadow disappointing Q2 results

Sector/Industry: Aerospace Products and Services **www.water.aero**

Market Data (as of June 19, 2008)

Current Price	**C$0.08**
Fair Value	**C$0.35**
Rating*	**BUY**
Risk*	**3 (Average)**
52 Week Range	C$0.06 –C$0.20
Shares O/S	34,210,694
Market Cap	C$2.74 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	1.50x
YoY Return	-52.9%
YoY TSX-V	-19.2%

*see back of report for rating and risk definitions



Q2-2008 Highlights

- On June 2, 2008, IWG announced that Gulfstream selected IWG's A6 'intelligent' water treatment unit for use on its latest model, the G650. This agreement, we believe, has the potential to generate $1.20 million in annual revenues for IWG.
- On May 28, 2008, IWG announced that NetJets Europe specified IWG's A4 'intelligent' water treatment units on its recent order of 24 Dassault Falcon Jet 7X aircraft. NetJets is Europe's leading private jet company, and an order from them indicates the growing credibility and exposure of IWG's products in the industry today.
- IWG received a Brazilian Patent for its Circulating Potable Water System (C-PWS™). Considering Brazil's strong economic outlook and the fact that it is home to one of the largest aerospace providers in the world, Embraer S.A., the receipt of a patent in Brazil, we believe, offers the company more opportunities for growth going forward.
- Q2 results fell below expectations. Revenues and margins dropped YOY due to a short-term delay in orders by a major customer and a high C$/US$. We continue to expect improved performance in the second half of FY2008.

Financial Summary (YE Sept 30) (C$)	**2003**	**2004**	**2005**	**2006**	**2007**	**2008E**	**2009E**
Revenue	3,050,097	3,641,463	3,134,809	3,662,460	4,484,903	4,055,612	5,263,393
Gross Margin	59.77%	51.31%	53.84%	59.92%	54.91%	51.08%	58.00%
Net Income	(727,974)	(3,961,291)	914,111	404,545	808,147	(237,883)	403,354
EPS (basic)	(0.05)	(0.21)	0.04	0.01	0.02	(0.01)	0.01
Cash	-	64,836	354,804	133,529	438,932	368,751	748,047
Assets	3,938,970	1,162,044	1,212,922	1,505,304	2,486,701	2,244,287	2,823,921
Debt to Capital	45.74%	1025.03%	40.64%	9.21%	3.43%	4.04%	2.22%
ROE	-35.79%	-2286.86%	-247.83%	49.62%	53.24%	-12.64%	19.67%
ROIC	-24.62%	-251.05%	257.37%	49.05%	61.22%	-15.34%	25.92%

International Water-Guard Industries Inc. ("IWG"), based in Burnaby, BC, Canada, focuses on the design, manufacture, sale, and service of aircraft potable water treatment equipment and systems. IWG has been selling its products to corporate, VIP and military transport manufacturers/operators around the world since 1982. The company is now seeking to break into the largest market of the aircraft industry, the commercial airline sector.

PLEASE READ THE IMPORTANT DISCLOSURES AT THE BACK OF THIS REPORT

IWG's performance in Q2 fell below expectations. Even though we were expecting a soft quarter and revenues to drop YOY, Q2 revenues dropped more than we had expected. The company, however, had some very positive developments in Q3 that not only overshadowed their disappointing Q2 results, but also significantly improved the company's long-term growth prospects. Our analysis of the potential impact of these developments follows.

Gulfstream selects IWG's units for the G650

On June 2, 2008, IWG announced that Gulfstream Aerospace Corporation selected IWG's latest A6 'intelligent' water treatment unit for use on its Gulfstream G650. This announcement came after the two companies signed a Memorandum of Agreement (MOU) in March 2008, for a multi-year contract for IWG's products to be installed on Gulfstream's business jets through 2010, and after IWG was awarded a "Top Performer award" for the second consecutive year by Gulfstream as one of its suppliers of the year.

The G650, priced at about US$55 – US$60 million, will be Gulfstream's largest, fastest and most expensive business jet. The new model was publicly launched in early 2008. Customer deliveries are expected to commence in 2012. Gulfstream has received significant interest for the G650 since its launch. According to General Dynamic's (Gulfstream is a wholly owned subsidiary of General Dynamics - NYSE: GD) Chairman and CEO, Nicholas Chabraja, Gulfstream has already received LOIs for about 500 G650s. Gulfstream intends to deliver 83 G650s in the first two and half years of production, which includes 17 in 2012, and 66 in 2013, and 2014. This production plan clearly cannot meet projected demand based on the initial market response, and therefore, we believe Gulfstream might accelerate their current production schedule.

Another benefit to IWG from this agreement is that unlike other models, the G650 will have two IWG-A6 units fitted as standard on each aircraft. (*IWG's units are currently fitted as standard on three other models – namely the G450, G550 and Bombardier Global 5000).* IWG's new 'intelligent' units, in addition to being lighter and physically more robust, are equipped with self-monitoring capabilities to ensure that adequate ultraviolet (UV) light is produced to disinfect an aircraft's water supplies, while scanning for a range of fault conditions, which can be reported to a cabin management system.

Our revenue projections for IWG from this agreement follows.

- Based on the initial market response, production of 500 G650s would translate into $15 million in revenues for IWG *($15,000 per unit * 2 units per aircraft * 500 aircraft; Note that IWG has never disclosed the price of their water treatment units - the unit price used in this analysis are our estimates).*
- Based on Gulfstream's current production plan of 83 aircraft for the first two and half years, IWG can generate up to $2.50 million in revenues.
- We believe IWG can generate $1.20 million in annual revenues, based on an annual production of 40 G650s.

These revenue projections clearly indicate the upside potential of this agreement for IWG going forward. Delivery of the initial water treatment units is expected to commence by the end of the year. We have revised our revenue forecasts for FY2010+ upward to reflect unit sales for the G650.

NetJets Europe orders IWG's units for their Dassault Falcon Jet 7x fleet

On May 28, 2008, IWG announced that NetJets Europe, the largest operator of business and private jets in Europe, has specified IWG's A4 'intelligent' water treatment units on its recent order of 24 Dassault Falcon Jet 7X aircraft. NetJets offers fractional ownership and rental of private business jets.

The Dassault Falcon is one of three corporate jet manufacturers that currently offer IWG's products as standard options. This order from NetJets, we believe, reflects the increasing focus by aircraft manufacturers and operators on aircraft water quality, and more specifically for IWG, the growing credibility and exposure of IWG's products in the industry today.

NetJets will pay about $42 million for each Dassault Falcon Jet 7X aircraft. This implies that IWG's water treatment unit, which is priced at about $15,000 (FRC estimate), represents only 0.04% of the total price of an aircraft. This shows that IWG's products have a low price elasticity of demand, and that an operators' cost to improve aircraft water quality is insignificant compared to the total price of an aircraft.

IWG will deliver their units to Dassault over the next couple of years. This order alone, we believe, will bring in about $0.36 million in revenues to IWG. It is very important to note that NetJets is Europe's leading private jet company, and an order from them would indirectly help IWG's products gain more credibility and exposure in the industry, leading to higher sales going forward.

Received Brazilian patent on its C-PWS™

In May 2008, IWG announced that it received a Brazilian Patent for its Circulating Potable Water System (C-PWS™). IWG already holds patents in the U.S. and Canada.

Brazil is one of the largest aerospace providers in the world. The country's largest aerospace manufacturer, Embraer S.A. (NYSE: ERJ), is the fourth largest in the world behind Boeing (NYSE: BA), Airbus (Paris: EAD) and Bombardier (TSX: BBD-B). Embraer expects to deliver about 205 – 215 aircraft in 2008, and 315 – 350 aircraft in 2009.

Brazil is currently the number one emerging market in the world. We believe that a strong domestic and export market will keep economic growth in Brazil strong. According to Moody's most recent estimates, Brazil's gross domestic product (GDP) is expected to grow at 4.8% in 2008, and 5.2% in 2009, versus 5.4% in 2007. Also, Standard & Poor's recently raised Brazil's long-term sovereign credit rating to investment grade (from BB+ to BBB-), which we believe clearly shows the economic progress of the country.

We believe, IWG will now seek a partnership with Embraer. Considering Brazil's strong economic outlook, and the fact that it is home to one of the largest aerospace providers in the world, the receipt of a patent in Brazil, we believe, offers the company more opportunities for growth going forward.

IWG's C-PWS™ also offers additional benefits to operators especially during times of high fuel prices. With oil trading at record highs, airlines are desperately seeking ways to cut aircraft weight. For example, Northwest Airlines believes that they can save $0.44 million per year for every 25 pounds they remove from an aircraft. The Air Transport Association estimates that, at current prices, fuel costs eat as much as $0.73 of every airline dollar. IWG's water systems weigh less than conventional water systems, and thereby allow operators to cut fuel costs. This additional benefit, we believe, improves the value proposition of IWG's C-PWS™.

Review of Q2 results

Revenues in Q2-2008 dropped by 25.5% YOY, from $1.15 million to $0.86 million. We are disappointed with the performance as we were expecting a 16% YOY drop in revenues. For the six month period in FY2008, revenues dropped from $2.16 million to $1.71 million, a decrease of 21% YOY.

Revenues dropped in Q2 due to the same reasons as in Q1, which were a short-term delay in orders by a major customer and a strong C$/US$. Management continues to believe that orders will pick up in the second half of 2008. Also, the company initiated currency hedging strategies in Q3 to mitigate exchange rate risks.

Since Q2 revenues were lower than expected, we have lowered our revenue forecasts for FY2008 to $4.06 million (down from $4.53 million) and FY2009 to $5.26 million (down from $6.23 million). However, we have raised our long-term revenue forecasts to account for revenues from the sale of units for the G650.

Margins dropped YOY

Margins dropped YOY in Q2 primarily due to a drop in gross margins and due to a significant increase in research and development (R&D) expenses.

Gross margins dropped in Q2 from 61% to 50%. For the six-month period, gross margins dropped YOY from 59% to 46%. Although gross margins dropped YOY in Q2, they were slightly above our estimates. As a result, we have raised our forecast for FY2008 from 50.7% to 51.1%.

Margins	2006-Q2	2007-Q2	2008-Q2	2006-6 mo	2007-6 mo	2008-6 mo
Gross	58.7%	60.5%	50.1%	60.5%	58.9%	46.0%
EBITDA	15.2%	16.6%	-16.1%	13.8%	15.8%	-14.2%
EBIT	14.0%	15.4%	-18.0%	13.0%	14.6%	-16.0%
EBT	12.3%	15.3%	-18.3%	10.8%	14.4%	-16.4%
Net Margin	12.3%	15.3%	-12.0%	10.8%	14.4%	-10.7%

Expenses / Sales	2006-Q2	2007-Q2	2008-Q2	2006-6 mo	2007-6 mo	2008-6 mo
Selling Expenses	7.9%	7.0%	9.6%	9.9%	7.5%	7.3%
R&D	9.9%	9.2%	22.7%	12.1%	10.1%	20.4%
G & A	25.1%	27.3%	33.4%	23.9%	24.9%	32.0%
Stock Option Compensation	0.6%	0.4%	0.5%	0.8%	0.6%	0.5%
Total	**43.4%**	**43.9%**	**66.2%**	**46.7%**	**43.1%**	**60.2%**

R&D expenses increased from $0.11 million (9% of sales) to $0.19 million (23% of sales) due to an acceleration of new product development efforts the company announced earlier this year. Selling and general and administrative (G&A) expenses dropped YOY from $0.39 million ($0.70 million in the first six months of FY2007) to $0.37 million ($0.67 million in the first six months of FY2008).

EBITDA was ($0.14 million) in Q2-2008 versus $0.19 million in Q2-2007. For the six-month period, EBITDA dropped YOY from $0.34 million to ($0.24 million). The company reported a net loss of $0.10 mm in Q2-2008 ($0.18 million in the six month period) versus net income of $0.18 million in Q2-2007 ($0.31 million in the six month period).

In summary, Q2 results were below expectations due to the following three factors – lower than expected revenues, lower than expected gross margins, and higher R&D expenses. We are not concerned about the increase in R&D expenses, as the company's new initiatives could possibly lead to an increase in revenues going forward. Revenues and gross margins dropped due to lower unit sales and a strong C$/US. As mentioned earlier, we expect both these factors to have less impact on the company's performance in the second half of FY2008.

Lower revenue forecasts led us to lower our EPS forecasts for FY2008, and FY2009, to a net loss of $0.24 million (down from net income of $0.03 million) and net income of $0.40 million (down from $0.65 million), respectively.

Cash flows

IWG spent $0.08 million on operations and $0.02 million on capital expenditures in Q2-2008. IWG had generated $0.08 million from operations and spent $0.10 million on CAPEX in Q2-2007. For the six-month period in FY2008, the company spent $0.30 million on operations and $0.04 million on CAPEX. Cash on hand was used to fund these expenses.

In May 2008, the company announced their intentions to pursue a non-brokered private placement to raise $0.50 million by issuing 5 million shares at $0.10 per share *(IWG's previous financing was a $1 million private placement completed three years ago in May 2005).* IWG expects to complete the financing by the end of June 2008.

We were not expecting the company to pursue a private placement at this time especially because our models did not suggest the need to do so. Moreover, the company has yet to withdraw any amount from their $0.50 million operating credit facility with the Toronto - Dominion Bank (interest at bank prime rate plus 1.5%). Since an equity financing will lead to share dilution, we believe, IWG should have opted to use their credit facility instead.

Cash and Liquidity Position

As cash on hand was used to fund expenses in the first six months of FY2008, IWG's cash position dropped from $0.44 million at the end of FY2007, to $0.09 million in cash and $1.09 mm in working capital. Working capital and the current ratio, however, remained healthy at $1.09 mm ($1.39 mm at the end of FY29007) and 4.8 (4.1 at the end o FY2007).

Liquidity Analysis	2004	2005	2006	2007	Q2-2008
Working Capital	(1,370,085)	576,218	909,496	1,387,326	1,086,703
Current Ratio	0.44	1.96	3.33	4.06	4.78
Debt / Capital	1025.0%	40.6%	9.2%	3.4%	4.5%
Interest Coverage Ratio	0.3	2.1	8.0	44.1	(45.84)

The company continued to maintain a low debt to capital.

Stock Options and Warrants

At the end of Q2-2008, the company had 2.35 million stock options outstanding (1.05 million are currently 'in-the-money' – assuming that none of the outstanding options were exercised since the end of Q2-2008), with exercise prices ranging between $0.075 and $0.21, and a weighted average time to maturity of 34.5 months.

Valuation

Our revised valuation on the company's equity increased from $11.39 million to $12.88 million, as we raised our long-term revenue forecasts. However, our value per share estimate remained at $0.33 per share due to share dilution from the proposed $0.50 million financing.

DCF Valuation Model	**2008E (6mo)**	**2009E**	**2010E**	**2011E**	**2012E**	**2013E**	**2014E**	**2015E**	**Terminal**
FFO	$84,866	$517,729	$1,041,845	$1,398,380	$1,701,949	$1,959,888	$1,605,849	$1,799,913	$1,983,355
Investment in WC	$204,170	($156,748)	($260,597)	($426,059)	($363,030)	($308,513)	($360,949)	($422,298)	($322,489)
CFO	$289,036	$360,981	$781,248	$972,321	$1,338,919	$1,651,375	$1,244,899	$1,377,614	$1,660,867
CAPEX	($20,769)	($60,000)	($60,000)	($60,000)	($60,000)	($60,000)	($60,000)	($60,000)	($60,000)
FCF	$268,267	$300,981	$721,248	$912,321	$1,278,919	$1,591,375	$1,184,899	$1,317,614	$1,600,867
PV	$260,773	$261,226	$558,913	$631,232	$790,071	$877,764	$583,537	$579,372	$7,821,355
Discount Rate	12%								
Terminal Growth Rate	3%								
Total PV	$12,364,245								
Cash - Debt	514,538								
Equity Value	$12,878,783								
Shares O/S (dil)	39,210,694								
Value per share	**$0.33**								

IWG's shares continue to be undervalued based on the industry average P/S ratio. At current prices, IWG's shares reflect a P/S of 0.67x, while the industry average ratio is 1.24x.

Rating

Therefore, based on our revised valuation and review of Q2 results, we reiterate our BUY rating, and maintain our fair value estimate on the company at $0.35 per share.

Risks

The following risks, though not exhaustive, will cause our estimates to differ from actual results:

- Growth of the company is highly dependent on the overall health of the aerospace industry.
- IWG's revenues are dependent on aircraft delivery rates and are subject to industry cycles and customer adoption of its products.
- A significant portion of revenues is non-recurring.
- The company has yet to break into the commercial aircraft sector, the largest market in the aerospace industry.
- Foreign exchange fluctuation risks: Most of IWG's sales are in US dollars.

We continue to rate the shares Risk 3: Average.

Appendix

STATEMENTS OF OPERATIONS (in C$)	2004	2005	2006	2007	2008E	2009E
Sales	**3,641,463**	**3,134,809**	**3,662,460**	**4,484,903**	**4,055,612**	**5,263,393**
COGS	1,773,115	1,447,104	1,467,763	2,022,031	1,983,969	2,210,625
Gross Profit	**1,868,348**	**1,687,705**	**2,194,697**	**2,462,872**	**2,071,643**	**3,052,768**
Expenses						
Selling Expenses	307,880	300,604	373,683	369,189	324,182	447,388
Research&Development	295,290	362,948	425,338	500,718	811,122	831,217
General & Administration	1,000,565	678,122	864,836	1,069,852	1,084,876	1,250,056
Stock Option Compensation	26,456	18,098	29,745	80,709	19,753	52,634
EBITDA	**238,157**	**327,933**	**501,095**	**442,404**	**(168,291)**	**471,473**
Amortization	178,833	21,213	39,078	52,414	62,323	61,742
EBIT	**59,324**	**306,720**	**462,017**	**389,990**	**(230,614)**	**409,731**
Interest & Bank Charges	186,303	143,123	57,472	8,843	7,270	6,378
Earnings from operations, before undernoted	**(126,979)**	**163,597**	**404,545**	**381,147**	**(237,883)**	**403,354**
Government Assistance						
Gains on settlement of notes and accounts payable		601,451	-	-	-	-
Gain on sale of commerical division assets		164,063	-	-	-	-
Wite-down of assets and costs	(3,834,312)	(15,000)	-	-	-	-
EBT	**(3,961,291)**	**914,111**	**404,545**	**381,147**	**(237,883)**	**403,354**
Taxes/(Income Tax Recovery)	-	-	-	(427,000)	-	-
Net Earnings for the eperiod	**(3,961,291)**	**914,111**	**404,545**	**808,147**	**(237,883)**	**403,354**
EPS	(0.21)	0.04	0.01	0.02	(0.01)	0.01

BALANCE SHEETS (in C$)	2004	2005	2006	2007	2008E	2009E
Assets						
Cash	64,836	354,804	133,529	438,932	368,751	748,047
Accounts receivable	592,467	508,776	755,321	721,278	643,068	834,577
Inventory	423,626	282,922	388,844	642,232	559,377	566,620
Prepaid Expenses	5,529	31,928	21,664	37,969	29,124	32,452
Current Assets	**1,086,458**	**1,178,430**	**1,299,358**	**1,840,411**	**1,600,320**	**2,181,696**
Equipment & Furniture	75,586	34,492	205,946	219,290	216,968	215,226
Deferred Dev Costs and foreign exchange loss						
Future income tax assets				427,000	427,000	427,000
Total Assets	**1,162,044**	**1,212,922**	**1,505,304**	**2,486,701**	**2,244,287**	**2,823,921**
Liabilities & Shareholders' Equity						
Accounts Payables & Accrued Liabilities	1,018,965	226,020	354,383	425,072	396,794	442,125
Demand / Factoring Loan	449,500	367,900	-	-	-	-
Customer Deposits, Bank and Shareholder's loan	256,507					
Current portion of capital lease obligations and loan	4,146	8,292	35,479	28,013	21,826	5,391
Current portion of notes payable	727,425					
Current Liabilities	**2,456,543**	**602,212**	**389,862**	**453,085**	**418,620**	**447,516**
Convertible Debentures						
Obligations under capital lease and other loan	29,021	24,875	70,567	42,685	52,866	47,475
Notes and Loans payable						
Shareholder's Equity						
Share Capital	6,530,913	7,508,539	7,533,289	7,607,553	7,607,553	7,707,694
Contributed surplus	42,956	60,574	90,319	153,964	173,717	226,351
Deficit	(7,897,389)	(6,983,278)	(6,578,733)	(5,770,586)	(6,008,469)	(5,605,116)
Total Liabilities & Shareholders' Equity	**1,162,044**	**1,212,922**	**1,505,304**	**2,486,701**	**2,244,287**	**2,823,921**

STATEMENTS OF CASH FLOWS (in C$)	2004	2005	2006	2007	2008E	2009E
Operating Activities						
Net earnings for the period	(3,961,291)	914,111	404,545	808,147	(237,883)	403,354
Items not involving cash						
Income tax recovery				(427,000)		
Gain on liabilities and sale of commerical division		(765,514)				
Unreallized foreign exchange and other gains	(42,849)					
Compensation related to stock option plan	26,456	18,098	29,745	80,709	19,753	52,634
Write-downs	3,834,312	15,000				
Interest accrued(on NP, on shareholer loan)	65,053	20,728				
Amortization and equipment write-down	178,833	21,213	39,078	52,414	62,323	61,742
	100,514	**223,636**	**473,368**	**514,270**	**(155,807)**	**517,729**
Changes in non-cash operating working capital						
Accounts receivable	(300,722)	63,691	(246,545)	34,043	78,210	(191,509)
Inventory	207,188	45,482	(105,922)	(253,388)	82,855	(7,243)
Prepaid expenses		(26,399)	10,264	(16,305)	8,845	(3,327)
Accounts payable and accrued liabilities	157,531	(593,126)	128,363	70,689	(28,278)	45,331
Customer Deposits	(348,257)			-	-	-
	(284,260)	**(510,352)**	**(213,840)**	**(164,961)**	**141,632**	**(156,748)**
Cash from from (used in) operations	**(183,746)**	**(286,716)**	**259,528**	**349,309**	**(14,175)**	**360,981**
Investing activities						
Purchase of furniture and equipment	(1,207)	(15,834)	(107,791)	(65,758)	(60,000)	(60,000)
Proceeds on sale of commerical division		300,000				
Deferred Development Costs	(1,076,642)					
Purchase of equipment and leaseholds	**(1,077,849)**	**284,166**	**(107,791)**	**(65,758)**	**(60,000)**	**(60,000)**
Financing activities						
Proceeds(repayments) of demand loans	548,350	(81,600)	(367,900)	(4,146)		
Proceeds (repayments) of payables and leases	(115,086)	(314,300)	(29,862)	(31,202)	3,994	(21,826)
Convertible debenture issued						
Issue of common share for cash	941,355	688,418	24,750	57,200		100,141
	1,374,619	**292,518**	**(373,012)**	**21,852**	**3,994**	**78,315**
Increase (decrease) in cash	113,024	289,968	(221,275)	305,403	(70,181)	379,296
Cash beginning of period	(48,188)	64,836	354,804	133,529	438,932	368,751
Cash end of period	**64,836**	**354,804**	**133,529**	**438,932**	**368,751**	**748,047**

Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk
Hold – Annual expected rate of return is between 5% and 12%
Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk
Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:
1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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