

Intrinsyc Software Int'l Inc. (ICS-T, \$0.49)

Friday, June 27, 2008

Rating: **SECTOR OUTPERFORM**
 Target Price: **\$1.50**
 Return: **209%**
 YTD Performance: **-47%**
 Risk Profile: **SPECULATIVE**

Ralph Garcea, MBA, P. Eng (416-507-2609, rgarcea@haywood.com)
 Kristian Bauer (416-507-2786, kbauer@haywood.com)

O We believe Nokia's acquisition of the 52% of Symbian it did not own was a response to Google's Android Alliance. Look for Intrinsyc to extend Soleus beyond Windows CE to the Symbian and Linux operating systems.

Intrinsyc Releases Soleus 3G, and a Symbian Update

Events: Intrinsyc releases Soleus 1.50 (3G); Nokia takes control of Symbian OS

Impact - Positive: We believe that both the Nokia/Symbian announcement, and the Soleus 1.50 (3G) release, are positives for Intrinsyc.

Forecasts, Target Price, Ratings – Unchanged, SECTOR OUTPERFORM rating and \$1.50 target.

Issues:

■ **Nokia gets control of the Symbian OS - A Great Opportunity for Soleus!**
 Nokia recently announced that it is offering to buy the 52% of Symbian that it doesn't already own for approx \$410M. Other shareholder's of Symbian include: LM Ericsson (15.6%), Sony Ericsson (13.1%), Panasonic Mobile/Matsushita (10.5%), Siemens (8.4%) and Samsung (4.5%). Nokia intends to offer the Symbian operating system (OS) royalty-free through the open-source Symbian Foundation. *As with Windows CE, this should provide Soleus with a much larger addressable market to partner with in extending the Symbian OS.* In addition, Intrinsyc's Symbian services business should benefit from this move as they are one of only ten Symbian Competence Centers globally (and the only one in North America).

■ **Intrinsyc Releases Soleus 1.50 – Ready for 3G**
 Soleus 1.50 will enable device makers to build handsets that can support third-generation (3G/3.5G) high-speed HSDPA and HSUPA data connections.

Valuation: From a valuation perspective, Intrinsyc is trading at a discount to the Haywood Mobility Software Universe based on our CY2009 estimates (EV/Sales: 1.1x versus 2.4x). The situation should remedy itself throughout 2008 as the Company's customers start shipping Soleus-based devices. Our DCF-based target of \$1.50 yields a CY2009 valuation of 4.6x EV/Sales.

Catalysts: 1) *Software License Agreements* – Soleus™ contracts, notably a tier-one manufacturer, should increase revenue visibility and expectations; 2) *Royalty Generation* – We expect Soleus™ royalties to begin in Q2/08; 3) *Product Visibility* – Soleus™ product reviews will increase visibility and drive future signings (min. of one/qtr).

Investment Brief: *Soleus™ is a comprehensive software platform (based on Windows CE), whose modular architecture speeds up the development process, provides a reusable platform, allows a higher degree of customization, and lowers the manufacturer's bill of materials (BOM)*

Forecast Risk High
Financial Risk High
Valuation Risk High
 52-Week High / Low \$1.30/\$0.39
 Dividend / Yield 0.00%
 Shares O/S 151M (basic) / 180M (F/D)
 Market Capitalization \$73.2M
 Daily Volume 490K

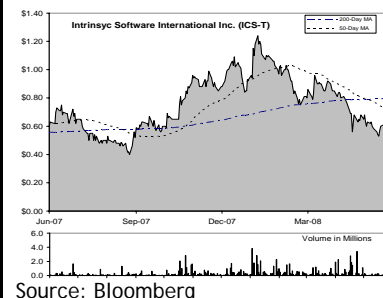
Financial Forecasts			
CY Est.	2007A	2008E	2009E
Revenues (\$mlns)	18.2	27.4	51.8
EBITDA (\$mlns)	(16.6)	(10.7)	(2.9)
EPS (FD) (\$)	(0.16)	(0.08)	(0.03)
CFPS (FD) (\$)	-	(0.08)	0.00

Valuation			
	2007A	2008E	2009E
P/E	NM	NM	NM
EV/SALES	1.9x	2.1x	1.1x
EV/EBITDA	NM	NM	NM
DCF	\$ 1.33	\$1.54	\$1.65

Company Profile - www.intrinsyc.com
 Intrinsyc is a leader in software and services that enable next-generation handheld and embedded products, including mobile handsets, smart phones and converged devices. Intrinsyc is a Microsoft Windows Embedded Gold Partner, the 2007 Windows Embedded Excellence Award winner for System Integrator, and a Symbian Platinum Partner.
 Company CEO - Glenda M. Dorchak

Revisions, Date of Record
 Rating - Unchanged.
 Target - up from \$1.25, Jan 8, 2008.

Price Performance





Intrinsyc Software International Inc. Ticker: **Shares O/S (M)** ICS-T 180.0 Price: **\$0.49** Market Cap. (\$M): **\$73** Rating: **Sector Outperform** Target: **\$1.50**

Alpha: Product delivery in Taiwan, China and EMEA will provide positive synergy and momentum to future licensing deals.

Investment Highlights

Company Description - Intrinsyc is a leader in software and services that enable next-generation handheld and embedded products, including mobile handsets, smart phones and converged devices.

Investment Brief - The company's mobile software products, engineering services, and years of expertise help OEMs, service providers, and silicon providers deliver compelling wireless products with faster time-to-market and improved development cost. Intrinsyc is a Microsoft Windows Embedded Gold Partner, the 2007 Windows Embedded Excellence Award winner for System Integrator, and a Symbian Platinum Partner.

Catalysts - Continued design wins should drive royalty revenues, license contracts.

Risks - Handset mfrs and OEMs decide not to go with Windows CE platform; slow shipments delay royalty stream.

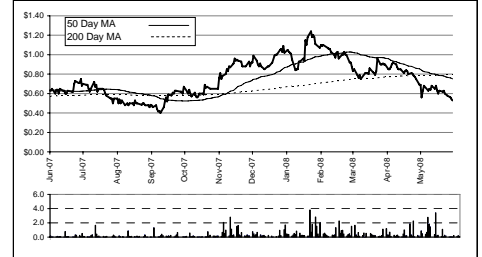
Recent Financings:

Equity Offering May 2007 - 33.3M @ \$0.60
Past Equity Offering March 2006 - 24.2M @ \$0.90

Management:

Glenda Dorchak, Chairman & CEO; George Reznik, CFO; Randy Kath, CTO

Intrinsyc Software International Inc. - Chart



Financial Forecasts

FY-end Dec-31	Annual					Quarterly				
	2006A	2007A	2008E	2009E	2010E	Q3/2007A	Q4/2007A	Q1/2008A	Q2/2008E	Q3/2008E
Revenues (\$mlns)	19.7	18.2	27.4	51.8	64.4	5.1	4.5	5.6	6.2	6.8
Rev. Growth %	-8%	50%	89%	24%			-11%	22%	12%	9%
Consensus Revenue Est. (\$mlns)	n/m	19.5	23.7	45.2	56.4	5.1	4.3	5.4	5.8	5.8
3 months ago.	-	20	-	-	-	5	4	5	-	-
EBITDA (\$mlns)	(15.1)	(16.6)	(10.7)	(2.9)	8.4	(3.6)	(3.8)	(3.7)	(2.8)	(3.1)
EBITDA Growth %		10%	-36%	-73%	-390%		5%	-3%	-23%	8%
Consensus EBITDA Est. (\$mlns)	-	(14.2)	(14.4)	(3.9)	6.0	(3.7)	(4.0)	(3.7)	(3.7)	(3.5)
3 months ago.	-	(14.2)	-	-	-	(3.7)	(4.0)	(2.7)	-	-
EPS (FD) (\$)	(0.18)	(0.16)	(0.08)	(0.03)	0.06	(0.05)	(0.03)	(0.03)	(0.02)	(0.02)
EPS Growth %		-14%	-46%	-69%	-332%		-31%	-16%	-23%	6%
Consensus EPS Est. (\$)	-	(0.17)	(0.10)	(0.04)	0.04	(0.04)	(0.04)	(0.03)	(0.03)	(0.02)
3 months ago.	-	(0.17)	-	-	-	(0.04)	(0.04)	(0.03)	-	-
CFPS (FD) (\$)	-	(0.08)	0.00	0.07		(0.03)	(0.03)	(0.04)	(0.01)	(0.02)
CFPS Growth %		n/m	n/m	-104%	2135%		-7%	37%	-73%	125%
Consensus CFPS Est. (\$)	-	-	(0.08)	-	0.07	-	-	(0.01)	(0.02)	-
3 months ago.	-	-	-	-	-	-	-	(0.02)	-	-

*All consensus numbers are from Capital IQ

Key Statistics

Price / Target / Return	\$0.49	\$1.50	209.3%
52wk Hi / Lo	\$1.30	\$0.39	
Shares O/S (mlns)		180.0	
Basic / F.D.		150.9	
Float		149.9	
Dividend Yield		0.0%	
Short Interest / as % of Float		0.0	0.0%
Daily Volume (3-Mth. Avg. mlns)		0.49	
Market Cap. / Enterprise Value (mlns)		73.2	37.9
Cash / Debt (mlns)		35.2	0.0
Net Cash / Share		\$0.23	
Tang. Book Value / Share		\$0.17	
Company CEO / Website	Glenda M. Dorchak	www.intrinsyc.com	
Top Holders:			
1) Carlin Asset Management Limited		3.0%	
2) IG Investment Management, Ltd.		2.2%	
3) Gruber & McBaine Capital Management, LLC		1.2%	
Ownership:			
Management Control (Proxy)	1.7 M	1.1%	

*Source: CapitalIQ, Bloomberg

Valuation Metrics

	2006	2007	2008	2009
EV/EBITDA - Current	NM	NM	NM	NM
Est. EV/EBITDA - Target				
EV/SALES - Current	1.9x	NM	2.1x	1.1x
Est. EV/SALES - Target			8.8x	4.6x
Current, 1-Year, 2-Year				
DCF Target	\$1.33	\$1.54	\$1.65	

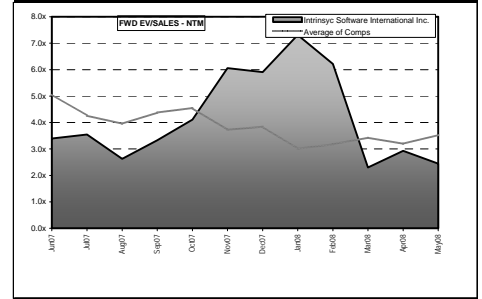
Analyst Ratings: Capital IQ

	Potential Upside
Average Target	\$1.16 139%
Median Target	\$1.25 158%
Sector Outperform	5
Sector Perform	0
Sector Underperform	0
# of Analysts	5

Comparables	Stock Price		Pot. Return	EV/Sales			EBITDA Margin		P/E		EV/EBITDA	
	Today	Target		2008	2009	2010	2008	2009	2008	2009	2008	2009
Intrinsyc Software International Inc.	0.49	1.50	209%	2.1x	1.1x	0.8x	-39%	-6%	NM	NM	NM	NM
Esmertec AG	10.20	9.50	-7%	4.6x	3.5x	3.1x	9%	14%	NM	NM	NM	25.3x
Access Company, Ltd.	213,000	381,667	79%	2.1x	1.8x	1.5x	6%	9%	NM	48.9x	NM	19.4x
Opera Software ASA	22.30	23.93	7%	4.8x	3.5x	2.8x	12%	18%	NM	32.6x	NM	20.0x
BSQUARE Corp.	4.63	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Smith Micro Software Inc.	6.26	13.79	120%	1.6x	1.4x	1.2x	16%	22%	9.8x	7.6x	10.0x	6.2x
Infracore Inc.	16,600	27,000	63%	4.4x	3.6x	3.2x	34%	42%	18.5x	11.8x	13.2x	8.7x
Palm, Inc.	6.54	5.91	-10%	0.8x	0.7x	0.7x	-1%	5%	NM	NM	NM	14.2x
Average				3.1x	2.4x	2.1x	13%	18%	14.2x	25.2x	11.6x	15.6x

*All consensus numbers are from Capital IQ

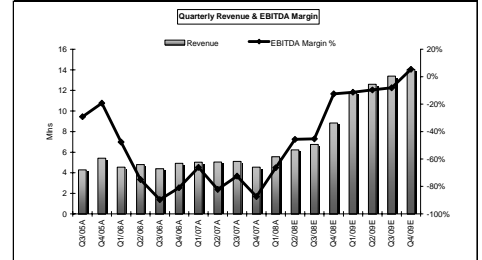
Historical Valuation Parameters



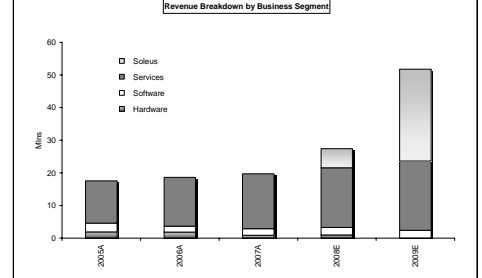
Historical Valuation Parameters	EV/EBITDA		P/CF		EBITDA Growth		EPS Growth		Sales Growth		Returns %	
	3-Yr Avg.	NTM	TTM	2008	2009	2008	2009	2008	2009	2008	2009	Last 3mtl
Intrinsyc Software International Inc.	NM	NM	NM	NM	-36%	-73%	46%	69%	50%	89%	-44%	-47%
Esmertec AG	NM	NM	NM	NM	196%	95%	92%	151%	24%	29%	24%	-7%
Access Company, Ltd.	22.7x	27.7x	39.3x	31.7x	-32%	71%	102%	NM	4%	14%	-37%	-58%
Opera Software ASA	NM	NM	48.4x	27.9x	229%	93%	232%	88%	45%	36%	41%	73%
BSQUARE Corp.	NM	0.1x	NM	NM	NM	NM	NM	NM	NM	NM	22%	-32%
Smith Micro Software Inc.	15.2x	NM	NM	NM	120%	63%	NM	29%	37%	20%	0%	-26%
Infracore Inc.	14.3x	NM	NM	NM	64%	52%	64%	57%	41%	21%	15%	4%
Palm, Inc.	NM	NM	NM	NM	NM	NM	NM	119%	-13%	20%	29%	3%
Average	17.4x	13.9x	43.8x	29.9x	115%	75%	123%	89%	23%	23%	13%	-6%

*All consensus numbers are from Capital IQ

Performance Parameters



Revenue Breakdown by Business Segment



Ralph Garcea, MBA, P. ENG (416-507-2609, rgarcea@haywood.com)
Kristian Bauer (416-507-2786, kbauer@haywood.com)

Intrinsyc Software					
Discounted Cash Flow Analysis (FY-End Dec, US\$)	2007	2008	2009	2010	2011
Modeled Units Shipped	25,000	150,000	750,000	1,000,000	1,250,000
Revenue (\$)	9,705,794	27,377,081	51,763,756	64,441,606	74,262,315
Revenue growth	6%	89%	39%	24%	15%
EBITDA (\$)	(14,455,074)	(10,703,351)	(2,881,660)	8,353,426	15,058,481
EBITDA Margin	-73%	-39%	-6%	13%	20%
Amortization (\$)	82,1282	669,449	577,414	654,752	706,10
EBIT (\$)	(15,276,356)	(11,372,799)	(3,459,074)	7,698,674	14,352,371
NOPAT [EBIT * (1 - effective tax rate)]	(15,565,689)	(11,417,792)	(3,459,074)	7,698,674	14,352,371
Plus Amortization (\$)	82,1282	669,449	577,414	654,752	706,10
Less Capital Expenditures (\$)	(575,046)	(682,879)	(628,220)	(773,299)	(891,148)
Capital Intensity	0	0	0	0	0
Net Working Capital Changes	471,143	(659,390)	3,429,236	(1359,564)	(439,710)
Terminal Value		269,314,965	269,314,965	269,314,965	
Equity Value		239,405,200	277,842,498	297,383,381	
DCF Value		133	154	165	

Source: Haywood Securities Inc., Company Reports, Target, Return and Forecasts are Consensus Based Using Capital IQ.

Source: Haywood Securities





Investment Thesis

Intrinsyc Software operates primarily as two businesses: the wireless systems engineering group, and the mobility software business that has been responsible for the development of Soleus, a consumer software product for wireless and handheld devices since 2004.

Soleus is a comprehensive software platform (based on Windows CE) and includes a high-level operating system (HLOS), an application suite, a pre-certified telephony stack, and sophisticated user interface-generation tools. Soleus' modular architecture speeds up the development process, provides a reusable platform, allows a higher degree of customization, and lowers the manufacturer's bill of materials. Within the mobile phone market, feature phones (Intrinsyc's target segment) have evolved as the biggest segment, and in 2006, contributed approximately 60% of the global sales (587 million units). We expect feature phones to continue to be 60% to 65% of global shipments going forward.

Nokia Takes Control of the Symbian OS – A Great Opportunity for Soleus!

Nokia recently announced that it is offering to buy the 52% of Symbian that it doesn't already own for approx \$410M. Other shareholder's of Symbian include: LM Ericsson (15.6%), Sony Ericsson (13.1%), Panasonic Mobile/Matsushita (10.5%), Siemens (8.4%) and Samsung (4.5%). Nokia intends to offer the Symbian operating system (OS) royalty-free through the open-source Symbian Foundation (which will include Nokia, AT&T, LG, Motorola, NTT Docomo, Samsung, Sony Ericsson, STMicroelectronics, Texas Instruments and Vodafone). More information about the planned foundation can be found at <http://www.symbianfoundation.org>.

Symbian Limited is the software company that develops and licenses the Symbian OS. User interfaces designed for Symbian OS include S60 from Nokia, MOAP for the 3G network and UIQ, designed by UIQ Technology, a joint venture between Motorola and Sony Ericsson. ***As with Windows CE, this should provide Soleus with a much larger addressable market to partner with in extending the Symbian OS.*** In addition, Intrinsyc's Symbian services business should benefit from this move as they are one of only ten Symbian Competence Centers globally (and the only one in North America).

From Nokia's press release we have the potential market that Soleus can go after: "Mobile devices based on Symbian OS account for 60% of the converged mobile device segment (source: Canals, 12 months to Q1 2008). Symbian OS represented approximately 7% of all mobile device sales in 2007, up from 5% in 2006 (source: Strategy Analytics). To date, more than 200 million Symbian OS based phones have been shipped, over 235 models, from 8 vendors and on more than 250 mobile networks around the world. ***More than 4 million developers are engaged in producing applications for Symbian devices.***

While the OS (Symbian, Windows CE, Linux) may be royalty free to the handset manufacturers, ***Soleus will still be able to drive royalty revenues as the software provides an application development platform (sitting above the OS) that allows the handset manufacturers and network carriers to offer differentiated products and services.***





If we use Symbian's Q1/08 revenue on an annualized basis, Nokia's offer values Symbian at approx. 2.3x sales. Intrinsyc is currently trading at 1.1x CY09 sales (the first full year of Soleus royalties). *We believe the current weakness in Intrinsyc's share price offers a compelling buying opportunity.*

Estimated Symbian Takeout Metrics

	Q1/08	FY07	20% y/y Growth	Amount paid for outstanding share
Empl.	1,493			
Nokia's prior ownership:	47.9%			3.65 €/share purchase price
Shipped Units (M)	18.5			264 Total €M
US\$Avg Royalty / unit	4.10	4.50		72.39 M shares to be purchased (52.1% of the shares)
Royalty GP	97%	94%		138.94 ~Total shares
Royalty £M	37.9	179.1	214.9	
Consulting Services £M	4.8	10.8		1.26 €/£ - Using Thomson ONE GBPEUR-TN
Partnering/Other £M	0.8	4.4		
Total Revenue £M	43.5	194.3	233.2	506.72 Total Value (based on purchase per share price)
(Annualized)				
Total Revenue €M	219.94	245.60	294.71	
(Annualized)				
Royalty Revenue €M	191.62	226.38	271.66	
	Q1/08 Ann.	FY07	20% y/y Growth	
Company Value / Sales	2.3x	2.1x	1.7x	
Company Value / Royalty	2.6x	2.2x	1.9x	

Source: Company Filings, Haywood Estimates

Intrinsyc Releases Soleus 1.5 – Ready for 3G

Intrinsyc also released Soleus 1.50, which will enable device makers to build handsets that can support third-generation (3G/3.5G) high-speed HSDPA and HSUPA data connections, *while also allowing differentiation through unique customization of compelling user-interfaces (UI) and applications* (a similar theme to the Symbian OS opportunity). Soleus 1.5 (3G) will enable Quanta Computer to deliver a breakthrough mobile device later this year.

Soleus 1.50 includes the new Soleus Network Connection Manager which delivers a powerful framework to allow multiple GPRS, UMTS and other Internet Protocol (IP) connections (such as WiFi) to be used simultaneously. This latest version of Soleus can also be combined with Microsoft® Windows® Embedded NavReady to provide an optimized solution for the development of connected Portable Navigation Devices (PNDs).

In addition, with the pending acquisition of strategic assets of navigation software provider Destinator Technologies, Intrinsyc will further strengthen its offering to the connected PND and GPS-enabled handset market. Destinator navigation software is compatible with all major operating systems and can be easily customized to work on any hardware vendor's platform across the Windows CE, Windows Mobile, Symbian, and Linux operating systems.





Valuation

From a valuation perspective, Intrinsyc is trading at a discount to the Haywood Mobility Software Universe based on our CY2009 estimates (EV/Sales: 1.1x versus 2.4x). The situation should remedy itself throughout 2008 as the Company's customers start shipping Soleus-based devices. Our DCF-based target of \$1.50 yields a CY2009 valuation of 4.6x EV/Sales.

Haywood Global Software Comparables

Table with columns for company name, ticker, currency, local price, target, return, market indicators, revenue, P/E, EV/Sales, EV/EBITDA, and REV/Headcount. It is divided into two main sections: CANADA TECHNOLOGY and GLOBAL SOFTWARE.

Source: Capital IQ, Haywood Estimates





Distribution

This report may only be distributed to non-institutional US clients in the following states: Delaware, Georgia, Louisiana, Maryland, Missouri, New York and Pennsylvania.

Analyst Certification

I, Ralph Garcea, hereby certify that the views expressed in this report (which includes the rating assigned to the issuer's shares as well as the analytical substance and tone of the report) accurately reflect my/our personal views about the subject securities and the issuer. No part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations.

Important Disclosures

This report is prepared by Haywood Securities Inc. for use by Haywood Securities Inc., Haywood Securities (USA) Inc. and Haywood Securities (UK) Limited and their clients. Haywood Securities Inc. is a Canadian registered broker-dealer and a member of the Investment Industry Regulatory Organization of Canada, the Toronto Stock Exchange, the Toronto Venture Exchange and the Canadian Investor Protection Fund. Haywood Securities (USA) Inc. is a wholly owned subsidiary of Haywood Securities Inc., registered with the U.S. Securities and Exchange Commission, and is a member of FINRA and the Securities Investor Protection Corporation (SIPC).

Haywood Securities, Inc., and Haywood Securities (USA) Inc. do have officers in common however, none of those common officers affect or control the ratings given a specific issuer or which issuer will be the subject of Research coverage. In addition, the firm does maintain and enforce written policies and procedures reasonably designed to prevent influence on the activities of affiliated analysts.

Haywood analysts are salaried employees who may receive a performance bonus that may be derived, in part, from corporate finance income.

Of the companies included in the report the following Important Disclosures apply:

Ticker	Company	1	2	3	4	5	6	7	8
TSX:GCM	Gemcom Software Int'l Inc.								
TSXV:IMC	Immersive Media Corp.		X		X				
TSX:ICS	Intrinsyc Software	X	X		X				

- 1 The Analyst(s) preparing this report (or a member of the Analysts' households) have a financial interest in this company.
- 2 As of the end of the month immediately preceding this publication either Haywood Securities, Inc., its officers or directors beneficially owned 1% or more of this company.
- 3 Haywood Securities, Inc. has reviewed lead projects of this company and a portion of the expenses for this travel have been reimbursed by the issuer.
- 4 Haywood Securities Inc. or an Affiliate has managed or co-managed a public offering of securities for this company in the last 12 months.
- 5 Haywood Securities, Inc. or an Affiliate has received compensation for investment banking services from this company in the past 12 months
- 6 Haywood Securities, Inc. or an Affiliate has received compensation for investment banking services from this company in the past 24 months
- 7 Haywood Securities, Inc. is restricted on this company at the time of publication
- 8 Haywood Securities, Inc. or an Affiliate expects to receive or intends to seek compensation for investment banking services from this company in the next three months

Other material conflict of interest of the research analyst of which the research analyst or member knows or has reason to know at the time of publication or at the time of public appearance:

- n/a





Rating Structure

SECTOR OUTPERFORM – Haywood’s top rating category. The analyst believes that the security will outperform its sector. Furthermore, the shares are forecast to provide attractive returns measured against alternative investments when considering risk profiles. The rating carries a minimum total return threshold of 15% for equities and 12% for trusts. The rating applies to companies that have tangible underlying assets that give a measure of support to the market valuation. The rating category considers both the absolute and relative values in assigning the highest rating on the security.

SECTOR PERFORM – The analyst believes that the security will trade with tight correlation to its underlying sector. Furthermore, the target price (together with any anticipated distributions) is at or above the market price, and forecast risk-adjusted returns are attractive relative to alternative investments.

SECTOR UNDERPERFORM – Investors are advised to sell the security or hold alternative securities within the sector. Stocks in this category are expected to underperform relative to their sector. The category also represents stocks with unattractive forecast returns relative to alternative investments.

TENDER – The analyst is recommending that investors tender to a specific offering for the company’s stock.

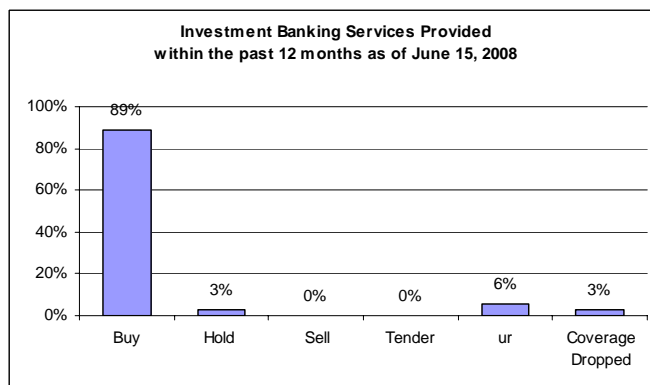
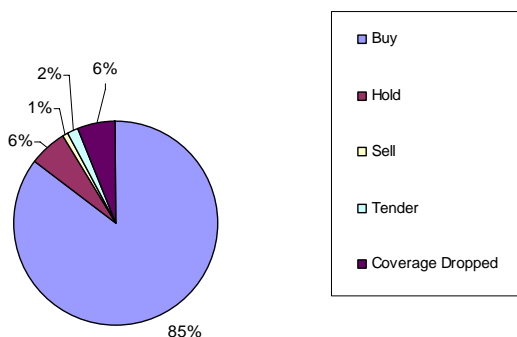
RESEARCH COMMENT – An analyst comment about an issuer event that does not include a rating.

COVERAGE DROPPED – Haywood Securities will no longer cover the issuer. Haywood will provide notice to clients whenever coverage of an issuer is discontinued. The termination of coverage will not occur unless clients have been provided with advice relating to positions they may still hold, such as a recommendation to sell their securities.

The above ratings are determined by the analyst at the time of publication. On occasion, total returns may fall outside of the ranges due to market price movements and/or short term volatility. At the discretion of Haywood’s Management, these deviations may be permitted after careful consideration

* *Haywood’s current rating structure (outlined above) does not correlate to the 3-tiered BUY, HOLD, SELL structure required by the FINRA. Our ratings of Sector Outperform, Sector Perform and Sector Underperform most closely correspond to Buy, Hold/Neutral and Sell respectively however, as described above, our assigned ratings take into account the relevant sector.*

Rating Distribution March 15, 2008 - June 15, 2008



For further information on Haywood Securities’ research dissemination policies, please visit:

http://www.haywood.com/research_dissemination.asp

Risk Profile Parameters

SPECULATIVE: – Investment for risk accounts only. Companies within this category carry greater financial and/or execution risk. All junior/venture companies that carry great financial and/or liquidity risk will be tagged “SPECULATIVE”. A stock indicating a SPECULATIVE risk is determined from sector specific criteria outlined below listed below.





Risk Profile Parameters – Technology/Special Situations

Forecast Risk: *High* – Haywood forecasts are below guidance. The Company has a history of missing targets and/or Haywood expects guidance to be lowered. Sales are minimally visible. *Moderate* – Haywood forecasts are generally in line with guidance and sales are moderately visible. The Company has a history of meeting or exceeding guidance. *Low* – Haywood forecasts exceed guidance. The Company has a history of meeting or exceeding guidance and its sales are highly visible.

Financial Risk: *High* – The business plan is not fully funded but requires debt and/or equity financing. This categorization does not necessarily predict whether the additional funds will be raised. Inventory turnover is low, cash flow is weak, and assets are below par. *Moderate* – The business plan is fully funded. Inventory turnover and cash flow are moderate, and assets are reasonably liquid. The Company's debt is rated below investment grade. *Low* – The Company is fully funded with investment grade debt, high inventory turnover, high cash flow, and superior assets.

Valuation Risk: *High* – The current valuation is at the high end of historic levels and/or at a premium to peers. Where applicable, the DCF valuation is not more than 10% above the current equity valuation. *Moderate* – The current valuation is within historic ranges and generally consistent with peers. Where applicable, the DCF valuation exceeds the current capitalization by more than 10%. *Low* – The current valuation is at the low end of historic ranges and at a discount to peer valuations. Where applicable, the DCF valuation exceeds the current capitalization by more than 20%.

Disclaimers

Estimates and projections contained herein, whether or not our own, are based on assumptions that we believe to be reasonable. The information presented, while obtained from sources we believe reliable, is checked but not guaranteed against errors or omissions.

Haywood Securities Inc., its subsidiaries and their respective officers, directors, and employees may hold positions in the securities mentioned and may purchase and/or sell them from time to time.

Haywood Securities, or certain of its affiliated companies, may from time to time receive a portion of commissions or other fees derived from the trading or financings conducted by other affiliated companies in the covered security.

This report is neither a solicitation for the purchase of securities nor an offer of securities. Our ratings are intended only for clients of Haywood Securities Inc. Haywood Securities (USA) Inc., and those of Haywood Securities (UK) Limited and such clients are cautioned to consult the respective firm prior to purchasing or selling any security recommended or views contained in this report. Haywood Securities (UK) Limited ("HSUK") is a wholly owned subsidiary of Haywood Securities Inc. authorized and regulated in the UK by the Financial Services Authority as a stock broker and investment adviser and is a member of the London Stock Exchange.

This report has been approved by HSUK for the purposes of section 21 of the UK's Financial Services and Markets Act 2000. If you wish to contact HSUK please email D. Kim Gorius at kgorius@haywood.com.

If you are a UK resident private customer your attention is drawn to the risk warnings set out below:

Haywood Securities Inc or its subsidiaries or respective officers, directors or employees have or may have a material interest in the securities to which this report relates.

Past performance should not be seen as an indication of future performance. The investments to which this report relates can fluctuate in value and accordingly you are not certain to make a profit on any investment: you could make a loss.

Changes in the rates of exchange between currencies may cause the value of your investment to fluctuate.

If you are a UK resident private customer and you propose to do business with Haywood Securities Inc, please take note of the following:

Any investment services undertaken on your behalf by Haywood Securities Inc are not covered by the rules and regulations made for the protection of private investors in the UK. This means that you will not have the benefit of rights designed to protect investors under the Financial Services and Markets Act 2000 and under the rules of the Financial Services Authority ("FSA"). In particular, you will not benefit from the following UK protections:

- (a) the right to claim through the UK's Financial Services Compensation Scheme for losses resulting in the unlikely event of our default;
- (b) in the event of a dispute, access to the UK's Financial Ombudsman Service;
- (c) protection of money held on your behalf under the FSA's Client Money Rules.

