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Fundamental Research Corp.

Investment Analysis for Intelligent Investors

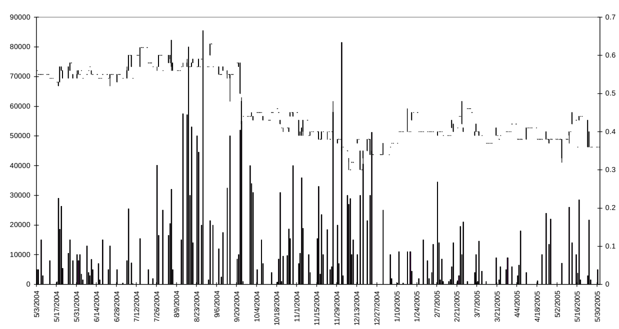
Bevo Agro Inc. (TSX-V: BVO) – Q3 Evidence That Things Are Starting to Bloom

Sector/Industry: Agriculture **www.bevoagro.com**

Market Data (As of June 2, 2005)

Current Price	$0.36
Fair Value	$0.90
Rating**	**BUY**
Risk**	3
52 Week Range	$0.30 - $0.64
Shares O/S	24,769,147
Market Cap	$8.9 million
Current Yield	N/A
P/E (forward)	17.4
P/B (forward)	1.09
YoY Return	-35.70%
YoY Return TSX Venture	3.82%

**rating and risk definitions are at the back of this report



Q3 2005 Highlights

- Q3 sales continued to build off the positives we saw in Q2. Sales for the 9 months ended March 31, 2005, of $13.4 million represent a 13.4% improvement over the same period last year. Sales for Q3 2005, of $4.8 million compared to $3.6 million in the same quarter last year translates into a growth rate of 31.5%
- We saw improvements in margins both in Q3 and the nine months of FY05
- Industry fundamentals remain positive both for vegetables and flowers; we believe the growth in flower sales will be driven by the increased popularity of gardening due to baby boomers and the growth in the housing market
- We expect expansion benefits to show by Q2 2006, due to increased orders from customers' expansion efforts which were completed too late to have a major impact this year
- We present a new method of looking at the company's convertible debt issue
- The end of the report includes pictures we took of the expansion at a recent open house
- We are raising our fair value estimate to $0.90 from $0.80

Key Financial Data and Statistics (FYE June 30)

	2000	2001	2002	2003	2004	2005E	2006E
Revenues	10,093,869	12,021,771	13,584,116	20,073,130	19,495,807	22,100,000	26,520,000
EBITDA	2,627,766	1,801,853	2,590,046	5,387,846	4,117,410	4,641,000	6,789,120
Net Income	601,178	128,900	314,662	1,905,234	561,614	518,082	1,787,913
Assets	14,605,372	19,927,494	25,015,897	26,903,267	37,717,586	37,331,638	37,918,278
Debt	8,584,954	13,244,974	16,774,886	16,689,938	26,625,628	24,792,062	23,015,136
Equity	2,341,942	3,997,802	4,312,464	6,217,698	7,265,943	7,971,525	9,759,438
Free Cash Flow	(3,098,301)	(4,473,711)	(3,688,169)	469,981	(8,636,099)	3,261,430	2,533,097
EPS	N/A	-	0.01	0.09	0.02	0.02	0.07
EBITDA Margin	26.0%	15.0%	19.1%	26.8%	21.1%	21.6%	21.0%
EBITDA Interest Coverage	3.73	2.13	2.33	4.96	3.43	2.57	3.40
ROE	25.7%	3.2%	7.3%	30.6%	7.7%	6.5%	18.3%
Debt to Capital	77.9%	76.3%	79.3%	72.6%	78.3%	74.2%	68.1%

Bevo Agro Inc. (BVO) is North America's largest supplier of propagated plants to greenhouses, nurseries, and other farming operations. The company currently operates 34 acres of propagation greenhouse facilities. Sales have grown at a CAGR of 18% from 2000-2004.

Sales Results Continue Growth of Q2

Q3 sales continued to build off the positives we saw in Q2. Sales for the nine month period ended March 31, 2005, of $13.4 million represent a 13.4% improvement over the same period last year. Sales for the third quarter of 2005, of $4.8 million compared to $3.6 million in the same quarter last year translates into a growth rate of 31.5%.

Though we are pleased to see that sales have continued their upswing from Q2, and that expansion benefits are starting to take place, we note that total sales to date are still below 2003, levels for the comparable period as the table below shows:

Geographic Sales

	9MO 2002	9MO 2003	9MO 2004	9MO 2005
Canada	$ 5,874,525	$ 7,705,881	$ 6,593,879	$ 8,153,567
United States	$ 2,001,620	$ 6,433,759	$ 4,756,851	$ 4,878,984
Mexico	$ 103,628	$ 159,553	$ 447,594	$ 351,417
Total	$ 7,979,773	$ 14,299,193	$ 11,798,324	$ 13,383,968
C$/US$*	1.57	1.40	1.30	1.24
Producing Acres	22.5	22.5	34.0	34.0
Sales/Acre to Date**	$ 354,657	$ 635,520	$ 347,010	$ 393,646

Source: BoC, Company & FRC; *annual averages except 2005 which is YTD

**Approximate - precise date that expansion takes place is not factored in

We were curious by this result — sales to date, although an improvement over last year's comparable period, are still below 2003 levels— a period when the company had less acres of producing area. As the table above shows, 9 month 2003, sales were $14.3 million with only 22.5 acres producing versus $13.4 million this year with 34 acres. On a per acre basis, the company is generating sales of about $393,646 per acre versus $635,520 two years ago (note however, that as with other statistics, 9MO 2005, sales per acre continue to improve over last year's results). Our discussions with management, and as confirmed by our analysis attributes this to three factors: 1) the strong C$, 2) slower than expected expansion of customers, and 3) increased competition.

Sales in Canada Grow

Sales in Canada of $8.2 million for the nine months in FY2005, continue to grow after a decline last year to $6.6 million. We believe this is the result of a combination of factors including: A) strong industry fundamentals, B) a more diversified revenue stream which is about 50% vegetables and 50% flowers, and C) customers inter-planting tomatoes which spreads orders more evenly throughout the year. Industry fundamentals continue to be strong. As cited in previous reports, consumption of vegetables, greenhouse construction, and the growth in gardening as a hobby all have a positive implications for BVO. Given these strong industry fundamentals and the expansion, we asked management why we are not seeing these factors translate into much higher sales growth. Management believes that a number of greenhouse expansions of customers occurred more slowly than originally expected. As a result, it is estimated that this year, only 50% of the full expansion is being utilized. We expect to see increased expansion benefits next year. For example, our analysis of Hot House Grower's, who we believe to be a major customer of Bevo, public documents indicates that they completed a 27 acre (110,000 m^2) expansion in December of 2004. We believe that the completion of this expansion will not translate to any major benefits to Bevo until October 2005, when we expect Hot House to order plants from Bevo to begin propagation. We expect these plants to be delivered, and the resulting increased revenues recognized, in December 2005. Therefore, we anticipate that by Q2 2006, we will see a boost in Bevo sales due to the expansion.

Flowers provide more revenue diversification and tap the growth in the gardening industry

BVO's move to produce flowers (see the pictures starting on P8) in addition to vegetables is a positive move. Not only does this diversify the revenues, it also smoothes out sales — typically, the bulk of flower sales are from September to June, and vegetable sales are concentrated in March to August. As an aside, some greenhouses also introduced cucumbers into their product mix in 2005; this further diversifies revenue streams. The move to sell flowers also allows the company to use its core competencies to participate in the growth of gardening as a hobby. This growth is driven by baby boomers, increasing incomes, and growth in housing. It is estimated that in the U.S. alone, there are 67 million gardening households who spend an estimated $38 billion per year on gardening. As with vegetables, the company does not produce flowers based on speculation. All inventory is accounted for. However, product deliveries can be delayed which delays revenue recognition. For example, a distributor may ask the company to delay an order due to weather related factors.

We believe that the company is on track to meet our revenue estimate of $22.1 million for 2005. At $13.4 million year to date in sales, this would require Q4 sales of about $8.7 million. Note that last year, a particularly slow year, the company generated $7.7 million in revenues in Q4. We believe that growth will come mainly from Canadian sales as the US$ is forecast to remain weak as the table below indicates:

CANADIAN DOLLAR OUTLOOK

	Spot Price	2004				2005				2006			
	5/31/05	Q1	Q2	Q3	Q4	Q1	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F
CAD per USD	1.260	1.310	1.341	1.265	1.206	1.209	1.282	1.250	1.235	1.227	1.220	1.212	1.205
USD per CAD	0.794	0.763	0.746	0.791	0.829	0.827	0.780	0.800	0.810	0.815	0.820	0.825	0.830
JPY per CAD	86	80	82	87	85	89	84	85	84	84	84	83	83
CAD per EUR	1.553	1.610	1.633	1.571	1.643	1.568	1.577	1.563	1.568	1.583	1.598	1.612	1.627
CAD per GBP	2.29	2.410	2.430	2.288	2.319	2.284	2.371	2.332	2.323	2.345	2.349	2.371	2.374

f: Forecast by TD Economics as at May 2005; All forecasts are for end of period; Source: Federal Reserve of New York, TD Economics

TD Economics expects near-term weakness in the C$ due to interest rate differentials. However, in the longer-term, the C$ is expected to maintain its strength due to economic fundamentals. The table on the next page presents our sales estimates for Bevo by geographic segment.

Geographic Sales

	2002	2003	2004	2005E
Canada	$ 8,431,380	$ 10,817,615	$ 10,911,224	$ 13,482,212
United States	$ 5,049,108	$ 9,095,962	$ 8,136,989	$ 8,266,371
Mexico	$ 103,628	$ 159,553	$ 447,594	$ 351,417
Total	$ 13,584,116	$ 20,073,130	$ 19,495,807	$ 22,100,000

Industry fundamentals remain ripe

We have reviewed Statistics Canada data on the economics of tomatoes, and though it is early in the season, so far the data is positive. Tomato prices as of March 2005, are slightly higher, at 0.6%, than March 2004. Also according to a recent Statistics Canada report, in 2004, flowers and vegetables achieved "...record sales of $2.16 billion", a 3.4% increase over the $2.09 billion of sales registered in 2003. The report goes on to mention that "the Canadian greenhouse industry, which has expanded rapidly throughout the past several years, continued to grow in 2004, by an additional 3.5 million square feet [80.5 acres]". Almost the entire growth in acres was located in Ontario and B.C.; with the Hot House expansion responsible for about 34% of the total growth.

The leaders in greenhouse space continue to be Ontario and B.C. with Ontario accounting for over half of greenhouse space in Canada and B.C. accounting for about a quarter.

Finally, "Canadians continued to spend more money on sod and nursery products. Combined sales were just shy of $675 million as people put more money into their gardens and yards. This trend coincides with high building permit numbers that show the demand for new dwellings soared and the number of housing starts hit an all time high in 2004".

As we have asserted in previous reports, we believe that industry fundamental are positive for Bevo. Although expansion benefits have been delayed and the strong C$ has impacted sales to the US$, we believe that the last two quarters have provided evidence that the company is starting to get back on track. In the next few quarters, and especially by Q2 2006, we expect to see higher growth. We are maintaining our 2005 and 2006 sales estimates.

Margins start to improve

Q3 2005, margins are much improved over the two previous comparable periods at the operating level. Higher interest costs and depreciation continue to impact lower line margins compared to 2003 levels though they are improved from last year. For the nine months of FY05, we see improvements in gross and EBITDA margins over the same period last year. The nine month results have been adversely impacted by the poor first quarter though again, the last two have been giving us evidence that the company is now headed in the right direction.

Operating and administrative expenses have improved dropping to 8.7% of sales for the 9 month period versus 9.1% for the comparables period last year. Administrative fees and wages continue to increase relative to sales. The table below shows Q3 margins over the past three years.

Margins	**9MO 2003**	**9MO 2004**	**9MO 2005**	**Q3 2003**	**Q3 2004**	**Q3 2005**
Gross	39.8%	37.5%	38.7%	31.3%	35.6%	40.5%
EBITDA	29.0%	23.1%	23.6%	20.7%	20.7%	25.8%
Operating	22.3%	13.5%	12.1%	14.5%	9.2%	15.0%
Pre-tax	16.7%	7.2%	2.0%	9.6%	2.0%	5.5%
Net	10.2%	4.4%	2.8%	6.9%	1.2%	3.6%
% of Sales						
Operating & Admin.	6.5%	9.1%	8.7%	6.3%	8.5%	7.8%
Admin fee, wages, benefits	4.0%	5.3%	6.4%	3.5%	6.4%	7.1%

At this time, it seems that the company may exceed our expectations on margins assumptions (and therefore our EPS estimates). For example, gross margins for the nine month period are 38.7% versus the 33% we assumed in our model. However, we will take a more conservative wait and see approach before adjusting our margin assumptions.

Capital structure and cash flow revisited

Bevo's capital expenditures to date have been inline with expectations. Funds from operations have improved over the same period last year, and though working capital investment has resulted in a negative cash from operations, we expect CFO to be positive for the year as inventories are reduced through shipments in Q4. Current inventories stand at about $5.8 million.

A relevant issue arising is with respect to the convertible bond issue. In September 2005, interest will no longer be payable in shares but in cash, our model already accounted for this. Also, we are nearing the first conversion date for the principal amount as the table below shows:

	Conversion rate per share	Number of shares
For the Year Ended:		
September 2005	$ 0.60	8,333,333
September 2006	0.66	7,575,757
September 2007	0.73	6,849,315

Currently, Bevo's shares are below the conversion price, but also below our fair value. If the shares appreciate to fair value by September, we believe the issue will be converted. In past reports, we have treated the convertible as debt only. However, a recent article in the *Financial Analysts Journal* suggests that taking into account the probability of conversion will yield more accurate estimates of a company's capital structure, and EPS. We are going to incorporate this new method into our analysis. The table below presents some of the inputs and outputs of our new method:

Convertible Issue			
Size	$5,000,000		
Coupon	10%		
Yield on Vanilla	12%		
Maturity	**2005**	**2006**	**2007**
Potential Shares	8,333,333	7,575,757	6,849,315
Strike	0.60	0.66	0.73
PV Coupon	$236,875	$421,835	$376,639
PV Face	$4,724,556	$4,218,353	$3,766,387
Value of Straight Bond	$4,961,431	$4,640,189	$4,143,026
Value of Call Options	$21,711	$189,260	$297,631
Probability of Conversion	3.30%	10.50%	11.30%
Shares O/S	24,769,147		
Probability Weighted Shares from Convertible	275,000	795,454	773,973
Shares After Issue	25,044,147	25,564,601	25,543,120
Probability Weighted Value of Debt in Issue	$4,805,521	$4,197,262	$3,717,424
Value of Equity in Issue	$194,479	$802,738	$1,282,576
FDEPS Under GAAP	0.02	0.06	0.08
FDEPS Revised	0.02	0.07	0.10
Debt to Capital GAAP	75.7%	70.2%	47.7%
Debt to Capital Revised	74.6%	66.2%	42.1%

A few words on the method before we interpret the results. The main premise of this method is that it is an improvement over simply subtracting the option value of the issue and treating this as the equity value (and the remainder as debt). The reason is that the option is neither debt nor equity. Further, if the bond is converted, the principal will not have to be repaid. The method we use in this report overcomes these shortcomings by considering the probability of exercise. This is derived from the Black-Scholes option pricing model. The results are as expected. Not separating the debt and equity values under GAAP overstates the debt to capital ratio and understates EPS. The effects are more pronounced in later years (2006 and 2007) because the chance of conversion is higher. As shown above, given the short time frame to exercise, the probability of conversion prior to the first strike escalation date is only 3.3%. Note that the volatility we used for our Black-Scholes model was 51.4%. Implications for Bevo — debt to capital levels are expected to decline more than originally anticipated and valuation using EPS under GAAP understates the value of the company.

Estimates and Valuation

We are making minor changes to our models which lead to no major change in our EPS estimate for 2005, and a one cent reduction in our 2006 estimate. From an economic standpoint, we use our convertible debt adjusted EPS estimates for valuation by P/E. The range of fair values based on P/E's ranging from 10-20 are listed below for this new method:

	EPS Estimates		
P/E	**2005**	**2006**	**2007**
10	0.21	0.70	0.99
15	0.31	1.05	1.48
20	0.41	1.40	1.97

We believe a P/E of 15x 2006 EPS or $1.05 a share is a fair value for Bevo as 2006 is expected to show expansion growth. Our DCF value for Bevo has increased to $0.90 (from $0.80) as the table below shows:

Bevo Agro DCF Model
($000's, except shares o/s)

	2005E	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	Terminal
FFO	3,119	4,540	4,857	6,028	6,438	6,780	7,140	7,518	7,915	8,331	8,769
Investment in W/C	1,142	(1,007)	(383)	(440)	(169)	(177)	(186)	(195)	(205)	(215)	(226)
CFO	4,261	3,533	4,474	5,588	6,269	6,603	6,954	7,323	7,709	8,116	8,542
Capex	(690)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Free Cash Flow	3,571	2,533	3,474	4,588	5,269	5,603	5,954	6,323	6,709	7,116	7,542
PV	3,449	2,127	2,537	2,913	2,909	2,690	2,486	2,295	2,118	1,953	18,003

WACC	15%
Terminal Growth	5%
Firm Value	43,480
Debt	21,431
Equity Value	22,049
Shares O/S	24,468,445
DCF Value	$ 0.90

Good value at these levels

Based on a review of the company's results and our models, we are raising our fair value on Bevo to $0.90 from $0.80. At the most recent close of $0.36, we believe the shares are extremely undervalued and represent good value based on the following factors which we do not think are being reflected at these levels:

- Expansion benefits are expected to accrue beginning in Q2 2006, as Hot House (a Bevo Customer) begins its first full year of expanded operations in peak season;
- The industry fundamentals for both vegetables and flowers are positive;
- GAPP overstates dilution of EPS and debt levels on the convertible issue
- Revenues are expected to smooth out quarter to quarter due to diversification into new vegetables by customers, tomatoes interplanting, and sales of flowers

The company's price to book value based on our 2005 estimates is only 1.09x — further supporting our undervalued premise. Remaining in the backdrop are competition and the value of the C$. However, we believe the potential upside outweighs the risks at this point. We are reiterating our BUY (Average Risk) rating.

Risks

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

- The company is in growth mode and incurring debt for expansion; debt to capital levels are relatively high
- Key person risk. The company is dependent on two individuals, Jack and Leo Benne, for their expertise in greenhouse technology
- The stock is thinly traded and investors may face liquidity issues trying to enter and exit positions
- There is evidence to suggest that the business is becoming increasingly competitive
- Greenhouse operations are capital intensive and thus, operating leverage is quite high
- The company exports a material percentage of sales to the U.S.; the strong C$ has affected sales and may continue to do so

Open House

On April 23, 2005, we attended the Bevo Agro open house to tour the new expansion. The following are pictures we took.

Flowers at various stages of growth

Working on flowers in full bloom

Earlier stages of development

Hanging baskets further diversifies revenues

A long position in flower pots

Automation reduces costs and increases efficiency

Appendix A

Bevo Agro - Income Statement

	2002	2003	2004A	2005E	2006E	9MO 2004	9MO 2005	Q3 2004	Q3 2005
Sales	13,584,116	20,073,130	19,495,807	22,100,000	26,520,000	11,798,324	13,383,968	3,636,539	4,783,461
Cogs	9,434,901	12,850,695	13,281,520	14,807,000	16,972,800	7,374,235	8,206,151	2,342,464	2,846,488
Gross Margin	4,149,215	7,222,435	6,214,287	7,293,000	9,547,200	4,424,089	5,177,817	1,294,075	1,936,973
Expenses									
Operating & Admin.	859,587	1,449,812	1,245,631	1,547,000	1,697,280	1,076,264	1,165,220	310,279	371,357
Admin fee, wages, benefits	678,962	768,954	857,648	1,105,000	1,060,800	625,903	854,602	232,579	338,740
Gain (loss) asset disposal	(20,620)	(34,310)	6,402	-	-	7,420	6,497	-	6,497
Insurance Settlement	-	418,487	-	-	-	-	-	-	-
Acquisition Costs	-	-	-	-	-	-	-	-	-
EBITDA	2,590,046	5,387,846	4,117,410	4,641,000	6,789,120	2,729,342	3,164,492	751,217	1,233,373
Depreciation	1,175,171	1,312,940	1,814,850	2,040,000	2,040,000	1,134,936	1,544,271	417,445	517,530
EBIT	1,414,875	4,074,906	2,302,560	2,601,000	4,749,120	1,594,406	1,620,221	333,772	715,843
Interest	1,112,600	1,085,212	1,198,748	1,803,951	1,998,485	747,522	1,351,916	259,571	453,021
EBT	302,275	2,989,694	1,103,812	797,049	2,750,635	846,884	268,305	74,201	262,822
Taxes									
Current	(33,912)	867,934	203,104	217,594	750,923	127,220	-	(65,952)	-
Future	21,525	216,526	339,094	61,373	211,799	197,702	(107,402)	95,049	91,987
Income Tax Expense	(12,387)	1,084,460	542,198	278,967	962,722	324,922	(107,402)	29,097	91,987
Net Income	314,662	1,905,234	561,614	518,082	1,787,913	521,962	375,707	45,104	170,835
EPS	0.01	0.09	0.02	0.02	0.07	0.02	0.02	0.00	0.01
FD EPS	0.01	0.08	0.02	0.02	0.06	0.02	0.02	0.00	0.01

Bevo Agro - Balance Sheet
(YE June 30)

	2002	2003	2004A	2005E	2006E	Q3 2005
Assets						
Current						
Cash	274,511	196,053	480,910	1,906,226	2,162,397	54,756
Accounts Receivable	2,270,790	2,532,677	2,345,191	2,426,580	2,911,896	2,922,069
Inventory	1,088,333	1,372,035	1,512,651	1,480,700	1,697,280	5,836,468
Prepaid Expenses & Tax Rec	97,806	270,762	637,777	127,027	795,600	127,027
Total	3,731,440	4,371,527	4,976,529	5,940,533	7,567,173	8,940,320
PPE	20,997,710	22,254,993	32,413,245	31,063,293	30,023,293	31,428,059
Deferred Costs	24,000	14,000	65,065	65,065	65,065	136,165
Goodwill	262,747	262,747	262,747	262,747	262,747	262,747
Total Assets	25,015,897	26,903,267	37,717,586	37,331,638	37,918,278	40,767,291
Liabilities						
Current						
Bank Debt	1,670,464	986,437	539,706	539,706	539,706	2,618,664
Accounts Payable	2,373,809	1,756,099	1,806,913	2,487,576	2,851,430	3,441,450
Tax Payable		517,934	-	-	-	
Current LT Debt	2,631,775	1,328,443	1,883,145	1,978,988	2,067,465	2,150,816
Current Capital Leases	170,661	263,431	450,421	297,938	217,627	312,432
Total	6,846,709	4,852,344	4,680,185	5,304,208	5,676,228	8,523,362
LT Debt (incl sub debt)	12,049,427	13,812,463	23,219,977	21,740,989	20,173,524	21,910,379
Capital Leases	252,559	299,164	532,379	234,441	16,814	287,873
Future Taxes	1,066,322	1,282,848	1,621,942	1,683,315	1,895,114	1,514,540
Related Debt	488,416	438,750	397,160	397,160	397,160	327,333
Total Liabilities	20,703,433	20,685,569	30,451,643	29,360,113	28,158,840	32,563,487
Equity						
Capital	2,669,510	2,669,510	3,156,141	3,343,641	3,343,641	3,718,295
Retained Earnings	1,642,954	3,548,188	4,109,802	4,627,884	6,415,797	4,485,509
Total Equity	4,312,464	6,217,698	7,265,943	7,971,525	9,759,438	8,203,804
Total Equity & Liabilities	25,015,897	26,903,267	37,717,586	37,331,638	37,918,278	40,767,291

Bevo Agro - Cash Flow

	2002	2003	2004A	2005E	9MO 2005
Operations					
Net Income	314,662	1,905,234	561,614	518,082	375,707
Depreciation and Deferred Costs	1,207,543	1,312,940	1,814,850	2,040,000	1,544,271
Future Taxes	21,525	216,526	339,094	61,373	(107,402)
Loss (gain) on asset sales & other	20,620	34,310	117,915	500,000	368,157
Funds From Operations	1,564,350	3,469,010	2,833,473	3,119,455	2,180,733
Changes in Working Cap					
Accounts Receivable	(1,551,565)	(261,887)	187,486	(81,389)	(576,878)
Prepaid Expenses	(46,571)	(172,956)	87,845	510,750	55,890
Inventory	(236,933)	(283,702)	(140,616)	31,951	(4,323,817)
Accounts Payable	858,681	(617,710)	50,814	680,663	1,634,537
Taxes Payable & Other	-	517,934	(972,794)	-	454,860
Total	(976,388)	(818,321)	(787,265)	1,141,975	(2,755,408)
Cash From Operations	587,962	2,650,689	2,046,208	4,261,430	(574,675)
Investing					
Capital Expenditures	(4,276,131)	(2,180,708)	(10,682,307)	(1,000,000)	(846,332)
Disposals & Other	26,782	-	11,400	309,952	309,952
Cash Used in Investing	(4,249,349)	(2,180,708)	(10,670,907)	(690,048)	(536,380)
Financing					
Bank Debt	236,119	(684,027)	(446,731)	-	2,078,958
Deferred Costs	-	-	(75,550)	-	(87,308)
Advances under term debt	3,800,000	1,700,000	11,500,000	-	380,000
LT Debt Repayment	(644,120)	(1,240,296)	(1,537,784)	(1,883,145)	(1,421,927)
Capital Leases	(164,837)	(274,450)	(599,389)	(450,421)	(382,495)
Related Debt & Other	363,623	(49,666)	(41,590)	-	(69,827)
Equity	-	-	110,600	187,500	187,500
Cash From Financing	3,590,785	(548,439)	8,909,556	(2,146,066)	684,901
Change in Cash	(70,602)	(78,458)	284,857	1,425,316	(426,154)
Cash BOP	345,113	274,511	196,053	480,910	480,910
Cash EOP	274,511	196,053	480,910	1,906,226	54,756

Fundamental Research Corp. Equity Rating Scale:

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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