

Trickle Research

Every raging river, every great lake, every
deep blue sea starts ... with a trickle



Research Update

Report Date: 01/25/18

12- 24 month Price Target: \$.29

Allocation: 3

Closing Stock Price at Initiation (Close 11/03/17): \$.18

Closing Stock Price at Close 01/24/18: \$.40

Endurance Exploration Group, Inc.



(OTC Stock Symbol: EXPL)

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Trickle Research LLC

Endurance has had a major breakthrough since the initiation, so we thought an update might be warranted.

On December 22, 2017, the Company filed an 8k indicating that *“operating through its previously announced joint venture entity, Swordfish Partners, the Company has begun to recover passenger valuables from the wreck site believed to be that of the American steamship Pulaski, which sank in 1838. Included in the initial recoveries are a number of early American silver coins. All of the coin’s date ranges are prior to the Pulaski’s sinking. The Company intends to post selected photographs and video images to its website and social media sites, as such media becomes available”*.



Earlier today (January 24, 2018), the Company provided some additional color regarding these efforts:

“During the past 30 days, Endurance Exploration Group, operating through its joint venture, Swordfish Partners, has recovered approximately fifty silver and gold coins from the shipwreck site believed to be that of the steamship Pulaski which sank in 1838. The recovered coins include twelve \$5 American gold pieces and two non-American gold pieces all minted prior to the Pulaski sinking. The silver coins include a mix of American, Spanish, and Mexican coins dating as early as the late 1700s. The coins will be documented, conserved, graded, and held for safe keeping by numismatic company, NGC Coin. The Company expects the salvage of the wreck site to continue through 2018. The Company also expects to post pictures and videos of its field work on its social media websites”.

As we noted in some subscriber research notes in between these two announcements, we think this discovery represents a marked milestone for the company, as it provides some initial visibility into the monetization of their multi-year efforts, but also in our view validates their process. In short, while the value of this particular discovery remains open ended and will likely continue to evolve as the recovery process, we think this discovery supports the notion that the Company’s approach to identifying, negotiating title to and ultimately raising a shipwreck is valid. We think that notion provides greater “value” to the other targets they have identified.

We recognize that with “treasure” in hand and likely more to come as they are able to get back on the site (as weather permits), some of the focus now turns to the value of the items they have recovered and what those values might mean to the eventual overall recoveries. To be sure, they don’t know the answer(s) to that yet, so we certainly don’t either. We believe the recovered coins are currently being cleaned, evaluated and ultimately graded at which point we assume the Company will provide that information. However, we have been able to find some at least anecdotal information that might provide some guidelines prior to the actual evaluation of these first fifty coins. For example, there are numerous places to find values for pre-1838 \$5 American gold coins.

<https://www.ngccoin.com/price-guide/united-states/gold-half-eagles/> provides some pricing guides that may provide some visibility. While again, we do not know the specific coins they have recovered to this point or their quality for that matter, other than that they are obviously pre-shipwreck (1838) \$5 American gold coins, but,

looking over some of the coins in the marketplace, it looks to us like it is entirely possible that these coins could be worth anywhere from a few thousand dollars each to *well over \$100,000* each. Moreover, recall in the initiating coverage, we referenced a report regarding the Pulaski by maritime researcher Robert Stenuit *wherein he estimated that “the loss in banknotes and specie was estimated at the time at at least \$150,000”*. That would imply that at \$5 each, the ship could well have been carrying several thousand of these coins. Doing some simple math, (**hypothetically**) 10,000 coins of this nature at a “market value” of \$5,000 each would yield \$50 million of value. Obviously, that assessment would expand dramatically on assumptions about better coin values. Keep in mind, our valuation matrix from the initiating coverage focused on total recovery values from the Pulaski of anywhere from \$0 to \$15 million, (in addition to various valuations assigned to the other two current projects.) Moreover, our *target assumptions* were generally built around total Pulaski recovery assumptions of around \$5 million. Clearly, the data points from further Pulaski recoveries would provide valuable added visibility regarding appropriate valuations. Further, we expect them to resume recovery efforts with priority as soon as weather permits.

Lastly, in the initiating coverage we noted that the Company was in the midst of an equity raise. As we understand it, they have terminated that offering. We are not sure what to make of that, but our sense is that their recent recovery success has likely opened some doors that may provide other financing opportunities. Recognize, that is speculation on our part, but they still need capital to pursue the two additional projects, so we know *that* part hasn’t changed. We think some clarity on capital would provide an additional data point, as well as corresponding valuable visibility. We would add, recall our assumptions in the initiating coverage were that they were in the midst of a \$.15 raise, which was a unit deal, so it had some derivatives attached as well. That “peg” (and its potential market overhang) was topical to our target assessments at the time. Again, our assumption here is that they may have more financing options, and from the optimistic view, something more favorable than the prior approach. That notion may provide a favorable element to our overall valuation thesis.

The recovery information is highly positive. Our inclination is to reassess our targets and corresponding allocations because the view has definitely improved since we initiated this. However, we think some additional information at least regarding the coins recovered to this point should be reasonably imminent, so we will see what that yields before we make any changes since that will be germane to our new assessment(s).

Valuation Matrix

(From the initiating coverage)

While many of the stocks we cover lack visibility, the nature of its business makes that especially true for Endurance. That being the case our traditional approach of trying to develop a projected operating model and then applying appropriate DCF analysis and associated risk adjusted discounts, is like trying to paint the house with a one-inch brush. That is, broad strokes may make more sense at this point. As a result, we have come up with the following valuation matrix, which is something we often use with some of the pre-revenue early stage private companies we profile. Given the lack of visibility, and the wide variability between potential outcomes, the matrix provides our various valuation assumptions based on an array of those potential outcomes. In this case, we have assumed a number of discount rates (the X-axis) against a number of assumed net recovery values of the 3 existing projects (Y-Axis). The recovery values are reflected in order (Pulaski, Connaught and Black Marlin) by assumed recovery amount (in millions of dollars). For example, a notation of “1/10/20” would indicate an assumed net recovery to Endurance of \$1 million from the Pulaski, \$10 million from the Connaught and \$20 million from the Black Marlin. In terms of discounted cash flow, we have assumed a 3-year monetization of each recovery. We have applied some corporate overhead against the DCF and we have included some value for the additional project portfolio the Company currently holds. In the case of the portfolio, we have assumed increasing portfolio values at higher project recovery assumptions under the theory that greater recovery amounts would

imply greater validation of the company's approach and as such better probabilities of additional recoveries from the portfolio.

We have highlighted some valuations that we are the most comfortable with in terms of potential recoveries. Conceptually, because of some of the identified cargoes on the Connaught and Black Marlin, we tend to feel more comfortable with estimated valuation around those projects than perhaps the Pulaski. On the other hand, keep in mind, information about the Pulaski is the most imminent, so we may get some near-term visibility that may change that view. We also view higher discount rates as appropriate given the risks and lack of visibility we have addressed. However, we used smaller discount rates for some of the iterations under the notion that early success on the Pulaski and perhaps further out the Connaught would lower the risk profile and dictate the lower risk premiums. Notice, we included a highlight in orange that assumes moderate collective success on Pulaski and Connaught but zero success on Black Marlin. This iteration supposes that the Company runs into a problem getting their Black Marlin salvage agreement with the applicable sovereign nation renewed. We don't think that is likely, but the orange highlight addresses that risk. Lastly, the highlighted iterations on the bottom row assume something close to "best-case-scenarios" in terms of the potential recoveries the Company has estimated. Clearly, the valuation is quite open-ended in terms of aggressive assumptions of that nature, reflecting prices that would be several multiples of the Company's current unit offering price.

Obviously, the matrix and its assumptions are a very fluid exercise.

Endurance Exploration Valuation Matrix							
By Trickle Research LLC							
Projected Market Capitalization							
Assumed Discount Rate	30%	25%	20%	15%	12%	10%	
Recovery Assumptions							
1 / 1 / 0	\$ 2,884,615	\$ 3,000,000	\$ 3,125,000	\$ 3,260,870	\$ 3,348,214	\$ 3,409,091	
2 / 2 / 0	\$ 3,251,403	\$ 3,392,000	\$ 3,545,525	\$ 3,713,871	\$ 3,822,924	\$ 3,899,324	
2 / 2 / 2	\$ 3,850,364	\$ 4,051,360	\$ 4,276,106	\$ 4,529,163	\$ 4,696,932	\$ 4,816,321	
0 / 0 / 5	\$ 3,944,171	\$ 4,178,747	\$ 4,447,070	\$ 4,757,094	\$ 4,967,369	\$ 5,119,350	
2 / 0 / 5	\$ 4,116,186	\$ 4,364,080	\$ 4,647,687	\$ 4,975,375	\$ 5,197,607	\$ 5,358,206	
4 / 0 / 5	\$ 4,288,201	\$ 4,549,413	\$ 4,848,305	\$ 5,193,657	\$ 5,427,844	\$ 5,597,061	
5 / 5 / 0	\$ 5,137,804	\$ 5,451,200	\$ 5,805,363	\$ 6,208,520	\$ 6,478,180	\$ 6,671,163	
4 / 4 / 4	\$ 5,805,680	\$ 6,203,669	\$ 6,660,601	\$ 7,189,852	\$ 7,549,167	\$ 7,808,881	
5 / 0 / 10	\$ 6,163,383	\$ 6,645,467	\$ 7,210,434	\$ 7,879,636	\$ 8,342,694	\$ 8,681,646	
1 / 5 / 5	\$ 6,251,046	\$ 6,706,747	\$ 7,233,528	\$ 7,848,158	\$ 8,267,993	\$ 8,572,666	
8 / 0 / 10	\$ 6,648,230	\$ 7,163,467	\$ 7,765,989	\$ 8,478,010	\$ 8,969,725	\$ 9,329,185	
5 / 5 / 5	\$ 6,792,315	\$ 7,290,747	\$ 7,866,244	\$ 8,536,770	\$ 8,994,198	\$ 9,325,859	
4 / 8 / 8	\$ 7,237,019	\$ 7,806,379	\$ 8,470,057	\$ 9,251,323	\$ 9,788,952	\$ 10,181,007	
5 / 10 / 0	\$ 7,605,221	\$ 8,153,200	\$ 8,780,864	\$ 9,505,503	\$ 9,995,849	\$ 10,349,404	
1 / 8 / 8	\$ 8,805,001	\$ 9,529,979	\$ 10,375,922	\$ 11,372,452	\$ 12,058,433	\$ 12,558,705	
8 / 12 / 0	\$ 9,126,344	\$ 9,805,333	\$ 10,584,491	\$ 11,485,683	\$ 12,096,380	\$ 12,537,110	
8 / 8 / 8	\$ 9,880,426	\$ 10,685,312	\$ 11,622,064	\$ 12,722,449	\$ 13,478,103	\$ 14,028,308	
1 / 10 / 10	\$ 10,507,638	\$ 11,412,133	\$ 12,470,850	\$ 13,721,981	\$ 14,585,394	\$ 15,216,064	
10 / 15 / 0	\$ 11,005,633	\$ 11,851,867	\$ 12,825,039	\$ 13,953,106	\$ 14,718,894	\$ 15,272,167	
0 / 0 / 25	\$ 11,100,871	\$ 12,192,293	\$ 13,494,352	\$ 15,064,448	\$ 16,166,298	\$ 16,979,977	
5 / 0 / 25	\$ 11,530,908	\$ 12,655,627	\$ 13,995,895	\$ 15,610,152	\$ 16,741,891	\$ 17,577,116	
5 / 8 / 15	\$ 11,851,114	\$ 12,918,720	\$ 14,175,186	\$ 15,668,637	\$ 16,704,264	\$ 17,463,117	
10 / 10 / 10	\$ 11,981,902	\$ 12,992,800	\$ 14,172,239	\$ 15,561,211	\$ 16,516,975	\$ 17,213,779	
1 / 12 / 12	\$ 12,210,274	\$ 13,294,288	\$ 14,565,779	\$ 16,071,510	\$ 17,112,354	\$ 17,873,423	
5 / 10 / 15	\$ 12,838,081	\$ 13,999,520	\$ 15,365,387	\$ 16,987,430	\$ 18,111,331	\$ 18,934,414	
10 / 10 / 15	\$ 13,771,077	\$ 14,996,187	\$ 16,434,060	\$ 18,138,050	\$ 19,316,707	\$ 20,178,935	
0 / 10 / 20	\$ 13,950,670	\$ 15,272,907	\$ 16,836,313	\$ 18,703,505	\$ 20,003,306	\$ 20,958,079	
12 / 12 / 12	\$ 14,083,378	\$ 15,300,288	\$ 16,722,415	\$ 18,399,973	\$ 19,555,848	\$ 20,399,249	
1 / 15 / 15	\$ 14,764,229	\$ 16,117,520	\$ 17,708,173	\$ 19,595,803	\$ 20,902,794	\$ 21,859,461	
5 / 15 / 15	\$ 15,305,497	\$ 16,701,520	\$ 18,340,889	\$ 20,284,414	\$ 21,629,000	\$ 22,612,655	
10 / 10 / 20	\$ 15,560,252	\$ 16,999,573	\$ 18,695,880	\$ 20,714,888	\$ 22,116,439	\$ 23,144,092	
5 / 10 / 25	\$ 16,416,431	\$ 18,006,293	\$ 19,889,028	\$ 22,141,107	\$ 23,710,795	\$ 24,864,727	
0 / 15 / 20	\$ 16,418,087	\$ 17,974,907	\$ 19,811,814	\$ 22,000,489	\$ 23,520,975	\$ 24,636,320	
12 / 15 / 15	\$ 16,637,332	\$ 18,123,520	\$ 19,864,808	\$ 21,924,267	\$ 23,346,289	\$ 24,385,288	
0 / 15 / 25	\$ 18,207,262	\$ 19,978,293	\$ 22,073,635	\$ 24,577,327	\$ 26,320,707	\$ 27,601,477	
15 / 15 / 20	\$ 19,024,766	\$ 20,764,907	\$ 22,809,499	\$ 25,234,955	\$ 26,913,889	\$ 28,142,612	
0 / 15 / 30	\$ 19,996,436	\$ 21,981,680	\$ 24,335,455	\$ 27,154,166	\$ 29,120,439	\$ 30,566,633	
0 / 0 / 50	\$ 20,046,745	\$ 22,209,227	\$ 24,803,455	\$ 27,948,640	\$ 30,164,958	\$ 31,805,761	
5 / 0 / 50	\$ 20,476,783	\$ 22,672,560	\$ 25,304,998	\$ 28,494,344	\$ 30,740,551	\$ 32,402,900	
5 / 10 / 40	\$ 21,783,956	\$ 24,016,453	\$ 26,674,490	\$ 29,871,623	\$ 32,109,992	\$ 33,760,197	
0 / 15 / 40	\$ 23,574,786	\$ 25,988,453	\$ 28,859,096	\$ 32,307,843	\$ 34,719,903	\$ 36,496,947	
0 / 15 / 50	\$ 27,153,136	\$ 29,995,227	\$ 33,382,737	\$ 37,461,519	\$ 40,319,367	\$ 42,427,260	
15 / 15 / 50	\$ 29,759,816	\$ 32,785,227	\$ 36,380,423	\$ 40,695,986	\$ 43,712,281	\$ 45,933,553	

Endurance Exploration Valuation Matrix By Trickle Research LLC Projected Stock Price								
Assumed Discount Rate		30%	25%	20%	15%	12%	10%	
Recovery Assumptions								
1 / 1 / 0	\$	0.05	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05
2 / 2 / 0	\$	0.05	\$ 0.05	\$ 0.06	\$ 0.06	\$ 0.06	\$ 0.06	\$ 0.06
2 / 2 / 2	\$	0.06	\$ 0.06	\$ 0.07	\$ 0.07	\$ 0.07	\$ 0.07	\$ 0.08
0 / 0 / 5	\$	0.06	\$ 0.07	\$ 0.07	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.08
2 / 0 / 5	\$	0.07	\$ 0.07	\$ 0.07	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.09
4 / 0 / 5	\$	0.07	\$ 0.07	\$ 0.08	\$ 0.08	\$ 0.09	\$ 0.09	\$ 0.09
5 / 5 / 0	\$	0.08	\$ 0.09	\$ 0.09	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.11
4 / 4 / 4	\$	0.09	\$ 0.10	\$ 0.11	\$ 0.11	\$ 0.12	\$ 0.12	\$ 0.12
5 / 0 / 10	\$	0.10	\$ 0.11	\$ 0.11	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.14
1 / 5 / 5	\$	0.10	\$ 0.11	\$ 0.11	\$ 0.12	\$ 0.13	\$ 0.13	\$ 0.14
8 / 0 / 10	\$	0.11	\$ 0.11	\$ 0.12	\$ 0.13	\$ 0.14	\$ 0.14	\$ 0.15
5 / 5 / 5	\$	0.11	\$ 0.12	\$ 0.12	\$ 0.14	\$ 0.14	\$ 0.14	\$ 0.15
4 / 8 / 8	\$	0.11	\$ 0.12	\$ 0.13	\$ 0.15	\$ 0.16	\$ 0.16	\$ 0.16
5 / 10 / 0	\$	0.12	\$ 0.13	\$ 0.14	\$ 0.15	\$ 0.16	\$ 0.16	\$ 0.16
1 / 8 / 8	\$	0.14	\$ 0.15	\$ 0.16	\$ 0.18	\$ 0.19	\$ 0.19	\$ 0.20
8 / 12 / 0	\$	0.14	\$ 0.16	\$ 0.17	\$ 0.18	\$ 0.19	\$ 0.19	\$ 0.20
8 / 8 / 8	\$	0.16	\$ 0.17	\$ 0.18	\$ 0.20	\$ 0.21	\$ 0.21	\$ 0.22
1 / 10 / 10	\$	0.17	\$ 0.18	\$ 0.20	\$ 0.22	\$ 0.23	\$ 0.23	\$ 0.24
10 / 15 / 0	\$	0.17	\$ 0.19	\$ 0.20	\$ 0.22	\$ 0.23	\$ 0.23	\$ 0.24
0 / 0 / 25	\$	0.18	\$ 0.19	\$ 0.21	\$ 0.24	\$ 0.26	\$ 0.26	\$ 0.27
5 / 0 / 25	\$	0.18	\$ 0.20	\$ 0.22	\$ 0.25	\$ 0.27	\$ 0.27	\$ 0.28
5 / 8 / 15	\$	0.19	\$ 0.21	\$ 0.23	\$ 0.25	\$ 0.27	\$ 0.27	\$ 0.28
10 / 10 / 10	\$	0.19	\$ 0.21	\$ 0.22	\$ 0.25	\$ 0.26	\$ 0.26	\$ 0.27
1 / 12 / 12	\$	0.19	\$ 0.21	\$ 0.23	\$ 0.26	\$ 0.27	\$ 0.27	\$ 0.28
5 / 10 / 15	\$	0.20	\$ 0.22	\$ 0.24	\$ 0.27	\$ 0.29	\$ 0.29	\$ 0.30
10 / 10 / 15	\$	0.22	\$ 0.24	\$ 0.26	\$ 0.29	\$ 0.31	\$ 0.31	\$ 0.32
0 / 10 / 20	\$	0.22	\$ 0.24	\$ 0.27	\$ 0.30	\$ 0.32	\$ 0.32	\$ 0.33
12 / 12 / 12	\$	0.22	\$ 0.24	\$ 0.27	\$ 0.29	\$ 0.31	\$ 0.31	\$ 0.32
1 / 15 / 15	\$	0.23	\$ 0.26	\$ 0.28	\$ 0.31	\$ 0.33	\$ 0.33	\$ 0.35
5 / 15 / 15	\$	0.24	\$ 0.27	\$ 0.29	\$ 0.32	\$ 0.34	\$ 0.34	\$ 0.36
10 / 10 / 20	\$	0.25	\$ 0.27	\$ 0.30	\$ 0.33	\$ 0.35	\$ 0.35	\$ 0.37
5 / 10 / 25	\$	0.26	\$ 0.29	\$ 0.32	\$ 0.35	\$ 0.38	\$ 0.38	\$ 0.39
0 / 15 / 20	\$	0.26	\$ 0.29	\$ 0.31	\$ 0.35	\$ 0.37	\$ 0.37	\$ 0.39
12 / 15 / 15	\$	0.26	\$ 0.29	\$ 0.32	\$ 0.35	\$ 0.37	\$ 0.37	\$ 0.39
0 / 15 / 25	\$	0.29	\$ 0.32	\$ 0.35	\$ 0.39	\$ 0.42	\$ 0.42	\$ 0.44
15 / 15 / 20	\$	0.30	\$ 0.33	\$ 0.36	\$ 0.40	\$ 0.43	\$ 0.43	\$ 0.45
0 / 15 / 30	\$	0.32	\$ 0.35	\$ 0.39	\$ 0.43	\$ 0.46	\$ 0.46	\$ 0.49
0 / 0 / 50	\$	0.32	\$ 0.35	\$ 0.39	\$ 0.44	\$ 0.48	\$ 0.48	\$ 0.50
5 / 0 / 50	\$	0.33	\$ 0.36	\$ 0.40	\$ 0.45	\$ 0.49	\$ 0.49	\$ 0.51
5 / 10 / 40	\$	0.35	\$ 0.38	\$ 0.42	\$ 0.47	\$ 0.51	\$ 0.51	\$ 0.54
0 / 15 / 40	\$	0.37	\$ 0.41	\$ 0.46	\$ 0.51	\$ 0.55	\$ 0.55	\$ 0.58
0 / 15 / 50	\$	0.43	\$ 0.48	\$ 0.53	\$ 0.59	\$ 0.64	\$ 0.64	\$ 0.67
15 / 15 / 50	\$	0.47	\$ 0.52	\$ 0.58	\$ 0.65	\$ 0.69	\$ 0.69	\$ 0.73

General Disclaimer: (Rev. 01.26.18)

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Rating System Overview:

There are no letters in the rating system (Buy, Sell Hold), only numbers. The numbers range from 1 to 10, with 1 representing 1 "investment unit" (for my performance purposes, 1 "investment unit" equals \$250) and 10 representing 10 investment units or \$2,500. Obviously, a rating of 10 would suggest that I favor the stock (at respective/current levels) more than a stock with a rating of 1. As a guideline, here is a suggestion on how to use the allocation system.

Our belief at Trickle is that the best way to participate in the micro-cap/small cap space is by employing a diversified strategy. In simple terms, that means you are generally best off owning a number of issues rather than just two or three. To that point, our goal is to have at least 20 companies under coverage at any point in time, so let's use that as a guideline. Hypothetically, if you think you would like to commit \$25,000 to buying micro-cap stocks, that would assume an investment of \$1000 per stock (using the diversification approach we just mentioned, and the 20-stock coverage list we suggested and leaving some room to perhaps add another 5 of the names from our profiles). We generally start initial coverage stocks with an allocation of 4. Thus, at \$1000 invested per stock and a typical starting allocation of 4, your "investment unit" would be the same \$250 we used in the example above. Thus, if we initiate a stock at a 4, you might consider putting \$1000 into the position (\$250 * 4). If we later raise the allocation to 6, you might consider adding two additional units or \$500 to the position. If we then reduce the allocation from 6 to 4 you might consider selling whatever number of shares you purchased with 2 of the original 4 investment units. Again, this is just a suggestion as to how you might be able to use the allocation system to manage your portfolio.

For those attached to more traditional rating systems (Buy, Sell, Hold) we would submit the following guidelines.

A Trickle rating of 1 thru 3 would best correspond to a "Speculative Buy" although we would caution that a rating in that range should not assume that the stock is necessarily riskier than a stock with a higher rating. It may carry a lower rating because the stock is trading closer to a price target we are unwilling to raise at that point. This by the way applies to all of our ratings.

A Trickle rating of 4 thru 6 might best (although not perfectly) correspond to a standard "Buy" rating.

A Trickle rating of 7 thru 10 would best correspond to a "Strong Buy" however, ratings at the higher end of that range would indicate something that we deem as quite extraordinary..... an "Extreme Buy" if you will. You will not see a lot of these.