

GRASS ROOTS RESEARCH AND DISTRIBUTION, INC.

#1 Small Cap Research Firm, Powerful Distribution

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June, 29 2011

| | |
|-----------------------|-------------|
| Symbol | SMEV.PK |
| Exchange | Pink Sheet |
| Recommendation | BUY |
| Current Price | \$0.001 |
| 52 Week: High/Low | 0.03/0.0002 |
| Shares Outstanding | 566,000,000 |
| Market Cap (in \$000) | \$1,000,000 |
| Beta (36 Month) Avg | NA |



Simulated Enviroment Concepts, Inc. (SMEV) designs, develops, and manufactures the medical, health and wellness equipment, SpaCapsule. The SpaCapsule is a proprietary patented, automated hydo therapy massage system designed to promote total health, wellness and weightloss. SMEV targets a large addressable market; from medical to fitness, weightloss to relaxation, and religious to liesure. SMEV has developed and is deploying strategies to reduce costs, expand distribution, increase marketing and drive revenues. Through clinical studies and FDA demonstrations of efficacy, SMEV plans to develop retail franchises, co-branding opportunities and vertical market distribution partners that should enable the Company to generate positive cash flow and strengthen earnings.

SMEV's value proposition lies in its scalable business model, experienced management team, international appeal, and the features and benefits of the SpaCapsule that are easily translated in health, rehabilitation, pain treatment, rejuvenation and weightloss, as well as quantifiable economic value.

SMEV is currently engaged with a CFO specialty firm and auditor to prepare audited financials, has demonstrated efficacy with respect to weightloss and cellulite reductions and plans to sign additional global distribution partners and preferred vendors along with securing co-branding partners.

| Price-to-Earnings (P/E) | | in US\$ |
|---|--------|-----------------|
| SMEV.pk- Earnings Per Share - 2013 Forecasts | 0.02 | |
| Industry Average P/E Ratio | 15.00 | |
| Price based on P/E Ratio | | 0.32 |
| Price-to-Capital Employed (P/CE) | | in US\$ |
| SMEV- Capital Employed | 0.15 | |
| Industry Average P/CE Ratio | 7.26 | |
| Price based on P/CE Ratio | | 1.09 |
| Cohen Discounted Cash Flow Model | | in US\$ |
| Cohen DCF Value - Base Case | | 0.56 |
| Cohen Performance Index | | in US\$ |
| Cohen Price Performance Index Value | 104.6% | |
| SMEV- Current Stock Price | 0.002 | |
| Price based on Cohen Performance Index | | 0.003 |
| Cohen Price Index Target | | 0.49 |
| Current Price | | 0.002 |
| Upside/ (Downside) Potential | | 28816.0% |



EXECUTIVE SUMMARY

- Several new initiatives could add substantial upside to revenue potential and enable the Company to leverage margin expansion;
- SMEV has identified potential new markets for its patented SpaCapsule massage therapy system that could significantly expand its addressable market;
- SMEV has hired accounting firm MaloneBailey, LLP, with offices in Houston and New York to conduct an audit of the Company and preparation of audited financial statements that could allow the Company to migrate to a more favorable trading exchange and attract investors;
- SMEV has engaged a financial advisory firm, Eventus Advisory Group, LLC, to provide CFO services to assist Company in preparing for its financial statement audit and managing its long-term financial and reporting compliance requirements with the Securities & Exchange Commission;
- SMEV is also embarking on funding initiatives with focus on reducing manufacturing, materials and component costs, and improve efficiencies to reduce labor costs;
- SMEV is developing new channel partners and global distributors, with plans to actively sign additional preferred vendor deals and pursue co-branding relationships, which should act to improve operating margins and expand market opportunities and growth;
- SMEV in its recent shareholder conference call indicated two pending distribution agreements enabling the Company to broaden its global reach in targeting businesses in vertical markets such as rehabilitation, physical therapy, fitness, weight loss, corporate centers, spas and massage therapy;
- A clinical study conducted by Laboratoire DermScan™ on SMEV's SpaCapsule H2O Body System indicates efficacy in achieving weight loss and cellulite reduction (without any lifestyle adjustments) in over 87% of subjects enhancing the product's value proposition;
- SMEV is planning on branding its product delivery through retail franchise facilities thereby maintaining quality and consistency of benefit delivery.

Forecast and Valuation

- In our Base Case, assuming capital is raised; Grass Roots Research projects revenues of approximately \$2.5 million in 2012 and \$30 million in 2016. With cost reduction in production and increasing capacity utilization, SMEV should see a substantial improvement to gross margins. Operating margins should improve as operating costs are mitigated by lower direct sales and marketing costs even with discounts given to distribution channels.
- Our forecast assumes the Company will raise \$5 million in capital, complete its audit, undergo a ten-for-one reverse stock split, and achieve positive cash flow by 2013.
- The Cohen Price Target is calculated using market-based multiple valuation methods including the Discounted Cash Flow (DCF) and by applying the Cohen Price Performance Index



approaches. The multiple –based valuation approaches use the expected 2012 Price-to-Earnings and Price-to-Capital Employed ratios. We also include the Cohen Price Performance Index, which is representative of the past coverage performance of all stocks evaluated by us. The last component in calculating the Cohen Price Target is the value derived using the long-term Cohen Discounted Cash Flow valuation approach. Based on an average of these methods, Simulated Environment Concepts, (SMEV.pk) common stock is valued at \$0.29 per share. The stock may be an attractive short-term trade, and long term investment should the Company raise its necessary capital.

INVESTMENT SUMMARY

Simulated Environment Concepts, Inc. engages in the development and manufacture of medical, health, and wellness equipment. Its flagship product includes SpaCapsule, a robotic massage therapy system used for, relaxation, weight loss, cellulite management, and general wellness; and its physical therapy model (PT) PTjetCapsule, used for medical rehabilitation. The Company is currently seeking Medical Device registration with the FDA. The Company distributes its products in approximately 37 countries. Its products can be found in various environments, such as corporate employee lounges, relaxation centers, gyms and health clubs, doctor's offices, hotels, tanning and beauty salons/spas, luxury accommodations, gulf clubs, ski lounges, shopping centers and malls, airports, cruise ships, luxury yachts, and homes. Simulated Environment Concepts, Inc. was founded in 2000 by Dr. Ella Frenkel and Dr. Ilya Spivak, and is based in Miami, Florida.

The SMEV patented automated hydro-therapeutic massage system has a distinctive value proposition both in terms of economic value to the asset owner and to the recipient. SMEV has developed strategies to further substantiate the benefits of the SpaCapsule through clinical studies, lower its cost structure, increase marketing and improve operating margins. By enhancing distribution and branding its products through new channels such as retail franchises, we believe SMEV should be able to grow revenues. With the ability to position the SpaCapsule, demonstrating both efficacies in weight loss, cellulite reduction, pain management and rehabilitation, as well as initiatives to lower its cost structure, SMEV should be able to command premium pricing and stronger operating margins. Furthermore, the ability to offer continuity of service delivery through consistent and customized hydro therapeutic massage services is important. The economic benefits of the SpaCapsule are significant for massage, therapy and clinics, and, hospitality services; all of which enhance market acceptance, thereby supporting revenue growth and margin protection.

We expect that long term upside revenue opportunities exist for the Company, given its unmatched position and patented technology to deliver clinically supported weight loss and cellulite reduction benefits as well as therapeutic benefits for physical therapy, rehabilitation and pain management in chronic pain related illness such as fibromyalgia.

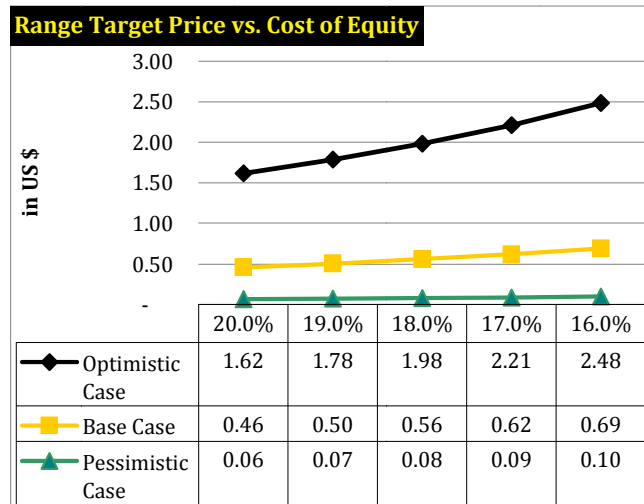
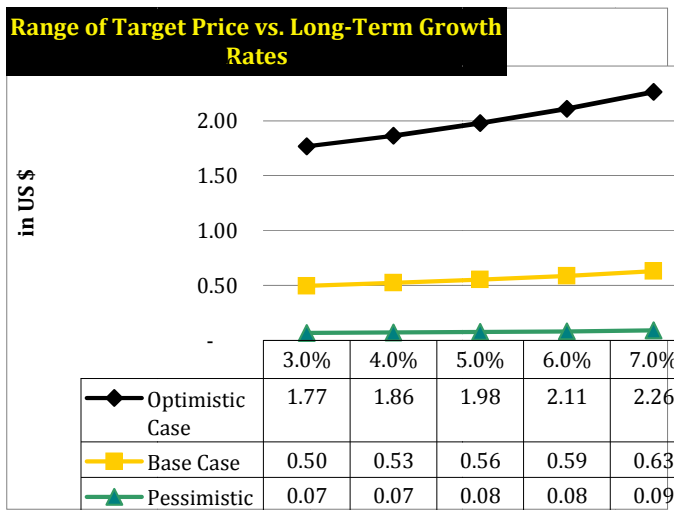


The Cohen Price Target of \$0.49 per common stock, predicated upon reverse stock split, indicates a significant upside to the current value of \$0.002 per share. With a compelling value proposition and growing market opportunities, proper execution should drive revenues and earnings. SMEV offers an interesting short-term trade and long-term investment for risk-averse investors.

VALUATION

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|---|-----------------|
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Discounted Cash flow Based Valuation THE COHEN PRICE TARGET - \$0.49

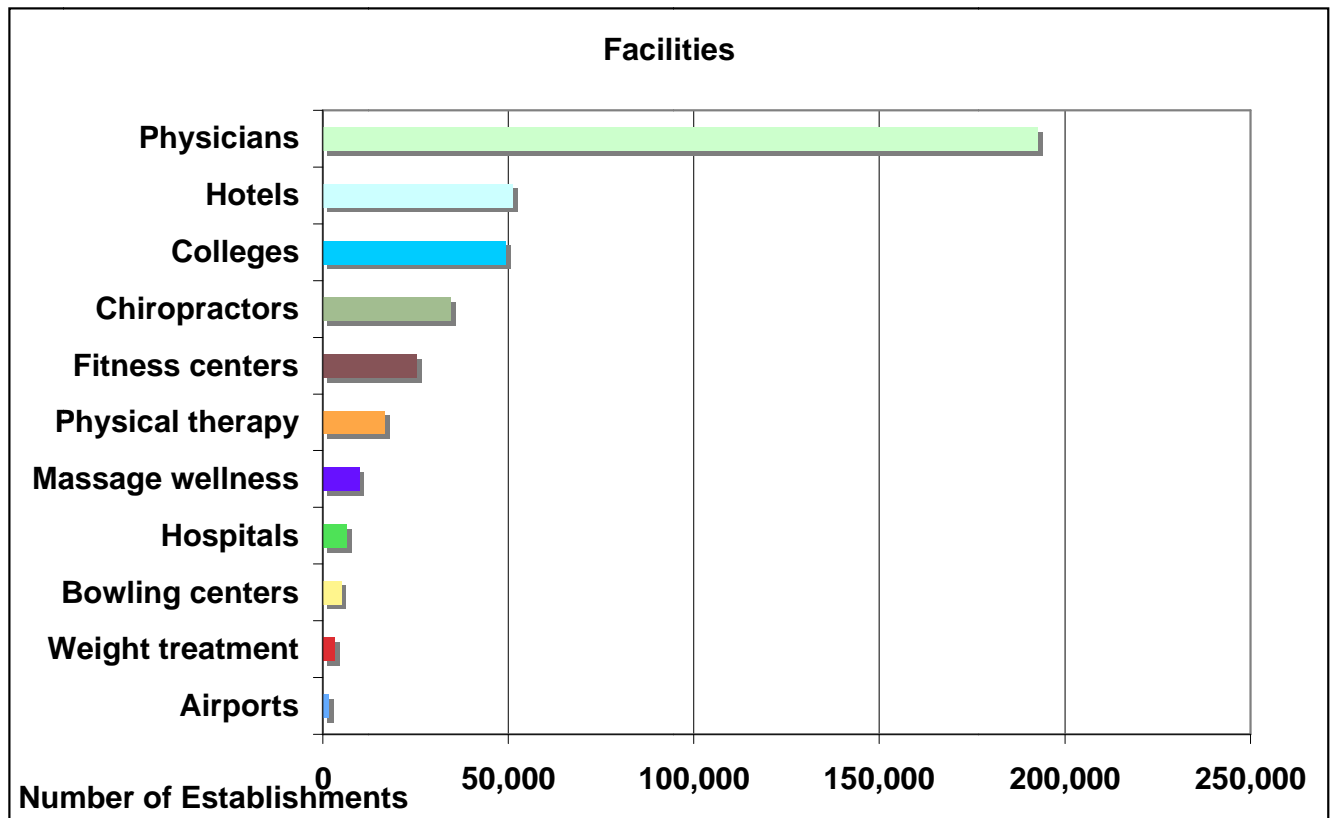




BULL CASE

- **Distribution expansion to address vertical markets:** The number of potential business entities that could benefit from the capabilities of the SpaCapsule is well over 500,000 facilities. In addition, corporate centers such as Hyland Software, offering amenities similar to that of Google and Microsoft, provide employees use of the SpaCapsule within relaxation/break rooms. High net worth individuals are also using the SpaCapsule at the residence. The use of distribution channels with the requisite skills and knowledge of servicing these markets offers faster market penetration. Increasing distribution channels and developing preferred vendor/co-branding relationships could drive revenue growth significantly higher given the extensive addressable market.
- **SMEV has been granted two US patents and one Japanese patent for SpaCapsule:** The patents offer sustainable advantages and product differentiation in its ability to address the growing number of vertical markets.

Addressable Vertical Markets for SpaCapsule



Source: US Census Bureau



- **SMEV is seeking third US patent:** The Company could be successful at obtaining a third Design patent will further protect the proprietary operations of the SpaCapsule globally.
- **Expanding market opportunity:** According to the FDA, spending on weight loss in the US was \$55 billion in 2007. Other areas of wellness spending include rehabilitation, corporate wellness, and anti-aging by the growing base of baby boomers.
- **Leverage competencies and drive production costs lower:** SMEV could substantially lower production costs through efficiencies in manufacturing and labor. Improved sourcing of materials and components could reduce input costs and enable the Company to reduce production costs by 50%.
- **Leverage clinical studies that demonstrate SpaCapsule efficacy:** According to a recent report by Laboratoire Derscan™, the SpaCapsule was able to demonstrate measurable improvements of 87% reduction in subject weight loss and 93% reductions in cellulite. This study has afforded SMEV an increase in sales interest from fitness centers worldwide as well as new found interest from diet and weight loss centers such as Jenny Craig and LA Weight Loss.
- **Leverage Preferred Vendor/Co-Branding Opportunities.** SMEV may continue building Preferred Vendor relationships as with those established with LadyFitness (French based fitness franchise) and Elements Diet and Fitness - for Women (U.S. based fitness franchise). Continual growth of interest from fitness facilities globally to incorporate SpaCapsule into the franchise service offerings may translate into co-branding opportunities for the company.



BEAR CASE

- **Capital Costs and problems of funding.** There are several hurdles in raising capital. Among those are furnishing audited financials, demonstrating the viability of the business model, and achieving operating margin expectations.
- **Inability to lower production costs:** SMEV may not be able to achieve favorable sourcing of materials and components at prices necessary to align gross margins with business mode. SMEV intends to reduce production costs through lower material and labor costs. Any inability to improve gross margins significantly limits upside potential for operating margins and earnings.
- **Inability to secure favorable review with respect to FDA submittal:** The FDA process is often associated with elongated and critical reviews. The FDA process may take longer than expected and while FDA certification is not required for sell and use of the product, if the reviews are not positive, this process could theoretically result in a subdued market acceptance.
- **Inability to secure favorable terms in distribution agreements:** The central strategy for SMEV currently is to continue developing new channel partners and global distributors, with plans to actively sign preferred vendor deals and pursue co-branding relationships, which should act to improve operating margins and expand market opportunities. Typically however, distribution channels may require terms of up to 40% discount from retail price. Any negative deviation may result in margin contraction.
- **Inability to ramp production:** If SMEV is able to address the growing market opportunities that appear in select vertical markets, the risk shifts towards its ability to ramp production levels necessary to meet market demand. Any limitation in its ability to scale production could negatively impact its ability to achieve revenue growth and expand operating margins and earnings.
- **Dilution:** SMEV conveyed its conviction on its last shareholder conference call to mitigate dilution risk in its needs to raise capital. While the Company is confident in regards to capital structure, raising capital is often associated with fluid environments where both debt and equity funding require attention to detail.

**GROWTH DRIVERS****Annual Revenues, Margins, Assets, Turns**

| all figures in \$ ' millions | 2012 F | 2013 F | 2014 F | 2015 F | 2016 F | 2017 F | 2018 F |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Net Revenue | 2.1 | 5.3 | 10.5 | 18.4 | 30.3 | 40.9 | 49.1 |
| Operating Margin | 20.7% | 20.0% | 23.0% | 25.0% | 32.0% | 38.0% | 40.0% |
| Net Margin | 14.4% | 8.9% | 10.9% | 11.7% | 17.9% | 22.1% | 18.5% |
| EPS - Diluted | 0.01 | 0.01 | 0.02 | 0.04 | 0.10 | 0.17 | 0.17 |
| EBITDA | 0.5 | 1.5 | 3.4 | 6.5 | 12.6 | 19.8 | 26.3 |
| Free Cash Flow | (0.8) | (0.5) | (0.2) | 0.5 | 3.5 | 7.6 | 7.2 |
| Cash and Equivalents | 4.4 | 3.9 | 3.4 | 3.4 | 6.3 | 13.4 | 20.2 |
| Working Capital | 0.6 | 1.1 | 1.8 | 2.6 | 4.4 | 5.9 | 7.1 |
| Long Term Debt | 0.3 | 0.3 | 0.3 | 0.2 | 0.2 | 0.2 | 0.1 |
| Total Debt | 0.3 | 0.3 | 0.3 | 0.2 | 0.2 | 0.2 | 0.1 |
| Total Assets | 5.7 | 6.6 | 8.2 | 11.1 | 17.6 | 27.5 | 37.1 |
| DSO | 91.3 | 73.0 | 65.7 | 52.9 | 52.9 | 52.9 | 52.9 |

Percentage Change in Annual Revenues, Margins, Assets, Turns

| | 2012 F | 2013 F | 2014 F | 2015 F | 2016 F | 2017 F | 2018 F |
|------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Revenues | NM | 150.0% | 100.0% | 75.0% | 65.0% | 35.0% | 20.0% |
| Operating Margin | NM | -0.7% | 3.0% | 2.0% | 7.0% | 6.0% | 2.0% |
| Net Margin | NM | -5.5% | 2.0% | 0.8% | 6.2% | 4.1% | -3.6% |
| EPS - Diluted | NM | 54.9% | 143.9% | 88.3% | 152.1% | 66.0% | 0.5% |
| EBITDA | NM | 214.0% | 127.8% | 91.9% | 94.6% | 57.3% | 33.1% |
| Free Cash Flow | NM | -38.4% | -57.0% | -328.3% | 641.2% | 115.6% | -5.5% |
| Cash | NM | -13.0% | -12.7% | 1.8% | 85.4% | 111.6% | 50.5% |
| Working Capital | NM | 86.1% | 62.3% | 42.3% | 66.1% | 35.4% | 20.2% |
| Total Debt | NM | 0.0% | -14.3% | -14.3% | -14.3% | -14.3% | -14.3% |
| Total Assets | NM | 15.3% | 24.9% | 35.2% | 58.0% | 56.1% | 35.0% |
| DSO | NM | -20.0% | -10.0% | -19.4% | 0.0% | 0.0% | 0.0% |

Simulated Environment Concepts, Inc. will derive a majority of its revenues from channel partners that have established sales channels in specific vertical markets. The Company's economically viable value proposition surrounding its leading SpaCapsule system should enable measurable market penetration into the medical, rehabilitation, pain treatment, weight loss, cellulite reduction, health and fitness gyms and corporate center market segments. SMEV should be able to drive margins with its strategy to cut production costs with respect to materials costs and efficiencies in labor and production.

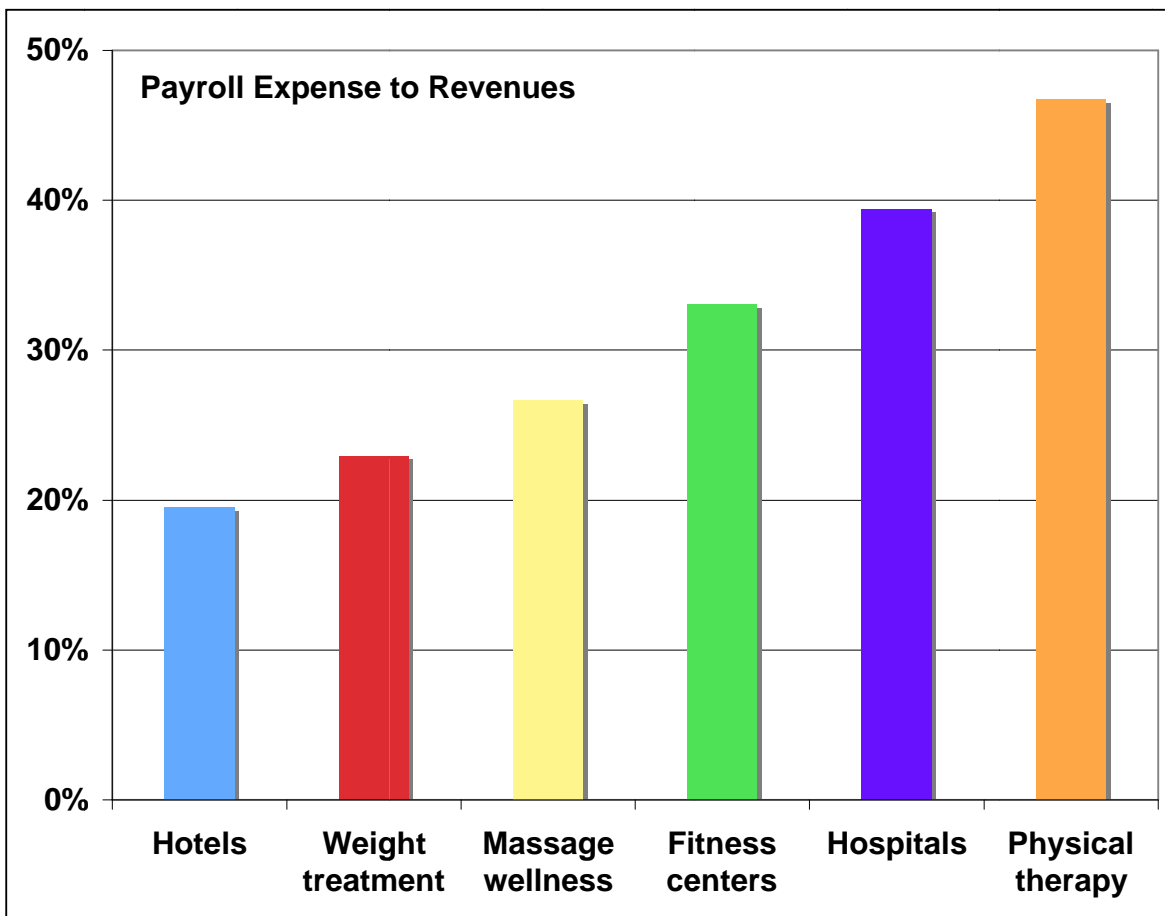
Other factors contributing to driving growth include the economic benefits of SpaCapsule itself. There is also an opportunity cost by substituting human interaction at the industry prevailing wage versus the cost of running an automated system. The greater the disparity between the cost of human interaction and operating cost of the SpaCapsule system, the higher the economic value of substituting equipment for labor. The SpaCapsule is self-automated and controlled by user. In this fashion, the endeavors of physical therapist can be applied to more demanding patients where direct human contact is required. The SpaCapsule is also better suited to situations where human contact is not feasible such as in certain religious cultures where opposite sex touching and/or disrobing may be prohibited.



The payroll cost at facilities directed at physical therapy creates the highest ratio of payroll expense to revenues in comparison to business with similar services. To improve profits in labor-intensive industries, substituting automated systems provides a higher return, particularly where substitution to an automated services is the desired transaction for the customer. The benefits derived from employing the self-automated SpaCapsule provide a unique selling proposition for facility owners particularly those that are burdened in labor intensive industries such as physical therapy and hospitals.

A comparison of labor costs for various types of treatment facilities is illustrated below.

Payroll Expense to Revenues



Source: US Census Bureau

We believe revenues could grow with adequate capital raised from \$2.5 million in 2012 to \$30.3 million in 2016. We anticipate the Company will successfully demonstrate the efficacy of its SpaCapsule and continue to expand its addressable markets while strengthening its rapidly growing appeal within



beyond physical therapy, weight loss and health & fitness clubs. The Company's strategy to lower production costs and continue developing new channel partners and global distributors, while actively pursuing preferred vendor deals and co-branding relationships, should enable them to expand revenues and improve operating margins.



VALUE PROPOSITION

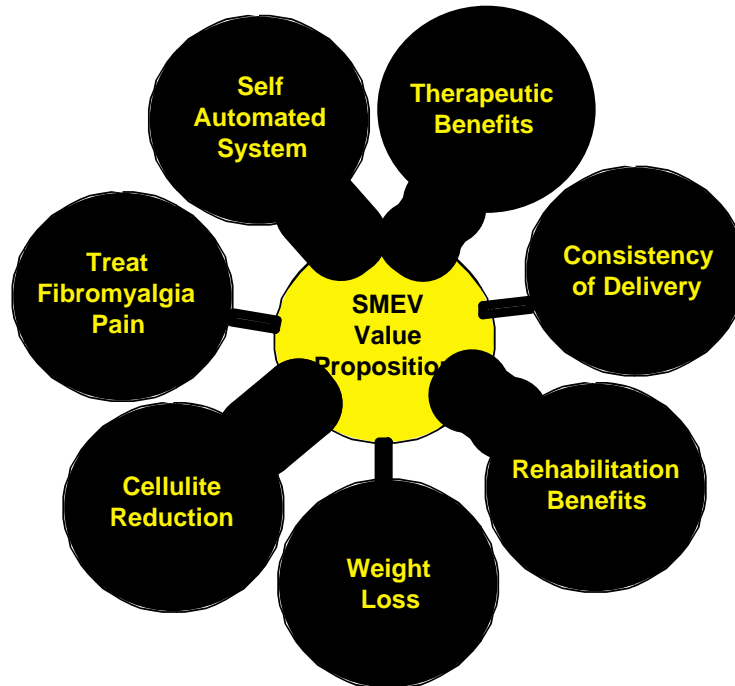
SMEV’s value proposition lies in its scalable business model and experienced management team. In addition, the SpaCapsule offers features and benefits that are easily translated into the fields of medical (rehabilitation and pain management) and fitness (weight loss and cellulite reduction) as well as establishing a quantifiable economic value. The following table demonstrates the economic value of the

Spa Capsule Economics

| | |
|--------------------------|----------------------------------|
| Physical therapy/massage | \$50.00 Cost per Hour |
| Annual operating hours | 3120 Hours |
| Potential Revenues | \$156,000 Revenue per unit |
| Unit Price | \$28,170 SpaCapsule Retail Price |
| | 563 Breakeven Hours |
| Breakeven | 47 Days @ 12 hrs/day |

SpaCapsule in use for physical therapy and wellness massage treatment.

The following figure illustrates the value proposition of SMEV’s SpaCapsule as it relates to weight loss, pain management, physical therapy, including corporate and individual healthcare and wellness.



The SpaCapsule provides substantial benefits to the patient or customer. If we apply the economic value to just three-market segments – physical therapy for rehabilitation, weight loss/cellulite reduction, and



pain management for chronic pain related illnesses such as fibromyalgia – it becomes clear that not only are there significant benefits offered to the user, but there is a substantial market opportunity. In addition, the SpaCapsule should be able to further penetrate the corporate market for wellness and stress management (demonstrated with corporate installation at Hyland Software) and capture a multiple preferred vendor deals as well as allow SMEV to capture royalty streams from co-branding opportunities, franchise establishments and business customers.

While it is somewhat easier to understand the benefits derived from using the SpaCapsule with hydro-therapeutic capabilities for massage or physical therapy, the benefits of mitigating some of the pain associated with pain symptoms such as fibromyalgia and its efficacy in weight and cellulite reduction need third-party endorsement. As part of SMEV's strategy to demonstrate the full capabilities of its products, Laboratoire DermScan™, an Internationally renowned French research company conducted clinical trials, testing the SpaCapsule to determine the weight reduction capabilities and efficacy in decreasing cellulite.

The findings from 24 subjects, who were evaluated over a twenty-session period whereby no external considerations like diet or exercise were factored, showed measurable weight loss in 87% of the subjects and 97% reduction in cellulite within a 95% confidence interval. The testing process involved using their DermScan™ technology. This technology is similar to an ultrasound process to examine skin tissue and capture readings at the deepest tissue layer.

Using both qualitative, visual appearances, and quantitative techniques, including body mass and 2-dimensional DermScan™ measurements, the DermScan™ process (ultrasound technique) of skin imaging produced positive results. The DermScan™ imaging process obtains information about skin structure in vivo and is able to measure and evaluate fat inclusions in the dermis. In this process, DermScan™ was able to measure and quantify the disinfiltrating and redensifying (reduce anti-aging signs such as wrinkles) efficacy of the SpaCapsule massage device.

In addition, SMEV is already in the process of submitting to the Federal Drug Administration (FDA) 510(k) program. The FDA 510(k) program is a premarketing submission made to the FDA to demonstrate that the device to be marketed is safe and effective, which means it is substantially equivalent (SE), to a legally marketed device that is not subject to premarket approval (PMA). SMEV plans to receive certification on the SpaCapsule in demonstrating efficacy in physical therapeutic treatments. The benefit of achieving FDA approval also facilitates global market expansion and the credibility to address medical markets including clinics and hospitals.

The following describes an array of benefits derived from receiving massage therapy:

- Helps Manage Pain
- Encourages Relaxation



- Enhances Rehabilitation Treatment
- Improves Circulation
- Lowers Blood Pressure
- Mitigate Stress
- Relaxes Muscles
- Improves Flexibility and Range of Motion
- Relieves Tension-Related Headaches
- Strengthens the Immune System
- Enhances Post-Operative Rehabilitation
- Improves Posture

Scientific research indicates that massage therapy increases immune function by draining lymph nodes of toxins, decreases stress levels and reduces recovery time in treating medical conditions such as:

- Allergies
- Arthritis
- Asthma and Bronchitis
- Carpal Tunnel Syndrome
- Circulatory Concerns
- Depression and Anxiety
- Chronic Fatigue Syndrome
- Insomnia
- Muscular-Skeletal Disorders
- Sports Injuries

The SpaCapsule is also very beneficial in treating pain related symptoms from chronic illnesses and conditions such as Fibromyalgia, which defined by the Mayo Clinic, is “a disorder characterized by widespread musculoskeletal pain accompanied by fatigue, sleep, memory and mood issues. Researchers believe that fibromyalgia amplifies painful sensations by affecting the way your brain processes pain signals. Symptoms sometimes begin after a physical trauma, surgery, infection or significant psychological stress. In other cases, symptoms gradually accumulate over time with no single triggering event. Women are much more likely to develop fibromyalgia than are men. Many people who have fibromyalgia also have tension headaches, temporomandibular joint (TMJ) disorders, irritable bowel syndrome, anxiety and depression.”

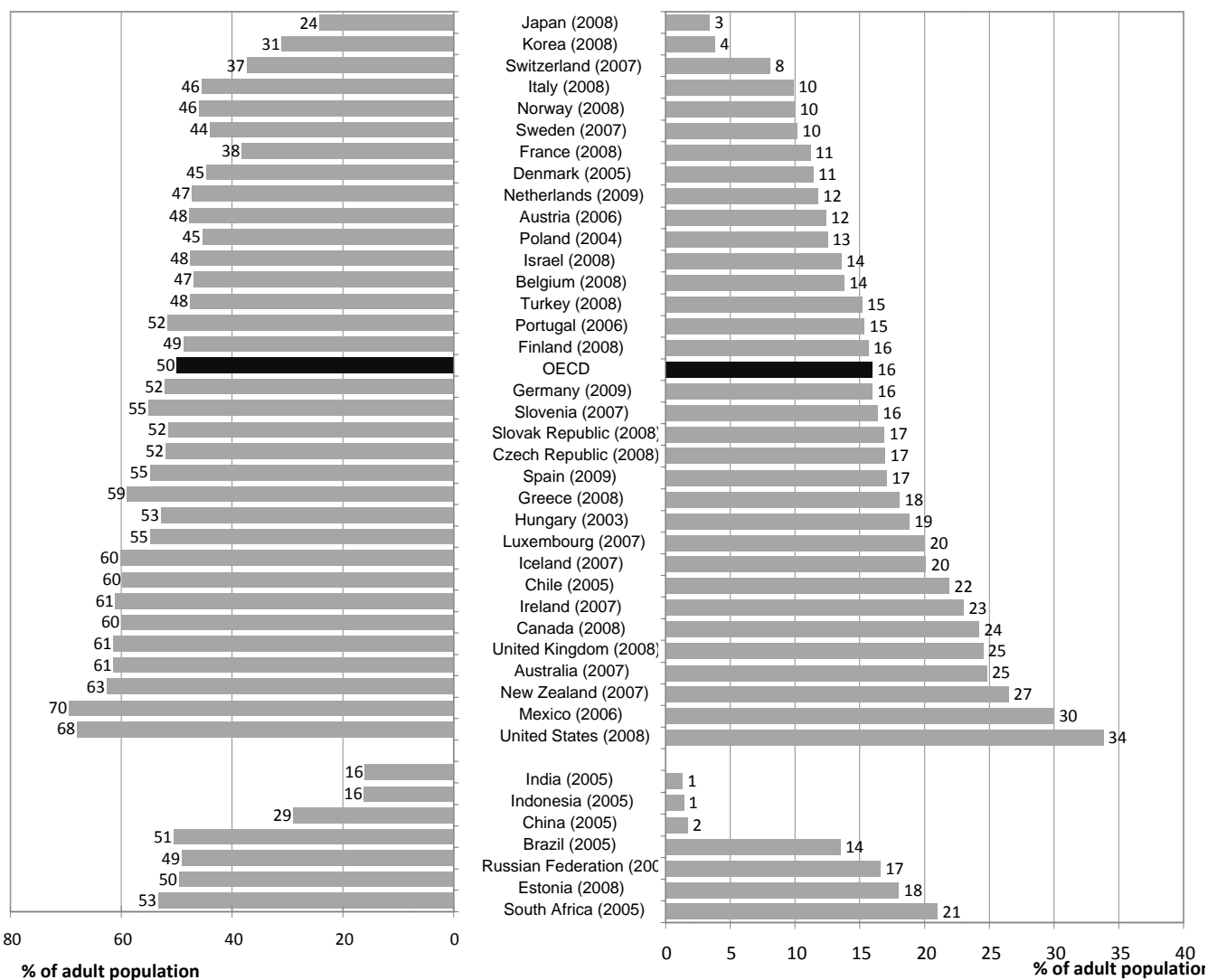
The Mayo Clinic continues “While there is no cure for fibromyalgia, a variety of medications can help control symptoms. Exercise, relaxation and stress-reduction measures also may help. According to recent studies, there are 5 to 6 million people known to be suffering from fibromyalgia, in the United



States. It is expected that the real number of cases is probably much higher because the condition is often misdiagnosed.”

The key take away is that the market opportunity is compelling for massage therapy, and in particular, the opportunity for the SapCapsule in providing an automated and consistent service delivery that may offer some relief to chronic pain patients such as those suffering from fibromyalgia. In addition, its ability to address weight loss and rehabilitation therapy are also large potential markets. The capabilities of the SpaCapsule to address multiple market opportunities and offer economic and therapeutic benefits offer a unique selling proposition to a growing market in the US and in international markets.

Obesity and overweight in OECD and non-OECD countries (adults)



Note: For Australia, Canada, Czech Republic, Ireland, Japan, Korea, Luxembourg, Mexico, New Zealand, Slovak Republic, United Kingdom and United States, data is based on self-reported, body mass index (BMI). Source: OECD Health Data 2010 and WHO Infobase for Brazil, Chile, China, India, Indonesia, Russian Federation and South Africa.



THE COMPANY

PRODUCTS & SERVICES

The SpaCapsule



The SpaCapsule is a completely self-contained hydro-massage unit that provides a fully clothed user with a full body massage via strong pulsating jets of water contained by a patented “Dual Barrier” system which prevents the fully clothed user from getting wet. Designed by Doctors, and currently in use in 37 countries around the world, its efficacy has been proven across several markets, including medical rehabilitation, relaxation and wellness, and perhaps now most notably weight loss and cellulite reduction in light of the recent Derscan™ study.

In addition to the powerful computer controlled and self-contained hydro-massage system, each SpaCapsule incorporates several unique features including:

- Proprietary “Dual Barrier” Technology
The SpaCapsule incorporates a unique “dual barrier” lining between the 28 powerful jets of pulsating water and the clothed and dry user inside the machine. This “dual barrier” not only serves to keep the fully clothed user inside dry, but also keeps the physical shape and form of the body from easily being seen from outside of the machine. SMEV has indicated this has provided the Company with a tremendous sales and marketing advantage in certain regions of the world such as the Middle East where privacy and modesty are of significant cultural importance.

This system also contributes to the maintenance and longevity of the equipment. The dual barrier partly assist with allowing the water to be effectively recycled. This aspect of the system reduces the need to refill the 20 gallon reservoir as well as completely eliminates any damage and/or decay to the inner shell that can be caused by water.

- Concentrated Oxygen Therapy
Concentrated Oxygen is used for two distinct purposes in the SpaCapsule. The first is that Oxygen when delivered in concentrated form can reduce stress, and relax the body while increasing energy and alertness. Secondly, it also works in conjunction with the hydro-massage



by increasing the body's metabolism, which in turn helps the body process fat cells and toxins that have been disrupted as a result of the powerful jets massaging the users skin.

- **Essential Oil Aromatherapy**

The SpaCapsule incorporates essential oils derived from flowers, leaves, roots and other parts of plants in a unique aromatherapy dispenser designed to provide the user with an ongoing flow of aromas which can provide significant health benefits such as relaxation or brain stimulation.

- **iPod/iPhone Connectivity**

SpaCapsule users can interface their own iPods or iPhones into the SpaCapsules audio/video equipment allowing them total control of the media experience while in the SpaCapsule.



MARKETING AND POSITIONING

The following is from the Company's literature

The SpaCapsule®



The SpaCapsule® instantly creates a "Spa Experience" to any hotel. With its Award Winning ultramodern design, the SpaCapsule® combines invigorating Massage, Aromatherapy and Audio-Visual Relaxation all in a self-automated massage system. The SpaCapsule® enhances a classy and upscale hotel environment.

Staying ahead of competition and diversifying product offerings expands hotel marketing strategies.

“The spa lifestyle is trickling down to the middle class,” said Candace Corlett, a partner at WSL Strategic Retail, a New York City-based retail consulting firm. “Smart, entrepreneurs are realizing that treatments and services that used to be reserved for the rich and famous are now very mainstream.”

The SpaCapsule® is the most progressive, most complete, ergonomically sound, fully automated Relaxation Device On-the-Go.

- NO licensing



- NO experience
- NO constant supervision



The SpaCapsule® - an Award Winning, self-contained, full body automated massage system and relaxation device™ - is a client's "masseur on staff" - that is available on-demand - 24 hours a day, 7 days a week.

The convenient token and/or currency acceptor or T-Max System connection is available with a SpaCapsule® for operating convenience and security.

SMEV has emphasized marketing and advertising extensively through trade shows. The SpaCapsule has also been seen on TV in programs including ABC's The Doctors and Good Morning America as well as other major networks such as NBC and CBS. Articles regarding the SpaCapsule have appeared in newspapers such as the New York Times, the Miami Herald and in AARP publications. The Company is continuously featured in the prestigious Hammacher-Schlemmer and Frontgate catalogs. (see links: <http://www.hammacher.com/Product/11300?xsp=6> and <http://www.frontgate.com/spacapsule-26-23174-massage-system/20099>)



GROWTH PLANS

Strategy

Expand Addressable Market

Deliver Audited Financials

Reduce Production Costs

Expand Distribution Channels

Demonstrate Clinical Efficacy

Brand Retail Franchise

Expand Addressable Market

There are several new initiatives that have the potential to add substantial upside to SMEV's revenues and margins. These initiatives will enable the Company to capture market share of the physical therapy market in addition to inroads into weight control, fitness and massage therapy industries. SMEV has identified potential new markets for SpaCapsule that could significantly expand its addressable market. Among the market opportunities for the SpaCapsule are physical rehabilitation centers, hospitals, clinics, fitness centers, spas, corporate centers, chiropractic offices, and massage therapy centers.



Deliver Audited Financials

SMEV has hired accounting firm MaloneBailey, LLP to conduct a financial audit of the Company. On the Company's most recent shareholder conference call, management indicated that MaloneBailey would prepare audited financial statements. SMEV has also engaged the services of Eventus Advisory Group, LLC (CFO Contractor) to assist the company with managing long-term financial reporting compliance requirements and preparing SMEV's financial statements for the audit. The audit would allow the Company to list on a more favorable stock exchange and thus attract a larger pool of investors. We believe that audited financials are the first step in gaining serious investor interest as well as the general market. The announcement of releasing the audited financial could also act as a catalyst for the stock price.

Reduce Production Costs

Perhaps the most crucial challenge for SMEV management is to increase gross margins by lowering production costs. While not providing specific guidance on gross margins, SMEV management outlined an initiative to lower operating costs along with reduction to material, component costs and implementing efficiency methods to reduce labor costs. Achieving production cost reduction through pricing on inputs such as materials and components requires higher volume production and capital commitments. While reducing costs is a formidable task, with the right strategy and execution it is feasible.

Expand Distribution Channels

It is crucial to secure the right distribution partners. There are several vertical markets to address where each may have their own needs and requirements. In order to effectively address each market segments, the relationship with the right distribution partner is critical. Each market segment may have specific sales cycles requiring tailored value proposition specific to their individual needs. Therefore, the distribution channel becomes more important in reaching broad and fragmented market segments. In particular, the distribution partner that has the reach and capabilities in serving specific vertical markets can significantly enhance the sales volume and revenue potential for SMEV.

The strongest distribution channels are a key to success. SMEV has recently transitioned from a direct sales force to an indirect channel program (including partners and distributors). This distribution will enable average in volume and scale that could extend to a multitude of volume purchase agreements for SMEV (as demonstrated with French distributor, Zen&O, and, UAE distributor, I. SEPTA, Co. Ltd.), which in turn, could help to secure volume discounts on material and components needed for production of the SpaCapsule. Potential purchasing discounts and



favorable distribution terms should act to improve operating margins and expand market opportunities.

SMEV mentioned in its most recent shareholder conference call that it plans to sign two distribution agreements in the near term that will enable the Company to broaden its ability to serve additional markets segments. Among some of the vertical market segments SMEV is targeting includes rehabilitation centers, hospitals, clinics, fitness centers, spas, corporate centers, chiropractic offices, and message therapy. The stock market should view the announcement of these events positively.

At present, SMEV is negotiating distributorships with Canadian, Italian and Indian groups in an effort to further expand the addressable markets. Current distribution contracts collectively total upwards of 900 capsules to be purchased.

Demonstrate Product Efficacy

The clinical study conducted by Laboratoire DermScan™ should provide an important message in establishing a compelling value proposition. The markets for weight loss and cellulite reduction represent a \$147 billion market in the US. The market for health and fitness centers reflect upward of \$15 Billion in revenues in the US and approximately 25,000 facilities nationwide. Demonstrations of product efficacy in achieving weight loss and cellulite reduction, such as in the DermScan™ study, supports the SMEV value proposition.

Brand Retail Franchise

SMEV is planning to develop a retail franchise strategy to take advantage of the customized services and continuity of delivery in designing a branded image and consistent design. The branding assures retail franchisees and clients of consistency in product delivery thereby maintaining quality and continuity of benefit delivery.



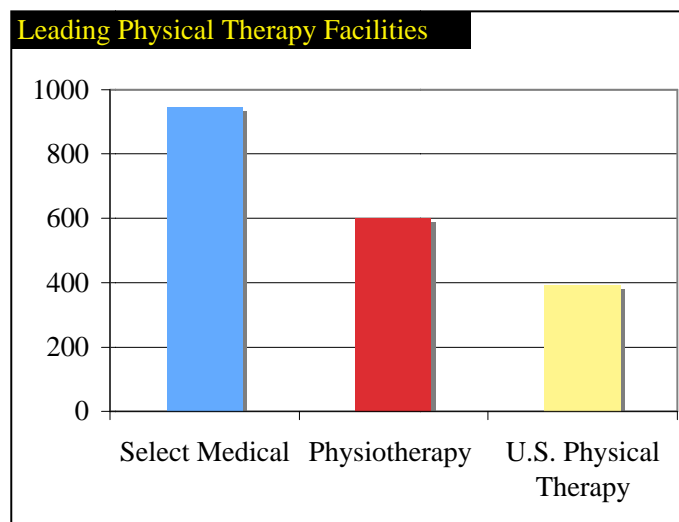
INDUSTRY & COMPETITION

Physical Therapy Market

The Physical Therapy market represents a \$10 billion market in the US according to data provided by the US Department of Commerce. The physical therapy market is fragmented with just over 16,000 individual business establishments employing over 197 thousand physical therapists in the US. The average facility generates revenues of approximately \$578,000 and spends nearly half of those revenues on payroll.

There are a handful of companies with leading market positions. Among some of these leading physical therapy players are: Select Medical Holdings, Physiotherapy Associates, and U.S. Physical Therapy. Further review of these service providers is discussed below in competition.

Leading US Physical Therapy Facilities



Weight Treatment Centers and Fitness Centers

The service businesses described as Diet and Weight Loss represents a \$1.7 billion market in the US according to data provided by the US Department of Commerce. It should however be noted that the cost to society overall is much larger. On a grander scale, obesity is a growing global problem as well, and according to the Organization for Economic Cooperation and Development (OCED), the treatment cost for obesity represents \$147 billion in healthcare cost in the US annually.

The OCED also, along with the World Health Organization (WHO) conducted another study identifying, 34% of the US adult population is obese and 68% are overweight. The OCED report



suggests that 50% of the adult population in the developing countries is overweight with 16% obese as measured by the Body Mass Index.

Currently there are over 3,000 facilities offering services for weight control.

Fitness centers account for nearly \$15 billion in revenues in the US according to data provided by the US Department of Commerce. This industry is highly fragmented with nearly 25,000 fitness centers across the country.

Both weight loss and fitness centers enjoy average revenues of over \$500,000 per establishment and the instructor to group ratio is one to many; often resulting in a less labor-intensive business. Therefore, SpaCapsule is envisioned to provide a new venue to both capture additional revenues and offer weight loss and fitness facilities (as seen in the exclusive use of SpaCapsule at the Lady Fitness and Elements Franchises) the opportunity to provide their customers with an additional means to achieve their total health and weight loss goals.

Massage Therapy

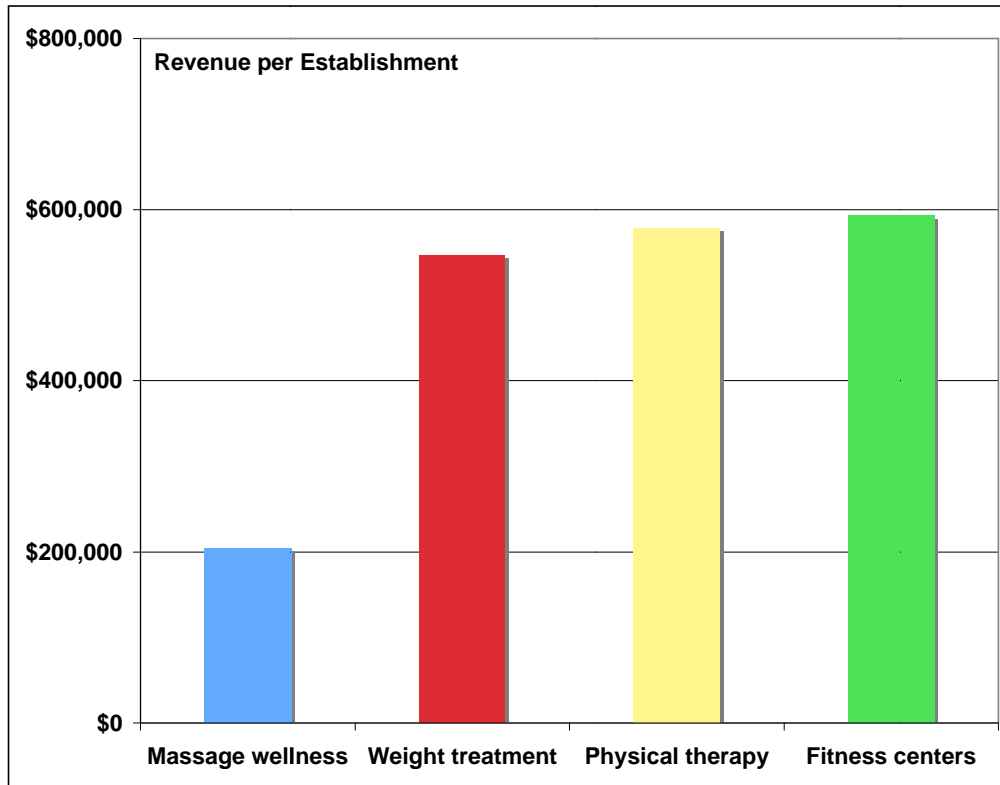
According to the American Massage Therapy Association (AMTA) estimates massage therapy industry was a \$16-20 billion in 2009, The AMTA estimates there are 280,000 to 320,000 massage therapists in the US. In addition, the AMTA indicates that 48 million adult Americans (22 percent) had a massage at least once in a twelve-month period ending July 2009. Due to this, the Therapeutic Massage Center Franchise model has exploded within recent years.

Companies like Massaggiano, Zen Massage Center and Massage Green have been rapidly expanding to satisfy the growing demand for massage therapy services. However the cost structure of the massage therapy industry is dominated by labor costs. This giving SpaCapsule a unique entry point into this particular market as automation of the device can substantially reduce labor costs, dramatically enhancing the profitability of the industry.

There are a handful of companies with leading market positions and a strong retail franchise presence. Further review of these service providers is discussed below in competition.



Revenues per Establishment



Source: US Census Bureau

Competition

Automated Dry Massage

SMEV's primary competition is Aqua Massage International, a privately held company headquartered in Groton, CT, offering dry water massage therapy in a similarly designed capsule as the SpaCapsule. Aqua Massage indicates it distributes products in over 70 countries and is currently the industry leader. Aqua Massage has four variations of its pressurized dry water massage systems and three patents. In addition to its [Aqua Massage] patents expiring there are significant differences that SMEV offers in the SpaCapsule. The major difference is that SMEV is able to direct and focus the flow of water in its patented design system to concentrate and focus the massage to a specific location on the body with a higher self-controlled temperature of water. The dual-layer protective liner provides several benefits. This design reduces system sound, allows for much stronger water jet propulsions and virtually eliminates shell maintenance and reduces upkeep (water refills) due to the effective management and recycling of water. All of the circuitry and amenities offered (oxygen, media (iPod audio/video), aromatherapy, profiler, etc.) is wholly contained within the SpaCapsule. The SpaCapsule unit is easy to



use (can be self-managed without an administrator of any type – making it ideal for residential use), is elegantly designed and provides much greater aesthetic appeal than the Aqua Massage and/or any similar medical/leisure equipment on the market today.

Other dry massage competitors include Medy Jet and Aqua Med. Both of these systems employ “bottom-up” methods of massage. Unlike traditional massage offered by a massage therapist who applies the top-down method – allowing muscles to decompress (amongst other benefits) – the bottom-up method may be considered counter intuitive as muscles are not allowed to fully decompress as the user is laying on the side of the body receiving the treatment. SpaCapsule simulates the traditional massage in its entirety.

These systems do not compete directly with the position and markets served by SMEV.

Aesthetic Medical Products

Aesthetic Medical Products are generally manufactured by companies operating within the **Medical Appliances & Equipment Industry** (Healthcare Sector). This particular sector of Healthcare boasts a market cap of over \$900 billion dollars. Top industry manufactures include Medtronic, Inc. and Edwards Lifesciences Corporation (both trading on the NYSE). However, as it specifically relates mainly to aesthetic products, SMEV’s SpaCapsule has successfully penetrated a market occupied by products such as the “VelaShape™,” a family of slimming devices manufactured by Syneron Medical LTD. (NASDAQ: ELOS).

According to its website, VelaShape™ is a “...FDA cleared device that effectively and safely contours, shapes and slims the body by reducing cellulite and firming problem areas in as little as 4 treatments.”

Seemingly most effective when administered by another person, the VelaShape™ uses a combination of Bi-Polar Radiofrequency, an Infrared Light Energy and Mechanical Massage with Vacuum system. The hand held device uses its specially designed rollers for the Mechanical Massage and the vacuum system to smooth out the skin. The radiofrequency and infrared light energy are also used to assist in facilitating safe and efficient heat energy. VelaShape™, which has two applicators (Vsmooth™ and Vcontour™), increases the metabolism of stored energy, promotes lymphatic drainage, reduces fat cell size and assists in the ultimate reshaping of the body by circumferential reduction. According to the website, “In a clinical multi-center study, 85% of the treated areas have reported Circumferential Reduction of thighs of at least 1cm; ranging up to 7.2cm in reduction.”

VelaShape™ claims to be used by over 10,000 patients daily, Worldwide. Syneron Medical, LTD. is currently trading at 52 week range of between \$7.60 and \$14.92 per share with a market cap of close to \$500 million dollars.



Products such as the VelaShape™ not only compete directly with SpaCapsule for the weight loss and cellulite reduction markets but lend further credence to the high probability of SpaCapsule receiving FDA approval. Additionally, once again, due to the automated mechanics of the SpaCapsule, application of the SpaCapsule is less labor intensive than other devices, non-intrusive and offers an array of other therapies while aptly competing in and satisfying this market.

Physical Therapy Market

In the physical therapy market, some competition may include established entities with prescribed delivery services such as U.S. Physical Therapy, Inc., (USPH). USPH operates outpatient physical and occupational therapy clinics in the United States providing pre-and post-operative care and treatment for orthopedic-related disorders, sports-related injuries, preventative care, rehabilitation of injured workers, and neurological-related injuries. The Company operates 368 outpatient physical and occupational therapy clinics comprising 266 clinics operated under clinic partnerships and 102 as wholly owned facilities in 43 states. USPH focuses its marketing on physicians, including orthopedic surgeons, neurosurgeons, physiatrists, internal medicine, podiatrists, occupational medicine physicians, and general practitioners.

The largest player in the physical therapy market is Select Medical Holdings (SEM). This company is a leading operator of specialty hospitals in the US. SEM's revenues are over \$2.5 billion annually, operating 110 long-term acute care hospitals and eight acute medical rehabilitation hospitals in 28 states. SEM is the leading operator of outpatient rehabilitation clinics with 944 locations in 36 states. SEM also provides medical rehabilitation services on a contract basis at nursing homes, hospitals, assisted living and senior care centers, schools and worksites.

Other companies in physical therapy include Physiotherapy Associates a provider of outpatient rehabilitation services. Physiotherapy Associates has 600 outpatient facilities in the US and provides physical therapy, industrial rehabilitation and orthotics and prosthetics services to millions of patients each year.

RehabCare Group, Inc. (RHB) provides rehabilitation program management services in hospitals, skilled nursing facilities, and outpatient facilities. In the US, RHB offers skilled nursing rehabilitation services including contract therapy in skilled nursing, long-term care, and assisted living facilities for neurological, orthopedic, and other medical conditions. RHB operates 34 long-term acute care and rehabilitation hospitals.

The SpaCapsule does not compete directly with these franchises and is in fact a profitable adjunct to the physical therapy community's business model.



Franchise Massage Market

Massage Envy, based in Scottsdale, Arizona, is the leading provider of therapeutic massage, as a franchise, in the United States. The national franchise of massage centers is dedicated to providing professional and affordable therapeutic massage services to consumers with busy lifestyles at convenient times and locations. Massage Envy Spa is its newest concept, offering Murad® healthy skin facials as well as therapeutic massages. Founded in 2002, Massage Envy has more than 600 locations in 42 states, with new centers opening every month. Massage Envy is generating over \$600 million in revenues through its franchise locations with over 10,000 employees.

Other therapeutic massage franchises include, Hand&Stone Massage Spa, Elements Therapeutic Massage, LaVida Massage and the WoodHouse Day Spa.

While the SpaCapsule currently does not compete directly with these franchises and can in fact become profitable adjuncts to this model, the Therapeutic Massage Center Franchise does provide a basis of viability should SMEV aggressively pursue its suggestion of launching its own brand of retail franchise.

Again noting that these franchises are dominated by labor costs, the automation of the SpaCapsule affords the product a unique entry point and niche within this particular market. Franchises can operate at substantially reduced labor costs, supporting much greater profitability than those franchises requiring actual physical massage therapist. Another great benefit that a retail franchise of the SpaCapsule would produce that none of the existing franchise models can offer is consistency.

This consistency eliminates the primary human factor which adversely effects massage therapist – Fatigue. A human being cannot offer a consistent amount of pressure for an extended period of time nor the exact massage preference of the user upon each visit. A retail franchise of the SpaCapsule would virtually guarantee a user to receive the exact massage (unless they change their profile parameters) of their liking, with each visit. Also, through an internet based profiler system the company plans to incorporate, a user can receive a massage, to their exact specifications, anywhere in the world the user should choose to use the franchised units.



MANAGEMENT TEAM

Dr. Ella Frenkel, President, CEO and Co-Founder

Dr. Frenkel received her Undergraduate education at Temple University in Philadelphia. She went on to graduate from the Pennsylvania College of Straight Chiropractic and became a licensed doctor of chiropractic in 1989. She successfully practiced chiropractic in the state of Pennsylvania for nine years. Due to her successful management style, she was able to fuse medical and chiropractic fields to consistently gross \$1.2-1.5M annually.

In 1996, after her relocation to Florida, Dr. Frenkel has been closely involved with the development and implementation of the rapidly-growing concept of “relaxation with drywater-massage,” Founding Simulated Environment Concepts with Temple University alumni Dr. Ilya Spivak.

Mr. Allen Licht, Chief Operating Officer

Allen Licht is responsible for overseeing every aspect of the manufacturing process, managing quality control and implementing new manufacturing techniques and processes. Mr. Licht significantly contributed technical know-how to the design and patent of the SpaCapsule.

Dr. Ilya Spivak, VP, Marketing Director and Co-Founder

Dr. Spivak received his Undergraduate education at Temple University in Philadelphia. He went on to graduate from the Pennsylvania College of Straight Chiropractic and became a licensed doctor of chiropractic in 1987.

The Co-founder of Simulated Environment Concepts, Dr. Spivak is an inventor and product development supervisor who has assisted many manufacturers in developing improving medical related products.



LATEST PRESS RELEASE

SpaCapsule Manufacturer Delivers First Order to Elements Diet and Fitness Under Preferred Vendor Agreement

Simulated Environment Concepts and Women's Fitness Franchise Solidify Relationship with First Orders Fulfilled -- Expanding Reach Into Fitness Markets

MIAMI, June 24, 2011 /PRNewswire/ -- Simulated Environment Concepts (SMEV.PK), the manufacturer and developer of medical, aesthetic, weight loss, wellness, and slimming equipment, announced today that the Company has made the first delivery of the SpaCapsule to Elements Diet and Fitness (Elements), a women's health and fitness center, in accordance with the co-branding preferred vendor's agreement executed between the two companies earlier this year. With the SpaCapsule having now become the massage and slimming equipment of choice for the franchise, management expects to see an almost immediate increase in short term sales by fulfilling anticipated oncoming orders from the growing women's health club and weight loss center.

Dr. Ilya Spivak stated, "Other women's fitness franchises I'm sure have now taken notice of the SpaCapsule. Why? Because the undisputable weight loss and cellulite reduction benefits the SpaCapsule offers, may quite possibly and ultimately, translate into a major competitive equalizer for a smaller but quickly growing woman's health and fitness franchise such as Elements Diet and Fitness. It would not be surprising to see a regional women's only gyms such as Lucille Roberts, or even an international women fitness franchise such as Curves, add the SpaCapsule to their fitness regimens."

With locations around the country as well as Mexico and Canada, the preferred vendor agreement entitles Elements Diet and Fitness to place SpaCapsule units in each of their existing centers as well as all future locations. Management suggests that with the added ability to upsell services, Elements can now create an additional revenue stream for franchisees and offer added benefits to customers.

As SpaCapsule sales interest climb, Simulated Environment Concepts anticipates being able to significantly capitalize on its aesthetic medical device's weight loss and cellulite reduction attributes to continue securing vendor agreements globally. SE Concepts has already proven interest within the fitness center arena with sales to Lady Fitness-France, BodySmart-Ireland and Elements Diet and Fitness-USA, just to name a few.



Dr. Spivak concluded, "The Fitness Franchise market overall is comprised of tens of thousands of gyms and fitness centers worldwide. If the question is, 'can we penetrate the fitness franchise market?' The answer is, 'Absolutely, we've already begun!'"

About Elements - Elements™ is a premium fitness and living brand for women. The company offers membership based fitness and weight loss services throughout a network of upscale, boutique style health clubs. elements for women™ differs from other health club providers in its "balanced lifestyle" approach to a healthy lifestyle, which includes the following components: body, beauty, and mind.

The company maintains proprietary design and brand trademarks, as well as proprietary operating, marketing, and software systems. These proprietary systems are available under a geography-based license agreement to qualified investors. The company also owns and operates fitness facilities throughout the United States under the name "elements diet and fitness." In addition, the company maintains several important digital platforms, including an online "web club" (www.joinelements.com), full-scale online monthly magazine, elements living (www.elementsliving.tv), online consumer guides, central owners intranet, and digital club support platforms. elements for women™ was founded in 2004 and maintains its corporate offices in Miami's uber-chic South Beach.

Safe Harbor - Statements in this news release that are not historical facts, including statements about plans and expectations regarding products and opportunities, demand and acceptance of new or existing products, capital resources and future financial results are forward-looking. Forward-looking statements involve risks and uncertainties which may cause the Company's actual results in future periods to differ materially from those expressed. These uncertainties and risks include changing consumer preferences, lack of success of new products, loss of the Company's customers, competition and other factors discussed from time to time in the Company's filings with the Securities and Exchange Commission.



SpaCapsule Manufacturer Enters Preferred Vendor Agreement With Prominent Women's Fitness Franchise

Simulated Environment Concepts Furthers Co-Branding Opportunities with Franchises - Accomplishing Another Objective Set On Conference Call

MIAMI, May 25, 2011 /PRNewswire/ -- Simulated Environment Concepts (SMEV.PK), the manufacturer and developer of medical, aesthetic, weight loss, wellness, and slimming equipment, announced today that the Company has signed a co-branding preferred vendor agreement with Elements for Women, a unique franchise offering Health Clubs and Weight Loss Centers for Women. With several locations around the country as well as Mexico and Canada, SE Concepts expects a long term and mutually rewarding relationship with the franchise.

"We are very happy that our product has become the equipment of choice for this rapidly growing Women's Fitness franchise," stated Dr. Ilya Spivak, Marketing Director of SE Concepts and Co-Inventor of the SpaCapsule. "The Weight Loss and Fitness industry is just one of the markets served by our product -- and has turned into a very large segment. With as much as \$60 Billion spent yearly on weight loss in the United States alone, we are eager and ready to accommodate the growing demand of the market."

The Vendor agreement entitles the franchisees to place SpaCapsule units in their centers and offer slimming and weight loss services packages. This serves as an additional stream of revenue for the franchisee and added benefits for their customers. The Franchise is expected to expand to more locations in the coming months.

"While this is the first US based fitness franchise to have agreed to a preferred vendor's arrangement, it by no means is the only US fitness franchises who has expressed interest in the SpaCapsule. We're expecting to enter many more fitness facilities within the next two years. Perhaps initially women's fitness centers such as Curves due to the proven slimming and cellulite reduction benefits that women enjoy. However, we're confident that both men and women looking to enhance their fitness regimen and performance will look to use the SpaCapsule at their local gym," concluded Dr. Spivak.

About Simulated Environment Concepts, Inc. - Simulated Environment Concepts, Inc. (SE Concepts) (SYMBOL: SMEV) is an industry leading manufacturer and developer of cutting edge medical, health and wellness equipment promoting relaxation, physical rehabilitation, weight loss, slimming and cellulite reduction.



SE Concepts was established in 2000 by doctors dedicated to advancements in medical technology and aesthetics. Its flagship product, SpaCapsule®, which is currently distributed in over 37 countries, is a robotic massage therapy system used for medical rehabilitation, relaxation, weight loss, slimming, cellulite management and general wellness.

SE Concepts Furthers Audit and Financial Compliance Efforts in Contracting CFO Services

Eventus Advisory Group, LLC Hired as Company's Guide Through Financial Compliance - Audit Completion

MIAMI, FL -- (Marketwire) -- 04/26/11 -- Simulated Environment Concepts (PINKSHEETS: SMEV), a manufacturer and developer of medical, aesthetic, weight loss, wellness, and slimming equipment, announced that it has engaged Eventus Advisory Group, LLC ("Eventus") to assist the Company in preparing for its financial statement audit and managing its long-term financial and reporting-company compliance requirements with the Securities & Exchange Commission (SEC).

Dr. Ella Frenkel, President & CEO of Simulated Environment Concepts (SE Concepts) stated, "Completing an audit is just a piece of being transparent and growing our Company. It's the ongoing responsibility needed to maintain transparency and build the fiscal strength of the Company that is key. This is especially important for us right now as we look to become a fully-reporting company with the SEC and uplist our stock. Maintaining a fully-reporting status requires discipline and guidance and we look forward to working with Eventus and benefiting from their expertise."

Upon announcing the engagement of MaloneBailey, LLP, a certified accounting/audit firm (Houston/NY), to conduct the audit of SE Concepts, management has thrown its commitment of completing the SEC audit into high gear. Securing the services of Eventus is just one of the evident actions the Company has taken.

Neil Reithinger, President of Eventus, stated, "Since the beginning of our discussions with the management of Simulated Environment Concepts, they have been very open and cooperative with us. Becoming a fully-reporting company and maintaining compliance requires a high level of diligence, and we look forward to working closely with SE Concepts management as we engage ourselves in this process with them."



With major announcements planned on the heels of the audit's completion, SE Concepts is working conscientiously to expedite the process. In the meantime, the Company remains compliant with OTCMarkets' reporting requirements; and continues to maintain the "Current Information" status.

The Company is optimistic about completing the audit on a timely basis so that it can anticipate reporting to the SEC with a view to uplist within the 3rd Quarter. Management also anticipates having its second shareholder conference call sometime during July 2011.

About Eventus Advisory Group, LLC - Eventus Advisory Group, LLC provides capitalization planning, consultation on initial public filings, as well as finance department creation, organization, implementation and maintenance (CFO Services) to small and medium sized companies, both public and private. Eventus Advisory Group, LLC offers a wide variety of services that enable its clients to grow and to achieve their financial objectives.

About Simulated Environment Concepts, Inc. - Simulated Environment Concepts, Inc. (SE Concepts) (PINKSHEETS: SMEV) is an industry leading manufacturer and developer of cutting edge medical, health and wellness equipment. SE Concepts was established in 2000 by doctors dedicated to advancements in medical technology and aesthetics. Its flagship product, SpaCapsule®, which is currently distributed in over 37 countries, is a robotic massage therapy system used for medical rehabilitation, relaxation, weight loss, cellulite management and general wellness.

This press release contains forward-looking statements (as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended) concerning future events and the Company's growth and business strategy. Words such as "expects," "will," "intends," "plans," "believes," "anticipates," "hopes," "estimates," and variations on such words and similar expressions are intended to identify forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. These statements involve known and unknown risks and are based upon a number of assumptions and estimates that are inherently subject to significant uncertainties and contingencies, many of which are beyond the control of the Company. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, changes in the Company's business; competitive factors in the market(s) in which the Company operates; risks associated with operations outside the United States; and other factors listed from time to time in the Company's filings with the Securities and Exchange Commission. The Company expressly disclaims any obligations or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with respect thereto or any change in events, conditions or circumstances on which any statement is based.



CONCLUSION

We believe that SMEV is poised for growth in the massage and physical therapy markets as well as new opportunities in pain management, weight loss/cellulite reduction and fitness center markets. There are several new initiatives that could provide revenue growth and enable the Company to expand margins and grow earnings. SMEV has identified potential new markets for SpaCapsule that could significantly expand its addressable market. The Company has hired an auditing firm to prepare and release audited financial statements that could allow the Company to migrate to a more favorable trading exchange and attract a larger pool of investors.

SMEV has a strategy to lower production cost by focusing on efficiencies associated with manufacturing, logistics, component and materials supply costs, and mitigate labor costs in final assembly. SMEV has migrated from a direct sales approach to third-party channel partners and global distributors. SMEV also has plans to actively sign preferred vendor deals and pursue co-branding relationships. All of which should act to improve operating margins and expand market opportunities and growth potential.

Recent developments such as the pending signing of two distribution agreements, submission to FDA, clinical trials and the indication of additional preferred vendor and co-branding deals to eminently be signed, should all be viewed as positive catalyst for upside in stock price. The distribution agreements should enable the Company to broaden its global channels around specific vertical markets including rehabilitation, weight loss centers, hospitals, fitness centers, spas, corporate centers and massage therapy outlets. A recent clinical study conducted by Laboratoire DermScan™ on the SpaCapsule suggests efficacy in achieving weight loss and cellulite reduction further substantiates its value proposition.

SMEV is planning on further branding its product delivery through retail franchise facilities thereby maintaining quality and consistency of benefit delivery. These initiatives, together with progress in mitigating production costs and securing favorable distribution agreements, should provide the catalyst for stock price appreciation. Provided the Company remains on track to raise additional necessary capital, the stock may be a good short term trade and long term investment for risk-averse investors.

MD – CFA, MBA/Grass Roots Research and Distribution, Inc.



APPENDIX

The Cohen Price Target

The Cohen Price Target™ is derived using a combination of academic and market-based valuation approaches. The following four equal weighted (25%) components used in calculating our target price, include the assumption of capital raised:

1. The first 25% equal weighted component: is the market multiple based valuation methodology. This method uses the industry average 2011E Price-to-Earnings ratio to calculate the potential stock price (and/or price to Book if an asset based company). We take the average Price-to-Earnings multiple of a given industry. This means that, on an average, stocks in this industry should currently trade at a multiple times their 2010 expected earnings. These earnings in a small cap company are usually only generated by a small company raising cash to meet its master budget. The index, therefore, reflects capital invested in any micro/small cap company.
2. The second 25% equal weighted component: Cohen Capital Employed based valuation. Most start-up and micro/small cap companies require significant capital to meet our projections. Our Cohen Price Target™ reflects the Company's ability to raise additional capital. Based on our capital projection and long-term price target from our Cohen DCFTM valuation model, we derive a Price-to-Capital Employed ratio. We then multiply this ratio with our capital employed per share assumption to derive this target price.
3. Our third 25% equal weighted component is our use of the Cohen Price Performance Index™, which calculates the average price increase of all the stocks covered by Grass Roots Research and Distribution Inc. and Cohen Research after their release. Currently, for the week ending June 7, 2010 the Cohen Price Performance Index™ is up by 101.8%, meaning that we expect the stock to follow the same trend and rise by 101.5%. To date, since May 2009, 96.7% of all of our stocks post report release have traded above the price of our initiate coverage report within 28 days. The Index assumes that all of its companies had capital employed in each company. In general, almost 100% of our researched stocks went up close to 100%.
4. Our fourth 25% equal weighted component: is our Cohen Discounted Cash Flow (DCF) method of valuation. Our Cohen DCFTM valuation includes a complex trademarked formula proprietary to our firm that includes an assumed long-term sustainable growth rate, cost of capital and assumed capital invested in a given company. Our DCF price target values a company today, based on projections of how much future cash will be generated from a given company. We assume that a company is worth all of the cash it can make available to investors in the future. It is called 'discounted' cash flow because cash in the future is worth less than cash today, and therefore must be discounted to today. We forecast various line items including assuming a given amount of capital is raised, to calculate the free cash flow we project a company to generate during our 5 year forecasted



time period. If a company does not raise our estimated cash requirements, it is highly unlikely to reach our forecasts and can go out of business. After using a formula to discount free cash flow, we divide the total forecasted equity of the Company by the shares of stock outstanding to calculate our Cohen DCF valuation, or theoretical price per share target. We believe the Cohen DCFTM formula is a more accurate measurement of operating cash than the traditional DCF used by most Wall Street research analysts. A DCF, or 5 year forecasted free cash flow projection, cannot be calculated without forecasting the three statements (IS, BS, CF) for 5 years. We are the only firm in the investor awareness industry that forecasts all of our companies for 5 years in three assumed cases. We believe this in depth level of securities analysis is a must for all of our companies, and is a foundation of the Cohen Research MethodTM.

Capital raising and cash are the life blood of any micro-cap/small company. Our Cohen Price Target™ includes 4 components, 25% equal weighted, that together reflect capital is raised in our client companies. Our components are trademarked and proprietary to our firm, as is the Cohen Performance Index™.

Most micro/small cap companies have difficulty raising sufficient funds to reach our theoretical forecasts; hence there is considerable risk for any investor. While we do not give investment advice, any company that cannot raise adequate capital to finance its business model is a highly risky investment, short term or long term. Investment awareness campaigns also affect our price targets. Do not rely on our price targets because they are based on academic theory. Do your own research or consult with your investment professional.

Price Targets

Price targets can be heavily influenced by investor awareness campaigns. In general, we observe the more money spent on such campaigns, the greater the probability for short term price increases post report release. Our price targets assume capital raising and forecast 5 year Income Statement, Balance Sheet and Cash Flow statements. In a perfect world, these assumptions may be realized. We do not give investment advice. However, in the practical/real world, it is very difficult for a small company to reach our theoretical 5 year projections. We are not aware of any research firm that forecasts the three statements (IS, BS, CF) in 3 cases for 5 years. We believe our price targets are unique to the body of knowledge in the field of securities analysis.

Note: How we calculate our Price Targets

We further explain our Cohen DCF, which is an important 25% component of The Cohen Price Target. The Cohen Discounted Cash Flow Analysis (DCF) creates a price target and values a company today, based on projections of how much future cash will be generated from a Company. Our DCF analysis assumes that a Company is worth all of the cash that it can make available to investors in the future. It is called "discounted" cash flow because cash in the future is worth less than cash today, and therefore must be discounted to today. We forecast various line items including assuming capital is raised, to calculate the free cash flow we expect a company to generate during our 5 year forecasted time period. After using



a formula to discount free cash flow, we divide the total forecasted equity of the Company by the shares of stock outstanding to calculate our Cohen DCF (Discounted Cash Flow) valuation, or theoretical price per share target. We believe our Cohen DCF is a more accurate method of calculating operating cash. We forecast three assumed price targets because companies change during 5 years, Base Case, Optimistic Case, and Pessimistic Case.

Note: What is our formula used to calculate our DCF, the Cohen Price Target?

Some line items include free cash flow to the firm, the weighted average cost of capital, assumption of capital raised and capital spent, and the total enterprise value of the business less its debt, total equity value, total shares outstanding, and our projected price per share. A DCF cannot be academically calculated without projecting the 5 year cash flow statement.

Risks of the Cohen Price Target

Our Price Targets assume capital will be raised in our four components, or 100% of the Cohen Price Target. The majority of micro-cap/small cap companies need capital to reach our 5 year sales and cash flow projections. In the academic world, The Gordon Growth Model justifies an analyst's decision to forecast for 5 years. We forecast the three statements for 5 years in 3 cases. However, in the practical/real world, buying a micro-cap stock based on 5 year forecasting is highly risky.

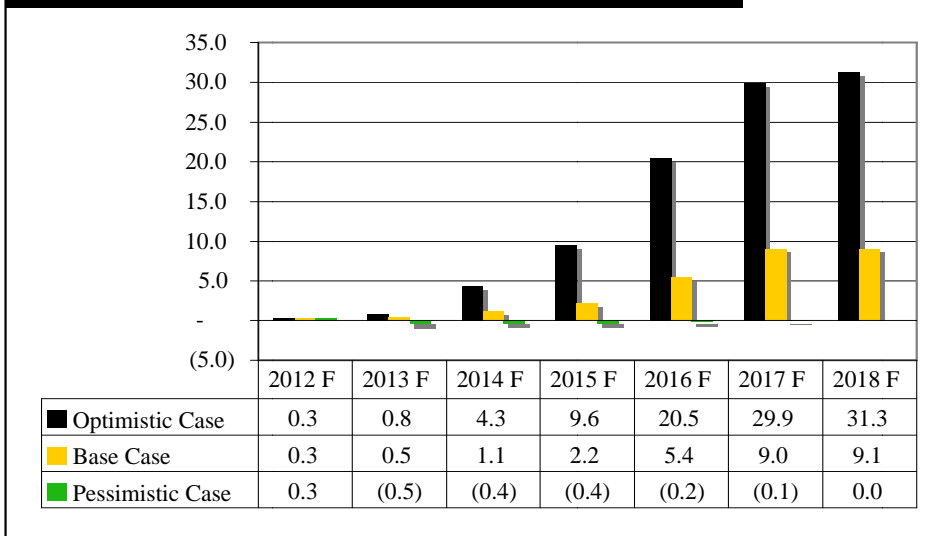
If smaller companies are able to raise capital, our theoretical price targets in a perfect world might be justified, providing the Company executes on its business model. If an investor believes that a given Company cannot raise the necessary capital to reach our projections, then any investment becomes highly risky.

The investor should consider the possibilities of a given company being able to raise capital and execute over 5 years. Few micro/small cap companies are able to raise enough capital and execute over an extended period of time, primarily due to competition, management competence, access to capital, and execution of their master budget. Our price targets are academic theory and should not be relied upon. Investors should do their own research and consult with their financial consultants.

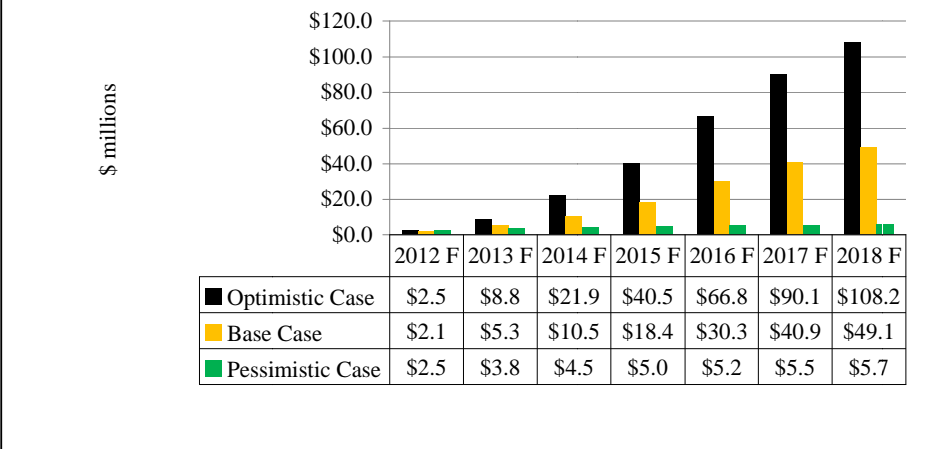


FINANCIAL EXHIBITS

Net Income - All Scenarios

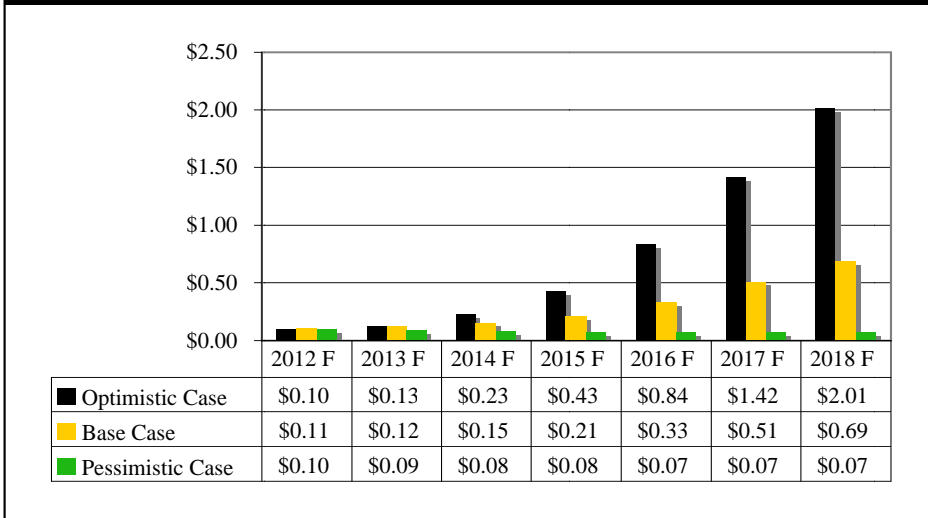


Revenues - All Scenarios

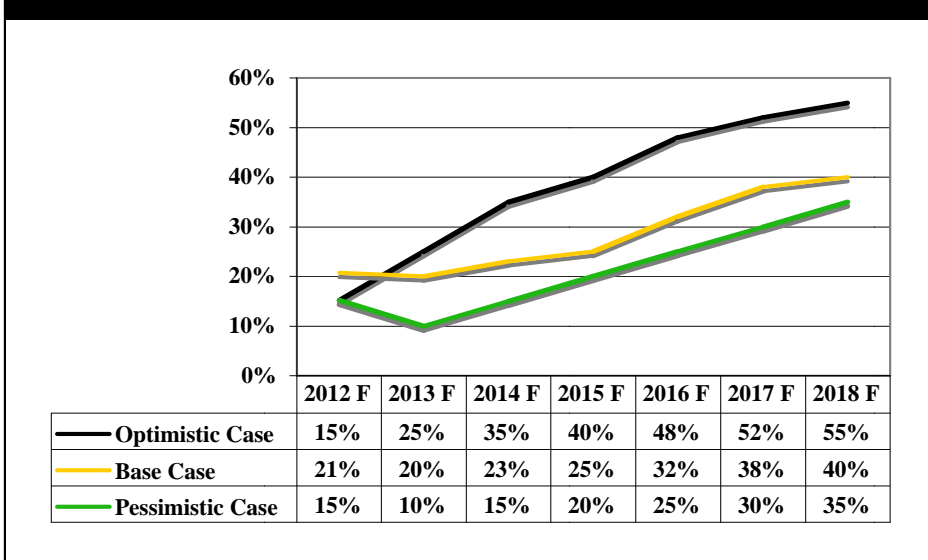


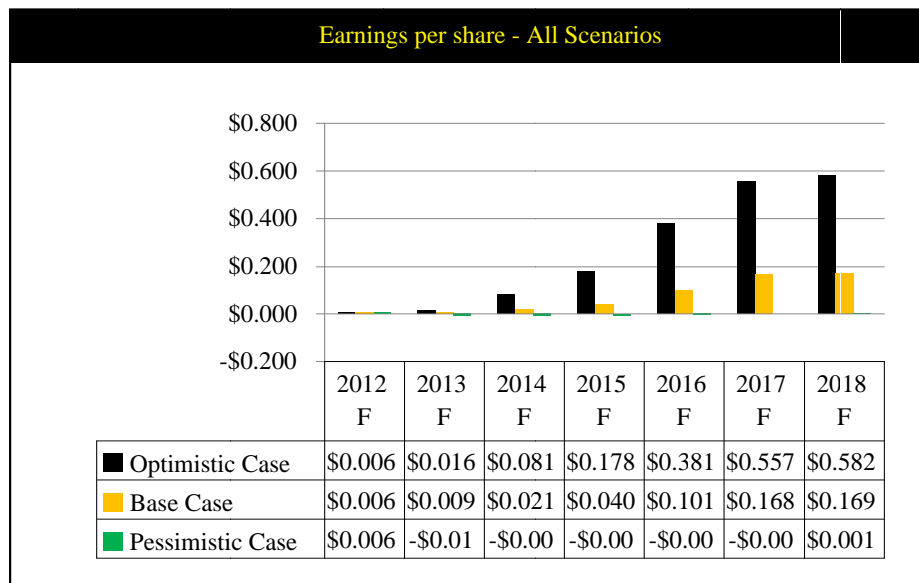
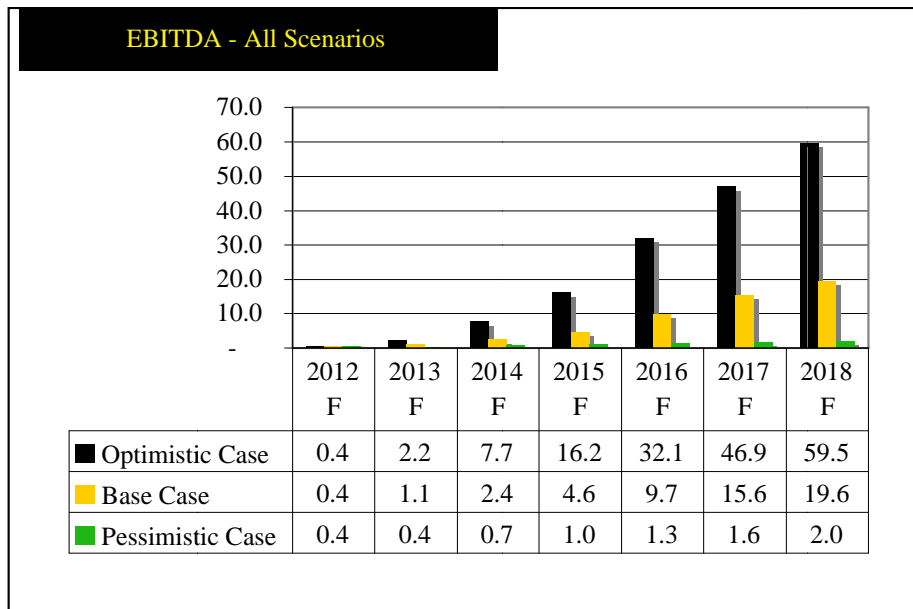


Tangible Book Value per Share- All Scenarios



Operating Margine - All Scenarios







Income Statement – Base Case

| all figures in \$ 'millions | 2012 F | 2013 F | 2014 F | 2015 F | 2016 F | 2017 F | 2018 F |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Net Revenues | 2.1 | 5.3 | 10.5 | 18.4 | 30.3 | 40.9 | 49.1 |
| Cost of Production | 1.1 | 2.6 | 4.9 | 8.3 | 13.0 | 17.2 | 19.6 |
| Gross Profit | 1.1 | 2.6 | 5.6 | 10.1 | 17.3 | 23.7 | 29.5 |
| Total Operating Costs | 0.6 | 1.6 | 3.2 | 5.5 | 7.6 | 8.2 | 9.8 |
| Operating Profit/ EBITDA | 0.4 | 1.1 | 2.4 | 4.6 | 9.7 | 15.6 | 19.6 |
| Depreciation and Amortization | 0.0 | 0.4 | 1.0 | 1.9 | 2.9 | 4.2 | 6.7 |
| Earnings Before Interest and Tax/ EBIT | 0.4 | 0.6 | 1.5 | 2.7 | 6.8 | 11.3 | 12.9 |
| Interest Expense, Net | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Earnings Before Tax/ EBT | 0.4 | 0.6 | 1.4 | 2.7 | 6.8 | 11.3 | 13.0 |
| Taxation Expense / (Benefit) | 0.1 | 0.1 | 0.3 | 0.5 | 1.4 | 2.3 | 3.9 |
| Net Profit/Loss for the period | 0.3 | 0.5 | 1.1 | 2.2 | 5.4 | 9.0 | 9.1 |
| Shares Outstanding - Basic | 53.7 | 53.7 | 53.7 | 53.7 | 53.7 | 53.7 | 53.7 |
| Shares Outstanding - Diluted | 53.7 | 53.7 | 53.7 | 53.7 | 53.7 | 53.7 | 53.7 |
| EPS - Basic | 0.01 | 0.01 | 0.02 | 0.04 | 0.10 | 0.17 | 0.17 |
| EPS - Diluted | 0.01 | 0.01 | 0.02 | 0.04 | 0.10 | 0.17 | 0.17 |



Balance Sheet – Base Case

| all figures in \$ 'millions | 2012 F | 2013 F | 2014 F | 2015 F | 2016 F | 2017 F | 2018 F |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| ASSETS | | | | | | | |
| Cash and Cash Equivalents | 4.4 | 3.9 | 3.4 | 3.4 | 6.3 | 13.4 | 20.2 |
| Accounts Receivable | 0.5 | 1.1 | 1.9 | 2.7 | 4.4 | 5.9 | 7.1 |
| Inventory | 0.3 | 0.7 | 1.0 | 1.7 | 2.6 | 3.4 | 3.9 |
| Other Assets | 0.1 | 0.1 | 0.2 | 0.3 | 0.4 | 0.4 | 0.5 |
| Total Current Assets | 5.3 | 5.6 | 6.4 | 8.0 | 13.7 | 23.2 | 31.8 |
| Property, Plant and Equipment, Gross | 0.5 | 1.3 | 2.9 | 5.6 | 8.7 | 12.7 | 20.1 |
| Capital Expenditure | 0.5 | 0.8 | 1.6 | 2.8 | 3.0 | 4.1 | 7.4 |
| Depreciation for the year | 0.2 | 0.4 | 1.0 | 1.9 | 2.9 | 4.2 | 6.7 |
| Accumulated Depreciation | 0.2 | 0.6 | 1.5 | 3.4 | 6.3 | 10.5 | 17.2 |
| Property, Plant and Equipment, Net | 0.3 | 0.7 | 1.3 | 2.2 | 2.4 | 2.2 | 2.9 |
| Other Assets | 0.1 | 0.3 | 0.5 | 0.9 | 1.5 | 2.0 | 2.5 |
| Total Assets | 5.7 | 6.6 | 8.2 | 11.1 | 17.6 | 27.5 | 37.1 |
| LIABILITIES | | | | | | | |
| Accounts Payable | 0.2 | 0.5 | 1.0 | 1.7 | 2.6 | 3.4 | 3.9 |
| Other Current Liab. | 0.0 | 0.1 | 0.2 | 0.3 | 0.4 | 0.4 | 0.5 |
| Current portion of LT Debt | - | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Current Liabilities | 0.2 | 0.6 | 1.2 | 2.0 | 3.0 | 3.9 | 4.4 |
| Long-term Loan | 0.3 | 0.3 | 0.3 | 0.2 | 0.2 | 0.2 | 0.1 |
| Total Liabilities | 0.5 | 0.9 | 1.4 | 2.2 | 3.2 | 4.0 | 4.6 |
| Common Stock | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Contributed Surplus | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| Retained Earnings | 0.2 | 0.7 | 1.8 | 4.0 | 9.4 | 18.4 | 27.5 |
| Total Shareholders Equity | 5.2 | 5.7 | 6.8 | 9.0 | 14.4 | 23.5 | 32.5 |
| Total Liabilities, Shareholders Equity, MI | 5.8 | 6.6 | 8.3 | 11.2 | 17.6 | 27.5 | 37.1 |



Cash Flow Statement – Base Case

| all figures in \$ 'millions | 2012 F | 2013 F | 2014 F | 2015 F | 2016 F | 2017 F | 2018 F |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Operating Activity | | | | | | | |
| Net Income | 0.3 | 0.5 | 1.1 | 2.2 | 5.4 | 9.0 | 9.1 |
| Adjustments to Reconcile Cash Flows | | | | | | | |
| Depreciation and Amortization | 0.0 | 0.4 | 1.0 | 1.9 | 2.9 | 4.2 | 6.7 |
| Other Adjustments | - | - | - | - | - | - | - |
| Changes in operating assets and liabilities: | | | | | | | |
| Accounts receivable | (0.5) | (0.5) | (0.8) | (0.8) | (1.7) | (1.5) | (1.2) |
| Inventory | (0.3) | (0.4) | (0.3) | (0.7) | (1.0) | (0.8) | (0.5) |
| Other assets | (0.1) | (0.0) | (0.1) | (0.1) | (0.1) | (0.0) | (0.1) |
| Accounts payable | 0.2 | 0.3 | 0.5 | 0.7 | 1.0 | 0.8 | 0.5 |
| Other liabilities | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | 0.0 | 0.1 |
| Change in Working Capital | (0.6) | (0.6) | (0.7) | (0.8) | (1.7) | (1.5) | (1.2) |
| Cash Flow from Operating Activities | (0.3) | 0.3 | 1.4 | 3.3 | 6.6 | 11.7 | 14.6 |
| Investing Activity | | | | | | | |
| Expenditures for property, plant and equipment | (0.5) | (0.8) | (1.6) | (2.8) | (3.0) | (4.1) | (7.4) |
| Other Long-term assets | (0.1) | (0.2) | (0.3) | (0.4) | (0.6) | (0.5) | (0.4) |
| Cash Flow from Investing Activities | (0.6) | (0.9) | (1.8) | (3.2) | (3.6) | (4.6) | (7.8) |
| Financing Activity | | | | | | | |
| Proceeds from or repayment of debt | 0.3 | 0.0 | (0.0) | (0.0) | (0.0) | (0.0) | (0.0) |
| Proceeds from issuance of common stock | 5.0 | - | - | - | - | - | - |
| Cash Flow from Financing Activities | 5.3 | 0.0 | (0.0) | (0.0) | (0.0) | (0.0) | (0.0) |
| Net Change in Cash | 4.4 | (0.6) | (0.5) | 0.1 | 2.9 | 7.1 | 6.8 |
| Opening Cash Balance | 0.0 | 4.4 | 3.9 | 3.4 | 3.4 | 6.3 | 13.4 |
| Ending Cash Balance | 4.4 | 3.9 | 3.4 | 3.4 | 6.3 | 13.4 | 20.2 |



Income Statement – Optimistic Case

| all figures in \$ 'millions | 2012 F | 2013 F | 2014 F | 2015 F | 2016 F | 2017 F | 2018 F |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Net Revenues | 2.5 | 8.8 | 21.9 | 40.5 | 66.8 | 90.1 | 108.2 |
| <i>% growth</i> | | 250.0% | 150.0% | 85.0% | 65.0% | 35.0% | 20.0% |
| Cost of Production | 1.8 | 3.9 | 8.8 | 14.2 | 21.4 | 27.0 | 29.2 |
| Gross Profit | 0.8 | 4.8 | 13.1 | 26.3 | 45.4 | 63.1 | 79.0 |
| Total Operating Costs | 0.4 | 2.6 | 5.5 | 10.1 | 13.4 | 16.2 | 19.5 |
| Operating Profit/ EBITDA | 0.4 | 2.2 | 7.7 | 16.2 | 32.1 | 46.9 | 59.5 |
| Depreciation and Amortization | - | 1.1 | 2.2 | 4.2 | 6.4 | 9.4 | 14.8 |
| Earnings Before Interest and Tax/ EBIT | 0.4 | 1.1 | 5.5 | 12.0 | 25.6 | 37.4 | 44.6 |
| Interest Expense, Net | - | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Earnings Before Tax/ EBT | 0.4 | 1.1 | 5.4 | 11.9 | 25.6 | 37.4 | 44.7 |
| Taxation Expense / (Benefit) | 0.1 | 0.2 | 1.1 | 2.4 | 5.1 | 7.5 | 13.4 |
| Net Profit/Loss for the period | 0.3 | 0.8 | 4.3 | 9.6 | 20.5 | 29.9 | 31.3 |
| Shares Outstanding - Basic | 53.7 | 53.7 | 53.7 | 53.7 | 53.7 | 53.7 | 53.7 |
| Shares Outstanding - Diluted | 53.7 | 53.7 | 53.7 | 53.7 | 53.7 | 53.7 | 53.7 |
| EPS - Basic | 0.01 | 0.02 | 0.08 | 0.18 | 0.38 | 0.56 | 0.58 |
| EPS - Diluted | 0.01 | 0.02 | 0.08 | 0.18 | 0.38 | 0.56 | 0.58 |



Balance Sheet– Optimistic Case

| all figures in \$ 'millions | 2012 F | 2013 F | 2014 F | 2015 F | 2016 F | 2017 F | 2018 F |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| ASSETS | | | | | | | |
| Cash and Cash Equivalents | 2.7 | 1.9 | 2.5 | 7.3 | 22.3 | 48.1 | 74.4 |
| Accounts Receivable | 0.6 | 1.8 | 3.9 | 5.9 | 9.7 | 13.1 | 15.7 |
| Inventory | 0.4 | 1.0 | 1.8 | 2.8 | 4.3 | 5.4 | 5.8 |
| Other Assets | 0.1 | 0.1 | 0.3 | 0.5 | 0.7 | 0.8 | 1.0 |
| Total Current Assets | 3.8 | 4.8 | 8.4 | 16.5 | 37.0 | 67.4 | 96.9 |
| Property, Plant and Equipment, Gross | 2.0 | 3.3 | 6.6 | 12.7 | 19.3 | 28.4 | 44.6 |
| Capital Expenditure | 2.0 | 1.3 | 3.3 | 6.1 | 6.7 | 9.0 | 16.2 |
| Depreciation for the year | 0.7 | 1.1 | 2.2 | 4.2 | 6.4 | 9.4 | 14.8 |
| Accumulated Depreciation | 0.7 | 1.8 | 4.0 | 8.2 | 14.6 | 24.1 | 38.9 |
| Property, Plant and Equipment, Net | 1.3 | 1.5 | 2.6 | 4.5 | 4.7 | 4.3 | 5.7 |
| Other Assets | 0.1 | 0.4 | 1.1 | 2.0 | 3.3 | 4.5 | 5.4 |
| Total Assets | 5.3 | 6.7 | 12.1 | 23.0 | 45.0 | 76.2 | 108.0 |
| LIABILITIES | | | | | | | |
| Accounts Payable | 0.4 | 0.8 | 1.8 | 2.8 | 4.3 | 5.4 | 5.8 |
| Other Current Liab. | 0.0 | 0.1 | 0.3 | 0.5 | 0.7 | 0.8 | 1.0 |
| Current portion of LT Debt | - | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Current Liabilities | 0.4 | 1.0 | 2.1 | 3.4 | 5.0 | 6.2 | 6.8 |
| Long-term Loan | 0.3 | 0.3 | 0.3 | 0.2 | 0.2 | 0.2 | 0.1 |
| Total Liabilities | 0.7 | 1.3 | 2.3 | 3.6 | 5.2 | 6.4 | 7.0 |
| Common Stock | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Contributed Surplus | 4.4 | 4.4 | 4.4 | 4.4 | 4.4 | 4.4 | 4.4 |
| Retained Earnings | 0.2 | 1.0 | 5.4 | 14.9 | 35.4 | 65.3 | 96.6 |
| Total Shareholders Equity | 4.6 | 5.5 | 9.8 | 19.4 | 39.8 | 69.8 | 101.0 |
| Total Liabilities, Shareholders Equity, MI | 5.3 | 6.7 | 12.1 | 23.0 | 45.0 | 76.2 | 108.0 |



Cash Flow Statement– Optimistic Case

| all figures in \$ 'millions | 2012 F | 2013 F | 2014 F | 2015 F | 2016 F | 2017 F | 2018 F |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Operating Activity | | | | | | | |
| Net Income | 0.3 | 0.8 | 4.3 | 9.6 | 20.5 | 29.9 | 31.3 |
| Adjustments to Reconcile Cash Flows | | | | | | | |
| Depreciation and Amortization | - | 1.1 | 2.2 | 4.2 | 6.4 | 9.4 | 14.8 |
| Other Adjustments | - | - | - | - | - | - | - |
| Changes in operating assets and liabilities: | | | | | | | |
| Accounts receivable | (0.6) | (1.1) | (2.2) | (1.9) | (3.8) | (3.4) | (2.6) |
| Inventory | (0.4) | (0.5) | (0.8) | (1.1) | (1.4) | (1.1) | (0.4) |
| Other assets | (0.1) | (0.1) | (0.1) | (0.2) | (0.2) | (0.1) | (0.2) |
| Accounts payable | 0.4 | 0.4 | 1.0 | 1.1 | 1.4 | 1.1 | 0.4 |
| Other liabilities | 0.0 | 0.1 | 0.1 | 0.2 | 0.2 | 0.1 | 0.2 |
| Change in Working Capital | (0.8) | (1.2) | (2.0) | (1.9) | (3.8) | (3.4) | (2.6) |
| Cash Flow from Operating Activities | (0.5) | 0.8 | 4.5 | 11.8 | 23.1 | 36.0 | 43.5 |
| Investing Activity | | | | | | | |
| Expenditures for property, plant and equipment | (2.0) | (1.3) | (3.3) | (6.1) | (6.7) | (9.0) | (16.2) |
| Other Long-term assets | (0.1) | (0.3) | (0.7) | (0.9) | (1.3) | (1.2) | (0.9) |
| Cash Flow from Investing Activities | (2.1) | (1.6) | (3.9) | (7.0) | (8.0) | (10.2) | (17.1) |
| Financing Activity | | | | | | | |
| Proceeds from or repayment of debt | 0.3 | 0.0 | (0.0) | (0.0) | (0.0) | (0.0) | (0.0) |
| Proceeds from issuance of common stock | 5.0 | - | - | - | - | - | - |
| Cash Flow from Financing Activities | 5.3 | 0.0 | (0.0) | (0.0) | (0.0) | (0.0) | (0.0) |
| Net Change in Cash | 2.7 | (0.8) | 0.6 | 4.8 | 15.1 | 25.8 | 26.3 |
| Opening Cash Balance | 0.0 | 2.7 | 1.9 | 2.5 | 7.3 | 22.3 | 48.1 |
| Ending Cash Balance | 2.7 | 1.9 | 2.5 | 7.3 | 22.3 | 48.1 | 74.4 |



Income Statement– Pessimistic Case

| all figures in \$ 'millions | 2012 F | 2013 F | 2014 F | 2015 F | 2016 F | 2017 F | 2018 F |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Net Revenues | 2.5 | 3.8 | 4.5 | 5.0 | 5.2 | 5.5 | 5.7 |
| <i>% growth</i> | | 50.0% | 20.0% | 10.0% | 5.0% | 5.0% | 5.0% |
| Cost of Production | 1.8 | 1.9 | 2.0 | 2.2 | 2.3 | 2.5 | 2.6 |
| Gross Profit | 0.8 | 1.9 | 2.5 | 2.7 | 2.9 | 3.0 | 3.2 |
| Total Operating Costs | 0.4 | 1.5 | 1.8 | 1.7 | 1.6 | 1.4 | 1.1 |
| Operating Profit/ EBITDA | 0.4 | 0.4 | 0.7 | 1.0 | 1.3 | 1.6 | 2.0 |
| Depreciation and Amortization | - | 0.9 | 1.1 | 1.3 | 1.5 | 1.7 | 2.0 |
| Earnings Before Interest and Tax/ EBIT | 0.4 | (0.5) | (0.4) | (0.3) | (0.2) | (0.0) | 0.0 |
| Interest Expense, Net | - | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Earnings Before Tax/ EBT | 0.4 | (0.5) | (0.4) | (0.4) | (0.2) | (0.1) | 0.1 |
| Taxation Expense / (Benefit) | 0.1 | - | - | - | - | - | 0.0 |
| Net Profit/Loss for the period | 0.3 | (0.5) | (0.4) | (0.4) | (0.2) | (0.1) | 0.0 |
| Shares Outstanding - Basic | 53.7 | 53.7 | 53.7 | 53.7 | 53.7 | 53.7 | 53.7 |
| Shares Outstanding - Diluted | 53.7 | 53.7 | 53.7 | 53.7 | 53.7 | 53.7 | 53.7 |
| EPS - Basic | 0.01 | (0.01) | (0.01) | (0.01) | (0.00) | (0.00) | 0.00 |
| EPS - Diluted | 0.01 | (0.01) | (0.01) | (0.01) | (0.00) | (0.00) | 0.00 |

Balance Sheet– Pessimistic Case

| all figures in \$ 'millions | 2012 F | 2013 F | 2014 F | 2015 F | 2016 F | 2017 F | 2018 F |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| ASSETS | | | | | | | |
| Cash and Cash Equivalents | 2.7 | 2.4 | 2.3 | 2.6 | 3.2 | 4.2 | 5.3 |
| Accounts Receivable | 0.6 | 0.8 | 0.8 | 0.7 | 0.8 | 0.8 | 0.8 |
| Inventory | 0.4 | 0.5 | 0.4 | 0.4 | 0.5 | 0.5 | 0.5 |
| Other Assets | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Total Current Assets | 3.8 | 3.7 | 3.6 | 3.8 | 4.5 | 5.6 | 6.7 |
| Property, Plant and Equipment, Gross | 2.0 | 2.6 | 3.2 | 4.0 | 4.5 | 5.0 | 5.9 |
| Capital Expenditure | 2.0 | 0.6 | 0.7 | 0.7 | 0.5 | 0.5 | 0.9 |
| Depreciation for the year | 0.7 | 0.9 | 1.1 | 1.3 | 1.5 | 1.7 | 2.0 |
| Accumulated Depreciation | 0.7 | 1.5 | 2.6 | 3.9 | 5.4 | 7.1 | 9.1 |
| Property, Plant and Equipment, Net | 1.3 | 1.0 | 0.6 | 0.1 | (0.9) | (2.1) | (3.2) |
| Other Assets | 0.1 | 0.2 | 0.2 | 0.2 | 0.3 | 0.3 | 0.3 |
| Total Assets | 5.3 | 4.9 | 4.5 | 4.1 | 3.9 | 3.8 | 3.8 |
| LIABILITIES | | | | | | | |
| Accounts Payable | 0.4 | 0.4 | 0.4 | 0.4 | 0.5 | 0.5 | 0.5 |
| Other Current Liab. | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Current portion of LT Debt | - | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Current Liabilities | 0.4 | 0.5 | 0.5 | 0.6 | 0.6 | 0.6 | 0.6 |
| Long-term Loan | 0.3 | 0.3 | 0.3 | 0.2 | 0.2 | 0.2 | 0.1 |
| Total Liabilities | 0.7 | 0.8 | 0.8 | 0.8 | 0.8 | 0.7 | 0.7 |
| Common Stock | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Contributed Surplus | 4.4 | 4.4 | 4.4 | 4.4 | 4.4 | 4.4 | 4.4 |
| Retained Earnings | 0.2 | (0.3) | (0.8) | (1.1) | (1.3) | (1.4) | (1.4) |
| Total Shareholders Equity | 4.6 | 4.1 | 3.7 | 3.3 | 3.1 | 3.0 | 3.1 |
| Total Liabilities, Shareholders Equity, MI | 5.3 | 4.9 | 4.5 | 4.1 | 3.9 | 3.8 | 3.8 |



Cash Flow Statement– Pessimistic Case

| all figures in \$ 'millions | 2012 F | 2013 F | 2014 F | 2015 F | 2016 F | 2017 F | 2018 F |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Operating Activity | | | | | | | |
| Net Income | 0.3 | (0.5) | (0.4) | (0.4) | (0.2) | (0.1) | 0.0 |
| Adjustments to Reconcile Cash Flows | | | | | | | |
| Depreciation and Amortization | - | 0.9 | 1.1 | 1.3 | 1.5 | 1.7 | 2.0 |
| Other Adjustments | - | - | - | - | - | - | - |
| Changes in operating assets and liabilities: | | | | | | | |
| Accounts receivable | (0.6) | (0.1) | (0.1) | 0.1 | (0.0) | (0.0) | (0.0) |
| Inventory | (0.4) | (0.0) | 0.1 | (0.0) | (0.0) | (0.0) | (0.0) |
| Other assets | (0.1) | (0.0) | (0.0) | 0.0 | 0.0 | 0.0 | 0.0 |
| Accounts payable | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other liabilities | 0.0 | 0.1 | 0.0 | (0.0) | (0.0) | (0.0) | (0.0) |
| Change in Working Capital | (0.8) | (0.1) | 0.0 | 0.1 | (0.0) | (0.0) | (0.0) |
| Cash Flow from Operating Activities | (0.5) | 0.3 | 0.7 | 1.1 | 1.2 | 1.6 | 2.0 |
| Investing Activity | | | | | | | |
| Expenditures for property, plant and equipment | (2.0) | (0.6) | (0.7) | (0.7) | (0.5) | (0.5) | (0.9) |
| Other Long-term assets | (0.1) | (0.1) | (0.0) | (0.0) | (0.0) | (0.0) | (0.0) |
| Cash Flow from Investing Activities | (2.1) | (0.6) | (0.7) | (0.8) | (0.5) | (0.6) | (0.9) |
| Financing Activity | | | | | | | |
| Proceeds from or repayment of debt | 0.3 | 0.0 | (0.0) | (0.0) | (0.0) | (0.0) | (0.0) |
| Proceeds from issuance of common stock | 5.0 | - | - | - | - | - | - |
| Cash Flow from Financing Activities | 5.3 | 0.0 | (0.0) | (0.0) | (0.0) | (0.0) | (0.0) |
| Net Change in Cash | 2.7 | (0.3) | (0.1) | 0.2 | 0.7 | 1.0 | 1.1 |
| Opening Cash Balance | 0.0 | 2.7 | 2.4 | 2.3 | 2.6 | 3.2 | 4.2 |
| Ending Cash Balance | 2.7 | 2.4 | 2.3 | 2.6 | 3.2 | 4.2 | 5.3 |



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