

MRA Research

Independent Investment Research

Research
Update

United States
Healthy Beverages- Water

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Alkame Holdings, Inc. (ALKM:OTCQB)

Emerging Vendor Set to Exploit Current Trends in Health & Wellness as Well as Innovations in Bottled Water

Reason for Report: Research Update

Recent Price: **\$0.50**

Market Data

Market Capitalization (000)	\$34.9
Fully Diluted Shrs Outstnd (mln)	69.88
Float (mln)	69.88
Ave. Volume (3 month 000)	79.9
Institutional Ownership	N/A
Insider Ownership	N/A
Exchange	OTC:QB

Balance Sheet Data

Shareholders' Equity (000s)	\$222
Price / Book Value	n.m.
Net Cash (Debt) (000s)	\$143
Working Capital (000s)	\$658
Long-term Debt (000s)	\$750
Total Debt to Equity	3.38X

Summary and Investment Thesis

- Alkame Holdings, Inc. (OTCQB:ALKM), through its wholly owned subsidiary, Alkame Water, Inc. is an innovative technology and health company that distributes bottled water with a patented technology and patented formula that alters the molecular structure of water, producing a combination of characteristics that are unprecedented in the beverage industry. Its patented technology restructures the water, allowing for true-hydration, which improves health and vitality. Health and eco-conscious people of all ages and walks, from pro-athletes, actors and artists to everyday people and children reap the benefits of this unique water -- down to its 100% recyclable eco-friendly packaging. Alkame holds distributorship rights to market and sell bottled water in the United States, Canada and Mexico.
- The Company has been gaining excellent traction and visibility through recent distribution agreements with strong partners (such as Natures Best, 7-11, FUNBeV Distribution LLC and Albertsons) and also through high profile spokespeople / "ambassadors" including the likes of professional athletes, entertainers and other personalities that should carry considerable weight with the possible purchasing audience.
- The very powerful current health & wellness theme combined with increasing awareness of building supply/demand imbalances in the water market, a basic necessity that has been essentially taken for granted by the average person on the street.
- We are issuing a Research Update on ALKM as an intriguing specialty consumer health play for microcap growth investors.



Please see analyst certification and required disclosures at the end of this report.

Technical Analysis

NewLead Holdings

Daily: ALKM is attempting to bounce from important resistance after a major technical impulse move down. Initial action is encouraging above overlapping support near \$0.41.

- The stock experienced intense selling pressure that now seems to have abated. There is overlapping geometric support in the \$0.38 – \$0.41 area.
- The first challenge is to maintain higher lows and then we need to see some upside momentum take hold.
- Key support \$0.41. important technical resistance target \$0.60. Should an uptrend be validated above \$0.60 we would look to resistance near \$0.71. Patience is advised waiting for upward price action to appear.

Alkame Holdings, Inc. Daily (ALKM \$0.50)



Company Background

NOTE: We present a condensed discussion as the full detail is beyond the scope of this report. Readers are urged to refer to the Forms filed with the Securities & Exchange Commission.

ALKM was incorporated in the State of Nevada on April 19, 2010. Until recently, it was a development stage company engaged in the business of architectural design, architectural animation, 3D modeling as well as Computer-Aided Design (CAD) drafting and conversion services. On June 25, 2013, management entered into an Agreement of Merger and Plan of Reorganization with Alkame Water, Inc., a privately held Nevada corporation and Alkame Acquisition Corp., a wholly-owned Nevada subsidiary. In connection with the closing of this merger transaction, Alkame Sub merged with and into Alkame Water on June 26, 2013, with the filing of Articles of Merger with the Nevada Secretary of State. As a result of the Merger, the Company is now in the business of pursuing the sale and distribution of the Alkame brand of bottled waters, as well as other various applications for water treatment technology.

ALKM currently holds a three year limited exclusive distribution agreement for the consumer market. The Company is permitted to distribute its technologically enhanced bottled water in the consumer market in the United States, Canada and Mexico. Aside from holding the aforementioned distribution rights, the Company signed a non-binding Letter of Intent with

Xtreme Technologies, Inc. (“Xtreme”) to purchase all of the outstanding shares of Xtreme, which would effectively acquire the patents on the proprietary process that is believed to be the most technologically advanced in water treatment systems for complete hydration. The proposed consideration for the potential acquisition will be payable as approximately \$575,000 in cash or assumed debt and approximately \$1,425,000 in ALKM common stock.

This potential acquisition remains subject to, inter-alia, completing customary pre-closing due diligence, Xtreme’s shareholder approval and entering into a definitive agreement. This has still not occurred but is expected to in the coming months. The primary objective is to acquire the patented technology underlying the Alkame brand, and then to introduce, promote, aggressively market and establish channels of distribution to sell the product to a wide range of consumers, first in the United States, Canada and Mexico, and then globally. If the Company is able to acquire the rights to the technology, all the prime characteristics of the hottest premium bottled waters in the market should be taken and rolled up into the product. Holding the patents is expected to enable the Company to enhance its position in the investment community, allow expanded reach in the distribution of the products, and provide access to other potential applications of the water treatment technology. There is no assurance, however, that an agreement with Xtreme, the owner of the patents will ultimately be consummated.

The Water Project

Awareness of the benefits of a proper pH balanced water has risen dramatically among the general public in addition to health experts. The mild alkalinity of Alkame is recommended by athletes and doctors worldwide because it’s formulated for more effective hydration by supporting an optimal pH balanced body. Alkame water is produced with a patented technology and patented formula that alters the molecular structure of water, producing a combination of characteristics that are unique in the beverage industry.

Alkame water is pumped from wells that tap into a pristine source, the “Rathdrum Prairie Aquifer” located near the Canadian border. Alkame water is not treated with chlorine, fluorides, or any other harmful contaminants. This source water is then run through an ultraviolet light system to kill bacteria. Alkame started with 3 phases of initial bottled water products, and has currently completed 2 of these 3. Alkame intends to operate around a 50% profit margin on its goods and services and will be able to compete with competitors on the MSRP as well as benefits and features. The pricing and sales strategies have been clearly defined, and are in line with industry norms. Management can move that margin up or down to accommodate distribution channel partners and still maintain that 50% margin, as well as the competitive edge in cost and benefit to the consumer. With companies like Penta charging \$3.19 a bottle on the shelf in Whole Foods, management is confident that Alkame will be able to compete in the “Niche” bottled water market segment in a short amount of time. Ultimately, the goal is to put out water perceived to be of very high value.

Benefits of the Technology

Alkame is a new brand of premium alkaline bottled water. Alkame has proven benefits that go far beyond just being “wet”. Assuming the Company is able to acquire the patents, it is believed that the flagship product will not only advance the art of hydration, but advance the Company into other market segments outside of the bottled water consumer markets. The system will process, clean, and reduce water, lower its TDS (total dissolved solids), increase its pH, provide antioxidant protection, and increase the amount of oxygen. Alkame is believed to be the only product of its kind and stands completely apart from other “bottled waters”. Alkame Water has an elevated level of dissolved oxygen and lower oxidation reduction potential (ORP) due to passage through an electrolytic cell and has a level of dissolved oxygen additionally elevated due to passage through a sparging unit comprising of 1) dissolved oxygen within the range of 20 to 60 parts per million and 2) an ORP between +100 to -350mV (micro-clustered). The mild alkalinity of Alkame helps support an optimum pH balance. In order to overcome fatigue and boost energy, it is essential to achieve and maintain an optimum blood pH of 7.35-7.4. Alkame is a powerful source of natural antioxidants which boost the immune system, which improves aerobic capacity, is good for overall health, and enhances energy and overall vitality.

Alkame wants to promote a healthy planet by addressing the growing concerns of consumers worldwide. ALKM bottles are BPA free (DO NOT contain Bisphenol A), and are 100% recyclable, with enhanced biodegradation. Alkame has developed a strong relationship with BioSphere, a leader in environmentally sound plastic additives to enhance the biodegradation process of ALKM bottles. Alkame has begun utilizing this more environmentally friendly packaging and plastics technology called a biopolymer. This unique addition to the polymer chain for the market segment has been developed, implemented, and is exclusive to Alkame. Alkame helps reduce the negative impact of acidic foods and beverages on the blood pH. Supporting an efficient metabolism will help maintain the higher level of energy and vitality desired. When free radicals become too numerous they become very destructive, damaging cells and tissues of muscles and vital organs. If the body’s processes are impaired, the first place the effects are felt is in vitality and energy levels. Alkame provides antioxidant protection from the energy-robbing, oxidative damage. The technology sustains these properties allowing for better hydration. By maximizing blood oxygen saturation, and an alkaline pH, and antioxidant support, improvement can be achieved in digestion, metabolic

function, immune response, and healing. Alkame effectively maximizes blood oxygen levels and as a result, helps maximize oxygen delivery to every part of the body.

The Market

With the massive influx of new eco-friendly products, consumers are going green, both externally as well as internally. The well-being generation and beyond has become increasingly aware of what they are consuming, and this new technology for water treatment is quite the prized possession for those looking to optimize their health with this “Elixir of Life”! The market for this type is gaining traction, and the sky is literally the limit. New products boasting a comparable technology are popping up all over, but none have capitalized on it yet. The term “alkaline water” is now becoming synonymous with proper hydration, and we intend to be the first household name in superior technology. Alkame: THE premium bottled water.

Below is a diagram showing the current pricing of alkaline types of products available at a quality grocer. ALKM’s product will be priced within the premium water averages. Although management believes the quality will be superior, the pricing will not. While management does not know which products will have the staying power in the marketplace, there is confidence that ALKM patented technology will win overall.

<u>Product Name</u>	<u>Half Liter Pricing</u>	<u>One Liter Pricing</u>	<u>Half Liter Case Pricing</u>	<u>Liter Case Pricing</u>
Real Water	Individual Bottles @ \$1.19	Individual Bottles @ \$1.99	24 Bottles @ \$28.56 24 Bottles @ \$48 and 12	12 Bottles @ \$21.48
Penta	Individual Bottles @ \$1.99	Individual Bottles @ \$3.19	Bottles @ \$23.88	12 Bottles @ \$50
Aqua-Hydrate	Individual Bottles @ \$1.19	Individual Bottles @ \$1.99		
Alka – Power		Individual Bottles @ \$2.69		
Eternal (New Zealand)		Individual Bottles @ \$1.69		
Essence		Individual Bottles @ \$1.99		
Hawaiian Springs	Individual Bottles @ \$1.49	Individual Bottles @ \$1.69	24 Bottles @ \$36	12 Bottles @ \$36
Metro-Electro	Individual Bottles @ \$1.49	Individual Bottles @ \$1.69	24 Bottles @ \$38	24 Bottles @ \$38
Metro-Electro (Flavors)	Individual Bottles @ \$1.49			

Competition and Feasibility

The bottled water industry has numerous competitors. Generally, the industry is made up of a few large companies (who own multiple brands), smaller companies whose products are distributed only on a regional or local basis and some private label brands. The Company's competitors include more diversified corporations having substantially greater assets and larger sales organizations than the Company, as well as other small firms. The Company competes in the retail area for the smaller PET packages and the organic vitamin charged spring water with products including Aquafina, Arrowhead, Evian, Deep Rock, Dasani, Vitamin Water, Propel, Snapple and various private label brands. The Company is a smaller regional company compared to the competitors. The Company competes on the basis of product quality and customer service. The Company believes that the products' Alkaline, Antioxidant and Oxygenated features, along with its superior taste, competitive pricing and attractive packaging are significant factors in maintaining the Company's competitive position. Management believes it has a superior product with more features and sell on the benefits and functions, not the price.

While the bottled water market is large and saturated with competition, the alkaline waters are relatively new. New advancements in the health and wellness fields are confirming the importance for the body to maintain an optimum pH. Sickness cannot survive in alkaline environments, and alkaline water is the new fountain of youth. Alkame has an independent organization that monitors samples of the water’s longevity and ability to maintain the properties in the water on a regular basis.

Intellectual Property Potential

Experiments on the Technology

The technology for alkaline bottled water has undergone separate double blind placebo, peer backed research. One was with HIV patients and the other was on Exercise Tolerance. The feasibility of the product is clearly evident, and management believes there is no major competition to date. Based on the study with HIV patients undergoing antiretroviral therapy, management has concluded that drinking sufficient quantities of Alkame improves important parameters of health in individuals infected with HIV. Drinking Alkame provides a significant boost to the immune system as shown by an increase in CD4 T cells (which are the primary targets of HIV and are crucial for immune defense against infections) and a decrease in the total virus load of HIV patients. These statements are opinions only and not approved or endorsed by FDA.

Based on the Exercise Tolerance study, the amount and the type of water consumed during rehab revealed a difference in the patient's aerobic endurance. Researchers found that drinking one liter of electrolyzed alkaline water is more beneficial than drinking three liters of plain water, which is great news for chronic obstructive pulmonary disease patients with congestive heart failure. In light of the study, Kern Rehab henceforth furnishes one liter of electrolyzed alkaline water for each patient participating in the comprehensive outpatient pulmonary rehab facility. The reason being, 3 liters of plain water per day exhibited 12.4% MET improvement in the exercise and fitness level per 6-minute walk /12-week program, whereas, 1-liter of electrolyzed alkaline water exhibited 17.8% MET improvement.

Recent Developments

Alkame Water Signs Distribution Agreement With Ohio's FUNBeV

LAS VEGAS, NV--(Marketwired - Jun 2, 2014) - Alkame Holdings, Inc. (OTCBB: ALKM) (OTCQB: ALKM), a health and technology holding company with a focus on patentable, innovative, and eco-friendly consumer products, is pleased to announce that it has signed an agreement with FUNBeV Distribution LLC to serve as a distributor for Alkame Water's premium alkaline bottled water throughout the Ohio market. Founded in 2009 and located in Columbus, Ohio, FUNBeV is a full-service non-alcoholic beverage distributor serving over 2,000 off and on premises retailers throughout Ohio metropolitan areas, including Columbus, Cleveland, Cincinnati, Toledo, Akron, and Dayton.

Alkame Water to Begin Distribution to Tops Markets in New York, Pennsylvania, and Vermont

LAS VEGAS, NV--(Marketwired - May 12, 2014) - Alkame Holdings, Inc. (OTCBB: ALKM) (OTCQB: ALKM), a health and technology holding company with a focus on patentable, innovative, and eco-friendly consumer products, is pleased to announce that Alkame's patented formula alkaline bottled water products will soon be available at all Tops Markets, a leading full-service grocery retailer in upstate New York, northern Pennsylvania, and northern Vermont. Tops Markets have a long history in the region as "Your Neighborhood Store, with More" and currently operate 159 full-service supermarkets, including 154 company-owned and 5 franchise locations.

Alkame Water to Rollout Alkaline Bottle Water Product Lineup Across NYC

LAS VEGAS, NV--(Marketwired - Apr 28, 2014) - Alkame Holdings, Inc. (OTCBB: ALKM) (OTCQB: ALKM), a health and technology holding company with a focus on patentable, innovative, and eco-friendly consumer products, is pleased to announce that the Company has entered into a strategic business alliance with Tiny Giant LLC., a fully integrated brand management firm located in New York City. Tiny Giant will assist in achieving market penetration of the Alkame Water product line in NYC across all five NYC boroughs (Manhattan, Brooklyn, Queens, The Bronx, and Staten Island) with sales, distribution, merchandising and sampling programs.

Alkame Water adds Three Beverage Industry Sales Veterans as Regional Sales Managers

LAS VEGAS, NV--(Marketwired - Apr 22, 2014) - Alkame Holdings, Inc. (OTCBB: ALKM) (OTCQB: ALKM), a health and technology holding company with a focus on patentable, innovative, and eco-friendly consumer products, is pleased to announce that it has expanded its sales and distribution network with the addition of three beverage industry sales veterans to Team Alkame. Robert K. Eakle, CEO of Alkame Holdings, Inc., commented, "The addition of three experienced beverage industry veterans to Alkame's current sales team will not only expand our regional sales footprint, but will also help to accelerate Alkame's overall national distribution strategy." The new Alkame regional sales managers will provide additional coverage to three distinct distribution territories -- the Midwest (Illinois, Indiana, Iowa, Kentucky, Michigan, Missouri, Ohio, Wisconsin, and Pennsylvania), the Southeast (Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, and Tennessee), and the Southwest (Arizona, California, Colorado, New Mexico, Nevada, Texas and Utah).

Nature's Best to Distribute Alkame Bottled Water

LAS VEGAS — (January 23, 2014) US-based Alkame Holdings, the parent company of Alkame Water, has entered into a distribution agreement with Nature's Best, a wholesaler-distributor in the country. As per the agreed terms, Nature's Best will carry Alkame ultra-hydration bottled water, enabling the company to expand its retail presence in the Western US. Alkame Holdings CEO Robert Eakle said that the company is proud to have teamed up with Nature's Best as its latest distribution

partner for its patented alkaline, oxygenated, and antioxidant enhanced brand of bottled water. "This new distribution deal will position Alkame ultra-hydration bottled water into an extremely well established natural products retail distribution network and allow us to potentially expand our footprint throughout the Western United States," added Eakle. Alkame Water markets and distributes micro-clustered, alkaline, antioxidant and oxygenated bottled water using an exclusive patented formula and technology. Several unique properties of the water allow the body to absorb and utilize it more efficiently and help to achieve an optimal pH balance, claims the company.

Alkame Water to Begin Distribution Rollout with 7-Eleven Stores in Southern California

LAS VEGAS, NV, Jan 29, 2014 (Marketwired via COMTEX) -- Alkame Holdings, Inc. (otcqb:PINS), a health and technology holding company with a focus on patentable, innovative, and eco-friendly consumer products, is pleased to announce that the Company has begun distribution of Alkame Water to 7-Eleven stores in Southern California. Following the rollout, the Company expects that Alkame Water will initially be available in both 500 ml and 1 L bottles at over 100 select 7-Eleven locations with more coming onboard. "We are very proud to continue the rollout of Alkame's patented ultra-hydration bottled water into the Southern California market with 7-Eleven stores, the largest and most recognizable convenience store brand in the world," commented Robert Eakle, CEO of Alkame Holdings, Inc. "We are off to a great start and based on our success with these select store locations, we hope to continue to expand our distribution footprint to potentially include all 1,200 7-Eleven stores in California, expanding out methodically from there."

About 7-Eleven, Inc.

7-Eleven is the world's largest convenience store chain with close to 51,600 stores in 16 countries, of which more than 10,200 stores are in North America. California has more 7-Eleven stores than any other state - approximately 1,200. Of the more than 7,800 stores the company operates and franchises in the United States, more than 6,200 are franchised. 7-Eleven focuses on meeting the needs of convenience-oriented guests by providing a broad selection of fresh, high-quality products and services at everyday fair prices, speedy transactions and a clean, friendly shopping environment. During 2012, 7-Eleven stores generated total worldwide sales close to \$84.8 billion.

Alkame(TM) Water to Be Sold at 115 Albertsons Locations in Southwest Region

LAS VEGAS, NV, Aug 16, 2013 (Marketwired via COMTEX) -- Alkame Water, Inc. ("Alkame Water", "Alkame", or the "Company"), a wholly-owned subsidiary of Pinnacle Enterprise, Inc. (otcqb:PINS), is pleased to announce that Alkame's multi-patented ultra-hydration bottled water will be sold at Albertsons locations in Southern California, Arizona, Nevada, and New Mexico ("Albertsons Southwest"). Under terms of a distribution and marketing agreement, Albertsons Southwest will sell and market Alkame half-liter format bottled water in all 115 of their stores in the region. "Albertsons has a long history as a pioneering retailer and a favorite neighborhood food and drug store in every market where it does business," stated Robert Eakle, Alkame CEO. "We are honored to have the opportunity to reach out to their loyal customers and introduce them to the life-changing benefits of drinking Alkame micro-clustered, alkaline, antioxidant, and oxygenated bottled water." The Company anticipates that the first shipments of Alkame bottle water will be made to Albertsons Southwest regional distribution center within the next thirty days with individual store availability to follow.

Summary & Conclusion

With consumers becoming increasingly aware of essential health benefits available from various emerging technologies and supplements, the timing for aggressive launch of a high tech new water solution seems quite advantageous. Consumers have become increasingly aware of the importance of not only basic hydration but of the benefits available from specialized waters and solutions to provide far beyond the benefits of the basic essential water itself. Should the Company succeed in gaining control of the Intellectual Property and capitalize on available distribution relationships this product could lead the emergence of a new dynamic healthy water product category going forward.

Risk Factors

This is only a partial list of risks associated with the Company's equity and readers should refer to the Form10K Filed with the Securities & Exchange Commission for a full discussion of risk factors that may apply.

Because the Company's auditor has issued a going concern opinion regarding the company, there is an increased risk associated with an investment in the company.

The Company has earned nominal revenue since its inception, which makes it difficult to evaluate whether the Company will operate profitably. The Company has an accumulated deficit of \$5,270,451 and has incurred a net loss from operations of \$5,025,675 for the year ended December 31, 2013. The Company has not attained profitable operations and is dependent upon obtaining financing or generating revenue from operations to continue operations for the next twelve months. As of December 31, 2013, the Company had cash in the amount of \$128,258 which is insufficient for operations during the next 12 months. The Company's future is dependent upon management's ability to obtain financing or upon future profitable operations.

Management reserves the right to seek additional funds through private placements of its common stock and/or through debt financing. Management's ability to raise additional financing is unknown. There are no formal commitments or arrangements for the advancement or loan of funds. For these reasons, the auditors stated in their report that they have substantial doubt the Company will be able to continue as a going concern. As a result, there is an increased risk that you could lose the entire amount of your investment in the company.

Changes In and Disagreements with Accountants on Accounting and Financial Disclosure

On February 6, 2014, management dismissed Sadler Gibb & Associates, LLC as the Company's accountant. Management subsequently engaged RBSM LLP as its principal accountants effective February 6, 2014. The decision to change accountants was approved by the board of directors.

Because the Company has a limited operating history related to the current business strategy, the Company is subject to the risks of failure associated with any new business ventures. The Company has a limited operating history related to the current business strategy on which potential investors can assess performance and prospects. Potential investors should be aware that there is a substantial risk of failure associated with any new business strategy as a result of problems encountered in connection with their commencement of new operations. These include, but are not limited to, the entry of new competition, unknown or unexpected additional costs, and expenses that may exceed estimates.

ALKM is an "emerging growth company" and the reduced disclosure requirements applicable to emerging growth companies may make its common stock less attractive to investors.

ALKM is an "emerging growth company," as defined in the JOBS Act, and may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced financial disclosure obligations, reduced disclosure obligations regarding executive compensation in periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and any golden parachute payments not previously approved. Management cannot predict if investors will find the common stock less attractive because of this status. If some investors find the common stock less attractive as a result, there may be a less active trading market for the common stock and the stock price may be more volatile.

The Company depends upon maintaining the integrity of its water sources and manufacturing process. If the water sources or bottling processes were contaminated for any reason, the business would be seriously harmed.

ALKM's ability to retain customers and the goodwill associated with its brands is dependent upon its ability to maintain the integrity of its water resources and to guard against defects in, or tampering with, its manufacturing process.

Analyst Certification

I, Michael Anderegg, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report.

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