

Special Situation:

Skye International (OTCBB: SKYI) \$\$\$

With the economy continuing to face challenges, investors are increasingly looking for situations that provide an opportunity for real and sustained growth not driven by discretionary consumer spending. One emerging market sector that clearly hits the mark involves something we all use each and every day – and without which, our lives become significantly less comfortable – what is this ubiquitous need? -- hot water – specifically, hot water provided by a technology class known as “Tankless” water heaters. **Skye International (OTCBB: SKYI)**, a Scottsdale, AZ based company, has developed a promising suite of tankless technologies that provide both instant and endless hot water for homes and businesses. Many consider Skye’s technological innovations as the “beginning of the end” for the century-old storage tank heater most of us grew up with.

Skye’s new generation technologies provide features and functionality that strike an accord with all of us. Simply ask yourself the following questions: Have you ever run out of hot water? Have you ever had to wait a long time to get hot water? Have you ever had to replace a leaking tank – well if you have experienced any of these annoyances take comfort in the fact that they are now a problem of the past.

Skye’s recently introduced suite of tankless electric water heaters provide solutions ranging from a single sink or shower to hot water for your whole-house or business. The FORTIS™ line of electric tankless heaters feature a next generation microprocessor controlled water heater capable of providing endless hot water for most every American family. Boasting in excess of 98% efficiency, Skye’s whole-house solution saves enough energy cost to pay for itself typically in only 5 -7 years of use. When you consider that this appliance has more than a 20 year life expectancy and full 10-year warranty you can understand why many families are adopting the savings and comfort that electric tankless offers. Additionally, Skye now provides a solution for the age old problem of waiting for hot water. Utilizing its patented Paradigm™ technology, this next generation heater is capable of efficiencies exceeding 99% and response times of less than 3 seconds for cold to hot. Never again do we have to wait for hot water and never again do we have to watch the waste of water down the drain while we wait. The secret to Skye’s technology lies in their heating element, which has almost no thermal mass thereby allowing heat to be transferred almost instantaneously. This technology also enables the device to be unthinkably compact when compared to the behemoth tanks of old – no more wasted floor space – you can now reclaim that closet or pantry. A specially designed microprocessor controlled circuit regulates water temperatures and shuts down the heater when hot water finally arrives thereby boosting efficiency and significantly reducing electrical and water waste which is not only good for consumers, but is extremely beneficial to the environment as well.

Traditional storage tank water heaters are designed to “heat and hold” a fixed quantity of heated water for use when needed. Typically the tank water temperature is set at or above 120°F, and in many cases at temperatures much higher as many people seek to get more hot water from their tank. This heated water is kept hot 24/7 despite the fact that an average household only uses 20-30 minutes of heated water per day. Additional energy

inefficiencies also arise from the fact that the water is heated to a temperature well beyond where it is safe or comfortable to use – thus raising the need to blend in cool water in the shower. The “heat and hold” strategy of the 100 year old technology of the tank water heater requires the tank to constantly consume energy to reheat the water as it cools in the tank over-time – this is commonly referred to as “standby heat loss” and it typically accounts for over 50% of the water heating cost in the average home. This statistic bears special significance when taken into account with the fact that 20-30% of the total energy consumed in the average home is used to heat water, suggesting that a staggering 10-15% of the energy used in the average household on a daily basis is completely wasted!

Tankless water heaters are used around the world as the primary method of heating water in virtually every country except the United States and Canada, where water and energy have historically been cheap and abundant. Due to this abundance, early inventions aimed at heating water led to development of inefficient tank-based hot water storage devices to provide centralized heated water for our homes. With a renewed focus on energy and water conservation, many consumers are switching to tankless water heaters -which use up to 40% less energy than tank systems – all in an effort to save money and reduce their impact on the environment. The market for tankless sales grew 44% in 2004; 70% in 2005 and is estimated to now be growing at a rate in excess of 100% per year. Tankless water heaters are replacing inefficient and outdated tank heaters, and Skye’s proprietary technology positions them as a leader in the growing tankless market, which despite still being in its relative infancy in the US, is poised for explosive growth due to consumers increasing demand for products that are not only environmentally friendly, but cost effective as well.

Indeed, the market for water heaters is incredibly robust - virtually every person in the developed world relies on hot water on a daily basis. Over 10 million water heaters are *replaced* in homes across the United States each year, with another 2.6 million water heaters installed in new U.S. homes during 2007. When commercial and industrial installations are included, water heaters are a multi-billion dollar industry. Skye’s tankless solutions are space saving (no floor space taken up), energy saving, water saving, quiet and durable. By design Skye’s products are uniquely suited to high rise apartments and condos where space is at a premium and where leaks are catastrophic. Skye’s FORTIS™ tankless heater has both internal and external leak detectors that shut-off the water and power in the event of a leak – no other electric tankless water heater is so “high rise friendly”.

Skye only recently began selling its products and it does so exclusively through the wholesale channel to plumbing and home supply warehouses, putting the new devices directly in the hands of the professionals who understand and appreciate these remarkable technological advancements the best. This strategy should greatly enhance distribution abilities as word of the technical superiority of Skye’s water heater spreads amongst the professional community- after all, who wouldn’t want to install a competitively priced, more efficient alternative that works better and saves money and the environment in the process? By offering consumers a vastly superior technological improvement over a common household device that impacts the lives of millions on a daily basis, Skye International presents investors with an opportunity to invest in a company that is exceptionally well positioned to earn a large market share in an enormous and often overlooked market.