

**Action Summary – 5 June 2024**

Analyst Theodore R. O'Neill – Update post release of 1Q24 results - Reiterate our Buy rating and CAD\$4 PT.

- **Exceeding expectations.** The company exceeded 1Q24 expectations by reporting an EPS loss of \$0.016 versus our loss estimate of \$0.022. There is no consensus. The \$0.01 favorable variance (see Figure 2) was due to lower R&D expense, partially offset by higher SG&A and non-operating expenses.
- **Closing in on milestones since the beginning of the year.**
  - **Expanded preclinical testing.** The company entered into a *Contract Research Organization* services agreement with Vivox Ltd. for animal experiments as part of the preclinical testing phase for the submission of an Investigational New Drug (“IND”) application to the US FDA. Aimed at assessing the safety and efficacy of the ExoPTEN drug before proceeding to clinical trials, which are anticipated to commence in 2025.
  - **Lab expansion.** In March it executed a lease for lab space with the Technion adding 195m<sup>2</sup>.
  - **Key hire in licensing efforts.** In May, it announced it had hired Dr. Ram Petter, Ph.D., MBA, as a consultant, to assist in driving the Company’s strategic collaborations. With a background in the pharmaceutical industry, including significant tenure and pivotal roles at Teva Pharmaceuticals, Dr. Petter’s will focus on developing industry partnerships and licensing agreements.
  - **Broadening market reach in the U.S.** In late April, it announced it had received listing approval on the OTCQB and DTC eligibility under the symbol (OTCQB: NRXBF).
- **Revision to estimate.** With the higher share count our EPS losses for 2024 and 2025 decline to \$0.08 from a loss of \$0.09.
- **Shares appear to be priced below absolute and comparative metrics.** Our CAD\$4.00 price target is based on discounted future earnings. Using the current average peer 2025 Market cap to sales of 9.37x and assuming \$10MM in 2026 revenue, the market cap would be CAD\$94MM.

6/04 closing price: CAD\$0.46	Market cap: CAD\$31 million	Multiple of book: NMF	EV/2025 Sales: NMF
Shares outstanding: 67 million	Insider ownership: 9%	Avg. trading volume: ~100,000	Dividend/Yield: NA/NA

**GAAP estimates (EPS in dollars – Revenue in USD millions)**

Period	EPS	Revenue	Op Margin
1Q23A	(\$0.02)	\$0.00	
2Q23A	(\$0.02)	\$0.00	
3Q23A	(\$0.03)	\$0.00	
4Q23A	(\$0.02)	\$0.00	
FY23A	(\$0.08)	\$0.00	NMF
1Q24A	(\$0.02)	\$0.00	
2Q24E	(\$0.02)	\$0.00	
3Q24E	(\$0.02)	\$0.00	
4Q24E	(\$0.02)	\$0.00	
FY24E	(\$0.08)	\$0.00	NMF
1Q25E	(\$0.02)	\$0.00	
2Q25E	(\$0.02)	\$0.00	
3Q25E	(\$0.02)	\$0.00	
4Q25E	(\$0.02)	\$0.00	
FY25E	(\$0.08)	\$0.00	NMF

**Cash balance (in USD millions)**

• 2021A	• \$2.23
• 2022A	• \$2.52
• 2023A	• \$1.77
• 2024E	• \$0.63
• 2025E	• \$0.89

**Debt (in USD millions)**

• 2021A	• \$0.00
• 2022A	• \$0.00
• 2023A	• \$0.00
• 2024E	• \$0.00
• 2025E	• \$0.00

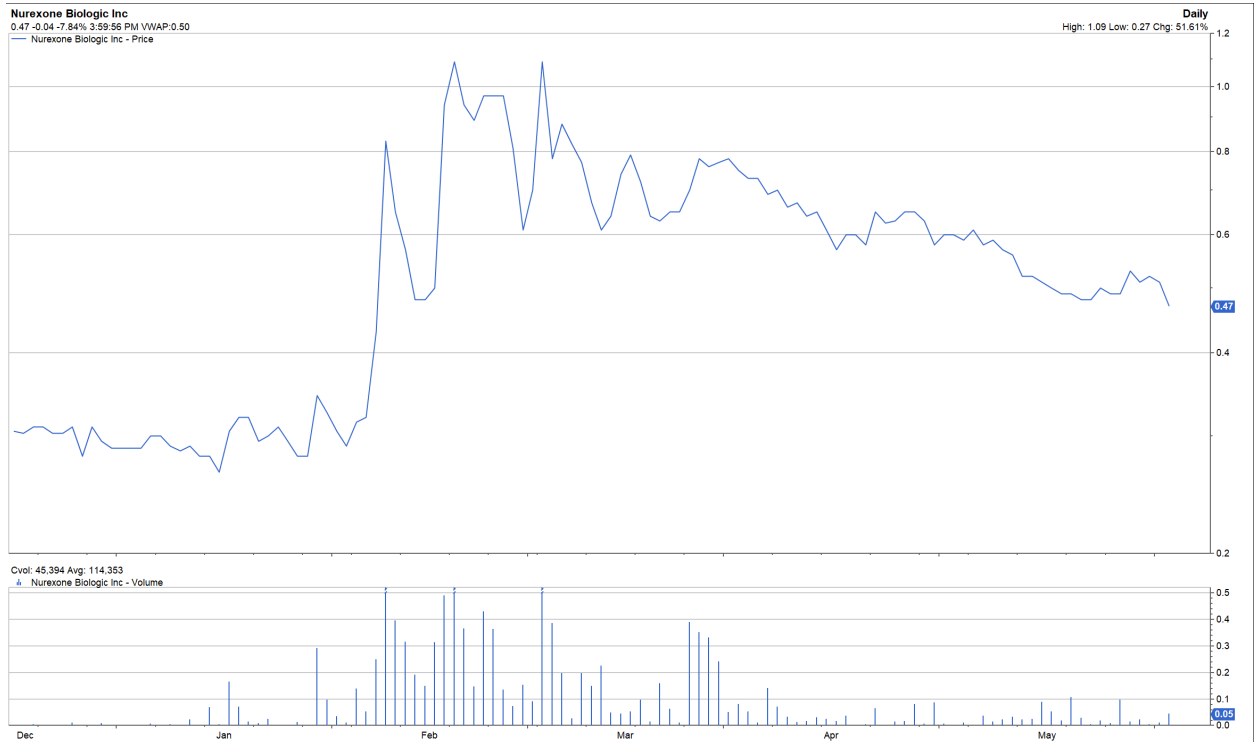
Note: Numbers may not add due to rounding or share count. See our full model at the back of this report.

**Risks/Valuation**

- Risks include Highly regulated business, commercial development and marketing.
- Our CAD\$4.00 target is derived using a discounted future earnings model.

**Company description:** NurExone Biologic Inc. is a TSX Venture Exchange-listed pharmaceutical company that is developing a platform for biologically guided ExoTherapy to be delivered non-invasively to patients with traumatic spinal cord injuries.

Figure 1 – NurExone Biologic Inc. - Trading snapshot (CAD\$)



## Quarterly Results

Exceeding expectations. The company exceeded 1Q24 expectations by reporting an EPS loss of \$0.016 versus our loss estimate of \$0.022. There is no consensus. The \$0.01 favorable variance (see Figure 2) was due to lower R&D expense, partially offset by higher SG&A and non-operating expenses.

Figure 2 – NurExone Biologic Inc. – Quarterly Variance Analysis

	2024	2024	<u>Better/(worse)</u> <u>than forecast</u>
	<u>Q1E</u>	<u>Q1A</u>	
<b>Income Statement</b>			
Total Revenue	\$0.0	\$0.0	\$0.0
Total cost of revenue	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Gross Profit	0.0	0.0	0.0
Operating expenses:			
SG&A	450.0	225.0	225.0
R&D	<u>600.0</u>	<u>695.0</u>	<u>(95.0)</u>
Total Expenses	<u>1,050.0</u>	<u>920.0</u>	<u>130.0</u>
Earnings (loss) from Operations	<u>(1,050.0)</u>	<u>(920.0)</u>	130.0
Total Other income/(expense)	<u>14.9</u>	<u>(47.0)</u>	<u>(61.9)</u>
Earnings before taxes	<u>(1,035.1)</u>	<u>(967.0)</u>	68.1
Tax expense/(benefit)	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Net income	<u>(\$1,035.1)</u>	<u>(\$967.0)</u>	<u>\$68.1</u>
EPS excluding fx	<u>(\$0.02)</u>	<u>(\$0.02)</u>	\$0.01
Diluted common shares	48,000	56,528	(8,528)

Source: Company filings and Litchfield Hills Research LLC

## Valuation Methodology

The value of NRX could come from multiple avenues. It could be acquired, form partnerships, license products or technology. We believe NRX is undervalued, and we support that belief with two valuation techniques: discounted future earnings and sales metrics compared to peers. To determine our price target, we use a discounted future earnings model. Depending on the regulatory approval process, the timing of the first revenues may be this year or next. The following valuation techniques are being used:

- 1) The discounted value of all future earnings, used for our price target (see Figure 3)
- 2) Valuation based on peer sales metrics (see Figure 4)

## Discounted Future Earnings – Basis for Price Target

Our 12-month price target of CAD\$4.00 is based on a discounted earnings model, which is calculated in USD because that is how the company reports results and then converted to CAD\$. Figure 3 shows the implied value of all future earnings discounted at 12%. It is based on reaching breakeven in 2H26 and implies a stock value of \$2.53, which we round to \$3.00, which is ~CAD\$4.00 at the current exchange rate.

Figure 3 – NurExone Biologic Inc. – US\$ Discounted Future Earnings

Discounted Earnings:		<b>\$2.53</b>
Year	EPS	Discounted EPS
2024	(\$0.08)	(0.08)
2025	(\$0.08)	(0.07)
2026	(\$0.05)	(0.04)
2027	\$0.00	0.00
2028	\$0.10	0.06
2029	\$0.20	0.11
2030	\$0.28	0.14
2031	\$0.42	0.19
2032	\$0.44	0.18
2033	\$0.46	0.17
<b>Terminal Value:</b>		<b>1.87</b>

Source: Litchfield Hills Research LLC

### Valuation Relative to Peers

To develop peer comparisons, we selected companies in the same general markets that also had or were developing a drug delivery platform with a market cap of <\$300MM, see Figure 5. We included companies engaged in exosome research/delivery platforms or other types of platforms. If we compare NRX to a simple average of its peers, the shares sell at a significant discount on the one measure we can use for comparison: Sales multiple. For this analysis, we take the current one-year out sales multiple (2025 peer average sales multiple of 9.4x) and apply it as if it were 2025 and look into 2026 when the company could reach breakeven. We assume the company will raise more capital and the share count will rise to 80M. The implied share price is \$1.57 (CAD\$1.60), see Figure 3. This supports our view that the shares are undervalued. The companies we used in Figure 5 are in similar business lines, although none of them is a perfect match.

Figure 4 – NurExone Biologic Inc. – Peer Driven Valuation

Average Out-year 2025 Sales Multiple for Peers	9.4
NRX potential 2026 revenue	USD\$10MM
Implied Market Cap in 2025 at the Average out-year sales multiple	\$94MM
NRX 2024 Estimated share count	80MM
<b>Implied Share Price</b>	<b>USD\$1.18/CAD\$1.60</b>

Source: Litchfield Hills Research LLC and FactSet

*Figure 5 – NurExone Biologic Inc. – Comp Table*

FactSet Ticker	Company Name	Closing Price	Market Cap \$MM	EV \$MM	2025 Consensus Multiples		
					Market Cap / Sales	EV /Sales	Price to Book
XOMA-US	XOMA Corporation	\$25.79	300	283	11.13	10.41	2.40
ZVRA-US	Zevra Therapeutics, Inc.	\$4.65	195	196	2.12	1.90	4.40
VXRT-US	Vaxart, Inc.	\$0.82	144	125	6.62	5.15	1.52
CAPR-US	Capricor Therapeutics, Inc.	\$5.68	181	144	2.30	1.61	6.74
COYA-US	Coya Therapeutics, Inc.	\$7.62	111	74	16.50	8.43	
ANVS-US	Annovis Bio Inc	\$6.55	73	66			
RVPH-US	Reviva Pharmaceuticals Holdings, Inc.	\$1.37	41	29			25.14
ASMB-US	Assembly Biosciences, Inc.	\$15.15	84	(28)			1.31
MOC-PL	Molecure SA	\$3.79	64	52			3.25
INNO-CA	InnoCan Pharma Corporation	\$0.21	56	52			15.35
MTNB-US	Matinas BioPharma Holdings, Inc.	\$0.16	41	31			2.44
SABS-US	SAB Biotherapeutics, Inc.	\$2.64	24	(14)			1.11
MSCL-CA	Satellos Bioscience Inc	\$0.37	42	18			1.19
IIQ-AU	Inoviq Ltd	\$0.31	28	25	26.74	23.37	3.99
MARI-AT	Marinomed Biotech AG	\$15.20	23	45			
BCLI-US	Brainstorm Cell Therapeutics Inc.	\$0.49	34	32			
RLF-CH	RELIEF THERAPEUTICS Holding AG	\$1.40	20	4			0.48
SNTI-US	Senti Biosciences, Inc.	\$0.30	14	27			0.45
VBIV-US	VBI Vaccines, Inc.	\$0.61	18	53			1.87
OCEL-US	Zeo ScientifiX Inc.	\$0.95	6	5			
EVOK-US	Evoke Pharma, Inc.	\$0.48	4	(0)	0.19	(0.11)	
CING-US	Cingulate, Inc.	\$0.70	4	3			
ALBT-US	Avalon GloboCare Corp.	\$0.30	3	31			
<b>Average</b>					<b>9.37</b>	<b>7.25</b>	<b>4.78</b>

Source: Litchfield Hills Research LLC and FactSet

## Guidance and Financial Forecasts

The company provides no guidance. The company is pursuing a multi-prong strategy for growth including potential acquisition, commercialization, partnerships, and joint ventures. Our forecasts assume there is no revenue before 2026. In our 2023 research reports, we had assumed a 2024 capital raise of ~CAD\$6MM, which the company completed in 1Q24. The company continues to meet its milestones, which we highlight in Figure 6.

Figure 6 – NurExone Biologic Inc. – Future Research and Development Milestones

Research and development milestones (*)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25
Establish in-house laboratories and offices <sup>(1)</sup>	»»»»	⊙						
In-vivo experiments for IND submission <sup>(2)</sup>	»»»»	»»»»	»»»»	»»»»	»»»»	⊙		
IND submission to the FDA <sup>(3)</sup>	»»»»	»»»»	»»»»	»»»»	»»»»	»»»»	»»»»	⊙
IND clearance, clinical trial design & manufacturing scale-up <sup>(4)</sup>	»»»»	»»»»	»»»»	»»»»	»»»»	»»»»	»»»»	⊙
First-in-human clinical trial I/IIa <sup>(5)</sup>	»»»»	»»»»	»»»»	»»»»	»»»»	»»»»	»»»»	⊙

√ for completion of research and development milestones  
 ⊙ for target of research and development milestones

Source: Company MD&A for the quarter ended Mar 2024, dated May 28, 2024

- 1) On March 1, 2024, NurExone Ltd entered into a laboratories and offices Lease Agreement with Technion and commenced a construction project with Biopharmax to establish in-house laboratories and offices.
- 2) On April 1, 2024, NurExone Ltd entered into a CRO services agreement with Vivox. Vivox will provide CRO services to NurExone, as a prerequisite to commencing Human Trials under the planned Investigational New Drug.
- 3) Compile and submit the IND application, which includes manufacturing information and Chemistry, Manufacturing, and Controls ("CMC") data, preclinical data, and clinical trial plans.
- 4) Preparation for the initiation of Phase I clinical trials, as follows:
  - a. IND Clearance: After regulatory review, obtain clearance from regulatory agencies to proceed with clinical trials.
  - b. Clinical Trial Design: Develop the protocol for Phase I/IIA clinical trials, including dosing, patient eligibility criteria, and endpoints.
  - c. Manufacturing Scale-Up: Optimize the manufacturing process to produce clinical-grade materials.
- 5) Preparation for the initiation of Phase I/IIa clinical trials, as follows:
  - a. Clinical Site Selection: Identify and prepare clinical trial sites and investigators.
  - b. Patient Recruitment: Begin recruiting patients for Phase I/IIa clinical trials.
  - c. Initiate Phase I clinical trials with a small group of patients to assess safety and dosing.

(\*) The timeline may vary based on development outcomes, unforeseen circumstances, and the complexity of the process.

Figure 7 – NurExone Biologic Inc. – Income Statement (US\$000)

December ending year	2021A	2022A	2023A				2023A	2024E				2024E	2025E				2025E
	Year	Year	Q1A	Q2A	Q3A	Q4A	Year	Q1A	Q2E	Q3E	Q4E	Year	Q1E	Q2E	Q3E	Q4E	Year
<b>Total revenue</b>	\$0.00	\$0.00	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cost of Goods	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Gross Profit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
R&D	573	1,391	374	457	402	308	1,541	225	500	600	800	2,125	450	500	600	800	2,350
SG&A	<u>1,140</u>	<u>4,150</u>	<u>345</u>	<u>603</u>	<u>762</u>	<u>406</u>	<u>2,116</u>	<u>695</u>	<u>600</u>	<u>600</u>	<u>600</u>	<u>2,495</u>	<u>600</u>	<u>600</u>	<u>600</u>	<u>600</u>	<u>2,400</u>
Total Operating Expenses	1,713	5,541	719	1,060	1,164	714	3,657	920	1,100	1,200	1,400	4,620	1,050	1,100	1,200	1,400	4,750
<b>Operating Income</b>	<b>(1,713)</b>	<b>(5,541)</b>	<b>(719)</b>	<b>(1,060)</b>	<b>(1,164)</b>	<b>(714)</b>	<b>(3,657)</b>	<b>(920)</b>	<b>(1,100)</b>	<b>(1,200)</b>	<b>(1,400)</b>	<b>(4,620)</b>	<b>(1,050)</b>	<b>(1,100)</b>	<b>(1,200)</b>	<b>(1,400)</b>	<b>(4,750)</b>
Total Other Items	66	<u>(2,628)</u>	14	20	6	<u>(22)</u>	18	<u>(47)</u>	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>(49)</u>	15	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	13
<b>Pre-Tax Income</b>	<b>(1,647)</b>	<b>(8,169)</b>	<b>(705)</b>	<b>(1,040)</b>	<b>(1,158)</b>	<b>(736)</b>	<b>(3,639)</b>	<b>(967)</b>	<b>(1,101)</b>	<b>(1,201)</b>	<b>(1,401)</b>	<b>(4,669)</b>	<b>(1,035)</b>	<b>(1,101)</b>	<b>(1,201)</b>	<b>(1,401)</b>	<b>(4,737)</b>
Taxes (benefit)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Net Income (loss)</b>	<b>(\$1,647)</b>	<b>(\$8,169)</b>	<b>(\$705)</b>	<b>(\$1,040)</b>	<b>(\$1,158)</b>	<b>(\$736)</b>	<b>(\$3,639)</b>	<b>(\$967)</b>	<b>(\$1,101)</b>	<b>(\$1,201)</b>	<b>(\$1,401)</b>	<b>(\$4,669)</b>	<b>(\$1,035)</b>	<b>(\$1,101)</b>	<b>(\$1,201)</b>	<b>(\$1,401)</b>	<b>(\$4,737)</b>
<b>EPS</b>	<b>(\$0.10)</b>	<b>(\$0.22)</b>	<b>(\$0.02)</b>	<b>(\$0.02)</b>	<b>(\$0.03)</b>	<b>(\$0.01)</b>	<b>(\$0.08)</b>	<b>\$0.02</b>	<b>(\$0.02)</b>	<b>(\$0.02)</b>	<b>(\$0.02)</b>	<b>(\$0.08)</b>	<b>(\$0.02)</b>	<b>(\$0.02)</b>	<b>(\$0.02)</b>	<b>(\$0.02)</b>	<b>(\$0.08)</b>
Diluted Shares Outstanding	16,452	37,734	42,855	42,885	43,534	49,615	44,722	56,528	57,000	57,000	57,000	56,882	58,000	58,000	58,000	58,000	58,000

Source: Company reports and Litchfield Hills Research LLC

Figure 8 – NurExone Biologic Inc. – Balance Sheet (US\$000)

December ending year	FY2025E	FY2024E	FY2023A	FY2022A	FY2021A
<b>Balance sheet</b>					
Current Assets					
Cash and S.T.I.	\$888	\$625	\$1,770	\$2,517	\$2,233
Accounts receivable	300	300	212	175	603
Inventories	0	0	0	0	0
Other assets	0	0	0	0	0
<b>Total Current Assets</b>	<b>1,188</b>	<b>925</b>	<b>1,982</b>	<b>2,692</b>	<b>2,836</b>
Net PP&E	125	125	158	51	0
Other non-current assets	50	50	30	51	0
<b>Total Assets</b>	<b>\$1,363</b>	<b>\$1,100</b>	<b>\$2,170</b>	<b>\$2,794</b>	<b>\$2,836</b>
Current Liabilities					
Accounts payable	\$350	\$350	\$317	\$298	\$259
Accrued expenses	375	375	299	305	87
Other current liabilities	0	0	1,292	0	1,285
<b>Total current liabilities</b>	<b>725</b>	<b>725</b>	<b>1,908</b>	<b>603</b>	<b>1,631</b>
Conv. and Long Term Debt	0	0	0	0	0
Other non-current	100	100	73	95	28
<b>Total Liabilities</b>	<b>825</b>	<b>825</b>	<b>1,981</b>	<b>698</b>	<b>1,659</b>
Stockholders' Equity					
Preferred stock	0	0	0	0	0
Common stock	0	0	0	0	0
Additional paid-in-capital	24,000	19,000	14,246	12,514	3,426
Retained earnings	(23,462)	(18,726)	(14,057)	(10,418)	(2,249)
Cum. trans. adj. and treasury stock	0	0	0	0	0
Total stockholders' equity	538	275	189	2,096	1,177
<b>Total Liabilities and equity</b>	<b>\$1,363</b>	<b>\$1,100</b>	<b>\$2,170</b>	<b>\$2,794</b>	<b>\$2,836</b>

Source: Company reports and Litchfield Hills Research LLC



*Figure 9 – NurExone Biologic Inc. – Cash Flow (US\$000)*

	<u>2025E</u>	<u>2024E</u>	<u>2023A</u>	<u>2022A</u>
Net Income	(\$4,737)	(\$4,669)	(\$3,639)	(\$8,169)
Accounts receivable	0	(88)	(37)	428
Inventories	0	0	0	0
Other assets	0	0	0	0
PP&E	0	33	(107)	(51)
Other non-current	0	(20)	21	(51)
Accounts payable	0	33	19	39
Accrued expenses	0	76	(6)	218
Other current liabilities	0	(1,292)	1,292	(1,285)
Conv. and Long Term Debt	0	0	0	0
Other non-current	0	27	(22)	67
Preferred stock	0	0	0	0
Common stock	0	0	0	0
Additional paid-in-capital	5,000	4,754	1,732	9,088
Stock subscription receivable	0	0	0	0
Other				
Total Cash Flow	\$263	(\$1,146)	(\$747)	\$284

Source: Litchfield Hills Research LLC

**Disclosures:**

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We, the Litchfield Hills Research Department, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject company and the underlying securities.

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Total return is defined as price appreciation plus dividend yield.

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NRX-CAD\$4.00 PT

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Litchfield Hills Research has not received compensation for advisory or investment banking services from the Company in the past 12 months. Litchfield Hills Research LLC has received compensation for distribution and investor targeting services.

### **Market Making**

Litchfield Hills Research, LLC does not make a market in the subject company's securities.

Additional information is available upon request. LHR accepts no liability for loss arising from the use of the material presented in this report, except that this exclusion of liability does not apply to the extent that liability arises under specific statutes or regulations applicable to LHR. This report is not to be relied upon in substitution for the exercise of independent judgment.