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## **Viratech Corp. (VIRA – OTC Market)**

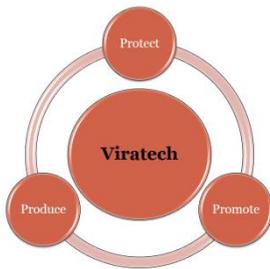
**Viratech has Created a New Paradigm of Innovation, Product Development, Funding, and Social Communication in the area of Healthcare. We Believe that the Company's Innovative Approach to Driving Network Adoption and Sales Revenue will be Highly Successful, Rewarding Investors and Humanity Itself**

### **Recent Price:**

**US\$0.74**

### **Market Data (closing prices, January 25, 2013)**

Market Capitalization (mln)	536.5
Enterprise Value (mln)	536.5
Basic Shares Outstanding (mln)	725.0
Fully Diluted Shares (mln)	1,050.0
Avg. Volume (90 day, approx.)	18,583
Insider Ownership	74%
Exchange	OTC Pinks



### **Company Overview**

Viratech is a company which has just come out of research and development and is now in the revenue stage is engaged in the creation of an innovative social network designed to foster innovation in the biotech industry. Due to its unique value proposition for innovators and those who wish to fund them and collaborate with them, we believe Viratech is likely to experience extremely strong network effects, spurring both rapid adoption and strong market penetration.

The Company's healthcare-focused social networking platform is complete and the Company is now in the process of launching it in multiple related verticals. The Company is based in Stockton, CA, and trades on the OTC Market under the symbol VIRA.

### **Company Contact Information**

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### **Summary and Investment Opportunity**

- **Viratech's System is Based on the Creation of Topic-Specific Micro Networks**

One of the Company's key innovations is the development of the micro social network (MSN) concept. With the Company's system, any user can setup a micro social network, populate it with valuable content or intellectual property, and promote it via updates and news releases that automatically have "authoritative source" status with Google. This guarantees a high level of search-driven traffic to the MSN, which will then capture a member sign up in return for the sought-after content "honeypot." The Company's system uses a novel legal mechanism to help protect all innovations and inventions from misappropriation, and is designed to unleash the power of open source development and crowdfunding in healthcare.

- **The Viratech System is Customizable for Specific Domains, Such as Cancer**

Viratech has developed its first of its domain-specific social networks in-house: Cancer.im. This system is designed to serve all participants in the cancer diagnosis and treatment industry, including patients and their support groups, doctors and scientists, inventors, investors, and entrepreneurs. This is a fully featured system meant to satisfy all needs of each class of member; some of these needs pertain to information and planning, and others to networking with other members and/or accessing other members' knowledge and experience.

- **Idea Protection and Promotion Drives Strong Network Adoption "Virtuous Cycle"**

The Company employs an ingenious system for spurring broad adoption of its micro social networks: it enables anyone to create and promote (and protect) a "honeypot" of useful content and then uses content-specific search to drive interested parties to the MSN. It then uses a point system to incentivize these new members to create and provide additional content or innovative ideas to the network, thus driving broader content appeal and further network adoption. It has four patents pending to protect its intellectual property in this regard.

- **Social Networking + IP Protection + Promotion + Crowdfunding = Winning Model**

Viratech has a highly unique and powerful approach to driving all important aspects of its MSNs in terms of adoption, usefulness, and ultimate effectiveness. It has built its business plan around three distinct and attractive sources of revenue: highly targeted advertising, membership subscriptions, and licensing. The Viratech system has been developed so that it can be customized by third parties for use in non-cancer healthcare verticals such as diabetes and HIV, enabling it to be used throughout healthcare, biotech, and myriad other industries.

Overall, we view Viratech one of the most exciting companies, business models, and value propositions we have ever seen. If ultimately successful, Viratech will make the world a better place, as well as significantly enriching all of its stakeholders on a financial basis.

## Industry Background

### The Open Source Development Model

In the software industry, companies typically produce software all in-house, or via open source. The term “open source” literally means that the source code for the software is “open to all” and that they are free to amend it, extend it, or submit bug fixes for it. This is an incredibly powerful product development paradigm, as the original creator of the software has it improved “by the masses” at no charge. Classic examples of successful open source software include the UNIX operating system, which was amended and re-released as proprietary operating systems such as Sun Microsystems’ Solaris, Apple’s OS X, and Red Hat Linux. Contrary to what was widely believed in the pre-open-source days, companies basing their products on an open source model were able to thrive beyond all expectations and did not in fact have their products “stolen” by others.

In the healthcare and biotech industries, however, open source remains anathema. Companies operate from the perspective of secrecy and protection, believing that this is the only way they can maintain ownership of their intellectual property. While in some cases this might be true, Viratech’s system is meant to promulgate another way of thinking: open source. With the Viratech copyright-based IP protection paradigm, inventors are free to share their initial ideas and inventions with the world at large, or with only those to whom they give access, potentially unleashing the creative power of tens or even hundreds of individuals and companies to which they would not otherwise have access. It is the collective power of this open source paradigm that is so powerful, both in terms of improving upon pre-existing ideas and in terms of developing new concepts and inventions that flow from previous innovation.

If Viratech is successful in creating a platform that supports open source mentality in biotech and healthcare, we feel it to be an absolute certainty that a wellspring of new innovation will result, to the benefit of all.

### New Drugs, Biotech, and Large Pharmaceutical Companies

Sometime during the 1980s the dominant (apparent) thinking of larger biotech and pharmaceutical companies shifted, from one of innovation and new drug development to one of protectionism and the extension of useful “patent life” of existing therapeutic compounds. This shift was probably due to a combination of factors, including the skyrocketing costs of shepherding new drugs through the FDA approval and multi-national patent processes. But regardless of the causes, the result is unarguable: large pharmaceutical companies often devote extreme resources to squashing innovation and potentially “competitive” treatments and vaccines so they can maintain the high-margin, patent-protected monopolies enjoyed by their flagship devices and drugs.

This desire to maintain and extend patent-driven monopoly pricing of new drugs has a clearly negative effect on the benefit of humanity as a whole. Big pharma companies exist to make money – this means that they need to sell treatments, not find cures. And the extent to which they will go to make sure their profits are protected can be extreme; they are well known for purchasing the rights to promising new drugs and especially vaccines, and then simply burying them under layers of corporate red tape to be slowly forgotten or labeled as ineffective.

We believe that the Viratech system is poised to significantly alter this paradigm going forward, as it allows innovators to simultaneously protect, promote, and produce diagnostics and therapies that they invent.

### The Need for Innovation and Invention – New Treatments

It almost goes without saying that healthcare innovation and the need for new and better drugs is extreme across most of the industry. Significant examples include:

- **Cancer treatments.** In the 1950s, about 1 in 5 of those diagnosed with cancer made a full recovery; by the Nixon era this had improved to 1 in 3. Although survival durations have been extended, most cancer diagnoses entail the same full-recovery odds that they did over 30 years ago. Currently popular drugs are mostly between 10 and 20 years old. Why, we ask, are there so few new drugs and approaches coming to market? Why is the pace of innovation so slow? Yes, the science of the cancer’s etiology is extremely complex, as are the drugs and therapies that treat it, and innovation is an inherently unpredictable goal.

But in our view, the lethargy we currently see in new drug development is as much a reflection of the culture and business practices of big pharma as it is a result of the inherent complexity of the problem domain. We believe that the Viratech system can and will improve this situation over the coming years.

- **Antibiotics.** As any doctor or microbiologist will tell you, bacteria evolve at an incredibly rapid rate. Most animals in the wild require several years to reproduce, but the average reproductive time for a bacterium is just 20 minutes. Given the law of natural selection and the presence of evolutionary pressure (in the form of antibiotics), any mutation that occurs in the reproductive process of bacteria that confers resistance to a particular antibiotic enjoys an immediate and pronounced survival advantage. Over time, this has led to antibiotic-resistant strains of a particular pathogen, such as staphylococcus bacteria, which western medicine has traditionally combatted by introducing new generations of antibiotics to which the staph infection has not been exposed and to which it has no resistance. Then over time it adapts to this new antibiotic, requiring that yet another be introduced. However, major pharmaceutical companies now have drug pipelines with almost no novel antibiotic therapies in late-stage clinical trials. Are we to return to the pre-antibiotic era, when a simple staph infection required amputation or death? Clearly, innovation in this area is crucial to the long-term health and wellbeing of humanity, and it seems that only a paradigm shift in the discovery and development paradigm can deliver it. Viratech believes that adoption of its platform will help make this happen.

There are a plethora of examples of this lack of and need for innovation throughout the healthcare and biotech fields, and we are highly encouraged that Viratech may be able to have an impact in this regard.

### Conclusion – Why Viratech pulls it All Together

The problems faced by innovators and inventors are challenging, and typically lead them to operate in “stealth mode” until they are ready to introduce their inventions to the world. In the field of biotech, most of these inventions will never actually be developed, because of the level resources needed to develop them, and the constant threat of having them misappropriated by unscrupulous larger companies simply makes adequate investment capital too difficult to secure.

However, the Viratech system promises to change all that, due to its ability to simultaneously protect ideas and inventions while unleashing the power of open source development and crowdsourced funding to both further develop them and eventually fund them. This constitutes a paradigm shift in the biotech industry, and one that will have profoundly positive effects for investors, disease sufferers, and humanity as a whole.

The screenshot displays the cancer.im website interface. At the top, there is a navigation bar with the site logo, a search bar, and links for 'About', 'My Profile', 'Settings', 'Account', and a 'Donate' button. The main content area is divided into several sections:

- Left Sidebar:** Contains navigation buttons for 'home', 'create', 'favorite', and 'map'. Below these are buttons for 'Find Volunteers', 'Help/Questions', 'Find Survivors', and 'Hire a Researcher'. There is also an advertisement for 'Advertise on Cancer.im' with a 'Create an Ad' button.
- Top Left:** User profile for 'Patient Ellen' with an 'Edit My Profile' link.
- Wall:** A central area for posts. It starts with a 'Post Something...' prompt. Below that, there are tabs for 'All Updates', 'Friends', 'Photos', 'Videos', 'Pages', and 'More'. A post from 'Mell Still' is visible, followed by a post from 'Patient Ellen' and a post about 'My Charity'.
- Right Sidebar:** Contains several promotional boxes: 'Take Back Control' (with sub-points: 'Take Friends Volunteers', 'Fund Survivors Experiences', 'Create Your OWN MAP'), 'Earn Co-Founder Status' (with a 'Develop a Strategy' button), and 'Create an Ad' (with a 'Prepare for Treatment' sub-section).
- Far Right:** A vertical navigation bar with buttons for 'Help', 'Inviter', 'directory', and a question mark.

## Company Analysis

### Company Overview

Viratech is a technology and intellectual property company that holds the exclusive license for several key patents pending pertaining to the use of social networking to protect, promote, and produce (fund) inventions and innovative ideas. Based on these patent filings and on certain other key concepts, Viratech has built a social networking infrastructure like no other in existence today. This infrastructure has been architected so that it makes maximum use of search engine optimization and other key digital strategies that help rapidly spur network-user adoption, and drive high traffic volume to user-specific micro social networks. The system also provides each user with real compensation in return for generating additional content and for recruiting new members, which we view as powerful network adoption strategies. The Company has an attractive multi-faceted revenue model that we believe is sound and should warrant a premium market valuation as it develops.

Viratech is based in Stockton, California, and trades on the OTC Market under the symbol VIRA.

### Product Vision

The Company's social network is built for product and idea promulgators that wish to protect, promote, and produce their ideas (or sell their products) through a social networking system. The basic "use case" flow for such an individual or company is as follows:

1. The company or individual sets up a micro social network, or MSN, on the Viratech system. The setup process is largely menu-driven, and gives the MSN owner complete control over the entire MSN, and has a variety of useful features, such as:
  - a. The ability to embed an existing website into the Viratech micro social network.
  - b. The ability to add any number of keywords that automatically optimize the MSN for Web search.
  - c. The ability to issue any number of news items or press releases through Newswire.net, which is fully integrated into the offering and which has "authoritative author" status on Google. This status means announcements linking back to the MSN are available via Google searches within minutes, and all releases are set for optimal search engine placement automatically.
  - d. The ability to exercise content-item level access and edit/post permissions, giving the MSN owner full control not only of what appears on the site, but over exactly who can see and interact with each item.
  - e. The ability to otherwise engage members (fans) of the MSN through built-in administrator email capability "email funnel."
2. Once the MSN is initiated, the MSN owner can then populate the pages with various forms of text and multimedia content. This content can take the form of "updates" and news, books, articles, videos, photos, and other forms. This base of content becomes the "honeypot" that the system then uses to attract visitors to the micro social network.
3. As the quantity and value of content grows and is updated, the MSN owner and the system issues updates and news items that are indexed by Google as having come from an authoritative source, which then causes them to show up in Google Web searches as highly-ranked search results (contextual based traffic).
4. When someone searches Google for the topic(s) or content the MSN owner has chosen to build the MSN around, a link to the MSN appears in the search results. When the Google searcher clicks on the link, it takes them to the MSN (to the owner-designated landing page) and then before displaying the content asks the searcher to join Viratech simply by single sign on from more than 40 different social networks. They are then taken to the MSN landing page where they have full access to the resources of the micro social network.

In total, Viratech refers to this process as the creation of a *context-based engagement funnel*. It is a systematic approach to attracting and engaging potential customers and individuals interested in a certain topic, which can be just about anything imaginable. We believe that this is an extremely powerful approach to helping innovators,

product companies, and local businesses attract and develop targeted relationships with those who can benefit from their offering, or in some cases those who could contribute to further developing it and/or investing in it. However, Viratech's platform is more than just a way for innovators and product companies to create an engagement funnel with their customers, stakeholders, and potential collaborators; it also provides a unique mechanism for helping MSN owners protect their concepts, content, and ideas while they develop and promote them. Viratech holds the exclusive license to several powerful pending patents, among which perhaps the most important is what they call their "Battleship patent." The legal theory behind this patent is that by surrounding an idea with derivative content created in an MSN, the entire body of content – posts, news items, etc. – creates a copyright shield around that idea or invention. Since under U.S. copyright law, the first individual to have an idea that is documented is ultimately entitled to be awarded the copyright, regardless of who files for intellectual property protection afterwards, the Viratech system's database provides indisputable evidence that the MSN creator was in fact the original creator of any invention around which an MSN has been built.

Although this is indeed powerful in terms of establishing "first creator" status under U.S. Copyright Law, this innovative method for protecting intellectual property is also attractive for another reason: it disrupts the dominant legal paradigm under which large companies often misappropriate intellectual property from individuals and smaller startup companies. Larger companies that amorally seek only profits have been known to simply copy an invention, call it their own, and then sue the original inventor for misappropriating the large company's invention. Due to the resources of these large companies' legal departments, they can and often do wage a "paper war" that buries the original inventors in endless discovery requests and lawyer-to-lawyer meetings that the inventors rarely have the resources to fight. Even when they do fight, this process drains away precious time and capital that would otherwise be devoted to developing, and bringing the invention or idea to market. We believe that this is largely why the rate of innovation in healthcare and biotech has been stifled compared to that of technology, and we also believe that Viratech's system will help open up a paradigm shift in intellectual property protection in the foreseeable future, once broadcasted, tested and largely adopted.

Unlike patent law, which is civil in nature, copyright law is criminal. Because of the Viratech's time-stamped database containing all content and communication on an MSN, the MSN owner is able to file a criminal complaint against any large entity that attempts to misappropriate the invention or idea discussed in the MSN. Under a patent or invention misappropriation suit, which is (ironically) typically initiated by the better-resourced misappropriating entity, the burden of proof is on the accused. However, under a criminal copyright infringement case, the burden of proof lies more with the defendant. And because criminal charges against a company impugn the management and directors of that company, such charges must be publicly disclosed under Sarbanes-Oxley. Overall, we believe this strategy – for which Viratech has procured a legal analysis and opinion in terms of legality and validity – provides a powerful disincentive for large companies to misappropriate inventions that are promoted and produced through a Viratech MSN. Finally, the playing field in healthcare innovation and other forms of specialized knowledge development may have finally been leveled.

### **Business and Revenue Model**

Like any social network, the key to Viratech's financial success is directly tied to its success at generating new members for its MSN owners' micro networks and for its cancer.im network. Its member acquisition strategy, however, is an integrated component of the "promote" portion of its value proposition; each time an MSN owner posts updates or new content to a micro network, it automatically generates new prospective members for the MSN, who must join the MSN to view the content that has led them to it. This is a brilliant and unique strategy that we have not seen to date, and we are optimistic about its ability to generate rapid and accelerating membership through cancer.im and Viratech. In addition, the MSN point system incentivizes users to "invite friends" and post additional relevant content, a strategy that has been very successful in other point-based network environments, such as in the wildly successful Farmville, one of Zynga's (ZNGA – NasdaqGS) initial Facebook apps.

Viratech has a three-part revenue model that we believe is rational both in terms of pricing and approach. The first aspect of the Company's revenue model is based on advertising; however, unlike shotgun advertising approaches, the nature of the Company's MSNs means that advertisers can market to a precisely defined group of individuals, all of whom are highly likely to have an interest in the product or service they are offering. This translates into a much higher CPM pricing environment than would otherwise be possible, and also creates the

opportunity to market under an affiliate model for those offerings with a significant price point and/or continuity “long tail” component. The second primary component of the Company’s revenue model is derived from MSN subscriptions, and is recurring in nature. MSN creators can pay anywhere from \$9.99 to \$99.99 per month, depending on the features they want in their MSN, and whether or not they will to allow advertising by third parties to be presented to members of their MSN. We believe that these price points are reasonable or even low, given the value that the Company’s MSN offering provides to its prospective customers. The third primary revenue model of the Company involves licensing, and is qualitatively different than the other two revenue streams. Due to the nature of its system, Viratech can license its entire platform out to those wishing to develop “turn-key” MSN-based social networks in a specific healthcare area or other vertical. Although such licensing relationships will require some level of work on the Company’s part to customize their base system for the needs of the specific vertical for which it is being licensed, they tend to constitute fairly large ticket sales, on the order of US\$250,000 (plus equity participation) per licensing relationship. To showcase its system and to lock-up what it believes will be one of the most attractive of such healthcare verticals, the Company has internally developed cancer.im, a resource for cancer sufferers, their friends and families, doctors, experts, and innovators in the field of cancer treatment and therapy. We view this offering, which is currently in the testing phase and is slated to launch next month, as a very powerful example of exactly what can be done with the Viratech platform in terms of making the world a better place while also creating a highly contextual and targeted value proposition with a built in recurring revenue model.

### **Cancer.im, Inc. (wholly-owned subsidiary)**

Cancer.im is a wholly-owned subsidiary of Viratech and is built on the same core system that the Company will license to those interested in building out other vertical sites, such as those built around HIV or diabetes. Cancer.im hopes to simultaneously solve myriad problems that currently plague the sufferers of cancer. Its offering will also serve members of their support network, including friends, family members, clinicians, researchers, innovators, and start-up biotech companies. In the future, we believe that Viratech’s offering will spur an unprecedented level of innovation in multiple healthcare verticals such as that served by cancer.im, while simultaneously serving as an invaluable research, planning, communications, and support network for the sick. Viratech’s cancer.im derives its revenues from advertising, contributions, and sponsorship initiatives.

### **Cancer.im – The Problems to be Solved**

#### **For Patients**

Those first diagnosed with cancer face new and daunting life challenges at a time when their lives typically feel the most out of control. These challenges include:

- Researching the particulars of their diagnosis and the treatments for it, both those currently available and those still in development and testing.
- Evaluating the many healthcare providers and options that are available, and selecting those treatment professionals and institutions best suited to maximizing their chances of recovery.
- Crafting a treatment plan that takes into account finances, diet and exercise, treatment regimen, and support network.
- Communicating with family and friends about their diagnosis, treatment plan, and expectations of the future.
- Finding and connecting with survivors of the specific cancer with which they have been diagnosed, who can help them maximize their chances of recovery through advice and anecdotes.

Currently, there is no unified system for accomplishing these things. Newly diagnosed cancer patients have access only to an information and advertising cacophony that is both confusing and overwhelming. They have no real access to information pertaining to recent developments in the treatments for their specific cancer, no way to find others who have successfully overcome it, and no structured way to communicate with friends and family pertaining to their disease and how each person can best help them. Viratech plans to change all of this, permanently, and we believe through Cancer.im they can and likely will.

#### **For Friends and Family- From Helpless to Helpful**

Upon learning the news that a close friend or family member has been diagnosed with cancer, most people make contact by telephone, but beyond a show of general support or perhaps a doctor referral, they don’t really know

what to do. Although it is broadly recognized that a “good support group” reduces morbidity and increases quality of life for the patient, very few people understand what that means in terms of what they should do. Should they call the patient frequently, or give them their space? Because of this, friends and family members are often of much less help to the cancer sufferer than they could be. With the Viratech system, friends and family members will be connected to their afflicted loved one through a specialized system that not only fosters communication and community, but actually provides guidance to those seeking to support the patient. We believe this makes excellent sense both for the cancer sufferer and for all friends and family members.

#### **For Healthcare Innovators and Inventors**

New ideas are being formulated constantly; some of these involve novel medical devices, drugs, and therapeutic approaches that could radically improve the clinical outcome of disease and injury. However, the creators of these ideas face a serious dilemma: they can either keep them secret while trying to fund the filing and approval of one or more patents, or they can put them to immediate use in helping patients, but accept the risk that an established biotech or medical devices company will steal the innovation and claim it for its own. Historically, innovators have mostly chosen the former approach, which at least in part accounts for the extremely low rate of innovation in healthcare and the fact that most good ideas remain just that: good ideas. Viratech believes that by helping innovators simultaneously protect, promote, and produce (fund) their ideas, they will be able to both radically enhance innovation and more quickly help those who could benefit from it. We tend to agree.

#### **For Researchers and Research Teams**

While this group is sometimes comprised of innovators, a large number of researchers are talented and competent scientists who want to improve the world, but don’t know the best way to allocate their time, funds, and efforts to that end. Viratech believes that as its cancer.im network is broadly adopted, it will serve as a research idea conduit, connecting those who have ideas or are experiencing health-related problems with those who can conduct necessary research, in ways that have never before been possible. Again, we tend to agree.

#### **For Healthcare and Biotech Businesses**

Regardless of whether an existing business or an innovator looking to start one, all product ideas and companies eventually need investment capital and, eventually, sales revenue. As it becomes broadly adopted, Viratech’s platform will facilitate the acquisition of both. During its pre-market phases, the cancer.im network (and all others based on the Viratech platform) gives capital-hungry enterprises access to capital through crowdsourcing from the very people most familiar with the problem: researchers, patients, and those in each patient’s support network. Then, once a product is ready for market, cancer.im becomes a natural marketing channel through which offers can be made only to those who already have a need that fits the offering. This system will minimize advertising “noise” while delivering maximum potential benefit to both product companies and to those who they seek to help.

#### **Cancer.im Vision – The Solutions**

Viratech’s Cancer.im has an innovative approach to simultaneously solving the problems of all of these groups that we believe to be unique; this approach combines the following to offer an integrated solution:

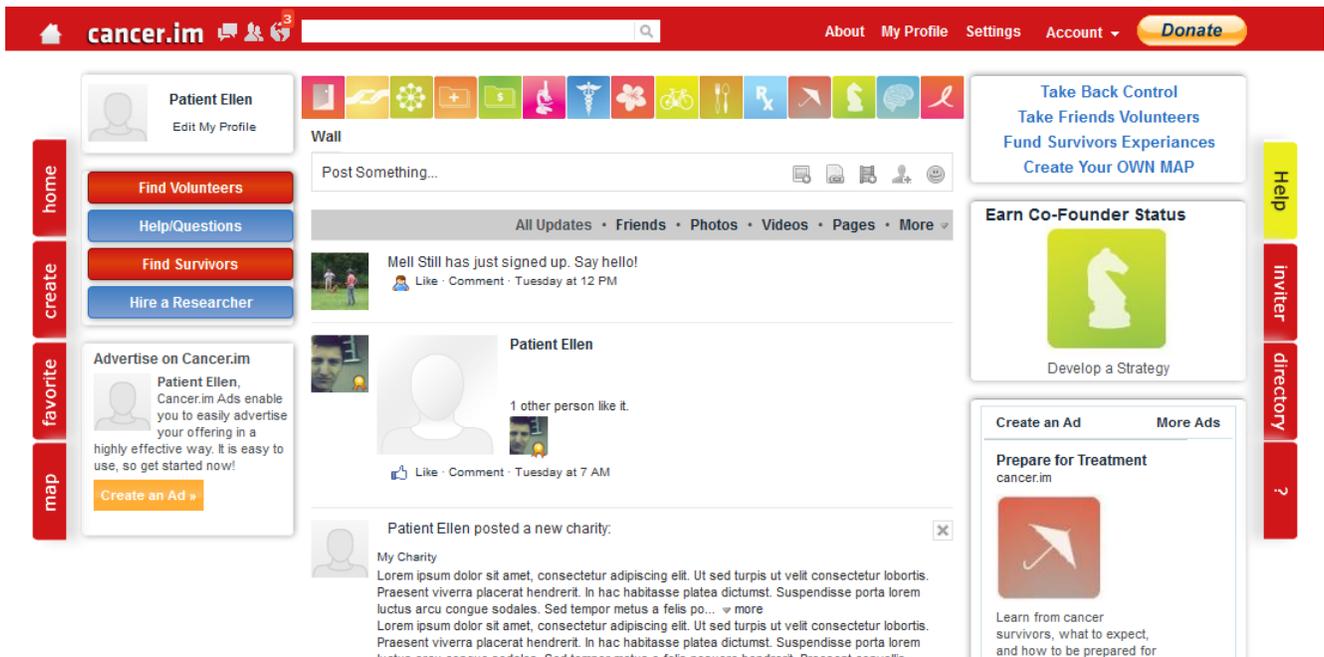
- **Social networking platform** that allows for the creation of multiple “micro social networks” or MSNs, each with a focus on a specific illness or problem. As discussed below, this social networking is fully featured and offers a custom-designed experience for each type of network participant, including: patient, researcher, advocate, “survivor,” and potentially others.
- **Method for protecting intellectual property** that allows those with new ideas to promote, discuss, and develop them without fear of having their ideas taken from them by companies that have historically had the legal resources to do so.
- **Communications system** that allows innovators to issue content to the appropriate micro social network (MSN) that is reviewed before being posted, hence earning Google’s trusted authority status. This will cause new information to be highly ranked in Google searches, and should be instrumental in allowing interested parties to rapidly find and connect with the MSN that fits their needs.

Quite candidly, we have never seen an approach to simultaneously solving multiple, high-value, complex problems such as the one offered by Viratech and cancer.im. For example, the National Cancer Institute reports that just over 0.5% of the population is diagnosed with some form of cancer each year, making cancer an immense and pervasive health problem on a global basis. Yet cancer is only one of the hundreds of health issues that we believe the Viratech platform will impact positively, on multiple patient and novel therapy dimensions. Although we cannot of course predict how long it will take for the various Viratech-enabled networks such as cancer.im to “take root,” we are extremely sanguine about Viratech’s eventual ability to improve the lives of sufferers immediately, while ultimately having a major hand in finally seeing real cures for previously incurable diseases come to market.

**Solution – Patients and their Friends and Families**

Based on a Facebook-like social networking foundation, the cancer.im social network offers patients, their advocates, and their friends and family a support system and integrated resource that helps them handle all aspects of their diagnosis and life, helping them maximize their both their chances of overcoming their disease challenge and their quality of life during the process. Specifically, it helps patients and supporters do the following:

- Have easy access to news feeds pertaining to the patient’s diagnosis. These news and update items can be created by other members of the micro social network (MSN), such as fellow sufferers, cancer survivors, researchers, or treatment innovators.
- Connectedness with each patient’s “friends” and “friends of friends” for general communication or for seeking advice and support.
- Access to a research tool that helps the patients and members of the support group stay current on what’s going on in the relevant field of research, and to evaluate medical professionals and institutions based on the actual experience of those with similar diagnoses.



**Solution – Innovators**

As powerful as the cancer.im network is for cancer sufferers and member of their support group(s), it is an even more powerful tool for the creators of new ideas, therapies, and inventions. This is because the platform simultaneously solves the most serious problems faced by inventors and young biotech companies, namely protecting their idea(s) from theft, promoting their ideas to would-be customers and to prospective researchers and scientists (who can help flesh out and improve the ideas), and at some point securing funding for their idea(s) as they progress through the various stages of development and company-building processes. Some highlights of just how the Viratech system provides these benefits are as follows:

- Inventors and innovators setup their own private MSN or series of MSNs within the context of the cancer.im social network. They own all content they and other users post to the MSN, creating an indexed, time-stamped database that proves would-be copycats did not in fact invent the inventor's or innovators idea(s). Since U.S. Copyright Law gives precedence to the first individual or company to come up with the expression of an idea memorialized through a fixed medium, such as an MSN, Viratech's MSN content database offers undisputable evidence that competing claims to the idea(s) are in fact invalid.
- The MSN provides a second and potentially much more powerful layer of intellectual property protection to the inventor, namely copyright protection. Although not originally intended for this purpose, the Company and its legal counsel believe that the entire body of posts, blogs, text, newswire releases, photos, videos, presentations, and other diagrams will serve as a powerful IP protection mechanism. Also, it is important to note that copyright infringement cases are criminal, providing a powerful disincentive for big pharma companies and their management teams to misappropriate ideas from the Viratech system.
- MSN owners get cost-effective access to newswire press releases through the Viratech platform. These news releases constitute an "authoritative source" to Google, and are picked up with the URL of the issuing micro social network embedded in them. This ensures that they are broadly available to Web users who may be searching for the topic of the release or MSN, ensuring both high visibility and a powerful draw for new network members.
- MSN owners get full access to the contact database associated with each micro social network, allowing them to directly contact members as they see fit. The Company envisions such contacts including requests for help with a research project or corporate development need, with marketing messaging appropriate to the central theme of the MSN, or with general updates and other new information.
- When the Crowdfunding act of 2012 is effected, MSN owners will be able to present investment opportunities to members of their MSN. Since these individuals will already have a vested interest in the MSN and its focus, they are much more likely to have an interest in helping funding the relevant research or innovation. This is an extremely powerful channel for inventors in terms of seeing their inventions become product and business realities, and for entrepreneurial inventors seeking to see their inventions become market realities.
- Through Viratech's cancer.im MSN owner administration interface, MSN owners can implement granular permission policies, controlling exactly what each MSN member can see and access in terms of content owned by the MSN. They can also set point values to user behaviors that they wish to incentivize, such as inviting others to the MSN, contributing to or doing research on an idea or topic, etc. These points are then redeemable by the users into things with real value, such as gaining "Founder Status" and shares in a young company, which is in turn based on the idea central to the MSN.

Overall, we believe that Viratech's platform gives inventors and innovators an extremely powerful tool with which to protect, promote, and (eventually) produce their inventions. Although its eventual success in this regard is ultimately predicated on the overall user adoption of the Viratech social network, we feel that it is designed in such a way that this is likely to occur, potentially quite rapidly.

**Solution – Researchers and Writers**

In a nutshell, researchers and writers are typically looking for the same thing: new projects. In the case of researchers, these projects need to dovetail well with their existing skillset and research interests, and in the case of writers they need to match previous experience and knowledge. But in both cases, the Cancer.im system (once more broadly adopted) will have a strong draw, as it will simultaneously provide always-current information, social network access to those with similar interests, and a potential flow of new (paid) writing and research engagements.

**Solution – Conclusion**

Like any social network, the value of the network is a function of its users, and the Viratech cancer.im social network is no exception. However, unlike the well-known social networks Facebook (FB – NYSE) and LinkedIn (LNKD – NasdaqGS), Viratech is \*not\* just a social network; it is a portfolio of patents and intellectual property and an associated social networking system – one that currently powers cancer.im and in the future will power similar social networks in many other healthcare verticals, as well as the primary MSN-based Viratech “engagement funnel” generation system. The Company’s cancer.im network fosters communications between several distinct groups around the pivot point of a cancer, while providing strong value propositions to members of each of those groups that are specific to their needs and challenges. We believe this will be a powerful winning strategy as Viratech seeks to become the de facto standard in cancer and other major disease verticals over the coming months and years.

**Viratech’s Intellectual Property**

Viratech’s intellectual property is based upon four pending patents that as a whole protect both its business model and strategy, one of which could open up a significant licensing revenue opportunity from other social networks depending on how things unfold. Viratech’s current patent pending portfolio includes the following intellectual property:

1. **Method of Generating Critical Mass of Relevant User Generated Content for a Social Network by the Creation of An Open Source Micro Social Network Infrastructure.** Patent Application Number 61599415. Perhaps the most important of Viratech’s patent application, this patent will give Viratech a legal monopoly regarding what we believe to be the Company’s most important innovation: the use of user-generated content to generate additional users and more user-generated content, creating what is known as a positive feedback loop, or virtuous cycle. This patent application, if approved, would also give the Company a monopoly on allowing others to create and manage their own micro social networks within the context a single social networking system. Since MSN owners gain ownership of all user-generated content on their MSN (granted when users accept copyright waiver and terms of service), as well as the right to market to those users at their full discretion, having a monopoly over this invention will be extremely important to Viratech and its valuation.
2. **Method of Creating Critical Mass of a Social Network via the Assignment and Recording of Value of Individual Social Network Member Activity.** Patent Application Number 61599530. Unlike other social networks, which claim ownership of all user-generated content simply by virtue of terms and conditions acceptance, Viratech actually compensates its members for all content they author or post. The points with which Viratech compensates its member have definitive value and hence constitute remuneration, which is a requirement for transactional contracts to be legally binding. If this patent is awarded to the Company, it could have profound effects on the social networking industry as a whole, because legal challenges to other networks’ ownership of user-generated content might prove successful. In this event, large social networks like Facebook (FB – NYSE) and LinkedIn (LNKD – NasdaqGS) might find themselves in the unenviable position of either relinquishing ownership of user-generated content or purchasing a license to compensate their members for said content within the scope of Viratech’s patent. Although the timing of this potential eventuality is still in the distant future, we do believe that it has investment relevance, since the potential licensing revenues derived from it could be extremely large. We recommend that investors keep a close eye on this particular patent, due to its potentially broad effects on the social networking industry as a whole.

3. **Method of Capturing and Indexing an Individual Aspect of Knowledge via Unified Structured Element.** United States Patent Application 61669994. This patent application pertains to the Company invention of allowing MSN owners to place their ideas and inventions into a structured environment which then is combined with user-generated content to form an overall copyright shield of the idea or invention.
4. **Method of Converting a Derivative Expression of an Idea into Social Network Navigation Element.** United States Patent Application 61669330. This patent application pertains to another of the Company's intellectual property protection inventions, in this case the systematic decomposition of an idea or invention into sub components (called derivative expressions) which are then graphically represented in the URL and in navigation elements in a way that represents the idea as the sum of its constituent parts.

Although all of these patent applications pertain to valuable Viratech IP and inventions, we believe that the first two could potentially be very significant to the Company's competitive position going forward.

### Officers and Directors

#### **Kevin Buckman MD, FAAIM, DAAUCM, MACOEM, MRO, *Chairman and CEO***

Dr. Buckman completed his Medical School training at USC; he remained at USC for internship and 2nd year residency in Internal Medicine, and completed his training in Internal Medicine in 1981 at San Joaquin General Hospital, a UC Davis affiliate. He began his research in 1977 in the field of immunology, cancer, diabetes, and chronic diseases. His discovery of the role of Inflammation and Abnormal Cellular Environment in Cancer and immune disease in the 70's has made him a leader in the field. His continuous research in this field has led to his technologies in Non-Harmful Medicine with Early Diagnosis and Treatments, especially in the field of Women's Health. He has published books including Find and Stop Breast Cancer, and Find and Stop Diabetes. He was recently a Speaker and Exhibitor at the International Cancer Conference and Forum 2010, Seoul, Korea, when he addressed many women's health issues and solutions.

Dr. Buckman has served as Medical Director in various hospitals and institutions for over 25 years and has over 35 years of clinical experience. He has served as a member of the Executive Committee for six years at St. Dominic's Hospital in Manteca, California. He has written many patents for new medical technologies. From 1986 to 1997 there were more than 50 Physicians on his roster under his Directorship at various institutions and hospitals. He also served as Medical Director for Dameron Hospital EMS Liaison from 2002 to 2003. He became Board Certified in Emergency Medicine and a Fellow of the American Board of Emergency Medicine in 1990.

He has received numerous Certifications and Specialty Training in the field of Medicine. He is a Fellow in the American Association of Integrated Medicine, and a certified Medical Review Officer. His other Specialties include: Internal Medicine, Forensic Medicine, Chinese Medicine and Acupuncture. He has over three decades of hospital and clinical experience and has served on over 15 hospital committees. He became Board Certified in Urgent Care Medicine and a Diplomat in 2006.

He has presented research, published articles and books in the field of medicine, given lectures at numerous hospitals and at International Medical Conferences, exhibited Breast Cancer technologies, and has traveled in 68 countries.

He has received Post Graduate Training at Stanford University School of Business, and attended seminars with the Securities Exchange Institute. He also serves on the Board of Directors for the California College of Natural Medicine. He was the first US Physician to be accepted into the European Group for Breast Cancer Screening after his research in this field was accepted for publication and presentation at their international conference in Cyprus.

For many years he has worked internationally to advance a number of medical technologies. He has had a special interest in Non-Harmful early detection of disease, with a primary focus on Breast Cancer and Diabetes, his research in the field preventive medicine, and his expertise in non-harmful new methods of medical treatment for

cancer. His most recent Breast Cancer work was published at the International Cancer Conference and Forum 2010, in Seoul, Korea.

He is currently serving on the Industry Advisory Board for the University of Pacific School of Engineering and Computer Science and a Visiting Professor in Bioengineering, University of Pacific School of Engineering and Computer Science.

**Matt Heindel, Director**

Mr. Heindel spent nearly 30 years in the medical industry emphasizing the commercialization of Women's Health technologies. In 2005, Mr. Heindel was one of the early employees of NeoMatrix and was instrumental in the development of HALO, a breast cancer risk assessment tool which significantly improved the health of cancer patients while simultaneously minimizing the financial burden of the disease. Mr. Heindel's role at the start-up company ranged from selling the first units, creating the marketing launch plans to becoming the clinical expert for the company. Mr. Heindel was directly involved in guiding the company to revenue generation of over \$1M with over 200 devices in use including sales in several key international markets. In 2009, Mr. Heindel was key in recruiting Breast Surgeons who are key industry opinion leaders and commencing clinical data gathering necessary for cost reimbursement. In 2007 Mr. Heindel became the company's Chief Operating Officer responsible for sales, marketing, manufacturing, RA/QA and clinical programs.

Prior to NeoMatrix, Mr. Heindel was a minority owner and Vice President of Sales and Marketing for Prism Enterprises, a company whose primary products serviced the ob-gyn market. By rebuilding the company's sales and marketing division with key personnel upgrades and by making strategic acquisitions in 2002, the new owners took Prism Enterprises from a bankrupt company to an acquisition target of Cooper Surgical to whom it was sold for a significant return in 2003.

Mr. Heindel began his medical career with McGaw, Inc., an intravenous solutions and device company. During his 16 year career at McGaw, Inc. Mr. Heindel progressed from a sales representative to Vice President of International Sales when the company was acquired by B. Braun in 1998. While at McGaw, Inc. Mr. Heindel spent two years in the Middle East where his passion for International Markets emerged. Mr. Heindel has also served as Senior Vice-President of Worldwide Sales and Marketing for Quidel, a rapid diagnostics company focusing in the field of Women's Health.

Mr. Heindel brings a unique combination of skills and experience in domestic and international marketing of capital and disposable products within the medical field. His many years in the medical industry have afforded him a vast array of key distributors and relationships with domestic and international sales representatives as well as access to the medical industries key thought leaders. Mr. Heindel is dedicating his part time efforts to the Company until such time as the Company receives funding.

**Aziz Kamali, MD, Director**

Dr. Kamali was born and raised in Jalalabad, in eastern Afghanistan. He obtained his secondary education in Kabul and did his undergraduate studies at the University of Afghanistan in Kabul.

Dr. Kamali comes from a large family of medical, legal and engineering professionals who have been very active with the current development of Afghanistan, following in the footsteps of their father, Mohammed Shirin Kamali, a judge in eastern Afghanistan. Dr. Kamali is a diplomate of the American Board of Internal Medicine. Dr. Kamali is an associate clinical professor at the University of California, Davis, School of Medicine, in Sacramento, California. He did his postgraduate training in England and has a full registration with the British General Medical Council. He is a Fellow of the American College of Physicians and an Associate Fellow of American College of Cardiology.

**Valerie Kidd, MD, Director**

Dr. Kidd received her BA in Chemistry from UC Davis, College of Letters and Science in 1980. She received her MD at University of California at Irvine, College of Medicine in 1984. She completed a Family Practice Residency Program at San Joaquin General Hospital from July 1984 to July 1987. She became first Board

Certificated in Family Practice in 1987, then again in 1993, 2000, and 2007. Dr. Kidd is an active member of the American Academy of Family Physicians since 1987. She has been practicing medicine at Lodi Memorial Hospital since 2006.

### Social Networking Industry Analysis - Valuation

In the United States traditional social networking is a maturing (yet still rapidly growing) industry that is increasingly becoming dominated by a few emerging victors, such as Facebook in “pure” social networking and LinkedIn in business networking. Recent estimates suggest that Facebook’s membership on a global basis is approaching one billion users, yet consensus Street revenue forecasts suggest that it will generate just US\$6.6 billion in 2013 sales, or approximately US\$6.57 per member. LinkedIn, in a similar situation, has approximately 200 million members and a consensus 2013 revenue estimate of US\$1.4 billion, or approximately US\$7.22 per member. In terms of total market capitalization, as of 1-22-13, Facebook was worth US\$66.57 billion, or approximately \$66 per member, and LinkedIn was worth US\$12.81 billion, or approximately US\$64 per member. These valuations imply a Facebook price-to-forward-sales ratio of 10.1x ’13 sales, and a LinkedIn price-to-forward-sales ratio of 9.15x. We believe that these multiples will likely persist for at least the next one to two years, as these Companies still boast impressive growth in total revenues. This bodes extremely well for the likely valuation of Viratech shares over the medium to long term, should its revenues develop and grow in line with what we believe to be possible.

### Comparable Valuation Analysis (Closing prices as of 1-23-13)

	<u>Price</u>	<u>Mkt. Cap. (mln)</u>	<u>P/E '12</u>	<u>P/E '13</u>	<u>P/S '12</u>	<u>P/S '13</u>	<u>EPS Growth</u>
Facebook (FB)	30.73	66,050	59.1	46.6	13.1	10.0	27%
LinkedIn (LNKD)	119.2	12,800	165.6	92.4	13.5	8.9	79%
HeathStream (HSTM)	24.54	643	84.6	64.6	6.2	5.2	31%

In the table above we compare the valuations of three companies closely related to Viratech. Facebook and LinkedIn are obvious comparisons, as they are both U.S.-based social or business networks. The third, HealthStream, is an online and digital learning company serving the healthcare industry. Since Viratech’s cancer.im and other planned offerings are at least partially educational in nature, this seemed like a logical inclusion in our comparables analysis.

As is evident in the table above, social networking companies carry relatively high multiple on both trailing and forward sales and earnings results, which should almost certainly apply to Viratech as well. Once its sales and earnings numbers begin to come in, we expect that it will carry higher growth rates and valuation multiples than any of the companies listed in our table, perhaps in the range of 15x+ trailing earnings and 10x+ forward earnings.

### Competitive Threats and IP Defense

Viratech faces numerous competitive threats in the social networking industry; the meteoric rise of Facebook, LinkedIn, and Twitter over the past ten years has spawned hundreds of competitors, and this will likely continue. However, although the possibility of direct competition is possible, we are as of yet unaware of any Company with a model similar to that of Viratech. The Company is run by seasoned medical professionals and its CEO, Dr. Buckman, has both high-profile clinical experience and post-graduate training in business (Stanford) and computer science. We believe Dr. Buckman’s rather unique combination of skills and experience gives Viratech a sustainable advantage in the space in which they are operating, and we feel that it is unlikely that one or more competitors are currently working on this same business model at this time. Even if there were such competitors, Viratech is ready for launch and it likely to be at least a major contender, if not the only contender, in this sub-sector of the social networking market.

In terms of the Company’s intellectual property and four pending patents, it is impossible to know if competing patents have been filed, or if such patents would be granted in lieu of the Company’s. It is also difficult to judge the value of the Company’s patent pertaining to compensating social network members for the content they

generate in terms of its eventual ability to generate licensing fees from other social networks who are forced to adopt such a system. However, we do not view the Company's patents as being all that important; in reality, we believe the most important factors are time to market and the extent to which the Company is successful in spurring widespread adoption of cancer.im and its core Viratech micro networks.

### **Other Risks**

At this time, we believe that the largest risk to the Company is regarding the "protect" portion of its value proposition. While we believe that Viratech's strategy of using copyright law to create intellectual property protection is sound, and while we have confidence in the legal opinion the Company holds in this regard, the fact is that this protection mechanism remains untested at this time. If this mechanism fails to deliver the promised protection, it will quickly stifle innovators' willingness to disclose and develop their ideas on cancer.im, which would have a significant effect on the Company's likely future success and valuation. However, it is important to note that such a failure would not likely destroy the entire business model, as there is simply too much value in the Company's overall strategy and engagement funnel business process. Overall, we feel that the risks facing the Company are in fact significantly lower than those that might be facing another Company with a less exciting business model and technology system.

### **Conclusion**

Viratech has a scalable, well-designed technology system that should generate significant revenues from all three planned revenue channels. We believe its approach to using user-generated content to attract new members and its use of a point system to incentivize all members to both generate more content and invite other members is nothing short of genius. While the proof remains in the pudding, we believe Viratech has an excellent chance at executing on its business plan and creating a sea of change in the way social networking is applied to solving healthcare challenges globally, especially in complex fields such as cancer treatment and research. We are equally sanguine regarding Viratech's primary micro social networking model and its ability to create engagement funnels for a wide variety of individuals and companies. With the valuations of Facebook and LinkedIn running at an average of 13x trailing revenues, it is easy to see how even moderate business success could justify the Company's current valuation, and success of the caliber we anticipate will likely drive its shares significantly higher. Our Special Situation report does not include a rating or price target at this time, but we will be keeping a close watch on Viratech as it rolls out cancer.im next month, and suggest that all profit-minded investors do the same.

## Our Rating System

We rate enrolled companies based on the appreciation potential we believe their shares represent. The performance of those companies rated “Speculative Buy” or “Strong Speculative Buy” are often highly dependent on some future event, such as FDA drug approval or the development of a new key technology.

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## Explanation of Ratings Issued by Harbinger Research

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<b>STRONG BUY</b>	We believe the enrolled company will appreciate more than 20% relative to the general market for U.S. equities during the next 12 to 24 months.
<b>BUY</b>	We believe the enrolled company will appreciate more than 10% relative to the general market for U.S. equities during the next 12 to 24 months.
<b>STRONG SPECULATIVE BUY</b>	We believe the enrolled company could appreciate more than 20% relative to the general market for U.S. equities during the next 12 to 24 months, if certain assumptions about the future prove to be correct.
<b>SPECULATIVE BUY</b>	We believe the enrolled company could appreciate more than 10% relative to the general market for U.S. equities during the next 12 to 24 months, if certain assumptions about the future prove to be correct.
<b>NEUTRAL</b>	We expect the enrolled company to trade between -10% and +10% relative to the general market for U.S. equities during the following 12 to 24 months.
<b>SELL</b>	We expect the enrolled company to underperform the general market for U.S. equities by more than 10% during the following 12 to 24 months.

## Analyst Certification

I, Brian R. Connell, CFA, hereby certify that the views 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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### Our Team

#### **Brian R. Connell, CFA**

#### **Senior Managing Director**

Mr. Connell has over 20 years' experience in the securities industry, as an equity analyst and portfolio manager, and as the founder and CEO of StreetFusion (acquired by CCBN/StreetEvents), a software company serving the institutional investment community. On the sell-side, Mr. Connell served as the technology analyst for Neovest, an Atlanta-based boutique, and as a Senior Analyst - Internet for Preferred Capital Markets, an investment bank based in San Francisco. Mr. Connell has also held the position of Executive Director of Marquis Capital Management, a technology-focused hedge fund.

Mr. Connell founded Harbinger Research in 2004 with the purpose of providing high quality research coverage to deserving smaller companies. Mr. Connell holds degrees in Economics and Psychology from Duke University, and is a CFA Charter holder.

#### **Scott R. Greenstone, CFA**

#### **Senior Research Analyst, Healthcare**

Prior to joining Harbinger Research, Mr. Greenstone founded StratFin, an ongoing enterprise that helps scientific-entrepreneurs build businesses. Prior to forming StratFin, Mr. Greenstone was the head of business development at Varian, Inc., a \$1 billion manufacturer of scientific instruments responsible for co-developing global strategy and for sourcing and executing mergers and acquisitions, partnerships and OEM relationships. Previously, he led financial planning and analysis at Symyx Technologies and Xenogen.

Prior to his operating roles, Mr. Greenstone was a research analyst, covering precision instrumentation and life science companies for ten years at several investment banks including Thomas Weisel Partners & Salomon Brothers. Mr. Greenstone has an MBA from the University of Texas at Austin and a B.S. from Lehigh University. He also holds the Chartered Financial Analyst designation.