Harbinger Research
Independent Investment Analysis

Coverage Initiation Report

U.S., Germany (Global) Social Networking

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Kiwibox, Inc. (KIWB – OTCQB)

New Business Model: Acquire Social Networks with Local Strength, Solid Technology, and Real-World Interaction. First Major Purchase (for US$10M) Proves Model: German Social Network Kwick! is Cash-Flow Positive and Growing Rapidly.

Strong Buy

Recent Price: US$0.040

Market Data (closing prices November 28, 2011)

Market Capitalization (mln)	22.52*
Enterprise Value (mln)	39.61*
Issued and Outstanding Shares, Dil. (mln)	564.4*
Avg. Volume (90 day, approx.)	1,399,630
Float (approx. estimate)	Unknown
Insider Ownership	5.7%
Institutional Ownership	Approx. 35%
Exchange	OTCQB

*Based on 9/30/11 Bal. Sheet. Kwick!-related financing / dilution not included in shares outstanding.

Balance Sheet Data (as of Sept 30, 2011)

Shareholders' Equity (mln)	(7,604)
Price/Book Value	N/A
Cash (000s)	64
Net Working Capital (000s)	(15,928)
Long-Term Debt (000s)	0
Total LT Debt to Equity Capital	N/A

Company Overview

Kiwibox is a New York based social network that owns and operates three distinct online properties. Its original site at kiwibox.com is now focused on young adults and operates under the "Explore, Connect, Party!" slogan, helping members interact in the greater NYC area. Kwick! (kwick.de), its new acquisition, operates similarly but is much more developed, with 2010 membership of 10M, revenues of approximately US$5M and earnings of approximately US$1.75M. It's third property is called Pixunity, and serves as a complement to its other social networks. The Company continues to aggressively seek out new acquisitions at reasonable valuations, and trades on the OTCQB under the symbol KIWB.

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Summary and Investment Opportunity

- **The Consolidating Social Networking Industry Exhibits Global Hypergrowth**

Social networks like Facebook and LinkedIn have forever changed the way entire generations of people meet and communicate. Likewise, smaller social networks have gained solid footholds in various niche markets, based on the close knit connectivity of the networks' users. This industry is still consolidating and maturing, the currently popular networks exhibit various levels of technology and function, and we believe there is still room for the more savvy social networking companies deliver strong market share gains.

- **Company's New Focus - Event-centric Social Networking - Drives Corp. Strategy**

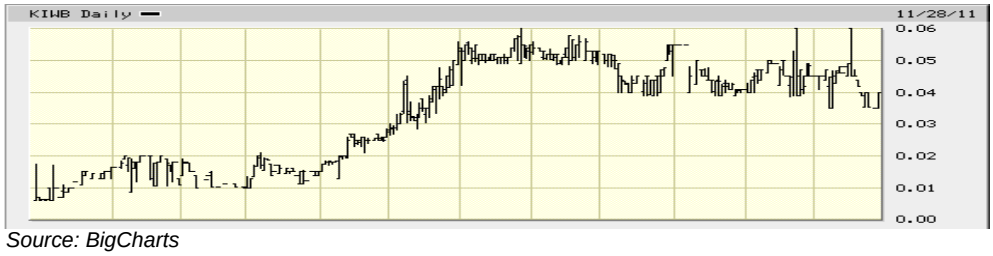
The Company recently announced its acquisition of Kwick!, a Germany-based social network with reported 2010 sales of approximately US$5 million and earnings of approximately US$1.75 million. Kwick! with over 10M registered members has been growing while operating profitably since its inception in 2001, offering members a friendship-based social network centered around real-world events. This "twist" has caused Kwick! to appeal to a demographic that is interested in making new regional friendships and friendship connections based on interaction with viral activity in developing those early-stage relationships. Furthermore, the Company re-launched its website after cutting costs and restructuring itself while adjusting its focus based on Facebook's market development in 2009 under a similar model, targeting young adults with the slogan "Explore, Connect, Party!". This new model distinguishes kiwibox from Facebook and Google+ by finding new friends and building a solid connection in the members' region. This new focus has helped Kiwibox attract new members during late 2011 at 10x its 2010 rate.

- **Roll-Up Strategy Sound, and Could Lead to Strong Share Price Appreciation**

The Company's strategy of acquiring other successful (albeit niche) social networks at attractive valuations has great potential, if management can follow up its initial successes with additional, fundamentally-sound acquisitions. Valuations of larger networks such as Facebook (Pvt., 195x trailing earnings), LinkedIn (LNKD - NYSE, 436x ttm. earnings), and specialty network Quepasa (QPSA - AMEX, 8.7x ttm. revenues) all suggest Kiwibox.com has extreme appreciation potential in the future.

- **Evidence Suggests New Team and Strategy On Track for Future Earnings Growth**

Based on its cost-cutting, strategic re-focusing, and the quality of its first major acquisition, we believe Kiwibox is definitely on the right track. While we cannot be sure its current success will continue, we believe its past successes make its likely future enterprise value to be much greater than it is as of today. Based on recent and upcoming IPOs of social networks and their market development, we believe the overall future of the now financially stable Kiwibox.com looks bright. We therefore rate the shares as a Strong Buy, based on our expectations of it completing additional successful acquisitions.



Source: BigCharts

Please see analyst certification and required disclosures on page 12 of this report.

Industry Analysis - Social Networking

Introduction

Social networking is a term that has gone mainstream in recent years. It essentially refers to any online application that allows users that share an interest or a demographic to come together and interact. Because it is online, this interaction transcends the barriers of geography and chance meeting and allows millions of relationships to form where none otherwise would have.

The largest and most famous social networking sites include Facebook, the dominant social network on a global basis; YouTube, a site which allows people to upload and share their personal videos online, and LinkedIn, a business-related site that facilitates the formation of professional networks. All of these sites allow, among other things, users to create personal networks of friends and associates, which other friends and associates can use to find other "birds of a feather."

These applications offer extreme value to users once they are highly adopted, and tend to have one or two major winners in each category. Examples of this type of application include eBay, the now-famous Internet auction site, and Facebook, a social networking site whose value is estimated at US$70+ billion. In the case of Facebook and other social networking sites, however, we expect several major winners; individuals typically belong to a variety of networks both business and social, and we believe that this behavior will be mirrored online as they maintain membership in several online networks.

In general, these types of applications allow the user to accomplish certain tasks with ease and efficiency that would otherwise be difficult if not impossible to accomplish. For example, Facebook (much like Kiwibox and Kwick!) allows users to create a custom "home page," and then use the system to locate, communicate with, and create relationships with other users on the system. Because the system allows users to search for others based on keywords, interests, location, or other factors, it allows individuals to create relationships with others who they would never otherwise meet. The net result of the use of this system is a rich network of relationships that transcend the boundaries (such as geography) that previously limited the formation of relationships – and this ability to create new relationships in a new, more efficient and effective way has brought over 800,000,000 active users to Facebook as of late 2011. This enormous growth in users has also spurred dramatic revenue and profit growth as well, making previous investments in these networks extremely lucrative.

However, that is not to say that all good investment opportunities in social networks are a thing of the past; on the contrary, we believe that good investment opportunities in this industry still exist today, and will continue to exist in the future. To invest successfully in this space, however, we believe investors must understand what underlying dynamics govern the success and failure of social networks, both now and in the future. Only by understanding these dynamics can investors make an educated guess as to a social network's probable future value and an investment's current attractiveness.

That said, from an investment perspective, how are the best investments chosen? In other words, in considering various social networks' success and failure, and in trying to assess specific social networks' likely future and/or continued success or failure, what is most important to consider? Above all, <u>we believe the most important variable in assessing the likely future of a social network is the perceived cost vs. perceived value that the network offers each prospective member.</u>

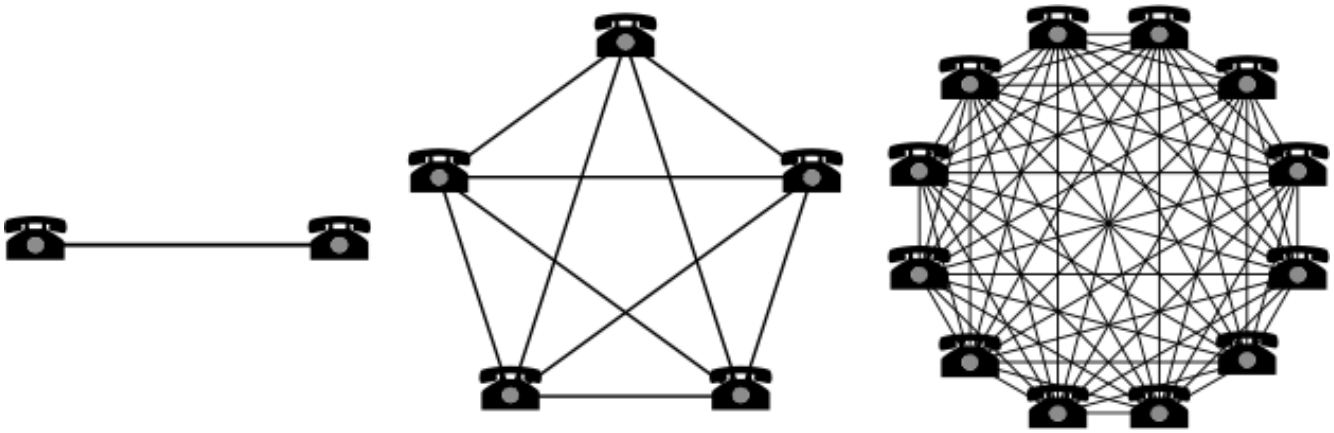
Note: For those investors who are familiar with the Network Effect, a review this section may prove to be unnecessary.

A Network's Value - The Network Effect (Originally Known as Metcalfe's Law)

Originally articulated circa 1980 in regards to Ethernet (a computer networking protocol), Metcalfe's law posits that the value of any network is roughly equal to the number of participants on that network, squared. As

illustrated below, two telephones can make only one connection, whereas five telephones can make ten connections, and twelve telephones can make 66 connections[1].

Connections Grow Exponentially with Linear Participant Growth



Two Participants, One Connection | **Five Participants, Ten Connections** | **Twelve Participants, Sixty-Six Connections**

Although the specifics of the math are beyond the scope of this report, the salient idea is that networks become exponentially more valuable as more and more participants connect to them. Although this concept was originally applied to the value of connecting additional devices to a network, it is also extremely important in understanding the value and defensibility of a social network, especially given our amendments to the original idea.

Simply put, people join a social network when they believe the network will provide them with more value than it will cost them to join, and otherwise they do not. Therefore, an evaluation of a social network and its likely future success depends almost entirely on an assessment of how members of its target market perceive the value it offers, and the cost required of them to benefit from that value.

- **Cost.** From a potential new-user's perspective, the ***total perceived cost*** of joining a new social network can be broken up into two primary components, ***time cost*** and ***learning cost***. Before joining a social network, a prospective user assesses *time cost* based on his or her expectation of how long it will take to join the network (e.g. page setup, friend list creation, etc.), and assesses *learning cost* in terms of how "difficult" it seems the new system will be to learn, get comfortable with, and use. The creator of the system can affect these variables in the aggregate, by making the system easy to use, quick to setup, reliable and bug-free, etc., but at some point these costs are fixed for a given user, and not related to how many others use the system.

- **Value.** From this same perspective, the ***total perceived value*** a user expects to receive from joining a social network can also be broken up into two primary components, ***functional value*** and ***ubiquity value***. The *functional value* a user derives from a social network (or expects to receive upon joining the network) comes directly from the underlying software application itself. Thus, what the system does (e.g. photo sharing) contributes positively to its *functional value*, and its problems (e.g. poor interface design, clunky navigation, software errors, etc.) subtract from its

[1] The actual math in terms of the ratio of participants to connection-possibilities is (n*(n-1))/2, which approaches the value of n^2 asymptotically as the value of n approaches ∞.

functional value. On the other hand, a user assesses a network's *ubiquity value* is solely based on the number of other ***individuals of relevance*** he or she believes are already using the system. We believe that the concept of "*individuals of relevance*" is extremely important here - if this variable is perceived to be weak, no amount of functionality will compensate for that weakness. However, if the perception of this variable is strong, then system functionality can and does have a real impact on *total perceived value* - a multiplicative value, at that.

Individuals of Relevance. We believe that each person's perception of a social network's value is first and foremost driven by how many individuals of relevance he or she believes are already using the network. That said, what is the difference between a network's total users, and those of relevance? As we define it, in declining order of importance, individuals of relevance are:

1. **Those people a user already knows.** This is determined by a social network's saturation of a specific person's social world, either overall, or in a specific context (e.g. local friends who snowboard).
2. **Those people a user might like to get to know**, which is largely determined by overall network popularity, usually in a geographical, educational, interests or other contexts.
3. **Those people a user has met during an event or activity**, and would like to remain in touch with. This pertains to a user's desire to develop relationships initiated in the "real world" that might otherwise be neglected and/or forgotten entirely.

Obviously, the value a prospective member sees in a social network is based on myriad factors that interact based on relatively complex interrelationships. Because of this, social networks have were introduced and began developing along a variety of member characteristics and purposes, including friendship/dating/professional, educational institutions attended, local proximity, hobbies, interests, religion, language spoken, and others.

Social Network Specialization - Phase I

Although the distinctions are still blurry, social networking applications initially developed on one of several functional lines during the first few years of the industry.

- **Personal "friendship" Networks.** The first popular friendship network was Friendster, followed quickly by MySpace, which was purchased by News Corp. in 2005 for (what was then considered a bargain price of) US$580 million. In 2008 Facebook surpassed MySpace in terms of worldwide unique visitors and, largely due to is open application development platform, had completely eclipsed MySpace as the world's leading social network by late 2009. As of Sept 2011 venturebeat.com reported that private sales of stock had placed Facebook's current valuation at a staggering US$82.25 billion., whereas MySpace was recently sold for just US$25 million.
- **Personal Dating Systems.** Really a sub-set of personal networks, dating sites have proliferated in the last decade, with several such as eHarmony and Match.com moving to the top in terms of mindshare and market share.
- **Professional Networks.** Although many social networks were originally focused on a professional niche, only a few survived, the most popular of which is probably LinkedIn (www.linkedin.com). These networks brought users all of the advantages of "personal" social networks, but did so in a specially professional context.

Also, note that social networks also developed along other specialized lines, such as religion, geography, user age, and language.

Social Network Specialization - Phase II

In recent years, we have seen yet another type of social network gain popularity - the event-driven network. These networks act much like personal/friendship networks for all intents and purposes, but with a twist: they

highlight local activities, and help those interested in those activities make more friendships around them and through them.

These networks seem to be general purpose networks, but in fact act as both general purpose networks and as aggregations of single purpose networks, bringing users (and network owners) the advantages of both. Kiwibox is pursuing a strategy consistent with this event-driven approach, both in its core business and in the acquisitions it makes. We believe this is correct and likely to be quite beneficial to all Kiwibox stakeholders.

Company Analysis

Corporate Overview

Kiwibox has been a niche social network for the last twelve years, with what we would characterize as reasonable success in membership growth and no success as a business. The Kiwibox platform was designed to appeal to U.S. teenagers, and combined the look-and-feel of a "traditional" social network with that of a magazine publishing model. However, despite rather high operating costs and the presence of a stated 3M members, the Company was unsuccessful at generating sales.

However, in early 2009 the Company brought in a serially-successful technology entrepreneur (Andre Scholz) to run the Company under a new business model. Under this new model, Kiwibox was to shift its focus from teenagers to young adults in this country, and to focus on enabling and being part of local events, especially in the New York City area. Furthermore, the Company planned to slash operating costs to the extent possible, and recapitalize its balance sheet with equity rather than debt, facilitating additional fundraising. As of today, it is clear that these initiatives have been successful, as the Company is currently burning approximately $50K/month, down from levels of $250K/month three years ago.

Most importantly, however, the Company has begun to show success in its new product strategy, both in terms of Kiwibox.com, and in terms of new acquisitions. According to a recent press release, Kiwibox.com has begun to sign up new members at a rate of 2,000 per day, over 10 times the rate it was acquiring them in the first half of the year - and the Company attributes this acceleration in new members mostly to the success of its local events strategy. Furthermore, the Company has completed two acquisitions this year, the second of which is extremely important to the Company. This acquisition pertains to a German-based social network called Kwick!, which has been highly successful driving sales and new membership under a similar model; according to the Company's press release of 10/4/11, Kwick! had 2010 sales of approximately US$5,000,000. According to the Company, Kwick! has furthermore disclosed it earned nearly US$1,750,000 in 2010, a net profit margin of approximately 35%. We view this acquisition, which cost Kiwibox 7.1M Euros, or approximately $10M, as highly encouraging, as it demonstrates the new leadership team's ability to successfully identify attractive complementary social networks, and then negotiate and complete an acquisition transaction on extremely attractive terms.

Kiwibox currently owns and operates three Web properties: kiwibox.com, kwick.de, and pixunity.com / pixunity.de. Kiwibox is based in New York, NY, and trades on the OTCQB under the symbol KIWB.

Growth Strategy

Kiwibox has adopted what we believe to be a very attractive growth strategy – one that will surely result in a rapidly expanding total market valuation – if the Company is able to continue the initial success it has demonstrated with its internal refocusing and with its recent Kwick! acquisition. This strategy entails the Company identifying and executing a series of synergistic acquisitions of other social networking sites and applications at reasonable valuations. If the Kwick! acquisition proves to be characteristic of this strategy, it will mean that the Company will generate expanding positive operating cash flows and earnings that should be accretive on a per-share basis as well.

Wholly-Owned Social Networks / Applications

The Platform

Kiwibox has a very advanced social networking platform that we consider to be feature-rich on multiple dimensions:

- Provides third-party developers with a well-documented API (application programming interface) that allows them to write "applets" for kiwibox.com and kwick.de. This feature is widely considered to be one of the primary reasons that Facebook was able to surpass MySpace during the latter portion of the last decade.

- Provides users a rich feature set that includes both "dating" and "friend" features, well-targeting (we believe) the young adult markets.
- Is available on both Web and mobile platforms, much like technology leader Facebook and unlike several relatively successful sites such as quepasa.com.
- Allows the Company to license the platform itself to other social networks on a ASP basis, creating the possibility of incremental revenue and future acquisition candidates.
- The Company's sites will soon be available in a Spanish language version as well.

While the success or failure of a social network is not solely determined by its level of technological sophistication, we do believe that it is an important determinate both of initial success (in a competitive environment) and of staying power over time.

Kwick! (www.kwick.de)

Although Kiwibox has only recently acquired Kwick!, without a doubt the Kwick! social network is now the most important part of Kiwibox, both in terms of revenue and in terms of its active users. The Company reports that Kwick! had approximately US$5 million in 2010 sales, approximately $1.75M in 2010 earnings, and has more than 10M registered members – all growing at a rapid pace. Furthermore, the Company was able to acquire Kwick! for approximately US$10M, which is in our opinion a bargain price, given the networks users, growth, and market share strength within its core market of southern Germany. Also, note that the Kwick! acquisition should bring some cost synergies to the Company, as the combined organization is amended to eliminate functional redundancies.

As previously mentioned, the www.kwick.de website helps its members interact online and in the real world.

Kiwibox (www.kiwibox.com)

It's original social network, kiwibox.com was re-launched in 2009 with a focus on young adults rather than on teenagers, and with a more interactive model focused on enabling and empowering social interactions in a local event context. As recently published press release by the Company confirms, the Company's new strategy has begun to pay off in terms of kiwibox.com's success in attracting new members, and we expect this success to continue going forward.

Pixunity (www.pixunity.com)

This is one of many photo-sharing sites online today - the idea behind these sites (including those that have gained the most popularity, such as Flickr) is that users like to upload and share their photo albums with their friends. Given the Company's strategy of acquiring successful next-generation social networks, we believe that this acquisition will have ever-increasing value as it photo-enables more and more of the Company's Web properties. Furthermore, the Company plans to offer physical printing services through Pixunity in the near future, which should both augment Pixunity's functional value and positively impact Kiwibox's sales and earnings.

The technological sophistication of the Company's platform makes both the Kiwibox and Kwick! networks more usable and feature-competitive than they otherwise would be, giving the Company a distinct competitive advantage over smaller would-be competitors. Furthermore, the Company's ability to migrate other social networks to its platform creates acquisition possibilities that might not otherwise be feasible nor attractive. This is an important point both from the Company's perspective and from the perspective of the "target" social networking Companies, whose management will in the future be evaluating the potential attractiveness of being acquired by the Company.

Business Model

The Company's business model is based on its growth strategy, first and foremost, and then on the monetization of its online properties through the sale of advertising and sponsorships. Although it has yet to derive significant revenues from its kiwibox.com or pixunity.com sites, the kwick.de site did generate approximately

US$5M in revenues and US$1.75M in earnings in CY2010, and we expect its sales to grow significantly in CY2011 and beyond. Given the low operating cost structures inherent in the operation of social networks under the Kiwibox model, we would expect it to continue operate its Kwick! property quite profitably this year and in the foreseeable future. As kiwibox.com begins to grow and mature, we would expect this rationale to apply to it as well, in addition to (hopefully) any future acquisitions that the Company makes.

Currently, the company derives most of its advertising revenues from participation in large advertising networks, such as Google's Adsense, which we see as rational but also as presenting an opportunity for future upside. As the Company's networks continue to mature, we believe it will have significant opportunity for price expansion in its advertising sales, as it is able to increasingly bypass the middleman and sell access to its most attractive user-demographics directly to brand owners and local retail businesses.

Key Management

Andre Scholz, *Chief Executive Officer*
Mr. Scholz, a German-born serial technology entrepreneur, joined Kiwibox in May of 2009, nominally as Chief Technology Officer, but functionally as CEO (a title that was subsequently made official). Before joining Kiwibox, Mr. Scholz had had several Internet-related successes dating back to 1996.

Andre Scholz holds an advanced degree from the University of Stuttgart, Germany in electrical engineering and a B.A. in Business Administration and International Accounting. He currently resides in Stuttgart, Germany.

Craig S. Cody, *Chief Financial Officer*
Mr. Cody is a Certified Public Accountant and has served as the Company's Chief Financial Officer since May of 2010, before which time he served as Kiwibox's Comptroller. Additionally, Mr. Cody has over 12 years of experience in accounting and finance.

Mr. Cody holds a B.S. Degree in Accounting from the State University of New York.

Financial Analysis and Financing / Dilution Risk

Kiwibox.com, Inc. presents a rather difficult challenge from a balance sheet perspective, since it has not yet raised the additional investment capital required to complete the Kwick! acquisition. Although we believe that the Company will raise the capital required to complete this transaction, and at reasonably attractive terms to the Company, we cannot be sure of this at this time. Therefore, we cannot currently complete a per-share analysis of the Company at this time, nor an accurate market capitalization or enterprise value, simply because we do not yet know the number of shares and the final balance sheet that will exist when Kwick! is not only bought but fully paid for.

Financing Risk. The Company has as of yet paid for only the first of three contractual tranches that will irrevocably complete the Kwick! acquisition, and the terms of the financing that supported this payment have not yet been made public. Kiwibox does not currently have the wherewithal to make additional payments under the Kwick! acquisition contract, and while we believe they will be able to raise the additional funds this acquisition requires, this belief may be inaccurate, or the funds they raise may be under terms that are unfavorable and/or overly dilutive to common shareholders.

Other Risks

In addition to financing risks, the Company must successfully navigate several significant and non-trivial internal and external risks. These risks include:

- **Acquisition / Transaction Risk.** At this time, <u>based on the current shares outstanding</u> (as of 6/30/11), the Company's market capitalization is in the US$25M range, which is quite reasonable based on Kwick!'s reported 2010 sales of US$5M and earnings of US$1.75M. However, much of our investment thesis is based on the expectation that the Company will be able to make other acquisitions of this nature

and at a similar valuation, which of course may not occur. If the Company is unable to find other acquisition candidates or if they overvalue those companies they do acquire, its per share value will be adversely affected.

- **Execution Risk.** Apart from the aforementioned risks, the Company faces the risk that it will fail to surmount the operational challenges typical of a Company at this stage of development. This will of course cause the Company's actual results to be less favorable than would otherwise be the case.

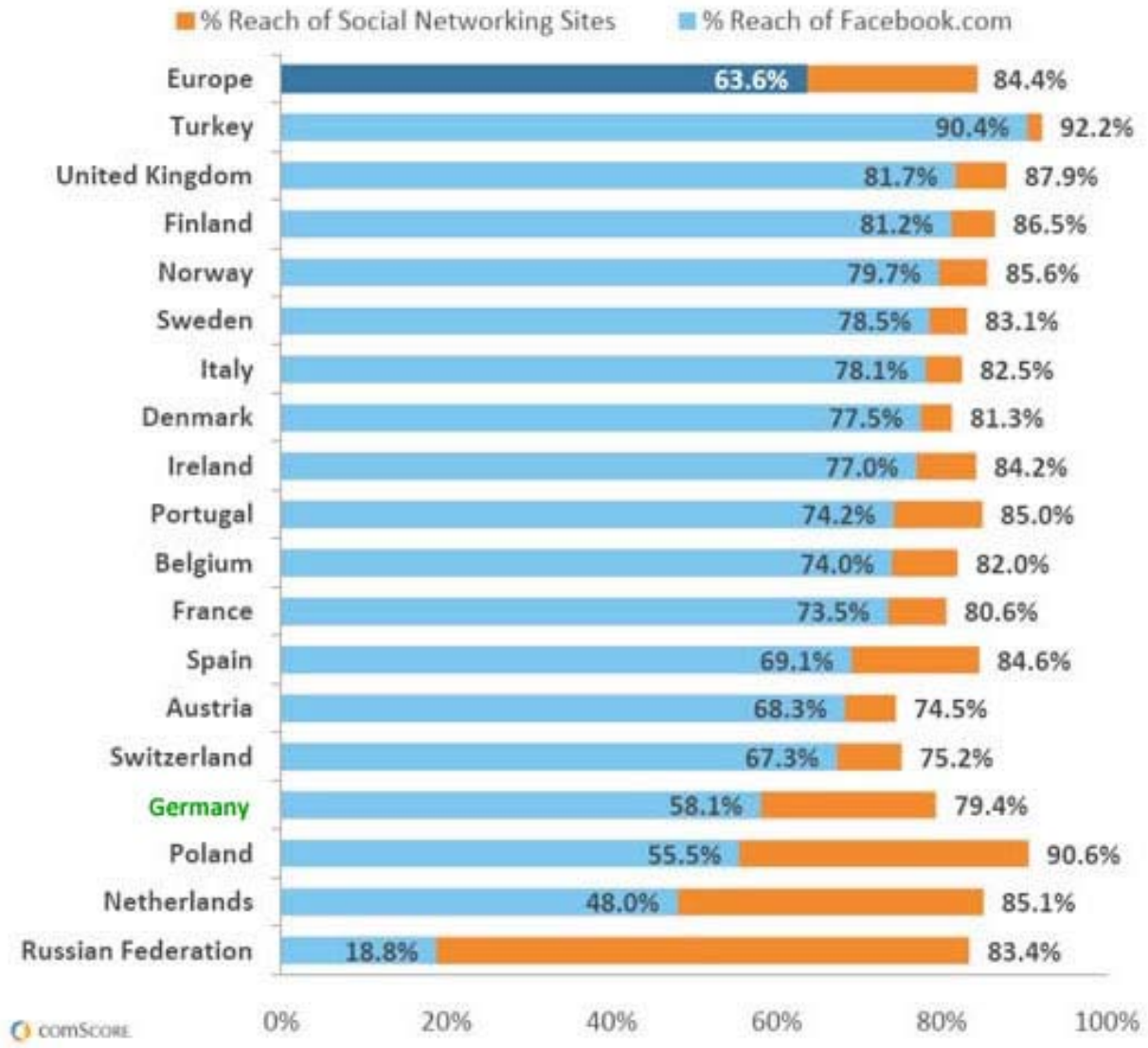
Overall, we believe that investors are being adequately compensated for these risks, given the Company's current market valuation and financing plans; we further note that these risks are completely normal for a Company at Kiwibox's stage of development.

Competition

As of late 2011, the Company's primary competition is Facebook, as it is clearly the preeminent force in social networking on a global basis. However, there are myriad non-Facebook competitors in the market, striving to dominate various niches characterized by age group, networking "purpose" (e.g. Flickr vs. Facebook vs. LinkedIn), language, religion, and geography, to mention a few. We do not believe it is necessary nor even really possible to list them all here; suffice it to say that the social networking space is and will remain competitive, with critical mass being a requirement but not necessarily being enough to guarantee permanent success. To illustrate this point, note that in the summer of 2008 MySpace was widely regarded to have a roughly equivalent valuation as Facebook, at approximately US$10 billion. Facebook valuation estimates as of September of 2011 range as high as US$80 billion or more, whereas MySpace was recently sold for just US$25 million.

Technology. In terms of competition and competitiveness, a site's underlying technology can and does play a significant role. For example, Facebook has excellent technology, which confers benefits such as the ability for third-party developers to write Facebook applications, and the availability of Facebook on both Web-based and mobile platforms. Other currently successful sites, such as Quepasa, have been successful despite these technological advantages; QPSA, for example, offers third-party developers no ability to write applications and is Web-based only. Over time, these technological advantages (or lack thereof) will increasing make a difference in terms of a sites eventual popularity. Note that both Kwick! and Kiwibox.com offer third-party developers the ability to write applications for their systems, and are fully-available on both Web and non-Web platforms such as the iPhone or Android operating systems.

Facebook's Market Saturation, Germany and Continental Europe



source: Media Metrix / Comscore, December 2010

Valuation and Investment Opinion

At this time the current valuation of KIWB shares is somewhat unclear, as we have a good sense of the Company's current sales and earnings but a poorer sense of the eventual dilution that will occur as the remaining necessary investment capital is secured. That said, we remain positive on the Company and its prospects, and on the valuation of its shares, largely because the other publicly traded social networks currently command such premium valuations in the market.

Also, note that the upcoming IPOs of Facebook and Twitter are dramatically heightening awareness of social networks from an investment perspective, and we expect these IPOs to continue to positively affect the valuations of both public and private social networking companies alike.

Public Peer Group Analysis – Kiwibox.com, Inc.

Company Name and Symbol	Price per Share*	Ent. Value*	Price / Member	Member Growth 2012E	Est. '12 Revenue Growth
Kiwibox.com, Inc. (KIWB - OTCQB)	**0.045**	**39.6M**	**$3.96**	**30%+**	**N/A**
Facebook (Private)	N/A	80B+	$100	30%	50%+
QuePasa (AMEX - QPSA)	3.80	53M	$1.51	Unk.	115%
LinkedIn (LNKD – NYSE)	60.00	5.8B	$43	50%+	56%

* Closing prices for U.S. traded equities 11-28-2011, KIWB shares outstanding as of 9-30-11

In addition to those Companies that are public (or soon will be), it makes sense to consider Kiwibox's valuation vs. those companies that have recently been acquired. Although the relevant metrics are different, the obvious conclusion is the same: Kiwibox is quite undervalued.

Acquisition-based Peer Group Analysis* – Kiwibox.com, Inc.

Company Name	Total Members	Value Per Member	Acquisition Date	Acquisition Price
Kwick.de	**10M**	**US$1**	**7/31/11**	**10M**
MyYearBook.com	25M	**US$4**	6/1/11	100M
Lokalisten	1.8M	**US$21**	5/18/08	39M
StudiVZ	1M	**US$135**	2/1/07	135M

* Acquisition data provided by the Company

Conclusion

From an industry point of view, we believe the Company has "got it right" in terms of its competitive strategy. Rather than try to fight industry behemoth Facebook head-on in any of its core markets, it has instead adopted a niche strategy of event-focused social networking. Given the immense size of the global social networking industry, this "niche" still represents extremely large potential from the Company's perspective. From a Company-specific perspective, Kiwibox is an enterprise re-invented. Since early 2010, it has cut its burn rate by approximately 80%, retargeted its kiwibox.com network to young adults and local events (especially in New York City), and recently completed a fantastic acquisition at a very favorable price. Based on these factors, and based on the current and likely future growth in the Company's target markets, we believe Kiwibox.com makes an attractive investment candidate for any growth-oriented investor. Therefore we rate the shares of Kiwibox.com a Strong Buy.

Also, rather notably, we believe the recent string of acquisitions and public offerings in the social networking space should give investors comfort in the likely future valuation of Kiwibox. For example, Kiwibox (with the completion of the Kwick! acquisition) is no longer cash-flow negative, and yet still trades at a relatively low valuation, whereas MyYearBook (still burning cash) was recently acquired for $82M in QPSA shares plus US$18M in cash. Although we cannot quantify exactly how cheap we believe Kiwibox is relative to its peers at this time, we are very comfortable that the gap is sufficient to warrant the attention of any growth-oriented investor.

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.

Explanation of Ratings Issued by Harbinger Research

STRONG BUY	We believe the enrolled company will appreciate more than 50% relative to the general market for U.S. equities during the next 12 to 24 months.
BUY	We believe the enrolled company will appreciate more than 30% relative to the general market for U.S. equities during the next 12 to 24 months.
STRONG SPECULATIVE BUY	We believe the enrolled company could appreciate more than 50% 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.
SPECULATIVE BUY	We believe the enrolled company could appreciate more than 30% 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.
NEUTRAL	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.
SELL	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.

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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 15 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 investment management organization.

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

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.

Mikael J. Asp, CFA **Senior Research Analyst, Technology, Media, and Telecom**

Mikael Asp has over 12 years of investment experience across sell-side equity research, private equity, and hedge funds. Prior to joining Harbinger Research, he was a Technology, Media and Telecom Portfolio Manager for PioneerPath Capital, part of a hedge fund incubation unit in New York. Previously, Mr. Asp was a Senior TMT Analyst at Deephaven Capital in Minneapolis, MN. Mr. Asp also worked at Churchill Capital, a private equity firm based in Minneapolis, MN. Prior to his time at Churchill, Mr. Asp spent three years combined writing sell-side equity research for Piper Jaffray and JPMorgan Chase. Mikael J. Asp is a CFA Charterholder and has a B.A. in Finance from St. Thomas University.