Trickle Research
Every raging river, every great lake, every deep blue sea starts … with a trickle

Earnings Update – 4Q and Fiscal 2018
&
Target Increase

04/16/19

12 - 24 month Price Target: *$15.00

Allocation: 5

Closing Stock Price at Initiation (Close 04/24/17): $1.90

Date of Allocation Upgrade from 4 to 5: 06/07/17

Closing Stock Price at Allocation Upgrade (Close 06/07/17): $1.44

Date of Target Upgrade ($7.50 to $8.50)**: 08/16/18**

Closing Stock Price at Target Upgrade (Close 08/16/18): $4.11

Closing Stock Price @ 04/15/19: $5.49

Social Reality, Inc.

SRAX

(Stock Symbol – Nasdaq: SRAX)

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SRAX reported Q4 and full year results, but as of this writing they have not filed the 10K so there is not much available detail to the numbers beyond the major operating line items. We assume the late 10K is related to some restatements that apply to the past two years of filings and encompass the treatment of (non-cash) items largely with respect to financing derivatives. While we are never happy to see restatements, we don't think this instance (other than the optic) is particularly telling from an operating standpoint. However, we will submit, even the limited amount of information regarding Q4, was enough to glean that it was below our expectations which were already dialed back from some of our prior numbers. On the other hand, there has been a lot going on at SRAX (which we will address in a moment), so we were not particularly focused on the Q4 numbers anyway. That said, there were a few takeaways from the year end call that require review. We will start with the "core" business and then move to BIGToken although frankly, inasmuch as we have tried, it is becoming more and more difficult to separate the two.

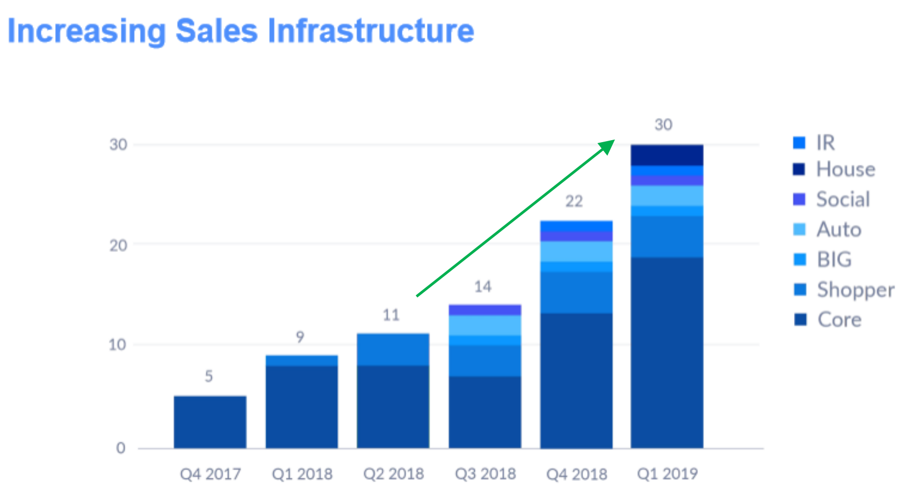
On the call, the Company gave a brief overview of portions of the core business. To edify, the core business generally consists of the following:

- ***SRAXcore*** *is our generalized services and technologies supporting brands and agencies in data management, audience optimization, and multi-channel and omnichannel media and marketing services;*
- ***SRAXsocial*** *is a social media and loyalty platform that allows brands to launch and manage their social media initiatives. Our team works with customers to identify their needs and then helps them in the creation, deployment and management of their social media presence;*
- ***SRAXshopper*** *tools enable brands and agencies to connect with shoppers driving in store and online sales;*
- ***SRAXauto*** *tools enable targeting and engagement with potential auto buyers at dealerships, auto shows, and at home across desktop and mobile environments;*
- ***SRAXir*** *tools to assist public companies in analyzing and marketing to their shareholder population; and*
- ***BIGToken*** *which is a platform for consumers to own, manage and participate in the sales of their digital data, which provides SRAX proprietary audiences and data.*

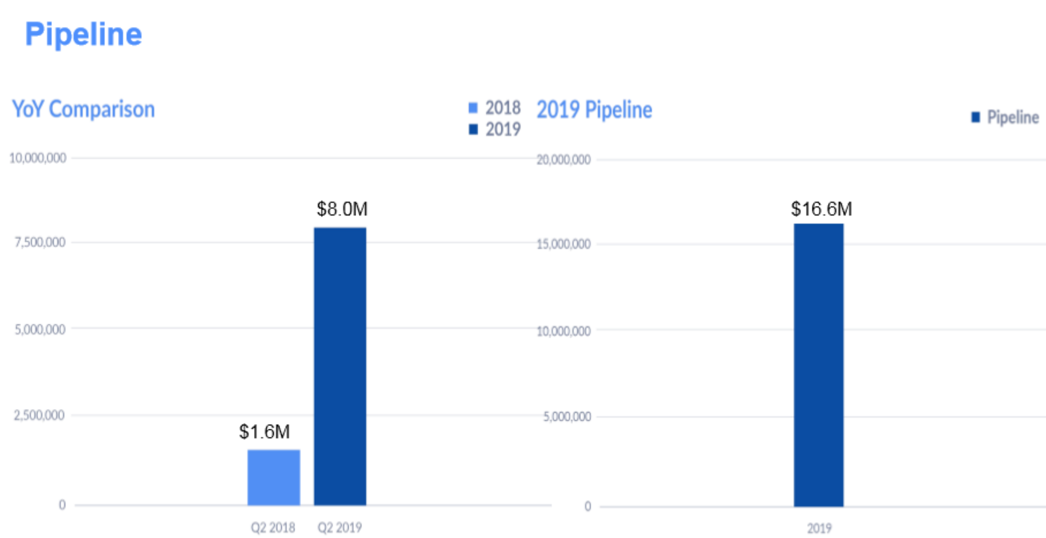
There are a few things to know here. The first three of these have been around for some time, while the last three are relatively new. Excluding BIGToken for a moment, our view is that the first three of these will contribute most of the current Company guidance for 2019, which is for revenues of between $20 and $25 million. To edify, while we are not dismissing SRAXir and/or SRAXauto, we are not addressing them here specifically because we do not expect either to contribute measurably to fiscal 2019 revenues. Specifically, we are modeling less than 5% of revenue collectively. Given some of the narrative, we think the Company is looking for more than that but that is our position for now with respect to our modeling.

The charts below are from the Company's fiscal 2018 yearend presentation. The first of these is a chart that addresses the marked ramp in the Company's sales structure. This probably requires a segue that is topical to another recent event, so before we move to the charts, we will address the segue. Recall, the Company sold SRAXmd in early 2H 2018, for cash of around $33.5 million plus other consideration for a total of about $53 million. Given that sale, we think some in the street may have been surprised to see that *"cash and cash equivalents were $2.8 million at December 31, 2019"*. We were a bit surprised, but in retrospect, and just for edification, while they funded continued operating loses with the cash and they also spent a portion of it closing the transaction (buying back some employee shares related to the deal etc.). They cleaned up the balance sheet by paying down what we think was collectively nearly $12 million worth of payables and debt and, as the charts below suggest, they spent some money bolstering key elements of the business (sales for example) that they generally lacked the working capital to adequately add. Recall, one of the benefits we noted in prior research regarding the SRAXmd sale, was that over the years we have followed the company, the sale represented the first opportunity we could recall that CEO/founder Chris Miglino might have the working capital required to adequately grow the business (at least organically). We think the cash commitments and resulting charts are the culminations of that view and the corresponding growth initiatives. Further, we would note, in conjunction with this notion, the Company recently announced the closing of an equity sale that raised approximately $6 million cash (net) at $4.00 per share. We think that raise should address working capital concerns for the foreseeable future.

The above said, we believe the charts below provide some backdrop for the potential progress of the capital the Company has provided to the legacy business. First, the Company has obviously ramped up its sales efforts by adding staff. Recognize this includes some key hires in important aspects of the current (more mature) verticals. For instance, in January (2019) they announced the hiring of individuals from Walmart and Proctor and Gamble, which of course are germane to the SRAXshopper vertical since these two enterprises represent two of the largest players in the CPG ("consumer packaged goods") space, which is the focus of SRAXshopper. Clearly, the increase in sales muscle since the announcement of the SRAXmd sale is marked:



In turn, it looks as if the investment is beginning to substantially impact the pipeline, which we find encouraging:



Perhaps we should unpack this a bit. Here's what we know. The pipeline at Q2 2018 was $1.6 million, and the following two quarters (3QF18 and 4QF18) resulted in revenues of roughly $3.1 million or nearly 2X that pipeline. Obviously, the pipeline following that point in time (2Q18) grew and was monetized over the 6 months. To that we would add, on the call the Company referenced a "industry standard close rate of about 33% of "pipeline". Looking at it that way, the current full year pipeline is at $16.6 million. Further, that pipeline was generated in the first three months of the year so presumably, it will get much larger through the balance of the year. If we apply the 33% close rate to the $16.6 million full year backlog, we get to revenues of about $5.7 million for the year. further if we applied the same 2X revenue to the backlog as occurred in fiscal 2018, we would get to revenues of something closer to $33 million. We think that probably provides the basis for the Company' guidance of $20 to $25 million which keep in mind does not account or any contributions from BIGToken.

Further, the Company's presentation also points out that SRAXshopper is *"outperforming standard industry click through rates by 300% to 500%"*. That sort of narrative would suggest that perhaps the Company may reasonably outperform the industry close rate as well. Here again if we apply that logic to what we're seeing in terms of the pipeline growth to this point, then the visibility of $20-$25 million becomes clearer. That doesn't mean it will happen, but it does provide some specific metrics to the guidance. So, if we think of the guidance as a function of the pipeline and the close rates of the pipeline, we see the pipeline growing, and they have some additional metrics that speak to the potential for higher than average close rates as well. Moreover, higher click rates may also speak to higher potential CPG. As an extension, they provided some additional color on the pipeline and the efforts to build it noting that they are currently generating 1-2 rfp's per day, leading to *"48 current proposals and 200+ meetings"*. To put that into perspective, while the value of particular campaigns vary, we model a number around $35,000 per campaign, so we estimate that in order to hit $25 million in revenues, we think they would need to do about 300 campaigns per year out of the SRAXshopper vertical. We know the Company is engaged with some of the largest CPG advertisers in the world. Here is a partial list they provided on the call:

HERSHEY'S Coca-Cola Tyson Nestlé P&G CLOROX Fisher-Price

Those campaigns include native advertisements for some of the most recognized CPG brands and products on the planet, at some of the world's largest retailers. Again, here is a sample provided on the call. We would add, the Company also pointed out that it has dedicated sales people on the ground in "key markets like Bentonville, Chicago, Cincinnati…", which speaks to the ad below.

To summarize the point, we think the SRAXmd sale provided working capital to build corporate infrastructure that was needed to grow both the existing and the nascent verticals. We also think some of the metrics the Company has been able to provide around that infrastructure improves the visibility of the core business. Again, we are not suggesting that visibility will necessarily translate to sales, but given the choice, we would rather have the pipeline (and the salesforce to drive it) where it is today than where it was one year ago. It seems to us, that this should lead to highly positive comparative results for the respective verticals 2019 over 2018. Moreover, we think that supports a notion we have also been arguing over the past few months, which is that we believe these collective verticals, which could also be described as SRAX without BIGToken, are *capable* of generative financial results that could support the $8.50 price target we established in August 2018 following the sale of SRAXmd. Granted, we have recast our model around some of the recent datapoints and added clarity around the new verticals, which includes additional sales overhead as illustrated above, as well as some development and other overhead we expect as a result of the BIGToken roll out.

That brings us to BIGToken.

Those who follow our research can attest, we have been very guarded about the addition of BIGToken ***since they first announced it at our investor conference in September of 2017.*** Since that time, we have watched the progress/evolution of the concept with both hope and skepticism. That includes a fair amount of recognition that the stock, largely to our dismay at times, has certainly been tied to the fortune and misfortune of Bitcoin and other cryptos. To be sure, while we understand the conceptual "value propositions", we have not been big believers in the cryptocurrency movement. As a result, we have never viewed BIGToken as the reason to own SRAX, we have never attempted to assess and/or assign measurable valuation of the stock to BIGToken and we have never viewed BIGToken as the endgame… until now.

Before we sail into that new horizon, there are a few salient points to our new perspective.

First, while the genesis of BIGToken may certainly have been "cryptoesque", which at times was actually quite beneficial, the real value proposition has never really been about cryptocurrencies. Understand, the "real value proposition" of BIGToken is that it provides a platform where consumers can monitor and monetize the information about themselves that has typically been sold and bought in the digital advertising world. For years now, that information has been gathered thorough a variety of mediums by a variety of large well-known technology companies and in turn sold to a variety of large and well-known advertisers. In most cases, the information has been gathered without the knowledge or at least the direct input of those same consumers and those consumers have certainly never been paid for *their* information. That premise has provided the basis for the massive growth, revenues and profits of the digital marketing industry. We believe that BIGToken and/or platforms like it, stand to disrupt that premise, and at least some of the power and profit it affords the digital advertising industry.

We don't use the term disruptive often, because we tend to think it is misused and overused in the business world. However, we will reiterate, "*we believe that BIGToken and/or platforms like it, stand to disrupt*" one of the most successful industries of the past decade or so. Further, we don't think this disruption will happen because the 800-pound gorillas of the industry aren't paying attention. We think it will happen because governments and ultimately more informed consumers are going to insist that it happen. Make no mistake, the current processes of aggregating and selling personal consumer data by large technology players is in the crosshairs of several powerful constituencies around the globe and those processes in our opinion are likely to change ... whether they like it or not. If you think that isn't the case, we would suggest that you ask yourself when the last time was that you saw an industry telling the federal government that they need more regulation? (The Economist- April 6, 2019***: Mark Zuckerberg Says He Wants More Regulation for Facebook***). As a result, and in conjunction with some recent BIGToken metrics, we have begun to rationalize our own framework to delineate a potential value of BIGToken, and by extension SRAX's share price. Here are some of those metrics.

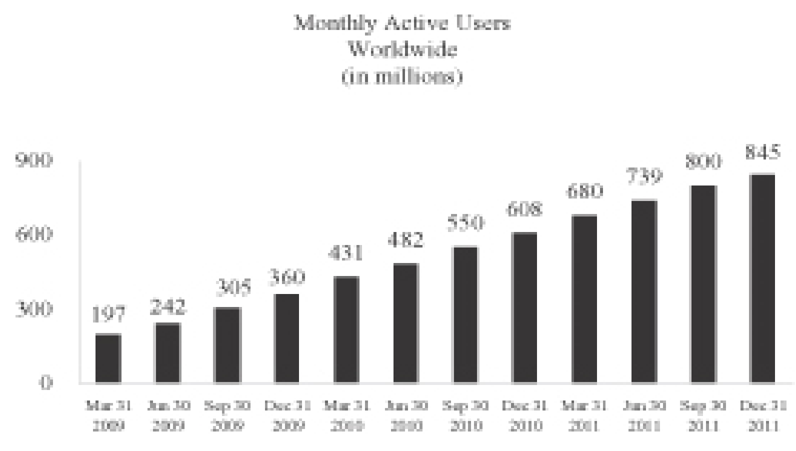
Recall, after spending the prior year developing the BIGToken platform, SRAX commenced a limited beta launch of BIGToken in September 2018. Following that, on their 3QF18 earnings call in November 2018, they provided some metrics regarding their sense of the potential of the platform. We noted those metrics in our update of that call:

"…on the call they noted "when we accumulate 10 million BIGToken users, we believe our run rate will be around $400 million plus annually, while that's ways off our April 2019 goals to reach 500,000 BIGToken users, which we believe will translate into around $1.5 million monthly…". That update also noted the following a bit later in the narrative: …*On the other hand, if BIGToken plays out as management expects, it will change the valuation landscape entirely* (our words not theirs). This is where we think we are today.

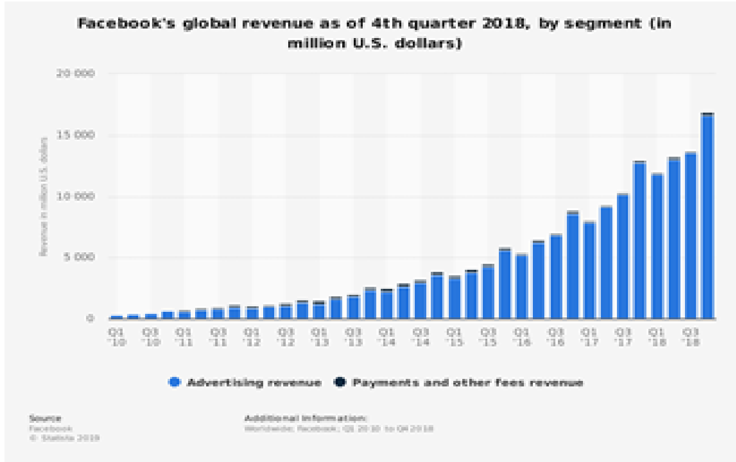
On the recent earnings call, they reiterated these metrics by suggesting that they believed each registered user would ultimately be worth between $3 and $6 per month. The low end of that view ($3 per month) corresponds with the original view. The more remarkable comparison to the metrics from each of these calls has been the number of BIGToken users who have signed onto the platform. In short, on April 8, 2019, the Company announced that **11 million users had signed on the system**. Contrast that with their estimates from the November 2018 call:

"when we accumulate 10 million BIGToken users, we believe our run rate will be around $400 million plus annually, while that is a ways off, our April 2019 goal is to reach 500,000 BIGToken users, which we believe will translate into around $1.5 million monthly…".

Apparently, it wasn't as "far off" as they anticipated. We think it is fair to say that the growth in the registered user base over the past few weeks has been unexpected and frankly, stunning. Further, given the "viral" nature of some of these networks we have seen role out in the past, we think there is a considerable likelihood that the BIGToken user base could expand markedly from here. Consider this chart below regarding some of Facebooks early user base growth:



With control of that size of user base, the advertising revues followed:



While by the start of the above chart, Facebook was well past its launch, notice, despite having 197 million active users in March 2009, they *still* managed to roughly double the number over the next 12 months, and then nearly doubled *that* number to 845 million over the subsequent 7 quarters. To reiterate, we don't think it is off the rails to suggest that BIGToken could double its current user base over the next 12 months, or for that matter, reach several million more users somewhere out there in the future. In fact, we would argue that if BIGToken were to catch on like some of these networks, we would submit that they could (hypothetically) accumulate the second 10 million users faster than the first 10 million users.

In terms of the math, as they note above, if their monthly revenue per user assessment proves accurate, at $3 per month, 11 million users would generate $33 million per month of revenue or $396 million per year. By extension, if they doubled the user base (which, given the growth of the past few weeks seems entirely possible) the low end would of course generate something closer to $800 million per year in revenues. So then, given that the premise of BIGToken is to "share the wealth" with the consumers whose valuable data is generating the advertising dollars in the first place, what does that revenue stream do for SRAX?

We submit, the *form* of BIGToken has been difficult to understand, in part because it has been a bit of a moving target. Some may recall, when BIGToken was first introduced in late 2017, Bitcoin et al. was just beginning its march to all time highs. As we recall, the Company's plan was for BIGToken to essentially be a traditional cryptocurrency, albeit on much the same platform as exists today in terms of consumers getting paid for their own data and interactions. That period included the launch of several Initial Coin Offerings (ICO's), which drew considerable scrutiny from a variety of places not the least of which was the SEC. As a public company, sideways with the SEC was not where SRAX wanted to be, so they sought to develop a rewards "currency" for the platform, that was more in line with a typical registered "security" than a crypto coin. The results of those efforts are what today they refer to as a "tracking preferred" share. They recently filed an S-1 registration statement describing that security, and its relationship to the BIGToken platform. We would encourage readers to review that document for the detail.

To summarize, the BIGToken platform and associated assets reside in a wholly owned subsidiary of SRAX. That subsidiary is referred to as "BIGToken Group". According to the S-1, "*holders of the Preferred Tracking Stock shall have rights to a percentage of the liquidation of assets of the BIGToken Group*". In addition to the establishment of the wholly owned subsidiary (BIGToken Group), SRAX has also establish a "Sinking Fund". When/if the BIGToken platform earns advertising revenues, SRAX will distribute a portion of those proceeds into the Sinking Fund, for the benefit of the holders of the Preferred Tracking Stock. SRAX retains the right to determine the amount(s) allocated to the Sinking Fund. As a result, the users of the BIGToken platform can earn points by providing their personal data through a variety of interactions. Those points can be converted into shares of the Tracking Preferred. As advertisers pay to advertise to the BIGToken platform, those proceeds are "earned" in the BIGToken Group subsidiary. From there SRAX will take some of those proceeds and place them into the

Sinking Fund. Thus, each Tracking Share will have a value equal to its pro rata share of the Sinking Fund. We would note, there are other conversion and liquidation nuances in connection with SRAX common shares that are further described in the S-1.

As we understand it, BIGToken users will also be able to exchange their BIGToken points directly for cash (as opposed to converting them to Tracking Preferred). Obviously, it will behoove SRAX to direct sufficient amounts of the profits from the platform in to the Sinking Fund to continue to incentivize users to provide and maintain their data on the platform, as well as to attract new users. Further, if users believe the platform will continue to grow and prosper, there will be a considerable incentive to convert platform points into Tracking Shares. We would add, as we understand it, the goal is for the Company to establish a secondary market (an exchange listing) for the trading of the Tracking Shares, much like any other stock.

The above noted, that brings us back to the purpose of this update, which is to provide a framework for valuing the BIGToken platform specifically as it pertains to the value of SRAX's shares. To that end, we think it is important to note that as the S-1 establishes, while SRAX has endeavored to create a platform that will incentivize and reward platform users, they have also created a plan that allows them to retain control of the entire process and proceeds of the business. From that perspective, we think it is reasonable to note that regardless of what amounts the platform might earn and what portions of those amounts are placed in the Sinking Fund, SRAX shareholders will be substantial beneficiaries of BIGToken success. Again, we think it is paramount to begin trying to assess what that substantial benefit might be worth.

Some of the basis for the Company's view that each user might be worth \$3 to \$6 per month in revenue is based on the notion that the value of the consumer data in the platform is higher than much of the data that is purchased in the space today, because the data has been gathered *directly and voluntarily from the consumer*s. Further SRAX's expertise lies in part in its ability to segregate data into relevant and related silos. As a result, the Company believes advertisers will pay significantly higher CPM's (cost per thousand) for BIGToken data than for traditional industry data. To edify, that notion played out in SRAXmd, where we believe the Company experienced CPM's in the \$200 range largely because of the value of the specific data. The SRAXmd database was a database of physicians that SRAXmd could further delineate by specialty. As a result, relevant advertiser (pharmaceutical manufactures and/or medical device companies) were willing to pay higher CPMs because they knew they were advertising to doctors. Moreover, the data could be specified so that oncology drugs could be marketed only to oncologists. With that in mind, its not hard to understand how (hypnotically) Home Depot might be willing to pay a higher CPM to advertise directly to consumers on the BIGToken platform who specifically indicated *an interest in shopping at Home Depot*, then they might pay to advertise to broad lists of consumers with no corresponding validation.

Actually, the SRAXmd valuation is a (topical) proxy worth considering, as we think SRAXmd experienced CPM's in the \$200 range, and we think SRAX believes BIGToken can fetch CPM's of at least \$100. So here is some math. Industry estimates suggest there are about \$1.1 million doctors in the U.S. If all of those doctors were in the SRAX database, and the vertical was purchased for \$53 million, that would suggest the buyer paid about \$50 per user. (As we recall, the SRAX database was actually just under 500,000 physicians, so we think the price tag was closer to \$100 per user). However, for the sake of comparison, we believe Snap Chat is currently valued at something around \$85 per user, and Facebook more like \$350 per user, so we don't think \$100 per user is unreasonable. Regardless, if we were to assume the roughly \$50 per user value for SRAXmd and we cut that in half assuming SRAXmd's CPM was/is twice what BIGToken's might be (\$100 per CPM) we would get to a user value for BIGToken's current registered base of 11 million, of \$25 per user. So then, \$25 * 11 million users = \$275 million. If we then assume that 50% of that value should be allocated to the Sinking Fund for the BIGToken users, the remainder (about \$137 million) would be the value of BIGToken to SRAX shares. That number is just over \$11 per share.

In addition to the above, we have developed a handful of models/scenarios around varying assumptions about CPM, revenues per registered user and registered user growth. Like the SRAXmd approach above, we have tried to tie some of these assumptions to other known metrics. As one might imagine, those like the analysis above lead to assessments of BIGToken that are clearly not reflected in the current price of SRAX. Succinctly, the various iterations we have range from an additional $6 per share for BIGToken (based on zero user growth and about $.45 per month per user) to numbers **many multiples** beyond that amount.

We will continue to look to additional data points and respective visibility to try to improve our valuation framework around BIGToken. Specifically, we anticipate that to include periodic updates regarding additional registered user growth, as well as additional color regarding the first advertisers on the platform. To the latter point, as we understand it, technically, the platform is prepared to include advertisers today, but it sounds as if the Company has chosen to continue to focus on building the user base before they flip that switch. We do not know if the recent surge in registered users and/or continued extraordinary growth in that regard will alter those plans or not. Absent any changes to the plan, we expect them to open the platform to advertiser somewhere towards the end of the current calendar year. That could potentially provide a revenue event that we are not currently modeling. To that point, and with respect to the model, we are also unsure about how much the Company may ultimately spend promoting BIGToken. They noted on the call that they originally earmarked about $2 million for the marketing and promotion of BIGToken, but to this point, in part because of the "viral" nature of the launch, they have only spent about $20,000. We have adjusted our model to assume additional marketing in that regard, but we admit, this looks like a wildcard through 2019, and frankly, as they also alluded to on the call, that spend could impact (positive) cash flow for 2019. That will be another data point we will monitor as we move along.

Lastly, as we recently iterated to one of our subscribers (and a significant SRAX shareholder), we tend to view the "perfect" microcap stories as those that have an established and (at least reasonably) predictable core business, coupled with some sort of "moonshot" division or asset, that could create multiple type valuation catalysts in the story. Viable examples of those are not easy to find, and in most instances, they tend to be a function of the evolution of the core business. That is, in many cases the core business/competencies create the basis for developing the moonshot opportunity, often in conjunction with some sort of changing macro events or variables. Those macro events can be driven by economic, regulatory, technological or other related changes or combinations of changes. Given the positive developing status of BIGToken on multiple fronts, we think that is becoming the case with SRAX.

Again, our charge here is to begin recognizing BIGToken as a valuation catalyst for SRAX shares. As we alluded to, we think the magnitude of that catalyst ranges from still perhaps potentially minimal to some number that is several multiples of the current stock price. We recognize, that range of "guidance" is not very helpful. However, to that point, when it comes to the valuation of SRAX, we have always been willing to err on the side of BIGToken being "potentially minimal", but given the recent data points, we just don't think that remains the likely outcome. Granted, we submit that they still need to turn data into advertising revenues, and that could prove more difficult than we surmise. On the other hand, keep in mind that they have already demonstrated they can do that, so we don't think we are taking a huge leap of faith. To that we would add one final point.

Those familiar with our research over the years have likely heard us lament our view on one of the unfortunate realities of small public companies. We tend to believe that most microcap companies are not "efficiently" valued by the marketplace. That just means they are generally undervalued, or they are overvalued but typically not fairly valued. Of course, the reality of that is they are just often difficult to value. Our "lamenting' in that regard, generally stems from the idea that in some cases that valuation equation does begin to gather visibility, but the public markets don't always see it. On the other hand, others (larger companies in the space or others who may recognize a strategic fit for example), may be keenly aware of it. In those cases, we sometimes see acquisitions of those companies at values comfortably above the public market value of the stock, but well below what we would view as "fair value". We actually believe that may be one of the bigger risks in SRAX/BIGToken today. To edify, we think every additional registered user to the BIGToken platform makes the business more attractive to any number of potential suitors. As a result, we hope the market is capable of recognizing the same value.

Given the above, we are establishing a new 12-24 month price target of *$15.00 per share, which represents a 76% premium ($6.50) to our prior target of $8.50. We will assess that target as well as our corresponding allocation of 5, as more data points become available.

** **As a footnote, we prepared this update over the weekend around the most current (at the time) count of registered users, which was 11 million reported one week ago (April 8, 2019). That information was updated on Monday April 15, 2019 to 15 million registered users, a jump of 4 million users in one week. We did not attempt to refigure the BIGToken valuation math above. Obviously, this news would make that math more compelling. Again, we are taken back by the extraordinary rate of registered user growth over the past three weeks or so.**

Projected Operating Model

	(actual)	(actual)	(actual)	(estimate)	(estimate)	(estimate)	(estimate)	(estimate)	(estimate)	(estimate)
	3/31/2018	6/30/2018	9/30/2018	12/31/2018	Fiscal 2018	3/31/2019	6/30/2019	9/30/2019	12/31/2019	Fiscal 2019
Revenues	**$ 2,110,850**	**$ 4,697,351**	**$ 2,015,391**	**$ 1,100,000**	**$ 9,923,592**	**$ 2,944,200**	**$ 4,512,950**	**$ 4,676,100**	**$ 5,675,850**	**$ 17,809,100**
Cost of revenue	$ 818,105	$ 1,320,464	$ 763,610	$ 242,000	**$ 3,144,179**	$ 1,418,500	$ 2,214,570	$ 2,314,905	$ 2,774,948	**$ 8,722,923**
Gross profit	**$ 1,292,745**	**$ 3,376,887**	**$ 1,251,781**	**$ 858,000**	**$ 6,779,413**	**$ 1,525,700**	**$ 2,298,380**	**$ 2,361,195**	**$ 2,900,903**	**$ 9,086,178**
Operating expense:										
General, selling and administrative expense	$ 4,130,258	$ 5,414,791	$ 4,869,232	$ 4,100,000	**$ 18,514,281**	$ 4,344,978	$ 4,506,166	$ 4,228,349	$ 4,326,202	**$ 17,405,694**
Impairment of goodwill	$ -	$ -	$ -	$ -	**$ -**	$ -	$ -	$ -	$ -	**$ -**
Restructirung and Other Operating expenses	$ -	$ -	$ -	$ -	**$ -**	$ -	$ -	$ -	$ -	**$ -**
Income (loss) from operations	**$ (2,837,513)**	**$ (2,037,904)**	**$ (3,617,451)**	**$ (3,242,000)**	**$ (11,734,867)**	**$ (2,819,278)**	**$ (2,207,786)**	**$ (1,867,154)**	**$ (1,425,299)**	**$ (8,319,517)**
Other income (expense):										
Write off of contingent consideration	$ -	$ -	$ -	$ -	**$ -**	$ -	$ -	$ -	$ -	**$ -**
Interest income (expense)	$ (434,785)	$ (486,758)	$ (318,942)	$ (90,000)	**$ (1,330,485)**	$ (91,969)	$ (91,969)	$ (91,969)	$ (91,969)	**$ (367,875)**
Amortization of Debt Issuance Costs	$ (332,658)	$ (472,589)	$ (726,716)	$ -	**$ (1,531,963)**	$ -	$ -	$ -	$ -	**$ -**
Accretion of Put Warrants	$ -	$ -	$ -	$ -	**$ -**	$ -	$ -	$ -	$ -	**$ -**
Other Income (expense)	$ (4,664)	$ (596)	$ 23,988,147	$ -	**$ 23,982,887**	$ -	$ -	$ -	$ -	**$ -**
Total Other income (expense)	**$ (772,107)**	**$ (959,943)**	**$ 22,942,489**	**$ (90,000)**	**$ 21,120,439**	**$ (91,969)**	**$ (91,969)**	**$ (91,969)**	**$ (91,969)**	**$ (367,875)**
Income (loss) before provision for income taxes	**$ (3,609,620)**	**$ (2,997,847)**	**$ 19,325,038**	**$ (3,332,000)**	**$ 9,385,572**	**$ (2,911,247)**	**$ (2,299,754)**	**$ (1,959,123)**	**$ (1,517,268)**	**$ (8,687,392)**
Provision for income taxes	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Net income (loss)	**$ (3,609,620)**	**$ (2,997,847)**	**$ 19,325,038**	**$ (3,332,000)**	**$ 9,385,572**	**$ (2,911,247)**	**$ (2,299,754)**	**$ (1,959,123)**	**$ (1,517,268)**	**$ (8,687,392)**
Net loss per share, basic	**$ (0.36)**	**$ (0.29)**	**$ 1.91**	**$ (0.33)**	**$ 0.93**	**$ (0.29)**	**$ (0.20)**	**$ (0.17)**	**$ (0.13)**	**$ (0.77)**
Net loss per share, basic and diluted	**$ (0.29)**	**$ (0.30)**	**$ 1.91**	**$ (0.33)**	**$ 0.88**	**$ (0.29)**	**$ (0.20)**	**$ (0.17)**	**$ (0.13)**	**$ (0.77)**
Weighted average shares outstanding, basic	**10,037,905**	**10,213,618**	**10,112,804**	**10,112,804**	**10,119,283**	**10,112,804**	**11,762,804**	**11,762,804**	**11,762,804**	**11,350,304**
Weighted average shares outstanding, basic and diluted	**12,522,905**	**10,112,804**	**10,112,804**	**10,112,804**	**10,715,329**	**10,112,804**	**11,762,804**	**11,762,804**	**11,762,804**	**11,350,304**

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Rating System Overview

There are no letters in the rating system (Buy, Sell Hold), only numbers. The numbers range from 1 to 10, with 1 representing 1 "investment unit" (for our performance purposes, 1 "investment unit" equals $250) and 10 representing 10 investment units or $2,500. Obviously, a rating of 10 would suggest that we favor the stock (at respective/current levels) more than a stock with a rating of 1.

As a guideline, here is a suggestion on how to use the allocation system.

Our belief at Trickle is that the best way to participate in the micro-cap/small cap space is by employing a diversified strategy. In simple terms, that means you are generally best off owning a number of issues rather than just two or three. To that point, our goal is to have at least 20 companies under coverage at any point in time, so let's use that as a guideline. Hypothetically, if you think you would like to commit $25,000 to buying micro-cap stocks, that would assume an investment of $1000 per stock (using the diversification approach we just mentioned, and the 20 stock coverage list we suggested and leaving some room to perhaps add another 5 of the names from our profiles). We generally start initial coverage stocks with an allocation of 4. Thus, at $1000 invested per stock and a typical starting allocation of 4, your "investment unit" would be the same $250 we used in the example above. Thus, if we initiate a stock at a 4, you might consider putting $1000 into the position ($250 * 4). If we later raise the allocation to 6, you might consider adding two additional units or $500 to the position. If we then reduce the allocation from 6 to 4 you might consider selling whatever number of shares you purchased with 2 of the original 4 investment units. Again, this is just a suggestion as to how you might be able to use the allocation system to manage your portfolio.

For those hung up on the tradition of more typical rating systems (Buy, Sell, Hold) we would submit the following guidelines.
A Trickle rating of 1 thru 3 would best correspond to a "Speculative Buy" although we would caution that a rating in that range should not assume that the stock is necessarily riskier than a stock with a higher rating. It may carry a lower rating because the stock is trading closer to a price target we are unwilling to raise at that point. This by the way applies to all of our ratings.
A Trickle rating of 4 thru 6 might best (although not perfectly) correspond to a standard "Buy" rating.
A Trickle rating of 7 thru 10 would best correspond to a "Strong Buy" however, ratings at the higher end of that range would indicate something that we deem as quite extraordinary..... an "Extreme Buy" if you will. You will not see a lot of these.