Trickle Research

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

General Research Universe Update

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Those who access our research at least occasionally will notice that we have not had much to say lately. We try to stay on top of the research as bandwidth allows, but the fact is, sometimes, there is just not much new to say. More specific to the current environment, "you can't fight the tape", and the tape has been ugly. Moreover, we are having a hard time finding reason why it is going to get better in the near term. That said we are not sure the decline in asset values should surprise people. To put that into practical perspective, we have noted over the past few years, that we could not recall a time when virtually every major asset class, including some that did not even exist a few years ago (crypto for instance), were all trading at all time highs. Harry Markowitz would be perplexed. While we heard the defenses as to why "this time it is different," one thing we have learned after working through a few market purges over the past few decades is that when pundits start saying "this time it is different", its probably time to duck. Succinctly, there are many investors (us included) who have felt that the market has been rising on borrowed time (literally), and the reckoning was coming. To that point, below is an excerpt from our write up from our Fall 2021 Microcap Conference VIII (November 3, 2021):

"…because of my allocation system, the Trickle "portfolio" sometimes ends up with (theoretical) cash in it (versus the indices which remain fully invested) due to coverage terminations and/or allocation downgrades. At 11/01/21, the Trickle "portfolio" was 16.6% "cash" due to several terminations. *If I am honest, part of that approach has to do with my own concerns about the markets in general, which is another discussion".* That view turned out to be more prescient that we thought:

To be clear, our point here is not to argue or even suggest that we are good market timers. We are not. The fact is, we have been looking for this type of correction for a period that would be better measured in years than in months, although again, and as we will delineate, the pace of our research, supports our more heightened concerns. As we look back, we think the lesson is strikingly similar to the lessons we thought we learned in the prior corrections/down turns, which is that valuation matters. While we submit and as we have experienced, liquidity from fiscal and monetary actions can certainly help keep the high (even absurd) valuation balls in the air, at some point gravity wins, the party stops and the hangover begins. By the way, in our experience, small company shares tend to be more sensitive to liquidity changes than larger company shares (at least to some point), which sometimes results in deeply oversold conditions.

On the good side of things (or perhaps more appropriately, the not-as-bad side of things), there are other lessons we have learned from some of the past corrections. For instance, market destruction creates opportunity. As a result, again drawing on our past experiences, when many of these small names finally hit the bottom, opportunistic buyers will likely make better gains on those names in the following 3 to 6 months than they will the next 3 years. That said, as we noted, we have not provided much in terms of updates since the beginning of the year, so we though the most efficient approach might be this general update touching briefly on each name. We will follow up many of these following 2Q results and or other relevant information. For references, we would add, these companies are updated in the order of their initiation.

- **SRAX, Inc. - (Symbol:SRAX)**

The past 90 days have been rough for SRAX. To be clear, the stock is in the midst of what looks to us like a bit of the "perfect storm".

First, and this gets back to our lament above about equities and asset prices in general, certainly some of the stock's struggles are related to the general market, but is the case of SRAX, since the business plan is tied heavily to microcap equities, their fortunes should logically follow. Tat noted, SRAX has experienced an additional challenge that we think has provided some headwinds for the stock. Specifically, the Company's investment in spin-off and now publicly traded Big Token Inc (BGTK), has apparently created a bit of an accounting quagmire. In short, they indicate that the valuation of the Big Token asset delayed the F2021 10K and continues to delay the Q1-F22 10Q. We accept that, but we are inclined to believe it is not the entire problem.

Our prior research of SRAX has noted on several occasions that its new business plan would likely be tied to the success of the microcap market. Recall, SRAX services are largely paid for with the shares of the public microcap companies they represent. To be clear, we think management has done a great job developing the Sequire platform from scratch, as well as recognizing the need for services such as Sequire in the microcap space in general. That, however, does not erase the elephant in the room, which is that the business plan is deeply tied to the microcap market, which means that when it declines (see the chart of the Russell 2000 above), the impact on SRAX is particularly telling. Here is an excerpt from our notes in 3QF21:

"…We would add, we still remain guarded with respect to the Company's exposure to the overall microcap market, but we assume by now that investors (at least our readers) understand the likely correlation…".

We accept that accounting for BigToken has delayed the financials, however, in our view, the Company's accumulated portfolio of microcap shares likely complicates the accounting (impairments etc.) as well, and we do not see that changing any time soon. Further, we suspect the compression (and illiquidity) in these assets may create some working capital challenges for SRAX as well.

As we have also noted throughout our SRAX research, we are fans of Sequire, in part because we are obviously fans of the microcap space, so we support their efforts in that regard. Further, SRAX is our "oldest" current coverage stock in terms of tenure, as we initiated the coverage in April 2017. We think it is fair to say that we have been constructive on SRAX and SRAX management at many points in time when the street was considerably less enthused. That said, we struggle with visibility here, which is not new since a lack of operating visibility is common amongst most of our coverage stocks. However, in most of those cases, we look for visibility to improve as the operating model advances. In the case of SRAX (since its assets are essentially a basket of companies will collectively poor visibility), we tend to think visibility will be an ongoing problem.

Lastly, as most of our readers are aware, we prefer to be the first analysts in the boat, and we are generally more comfortable with names that have less coverage. Part our reasoning is that as issuers attract more sell side research, we tend to have a bit more difficult time accessing management, which we think is a matter of (their) priority. For instance, they do not list Trickle Research under their Analyst Coverage on their site, which may support our notion about priorities. We understand that, but we do not necessarily have to acquiesce to it.

To summarize, despite some of the challenges we noted above, we think the stock's recent sell-off may be a bit overdone. To revisit another point we have raised in the research, while the business plan has some challenges, they are also ostensibly accumulating a large database of microcap investors, which could ultimately prove quite valuable in and of itself and could provide the basis for much higher future valuations. We are currently assessing our continued coverage of SRAX.

- **First Wave Biopharma Inc. – (Symbol:FWBI)**

Frankly, First Wave (formerly Azure Rx) despite having affixed one of our highest allocations, has been one of the more disappointing companies we have followed. The Company changed management sometime after our initiation, and the inference was that new management represented several advantages including better access to Wall Street. We submit, that was certainly an important consideration since biopharma deals have considerable ongoing cash needs, so access in that regard was/is paramount. In short, the new management did in fact access more capital… a lot of it, and the resulting dilution has been draconian. By the way, we are confident suggesting that more is likely on the way. Perhaps more detrimentally, much of the new capital was used to acquire and advance an entirely new drug, which to date has not performed well in clinical trials. In the meantime, their lead drug, MS1819, which was the basis of our initiation, seems to have been relegated to the back seat (in our view), even though their combination trials with PERTs have been promising, and even the mono trials have reflected some positive results. As to the latter, we submit the mono trials have not met endpoints, but their modifications to their capsules could very well overcome some of those challenges. In short, we still believe that original technology could achieve commercial viability, which presumably would provide considerably more value than the current valuation of the Company reflects. The trouble is, each new round of dilutive financing, diminishes that potential.

Here again, while First Wave is our *second oldest* current coverage stock (initiated in February 2018) we feel like we are out of the loop here as well, as they do not reflect Trickle on the analyst list either.

To summarize, we continue to believe that the original MS1819 technology has a legitimate shot at commercialization and if that were to transpire, it would likely lead to much higher valuations for the stock. Unfortunately, our confidence in management is exceedingly low, much like the street's apparently. Clearly, management has less confidence in the original technology than we do. Barring some unexpected positive, we will likely terminate the coverage shortly, however, with a current market cap of just $4 million, how much worse can it get? We would add by contrast, as we recall, when new management took over in 4Q 2019, the market cap was closer to $20 million.

- **Camino Minerals Corporation (Symbol: CAMZF)**

Camino was originally introduced to us by one of our subscribers, and it too it went through a series of management changes. We were quite comfortable with the original management, but frankly, this was a bit of a speculative shot on copper. To begin with We still see it that way and we do believe current management is focused on developing the resource. That said, there is not much to talk about on a regular basis, but we still like the prospects here both macro and micro, so we may continue to keep it on the list to see if the exploration piece pans out.

- **WiSA Technologies, Inc. (Symbol:WISA)**

We initiated WISA in September 2018 and the stock has largely gone down ever since and some of that dynamic is related to the considerable dilution they have created through equity financings required to support their burn. It has been a challenge. When it comes to our research, we sometimes note that the when we initiate stocks that are not working, it becomes necessary to assess what we did wrong. We often boil that analysis down to either being too early or just being wrong. In the cased of WISA, it is a bit of both.

To edify, while the stock price has been a disaster, the Company has in our view, made considerable strides in terms of customers (manufacturers as opposed to consumers) and the technology continues to advance as well. The trouble has been that while they have garnered adoption/integration from some of the most noted hi-fidelity audio companies in the world, those sales represent a small fraction of the audio market. Moreover, we also think the Company has struggled with messaging in terms of educating consumers about the wireless and performance advantages of their technology. In retrospect, we always believed that messaging was something their manufacturing customers would do a better job of communicating. They did not. As a result, the burden of that messaging and education has fallen solely on WISA. Again, in retrospect, one of the things we got wrong here was the resources that messaging would require, which in part speaks to the capital raise/dilution issues we noted above. However, to management's credit, they did recognize the holes in the story, and in our view, have worked to address the deficiencies again within the confines of limited resources.

Aside from messaging, the Company has worked to improve the breadth of the technology, again within the constraints of available capital. They have advanced the technology to include new 2.4 and 5 GHz modules that will ultimately be applicable to a much broader portion of the audio market as it provides an entre into lower price point consumer electronics products. The expectation here is that the larger addressable market will lead to greater market acceptance/penetration as well as providing other potential licensing opportunities. Specifically, the 2.4GHz version(s) are just entering commercialization, while 5GHz offerings are slated for commercialization in 2023. We continue to believe that the combination of efforts here; increased awareness campaigns and enhanced technology breadth should lead to accelerated revenue growth and ultimately profitability.

On the downside, the Company continues to burn cash and will almost certainly require additional dilutive capital iterations before they reach profitability, which we think explains and perhaps even justifies the modest sub $10 million market cap.

To summarize, we continue to like this story. We think they have a proven and by many measures, superior wireless audio technology platform as well as an established and growing base of well-known consumer electronics manufacturers as customers. Further, they are just entering the market with their new form factors that *should* increase unit sales dramatically. We submit, we have been woefully wrong about the timing/trajectory of the Company's success, but we continue to believe they will see much broader commercial success as they move forward. We submit, risks remain both at the macro level (recession?) as well as the micro level (access to capital and the dilution that goes along with it). We are currently revisiting our model assumptions to account for what we see as added potential risks on the downside, and better visibility with respect to new product commercialization(s) on the upside.

- **Alvopetro Energy Ltd. - (Symbol: ALVOF)**

We will not spend a lot of time on Alvopetro. It has been a monster through much of the market meltdown. Some of that is certainly related to the rise in energy prices, but the other portion is related to the fact that it is firing on all cylinders. We will likely be raising our price targets on Alvopetro shortly as we expect a new production leg in the story.

- **Cavitation Technologies, Inc. - (Symbol: CVAT)**

We probably created some lofty expectations for Cavitation around their water treatment opportunities in the Permian Basin. We submit, that has ramped a bit slower than we/they had hoped largely because they are not the operator and as such are subject to the pace of their partner therein. At the same time, as we understand it, operations in the Permian *are advancing* and we continue to believe that they will continue to do so. Keep in mind, due to the nature of the arrangement, returns from the Permian should reflect 90%+ margins, and should make CVAT profitable with that contribution alone. Further, the Company's core edible oil refining business is accelerating as reflected in recent announcements. To that end, their new LPN reactors are creating several new opportunities outside of edible oil refining, and we expect additional business reflecting those opportunities through the balance of 2022 and beyond.

In addition to the above, they continue to seek other verticals/industries that could benefits from their cavitation/nano technology. These include verticals they have addressed prior such as alcohol, but we believe there will be others as well. We think the stock has been punished in part because of delays in the Permian, but perhaps as much as anything, we think some of its compression is related to the general market contraction. We remain quite constructive on CVAT and will provide some more detailed updates as visibility is available.

- **Sigma Additive Solutions (Symbol: SASI)**

Sigma Additive Solutions (Previously Sigma Labs, Inc.) recently presented at Rocky Mountain Microcap Conference IX (May 2022). The Company's new CEO Jacob Brunsberg presented, while former CEO and current Chairman Mark Ruport attended as well. To reiterate something we noted above, as analysts in early-stage companies, we often find ourselves early in these stories, which certainly has its risks. In that regard, our reflections generally include some consternation around whether we were early or if we were just wrong about the business, the plan, the industry or all the above. To this point, in terms of Sigma, it has been a bi of both.

As we have suggested prior, it is clear to us now that when we first started covering Sigma, they still had some work to do to get the technology to a *scalable* commercial solution. Further, the industry was still struggling with its footing. In retrospect, we think these two notions have gone hand-in-hand on some levels, but regardless, we think each (Sigma and its technology, as well as the additive manufacturing industry) are both better positioned today than when we first started covering the Company.

We submit, Sigma has yet to have a breakout quarter (or two) that might provide a signal that their solution beginning to stick. While we think their recent switch to a subscription model may have impacted that modestly, they still have not established sales momentum. We continue to believe the second half of 2022 could provide some of those signals. Further, we are also convinced that the industry itself is beginning to catch fire, which is paramount to the Company's ultimate success.

We remain positive on Sigma and barring some news that requires more immediate attention, we will update the coverage and our models following 2Q numbers.

- **Vext Science, Inc. (VEXTF)**

VEXT reported Q1F22 results May 30, 2022. Those results were largely what we expected but they also represented a milestone in our view. Recall, because of Arizona cannabis laws, prior to fiscal 2022, they were unable own the business in Arizona. New laws in the state allowed them to own the assets and Q1-F22 was the first quarter they have reported since that change. Again, we think that transition provides much better visibility to the business.

On another note, they also recently established a new $22 million credit facility, which will lower their cost of capital and provide them some flexibility around the timing and breath of their expansion plans. In our view, this more conventional credit facility provides some validation to the business and some of the talking points we have discussed along the way. Again, in our view, the facility is telling.

Regarding our validation comment, we would reiterate, we think VEXT CEO Eric Offenberger is solid. He is a big part of our enthusiasm here. To segue just a bit, despite being located in Colorado, we have been guarded about the cannabis industry since its inception (of which Colorado was big part). There were/are several reasons for that. One of the (two) exceptions to this point is VEXT. While the Company has certainly had its challenges, we believe their deliberate/measured approach to growing the business will prove prescient as we move forward.

The Company has established an integrated profitable beachhead in Arizona and is positioning to do the same in Ohio. While the general environment for equities has been ominous, and the specific environment for cannabis stocks perhaps even worse, we think they will continue to try to manage growth around the environment. However, in our view, they are well positioned (especially given the new credit facility) to facilitate the growth in the business when/where they decide that is most optimal. In the meantime, we continue to view the stock as attractive, as we continue to view the upside as multiples of the current valuation.

- **Texas Mineral Resources Corp. (Symbol: TMRC)**

Texas Minerals has been rangebound for the past 6 months or so (≅ $1.75 - ≅ $2.25). Given the state of the microcap equity markets over the same period, that is probably a victory. Further, inasmuch as equity prices have been under pressure since the start of the year, metals prices have collectively fallen as well. In short, we think much of Texas Minerals' headwinds are systematic.

On the other hand, in June (2022), TMRC's JV partner USA Rare Earth reiterated/clarified its plan to *"invest more than $100 million in developing the manufacturing facility and will utilize its owned facilities and technology to convert rare earth oxides into metals, magnets and other specialty materials….Initial production at the facility in Stillwater (Olahoma) is expected to commence in 2023, with the project aiming to create more than 100 new jobs and generate over $6.6 million in wages once fully operational"*.

In short, while Texas Minerals is the minority partner (20%) in the JV's Round Top REE project in Texas, we continue to believe their share of this asset will ultimately be worth considerably more than the current market cap of TMRC's shares. If the JV is successful in moving the project to commercialization in 2023, we think that valuation disparity will begin to close as that visibility improves. We submit, there is not a great deal to analyze here as our thesis depends on the ability of their partner to move the project to commercialization as well as on what we think will be a favorable climate for domestic REE's. Unfortunately, Texas Minerals has no control over either of those inputs. Nonetheless, we continue to view the stock as attractive at current levels, relative to our $4.00 price target. We would add, they recently reported some updates on their silver development project in New Mexico, that we thought were positive.

- **BioSig Technologies, Inc. (BSGM)**

BioSig had a marked run immediately following our initiation, largely based on some covid technology that ultimately failed. As a result of that run (which actually breached our price target), we reduced our allocation and as the covid itteration waned and the stock retraced, we incrementally re-upped our allocation. Our expectations over the past 12 months or so have been that with hospitals getting back to "normal", the Company would be able to close some unit sales/leases, and that expectation was bolstered by their hiring of sales personnel that we thought would prove effective. So far, through the first half of calendar/fiscal 2022, it appears that they are still not gathering considerable sales momentum. In the meantime, they have done two equity financings (which we did anticipate/model). As we noted in some prior research, with the covid "mulligan" largely behind them, its game time, and as near as we can tell, BioSig remains largely scoreless. On the other hand, they did recently announce a significant win with the Kansas City Heart Institute that looks like multiple units and additional collaborations, which is certainly encouraging.

Again, covid clearly impacted their core opportunities, as hospitals focused on addressing the pandemic and little else. However, we think the challenge for Biosig remains, which is framing the value proposition of the technology and then convincing physicians/hospitals to (literally) buy-in. That appears to be more challenging than we (and ostensibly they) anticipated, which does not bode well for our valuation conclusions and barring some additional constructive visibility, we may need to reconsider our continued coverage.

- **OncoSec Medical Incorporated (Symbol: ONCS)**

We lost much of our access to management when CEO Dan O'Connor resigned. Frankly, the Company has in our view, largely abandoned transparency since that time. Again, just our speculation, but we think the Chinese majority shareholder has an agenda and they do not seem particularly interested in sharing what that might be. Unfortunately, that does not leave us with much reason to keep following the stock because given that backdrop, we are not sure we can lend much to the process. That said, we still believe the technology has considerable promise, so we have a hard time terminating the coverage at current levels. We will likely continue to keep the "coverage" until (if) we get a bit more clarity one way or the other.

- **Aethlon Medical, Inc. (AEMD)**

Aethlon has been considerably disappointing over the past several quarters, but perhaps not for typical reasons. Specifically, when small healthcare/biotech related companies have disappointing news, its generally because of failures in the clinical studies. In the case of Aethlon, the disappointment (in our view) has been in their inability *to get into the clinic in the first place*. To edify, we have followed Aethlon for over a decade, and our belief has been (and still is) that the Company's technology is effective at (among other things) reducing the infection (viral load) from most viruses that impact human beings. In short, their problem has been being able to enroll a clinical trial(s) to prove the thesis. For a variety of reasons we have delineated in prior research, it has historically been difficult to conduct rigorous clinical trials on people who have contracted deadly viruses. At the risk of sounding insensitive with respect to the suffering that covid has caused, we thought the pandemic would provide the Company with ample enrollment opportunities, especially after successfully treating a moribund covid patient under Single Patient Emergency Use regulations in 2020. As it has turned out, despite thousands of potential sick enrollees across the U.S, it appears that they were unable to get their trials established (both in terms of protocols as well as locations) before the pandemic waned. Today, to our knowledge, although they have trial sites now ready to treat patients with the Hemopurifier, they have struggled to find enrollees to treat in the trial. The last information we have is that they enrolled 1 patient in June (2022). However, they did recently announce that the FDA agreed to modify some of the enrollment criteria to broaden the scope of eligible enrollees/patients. To be frank, we never imagined that covid would come and go (although we submit it is not "gone" yet) without Aethlon treating a considerable number of patients. We must admit, we sometimes wonder what goes on at the FDA with respect to the trials and submissions of smaller companies, but its not hard to conclude that there may be a bias at work, which does not bode well for small players like AEMD.

The above noted, we continue to think there is considerable potential here, but we submit, their inability to enroll the trial and demonstrate the efficacy of the device to this point has been disappointing and discouraging. That said, they are still attempting to do that, and while we are certainly not hoping for it, covid may rage again which would likely provide them the chance to prove the product and/or there may be other viruses (monkey pox?) that the Company may be able to demonstrate efficacy against. In the meantime, they continue to pursue trials on the cancer side of the business, which we also continue to view as promising.

To be honest, the disappointment of the clinical challenges has had us contemplating throwing in the towel and moving on from the coverage. However, we continue to believe the technology has a valuable potential role in the treatment of disease(s), and in many instances, those may be diseases where science has few or at least limited answers. Given that potential combined with a sub-$20 million market cap, we cannot get ourselves to throw in that towel, at least not today. We will continue to look for some new milestones that will justify the continued coverage effort. Our hope is that the new trial protocols may provide some of that visibility.

- **CordovaCann Corp. (LVRLF)**

CordovaCann had an interesting announcement a few weeks ago:

TORONTO, June 8, 2022 /CNW/ -- Star Buds Cannabis Co., a Canadian cannabis retailer, operating under CordovaCann Corp. (CSE:CDVA) (OTCQB:LVRLF) in Ontario, Alberta, Manitoba and British Columbia, has entered into a partnership with DoorDash Technologies Canada to launch cannabis pickup on the DoorDash Marketplace app. The initial launch will be across Star Buds locations in Barrie and Innisfil, Ontario, bringing the accessibility and convenience of online ordering and pickup of cannabis products to consumers outside of metropolitan areas.

We have had some discussion with management regarding the news and we think there are some elements to the story that may not be apparent. First, we think it is important to note that Cordova is currently the ONLY cannabis company with a relationship with DoorDash (in either Canada or the U.S.) which we think is a bit of a coupe for CordovaCann. As we understand it, they had some relationships that lead to discussions that ultimately led to this arrangement. We submit, as we understand it, they likely will not end up being the only cannabis retailer on the platform, but we do think their first mover status will afford them some advantages that others may not end up enjoying.

As a result of this arrangement, we expect to see the Company add stores in areas where DoorDash and associated data suggest they should put them to best optimize the arrangement. That may mean perhaps, in areas where DoorDash has a high saturation of delivery customers as opposed to more traditional retail areas with high foot traffic (and higher rents). Again, we suspect this arrangement will be a major driver in the Company's decision regarding retail expansion in Canada, and while its "launch" has been relative benign, we expect the collaboration to gather breadth as it moves forward. This is a milestone event for CordovaCann.

- **Healthy Extracts Inc. (Symbol: HYEX)**

We started covering Healthy Extracts in 4QF20. Our interest in the story stemmed from the fact that we have written some nutraceutical deals in the past that have worked well so thought this could be another. The company has not performed as we had modeled, although we think some of that is related to Covid (for instance they have a considerable piece of white label business that is sold through MD's offices, many of which were effectively virtual through 2020 and parts of 2021). Further, they have two primary products; Bergamet, which is an antioxidant and cholesterol nutrient, and UBN, which is a brain health supplement. Some of the lag in their performance has been related to the latter of these taking a bit longer to get to the market than we had anticipated, but frankly, we think the shortfalls are more related to limited available marketing resources due to their struggles to raise capital given the general market environment. That said, for Q1F22, they operated near operating breakeven, despite a lower revenue profile than we projected, so while the revenues have been disappointing, we think they have done a good job of managing their limited resources.

The above said, management has been difficult to communicate with, which is not a critique per se, because we think that is also a function of their limited working capital profile. Further, we could have done a better job of updating the results, but again, they have not been remarkable one way or the other.

We will update the numbers following 2QF22 results and try to touch base with management to decide where we take the coverage from here.

- **Fortitude Gold Corporation (FTCO)**

Fortitude typically does not provide may surprises, good or bad, and that has been the case since their presentation at our May (2022) conference. They did provide some additional promising drill results at Golden Mile, which barring something unforeseen, should become their next producing asset. They also announced preliminary production results for 2QF22, which look to be just under 11,000, which is the high end of their typical 10,000 ounce per quarter goals. Again, they have production at Isabella Pearl dialed in, so we generally expect something within 10% or so of their 10,000 ounce target.

In the meantime, gold has been softer than we might have expected given the inflation backdrop, although the Fed's aggressive rate response has probably contributed to that decline. Further, given that many traditional financial correlations have fallen apart over the past few years as liquidity reigned, it is not particularly surprising that the gold/inflation correlation might breakdown as well. Regardless, we still view Fortitude as a small value/income pure (gold) play, with the potential for upside revaluation as new production and reserve visibility emerges.

- **COMSovereign Holding Corp. (COMS)**

COMSovereign has been monumentally disappointing since our initiation in July 2021. The stock began contracting after the announcement of their 3Q financial results which were well below our (and management's) expectations, and it has since traded to less than 10% of our initiating price. We often suggest that one of the keys to successful microcap investing is avoiding getting your head lopped off by stocks that trade down to near zero levels. Clearly, we did a poor job of adhering to that rule when we initiated COMSovereign.

In retrospect, as we understand it, much of the revenue shortfall was related to substantial drone orders that did not materialize. Again, as we understand it, some of that failure was related to the (then) new administration's posture around the southern border where those drones were to be deployed. We certainly do not know the minutia, but the result was a substantial revenue shortfall, which has in turn led to a cascade of other negative events, starting with working capital constraints. Following the 3Q numbers, we thought they might subsequently land some of the drone orders, which the Company suggested they felt was the case. Unfortunately, they have been unable to file the 4QF21 and full year F21 financials, so we are not sure what happened in Q4. They did announce preliminary year end revenue numbers to "exceed $15.8 million" which would put them in line with our revised model (revised following the 3Q release), but again, they have not filed the 10K, which by now is quite delinquent, which is also not particularly positive for the shares.

Collectively, the events of the past year, which include ongoing working capital issues, are generally the sort of thing that make us terminate coverage. However, as with some of the other coverage stocks that have been beaten down over the past 6 months, COMS shares are at a point where the market cap is so modest that terminating the coverage is akin to closing the barn door after the horses have escaped.

On the flip side, COMS has made a few constructive announcements regarding commercial wins (including a drone/aerostat sale), as well as the recent sale of its plastics division, which should help with working capital.

We remain constructive on the 5G thesis we laid out in the initiating coverage, as well as on COMSovereign's technology within that opportunity. However, the story remains precarious, and we will look to new information (or lack thereof) to determine our path forward in terms of the coverage. We submit, it is difficult to maintain coverage without current financials, especially given their acute working capital issues.

- **Selectis Health, Inc. (Symbol: GBCS)**

Like some of our other coverage names, Selectis is *also* still in the process of completing its FY-2021 filing, which has in turn delayed the Q1-F22 filing as well. That is a disappointing posture regardless of the reasons, and it is certainly not an optic that typically helps the stock price or lends itself to timely analysis. That said, the Company has provided some positive operating guidance pertaining to the first half of the year.

To reiterate, the late filings are certainly not a welcome development, but we remain positive about the Company's prospects as they emerge from the Covid challenges that we think lingered through portions of Q1-F22. Put another way, the notion that the U.S. population is facing a bulge of aging citizens that will ultimately require institutional shelter and care has not changed and we think Selectis remains positioned to fill some of that need.

- **Vivakor, Inc. (Symbol: VIVK)**

Vivakor has had some interesting (heavy) trading days through the first half of 2022. To be honest, we are not sure what to make of that. More specifically, they recently announced the signing of *"a definitive agreement to acquire companies with assets located in two major U.S. oil basins with long-term contracts in place"*. The announcement provides additional information regarding the acquirees:

> *"…the definitive agreement is to acquire Silver Fuels Delhi, LLC (operating in Louisiana) ("SF Delhi") and White Claw Colorado City, LLC (operating in Texas) ("WCCO"). If consummated, the acquisitions will enable Vivakor to enter a synergistic segment of the energy industry with the combination of a crude oil gathering, storage, and transportation facility, which feature long-term ten year take or pay contracts. In 2021, SF Delhi generated $33 million in revenue and positive operating cash flow".*
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> *SF Delhi owns and operates a crude oil gathering, storage, and transportation facility located on approximately 9.3 acres near Delhi, Louisiana. For a period of 10 years, SF Delhi is, under existing crude oil supply agreements with White Claw Crude, LLC, guaranteed a minimum gross margin under a take or pay contract. At present, SF Delhi is gathering approximately 1,400 to 1,700 barrels of crude oil on a daily basis.*
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> *WCCO owns a 120,000 barrel oil storage tank, in the heart of the Permian Basin, located near Colorado City, Texas. The storage tank is presently connected to the Lotus pipeline system and Vivakor intends to further connect the tank to the Medallion and Wolf pipeline system if the acquisition is successfully completed. Under the terms of an already existing agreement, White Claw Crude, LLC has agreed to lease the oil storage tank for a period of 10 years. As with SF Delhi, WCCO would provide Vivakor with the infrastructure to blend and sell oil which has been recovered via Vivakor's RPC machine from tank bottom sludge and contaminated soil which exists in the Permian Basin.*

As we understand it, these acquisitions fit with some of the Company's endeavors to clean oil storage tank sludge, but the greater synergy may be in the relationships that the owner of these assets may bring to Vivakor. Also from the release:

> *James Ballengee, the principal of Jorgan and JBAH, is a noted expert in the oil industry, having previously built and sold several sizable companies which operated in the oil industry, including Bridger Logistics, which was sold to Ferrellgas Gas Partners, L.P. for approximately $840 million. We anticipate welcoming James to the Vivakor team, as he utilizes his decades of energy industry experience to help drive our business development efforts moving forward."*

This deal appears a bit zero-sum on the face. A big portion of the purchase is a sellers note that is essentially paid with the cash flow from the acquired assets. That is, while it should add revenues and be accretive, it will not generate cash for Vivakor until the note is paid back. We get that. However, to reiterate, the synergy of the deal (Mr. Ballengee's ability to open doors for Vivakor and perhaps create some other opportunities to place their RPC machines throughout the oil industry) is probably the most cogent part of the transaction. That said, Vivakor is giving up roughly 20% of the Company, which we think is likely part of the reason the street does not appear to be particularly receptive to the deal. However, if the synergies are as we suggested, we think the deal could prove quite additive. We will provide an individual update following the 2Q-F22 results.