

**Sernova Corp. (SVA.TO)**  
**Rating: Buy**

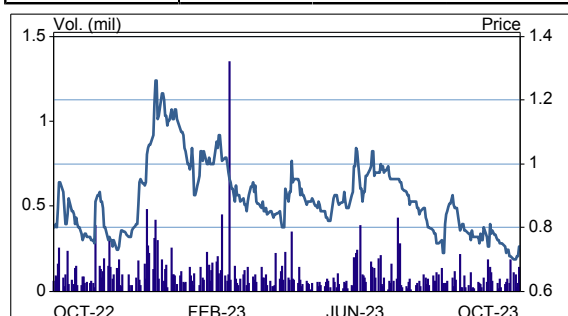
Joseph Pantginis, Ph.D.  
646-975-6968  
[jpantginis@hcwresearch.com](mailto:jpantginis@hcwresearch.com)

Matthew Keller, Ph.D.  
212-856-5745  
[mkeller@hcwresearch.com](mailto:mkeller@hcwresearch.com)

Sara Nik, Ph.D.  
212-916-3970  
[snik@hcwresearch.com](mailto:snik@hcwresearch.com)

## Shields Up!; Conformal Coating Protects Transplanted Islet Cells From Immune Surveillance

Stock Data		10/27/2023	
Price		C\$0.74	
Exchange		TSX	
Price Target		C\$6.00	
52-Week High		C\$1.28	
52-Week Low		C\$0.68	
Enterprise Value (M)		C\$197	
Market Cap (M)		C\$224	
Shares Outstanding (M)		303.3	
3 Month Avg Volume		64,017	
Short Interest (M)		0.09	
Balance Sheet Metrics			
Cash (M)		C\$27.20	
Total Debt (M)		C\$0.00	
Total Cash/Share		C\$0.09	
EPS (C\$) Diluted			
Full Year - Oct	2021A	2022E	2023E
1Q	(0.01)	(0.02)A	--
2Q	(0.01)	(0.02)	--
3Q	(0.01)	(0.02)	--
4Q	(0.01)	(0.02)	--
FY	(0.03)	(0.08)	(0.08)
Revenue (C\$M)			
Full Year - Oct	2021A	2022E	2023E
1Q	C\$0.0	C\$0.0A	--
2Q	C\$0.0	C\$0.0	--
3Q	C\$0.0	C\$0.0	--
4Q	C\$0.0	C\$0.0	--
FY	C\$0.0	C\$0.0	C\$0.0

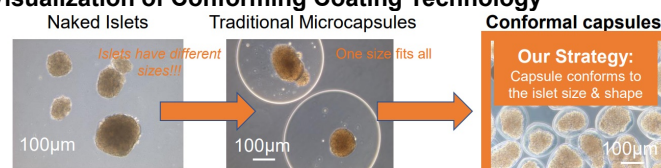


**Preclinical data show conformal coating is a safe and effective way of improving islet cell transplant into the Cell Pouch.** This morning, Sernova reported preclinical data related to its conformal coating immune protection technology program at the IPITA, IXA, and CTRMS Joint Congress '23. We remind investors, the conforming coating technology was developed to protect islet cells following transplant into the company's Cell Pouch device, and reduce dependency on immunosuppressive medications. The process is also predicted to increase the safety and efficacy of the strategy, without altering cell function, in T1D patients. Key takeaways, per the study authors, include:

- The final conformal coating exhibits significantly improved cell compatibility and overall biocompatibility.
- Coated islets were tested, in combination with the Cell Pouch, in a syngeneic animal model of T1D to assess the safety and efficacy of the combined product.
- Biocompatibility of coated islets in the Cell Pouch was confirmed histologically demonstrating healthy islets within the vascularized tissue matrix; moreover, normal physiological transfer of glucose-stimulated insulin from the conformal coated islets within was confirmed.
- A series of studies using conformal coated islets, using the Cell Pouch, in an allogeneic rat model of T1D established the optimal conditions to achieve diabetes reversal.
- Significant progress has been achieved in manufacturing of the coating scale up equipment; a significant step towards preparing for clinical endeavors.

Although this morning's disclosure pertains primarily to pilot studies, protocol refinements, and formulation optimizations, we believe these data are particularly compelling. Sernova and its collaborators have a history of conducting comprehensive preclinical and investigational work to establish the Cell Pouch's activity in T1D and metabolic diseases. These results are another nice addition this growing body of work. The conformal coating technology has the potential to significantly enhance the islet cell translation protocol. If success in clinical trials, the conformal coating could boost the safety and longevity of the company's treatment strategy, provide even more clinical benefit for patients, and increase the value of the device and the procedure, in our opinion.

### Visualization of Conforming Coating Technology

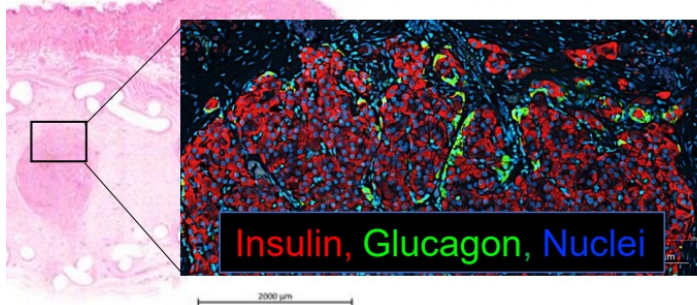


Source: Tomei A., IPITA, IXA, and CTRMS Joint Congress '23 presentation.

- Using histology and immunofluorescence, investigators compared the function of 'naked' vs. conformal coated (CC) islets in the cell pouch. Compared to naked islets (top panel), CC islets appear to produce similar amounts insulin and other metabolic molecules critical in blood sugar regulation (bottom panel). These results suggest the conformal coating technology is not negatively affecting islet cell function in the device.

#### 'Naked' Islet Cells Within the Cell Pouch

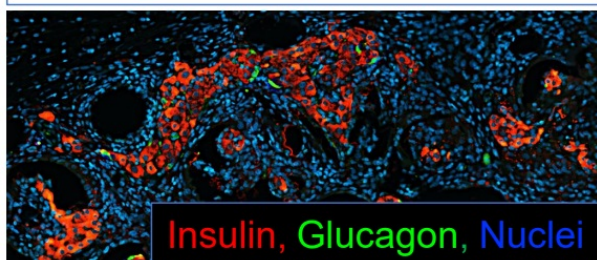
##### Naked islets in Cell Pouch™



Source: Tomei A., IPITA, IXA, and CTRMS Joint Congress '23 presentation.

#### Conformal Coated Islet Cells Within the Cell Pouch Functional Normally

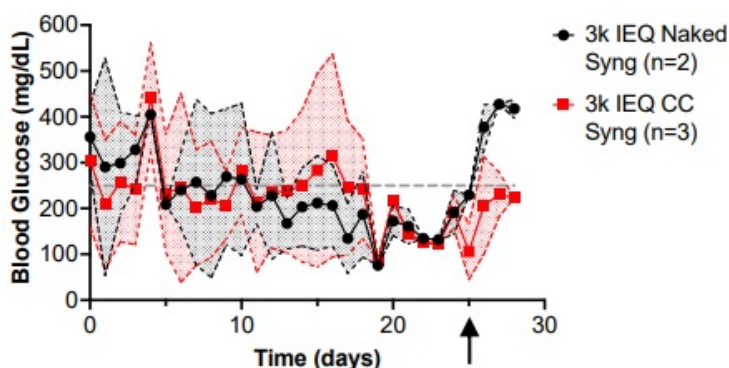
##### CC islets in Cell Pouch™



Source: Tomei A., IPITA, IXA, and CTRMS Joint Congress '23 presentation.

- To better evaluate the function of coated islets, a series of animal transplant experiments were conducted using islet cells and Sernova's Cell Pouch device.
- These preclinical experiments demonstrate translated conformal coated islets are effective at potentially treating diabetes. It should also be noted, in our opinion, although in animals, the inclusion of CC islets led to no discernable safety or tolerability issues.
- The data below support already robust evidence bolstering the Cell Pouch device's potential to treat T1D in a safe and effective manner. The conformal coating appears to only make this case stronger by protecting from immunosurveillance and reducing the dependency on immunosuppressive agents.

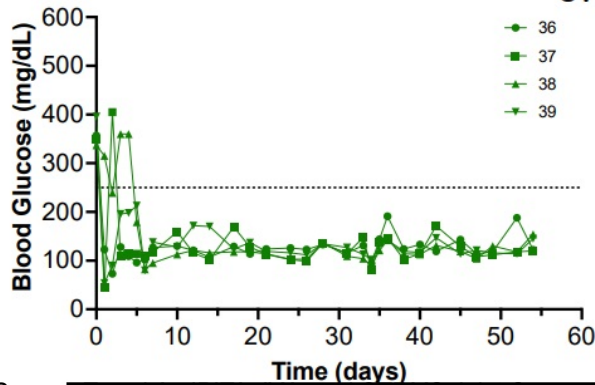
#### Conformal Coated Islet Cells Improve Blood Glucose Levels in a Syngeneic Rat Model



Source: Tomei A., IPITA, IXA, and CTRMS Joint Congress '23 presentation.

- In an optimized transplant protocol, abatacept is included with the islet transplantation into the Cell Pouch.
- We remind investors, a major goal of developing the conformal coating technology is to reduce the number of and time on immunosuppressive agents following islet cell transplant.
- Here, investigators demonstrate the addition of a single immunomodulating molecule is sufficient to maintain improvements to blood glucose, weight gain, and C-peptide levels (data not shown) following transplant.

### Conformal Coated Islet Cells Reverse Diabetes Using an Optimized Protocol



Source: Tomer A., IPITA, IXA, and CTRMS Joint Congress '23 presentation.

**Cell Pouch Phase 1/2 trial continues a steady march forward.** Last week, Sernova provided an interim look and lessons learned from its ongoing Phase 1/2 clinical trial assessing its Cell Pouch device in Type 1 diabetes (T1D) and hypoglycemia unawareness during an oral presentation at the IPITA, IXA, and CTRMS Joint Congress. Recall, this study consists of two cohorts: Cohort A and Cohort B. Cohort A utilizes the 8-channel Cell Pouch device (n=6), while Cohort B employs an 10-channel device (>50% greater capacity compared to 8-channel; n=7) in tandem with a better-tolerated immunosuppressive regimen. The primary objective of the study is to better assess the safety and tolerability profile of allogeneic islet transplantation into a pre-vascularized Cell Pouch in patients experiencing T1D, impaired hypoglycemia awareness, and a history of severe hypoglycemic episodes. Key takeaways from the trial thus far, per the authors, include:

- 5/6 (83%) patients in Cohort A discontinued insulin therapy following islet transplantation into the Cell Pouch and modest islet top-up via portal vein (post-transplant follow-up periods ranging from 6 months to 3.5 years).
- 6/6 (100%) patients achieved HbA1c values in the non-diabetic range (<6.5%);
- 6/7 planned patients of Cohort B have received the higher capacity 10-channel Cell Pouch and 5/7 of planned patients have received a first islet transplant.
- Stable fasting and stimulated serum C-peptide levels were observed following a single islet transplant into the 10-channel Cell Pouch in the first assessable Cohort B patient that subsequently achieved insulin independence with a modest portal vein top up. The same patient showed modest but favorable improvements in HbA1c.
- Implantation with both the 8-channel and 10-channel cohorts were well tolerated.
- For additional data and analysis from this presentation refer to our previous note: [\*Efficacy Matures in T1D With Continued Striking Insulin Independence; Reiterate Buy\*](#)

Moreover, as part of the presentation, the company highlighted numerous aspects of protocol optimization learned from Cohort A that can be applied to Cohort B (i.e., optimal suspension technique and islet density for most robust results). We believe these observations should help increase the likelihood of the trial's success and improve the device's overall efficacy and safety profile. We are particularly interested in how the 10-channel device can improve on the 8-channel with a capacity to accommodate higher islet dose at target concentrations that is predicted to lead to insulin independence. The updated data from this presentation, in our opinion, are encouraging and indicative of the Cell Pouch's potential. Despite early clinical evaluation, the signals of a favorable safety profile in tandem with impressive response rates support Sernova's strategy and justify further investigation, in our opinion. We are encouraged by the trial's progress and look forward to data and updates in the near future that we believe should provide welcome guidance related to the design, initiation, and timeline of a possible Phase 3 pivotal study.

**Valuation and risks to price target achievement.** We reiterate our Buy rating and C\$6 price target; we also believe visibility for the company should increase around its opportunities around its Cell Pouch system across multiple indications starting with T1D in driving insulin independence in patients. To this end, we value Sernova on the proverbial low-hanging fruit addressing hypoglycemic unawareness patients being monitored by their physicians. We project that the Cell Pouch system could reach the market in the U.S. in 2027, and assign a 25% chance of success on sales of \$2.3 billion; importantly these peak sales are based on a very low approximate 2.1% market penetration in the hypoglycemic unawares population. We believe the market could be significantly larger with the broader T1D population and the continuing dramas surrounding insulin supply and its costs. Currently, the data support, at the minimum, a two-year, cell implant impact on insulin independence, which we believe has a significant impact on the broader healthcare costs of T1D patients. Our price target is based on our clinical net present value (NPV) model, which allows us to flex multiple assumptions affecting a drug's potential commercial profile. Factors that could impede reaching our PT include failed or inconclusive clinical trials, the inability of the company to secure adequate funding to progress its drugs through the development pathway or the occurrence of dilutive capital raises.

(CDN\$ in millions except per share data) - October fiscal year

<b>Profit &amp; Loss</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>
Licensing and R&D revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Milestone revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Product and Royalties	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	151.2	600.1
Other revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Revenues</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>151.2</b>	<b>600.1</b>
CoGS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	18.1	72.0
<b>Gross Profit</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>133.1</b>	<b>528.1</b>
<i>Gross margin</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>88%</i>	<i>88%</i>
G&A	2.0	2.5	2.3	9.2	9.7	11.4	13.9	16.4	18.4	21.2
R&D	2.0	2.8	4.6	13.4	15.0	19.9	23.5	27.0	33.7	45.5
Other op ex	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>(4.0)</b>	<b>(5.3)</b>	<b>(6.9)</b>	<b>(22.6)</b>	<b>(24.6)</b>	<b>(31.3)</b>	<b>(37.4)</b>	<b>(43.4)</b>	<b>80.9</b>	<b>461.4</b>
<i>EBIT margin</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>54%</i>	<i>77%</i>
Depreciation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization Intangibles	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBITDA</b>	<b>(4.0)</b>	<b>(5.3)</b>	<b>(6.9)</b>	<b>(22.6)</b>	<b>(24.6)</b>	<b>(31.3)</b>	<b>(37.4)</b>	<b>(43.4)</b>	<b>80.9</b>	<b>461.4</b>
<i>EBITDA margin</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>54%</i>	<i>77%</i>
Non operating expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Interest Income/Other	0.0	(0.1)	(0.0)	0.0	0.0	0.0	0.1	0.3	0.3	0.3
Interest expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBT</b>	<b>(4.0)</b>	<b>(5.3)</b>	<b>(7.0)</b>	<b>(22.5)</b>	<b>(24.6)</b>	<b>(31.3)</b>	<b>(37.3)</b>	<b>(43.1)</b>	<b>81.2</b>	<b>461.7</b>
<i>EBT margin</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>54%</i>	<i>77%</i>
Provision for taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	20.3	115.4
<b>Net Income</b>	<b>(4.0)</b>	<b>(5.3)</b>	<b>(7.0)</b>	<b>(22.5)</b>	<b>(24.6)</b>	<b>(31.3)</b>	<b>(37.3)</b>	<b>(43.1)</b>	<b>81.2</b>	<b>461.7</b>
Participation of preferred stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net Income to common</b>	<b>(4.0)</b>	<b>(5.3)</b>	<b>(7.0)</b>	<b>(22.5)</b>	<b>(24.6)</b>	<b>(31.3)</b>	<b>(37.3)</b>	<b>(43.1)</b>	<b>60.9</b>	<b>346.3</b>
<i>net margin</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>40%</i>	<i>58%</i>
Number of shares - basic	175.9	197.3	245.5	266.4	292.0	301.5	309.3	350.0	355.4	368.0
Number of shares - diluted	175.9	197.3	245.5	266.4	292.0	301.5	309.3	350.0	362.0	385.0
<b>EPS - basic</b>	<b>(0.02)</b>	<b>(0.03)</b>	<b>(0.03)</b>	<b>(0.08)</b>	<b>(0.08)</b>	<b>(0.10)</b>	<b>(0.12)</b>	<b>(0.12)</b>	<b>0.17</b>	<b>0.94</b>
<b>EPS - diluted</b>	<b>(0.02)</b>	<b>(0.04)</b>	<b>(0.03)</b>	<b>(0.08)</b>	<b>(0.08)</b>	<b>(0.10)</b>	<b>(0.12)</b>	<b>(0.12)</b>	<b>0.17</b>	<b>0.90</b>

Source: SEC filings and H.C. Wainwright estimates.

Joseph Pantginis, Ph.D. jpantginis@hcwco.com

Quarterly P&L	Jan	Apr		Jul			Oct	Jan	Apr		Jul			Oct
October fiscal year - CDN\$	Q1'21A	Q2'21A	H1'21A	Q3'21A	9M'21A	Q4'21A	FY'21A	Q1'22A	Q2'22E	H1'22E	Q3'22E	9M'22E	Q4'22E	FY'22E
Licensing and R&D revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.0
Milestone revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.0
Product and Royalties	0.00	0.00	0.00	0.00	0.00	0.00	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.0
Other revenues	0.00	0.00	0.00	0.00	0.00	0.00	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.0
<b>Revenues</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.0</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.0</b>
CoGS	0.00	0.00	0.00	0.00	0.00	0.00	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.0
<b>Gross Profit</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.0</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.0</b>
Gross margin	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
G&A	0.49	0.57	1.05	0.68	1.73	0.57	2.3	2.29	2.30	4.59	2.31	6.90	2.31	9.2
R&D	0.68	1.11	1.79	0.96	2.75	1.89	4.6	3.17	3.23	6.40	3.41	9.81	3.54	13.4
Other op ex	0.00	0.00	0.00	0.00	0.00	0.00	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.0
<b>EBITDA</b>	<b>(1.2)</b>	<b>(1.7)</b>	<b>(2.8)</b>	<b>(1.6)</b>	<b>(4.5)</b>	<b>(2.5)</b>	<b>(6.9)</b>	<b>(5.5)</b>	<b>(5.5)</b>	<b>(11.0)</b>	<b>(5.7)</b>	<b>(16.7)</b>	<b>(5.9)</b>	<b>(22.6)</b>
EBITDA margin							nm							nm
Non operating expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.0
Net Interest Income/Other	(0.33)	0.01	(0.32)	0.01	(0.31)	0.28	(0.0)	(0.00)	0.01	0.01	0.01	0.02	0.01	0.0
Interest expense	0.00	0.00	0.00	0.00	0.00	0.00	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.0
<b>EBT</b>	<b>(1.5)</b>	<b>(1.7)</b>	<b>(3.2)</b>	<b>(1.6)</b>	<b>(4.8)</b>	<b>(2.2)</b>	<b>(7.0)</b>	<b>(5.5)</b>	<b>(5.5)</b>	<b>(11.0)</b>	<b>(5.7)</b>	<b>(16.7)</b>	<b>(5.8)</b>	<b>(22.5)</b>
EBT margin							nm							nm
Provision for taxes	0.00	0.01	0.01	0.00	0.01	(0.01)	0.0	0.00	0.00	0.00	0.00	0.00	(0.00)	0.0
Participation of preferred stock							0.0							0.0
<b>Net Income to common</b>	<b>(1.5)</b>	<b>(1.7)</b>	<b>(3.2)</b>	<b>(1.6)</b>	<b>(4.8)</b>	<b>(2.2)</b>	<b>(7.0)</b>	<b>(5.5)</b>	<b>(5.5)</b>	<b>(11.0)</b>	<b>(5.7)</b>	<b>(16.7)</b>	<b>(5.8)</b>	<b>(22.5)</b>
net margin							nm							nm
NoSH	211.9	236.7	224.27	239.77	229.44	260.00	245.52	261.5	264.8	263.13	268.20	264.82	271.30	266.44
NoSH	211.9	236.7	224.27	239.77	229.44	260.00	245.52	261.5	264.8	263.13	268.20	264.82	271.30	266.44
<b>EPS - basic</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.02)</b>	<b>(0.01)</b>	<b>(0.03)</b>	<b>(0.02)</b>	<b>(0.02)</b>	<b>(0.04)</b>	<b>(0.02)</b>	<b>(0.06)</b>	<b>(0.02)</b>	<b>(0.08)</b>
<b>EPS - diluted</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.02)</b>	<b>(0.01)</b>	<b>(0.03)</b>	<b>(0.02)</b>	<b>(0.02)</b>	<b>(0.04)</b>	<b>(0.02)</b>	<b>(0.06)</b>	<b>(0.02)</b>	<b>(0.08)</b>

Source: SEC filings and H.C. Wainwright estimates.

Joseph Pantginis, Ph.D. jpantginis@hcwco.com



## Important Disclaimers

This material is confidential and intended for use by Institutional Accounts as defined in FINRA Rule 4512(c). It may also be privileged or otherwise protected by work product immunity or other legal rules. If you have received it by mistake, please let us know by e-mail reply to [unsubscribe@hcvresearch.com](mailto:unsubscribe@hcvresearch.com) and delete it from your system; you may not copy this message or disclose its contents to anyone. The integrity and security of this message cannot be guaranteed on the Internet.

**H.C. WAINWRIGHT & CO, LLC RATING SYSTEM:** H.C. Wainwright employs a three tier rating system for evaluating both the potential return and risk associated with owning common equity shares of rated firms. The expected return of any given equity is measured on a RELATIVE basis of other companies in the same sector. The price objective is calculated to estimate the potential movements in price that a given equity could reach provided certain targets are met over a defined time horizon. Price objectives are subject to external factors including industry events and market volatility.

## RETURN ASSESSMENT

**Market Outperform (Buy):** The common stock of the company is expected to outperform a passive index comprised of all the common stock of companies within the same sector.

**Market Perform (Neutral):** The common stock of the company is expected to mimic the performance of a passive index comprised of all the common stock of companies within the same sector.

**Market Underperform (Sell):** The common stock of the company is expected to underperform a passive index comprised of all the common stock of companies within the same sector.



Investment Banking Services include, but are not limited to, acting as a manager/co-manager in the underwriting or placement of securities, acting as financial advisor, and/or providing corporate finance or capital markets-related services to a company or one of its affiliates or subsidiaries within the past 12 months.

Distribution of Ratings Table as of October 27, 2023				
Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	565	89.40%	142	25.13%
Neutral	58	9.18%	10	17.24%
Sell	0	0.00%	0	0.00%
Under Review	9	1.42%	3	33.33%

H.C. Wainwright & Co, LLC (the "Firm") is a member of FINRA and SIPC and a registered U.S. Broker-Dealer.

I, Joseph Pantginis, Ph.D., Matthew Keller, Ph.D. and Sara Nik, Ph.D. , certify that 1) all of the views expressed in this report accurately reflect my personal views about any and all subject securities or issuers discussed; and 2) no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation or views expressed in this research report; and 3) neither myself nor any members of my household is an officer, director or advisory board member of these companies.

None of the research analysts or the research analyst's household has a financial interest in the securities of Sernova Corp. (including, without limitation, any option, right, warrant, future, long or short position).

As of September 30, 2023 neither the Firm nor its affiliates beneficially own 1% or more of any class of common equity securities of Sernova Corp..

Neither the research analyst nor the Firm knows or has reason to know of any other material conflict of interest at the time of publication of this research report.

The research analyst principally responsible for preparation of the report does not receive compensation that is based upon any specific investment banking services or transaction but is compensated based on factors including total revenue and profitability of the Firm, a substantial portion of which is derived from investment banking services.

The firm or its affiliates received compensation from Sernova Corp. for non-investment banking services in the previous 12 months.

The Firm or its affiliates did not receive compensation from Sernova Corp. for investment banking services within twelve months before, but will seek compensation from the companies mentioned in this report for investment banking services within three months following publication of the research report.

The Firm does not make a market in Sernova Corp. as of the date of this research report.

The securities of the company discussed in this report may be unsuitable for investors depending on their specific investment objectives and financial position. Past performance is no guarantee of future results. This report is offered for informational purposes only, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such would be prohibited. This research report is not intended to provide tax advice or to be used to provide tax advice to any person. Electronic versions of H.C. Wainwright & Co., LLC research reports are made available to all clients simultaneously. No part of this report may be reproduced in any form without the expressed permission of H.C. Wainwright & Co., LLC. Additional information available upon request.

H.C. Wainwright & Co., LLC does not provide individually tailored investment advice in research reports. This research report is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of any specific person. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this research report.

H.C. Wainwright & Co., LLC's and its affiliates' salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies that reflect opinions that are contrary to the opinions expressed in this research report.

H.C. Wainwright & Co., LLC and its affiliates, officers, directors, and employees, excluding its analysts, will from time to time have long or short positions in, act as principal in, and buy or sell, the securities or derivatives (including options and warrants) thereof of covered companies referred to in this research report.

The information contained herein is based on sources which we believe to be reliable but is not guaranteed by us as being accurate and does not purport to be a complete statement or summary of the available data on the company, industry or security discussed in the report. All opinions and estimates included in this report constitute the analyst's judgment as of the date of this report and are subject to change without notice.

Securities and other financial instruments discussed in this research report: may lose value; are not insured by the Federal Deposit Insurance Corporation; and are subject to investment risks, including possible loss of the principal amount invested.