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VuBotics, Inc. (VBTC-OTC:BB)

The Future of Reading and Online Advertising Metrics

Recent Price: \$0.40

Market Data

Market Capitalization	\$15.72 mln
Enterprise Value	\$18.29 mln
Fully Diluted Shares	39.30 mln
Float	29.35 mln
Avg. Volume (90 day, approx.)	38,000
Institutional Ownership	0%
Insider Ownership	58%
Exchange	OTC-BB

Company Overview

VuBotics is an early stage Atlanta-based company that develops digital media solutions for global content providers. The company is among only a few companies that captures all three segments in this space. VuBotics has created 1) a radically intuitive and clearly more efficient reading **experience**; 2) totally new **advertising real estate** with the ability to synchronize that advertising with content context; and 3) the most specific, extensive, and significant **online metrics** available anywhere. *Solutions designed to commercialize today's elusive Attention Markets.*

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Summary and Investment Opportunity

- **Ground-Breaking Technology Improves Electronic Reading**

VuBotics has developed its proprietary VuIT™ software platform to enable readers to view text content in an automated dynamic presentation that increases reading speed and text size while potentially decreasing eyestrain.

- **Potential for Creating New Online Media Commercialization Niche**

When applied to online advertising, VuIT has the potential to anonymously gather real-time data about the reader's progress through content and the advertising viewing experience, thereby creating a new segment in online content and advertising metrics, including amount of content actually consumed and advertisements passed, which previously were not available.

- **Deployment Agreements with Major Online Content Providers**

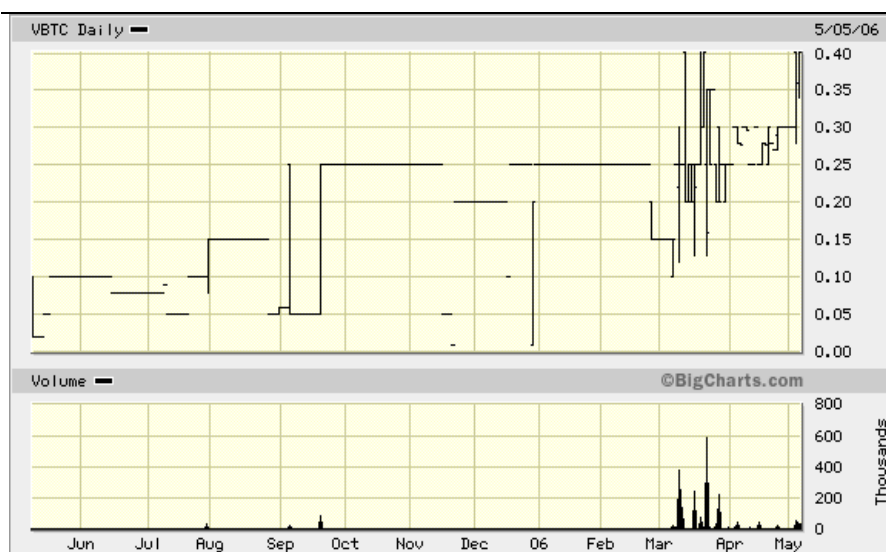
VuBotics has recently entered into agreements with many major global online content providers who have licensed VuIT for their websites. Commercial launches are scheduled to begin this year.

- **Universal Applicability to Enable International Expansion**

The VuIT technology, based on cadenced delivery and understanding of users' lexicons, has universal applicability and can be reformulated for many other languages for international deployment and expansion.

- **Secular Growth of Electronic Format Media**

With the global digital revolution, consumers around the world are increasingly accessing information in electronic and online mediums rather than in print format. The growth of electronic formats increases the need for a product such as VuIT to improve the reading experience, especially on small screens.



Company Overview

VuBotics, Inc. (VuBotics) is an emerging technology company that has developed a unique software application, VuIT, which alters the way content, and particularly text, is delivered to the user on an electronic display. The VuIT product family uses an advanced proprietary algorithm that dynamically delivers text sequentially onto a viewing screen, word-by-word, rather than as static text across a screen, as with a piece of paper. The words are typically displayed one at a time, as large as desired, and at a rate of speed optimized for the reader. This approach is combined with a cadenced delivery that is designed to mimic sub-vocalization, based on an in-depth understanding of readers' lexicons, including language and culture. This is achieved by analyzing cadence values to the content, thereby delivering content at very high speeds with high comprehension and recognition characteristics.

The Company believes this automated dynamic presentation has the potential to increase reading rates through increased text size and speed. In addition, research studies by leading cognitive experts are currently being conducted and are showing early evidence that using VuIT enables readers to achieve quantifiable improvements in comprehension. The system may also be used to help further improve comprehension by integrating graphics and sound into text in locations where they are most effective. The Company has completed the beta test stage in the development of the VuIT applications and has recently begun marketing the product.

VuBotics has recently entered into agreements with many of the leading global online media content providers for the launch of VuIT online applications in 2006. With this version of the product, the company is opening up a new avenue for online advertising where it may be synchronized with content context while capturing viewer metrics including participation and comprehension, which previously were not available to advertisers or media providers.

Industry Background

VuBotics' product line is a unique offering where there currently are no comparables. In a broad sense, however, its target market is the electronic reading population. Of the 6.5 billion people on the planet, not all are literate, and even fewer have electronic reading needs. However, the size of the potential audience is actually quite large, consisting of over a billion people. The following paragraphs take a bird's eye look at some of the segments of the market that relate to VuBotics.

Internet Enabled Mobile Communications

Although VuIT Mobile and VuIT BlackBerry are more basic forms of the VuIT product line, they address a potentially large population. Gartner estimated that there were approximately one billion mobile phone users in the world in 2002, and they expect this number to increase to 2.6 billion by the end of 2009. Although not all of these mobile telephony users will have the ability or inclination to access the mobile Internet, Anderson Consulting estimates that in 2005 the number of mobile Internet users grew to equal the number of personal computer (PC) Internet users around the world, which was estimated at about one billion people. Furthermore, a recent Gartner survey indicates that there is a market of about 3.6 million BlackBerry devices currently being used in the U.S.

Computer Proliferation and Internet Access

Within the U.S., household PC penetration rose from about 40% in 1996 to over 50% in 2000. In 1996, not every PC was Internet enabled. Today, it is difficult to find a household PC without Internet access. In 2006, U.S. PC and Internet penetration is estimated in the 64% to 70% range, with about 42% having broadband Internet access. According to Nielson/NetRatings, as of March 31, 2006, global Internet penetration is estimated at 16% of the world population or about 1.023 billion people. Most developed countries have Internet penetration rates above 60%. Research seems to indicate that this is a plateau level, where those who are interested in Internet access already have it, and those who are not interested in the Internet do not intend to acquire it. Thus, much of the large increases in Internet penetration in the near to medium term would be expected to come from increasing penetration in developing countries such as China, with a current Internet penetration of 8.5%; India, with a penetration rate of 4.5%; and Brazil, with a penetration rate of 14%.

The top languages currently used on the Internet are as follows: English at 31%, Chinese at 13%, Japanese at 8.5%, Spanish at 8%, German at 6%, French at 4%, and Korean at 3.5%. The top 10 countries with the highest levels of broadband Internet subscribers in order of subscriber numbers are as follows: United States, China, Japan, South Korea, Germany, France, Italy, United Kingdom, Taiwan, and Canada.

Internet Advertising

U.S.-based Internet advertising has become a big business, with 2005 revenues estimated at \$12.3 billion by Goldman Sachs, \$13.0 billion by Thomas Weisel Partners, and \$14.7 billion by Forrester Research. These figures represent a year-over-year growth rate of 23% to 33% from 2004. Thomas Weisel Partners also estimates that global Internet advertising revenues grew by 40% in 2005 from 2004, to a total value of \$21.3 billion. Meanwhile Goldman Sachs forecasts that Internet advertising will grow to about 7% of total U.S. advertising spending by 2009, up from between 4% to 5% in 2004.

Business Description**The Organization**

VuBotics is a U.S.-listed and Nevada-incorporated entity. Its sole holdings are 100% of QuantumReader (QR) and 100% of Truscom. QuantumReader is the sole operating entity and is developing and marketing the VuIT product family. Truscom is a non-operating subsidiary with no assets.

VuBotics acquired QuantumReader, Inc. in 2004, in a 100% stock for stock transaction. As part of the acquisition, all intellectual property rights held by the developers of the QR technology were assigned to QuantumReader, Inc. The QuantumReader and its related technologies were initially created by Craig Larson, who now serves as the Evangelist for the QuantumReader™ line of products.

The company currently has nine full-time employees. These professionals are in-house employees based in Atlanta, Georgia. VuBotics also employs contract basis personnel, including programmers and system professionals, on an as-needed basis, and has had no difficulty in hiring these professionals when necessary.

The Products and Applications

VuIT is a hardware-independent software system which changes the way in which text is displayed on electronic displays to increase the rate and depth of comprehension while reducing eyestrain. As such, the software application can be easily adjusted and tailored for various operating systems and visual display devices. VuBotics currently has developed five VuIT product categories: Mobile, Online, My VuIT, Enterprise, and Special Needs.

For the mobile category, in October 2005 VuBotics released a beta version of VuIT for BlackBerry, which enables the reader to receive visual text at up to 1,000 words per minute. The average college-educated reader reads conventional text at a pace of 250 to 300 words per minute. Thus, with VuIT, the BlackBerry user may conceivably greatly increase his or her rate of comprehension without having to continuously scroll through a message. The company has scheduled the commercial launch of VuIT for BlackBerry for early this summer. The primary markets for the first product release are corporate enterprise users in major North American and European corporations. The next version of VuIT for BlackBerry is oriented to the individual BlackBerry user with service provided by wireless telecommunications service providers. Standard pricing for VuIT BlackBerry is market tested at \$5 per month per licensed user, with discounts available for enterprise deployments. Importantly, VuIT BlackBerry has been a successful demonstration of the VuIT text delivery technology on mobile devices. As a result, VuIT BlackBerry, while a successful technology product by itself, has even greater value for VuBotics as a marketing platform to demonstrate and validate the most basic nature of VuIT technology. Other versions of VuIT for Internet-enabled mobile devices are planned for release in the near future.

VuIT Online is a browser-based application currently nearing completion of beta testing and scheduled for release in mid-2006. The product enables online content to be viewed through the online VuIT reader to enhance the delivery of any Extensible Markup Language (XML) based text, which is used to share data across different systems via the Internet. Further funding is required in order to roll out the alpha version, which is currently scheduled for release in the third quarter of 2006. Many of the critical components of the product, however, are already complete. The VuIT Online product consists of seven fundamental components: the CMS interface, the Encoder, the ServIT™ processing engine, the QDF proprietary format, the Decoder, the Presentation Layer and the Personalization interface. VuIT Online will have the ability to process text from multiple formats at high volume and speed to deliver the VuIT reading experience to any Internet browser-enabled device.

VuIT Online provides value horizontally across the content markets. Typically, dominant content providers, publishers, content aggregators, carriers, software application developers, and device manufacturers control access to these markets. VuBotics is currently partnering with some of the leading companies in each of these channels, who can substantially accelerate the exposure of large target populations throughout the world.

VuIT Online would generate revenues from property licenses priced at \$42,000 per month and site licenses priced at \$20,000 per month plus \$0.20 per download of the VuIT reader. The VuIT Advertising Engine would be a complementary service that collects five data points per download of VuIT reader. These data points include speed, preferences, finish point, advertisements passed, and duration of pause. VuBotics plans to charge its customers \$0.04 per data point per unique user.

For the desktop, VuBotics plans on launching My VuIT, which would enable the user to take any content which could be read on a PC and view it through the VuIT reader. The company expects to make various versions of My VuIT available, including VuIT Pro for professional and technical reading, as well as VuIT Assist for improving visual acuity. The company anticipates charging My VuIT subscribers, who may download the software, a monthly fee of \$10.99 per user per month.

VuBotics is developing VuIT Enterprise Encoder for companies that may deal with large volumes of data. This product and the standard VuIT Online Reader are combined with higher-level lexicons and greater personalization in order to deliver content with specificity and intent, to increase the efficiency of data content usage within these companies. Pricing would be determined on a negotiated basis depending upon the particular client's needs.

The VuIT reader is uniquely positioned to potentially assist individuals with special reading needs due to developmental, visual, or neurological impairment. VuBotics has partnered with specialists who are able to help custom design appropriate interfaces to meet the particular needs of such individuals.

The Clientele

The beta testers of VuBotics' initial product, VuIT BlackBerry, are primarily professionals and business executives that tend to be early adopters of new technology. The company intends to introduce additional VuIT applications by putting products into the marketplace sequentially based on the maturity of the VuIT platform, the technical capabilities of the display devices, and users' commitment to the device. As the technical capabilities of VuIT are increased and optimized, the product would be introduced laterally into the space occupied by devices capable of fully utilizing the more advanced application. In the near future, VuIT Desktop is expected to be introduced for consumer use. The customer base would then be expected to expand to include larger numbers of mobile communications device users as well as computer users who are more open to adopting significantly different technologies to improve their online or electronic reading experiences, and are able and willing to pay a nominal fee for the products' benefits.

In the future, VuIT would be available for education purposes, including for special needs individuals that may have vision impairments, dyslexia, attention deficit disorder (ADD), or macular degeneration, as well as institutions which address these needs.

The greatest revenue potential for VuBotics, however, may be from VuIT Online and Enterprise solutions. The company has already secured an initial clientele of many of the leading global Internet content providers. These include major household names that have entered agreements with VuBotics, providing the companies with exclusive use of VuIT for initial periods, such as 90 days. During these initial periods, individual clients would have exclusive usage of VuIT on their respective websites before the product becomes available to direct competitors' websites. Owing to the nature of the agreements, VuBotics is unable to disclose the names of these customers until after the customers themselves launch VuIT on their respective websites and platforms. Over the near term, VuBotics anticipates targeting additional clientele consisting of the universe of major and secondary web portals, online content providers, news services, and ad-search engines, as well as Fortune 500 companies that may benefit the most from embedding VuIT within their websites and online advertising.

Future Plans

VuIT technology is easily applicable to other languages as well as English. The core cadenced delivery based on mimicking of sub-vocalization is potentially even more effective in Asian languages that are based on pictograms rather than phonetic western languages. VuBotics is currently in the process of developing Spanish, French, German, and Japanese language versions of VuIT. Other languages may follow in the future. This multi-lingual development would assist the company in expanding its product usage beyond the U.S. and English-speaking communities to much of the world.

As VuBotics expects to leverage VuIT Online to be able to enhance the delivery of not only text content but advertising content as well, data collection is expected to become a key driver for the product. As such, the company is expecting to

further develop its technologies centered on advertising and data collection, and to be able to file patent applications for technologies in those areas as well.

In order to manage its cash flow needs, VuBotics is currently working with investment bankers to raise a first tranche of financing in May or June through a private placement with accredited investors. The company is also planning on reincorporating in the State of Georgia, most likely in June 2006.

Key Management

Philip Lundquist, Chairman

Mr. Lundquist serves as the company's Chairman. Previously he has also served as VuBotics' Chief Executive Officer, President, Secretary, and Chief Financial Officer. From 1988 to the present he has served as President of Lundquist Advisory Company, a corporate finance advisory services firm. Prior to that, Mr. Lundquist held management positions at Reynolds Securities, Montgomery Securities, Inc., and Alex Brown & Sons in Miami, San Francisco, and Baltimore. He was previously Director of Corporate Finance at Deloitte & Touche's Atlanta office. Mr. Lundquist graduated from Williams College with a Bachelor of Arts degree in political science and economics. He also attended the Institute of Investment Banking at the Wharton School of the University of Pennsylvania.

Dick Teters, President, and Chief Executive Officer

Mr. Teters has served as VuBotics' President and Chief Executive Officer since June 2005. He is also Founder of Knowledge Ventures, a company that commercializes science and technology through alternative financing and intellectual collaboration. He previously held positions as Senior Vice President and Chief Operating Officer of Water Visions International, Inc., a company specializing in microbiological fluid purification, and Professor of Project Management, concurrently appointed as Director, The Center for Industrial Collaboration at Kennesaw State University. Dick retired from the U.S. Army after 30 years, holding the rank of Colonel. His last position was Chief of Staff, U.S. Army Recruiting Command, a 13,000-person sales and marketing organization and a Major Army Command, reporting directly to the Pentagon. He graduated with a Master of Science degree in management science from the American Technological University, a Bachelor of Arts degree in political science from Northwestern State University, and an Associate of Arts degree from the New Mexico Military Institute. He is currently a doctoral candidate in applied management and decision science at Walden University.

Tom Ridenour, Chief Financial Officer

Mr. Ridenour serves as VuBotics' Chief Financial Officer. Prior to this, he served as Senior Vice President and Chief Financial Officer of Healthwatch, Inc. Before that, Mr. Ridenour was Senior Vice President and Chief Financial Officer of Nationwide Credit, Inc. Previous to that, he was Vice President and Chief Financial Officer of Imaging Technologies Services, Inc. Before that, Mr. Ridenour was Vice President and Division Controller for American Security Group and served in various positions with Primerica Financial Services. Mr. Ridenour graduated with a Bachelor of Science degree in accounting from the University of South Carolina. He is a Certified Public Accountant and a member of the AICPA and the Georgia Society of CPAs.

Gary Steele, Chief Operating Officer

Mr. Steele serves as VuBotics' Chief Operating Officer. He is also the Founder, Producer, Creative Director, and Project Manager of The Creative Network, Inc. Mr. Steele has applied his skills to dozens of public and private share offerings, as well as new product and company launches throughout the U.S. His clients have included global companies such as ABC Sports, ESPN, Coca-Cola, IBM, Bell South, Snapper, Deloitte, Monsanto, the Center for Disease Control (CDC), and MedAssets, among others.

Dave Rollo, Chief Marketing Officer

Mr. Rollo serves as VuBotics' Chief Marketing Officer. Prior to this, he co-founded K2 Consulting, which specialized in marketing emerging technologies. Before that, Mr. Rollo served as Chief Marketing Officer for Imperitek, a leading systems integration and software development boutique in the southeast U.S., where he played a significant role in the sale of Imperitek to Equifax Corporation. Previous to Imperitek, he established and subsequently sold five different business ventures. Mr. Rollo graduated from the State University of New York, Oswego with a Bachelor of Arts degree and attended graduate studies in industrial design at Auburn University.

Victor Coleman, Chief Technology Officer

Mr. Coleman serves as VuBotics' Chief Technology Officer. Previous to VuBotics, he founded and served as President of Memtex, Inc. Prior to that, Mr. Coleman was a Senior Systems Consultant for Curo Technology, Inc, which was

ultimately acquired by Adobe Systems. Before that, he worked as a Technical Consultant or Programmer/Analyst for various companies including NCR Corporation and HBO. Mr. Coleman graduated with a Master of Science degree in computer science from the University of Massachusetts at Amherst, a Bachelor of Science degree in computer science from the University of Alabama at Birmingham, and a Bachelor of Arts degree in philosophy from the University of Alabama at Birmingham.

John Ellingson, Chief Strategy Officer

Mr. Ellingson currently serves as VuBotics' Chief Strategy Officer; he was previously a consultant for the company. Bringing over 20 years of experience in strategic consulting, Mr. Ellingson's most recent prior position was U.S. National Manager of the Global Technology, Media & Telecommunications Business Innovation Group at Deloitte Consulting. His client base consisted primarily of Fortune 500 and international companies such as The Coca-Cola Company, General Motors, BMW, Daimler Chrysler, Lockheed-Martin, Intel, Microsoft, GE Capital, Motorola, IBM, Johnson & Johnson, Qualcomm (MediaFlo), Hutchison Whampoa, China Unicom, Huawei, Hanaro Telecom, SK Telecom, Asia Global Crossing, Siemens, Bellsouth, and Home Depot, and government entities such as NATO, the NSA, and the Singapore EDB. Mr. Ellingson graduated with dual Bachelor of Sciences/Bachelor of Arts degrees in economics and marketing from Temple University, and a Master of Business Administration in economics and finance from the Babcock School of Business at Wake Forest University. He is also an alumnus of the University of Southern California's Center for Telecom Management *Advanced Management Training* and Massachusetts Institute of Technology's *Creating & Sustaining Innovative Organizations*.

Craig Larson, Member, Board of Directors

Mr. Larson serves as the Evangelist for the QuantumReader line of products. Prior to VuBotics, he was the Founder of Quantum Reader, which was merged with VuBotics in 2004. Before this, Mr. Larson was the Principal, President, and Chief Executive Officer of Ekistics Research, LLC, which contracts industrial design and engineering services to the Aerospace, Broadcast, Defense, Electronics, Pharmaceutical, Petrochemical, Pulp & Paper, and Power Generation industries. Before that, he co-founded Power Enhancement Systems, which made patent applications on isolation transformers, fuel cells, surge reduction switches, and power retention devices. Prior to that, Mr. Larson was a Senior Production Planner at Northrop Electronics where he authored software used on the Inertial Guidance System Project of the Peace-Keeper Missile. He has been active in the research, development, and management of large industrial engineering projects for over 30 years. He participated under a U.S. Department of Energy "Q" security clearance at Sandia National Laboratories on both the Particle Beam Fusion Accelerator and Simulation Technology Laboratory complexes. Prior to his work in engineering, Mr. Larson worked as a prototype machinist at MGM and 20th Century Fox, creating props and special effects. Mr. Larson graduated with a Bachelor of Arts degree in comprehensive design from the Southern Illinois University and an Associate of Arts degree in liberal arts & sciences from Lincoln College. He also received the *Advanced Technology Award* from the Inventors Clubs of America.

Roy Dantzman, Member, Board of Directors

Mr. Dantzman is a non-executive Director of VuBotics. He is an entrepreneur with broad business experience, including acclaim as a furniture designer. For over thirty years, Mr. Dantzman has been involved in various business ventures, and is a product branding, marketing, and advertising advisor to a range of corporations and investors. He owns and operates a successful design firm.

Ronan Harris, Member, Board of Directors

Mr. Harris is a non-executive Director of VuBotics Inc., and also currently serves as Online Sales and Operations Manager with Google (Ireland), Inc. He has previously held positions as Director of Nirvana Technologies (Ireland), a private venture capital firm, Director of Truscom Inc. (Japan), an authentication technology company, and as Engineer at the Information Storage Products Division of Mitsubishi Chemical Corporation (Japan). Mr. Harris graduated with a Bachelor of Engineering degree with honors from University College Dublin.

Financial Description

As with most other early stage emerging technology companies, VuBotics is not yet profitable and has a history of losses stemming from limited revenues and heavy spending on items such as marketing and research & development. Since the company's inception, VuBotics has incurred losses every quarter, including net losses of approximately \$2,038,096 in 2005 and \$741,014 in 2004. As of March 31, 2006, VuBotics had an accumulated deficit of \$11,762,019, which would be available to offset future income for tax purposes. These net operating loss carryforwards expire at various times through 2025. The company anticipates that it will continue to incur losses for the next two fiscal years and achieve net profitability beginning in 2008.

VuBotics had a working capital deficiency of \$1,710,713 and an equity deficiency of \$2,570,713 as of March 31, 2006. At the same date, the company had a minimal cash balance and current liabilities of \$1,712,929. Subsequently in April 2006, however, the company renegotiated and refinanced a series of promissory notes that were currently due, until year-end 2008. Accrued interest of over \$1 million was eliminated as part of the restructuring.

For 2005, net cash used in operating activities was \$855,858 and related to the expenses of generating business, which primarily consisted of fees to consultants. Meanwhile net cash provided by financing activities was \$839,996 and was mainly derived from the sale of common stock and loans from related parties. Over the past several years, VuBotics has raised capital to fund operating activities primarily through private equity infusions from stockholders, as well as loans from stockholders and interested parties.

VuBotics management reports that it has recently entered into a number of contracts with major content providers. Based on these early contracts, the company anticipates that 2006 will be its first year of substantial revenues, derived from the commercialization of VuIT, and forecasts revenues to jump into the \$2 million range. However, management believes that the company's current cash and cash equivalents will not be sufficient to meet projected operating expense requirements for 2006, and that its cash needs for this year will be in the \$3 to \$5 million range. This need will likely be met through debt financings, loans from the Company's directors, officers, and shareholders, and private placements of VuBotics securities to qualified investors. The Company is currently working with investment bankers to raise a round of financing through private placements, to close in May-June 2006. Management forecasts revenues to continue to increase in subsequent years, and to be able to achieve a reported net income in 2008 and onwards. VuBotics' forecast of key income statement items is shown below.

	2005 A	2006 F	2007 F	2008 F	2009 F	2010 F
Summary P&L						
Revenues	\$ 2,672	\$ 2,030,000	\$ 3,526,000	\$ 7,490,000	\$ 17,000,000	\$ 32,550,000
Operating Expenses	\$ 1,919,135	\$ 1,440,000	\$ 1,571,000	\$ 1,462,000	\$ 2,122,000	\$ 2,722,000
Operating Profit	\$ (1,916,463)	\$ 590,000	\$ 1,955,000	\$ 6,028,000	\$ 14,878,000	\$ 29,828,000
Overhead Expenses	\$ 121,633	\$ 1,464,000	\$ 2,312,000	\$ 3,702,000	\$ 4,107,000	\$ 6,720,000
Net Income (pre-tax)	\$ (2,038,096)	\$ (874,000)	\$ (357,000)	\$ 2,326,000	\$ 10,771,000	\$ 23,108,000
Note: Financial Projections Provided by Vubotics, Inc.						

Key Partners and Competitors

Partners. Because VuBotics performs virtually all of its research & development, programming, planning, sales, and marketing functions with in-house staff, these are some of the company's most essential partners. VuBotics' success will in large part depend upon the Company's ability to attract and retain these human resources. Future success will depend on the Company's ability to manage its growth successfully, including attracting and retaining programmers, engineers and other highly skilled personnel. All key personnel are also shareholders in VuBotics and are thus equity motivated to see the company succeed.

The other key partners are the large Internet content providers who are the initial customers for VuIT Online. These companies and organizations will be the initial proving grounds for the wide-scale commercial applicability of VuIT as a reading enhancer as well as an advertising medium and data source. Although these companies cannot be named at this point in time, they include many of the most well known global Internet content providers.

Competitors. Since VuBotics' VuIT product is a new technology in a new segment, there are no known competitors in the marketplace with similar offerings or using the technologies, trade secrets, or patent pending techniques similar to those employed by VuBotics. Although there are currently no direct competitors, sequential delivery of words has existed and been tried for decades. These products, however, have all been simple visual products without the proprietary logarithms and cadence that adjusts to the reader's lexicon to increase the speed and depth of comprehension. Many of these products are primarily educational tools based on speed-reading and simply blocking words together.

Management believes that once the general market realizes the commercial applicability of VuIT, competitors will begin to emerge. The Presentation Layer of the VuIT reader would be the most easily copied. The greater the scale of the deployment of VuIT through channel partners, the greater the opportunity for competitors to mimic the apparent functionality. Initially, most copycat competitors of VuIT products would be simple imitations limited to magnification or basic word streaming. These functionalities would be impossible for VuBotics to protect, as they are not truly proprietary technologies. However, as these simple functions have existed for many years, they also have limited benefit to the reading experience.

The true value of VuIT technology lies within the technology of its cadencing and lexicons, and related methods of analysis, abstraction, and delivery of electronic information. VuBotics has three core patent applications pending in the United States. These are all original patents, and not derivative of any other works. Patents for the same technologies are currently being processed in the European Union as well, and that process should be completed shortly. Although there is no absolute assurance that these patents will be granted, no competing patents have surfaced in initial searches. These patents pending, as well as VuBotics' trademarks and trade secrets could limit potential competitors' abilities to create a product that would have the capabilities of VuIT.

When potential competitors, who may include the likes of Microsoft, Yahoo, and Google, recognize the value of cadencing and lexicons, VuBotics would already be uniquely positioned through patents and large channel partners to negotiate further licensing to penetrate new markets. Since VuIT also has great advertising data collection potential, it may also come into competition with the likes of Nielson Media Research, Arbitron, NetRatings, and Doubleclick. Again with its patents and head start in developing trade secrets and expertise, such competitors may likely become licensing partners as well.

Conclusion

With a unique patent-pending technology, VuBotics has developed a product that may revolutionize the way text is read and absorbed in electronic formats. Although the technology is proven, the application and user acceptance is just entering the testing phase. By entering agreements with many large global content providers as customers, VuBotics will be launching VuIT Online this year with the prospect of gaining widespread acceptance, and the possible development of a new market for advertising metrics and delivery. Thus, the company may be on the verge of potentially explosive growth in customer sales, revenue growth, and profitability.

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Analyst Highlight

Andrew S. Hua, CFA, Senior Research Analyst **Technology and Asia Focus**

In addition to his position as a Senior Research Analyst at Harbinger Research, Mr. Hua is currently Managing Director of MAP Capital Advisors, where he manages an Asia focused long-short equity fund. Previously, Mr. Hua was a founding member and Director of Investments of Axiom International Investors, an equity management firm which achieved \$800 million in Assets Under Management during his tenure, where he managed the development of the research process and directly covered Asia and global technology equities. Mr. Hua has also held positions as a Securities Analyst for PIMCO Advisors, and as an Associate at Merrill Lynch Asset Management.

Mr. Hua received his M.B.A. and B.S.E. in Finance, with honors, from the Wharton School of the University of Pennsylvania, as well as his A.M. and B.A. with honors in International Studies, also from the University of Pennsylvania. Mr. Hua is a CFA charter holder and a member of the CFA Institute, the Los Angeles Society of Financial Analysts, and the New York Society of Securities Analysts.

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