

FLEXPOINT SENSOR SYSTEMS, INC.

More Good News for Flexpoint

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FLEXPOINT SENSOR SYSTEMS, INC. (OTC:QB – FLXT - \$0.096)

Price Target: \$0.20

Rating: Speculative Buy

COMPANY SNAPSHOT

Flexpoint Sensor Systems, Inc. is an innovative technology firm specializing in developing products that feature the Company's patented *Bend Sensor®* and related technology. The *Bend Sensor®* is a ground-breaking sensing solution that is revolutionizing applications in the automotive, safety, medical and industrial industries. The Bend Sensor's single-layer, thin film construction cuts costs and mechanical bulk while introducing a range of functions and stylistic design possibilities that have never before been available in sensing technology. Flexpoint's technology and expertise have been recognized by the world's elite business and academic innovators for over 17 years.

KEY STATISTICS

Price as of 9/24/13	\$0.096
52 Wk High – Low	\$0.19– 0.0391
Est. Shares Outstanding	49.6M
Market Capitalization	\$4.9M
3 Mo Avg Vol	137,000
Exchange	OTC:QB

COMPANY INFORMATION

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KEY TAKEAWAYS

This morning before the market open, Flexpoint announced that it has made advancements in the electronics and software it utilizes in many of its individual products.

These technologies include among other things, miniaturized printed circuit boards, (PCBs), cutting edge wireless communication systems, long life miniature batteries, bluetooth technologies and “smart phone” interfaces. The use of related technologies in multiple applications should shorten the development time required for the projects involved. Plus, given that Flexpoint products offer significant advantages and cost savings to potential users, management believes that believes that many of them will be available by early next year.

This broadening of the Company's reach is a big positive and should result in multiple revenue streams in 2014 that we have not previously contemplated.

Since some of you may have missed yesterday's update, we have included it here as part of today's research note.

Since our initiation of coverage e3 weeks ago, Flexpoint Sensor Systems' stock has more than doubled from the \$0.04 area, and doubled average daily volume, aided in large part by a series of very positive news releases. In our view, these news events confirm the Company's roadmap to success and should drive to the stock toward our \$0.20 price target.

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The Company's colonoscope initiative is making huge strides on the developmental side and will also include a series of six-figure milestone payments from its partner, Haemoband Surgical in the near term. Phase Two of the colonoscope application development, which includes the production of working prototypes to be used for in-lab testing and testing of completed systems, will be concluded by the end of September. The Phase Two development includes refinements to the sensor, completion of the development of the electronics package to accompany the scope and colonoscope device, which uses Flexpoint's patented *Bend Sensor®* technology to monitor the device's position as it is administered to the patient.

Also at the end of September, Phase Three will commence. The final phase will include several working colonoscope devices and the associated electronics in preparation for successful medical trials and gathering the information necessary for completion of the required governmental certifications.

It is anticipated that the device will initially be approved for use in Europe and use will expand to the U.S. market as the necessary approvals are obtained. It is expected that the needed certifications in Europe can be completed by late this year or early next year.

There is pent-up demand for inexpensive, accurate methods of determining the position of the colonoscopes around the world, and Haemoband's device is the first of its class. Testing to date has demonstrated the ability of Flexpoint's sensor to graphically display the shape of the colonoscope and to accurately detect any looping of the scope. With more accurate readings on the position of the device, doctors can minimize complications that can arise from the colonoscope coiling, and can cut down on the time necessary to perform the procedure. With the incorporation of the disposable Bend Sensor, the current monitoring equipment can now graphically display the position and formation of the colonoscope. This is a distinct advantage over the capabilities of the existing equipment.

With 5 million colonoscopies performed in the U.S. annually, and a similar number in Europe, the market opportunity for Flexpoint is huge. We believe that production could begin in 1H14. At full production, this is the most promising consistent revenue stream with annual volumes in the millions. Completion of development of the colonoscope will lead to development of other related medical devices with even greater annual usage.

Golf Shoe

Separately, Flexpoint and Bend Tech LLC announced that they have received funding for the development of a "Smart Shoe" that shows real time data and has the ability to collect data for future training and comparisons. Flexpoint in conjunction with Bend Tech has developed a shoe that can communicate with smart phones and other wireless devices to give real time analysis showing balance, performance and other pertinent data relating to performance of the individual. Golf will be the first targeted industry, but successful entry into this segment opens a number of other areas for development as this technology can be replicated for use in virtually any sports and recreational activity. Golfers and other sports enthusiasts spend billions of dollars annually in an effort to improve their individual performance. Flexpoint could hit a home run in this highly

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profitable and fast-growing vertical market by offering an inexpensive technology for that purpose to millions of potential customers.

Representatives of Bend Tech are currently involved in ongoing discussions and negotiations with several major equipment manufacturers and distributors and Flexpoint management anticipates that development of the golf shoe product could be completed and the product brought to market by the middle of next year. The next step will be to build advanced prototypes for demonstration purposes and then take the shoe to various manufacturers to work out either a manufacturing agreement or a licensing agreement for production of the shoe and related electronics.

We believe that real traction will occur after the turn of the year as the two companies upgrade electronics and visual displays of the offering for the all-important PGA merchandise show January 21-24 in Orlando, Florida. It is likely that meaningful business development and production opportunities could be closed after the show. Several prototypes of the shoes and even golf club shafts with sensors have already been completed and demonstrated to major equipment manufacturers.

Conclusion

With a series of milestones ahead, the undervalued FLXT stock offers huge potential for both the stock trader and the long term investor. With projected gross margins north of 50%, we believe that FLXT could earn nearly \$2M in net income on \$6-7M in revenue once broad automotive product deployment occurs. This event would likely result in a \$30-40M market cap, versus the ridiculously low \$5M current market value. We rate FLXT Speculative Buy with a \$0.20 price target.

Recent Trading History For FLXT

(Source: Stockta.com)





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Senior Analyst: Robert Goldman

Rob Goldman founded Goldman Small Cap Research in 2009 and has over 20 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell side analyst, Rob was a senior member of Piper Jaffray's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*.

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