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HearAtLast (HRAL – Pink Sheets)

Partnership with Wal-Mart Harbinger of Strong/Accelerating Growth

Reason for Report:
Coverage Initiation

STRONG SPECULATIVE BUY

Recent Price: N.A.
Target Price: \$7.21

Market Data (In 000s)

Market Capitalization (M)	N.A.
Basic Shares Outstanding	98,102
Fully Diluted Shares (M)	98,102
Float (mm)	18,000
Avg. Daily Volume	N.A.
Planned Financing Dilution (fully)	N.A.
Exchange	Pink Sheets

Company Overview

Hear-At-Last Holdings is a Nevada Corp. that owns HearAtLast Inc. The company operates a chain of retail outlets located within Wal-Mart stores in Canada that specialize in the sale of hearing aids and related devices. The company is targeting additional distribution channels in Canada and in the United States. The company's model is to bring the consumer a full-service hearing aid evaluation and purchase experience at a discount price.

Company Contact Information

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Summary and Investment Opportunity

- Wal-Mart Alliance Creates Exceptional Opportunity**

Wal-Mart continues its robust growth in Canada, focusing on building more of its Superstores. HearAtLast has a relationship with Wal-Mart such that it co-locates its stores in high-traffic areas within Wal-Marts, with a heavy emphasis on Wal-Mart Superstores. This co-location arrangement gives the Company a very significant sales and marketing advantage vis-à-vis its more traditionally located competitors. Furthermore, the company's small stores and kiosks are highly cost effective, giving the company cost advantages and the ability to distribute high quality products at a discount. This is consistent with the Wal-Mart brand and we are highly encouraged by this relationship. Note that the Company continues to seek other similar partnerships to mitigate risks stemming from this single-channel approach.

- Initial Stores a Great Success; Wal-Mart Executives have Aggressive Plans for the Future**

The Company has already opened five stores within Wal-Marts in Canada. These stores have been a great success, and multiple Wal-Mart employees and executives have had excellent experiences with HearAtLast. These initial successes, if they can be maintained and extended, mean that Wal-Mart Canada could well have over 100 HearAtLast stores operating by mid 2010. Furthermore, Wal-Mart Canada executives tell us that if the company can maintain its high standards throughout the coming months of growth, they would be willing to recommend the Company to Wal-Mart / Sam's Club in the U.S., accessing a market 10x the size of Canada's.

- Sales Growth and Cost Control Lead to Robust Earnings Growth and**

The Company maintains a very low in-store and corporate cost structure and should achieve meaningful profitability by mid 2009, reaching an annual forecast per-share EPS of US\$0.24 by calendar Q1'11E. Based on this estimate and the expected high future growth rate of the company, we believe HearAtLast shares could easily carry a forward EPS multiple of 50x forward FY'11E estimated earnings or more, by the end of FY'10. However, we have reduced this multiple down to 30x our forecast FY'11 EPS estimate, arriving at our current **share price target of \$7.21 and our rating of Strong Speculative Buy.**

Historical and Prospective Profit and Loss Model, HearAtLast

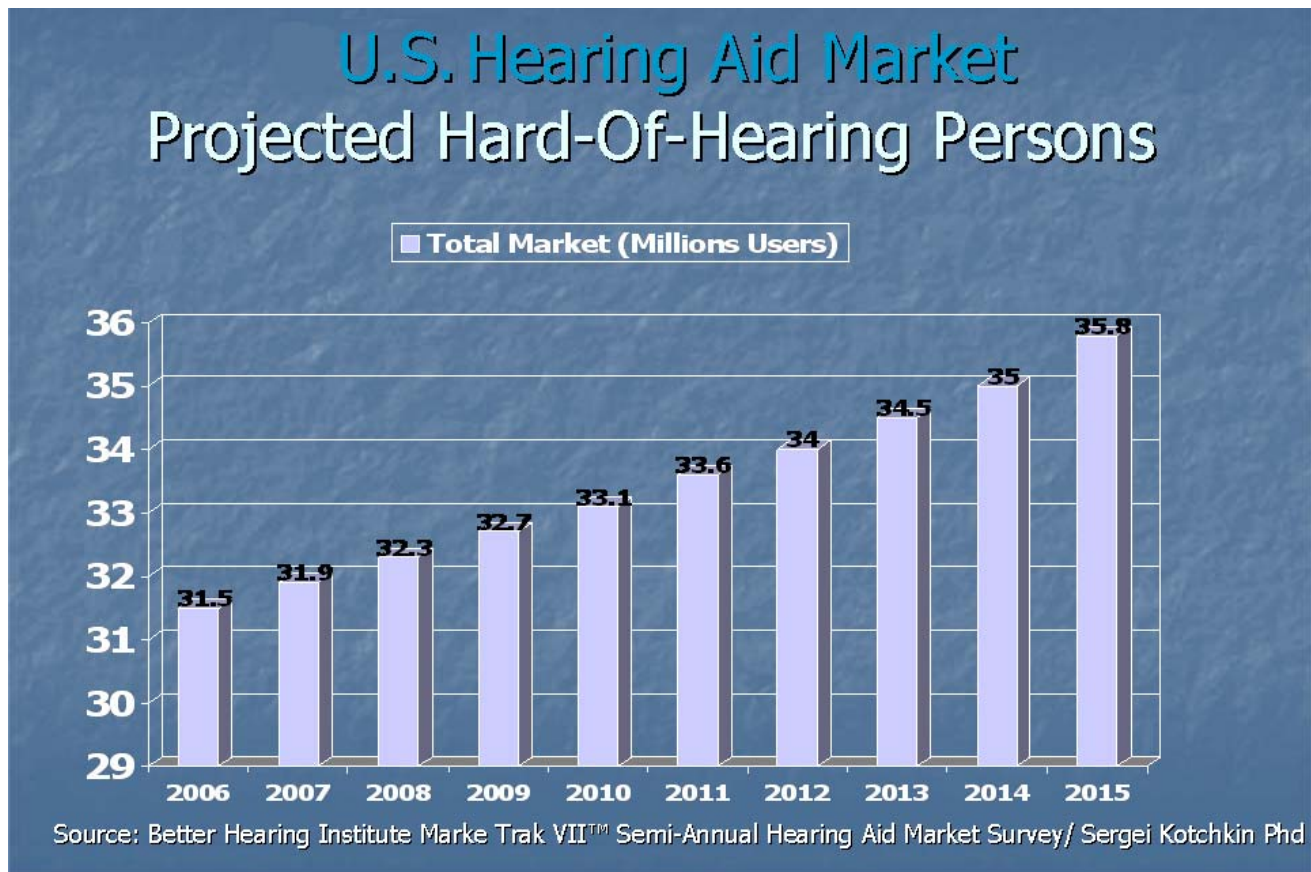
In 000s (except per-share/store data)	FY'07A	Q1'08A	Q2'08E	Q3'08E	Q4'08E	FY'08E	FY'09E	FY'10E	FY'11E
Calendar Period Ending		Jun '07	Sep '07	Dec '07	Mar '08	Mar '08	Mar '09	Mar '10	Mar '11
Revenues	222	227	354	752	1,130	2,505	19,449	100,143	262,447
Gross Profits	204	112	237	504	757	1,611	12,472	67,096	175,839
Gross Margin	91%	25%	67%	67%	67%	67%	67%	67%	67%
Operating Expenses	528	443	632	1,244	1,888	4,207	15,902	56,571	121,420
Operating Profit	(325)	(331)	(395)	(740)	(1,130)	(2,596)	(2,872)	10,525	54,419
Operating Margin	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	10.5%	20.7%
Net Profit	(347)	(355)	(431)	(838)	(1,306)	(2,930)	(2,872)	4,479	23,589
Net Margin	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	4.5%	9.0%
Earning per Share (EPS)	(0.00)	(0.00)	(0.00)	(0.01)	(0.01)	(0.03)	(0.05)	0.05	0.24
New Store Openings, Canada	4	0	5	11	10	26	36	48	83
New Store Openings, Rest of World							53	200	331
Total Stores Open	4	5	9	20	30	30	119	367	781

Please see analyst certification and required disclosures on page 11 of this report.

Industry Background and Analysis

Market Size - Trends in Hearing the Hearing Impaired

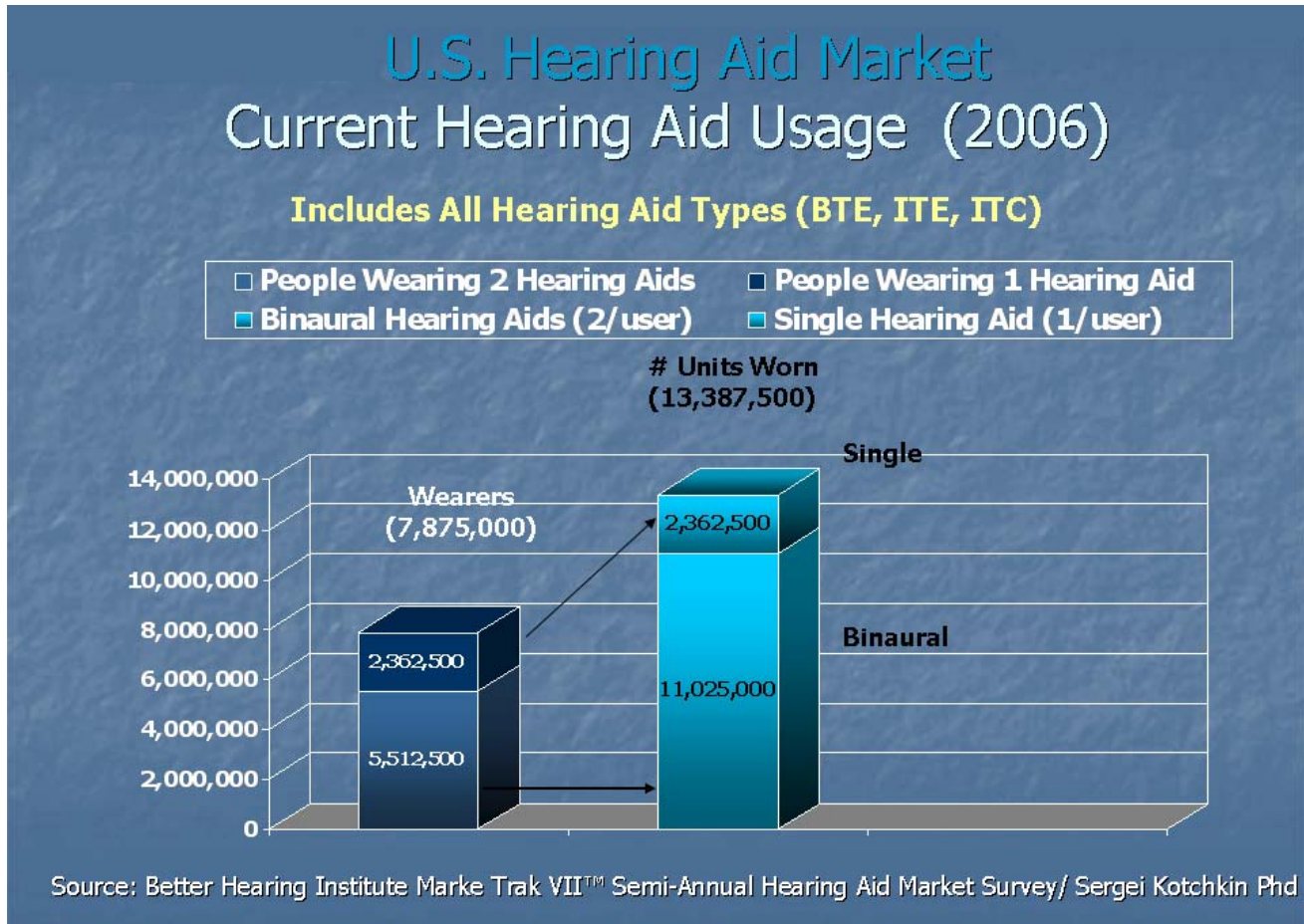
With the aging of the baby boomers, there are now more individuals than ever before who can be classified as hearing impaired, and this number is expected to increase further in the future, as baby boomers continue to age. Rough estimates set the number of the hearing impaired in the United States at 31.5 million as of 2006; Canada has roughly the same demographics as the United States but only 10.6% of the population, leading to an estimated hearing impaired population of 3.1 million in Canada. Both the U.S. and Canadian “hard of hearing” populations are forecasted to grow more than 10% over the next 10 years, to a combined total approaching 40 million affected persons.¹



Hearing Aid Technology and Technology Adoption Rates

Incredibly, fewer than 25% of individuals who should use a hearing aid actually do; of those who do, a full-third use only one hearing aid when they should in fact be using two. We attribute this to the high cost and inconvenience of acquiring the better devices, and to the embarrassment many individuals feel when they wear an easily-visible hearing aid. However, due to rapidly improving device comfort, shrinking device size and visibility, declining price points, and better sound amplification technology, we expect most one-device users to become two-device users in the very near future.

¹ Source: Better Hearing Institute MarkeTrak VII Semi-Annual Hearing Aid Market Survey.

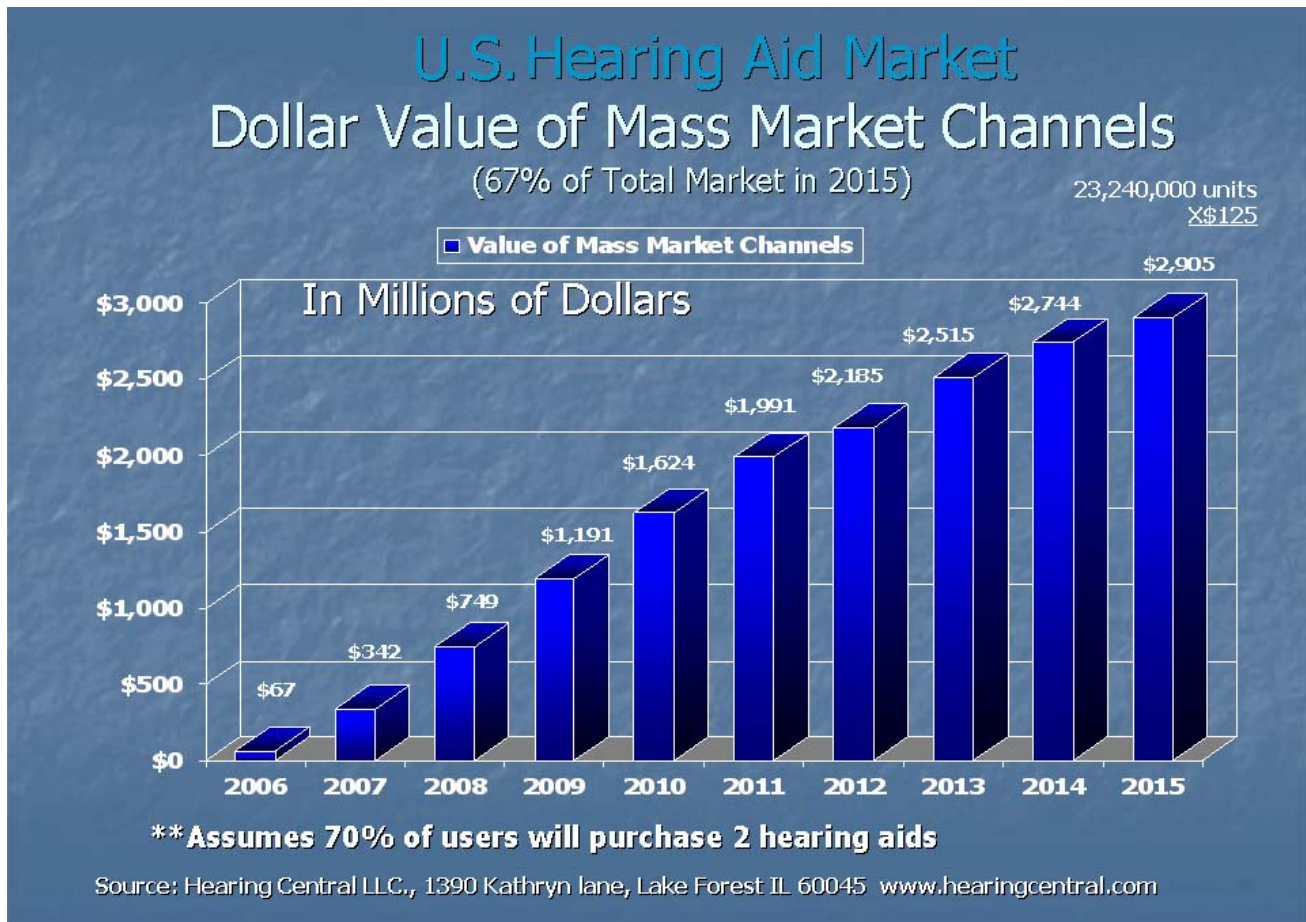


More importantly, due to these same technology and price considerations, we believe that overall market penetration of dual-device hearing aids will transition from the current level of 25%, to as much as 50% or more during the next few years. When the effects of both of these growth drivers are considered in light of current North American demographic trends, the total hearing aid industry could well triple in overall unit volume by the year 2015. Obviously, such a high-growth industry bodes extremely well for hearing aid manufacturers and retailers – especially those who can deliver avant-garde technology, good pricing, convenience, and a highly-rated overall customer experience.

Retail Product Distribution – An Historical Perspective

Historically, many retail distribution industries have been highly fragmented, consisting of single-location, specialty retail stores. These stores distributed things such as groceries, clothing, electronics, drugs, toys, and many other specialty items. Then during the 1970s and 1980s, we began to see consolidation in these retail businesses, but almost exclusively along the lines of a single class of products or services. For example, mom-and-pop electronics retailers began to give way to specialty chains such as Circuit City (CC – NYSE) and Best Buy (BBY – NYSE); family-owned hardware stores began to give way to Home Depot (HD – NYSE) and Lowe’s (LOW – NYSE); local pharmacies began to give way to national chains such as CVS (CVS - NYSE) and Walgreen (WAG – NYSE); and even local bookstores began to give way to national chains such as Borders (BGP – NYSE) and Barnes & Noble (BKS – NYSE). More recently, although these product-class specific chains still exist, we have begun to see a consolidation of both vertical and horizontal channels, as evidenced by the rise of the discount superstore companies, such as Target (TGT - NYSE), Costco (COST – NasdaqGS), and most importantly, Wal-Mart (WMT – NYSE). In these superstores, shoppers can literally find almost anything item that they might wish to purchase, including: prescription drugs, eyeglasses, computers, clothes, groceries,

toys, automotive supplies, furniture, and almost anything else imaginable. Furthermore, due to superior economies of scale in purchasing and distribution, these items are conveniently obtainable in one location, and available at a lower price than would otherwise be possible. Without a doubt, the discount superstore is here to stay, and an ever-increasing percentage of the North American population (and indeed the global population) is choosing these stores as the preferred locations at which they purchase almost all products.



Hearing Clinics and Hearing Aid Device Sales

However, despite the rise of the superstore, and the nearly ubiquitous availability of products within them, there are still some specialty items that must be purchased elsewhere, such as high quality hearing aids. Currently, according to the Better Business Bureau, there are six different channels through which consumers can currently purchase a hearing aid, and each of these purchase/distribution channels is characterized by its own level of product quality, level of interaction with a healthcare professional, pricing, and convenience. Note that Canadian healthcare is heavily subsidized by the government, including the auditory testing and the purchase of hearing aids, and in many cases healthcare in Canada is available to the consumer at absolutely no cost whatsoever. This alters the retail channel evaluation in Canada somewhat, making pricing less (but still somewhat) important, whereas pricing is an extremely important consideration for U.S. consumers and most of the world's consumers as well. Convenience, care quality, and customer service are of course important factors in all markets regardless of pricing or the local healthcare system.

The six hearing aid distribution channels and their associated characteristics are as follows:

Current Hearing Aid Distribution Channels					
Distribution Channel	Care Quality	Device Quality	Care Pricing	Device Pricing	Convenience and Customer Service Quality
Mail / Internet	N.A.	Low	N.A.	Inexpensive	Convenient if customer is tolerant of delivery delay and has a care provider.
University	High	Medium to High	Reasonable	Reasonable	Moderately convenient to inconvenient, for students & faculty only
Hospitals	High	Medium to High	Very Expensive	Expensive	Inconvenient to Very Inconvenient; in Canada, can involve lengthy waiting lists.
Otolaryngologists (Specialist MDs)	Very High	Medium to High	Very Expensive	Expensive	Inconvenient; requires appointment, special trip to facility, waiting room.
Audiologist	High	Medium to High	Reasonable to Expensive	Expensive	Inconvenient; requires visit to specialized facility.
Dispenser	Medium	Medium to High	Reasonable to Expensive	Expensive	

Clearly, the industry built around testing people's hearing and selling hearing aids has not consolidated in the same way that other retail businesses have. Why? We believe it is due to the fact that a hearing aid purchase is not just a "product purchase" in the strictest sense of the word, but rather a combined purchase of a product and of consulting services, requiring the help of a trained professional, such as an audiologist, throughout the entire testing, product selection, and fitting process. Historically, the complexity of this type of sale prevented the large superstores from competing in this niche industry, although this is finally beginning to change.

The subject company of this report, HearAtLast, has developed a unique sales and distribution model – a hybrid of sorts – that combines the popularity, convenience, and discount pricing of the superstore with the personal service and higher quality devices offered by more traditional vendors, such as hospitals, MDs, Audiologists, and licensed dispensers. Based on our understanding of consumer purchasing behavior and current trends in mass market retail, we believe that advantages in convenience and pricing that have no concomitant sacrifice of device quality or care quality are likely to be "model disruptive" throughout the industry. Obviously, any company that can deliver such benefits in convenience and price while maintaining high product and customer service standards is likely to do extremely well over the medium to long term. It is for this reason that we are somewhat enthusiastic about HearAtLast's prospects as they transition from being an early-stage growth company to what could become an industry-leading hearing aid retailer in the both the Canadian and United States markets.

Company Analysis

Summary and Corporate Overview

HearAtLast is a wholly-owned subsidiary of HearAtLast Holdings, Inc., a Nevada Corporation. The company's mission is to bring affordable, high-quality hearing aids to the hearing impaired of Canada, and eventually to consumers throughout North America. The company's strategy is to use a combination of excellent service, convenient distribution, and high-quality, lower-cost hearing aids to institutionalize what has traditionally been a mom-and-pop industry. The company currently has five distribution outlets embedded within Wal-Mart stores in Canada, and has another 5 five Canadian store openings planned in August and September. Our conversations with Wal-Mart of Canada executives lead us to believe that in Canada alone there is the potential for over 200 HearAtLast stores within the next 36 – 48 months, and Wal-Mart of Canada is currently very pleased with HearAtLast and the experience that their own personnel have had in the in-store HearAtLast testing and sales facilities. This relationship with Wal-Mart gives HearAtLast a very strong pricing and marketing advantage over its current competitors, and given its strong governance and leadership teams, it is well positioned to quickly emerge as an industry leader in Canada and even as a real industry contender in the United States.. We are impressed with the company's strategy and relationship with Wal-Mart, the world's largest retailer, and believe that any investment in the company at a reasonable valuation is likely to prove quite rewarding for the risk-tolerant investor.

Target Markets

HearAtLast serves the hard of hearing market, initially in the nation of Canada, where an estimated 3.1 hard of hearing persons presently reside, and soon in the United States, where over 30 million such persons reside. The Company's stated goal over the next 2 – 3 years is to reach a 10% market share in Canada while gaining a strong beachhead (through Sam's Club and potentially through Wal-Mart stores as well) in the United States and Puerto Rico. At current average selling prices (ASPs) of between US\$560 to US\$1,900, the total available market (assuming 100% dual-device adoption) in these two countries is between US\$37 billion and US\$125 billion per upgrade cycle, which is typically a period of three to four years. With a total available market of this size, the company need only be modestly successful in market penetration terms to become a very large and extremely successful enterprise. We believe its strategy of embedding its stores within Wal-Mart superstores is the correct strategy to make this happen.

In terms of demographics within the hearing aid market, there is a strong bias towards the elderly, and there is a weak bias towards the lower socio-economic levels in this group. Both of these biases favor the company's reasonably-priced, high quality products and the company's primary distribution channel, namely testing and sales centers embedded within Wal-Mart stores, which cater to the elderly and to the lower and middle socioeconomic groups.

Products and Services

The Company does not manufacture its own products, but instead sells the products of those other companies in the marketplace that the Company deems to represent the best price/value combination available. Furthermore, because of the cost advantages that the Company has over stand-alone mom-and-pop competitors, it is often able to offer the products it sells at significantly lower prices than are otherwise available. We believe this is the correct strategy for the company, because it allows them to forgo the high capital expenditures associated with product development and manufacture, while simultaneously allowing it to continually offer best-in-class products to its customers regardless of the manufacturer.

The Company's primary products are in-the-ear hearing aids (ITEs), assistive learning devices, and the consulting and testing services that typically surround the purchase of a higher-quality hearing aid. The company's flagship product is currently the Sonomax in-the-ear (ITE) hearing aid, which employs patented silicone expansion technology and a digital interface, allowing it to offer a custom-fit, digital quality device for less than 50% of the average selling price of comparable devices. The company also offers several other ITE

and behind-the-ear devices, as well as assistive learning devices that work with televisions, telephones, doorbells, alarms, and other audio consumer devices.

HearAtLast's New MP3 Instant Custom Fit Headphone



In addition to and in conjunction with its product offering, the Company offers a comprehensive hearing test and hearing aid fitting service. This service, which is offered by the Company's in-store audiologists and licensed dispensers, consists of a comprehensive hearing exam (conducted in a hearing test booth), a hearing improvement consultation, and when appropriate, a professional hearing aid fitting. These services allow the company to compete head-to-head with more expensive traditional hearing aid distributors.

Marketing and Distribution Plan

HearAtLast leadership is confident that increasing quality and more attractive value/price points in the hearing aid industry will soon lead to a sea change in the market. This sea change will alter the prevailing market dynamics, transitioning the industry from low-volume/high-price paradigm to high-volume/lower-price paradigm. However, this change will not reduce or eliminate the need for hearing aids to be sold in conjunction with the services of a professional, in the context of a clinic and/or hearing testing facility. Therefore, the company has adopted a marketing and distribution strategy that leverages these emerging industry trends, by placing its hearing testing facilities and professionals physically inside of the world's largest high-volume/low-price retail channel: Wal-Mart, and Sam's Club, which is owned and operated by Wal-Mart.

Specifically, the company's sales strategy is to build out low-cost, 400 square foot hearing testing and product sales facilities in prime locations within Wal-Mart stores, particularly Wal-Mart's Superstores, and to build out lower-cost (but similarly functioning) kiosk stations in Sam's Club. These facilities maintain and will maintain a hearing testing booth, sample products, a small customer waiting area, and are typically placed in high-traffic areas of each host superstore.

Additionally, the company is adopting a "celebrity marketing" program, beginning with Mr. Wayne Gretzky, father of the famous hockey player and a Canadian celebrity in his own right. We believe that this celebrity endorsement can only augment the already strong growth we are forecasting due to the company's Wal-Mart relationship. The company will also pursue more traditional approaches to marketing its products and stores, such as developing relationships with local physicians, and by placing listing and/or advertisements in local publications and directories, such as the Yellow Pages.

Competition

In Canada, the Company's preliminary primary market, the main competitors are a company called Listen Up, and distribution centers co-located inside of Sears stores. Listen Up's stores are heavily advertised on the radio and on television but are primarily located in inconvenient strip malls and stand-alone locations. According to the Company, this company has a reputation for bait-and-switch sales tactics, and in our opinion, HearAtLast's position within Wal-Mart superstores will make it a very formidable competitor to Listen Up. The Company's other primary competitor, Sears, is itself floundering as Wal-Mart out-competes it in many of its primary markets.

In the United States, there are countless smaller competitors operating under each of the six previously discussed distribution paradigms, and some Wal-Mart stores are already offering hearing aids in partnership with another vendor. However, Wal-Mart Canada executives assure us that Wal-Mart in the U.S. is always uncomfortable basing all of its business in a particular product line on one company, and that they will be more than happy to recommend HearAtLast to U.S. Wal-Mart executives, once two conditions are met. The first of these conditions is that Wal-Mart Canada continue to receive very strong feedback on customers' experiences with HearAtLast, as the company expands from just a few stores to tens and then even hundreds of stores. The second condition is that HearAtLast demonstrate to Wal-Mart of Canada that it has its store-opening and store operation processes down to a science, such that its total store count can be smoothly and aggressively scaled into the hundreds or even thousands of stores that a major relationship with Wal-Mart U.S. would almost certainly require.

Leadership and Governance Teams

Unlike many early-stage companies, HearAtLast has very strong management, governance, and advisory teams, which include (among others) the founder of the first eye clinic that grew into the Lenscrafters, a nationally recognized specialty retailer. The company also has a strong in-house roster of seasoned leaders and industry veterans, who should be able to parlay the experiences of their directors and advisors into a successful enterprise.

Mr. Matthew Sacco, *Chief Executive Officer and a Director of Atlas*

Mr. Sacco founded Atlas in June 2003. As CEO of the Company, Mr. Sacco is responsible for seeking new related business opportunities. Mr. Sacco works closely with the president and the Atlas medical directors to ensure a complete and comprehensive roll out of new locations. Mr. Sacco has more than 30 years' experience in construction development and international business development, primarily in the Caribbean. During the past five years, Mr. Sacco has devoted his time, effort and financial resources to researching pain and injury therapy and developing the business operations of Atlas with a view to establishing PISCs. He is instrumental in the establishment of the corporate head office and PISC located at 1 Eva Road.

Mr. Robert J. Oswald, *President, HearAtLast*

Robert J Oswald is a veteran of the hearing health care industry with over 20 years of experience in Senior Management, and President of ASSI. He has been Involved directly in all aspects of this unique industry; hearing aid manufacturing, hearing conservational acoustics, clinic management, business development and marketing. As a founder of HearAtLast he brings a vast network of strategic partners from the manufacturing sector and hearing Instrument specialist areas. Robert is a dynamic hands-on leader with exceptional presentation and people skills.

Dr. Randy Lacey, *President and COO, Atlas*

Dr. Lacey has been President and COO of Atlas since inception June 1, 2003 and has worked closely with the Atlas board and medical staff in executing the planned growth of the company to become the dominant player in the pain management and hearing disability field in Canada. In addition to his commitment to Atlas, Dr. Lacey is concurrently CEO of Optometric Associates of Texas, a primary partner with Precision Union Ltd., the largest refractive eye surgery centre in Austin, Texas, president and CEO of Austin Laser Management Company, which oversees business operations of refractive laser centers and is the managing director of Teasley

Partners Ltd., a 52 acre prime multiuse commercial real estate development in Denton, Texas which houses a full service Holiday Inn, a mid-rise apartment complex, college student housing and a 16 screen stadium seat movie theatre.

Dr. Lacey is a distinguished practitioner and an accomplished entrepreneurial visionary. He is a refractive surgery consultant, therapeutic optometrist and certified optometric glaucoma specialist who is nationally renowned in the eye care industry. A pioneer, Dr. Lacey was one of the first individuals worldwide to open large hi-tech, one hour optical facilities to the public. With four 'super optical' locations, the concept quickly caught the attention of a Fortune 500 company and in the mid 1980's resulted in the phenomenally successful 'Lenscrafters' superstore franchises. The innovative marketing concept was instrumental in changing the delivery of eye care and optical products globally. On completion of the sale of this business, Dr. Lacey remained involved and guided 'Lenscrafters' with the expansion to over 200 stores throughout the U.S. Today 'Lenscrafters' has 850 locations worldwide. Subsequently, in the late 1980's Dr. Lacey became involved as an executive with Eye Masters and was responsible for helping grow that company from 2 locations to over 300 locations in just two years.

Chris Ward, President, Ward Health Strategy

Chris is the President of Ward Health Strategy, one of the North Americas leading health policy organizations. Chris is well known in Canada & USA for the works he has done on chronic disease management. He is a sought after speaker and works closely with government in Canada and USA on the issue of effective use of public sector health dollar to produce better patient outcome. He was the former Minister of Education and Chairman of Management Board while selected to the provincial Legislature in Ontario from 1984 to 1990. He was also Vice President of the Pharmaceutical Manufacturer Association of

Marc Kealey, Chairman Pro Tem

Marc is currently CEO of the Ontario Pharmacists' Association, Country's largest advocacy organization. He comes to the role after a very successful career in healthcare and politics. He is a former hospital administrator, former chief advisor to Prime Minister John Turner and former Premier David Peterson. He was the first Canadian to successfully negotiate a health infrastructure project in Cuba. He has worked across Canada and the USA, Latin America, Europe, China and the Middle East. He is a graduate of Kent State University and Waterloo University. He sits on the board of McMaster University and the Smart Systems for Health Agency.

Investment Risks

An investment in the shares of HearAtLast entail several risks that make such an investment appropriate only for risk-tolerant investors that can afford to lose their entire investment. Such risks are typical in regards to early stage companies both public and private.

In addition to the risks that investments of this type always entail, there are several risks specific to HearAtLast. Perhaps the most important of these risks is related to the Company's distribution channel. Although we have no reason to believe that the Company's relationship with Wal-Mart will deteriorate, if such deterioration were to occur, it could reduce or even eliminate the Company's ability to co-locate within Wal-Mart and Sam's Club stores. Based on HearAtLast's current business strategy, this would at best cause a major realignment of corporate assets, and at worst could amount to a death sentence for the company.

Another significant long-term risk to the company stems from the very trends of price and quality that it seeks to take advantage of. Currently, the company believes that the ideal average selling prices for its devices lie between CDN\$600 and CDN\$2,000, which is a price range that may prove to be unsustainable in the longer-term. If the prices of devices fall too much, the Company's smaller stores may suffer declining per-store revenues and profits even while customer counts are increasing. While this eventuality certainly wouldn't mean the end of the company, it could usher in a period of stagnant or declining profits and a significant contraction in the price-to-earnings and price-to-sales multiples that the market will likely assign the Company's shares.

Finally, the company does suffer some currency risk, as Canadian Dollars may experience adverse exchange rate fluctuations against the U.S. Dollar. The company does not engage in currency hedging transactions at this time, nor does it plan to do so in the future. However, this risk will be automatically mitigated a larger and larger percentage of the company's sales are derived from non-Canadian locations (e.g. the United States), and the Canadian Dollar may also experience appreciation against the U.S. Dollar. Overall, we do not consider currency risk to be significant at this time.

Valuation

In arriving at our target price, we used a price-to-earnings multiple analysis based on our forecast FY'11 earnings per share, and our (then-trailing) forecast revenue and earnings growth rates. For companies growing as quickly as we believe HearAtLast will likely grow, the market routinely assigns price-to-earnings multiples of 50x or more. However, because we do not believe HearAtLast will be able to exponentially expand its store count, revenue, and earnings numbers until calendar 2008-2009, we have discounted this multiple back down to a far-lower 30x our FY'11 EPS estimates, to account for the time lag in forecast results. This analysis results in our price target of \$7.21 per share, and our research rating of Strong Speculative Buy.

Also, our financial model includes unaudited numbers for Q1 FY'08, and employs gross margin and store opening estimates based on information provided by the company. It is notable, however, that our while our store opening forecasts are based on company estimates, they also seem reasonable based on our conversations with Wal-Mart executives.

Investment Thesis and Conclusion

HearAtLast is an early-stage specialty retailer with a superior business model and the world's largest retailer as a committed strategic partner. While there are multiple risks involved with any business at this early stage, we believe that the company is extremely well positioned for dramatic growth over the next one to five years and beyond. If the leadership and governance teams are able to scale the business while maintaining the Company's high quality of service, then this company is likely to become the niche behemoth in Canada and a serious contender in the much larger United States market. Because of its superior business model and impressive relationship with Wal-Mart, and because our conversations with Wal-Mart Canada executives led us to believe that this relationship is stable and likely to grow dramatically in the future, we rate the shares of HearAtLast a Strong Speculative Buy, and set a 12-month price target of \$7.21 per share.

Our Rating System

We rate enrolled companies based on the appreciation potential we believe their shares represent. The performance of those companies rated “Speculative Buy” or “Strong Speculative Buy” are often highly dependent on some future event, such as FDA drug approval or the development of a new key technology.

Explanation of Ratings Issued by Harbinger Research

STRONG BUY	We believe the enrolled company will appreciate more than 20% relative to the general market for U.S. equities during the next 12 to 24 months.
BUY	We believe the enrolled company will appreciate more than 10% relative to the general market for U.S. equities during the next 12 to 24 months.
STRONG SPECULATIVE BUY	We believe the enrolled company could appreciate more than 20% relative to the general market for U.S. equities during the next 12 to 24 months, if certain assumptions about the future prove to be correct.
SPECULATIVE BUY	We believe the enrolled company could appreciate more than 10% relative to the general market for U.S. equities during the next 12 to 24 months, if certain assumptions about the future prove to be correct.
NEUTRAL	We expect the enrolled company to trade between -10% and +10% relative to the general market for U.S. equities during the following 12 to 24 months.
SELL	We expect the enrolled company to underperform the general market for U.S. equities by more than 10% during the following 12 to 24 months.

Analyst Certification

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Analyst Highlight

Brian R. Connell, CEO and Senior Research Analyst

Mr. Connell has over 10 years' experience in the securities industry, as an equity analyst and portfolio manager, and as the founder and CEO of StreetFusion (acquired by CCBN/StreetEvents), a software company serving the institutional investment community. On the sell-side, Mr. Connell served as the technology analyst for Neovest, an Atlanta-based boutique, and as a Senior Analyst - Internet for Preferred Capital Markets, an investment bank based in San Francisco. Mr. Connell has also held the position of Executive Director of Marquis Capital Management, a technology-focused investment management organization.

Mr. Connell holds degrees in Economics and Psychology from Duke University, and is a CFA Charterholder

Leadership Team

Brian R. Connell, CFA

Chief Executive Officer and Director of Research

Client Team

David W. Boral

Director, Business Development

Elizabeth A. Frederick

Operations Manager

Equity Research Team

Stephanie Loiacono, CFA

Banks and Specialty Retail

Michael R. Anderegg, CFA

Information Security and Data Storage

Dennis Fischer, CFA

Biotech and Special Situations

Lisa Springer, CFA

Natural Resources

David M. Parr, CFA

REITs, Banks, and Financial Institutions

HearAtLast Profit and Loss Model

(000s except per-share data)	Q3 '07A	Q4 '07A	FYE '07A	Q1 '08A	Q2 '08E	Q3 '08E	Q4 '08E	FYE '08E	Q1 '09E	Q2 '09E	Q3 '09E	Q4 '09E	FYE '09E	FYE '10E	FYE '11E
Revenues															
Per-Store Generated Revenues	34	188	222	227	354	752	1,130	2,505	2,980	4,398	5,281	6,790	19,449	100,143	262,447
Total Revenues	34	188	222	227	354	752	1,130	2,505	2,980	4,398	5,281	6,790	19,449	100,143	262,447
Total Stores Open	1	4	4	4	9	20	30	30	37	50	77	119	119	367	781
Gross Costs	24	(6)	19	169	117	248	373	894	984	1,451	1,743	2,241	6,418	33,047	86,608
Gross Margin	29.2%	103.0%	91.7%	25.4%	67.0%	67.0%	67.0%	64.3%	67.0%	67.0%	67.0%	67.0%	67.0%	67.0%	67.0%
Gross Profits	10	194	204	112	237	504	757	1,611	1,997	2,946	3,538	4,549	13,031	67,096	175,839
Operating Expenses															
In-Store Operating Expenses	16	149	165	184	297	809	1,320	2,610	1,700	2,228	3,333	5,181	12,441	49,088	109,577
In-Store Operating Expenses	47.1%	79.0%	74.1%	81.2%	83.9%	107.5%	116.8%	104.2%	57.0%	50.7%	63.1%	76.3%	64.0%	49.0%	41.8%
Corporate S, G, & A	62	301	364	259	335	435	568	1,597	692	799	887	1,084	3,461	7,484	11,844
Corp. SG&A Expenses Seasonal	182.3%	160.2%	163.6%	114.2%	94.6%	57.8%	50.2%	63.7%	23.2%	18.2%	16.8%	16.0%	17.8%	7.5%	4.5%
Total Operating Expenses	78	450	528	443	632	1,244	1,888	4,207	2,391	3,027	4,220	6,265	15,902	56,571	121,420
In-Store Operating Expenses	229.3%	239.2%	237.7%	195.4%	178.5%	165.3%	167.0%	167.9%	80.2%	68.8%	79.9%	92.3%	81.8%	56.5%	46.3%
Operating Profits	(68)	(256)	(325)	(331)	(395)	(740)	(1,130)	(2,596)	(394)	(80)	(681)	(1,716)	(2,872)	10,525	54,419
Operating Margin	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	10.5%	20.7%
NOLs	(72)	(347)	(347)	(702)	(1,133)	(1,970)	(3,276)	(3,276)	(2,763)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Taxes	0	0	0	0	0	0	0	0	-967	-28	-238	-600	-1,834	3,684	19,047
Tax Rate Assumption	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
Interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Profits	(72)	(274)	(347)	(355)	(431)	(838)	(1,306)	(2,930)	514	(349)	(898)	(1,836)	(4,476)	4,479	23,589
Net Margin	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	17.2%	n.m.	n.m.	n.m.	n.m.	4.5%	9.0%
Total Shares Outstanding (000s)	98,102	98,102	98,102	98,102	98,102	98,102	98,102	98,102	98,102	98,102	98,102	98,102	98,102	98,102	98,102
Earnings Per Share	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.01)	(0.03)	0.01	(0.00)	(0.01)	(0.02)	(0.05)	0.05	0.24