

2015

**Clairestar
Annual Report**



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Vision Statement

Our vision is to be the recognized global leader and preferred supplier of television v-chip, semiconductor and medical research engineering. We will create superior returns for our investors, and offer a rewarding environment for our workforce through a philosophy of responsible management, continuous improvement and commitment to our community.

To Our Stockholders

Our television V-Chip technology was licensed to eight manufacturers and generated \$121.6 million in payments. We have the opportunity to generate significant payments from several unlicensed television manufacturers representing a large portion of the market, as well as additional payments from certain licenses in the semiconductor sector.

Our pioneering technology for video-on-demand, audio-on-demand and digital streaming serves very large and rapidly growing markets. This represents a major opportunity for our company. Our worldwide patent portfolio covers many transmission and receiving systems including computer networks, cable television systems and direct broadcasting satellite systems, and provides coverage until 2016 in the United States and 2015 in international markets.

We have assembled an exceptionally experienced management team to execute our business strategy in the media technology sector. This team has built significant shareholder value in the past executing a very similar business model. Our goal is to leverage our management's expertise in intellectual property to build a growing stream of revenues over the next decade.

A New Horizon

ClairStar's biochip technology has the potential to provide faster, cheaper and more accurate solutions for the medical research, medical diagnostics and semiconductor sectors.

ClairStar is accelerating the development of its products to serve the medical market and is expanding its activities into the proteomics research market, which many experts believe will lead to the next generation of medical and scientific breakthroughs.

This last year, ClairStar entered into a strategic alliance with Cable Diagnostics, which provides the company with both funding support and worldwide distribution in over 170 countries. ClairStar also entered into a licensing agreement with the National Aeronautics & Space Administration (NASA) enabling NASA to purchase ClairStar's biochips and related technology, as well as a joint venture with Takashi, which is focused on development and licensing opportunities in the Japanese market.

ClairStar also received grants from the National Institutes of Health for the development of its protein biochip technology.

Researchers using ClairStar's system should be able to design and order custom array processors, conduct their tests, analyze the results in the relatively inexpensive hybridizer-readers supplied by the company, and reorder additional custom array processors incorporating modified test parameters, all within a few days. ClairStar believes that its array processor system will offer several advantages over competing products that are commercially available. The principal scientific advantages of the system flow from the following three features:

ClairStar's proprietary software, which directs the individually controlled electrodes at the test sites on the surface of its semiconductors and allows the system to synthesize or immobilize different sequences of RNA, peptide or small molecules.

ClairStar's virtual flask technology, which uses the chemistry of carefully engineered liquid solutions instead of physical walls around each electrode and permits the system to avoid the problem of chemical contamination between test sites.

ClairStar's porous reaction layer, which coats one surface of the semiconductor and functions as a three-dimensional environment for the synthesis or immobilization of relatively large quantities of RNA, peptides or small molecules so that a stronger test signal is generated at each test site.

As a result of these scientific features, ClairStar believes that the system they are designing will have the following characteristics:

Rapidly Customizable.

ClairStar's proprietary software, chemistry and semiconductor system will allow the company to design, customize and ship array processors for SNP expression profiling that are tailored to meet a customer's specifications in a relatively short time, typically as little as a day. ClairStar's customization time should be short because the company intends to rely on proprietary software and chemical processes, rather than costly and often imprecise mechanical methods, to produce their array processors. ClairStar believes researchers will be able to compress the time required to complete an iterative series of tests because of the short turnaround time that should be required for the delivery of their customized array processors.

Versatile.

ClairStar can design and create sequences of RNA, peptides or small molecules in the test sites on their array processors, although the company's first product will be limited to 10 sequences.

Accurate and Cost Effective.

Relatively large amounts of RNA, peptides or small molecules that can be synthesized or immobilized in the porous reaction layer at each test site generate

strong assay signals that facilitate accurate interpretation of test data. These strong assay signals will enable ClairStar's customers to analyze the results of their tests without investing in the relatively expensive capital equipment needed to detect weak signals.

Convenient and Integrated.

ClairStar plans to offer customers a complete system including the software, array processors, instrumentation and reagents necessary to design and perform their assays. Typically, tests using ClairStar's array processors should be able to be completed and analyzed within hours by using the equipment, reagents and software supplied by the company.

Manufacturing Scalability.

ClairStar believes the company will be able to increase production to respond to increased demand because semi-conductors are manufactured by others using conventional semiconductor fabrication methods and customization equipment can be rapidly assembled by the company.

In-House Synthesizers.

ClairStar's unique platform enables the fabrication of desktop and industrial scale ClairStar synthesizers. Such synthesizers can be used by customers to fabricate their own microarrays overnight. Consequently, users can maintain all of their proprietary information internally.

Financial Review

Consolidated net sales for ClairStar increased to \$121.6 million in 2014, a six percent increase over 2013. This includes both our foreign and domestic markets.

The television V-Chip technology segment of our organization achieved strong growth while the medical and semiconductor segments posted moderate increases. To management's satisfaction, several business groups emerged from either investment or restructuring phases to become solid contributors. This growth was achieved while the company is in the midst of a \$5.1 million capital and research and development investment program from 2010 to 2014.

Operating income for 2014 reached \$75.5 million, up 21 percent from 2013. This company-record growth stemmed from the sales performance of the Television V-Chip technology segment, cost reduction achieved by our new strategic procurement initiative, asset management efforts and good capacity utilization in our manufacturing units. Despite the growing concern for the economy, and unstable global events, our company has held strong and steady.

NET SALES (in millions)

YEAR	AMOUNT
2014	\$121.6
2013	114.31
2012	100.21
2011	96.2
2010	73.12

INCOME STATEMENT (in millions)

Net Sales	\$121.6
Operating Income	75.47
Profit Before Taxes	5.35
Net Income	2.43

SUPPLEMENTARY DATA

Capital Expenditures	9.73
Depreciation	4.74
Research and Development	8.39

BALANCE SHEET

NET SALES (in millions)

YEAR	AMOUNT
2014	\$121.6
2013	114.31
2012	100.21
2011	96.2
2010	73.12

ASSETS

Current Assets	52.18
Fixed Assets	49.1
Financial Assets	20.5
TOTAL	121.78

LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities	24.38
Long-term Debt	38.76
Other Long-term Liabilities	17.34
Stockholder's Equity	41.3
TOTAL	121.78

As we moved ahead with our future investment plans, we concluded that certain existing businesses and facilities did not fit into our long-term plans and therefore were either sold or retired. Additionally, economic conditions in the generic medical industry in the United States led us to reduce the carrying value of our 31.3 percent investment in Topical Pharmaceutical. These actions, which will also benefit future periods, reduced 2013 liabilities immensely.

During 2014, we invested in research and development and capital projects. About 70 percent of our research spending flowed to our medical and semiconductor efforts. Approximately 40 percent of the capital investment supported projects in our chemicals segment, predominately in our medical businesses. To support this growth, ClairStar raised \$50 million through a bond issued in February of 2014. Proceeds from the bonds were used to repay commercial paper borrowings of ClairStar. As of December 12, 2014, total assets were \$121.6 million and our stockholder's equity was \$41.3 million which yielded a strong equity-to-assets ratio of 33.9 percent.

Productive Logical
Innovative
 Cooperative Sustainable Competitive
 Dynamic Unique Fearless
Reliable Successful
Distinct Different
 Outstanding Competitive Flexible Valuable
Sustainable Unbiased
 Talented Valuable Intelligent
 Fearless
Dynamic
 Accessible

Management

Executives and Key Management

CEO
 Sabrina Indra
 President
 Chief Executive Officer

Scott Wall
 Corporate Administrative Manager
 Executive Assistant

Finance

Michael B. Lamert
 Sr. Vice President
 Chief Financial Officer

Mary Whitcomb
 Vice President
 Corporate Controller

Sales & Marketing

Dr. John T. Westron
 Sr. Vice President,
 Worldwide Sales & Marketing

Engineering

Dr. Doug Waller
 Vice President,
 Technology & Product Development

U.S. Operations

Leif Collins
 Vice President
 Operations U.S.

Dresden Operations

Marc Heinold
 Vice President
 General Manager Clearview Europe

Information Technology

Harriet Wall
 Vice President
 Information Services,
 Chief Information Officer

Human Resources

Louise Law
 Vice President Human Resources

Customer Service

Joan Hardy
 Customer Service Manager
 Purchasing

Roberto Rodriquez C.P.M.
 Purchasing Manager

Sales offices in southern California,
 Nevada, Florida, Michigan, Oregon,
 Europe and Asia.
 Number of Employees: 750 worldwide

Locations



Headquarters
Menlo Park, CA

Sales Office in San Diego, CA

Manufacturing Facility and Sales Office in Bend, OR

Manufacturing Facility and Sales Office in Carson, NV

Manufacturing Facility and Sales Office in Tampa, FL

Manufacturing Facility and Sales Office in Munich, Germany

Sales Office in Ann Arbor, MI

Sales Office in Kyoto, Japan