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December 31, 2020

## Year-End Update

We thought it would be helpful to review the key events over the past year, and then provide our go-forward thinking.

As previously noted, after much research, back in approximately April we spoke frequently to Phil Frost, Directors and other top executives at the company, offering advice and understanding the opportunities more granularly. For months, our talks were constructive in both ways; sometimes they took our advice, sometimes they didn't, but always listened to our counsel as they respected our insights, ability to synthesize data, network and appreciated fresh thinking. Likewise, their years in the industry provided helpful context as we thought through ideas.

The stock tripled during this time frame until approximately the end of August when the Company's tone took a sharp twist. Suddenly they were less willing to talk, no longer solicited our opinion and generally went quiet. This was confusing and the stock stalled out.

It was at this point we began to notice the odd Rayaldee/COVID-19 delays, the lack of behaving like companies generally do as positive tangential studies began mounting and then we found that Vice Chairman Hsiao and Chairman Frost, who combined to own ~42% of the company we learned applied separately, but at the same time, to buy out the Company. We realized that Rayaldee approval had been granted June 1, which came as a surprise, but happened organically as physician groups and nephrologists at hospitals all around the country began noticing their patients on Rayaldee that also had COVID-19 were having their COVID-19 treated and sent that data to the FDA and to the Company. This clearly happened enough times to show strong evidence and as we learned more about the virus, we understood why it was happening scientifically. At this point, the only two entities with all the live clinical data are the FDA and the Company. We know what the FDA did: they fast-tracked one of the fastest trials they could, just 4 weeks, required just 160 patients (80 treated, 80 placebo), only 2 primary endpoints: (a) that Rayaldee raise patients internal Vitamin D levels to above 50 ng/mL and (b) treatment benefit. Since Rayaldee was already FDA approved and used by tens of thousands of patients for years and had been through many clinical trials, the FDA had already given it its highest safety classification of "equivalent to a placebo".

This certainly indicates strong data. What did the Company do? We thought they were starting the trial quickly as that's what they stated they would do. But they began having odd delays and for reasons that didn't make sense. The first reason was "waiting for BARDA funding" which doesn't make sense b/c you can apply for funding at the same time as you run a trial, and the trial was very cheap, small and short. FDA approval for the trial came June 1, 2020. By July they hadn't begun the trial but it would be "soon". On August 10<sup>th</sup>, it was "we would have started it already but we were waiting for BARDA funding but they are taking a long time so we'll just get it started at the end of August". August became September, which became end of Sept/Early Oct, until we learned they enrolled 1 patient on October 26<sup>th</sup>, 3 days before earnings on Oct 29<sup>th</sup>, so that they could answer they "started" the trial when asked on the earnings call. Meanwhile the Company had gone generally silent other than their earnings call. They stated we would have topline trial data by the end of the year.

It was at this point, and after we had done much more research on the likelihood of success, more studies by others had been done, the size of the opportunity and critically realized the first thing the Company did wasn't to start the trial, but to huddle up with their lawyers and bankers, and file paperwork, paying >\$1mm dollars in filing fees and lawyer and other counseling fees to apply to buy the Company. Similarly, the

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Company had no reason for why the applications were filed, nor to why the COVID—19 trial hadn't begun yet. Further, we realized that of the two endpoints, one of them, the 50ng requirement had, serendipitously, already been hit in a separate Rayaldee trial where they not only showed Rayaldee raised internal vitamin D levels to >50 ng, they compared it to all other treatments and showed that no other treatment could hit that hurdle. That means 1 endpoint was already hit, and as far as treatment benefit, they had already seen live clinical data, as well as a multitude of studies showing the trial would almost certainly work. It was here we realized that this was an absolute classic case of a MBO (Management Buy-out) behavior and the epitome of agency costs where insiders have different information than other shareholders, were no longer incentivized to improve the stock price but to lower it and only after the vote on their buyout offer could they allow the Rayaldee results read out. This would result in shareholders taking on much of the cost burden over the past years in investing in clinical trials and products the other businesses, but insiders were looking to reap the benefits, and Rayaldee potential profits was an entire new level as we've previously described the tens of billions of potential value.

As we built our stake, a few reporters had sources and were tipped off about our accumulation and activism, and Bloomberg broke the story the day before earnings, so we went public the morning of the 29<sup>th</sup> with earnings that afternoon. We stated why were we long and the potential value, predicted our model for 3Q which would be a strong beat, and forecasted 4Q to be sequentially better, but also stated that if management guided low and then purchased stock, it would all but confirm our theory. Despite our statements, that's precisely what they did, somehow guiding to doing *less* COVID-19 testing in 4Q than 3Q, the only Covid-19 related testing company to guide in this direction despite 4Q being the most devastating quarter for the pandemic. Simultaneously, their commentary was that there "were no supply shortages", "demand outstripped supply", they would expand capacity by over 40% and they hired over 2000 employees (from a base of 3000). These are odd things to do if you think your business is declining. As predicted, the stock dropped 20% the following day and Dr. Frost made his largest open market buy of the year. He followed that up with more purchases later in the week at discounted prices.

This is also odd: if the business is declining, and indeed just a year prior the Company issued 10% of the company at \$1.50 because it needed just \$70mm, the Company was severely diluted, but Frost was purchasing stock at more than double the price a year later after guiding downward. Simultaneously, the correlation b/w internal vitamin D deficiency and higher COVID-19 infection and severity levels had been all but proved: in fact, to such a degree, that England's National Health Secretary argued passionately in Parliament of its benefits, and England along with numerous other European countries distributed vitamin D to the most vulnerable 5% of its population for the four winter months. This seems like the sort of thing a Company would mention to investors showing the trial's likelihood of success was not priced into the stock or a Company would offer its drug to those Countries for a price, like the vaccine. At this point we kicked into high gear and in a move we believe is unprecedented, less than 2 weeks after the Company's guide we put out our own 4Q guide, detailed why we thought the Company's guide was as impossible as our lawyers would allow us to say, and put out a wealth of other granular information including details of how we reached our normalized earnings power and earnings target. To put this into context: the Company had 1/3 of the quarter finished and knew those number as well as their internal numbers and yet we were so confident at this point in our knowledge of the industry, network, model and industry fundamentals that we publicly materially differed in our guide. This appeared to help investors understand what was going on:

1) OPK's stock price closed on 11/11/12 at \$3.70. On 11/12 we released a wealth of information, reiterating our prior statements, providing detailed support, and making direct predictions contradicting management's

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statements as well as pointing out that in just ~2 weeks since our initial press release. Thus far, every single one of our predictions were accurate.

2) OPK closed the last trading prior to their announcement of an, in our belief, inadequate director at \$4.59, a ~25% increase in approximately a month due to our involvement despite two vaccines receiving FDA approval exceeding expectations with 95% effectiveness. The institutional ownership of the Company nearly doubled; and short interest has declined by nearly 10% (over 10mm shares have covered since 10/30/20) resulting in the lowest short interest in the company in months. They then announced on 12/21, attempting to bury the news the holiday week, the appointment of a new director, that we believe infers, and numerous investors believe infers based on director messaging and the Company's decline in stock price despite the market passing stimulus which benefits OPK and the market making record highs, management's continued corruption.

3) The stock closed exactly 1 week after the Company's press release implying their alleged corruption was continuing at \$3.72. That is a ~20% drop in the company's market cap, or approximately \$600mm of destroyed value in one week. One wonders why the Board felt 6 directors over the age of 70 wasn't enough and needed 7, why they needed to increase the size of their board by 33% as they have to add the independent director shortly going to 12 directors, or why after the Company declined in value by 76% over the past 5 years it needed a director who also resided over a company with a 5 year stock price decline of 76% who shareholders had just thrown out, who OPK shareholders responded by dropping for 5 consecutive days by 20% and query is this the "maximizing shareholder value" they discussed on their last earnings call?

4) But no matter: Shareholder counsel has already told OPK counsel that it didn't slip by shareholders, and we personally let the Judge know about these actions (one can imagine his reaction after presiding over the number of lawsuits against this management that he has). So let us state that we are **CONFIDENT**, That the Board composition as it stands today, will **NOT BE THE BOARD COMPOSITION** in 60 days, and in fact even earlier than that, and investors will see evidence of this in January.

5) With 4Q behind us, we remind investors that we and the Company put out two materially different guides and its time to hold one of us accountable. Our materials are on our website, we encourage you to read them. To reiterate, the company guided 4Q for COVID19 tests to be approximately 3.2mm PCR tests and 300k serology tests in 4Q. We stated despite their failure to listen to our advice, that we believed that this was near **impossible, listed numerous reasons for this and stated what we believe management's intentions were in providing an obviously low testing forecast. We stand by the Company's COVID-19 testing range being ~30% too low and the range should have been ~1mm tests higher (i.e. 4.2mm-4.8mm COVID tests; a midpoint of 4.5mm tests and if serology was 300k again, then 4.2mm PCR tests. This COVID-testing difference alone adds >\$60mm in revenues to their guide. We also note, as we stated, Rayaldee has been delayed to 2Q'21: further proving our point.**

4) The Company also stated that:

- a. a home testing kit would be announced
- b. a quantitative serology test would be announced that allowed for showing the level of antibodies versus just a yes/no, an increasingly important test as vaccines were administered
- c. They received numerous calls from Midwest states at capacity that needed their help

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d. They received numerous inbound calls from large employers and organizations who needed their testing capabilities which would be a large source of demand.

e. The Company also stated that they believed

(i) by the end of the quarter routine testing would be at “pre-COVID” levels (e.g. the negative 9.1% y/y routine test rate would increase to flat

(ii) Rayaldee would continue to show growth y/y in 4Q

(iv) The Company would release by the end of 4Q at a minimum, preliminary COVID trial results.

By contrast, we believe:

(i) They will beat on COVID testing by ~1mm tests.

(ii) That routine testing, in direct contradiction to the Company, would NOT RETURN to “pre-COVID levels and in fact would remain at approximately the same negative 9.1% y/y rate. We again reiterate the same (of course, +/- a standard margin of error)

(iii) That Rayaldee would NOT GROW even at the severely declined 3Q rate, and in fact Rayaldee growth we believe is likely closer to flat y/y than it is to 3Q y/y growth.

(iv) 4KScore Testing is growing and will grow in 2021 AT A DRASTICALLY INCREASED RATE, and we believe 4KScore testing will be b/w 15mm-20mm tests this Quarter despite COVID-restrictions, producing b/w \$6mm-\$8mm EBITDA, a number they intentionally LEFT OUT OF THEIR GUIDE. Note a consistent theme: The company now hides the good information, discloses the bad or delays it, lowering the stock price.

(iv) That the Company would NOT RELEASE ANY COVID TRIAL DATA, AND IN FACT DELAYS WOULD ONLY INCREASE.

(v) The Company would NOT offer a home testing kit in the time frame stated.

(vi) The Company would NOT offer a quantitative serology test in the time frame stated.

(vii) The Company would NOT release any Rayaldee trial data even on Phase IV and Phase II trials, in their guidance indicated

(vii) We do NOT believe, Rayaldee has received all approvals in Europe and Vifor can begin selling Rayaldee on Jan 1, 2021.

(viii) We note that University of Miami Hospital System, one of the largest in the Southeast, where Dr. Frost has donated over \$100mm, is on the Board of Trustees and has a school named after him, gave their contract to LabCorp on October 28<sup>th</sup>. Given LabCorp charges more, Frost’s personal connections, and his vote on the Board, we struggle to see how this could even be possible without malfeasance.

Lastly, we discussed our counsel to the Company privately over the summer to good success. We publicly stated that the Company should purchase or partner with the Rutgers or other POC test. The Company, despite us showing you them trademarking “Scarlet Health” (Rutgers are known as the “Scarlet Knights”), chose not to listen. We show the consequences:

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BioReference LOST the majority of the NBA contract despite investing greatly in the first contract, and producing zero infections during the entire season, with MESA taking a large share. BioReference, with no Point of Care test (what ever happened to Claros-1 point of care?), and no home testing kit, cannot offer viable solutions. We offered, as shown in our materials, not only our assistance which we provided the Company privately all summer as their stock price and performance was materially better than it is today, where competitors were, insights into the market they were unaware of, and ideas on how partnerships and how to innovate. We note that Rutgers lab, was bought by a PE firm (the 4<sup>th</sup> lab bought by a PE firm this year), which has expanded the lab, purchased a second lab in Minnesota to expand capacity, charges \$110/test vs. BioReference signing \$50 deals, has EXCLUSIVE CONTRACTS WITH TWO NATIONAL AIRLINES INCLUDING JETBLUE. Also note that testing internationally is mandatory and OPK has not signed a single airline contract. Further, they promptly took multiple NJ contracts from BioReference, despite charging double the price BioReference charged. For example, here is just two of multiple examples of the Rutgers test (being sold thru a partnership with Viking and Vault) taking substantial business immediately post purchase from BioReference: <https://www.nj.com/hunterdon/2020/12/covid-19-self-testing-now-available-in-hunterdon-county.html> and <https://www.insidernj.com/press-release/morris-county-open-no-cost-covid-19-testing-site-county-college-morris/>.