

Today's Notes:

1. Reflections
2. The Markets

1. REFLECTIONS

Yesterday I received an article from Mr. Richard Garr the CEO of Neuralstem. I have written on Neuralstem and own the stock. Recently the company began its first Phase I safety trial at Emory University for treatment of Amyotrophic Lateral Sclerosis (ALS) using its proprietary spinal chord stem cells. There are 17 more patients in the treatment queue at Emory. Patients will be monitored over 24 months. Obviously just getting into the clinic is a very important milestone.

Richard Garr Neuralstem's CEO said,

"The treatment of the first patient with our spinal cord stem cells represents a significant milestone for the Company,"

Dr. Karl Johe, Chairman of the Board and Chief Scientific Officer at Neuralstem, and the inventor of the technology said,

"Our scientists have worked tirelessly to bring our discovery of adherent neural stem cells from the bench to the bedside ... This trial aims to establish the safety and feasibility of using our cells to treat ALS. For now, we are focused on the safe and speedy recovery of the first patient, and we wish to thank him and his family for their courageous participation in the trial."

The shares have performed well lately peaking recently at \$2.50. Neuralstem closed yesterday at \$2.00.

However I was most impressed by an essay that Mr. Garr wrote on his CEO Blog on the CUR website. It speaks volumes. Please keep your eye on Neuralstem's clinical trials as you go forward.

<http://www.neuralstem.com/eBlog/>

"18 Years Ago Today

On: 01/21/2010 13:39:29

"The Road goes ever on and on..."

JRR Tolkien

Eighteen years ago, this night, January 20th, I sat in a chair in Children's Hospital in Washington DC and watched my son, then 4, in the bed, wires protruding from every

directions in and out of him, his breathing barely perceptible. He was having a very difficult recovery from an 18 hour brain surgery several weeks before to remove a grapefruit size brain tumor. He did recover, and we know how blessed we have been because of that. The date sticks in my mind because it is my wife's birthday.

I sit tonight, exactly eighteen years later looking at him again, in a hospital bed, with wires protruding in and out of him, his breathing barely perceptible, as he readies for more surgery tomorrow; this time to deal with an infected shunt which does the work of something not working quite right on its own to shuttle the fluids in his brain through the ventricles and out again. It will be his second surgery in ten days, following two similar surgeries in late August. If you are reading this blog, then you also know that Neuralstem announced this morning that we transplanted our first ALS patient in the trial at Emory. The two events are not unrelated for me.

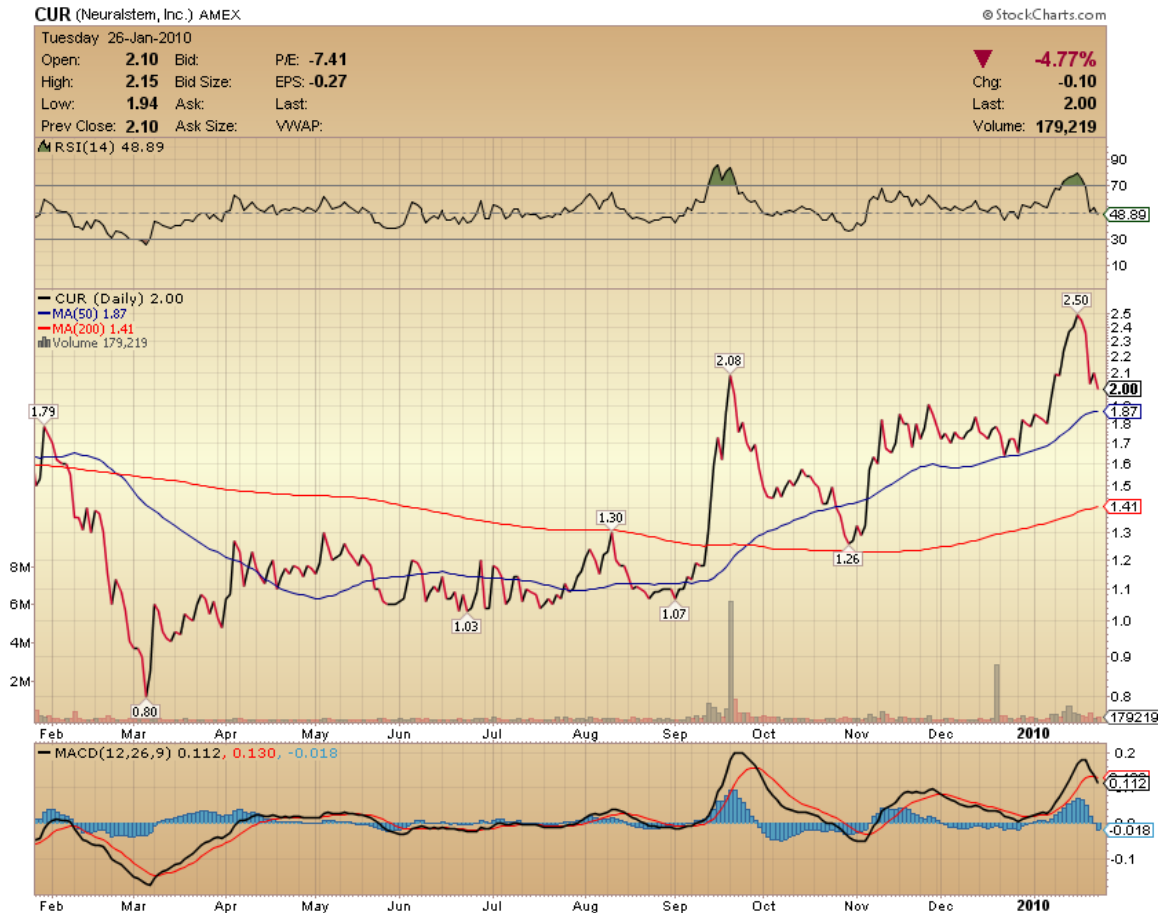
For me at least, it was Matt's illness which resulted in my meeting Dr. Karl Johe, the inventor of our neural stem cell technology; a friendship which resulted in the founding of Neuralstem to push forward his discovery. A discovery which has now resulted in the world's first intra spinal cell therapy, and the first neural stem cell transplant to treat ALS.

This is of course only the beginning. This patient, this trial in fact, and it is no time for a victory lap or anything like it. But the symmetry of the two events seems almost to demand some reflection on the long hard road to here and now, and what this "beginning" really means. Trials are about results; there are no moral victories for patients waiting for help. This is not a science project, this is a serious effort to treat a terrible disease. But the clinical trial process is just that, a process. The first trial is designed to prove that the cells are safe, and that the route of administration, that is the intraspinal injection method, is also safe. This also means that there is a "dosing" component to the trial, and some patients will get different numbers of injections and therefore cells. There is no "control" or placebo group in this trial, so we have only real ALS patients getting the real therapy. And while all the primary end points of the trial are safety related, we are also going to be measuring many functional abilities of the patients to get a feel for whether or not we are slowing down the progression of the disease. We will not be commenting on the progress of patients during the trial, so this will be about all I will be saying concerning the trial until we have data that we can release. I wish the process and the rules were otherwise.

No one should doubt however, the importance of the safety data. This platform, these spinal cord cells and the intraspinal injection method we have developed as sponsors of this trial, will be the platform that we hope to use to treat spinal cord injury, and stroke patients, and MS patients and a host of other currently untreatable diseases and conditions of the central nervous system. Diseases which touch almost all of us in one way or another. This is because "inside" the spinal cord is where the cells need to be to help. And the safety data we create for the cells and the surgery in this trial will help make all those other trials possible.

We believe that we can help ALS patients with this therapy. And that is the main point of this trial, to bring a therapy to patients for this horrible disease. But no matter how encouraging animal trial results are, until you help human patients you simply don't know what impact you are going to have. And so we have to be immensely grateful to those patients and their families who agree to participate in our trial. And as the importance of

this trial goes far beyond ALS and ALS patients, we should all be grateful for their courage and generosity. For none of us knows where our roads will lead us or our loved ones



2. MARKETS: WHERE TO?

Beginning about Wednesday, last week, the markets decided to get ugly and turn down. This is an event we had predicted for some time admonishing those with significant profits to take some. The attack on the U.S. banking system by the Obama Administration has certainly had its impact as has the negativity by certain in Congress (both sides) over the re-nomination of Chairman Bernanke. We do expect Dr. Bernanke to be re-nominated. Today we shall see the two most recent Treasury secretaries (Paulson and Geithner) testify. The finger pointing will now be directed toward the history of the AIG and possibly the Fannie and Freddie fiascos.

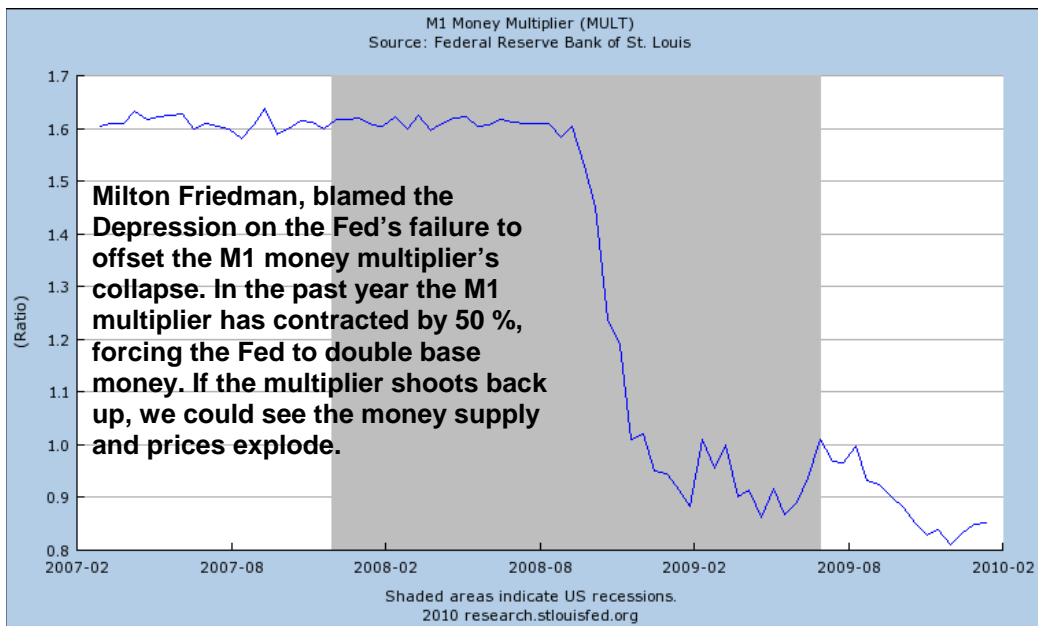
There is a very powerful populous sentiment seeking to place blame today and these all these actors are now in the cross hairs. Congressmen and Senators (from both sides of the aisle) are hearing populous footsteps – and they are scared. Power can dissipate quickly. Only the Administration seems tone deaf on this building tsunami. Couple this with the political shifts we have seen in Virginia, New Jersey and Massachusetts and you must conclude that there is change coming – and probably not from this Administration or Congress.

At present the financial system in the US is still broken. What we do know is that over the past two years as the crisis heightened, debt was simply shifted from failing entities (AIG for

example) to the Federal Reserve and eventually the public. At the Fed the leverage ratio is now 50 to 1. Everyone is watching China. Will that become a bubble that will eventually burst?

In other words the new global economic engine, at least in the minds of many people, is now China – and China is beginning to tighten.

The St Louis Fed's multiplier ratio and the velocity of money (M2M/GDP) are still flashing red. Unemployment, a lagging indicator, is dragging the economy down. Housing numbers released yesterday were horrible. Sales of previously owned US homes suffered the worst drop in December. The boost from the tax credit is over. Can a housing market recovery be sustained? Existing home sales fell 16.7% in December – the sharpest decline since 1968. Sales were 450,000 below expectations. As long as the government spends on housing we recover – once Washington stops? Low mortgage rates also subsidized by Federal Reserve buying of mortgage-backed securities will rise in 2010. Let there be no doubt housing is at the core of the US recovery.



It seems quite likely that equity markets need a break after almost a full year of this equity market run-up. I have often maintained, during the past year, that this was a bear market rally. I still hold that opinion today. As you can see in the chart below, this pullback is the largest since July Of 2009 and it has broken through its 50 day moving average – for the first time since July. It would appear that the psychology of the market has changed. Those in Washington (on both sides of the aisle) have started to place blame (Bernanke, Geithner and bankers) in order to deflect public dissatisfaction with a 10.4% unemployment rate and a 17.8% underemployment rate. The unknown is just how much damage will ultimately be done by the overreaction to the events of the past three year beginning in July 2007 and the gutting of the financial system by the newly anointed Washington Paul Volcker.



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