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INSTITUTIONAL RESEARCH

Healthcare & Biotechnology

UPDATE REPORT

OraSure Technologies, Inc. (OSUR)

Reducing Target Price Due to Near Term Revenue Uncertainty-Reaffirming New Product Schedule and Long-term Revenue Potential **BUY**

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Current Price \$5.41 Old Target \$11.00 New Target \$8.00

Investment Highlights:

- Lowering Target Price to \$8.00 from \$11.00.**
- 2008 Revenue Guidance Lowered to \$83 million from \$90-92 million--Reduction in HIV testing in Africa; Sluggish Sales to Abbot in the Hospital Market; Slowness on the Implementation of DCD grants for HIV Testing; Weakness in Workplace Drug Testing due to Weakening Economy; Unanticipated Inventory Build in OTC Cryosurgical in Mexico.**
- Expect loss per share of \$0.10 to \$0.11 from previous Guidance of EPS of \$0.05--Reduction in Revenues without Reduction in Expenses; Additional Legal Expenses of \$4 million to \$5 million from Patent Infringement Lawsuit Filed by Inverness Medical and Church & Dwight.**
- Large, Underserved Market: Management recently estimated that an oral OTC HIV test could address a U.S. market of \$500 million and a similarly formatted Hepatitis C Virus test would address a U.S. market of \$200-250 million.**
- Milestones: Continued progress in the development and clinical trials of these two block buster tests should fuel interest in OSUR and its shares. HCV clinical trial should be completed by mid-2008 and on the market in 1H 2009. Clinical trail for OTC OraQuick Rapid HIV1/2 began in Q3 2006 and could be concluded in early 2009.**

Stock Data

52-Week Range	\$5.21-\$10.57	
Shares Outstanding (Mill)	47.3	
Market Capitalization (\$Mill)	\$257.8	
Average Daily Volume	216,163	
Book Value/Share	\$3.01	
Price/Book	1.8x	
Cash / Securities (\$Mill)	\$95.6	
Cash/Share	\$2.04	
Insider Ownership	16.1%	
Institutional Ownership	75.9%	
Debt (\$Mill)	\$9.3	
Dividend/Yield	N/A	
Short Interest (\$Mill) / %	\$25.2 / 9.4%	

<u>Estimates (Sep 30)</u>	<u>2007A</u>	<u>2008E</u>
Sales	\$82.6	\$83.0
EPS	\$0.05	(\$0.11)
Net Inc. (Loss) (\$Mill)	\$2.6	(\$5.0)

Management

CEO & Pres	Douglas Michels
COO & CFO	Ronald Spair
EVP & CSO.	Stephen Lee, Ph.D.



Price target and ratings changes over the past 3 years:
Initiated February 1, 2007 – BUY – Price Target \$11.00
Update May 7, 2008--BUY--Target Price \$8.00

See last page for important disclosures and analyst certification.

Key Points

- Given all the things that went wrong in the first quarter, it is amazing that OSUR actually **met consensus estimates with revenues of \$18.1 million, down 10% Y/Y and down 8.6% on a sequential basis. EPS of \$0.04 were primarily the result of a pre-tax gain related to a settlement and licensing agreement with Schering-Plough Healthcare Products, Inc. (SGP-NYSE-\$18.18-not rated).**
- Unfortunately, some of the **problems plaguing first quarter results will continue into the second and possibly the third quarter of 2008 resulting in a reduction in revenue guidance to \$83 million from \$90million to \$92 million, flat with 2007.** Due to the company's limited ability to cut overhead given its need to complete developmental and regulatory work on important new products and the legal costs associated with the recently announced patent infringement lawsuit filed by Inverness Medical Innovations Inc. (IMA-AMEX-\$34.02-not rated) and Church & Dwight Co.(CHD-NYSE-\$54.30-not rated), OSUR also reduced its **earnings outlook which now calls for a loss per share of between \$0.10 and \$0.11 as compared to previous guidance of a profit of \$0.05 per share.**
- **Infectious disease testing, primarily the OraQuick *ADVANCE*[®] HIV-1/2 Antibody Test, increased about 8% mostly to the U.S. Public Health market which was up 45%. Abbott Laboratories (ABT-NYSE-\$51.29-not rated), OSUR's distribution partner into the hospital market (ER testing), showed an 11% decrease in sales which management believes resulted from changes in Abbott's sales force related to its on-again, off-again divestiture of this business. The spending of funds appropriated to 23 jurisdictions by the Centers for Disease Control (CDC) for HIV testing appears to be slower than expected with more of it going into staffing and building infrastructure as opposed to actually spending for tests. OSUR derived no revenues in the first quarter from either the CDC or SAMHSA (Substance Abuse and Mental Health Services Administration).**

Although OSUR booked international OraQuick revenues of \$646,000 in Q1, a decline of 14%, none of this came from one of its best customers, the government of Madagascar. **Madagascar's funding source has changed and has mandated that the government switch from oral testing to blood testing (Determine by Inverness).** In 2007, OSUR sold 400,000 units to Madagascar and expected to sell approximately 700,000 units this year. The change, somewhat offset by sales to other African countries, will result in the loss of \$1 million in revenues to OSUR this year. In total, **the outlook for OraQuick has diminished by about \$3.5 million in 2008.**

- The company's **Intercept substance abuse testing declined 19% in total with work place testing down about 34%.** This was the direct result of the weakening economy which results in fewer new hires in industries that routinely screen new employees. Management **reduced 2008 revenue guidance for substance abuse testing by \$1 million** reflecting the ongoing weakness in new employment.
- Finally, as previously announced, OSUR's Cryosurgical (wart removal) business has been negatively impacted by the termination of the Prestige Brands agreement resulting in the loss of approximately \$6.2 million in U.S. OTC Cryosurgical revenues. However, **OSUR's international OTC business was negatively impacted in Mexico by the return of retail**

pharmacy inventory to the company's distributor, Genomma. The treatment of common and plantar warts is a seasonal business and a number of retailers had accumulated an inventory level based on in season demand that was not required over the winter months. On a positive note, OSUR has finalized a plan to re-enter the domestic OTC market, but for competitive reasons, refrained from providing details. We do not believe this will produce any revenues in 2008 but should contribute in 2009. In total, the **loss of the Cryo business because of these two factors contributes to a \$3.5 million reduction in the 2008 revenue outlook.**

- Gross margin for Q1 was 59%, a decrease from 62% for Q1 of '07, but up sequentially from 58% in the fourth quarter of 2007. This Y/Y decline was due to an unfavorable product mix versus the year ago period, increased scrap and spoilage expense associated with the loss of the HIV business in Madagascar and higher unabsorbed overhead. Research and Development expenses for Q1 were up 58% or approximately \$1.7 million over 2007, largely as a result of costs associated with our ongoing OraQuick HIV OTC and HCV clinical development programs. Sales and marketing expenses increased 9% or approximately \$445,000, mostly due to increased staffing and related charges and general marketing expenses partially offset by a decrease in advertising reimbursement costs related to our international OTC cryosurgical products. G&A expenses decreased approximately \$397,000 largely as a result of a decrease in legal costs, outside consulting, and corporate taxes, partially offset by increased staffing related expenses.
- **On the new product front, the company continues its clinical trail for its OraQuick HCV test and expects to complete it and file its PMA with the FDA sometime this summer. We continue to expect final approval before year end, on schedule.** As previously announced, OSUR has extended its agreement with Schering-Plough on the development and promotion of a rapid oral hepatitis C virus (HCV) test utilizing OraSure's OraQuick technology platform on a worldwide basis outside the United States, which had been its previous agreement. Schering-Plough will reimburse OraSure for certain development costs and will provide payments to OraSure based on the achievement of certain regulatory and commercial milestones in international markets. Schering-Plough will also provide promotional support for the product in international markets. All sales of the HCV test will be made by OraSure, and OraSure will retain the rights to market and sell the test in all markets throughout the world. Approximately 170 million people are chronically infected with hepatitis C worldwide and there are approximately 3 to 4 million new HCV infections each year on a global basis. Hepatitis C is responsible for approximately 50% of all liver cancer throughout the world.
- **OSUR has initiated the observer use study for its OraQuick OTC HIV test which we continue to believe will see commercial launch by the end of 2009.**
- **The high throughput drugs of abuse automation program in collaboration with Roche continues to proceed with prototype assays for all of the initial launch, a NIDA-5 panel, now operational on automated equipment.** When the assays are fully optimized and transferred to manufacturing, Roche will initiate clinical trials and eventually submit a 510(k) to the FDA.

Second Quarter and Remainder of the Year Outlook

- We believe **second quarter revenues will be up just slightly sequentially to \$18.7 million in-line with management's guidance of between \$18.5 million and \$19.0 million**, a decline from the \$21.4 million in Q2 2007. Many of the factors that negatively impacted Q1 will still be present in Q2 and could also impact Q3. HIV testing in other African countries will take some time to develop, the CDC and SAMHSA may continue to drag their feet and the clouded situation at Abbott may continue. If the economy continues to be weak, substance abuse testing may be negatively impacted. The Cryo inventory situation in Mexico could be the only revenue problem to resolve itself over the course of the next quarter or so. With the absence of the pre-tax gain related to a settlement and licensing agreement with Schering-Plough, earnings before tax should turn negative by about \$2.8 million resulting in a **per share loss of \$0.06**.

Although we believe that revenues in Q3 will rise sequentially by about 14% as management implements programs to stimulate demand and DCD and SAMHSA actually begin to order tests, the per share loss will remain in the \$0.06 to \$0.07 range as the company continues to strongly invest in product development and legal expenses remain high. Fourth quarter could see some additional improvement in revenue and an abatement of some of the aforementioned expenses as well as some gross margin improvement. As a result, **full year revenues are now expected to \$83 million, flat with 2007 and the net loss is expected to be \$5 million or \$0.11 per share**.

As expected, the disappointing outlook has pulled the shares down some 17% to \$5.43, a new 52 week low. Although we believe OSUR will achieve FDA approval of its OTC version of the OraQuick Advance Rapid HIV-1/2 Antibody test and the OraQuick HCV test both of which we believe will be approved and commercially launched in 2009, **we are lowering our target price to \$8 from \$11. Our new target price values the company at 4.5X a revenue forecast of \$83 million in 2008, and 4.0X an 11% increase Y/Y in 2009 to \$92 million, the upper end of this year's previous guidance by management**. Our new target price would represent 50% appreciation from the stock's current price. We believe that in 2009 the company should turn profitable and given the very large potential markets that these two products will address we continue to rate the shares a **BUY**.

RISKS

We believe a BUY position with OSUR involves the following risks:

- **Clinical Indications** – OSUR continues to explore technology upgrades and additional indications for use of its current technologies including converting its HIV 1/2 test to the Over-The-Counter market and the development of an oral Hepatitis C Virus test. Its inability to discover and commercialize these new applications and product improvements could relegate revenue growth to high single digits. While OSUR has a competitive product line with many innovative devices, the in vitro diagnostic market is highly competitive and the requirement for innovation and new clinical indications is enormous. A set-back or delay in such an initiative would negatively impact the company.
- **Regulatory** – OSUR relies on some of its products receiving approval from the Food and Drug Administration. The company currently has several products under development that

must go through the approval process prior to commercial availability. Any delay will negatively impact the company.

- **Litigation**—OSUR is engaged in litigation with Schering-Plough for infringement of several patents relating to the technology for the cryosurgical removal of warts and other benign skin lesions. The company is also engaged in arbitration with Prestige over distribution of its cryosurgical products. The outcome of this litigation could have an adverse impact on OSUR.
- **Reimbursement** – Since there is only minimal reimbursement from government, private insurance and self-pay are the normal forms of reimbursement. Dramatic changes in the economy could have a significant effect on people’s ability to pay for diagnostic services.
- **Competition** – The in vitro diagnostic device industry is highly competitive, from both private and public companies.
- **Sector Rotation** – OSUR is a medical device company and is often held in a portfolio with other device companies. A material event affecting one company many times affects the entire group.

ORASURE TECHNOLOGIES, INC.
WORLDWIDE REVENUES BY SEGMENT
(\$ millions)

REVENUE	2005A					2006A				
	1Q	2Q	3Q	4Q	Year	1Q	2Q	3Q	4Q	Year
Infectious Disease Testing	\$ 5.1	\$ 7.5	\$ 7.0	\$ 6.3	\$ 26.0	\$ 6.1	\$ 7.6	\$ 7.5	\$ 7.9	\$ 29.2
Substance Abuse Testing	\$ 2.9	\$ 3.5	\$ 3.6	\$ 3.5	\$ 13.5	\$ 3.4	\$ 4.0	\$ 4.2	\$ 4.1	\$ 15.7
Cryosurgical Systems	\$ 5.6	\$ 4.3	\$ 6.1	\$ 6.7	\$ 22.7	\$ 4.5	\$ 4.6	\$ 4.0	\$ 4.3	\$ 17.3
Insurance Risk Assessment	\$ 2.1	\$ 2.0	\$ 1.3	\$ 1.5	\$ 6.8	\$ 1.1	\$ 1.3	\$ 1.7	\$ 1.4	\$ 5.6
Total Product Revenues	\$ 15.7	\$ 17.3	\$ 18.1	\$ 18.0	\$ 69.1	\$ 15.1	\$ 17.5	\$ 17.5	\$ 17.7	\$ 67.8
Licensing and Product Development	\$ 0.1	\$ 0.1	\$ 0.0	\$ 0.1	\$ 0.3	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.0	\$ 0.3
Total Revenues	\$ 15.8	\$ 17.4	\$ 18.1	\$ 18.0	\$ 69.4	\$ 15.2	\$ 17.6	\$ 17.6	\$ 17.7	\$ 68.1
PERCENT CHANGE Y/Y										
Infectious Disease Testing						19.8%	0.7%	7.1%	25.8%	12.3%
Substance Abuse Testing						17.7%	14.1%	17.2%	17.1%	16.5%
Cryosurgical Systems						(20.1%)	7.0%	(34.5%)	(36.7%)	(23.8%)
Insurance Risk Assessment						(48.7%)	(33.7%)	36.0%	(1.0%)	(18.3%)
Total Product Revenues						(3.9%)	1.1%	(3.0%)	(1.5%)	(1.8%)
Licensing and Product Development						6.0%	(38.9%)	385.2%	(57.1%)	8.0%
Total Revenues						(3.9%)	0.8%	(2.4%)	(1.7%)	(1.8%)

Source: Company and Dawson James Securities, Inc. estimates

REVENUE	2007A					2008E				
	1Q	2Q	3Q	4Q	Year	1QA	2Q	3Q	4Q	Year
Infectious Disease Testing	\$ 8.9	\$ 9.2	\$ 8.2	\$ 9.4	\$ 35.8	\$ 9.5	\$ 8.7	\$ 8.7	\$ 11.8	\$ 38.7
Substance Abuse Testing	\$ 3.9	\$ 4.4	\$ 4.1	\$ 3.4	15.8	\$ 3.3	\$ 3.7	\$ 4.1	\$ 4.7	\$ 15.8
Cryosurgical Systems	\$ 5.7	\$ 5.8	\$ 6.7	\$ 5.3	23.5	\$ 3.3	\$ 4.6	\$ 6.7	\$ 6.1	\$ 20.8
Insurance Risk Assessment	\$ 0.9	\$ 1.4	\$ 1.6	\$ 1.6	5.4	\$ 1.5	\$ 1.4	\$ 1.6	\$ 1.6	\$ 6.1
Total Product Revenues	\$ 19.4	\$ 20.7	\$ 20.7	\$ 19.7	\$ 80.5	\$ 17.6	\$ 18.4	\$ 21.2	\$ 24.2	\$ 81.5
Licensing and Product Development	\$ 0.7	\$ 0.6	\$ 0.8	\$ 0.0	\$ 2.1	\$ 0.5	\$ 0.3	\$ 0.3	\$ 0.5	\$ 1.5
Total Revenues	\$ 20.1	\$ 21.4	\$ 21.4	\$ 19.8	\$ 82.6	\$ 18.1	\$ 18.7	\$ 21.4	\$ 24.7	\$ 82.9
PERCENT CHANGE Y/Y										
Infectious Disease Testing	45.4%	21.5%	9.2%	18.9%	22.7%	6.1%	(5.0%)	6.0%	25.0%	8.2%
Substance Abuse Testing	14.1%	8.8%	-3.4%	(16.5%)	0.2%	(16.6%)	(15.0%)	0.0%	40.0%	0.3%
Cryosurgical Systems	27.4%	26.0%	67.4%	25.2%	35.8%	(41.3%)	(20.0%)	0.0%	15.0%	-11.5%
Insurance Risk Assessment	-18.1%	3.2%	-6.6%	8.0%	-2.8%	73.0%	0.0%	0.0%	0.0%	12.0%
Total Product Revenues	28.4%	18.4%	18.0%	11.4%	18.7%	(9.3%)	(11.0%)	2.4%	22.9%	1.2%
Licensing and Product Development	N/M	N/M	N/M	N/M	N/M	(32.5%)	0.0%	0.0%	0.0%	0.0%
Total Revenues	32.1%	21.6%	21.4%	11.4%	21%	(10.0%)	(12.5%)	(0.0%)	25.3%	0.3%

Source: Company and Dawson James Securities, Inc. estimates

ORASURE TECHNOLOGIES, INC.
 QUARTERLY EARNINGS MODEL, 2005A-2006A
 (\$ millions, except per share)

Fiscal year ends December 31	Mar-05	Jun-05	Sep-05	Dec-05	2005A	Mar-06	Jun-06	Sep-06	Dec-06	2006A
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4	
Total Revenue	\$ 15.8	\$ 17.4	\$ 18.1	\$ 18.0	\$ 69.4	\$ 15.2	\$ 17.6	\$ 17.6	\$ 17.7	\$ 68.1
Product Costs	6.4	7.9	6.4	7.2	27.9	5.6	6.5	6.4	6.2	24.8
Gross Profit	9.5	9.5	11.6	10.8	41.5	9.6	11.0	11.3	11.5	43.4
OPERATING EXPENSES										
R&D	1.2	1.3	1.3	1.5	5.3	1.6	1.8	1.8	2.9	8.1
S&M	3.9	4.5	4.0	3.8	16.2	4.1	4.2	3.6	3.9	15.8
G&A	3.2	2.8	3.2	3.4	12.6	3.0	3.1	3.4	3.9	13.4
IPRD							0.6			
Total Operating Expenses	8.3	8.6	8.5	8.7	34.1	8.7	9.7	8.8	10.7	37.3
Operating Income	1.2	0.9	3.2	2.1	7.4	0.9	1.3	2.5	0.8	5.5
Net Interest Inc. (Exp.)	0.3	0.4	0.6	0.7	2.1	0.8	0.9	0.9	1.0	3.7
Foreign Currency Gain (Loss)	0.0	0.0	(0.0)	-	0.0	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)
EBT	1.5	1.4	3.8	2.9	9.6	1.7	2.2	3.4	1.8	9.1
Income Tax Provision	0.0	0.0	0.0	(17.7)	(17.7)	0.8	1.0	1.3	0.8	3.8
Net Income	\$1.5	\$1.4	\$3.8	\$20.6	27.3	\$0.9	\$1.2	\$2.1	\$1.0	5.3
Weighted Ave. Shares (diluted)	45.64	45.87	46.68	47.03	46.31	48.07	47.82	47.25	46.43	47.39
EPS Reported (FD) incl. SFAS 123R	\$0.03	\$0.03	\$0.08	\$0.44	\$0.59	\$0.02	\$0.03	\$0.05	\$0.02	\$0.12
EPS Operating (FD) excl. SFAS 123R	\$0.03	\$0.03	\$0.08	\$0.09	\$0.23	\$0.03	\$0.05	\$0.07	\$0.04	\$0.19
RATIOS: AS A PERCENTAGE OF TOTAL REVENUE										
Gross Margin	59.8%	54.7%	64.4%	60.1%	59.8%	63.1%	62.8%	63.9%	64.8%	63.7%
R&D	7.6%	7.2%	7.2%	8.4%	7.6%	10.8%	10.0%	9.9%	16.3%	11.9%
S&M	24.4%	25.8%	21.9%	20.9%	23.4%	27.0%	24.1%	20.6%	22.2%	23.2%
G&A	20.1%	16.1%	17.5%	18.6%	18.2%	19.4%	17.9%	19.3%	21.9%	19.7%
Income Tax Provision						46.4%	45.1%	37.2%	42.6%	
Operating margin	7.3%	5.3%	17.8%	11.8%	10.7%	5.9%	7.6%	14.0%	4.5%	8.1%
Pretax margin	9.5%	8.1%	21.1%	15.8%	13.8%	11.1%	12.5%	19.2%	10.0%	13.3%
Net margin	9.5%	8.1%	21.1%	114.2%	39.4%	6.0%	6.9%	12.1%	5.7%	7.7%

NM = Not meaningful.

Source: Company and Dawson James Securities, Inc. estimates

ORASURE TECHNOLOGIES, INC.
 Fiscal year ends December 31
 QUARTERLY EARNINGS MODEL, 2007E-2008E
 (\$ millions, except per share)

Fiscal year ends December 31	Mar-07	Jun-07	Sep-07	Dec-07	2007A	Mar-08	Jun-08	Sep-08	Dec-08	2008E
	Q1	Q2	Q3	Q4		Q1A	Q2	Q3	Q4	
Total revenue	\$ 20.1	\$ 21.4	\$ 21.4	\$ 19.8	\$ 82.6	\$ 18.1	\$ 18.7	\$ 21.4	\$ 24.7	\$ 82.9
Product costs	7.6	7.9	8.6	8.3	32.4	7.4	7.8	8.9	10.2	34.4
Gross profit	12.5	13.5	12.8	11.5	50.3	10.6	10.8	12.5	14.5	48.5
OPERATING EXPENSES										
R&D	2.9	3.3	3.7	4.2	14.1	4.6	4.7	4.9	5.2	19.4
S&M	4.8	5.2	5.0	5.0	20.0	5.2	5.4	6.1	5.2	21.9
G&A	4.2	4.3	5.1	3.7	17.3	3.8	4.3	5.4	5.9	19.4
Total operating expenses	11.9	12.8	13.8	12.9	51.4	13.6	14.4	16.4	16.3	60.7
Operating Income	0.6	0.7	(1.0)	(1.4)	(1.1)	(3.0)	(3.6)	(3.9)	(1.8)	(12.2)
Net Interest Inc. (Exp.)	2.4	1.0	1.1	1.1	5.5	0.8	0.8	0.7	0.7	3.0
Foreign Currency Gain (Loss)										
Other Income-SGP						4.9	-			4.9
EBT	3.0	1.6	0.1	(0.3)	4.4	2.7	(2.8)	(3.2)	(1.1)	(4.3)
Income tax provision	1.5	0.6	0.0	(0.4)	1.8	0.7	0.0	0.0	0.0	0.7
Minority interest										
Net income	\$1.5	\$1.0	\$0.0	\$0.1	2.6	\$2.0	(\$2.8)	(\$3.2)	(\$1.1)	(5.0)
Weighted ave. shares (diluted)	46.55	46.30	46.99	47.34	46.79	47.27	47.30	47.30	47.30	47.29
EPS Reported (FD) incl. SFAS 123R	\$0.03	\$0.02	\$0.00	\$0.00	\$0.05	\$0.04	(\$0.06)	(\$0.07)	(\$0.02)	(\$0.11)
EPS Operating (FD) excl. SFAS 123R	\$0.03	\$0.03	\$0.03	\$0.01	\$0.10	\$0.05	(\$0.05)	(\$0.06)	(\$0.01)	(\$0.07)
RATIOS: AS A PERCENTAGE OF TOTAL REVENUE										
Gross margins	62.3%	63.1%	59.6%	58.2%	60.8%	58.8%	58.0%	58.4%	58.8%	58.5%
R&D	14.5%	15.5%	17.1%	21.4%	17.1%	25.4%	25.0%	23.0%	21.0%	23.4%
S&M	23.7%	24.6%	23.3%	25.6%	24.2%	28.8%	29.0%	28.5%	21.0%	26.4%
G&A	21.1%	20.3%	23.7%	18.5%	20.9%	21.2%	23.0%	25.0%	24.0%	23.4%
Tax Rate	50.0%	38.5%	38.0%	N/M	40.2%	26.8%	0.0%	0.0%	0.0%	-17.2%
Operating margin	3.1%	3.1%	(4.8)%	(7.1)%	(1.4)%	(16.3)%	(19.1)%	(18.2)%	(7.1)%	(14.7)%
Pretax margin	15.0%	7.6%	0.2%	(1.7)%	5.3%	15.2%	(14.8)%	(14.9)%	(4.3)%	(5.2)%
Net margin	7.5%	4.7%	0.2%	0.3%	3.2%	11.1%	(14.8)%	(14.9)%	(4.3)%	(6.0)%

NM = Not meaningful.

Source: Company and Dawson James Securities, Inc. estimates

DISCLOSURES



Initiated February 1, 2007 – BUY – Price Target \$11.00
 Update May 8, 2008 – BUY – Price Target \$8.00

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Ratings Distribution	Company Coverage		Investment Banking	
	# of Companies	% of Total	# of Companies	% of Totals
Speculative Buy	7	30%	4	57%
Strong Buy	3	13%	1	33%
Buy	11	48%	1	9%
Neutral	2	9%	1	50%
Sell	0	0%	0	0%
Sell Short	0	0%	0	0%
Under Review	0	0%	0	0%
Restricted	0	0%	0	0%
Total	23	100%	7	30%

Information about valuation methods and risks can be found in the “STOCK VALUATION” and “RISKS” sections of this report.

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