Zacks Small-Cap Research

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Atossa Genetics (ATOS-NASDAQ)

ATOS: Focused pure play breast health testing company with huge potential to grow – initiating with Outperform

Current Recommendation	**Outperform**
Prior Recommendation	N/A
Date of Last Change	12/19/2012
Current Price (01/01/13)	$3.90
Twelve- Month Target Price	**$7.50**

OUTLOOK

Atossa is a pure play breast health testing company with a focused growth strategy. The Company has recently launched FDA cleared MASCT System for NAF collection and two lab testing services, and will launch two new testing services in 2013.

We see total revenue growing at 79% CAGR from 2013 to 2018, with the Company turning profitable in 2016 with EPS of $0.05. We see EPS at $0.62 in 2018.

We think downside risk is low while upside potential is high at this time. We rate Atossa shares Outperform based on the Company's strong fundamentals.

SUMMARY DATA

52-Week High	**$4.99**
52-Week Low	**$4.05**
One-Year Return (%)	**N/A**
Beta	**N/A**
Average Daily Volume (sh)	**24,206**
Shares Outstanding (mil)	**13**
Market Capitalization ($mil)	**$59**
Short Interest Ratio (days)	**0.03**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**41%**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2012 Estimate	**N/A**
P/E using 2013 Estimate	**N/A**
Zacks Rank	**N/A**

Risk Level	**N/A**
Type of Stock	**N/A**
Industry	**Med Instruments**
Zacks Rank in Industry	**N/A**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2012	0.05 A	0.22 A	0.11 A	0.14 E	0.52 E
2013	0.18 E	0.46 E	0.86 E	1.46 E	2.94 E
2014					7.70 E
2015					13.00 E

Earnings per Share
(EPS is operating earnings before non recurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2012	-$0.09 A	-$0.10 A	-$0.10 A	-$0.07 E	-$0.36 E
2013	-$0.07 E	-$0.07 E	-$0.06 E	-$0.07 E	-$0.27 E
2014					-$0.11 E
2015					-$0.07 E

Zacks Projected EPS Growth Rate - Next 5 Years % **N/A**

KEY POINTS

- We are initiating coverage of Atossa Genetics (ATOS) with an Outperform rating. Our 12-month price target is $7.50 per share.

- Atossa is targeting the rather large clinical lab testing market with a focus on breast health testing services, which has been growing rapidly in recent years due to rapid advancement in genomics and proteomics research. This market continues to grow dramatically due to the rapid growth of personalized medicine.

- Atossa launched two breast health testing services in late 2011; with two new testing tools expected to be launched in 2013. The Company holds numerous patents approved or pending and has built a strong portfolio which provides long term growth potential in the years to come.

- We think revenue growth will accelerate in the coming years thanks to the focused marketing strategy and continued new products/services offering. We model the top line growing from $2.94 million in 2013 to $53.5 million in 2018, an impressive CAGR of 79%. We think Atossa will become profitable in 2016 with EPS of $0.05, which will grow to $0.62 per share in 2018.

- Atossa has an appropriate growth strategy in place. Recent developments within the Company have made us believe this strategy will be well executed and we have a high confidence in management's ability to lead Atossa to the next level of growth in the next five years.

- Based on the Company's strong fundamentals, we think its shares are undervalued. We think downside risk is low at this point and upside potential is high. We encourage investors to accumulate Atossa shares at current level.

OVERVIEW

Atossa Genetics is a **medical diagnostics company** focused on the prevention of **breast cancer** through the development and commercialization of diagnostic tests that can detect precursors to breast cancer, and through the research, development, and ultimate commercialization of treatments for pre-cancerous lesions.

Atossa Genetics

Atossa's diagnostic tests consist of patented medical devices cleared by the FDA that can collect fluid samples from the breast milk ducts (nipple aspirate fluid, NAF), where over 85% of breast cancers arise. These samples are processed at the Company's wholly-owned **National Reference Laboratory for Breast Health**, which has been certified pursuant to the Clinical Laboratory Improvement Amendments (CLIA), has been licensed in the states of California, Florida, Maryland, Rhode Island, and Washington, and is in the process of obtaining a license to accept testing samples from New York. CLIA certification is

legally required to receive reimbursement from federal or state medical benefit programs, like Medicare and Medicaid, and is a practical requirement for most third-party insurance benefit programs.

Atossa's CLIA-certified laboratory examines the specimens by microscopy for the presence of **normal**, **pre-malignant, or malignant changes** as determined by cytopathology and biomarkers that distinguish "usual" ductal hyperplasia, a benign condition, from atypical ductal hyperplasia (ADH), which may lead to cancer. These cytopathological results provide patients and physicians with information about the care path that should be followed, depending on the individual risk of future cancer as determined by the results.

Additionally, Atossa is conducting research on **the treatment of these pre-cancerous cells** by using its patented and FDA-cleared microcatheters to deliver, directly into the milk ducts, pharmaceutical formulations that can be used to treat these pre-cancerous lesions. By using this localized delivery method, patients receive high local concentrations of these drugs at the site of the pre-cancerous lesions, potentially promoting efficacy of the treatment while limiting systemic exposure, which has the potential to lower the overall toxicity of these treatments.

Atossa is currently marketing two diagnostic tests and plans to offer two additional tests in early 2013. The Company launched the **ForeCYTE** test and the **ArgusCYTE** test in December 2011.

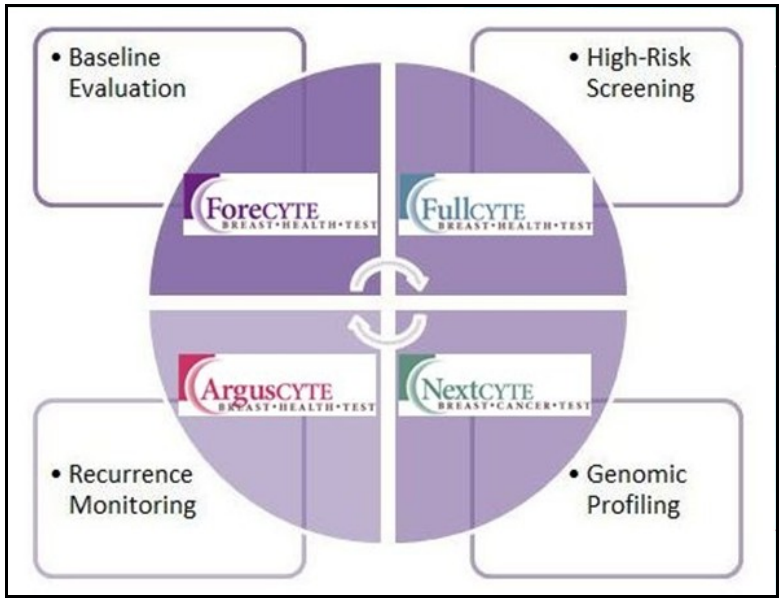
- **The ForeCYTE Test** provides personalized information about the 10-year and lifetime risk of breast cancer for women between ages 18 and 65. The ForeCYTE test involves collecting a specimen of nipple aspirate fluid (NAF) using the Company's patented, FDA-cleared **Mammary Aspirate Specimen Cytology Test (MASCT)** System, which received 510(k) clearance from the FDA in 2003.

- **The ArgusCYTE Test** provides information to help inform breast cancer treatment options and to help monitor potential recurrence. It involves collecting a **blood specimen** from a patient using the Company's patented, FDA 510(k)-Exempt blood collection tube and submitting it to its CLIA-certified laboratory. It can monitor breast cancer distant recurrence by obtaining a blood sample, and analyzing it for the presence of **circulating tumor cells (CTCs),** which can then be analyzed to determine the expression of Estrogen Receptor/Progesterone Receptor (ER/PR), and Human Epidermal Growth Factor Receptor (Her2), in those cells, a predictor of the cancer's sensitivity to existing treatment options.

Atossa also intends to launch two additional breast health tests in early 2013.

- **The FullCYTE Test** is designed to assess the individual breast ducts for pre-cancerous changes in women previously identified to be at high risk for breast cancer.

- **The NextCYTE Test** is in the pre-validation phase and is designed to profile breast cancer specimens for prediction of treatment outcomes and distant recurrence in women newly diagnosed with breast cancer.



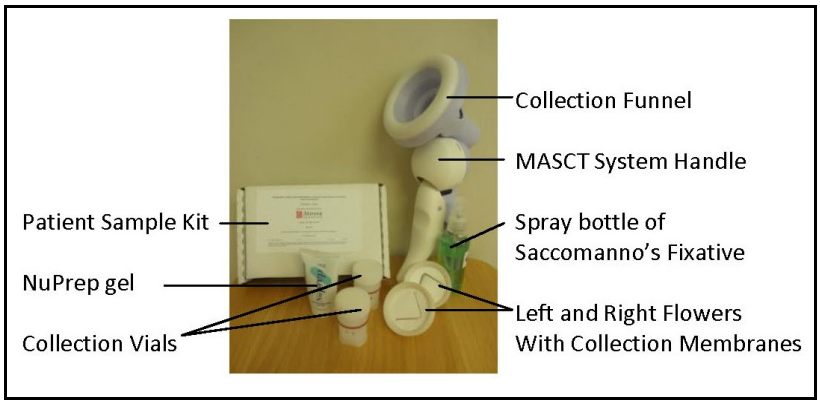
Atossa Genetics was incorporated in Delaware in April 2009 and is headquartered in Seattle, Washington. The Company went public on November 9, 2012 and its shares are traded on NASDAQ Capital Market.

INVESTMENT THESIS

The Patented, FDA-Cleared MASCT System For NAF

Atossa has received FDA clearance to market the Mammary Aspirate Specimen Cytology Test System (**MASCT System**), a non-invasive medical device which is designed to be used with the ForeCYTE Breast Health Test to collect a small amount Nipple Aspirate Fluid (**NAF**) for diagnostic purposes.

The MASCT System consists of a reusable hand-held pump for the collection of NAF, single-use patient kits that include two NAF sample collection vials per kit, and shipment boxes for the transportation of NAF samples to the National Reference Laboratory for Breast Health, Atossa's wholly-owned, CLIA-certified specialized cytology and molecular diagnostics laboratory in Seattle, Washington.

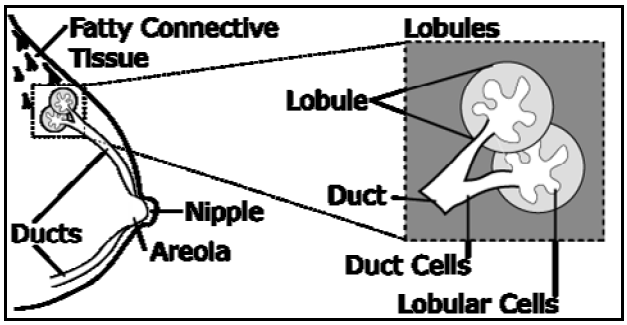


Using this patented MASCT System, a nurse or physician's assistant, can painlessly collect a sample of NAF in about 10 minutes. As stated in the FDA-cleared indications for use: "The MASCT device is

intended for use in the collection of nipple aspirate fluid for cytological testing. The collected fluid can be used in the determination and/or differentiation of normal versus premalignant versus malignant cells."

Over 85% of breast cancers start in the lobules or ducts of the breast. Nipple aspirate fluid comes from the ducts and contains duct cells that have sloughed off. Thus, examining this fluid allows physicians to look at the intraductal environment and cytology of the breast duct cells. By looking directly at the cells where breast cancer begins, physicians can watch for early signs of changes in growth that can lead to cancer, called hyperplasia. Because doctors can look at individual cells, they are able to see when hyperplasia has started in as few as 10 cells.

Nipple aspirate fluid can be obtained from women aged 18-73 without any adverse effects or radiation exposure.



A number of medical devices have been designed over the years that apply negative pressure to the nipple to induce the expression of NAF, which is then collected by carefully touching a capillary tube to any apparent drops of NAF. The medical literature reports that in general, these devices are successful in obtaining NAF from 39% to 66% of all patients and that this sample collection variability has prevented the routine adoption of NAF cytology for breast cancer screening.

The MASCT System was designed to overcome this shortcoming by placing a hydrophilic membrane in contact with the nipple during the cycles of negative pressure to "wick" fluid from the orifice of the ducts by capillary action, thereby increasing the frequency of obtaining NAF in women.

A clinical trial of the MASCT System was performed to test the efficiency of NAF collection in normal volunteer women. Thirty-one healthy, non-pregnant, pre-menopausal female subjects were tested with the MASCT System device for the ability to collect NAF samples for cytological examination, using the NAF cytology classification system of the College of American Pathologists.

Of the 31 subjects, 30 (97%) had measurable NAF; 24 bilaterally and 6 unilaterally. NAF samples ranged from 1 to 37 µL with an average of 7 µL and all samples collected were deemed to be clinically useful. Fifty-eight of sixty NAF samples were reported as cytology Class I, and 2 of 60 were reported as cytology Class IIa. No adverse events were reported. Based on these data, the FDA cleared the market authorization of MASCT System to be used in the collection of NAF for cytological testing.

Atossa Has Entered into Commercial Stage

Atossa launched its commercial operations in late 2011. In addition to the MASCT System device, the Company currently offers two diagnostic tests.

The ForeCYTE Breast Health Test

In December 2011, Atossa began limited marketing of the **ForeCYTE Test** to physicians, primarily obstetric-gynecologists, as well as breast health and mammography clinics, for use in conjunction with

other health screening examinations, including annual physical examinations and regularly scheduled cervical Pap smears and mammograms.

The ForeCYTE Test uses the MASCT System medical device for the collection, shipment and clinical laboratory analysis of NAF. The NAF specimen is collected by a physician and returned to Atossa's CLIA-certified laboratory. The NAF analysis involves preparing routine and immunohistochemistry (IHC) staining of slides from the NAF samples, and generating a report of the findings. The NAF is analyzed by microscopy for cytological abnormalities and by a patent-pending IHC staining technique for **five biomarkers of hyperplasia** and **a sample integrity marker**.

The results of the ForeCYTE Test provide personalized information about the 10-year and lifetime risk of breast cancer for women between ages 18 and 65.

The patient's NAF specimen is studied using a proprietary molecular and cellular biomarker test that detects basal or luminal cells to identify the presence of **atypical ductal hyperplasia (ADH),** which is considered a precursor to breast cancer. The NAF analysis, which involves these cytopathological test results, together with the patient's personal medical and reproductive history and family history, were input into a clinically-validated risk assessment algorithm that calculates **10-year and lifetime risk of breast cancer** and presents these results in one of three risk tiers developed by The National Comprehensive Cancer Network: Normal (<15% lifetime risk), Intermediate (15 – 20% lifetime risk), or High (>20% lifetime risk). The ForeCYTE Test results contain recommendations for care paths in each risk group and personalized information so that patients and healthcare providers can make more informed treatment decisions. The algorithm incorporates family history, personal reproductive history, and the presence or absence of usual ductal hyperplasia (UDH, which is benign), ADH (which is pre-malignant) or malignant changes.

The ForeCYTE Test provides Atossa with two revenue sources:

- Revenue from the sale of the MASCT System device and patient kits to physicians, breast health clinics, and mammography clinics; and

- Service revenue from the preparation and interpretation of the NAF samples sent to the Company's laboratory for analysis.

Atossa offers each component of the MASCT System for sale separately. The NAF sample collection device is currently priced at approximately $250 per device and the patient kits are priced at approximately $30 per kit. The cytology and molecular diagnostics testing and analysis services are billed to federal and/or state health plans at the 2012 Medicare reimbursement rates of either $384 or $1,275 per patient, depending on the complexity of the analysis performed. The Company expects that the substantial majority of patients will be billed at the $384 rate. Some patients (approximately 10%) need more complex tests, which will be billed at the rate of $1,275. This higher rate is only for those patients who have an initial test result that requires further analysis.

Atossa bills third-party payors at higher rates, as is customary for the industry. Currently, Medicare and certain insurance carriers do not reimburse for the NAF collection procedure by MASCT System or for other NAF collection device systems similar to MASCT System, although Medicare and certain insurance carriers do reimburse for the laboratory analysis of the NAF sample.

All patients have been reimbursed so far for the ForeCYTE testing.

The ArgusCYTE Breast Health Test

The ArgusCYTE Breast Health Test, launched in December 2011, provides information to help inform breast cancer **treatment options** and to help monitor **potential recurrence**. It involves collecting a blood specimen from a patient using the Company's patented, FDA 510(k)-Exempt blood collection tube and submitting it to its CLIA-certified laboratory.

The ArgusCYTE Test can monitor breast cancer distant recurrence by analyzing the patient's **blood sample** for the presence of **circulating tumor cells**, which can then be analyzed to determine the expression of Estrogen Receptor/Progesterone Receptor (ER/PR), and Human Epidermal Growth Factor Receptor (Her2), in those cells, a predictor of the cancer's sensitivity to existing treatment options. The presence of circulating tumor cells in the blood sample may serve as an early indicator of the recurrence of breast cancer and the data obtained from the ArgusCYTE sensitivity analysis may help physicians better select which treatment options to use with a particular patient. The ArgusCYTE test uses a proprietary blood collection tube to obtain a blood sample for shipment and analysis at the Company's CLIA-certified laboratory.

The ArgusCYTE test consists of a two-step "Combination-of-Combinations-Principle" involving (1) cell isolation, whereby tumor cells are enriched by a three antibody-mix linked to magnetic particles and mRNA is isolated from the selected tumor cells, and (2) molecular biological detection and analysis, whereby the isolated mRNA is transcribed into cDNA and a multiplex PCR is carried out for the analysis of epithelial cell related transcripts and tumor associated gene expression. Due to the combination of different selection and tumor markers, both the heterogeneity of the tumor cells and possible individual or therapy-induced deviations in the expression patterns are taken into account.

In summary, the ArgusCYTE Breast Health Test tells physicians two important things:

- If circulating breast cancer tumor cells are present;
- And if they are present, what type of cells they are. This tells the physician what type of treatment to give to kill the circulating tumor cells and hopefully prevent metastatic recurrence.

In June 2011, Atossa entered into a non-exclusive supply agreement with **Biomarkers LLC** for the blood collection tubes and laboratory reagents and supplies for the ArgusCYTE test. The agreement provides for fixed purchase prices which decrease as the Company places larger orders. Biomarkers LLC, the supplier of the blood collection tube, owns patents with respect to the tube, while Atossa owns patents concerning laboratory features utilized in the testing process.

Because the ArgusCYTE test involves the collection of a blood sample to be analyzed for the presence of circulating tumor cells, there is no comparable method relating to the analysis of traditional biopsy specimens that could be used to achieve results similar to or better than those provided by ArgusCYTE test. According to management and to our best knowledge, the ArgusCYTE is the only CLIA-certified circulating breast tumor cell test available that identifies mRNA expression levels for estrogen receptors (ER), progesterone receptors (PR), and HER-2 antigen in a single blood draw to help guide treatment selection by determining which of the most commonly used therapies may be effective for the individual patient. The test can identify circulating tumor cells immediately after a woman begins breast cancer therapy or at the time of diagnosis or biopsy so that she and her healthcare provider can make better-informed decisions about effective treatment options. Analytical validation studies demonstrated a sensitivity of 94% and specificity of 100% at the 5 cancer cell/5 mL blood sample level (n=106). Clinical

validation has been performed by unaffiliated research institutions in breast cancer patients in trials in Europe and the United States over the last eight years.

The ArgusCYTE test provides only laboratory service revenue. Atossa provides the proprietary, blood collection tube free of charge and currently charge approximately $1,500 for the ArgusCYTE test. The Company has received reimbursement from insurance carriers for ArgusCYTE test so far. The Company is establishing relationships with breast cancer centers to provide the ArgusCYTE Test to their patients.

Growth Will Be Further Driven By New Products Offering

In addition to ForeCYTE and ArgusCYTE which are already on the market, Atossa plans to offer two additional tests in early 2013.

The FullCYTE Breast Health Test

The FullCYTE Breast Health Test, which is currently in development, and will be launched in mid-2013, is designed to assess the individual breast ducts **for pre-cancerous changes** in women previously identified to be at high risk for breast cancer.

The FullCYTE Test involves collecting **ductal lavage samples** from each of the five to seven individual breast milk ducts using the Company's patented and FDA-cleared **Mammary Ductal Microcatheter System** and analyzing the samples by the same molecular and cellular biomarkers used in the ForeCYTE test including analysis of biomarkers of hyperplasia by immunohistochemistry for protein biomarkers, Next Generation Sequencing for somatic DNA mutations, and transcriptome microarray analysis for mRNA expression patterns.

From these tests, physicians are able to ascertain which individual duct contains pre-malignant or malignant changes, which may allow the physician to better target treatment to the specific duct with the pre-malignant changes or malignant changes and therefore avoid side effects associated with systemic treatment. Traditional biopsies, involving invasive procedures in which tissue is removed surgically, typically cut across the natural anatomy of the breast ductal system, making subsequent intraductal treatment difficult or, in certain cases, impossible. The present methods used by pathologists to analyze traditional biopsy specimens, i.e., microscopy and, when needed, immunohistochemistry, are the same methods used to analyze FullCYTE specimens and would be expected to achieve similar results for patients with similar medical conditions.

FullCYTE was acquired in April 2011 from **Hologic, Inc.** along with the FirstCYTE test, the 23 U.S. issued patents and 84 issued foreign counterparts covering the manufacture, use, and sale of the FirstCyte Breast Aspirator, the Micro-Stylet Dilator, and the FullCYTE Microcatheter for ductal lavage, the related manufacturing documentation, and the related regulatory documentation, including the FDA marketing authorization for these medical devices. Atossa paid an up-front fee and is obliged to pay royalties between 2% and 6% on aggregate net sales in the countries with issued patents.

This project is in the development phase, and the Company has studied the use of the FullCYTE microcatheter in six patients to establish the feasibility of performing next-generation tests on samples taken with the microcatheters. The purpose of the study was to see if ductal lavage specimens provided sufficient quantities of DNA and RNA to perform full genome sequencing and transcriptome profiling. All specimens from the six patients contained sufficient, high-quality DNA and RNA to proceed to

sequencing and transcriptome profiling. Results are expected soon and the Company intends to launch the FullCYTE test in 1H2013. The cost for the microcatheter will be $700 per patient, and the cost for FullCYTE test will be $3500 per patient.

In August 2011, Atossa entered into an agreement with **Accellent** to perform development work to re-establish the supply chain for the FullCYTE microcatheter and manufacture the microcatheter for commercialization.

The NextCYTE Breast Cancer Test

The NextCYTE Breast Cancer Test, which is in the pre-validation phase and will be launched in early 2013, is designed to profile breast cancer specimens **for prediction of treatment outcomes and distant recurrence** in women newly diagnosed with breast cancer.

The NextCYTE Breast Cancer Test uses **surgical biopsy specimens** that have been routinely processed into formalin-fixed, paraffin embedded tissue blocks to extract RNA and analyze the whole-genome mRNA (transcriptome) expression profiles of the extracted RNA to predict breast cancer 10-year survival.

The NextCYTE Breast Cancer Test uses advanced genome sequencing techniques to quantify and analyze the entire tumor genetic transcriptome, which represents all genes that are being actively expressed within the tumor. Atossa's scientists made inventions regarding this technology and have filed a PCT patent application related to the NextCYTE test to the use of full transcriptome analysis of 22,000 human genes in predicting breast cancer recurrence.

Because the NextCYTE test analyzes traditional biopsy specimens using advanced genome sequencing techniques, it is believed that other present methods of analyzing traditional biopsy specimens would not achieve results similar to or better than results provided by the NextCYTE test. Physicians will be able to use the information provided by the NextCYTE test to better customize treatment options for women, based on the genetic composition of the individual tumor.

Atossa is currently conducting **non-clinical trial research** to verify the superiority of the technology regarding NextCYTE by profiling gene expression from breast cancer biopsy specimens obtained from commercial archival tissue banks, in which the five-year survival or death for the patients from whom the specimens are taken is known, and seeing if the algorithm can accurately predict the known outcome. The experiments are being conducted in a blinded fashion, without knowledge of the survival data, and the Company will not have knowledge of the outcome until the blind is broken (currently planned for February 2013). Atossa owns a pending PCT patent application on the NextCYTE technology to the use of full transcriptome analysis of 22,000 human genes in predicting breast cancer recurrence and have an option through February 2013 to license **additional technology** (specifically certain algorithms involving over 900 of these genes) to augment the Company's existing technology from **the University of Oslo** in Norway. This additional technology is not essential to the operation or future development of the NextCYTE test, should the Company decide not to exercise this option.

Acquisition Further Expands Product Portfolio and Pipeline

In September 2012, Atossa acquired the assets of **Acueity Healthcare, Inc**. The assets included six 510(k)-cleared medical devices, 35 issued patents (18 issued in the U.S. and 17 issued in foreign countries) and 41 patent applications (32 in the U.S. and 9 in foreign countries).

The FDA-cleared, patented medical devices consist of the Viaduct Miniscope and accessories, the Manoa Breast Biopsy system, the Excisor Bioptome, the Acueity Medical Light Source, the Viaduct Microendoscope and accessories. The microendoscopes are less than 0.9 mm outside diameter and can be inserted into a milk duct. This permits a physician to pass a microendoscope into the milk duct system of the breast and view the duct system via fiberoptic video images. Abnormalities that are visualized can then be biopsied from inside the duct with the biopsy tools that are inserted adjacent to the microendoscope. The patents relate to intraductal diagnostic and therapeutic devices and methods of use. Atossa did not, however, acquire an inventory of these diagnostic tools, manufacturing capabilities or any personnel to market and sell the tools.

Atossa's plan is to begin to allocate human and financial resources to further develop and ultimately commercialize these medical devices following the launch of Atossa's four diagnostic tests in the US. The Company intends to complete the steps necessary to begin marketing and selling these tools, such as re-establishment of the supply chain of component parts, securing manufacturers, performing test builds and commercial scale manufacturing, in late 2013.

This asset purchase is not expected to have any impact on the development and commercialization timetables of the Company's existing product lines.

We think this acquisition was necessary to expand Atossa's diagnostic tools portfolio. The acquisition of the Acueity assets will be a nice complement to Atossa's current business at some point in the future. With the introduction of two products to the market in December 2011 and two additional ones in early 2013, this acquisition of assets will further expand the Company's products offering down the road; therefore provide long term growth of the Company.

From Cancer Detection to Intraductal Treatment

In addition to diversified diagnostic/detection tools, Atossa is also developing **intraductal treatment programs.**

The Company's intraductal treatment research programs comprise its patented **microcatheter-delivery technology** and its patented pharmaceutical formulations for the intraductal **treatment of breast pre-cancerous changes, ductal carcinoma in situ (DCIS), and breast cancers.** The method uses the Company's Mammary Ductal Microcatheter System to administer proprietary pharmaceutical formulations into milk ducts that display pre-cancerous changes, with high local concentrations of the drugs in order to promote greater efficacy and limited systemic exposure, potentially lowering the overall toxicity of the treatment.

Intraductal treatment could be especially useful for women with premalignant lesions or those at high risk of developing breast cancer, thus drastically improving upon their other, less attractive options of breast-removal surgery or surveillance. Atossa initially intends to target the **neoadjuvant therapy in DCIS,** a patient population of about 63,300 women per year, and to begin preclinical and clinical studies in the second half of 2013.

We think the Company's intraductal treatment programs are a natural extension of its diagnostic tools. They further expand the Company's pipeline and provide sustainable growth for the Company.

Atossa Targets the Large Medical Diagnostic Market

Atossa is a pure play medical testing service provider specifically focused on breast health testing. Recent advances in the genomic and proteomic research, combined with the complete sequencing of the human genome, have made sophisticated new scientific testing tools to diagnose and treat diseases possible, and therefore boosted the lab testing market dramatically.

Currently, the medical diagnostic/testing market consists of three primary segments:

- Clinical Pathology (CP) lab testing,
- Anatomic Pathology (AP) testing, and
- Genetic/Molecular Diagnostic (GM) testing

CP testing is typically engaged in high volume, highly automated, lower complexity tests on easily procured specimens such as blood and urine. Clinical lab tests often involve testing of a less urgent nature such as cholesterol testing and testing associated with routine physical exams. CP testing yields relatively low average revenue per test.

AP testing involves the diagnosis of cancer and other medical conditions through the examination of tissues (biopsies) and the analysis of cells (cytology) taken from patients. Generally, the anatomic pathology process involves the preparation of slides by trained histo-technologists or cytologists and the review of those slides by anatomic pathologists. AP testing usually seeks to answer the question: is it cancer? The most widely performed AP procedures include the preparation and interpretation of pap smears, skin biopsies, and tissue biopsies. AP tests are typically more labor and technology intensive than CP lab tests and have higher average revenue per test than clinical lab tests.

GM testing typically involves analyzing chromosomes, genes or DNA/RNA sequences for abnormalities. The past decade has witnessed the rapid progress in this emerging market due to the tremendous advances made in genomics and proteomics research, as well as the completion of human genome project. New tests continue to be developed at an accelerated pace in recent years, thus this segment continues to expand rapidly. Genetic and molecular testing requires highly specialized equipment and credentialed individuals (typically MD or PhD level) to certify results and typically yields the highest reimbursement levels of the three market segments. GM testing represents one of the fastest growing segments of the clinical lab diagnostics market.

The clinical medical testing industry consists primarily of three types of providers: hospital-based laboratories, physician office laboratories and independent clinical laboratories. The total medical testing market is a multi-billion dollar business with estimated total revenue of about $57 billion in 2010 and hospital affiliated labs account for 50% of the market share.

Atossa is an independent lab testing provider and it targets both the **AP and GM segments** with a focus on **breast cancer diagnostics.** It is estimated that the genetic/molecular testing segment is growing 20% to 25% per year as new applications are developed and commercialized. The market for cancer testing is also growing rapidly due to the following key factors:

- Cancer is the leading cause of death in the US (it overtook heart disease as number one killer in 2011), and one in 4 deaths in the United States is due to cancer. A total of 1,638,910 new cancer cases and 577,190 deaths from cancer are estimated to occur in the United States in 2012 according to American Cancer Society.
- Cancer is primarily a disease of the elderly and now that the baby boomer generation has started to turn sixty, the U.S. is experiencing a significant increase in the number of senior citizens; The American Cancer Society estimates that one in four senior citizens will develop some form of cancer during the rest of their lifetime;
- Every year more and more genes are implicated in development and/or clinical course of cancer. These associations fuel the development of new genetic or molecular tests.

The total cancer testing market is about $10 billion to $12 billion in the US, and grows very rapidly. Atossa currently addresses approximately $2.8 billion of the breast cancer testing market. This market is expected to grow at a healthy compound annual rate of 5.4% despite the present economic uncertainty, impending healthcare reform, and cost/reimbursement issues.

Early Detection is Key to Lower Breast Cancer Morbidity and Mortality

According to the American Cancer Society (ACS), breast cancer is the most common cancer among women (except for non-melanoma skin cancers) accounting for more than 1 in 4 cancers diagnosed in the US women. About 1 in 8 (12.5%) women in the US will develop invasive breast cancer during their lifetime. ACS estimates that in 2012 about 226,870 new cases of invasive breast cancer will be diagnosed in women and about 63,300 new cases of carcinoma in situ (CIS) will be diagnosed (CIS is non-invasive and is the earliest form of breast cancer). About 39,510 women will die from breast cancer in 2012.

However, due to the increased awareness, availability, and adoption of highly effective breast cancer screening technologies, the average 5-year relative survival rate for early stage, localized breast cancer now approaches 100%, emphasizing the importance of early breast cancer detection and diagnosis.

As the population continues to age and the number of new breast cancer cases increases, the renewed importance on lowering healthcare costs will result in increased utilization of cost-effective, accurate, early cancer detection and prevention technologies. As a result, we think minimally invasive biopsy and genetic testing will continue to flourish. Minimally invasive biopsy systems will be increasingly preferred over open biopsy due to the ability to lessen patient disfigurement and pain. At the same time, the genetic testing products market will benefit from several factors including the ability to assist clinicians in recommending preventive care for women at high risk of contracting breast cancer, while sparing existing breast cancer patients unnecessary painful or ineffective chemotherapy by aiding in the selection of the most appropriate treatment plan.

Atossa's MASCT/ForeCYTE Test is the ideal diagnostic tool for early detection of breast cancer and precursors to breast cancer. The potential target population for ForeCYTE includes the following:

- We expect the ForeCYTE Test will initially be adopted by physicians and other healthcare professionals for use in women at **high risk** for breast cancer; about 12 million women in the US alone;
- All women undergoing a **diagnostic mammogram** (over 8 million of the 38.8 million women having screening mammograms each year), who may be at higher risk of developing breast cancer in the future, would also be candidates for ForeCYTE testing;
- There are more than 2.9 million **breast cancer survivors** in the United States. These women would be candidates for regular ForeCYTE Test screening;
- MASCT/ForeCYTE could be used as an **additional test** in conjunction with all mammography and all cervical cancer screenings (Pap smear), which represents a potential annual US market size between 38.8 million and 55 million women, respectively;

The Company's ArgusCYTE Test market includes 2.9 million breast cancer survivors, and newly diagnosed breast cancer patients (about 220, 000 cases annually).

An Appropriate Marketing Strategy is in Place

Atossa's commercialization strategy is based on generating two main revenue sources:

- Product sales-based revenue from the sale of the MASCT System, including the NAF specimen collection kits, to physicians, breast health clinics, and mammography clinics
- Service-based revenue for the preparation and interpretation of the NAF samples sent to the Company's laboratory including ForeCYTE and ArgusCYTE testing services

The Company's marketing efforts revolves around maximizing the revenue base from both sources.

For MASCT System, the Company manufactures, through medical device suppliers, the MASCT System components and will establish a network of independent sales representatives to call on physicians and

breast health and mammography clinics to market and sell the MASCT System. The Company expects to generate product revenue from the sale of kits in bulk to clinics and physicians for the testing of their patients. The Company plans to market the MASCT System nationally after its field experience trial, which provides the Company with feedback on the patient and physician experiences, as well as with information relating to the issues and problems that may arise as the Company continues to market its products.

Atossa markets its ForeCYTE and ArgusCYTE Tests to both **mammography clinics** and **physicians' offices.** Atossa plans to use regional specialty product distributors, with independent sale representatives specializing in women's health, to commercialize the ForeCYTE and ArgusCYTE Tests. Since these two tests were launched in December of 2011, the Company has been conducting a field experience trial to collect information about the ease or difficulty of adoption of the products in each location, the number of sales calls needed to receive the first orders, and the growth of sales of specimen collection kits on a monthly basis. The outcome of the Company's initial marketing efforts will impact the Company's national marketing strategies.

The Specialty Sales Team

To market the MASCT System and its related laboratory diagnostic services, the Company will hire **independent sales representatives** with technical knowledge in molecular diagnostics, mammography, obstetrics/gynecology office practices, and women's health clinics. The Company will focus its marketing and sales efforts on encouraging physicians and breast health and mammography clinics to use the MASCT System/diagnostics in conjunction with other health screening examinations, including annual physical examinations and regularly scheduled cervical Pap smears and mammograms. The sales representatives will concentrate on a geographic area based on the number of physician clients and prospects, which will be identified using several national physician databases and other physician database.

The Specialty Product Distributors

To cooperate with regional **specialty product distributor** is another way Atossa uses to market its products and services.

In September 2012 Atossa entered into a co-exclusive marketing agreement with **Diagnostic Test Group (DTG)** for the supply and distribution of the MASCT System, under the DTG Clarity brand.

Under the terms of the agreement, Atossa granted to DTG the co-exclusive right to sell and distribute its MASCT breast health test in the US, Canada, and Puerto Rico, with other territories available with written consent. Atossa retains co-exclusive rights to sell and distribute the MASCT breast health test in the above territory. DTG has agreed to purchase all breast health tests only from Atossa during the term of the agreement. The term of the agreement is a rolling six years, with automatic extension if DTG achieves its annual minimum sales requirements. Following an initial launch period, minimum sales have been set for the first 12-month period.

DTG will use its best efforts to market and sell the MASCT System for the sale and placement of the Clarity branded MASCT product line with the following distributors: Henry Schein, McKesson, PSS World Medical, Cardinal Health, VWR, Vaxserve, Mercedes Medical, Fisher, NDC members, Imco members, B&H Surgical, Marshall Medical and Cascade HealthCare Products. These distributors have collectively over 5,000 employee sales representatives and/or independent sales representatives selling their products.

Atossa will coordinate the sales and marketing effort, plan, and budget with DTG. The Company plans to launch the ForeCYTE Breast Health Test with DTG under DTG's Clarity brand name in the first quarter of 2013.

In terms of reimbursement, Atossa's services are out of network in general. In September 2012, Atossa entered into an agreement with **MultiPlan, Inc**., a leading provider of healthcare cost management solutions, for diagnostic laboratory testing involving Atossa's tests. Approximately 20% of Americans are covered by MultiPlan. The agreement with MultiPlan will give MultiPlan's participating providers and their patients access to Atossa's tests including the ForeCYTE and ArgusCYTE Breast Health Tests. The Company is speeding up in-network contracts.

Marketing Efforts are further Strengthened by New Hiring

To further strength its sales and marketing efforts, Atossa recently hired **Christopher S. Destro** as Vice President of sales and marketing, reporting directly to the Company CEO Steven C. Quay.

Mr. Destro is an industry veteran with over 16 years of successful sales and client management expertise within the clinical sector of diagnostic biotechnology. He will be responsible for product marketing, distribution and sales.

The hiring of Chris is important for Atossa at this critical time in our view. Over the past two decades, Mr. Destro has assembled and led teams that have achieved high growth in the diagnostic biotechnology solutions markets. As the Company accelerates the national roll-out of ForeCYTE and ArgusCYTE Breast Health Tests in early 2013, Chris' extensive industry experience and in-depth market and technical expertise will help the Company to achieve its ambitious sales growth objectives.

Strong Intellectual Property

Currently, Atossa owns 179 issued patents (56 in the United States and 123 in foreign countries), and 50 pending patent applications (38 in the United States, 11 pending foreign applications and 1 pending International Patent Cooperation Treaty (PCT) application) directed to its products, services, and technologies. The Company has eleven 510(k)-cleared medical devices and two 510(k)-exempt medical devices.

	United States			Foreign / PCT		
Description	**Issued[(1)]**	**Expiration**	**Pending[(1)]**	**Issued[(1)]**	**Expiration**	**Pending**
MASCT (ForeCYTE) Test	6	2016 – 2031	1	11	2016 – 2031	1
Microcatheter (FullCYTE) Test	19	2019 – 2031	2	56	2019 – 2031	0
NextCYTE Test	0	2031	0	0	2031	1
ArgusCYTE Test	1	2020	0	1	2031	0
Intraductal Treatment Program	11	2030	1	35	2030	1
Carbohydrate biomarkers	1	2022	2	3	2022	0
Microendoscopes	18	2015 – 2017	32	17	2015 – 2027	9

(1)The total patents issued or pending, as applicable, exceed the totals in the respective columns because some patents and applications contain claims directed to more than one technology.

This strong IP position provides the Company with long term growth potential.

Strong Management Team

Dr. Steven C. Quay, Chairman and CEO
Dr. Quay has served as Chief Executive Officer and Chairman of the Board of Directors of the Company since the Company was incorporated in April 2009. Prior to his work at the Company, Dr. Quay served as

Chairman of the Board, President and Chief Executive Officer of MDRNA, Inc. from August 2000 to May 2008, and as its Chief Scientific Officer until November 30, 2008 (MDRNA, Inc. was formerly known as Nastech Pharmaceutical Company Inc. and is currently known as Marina Biotech, Inc.). From December 2008 to April 2009, Dr. Quay was involved in acquiring the Company's assets and preparing the Company's business plan. Dr. Quay is certified in Anatomic Pathology with the American Board of Pathology, completed both an internship and residency in anatomic pathology at the Massachusetts General Hospital, is a former faculty member of the Department of Pathology, Stanford University School of Medicine, and is a named inventor on 14 U.S. and foreign patents covering the MASCT System. He oversaw the clinical testing and regulatory filing of the MASCT device with the FDA that led to its ultimate marketing clearance. Including the patents for the MASCT System, Dr. Quay has a total of 76 U.S. patents, 108 pending US patent applications and is a named inventor on patents covering five pharmaceutical products that have been approved by the FDA. Dr. Quay received an M.D. in 1977 and a Ph.D. in 1975 from the University of Michigan Medical School. He also received his B.A. degree in biology, chemistry and mathematics from Western Michigan University in 1971. Dr. Quay is a member of the American Society of Investigative Pathology, the Association of Molecular Pathology, the Society for Laboratory Automation and Screening and the Association of Pathology Informatics.

Dr. Shu-Chih Chen, **Chief Scientific Officer**
Dr. Chen has served as Chief Scientific Officer and director of the Company since the Company was incorporated in April 2009. Prior to joining the Company, Dr. Chen served as President of Ensisheim beginning in 2008, was founder and President of SC2Q Consulting Company from 2006 to 2008, and served as Head, Cell Biology, Nastech Pharmaceuticals Company, Inc. from 2002 to 2006. During 1995 and 1996, she was an Associate Professor at National Yang Ming University, Taipei, Taiwan, and served as the principal investigator of an NIH RO1 grant studying tumor suppression by gap junction protein connexin 43 at the Department of Molecular Medicine at Northwest Hospital before working in the research department at Nastech Pharmaceutical Company. She is named as an inventor on four patent applications related to cancer therapeutics. Dr. Chen received her Ph.D. degree in microbiology and public health from Michigan State University in 1992 and has published extensively on Molecular Oncology. She received her B.S. degree in medical technology from National Yang Ming University, Taipei, Taiwan in 1984.

Christopher Benjamin, Chief Financial Officer
Mr. Benjamin has served as Chief Financial Officer of the Company since July 2010. His experience includes both public and private company financial reporting expertise. Based in Phoenix, Arizona, Mr. Benjamin has served as President of Rogue CFO Consulting since November 2007, as well as serving as the interim Chief Financial Officer for Quantum Materials Corporation and Paradise Publishers. In the past, he held the position of Controller for NexTec Group, Redfin Corporation and was the Accounting Manager and Assistant Controller for the Bsquare Corporation. His responsibilities at these companies included monthly financial reporting and analysis, audit and cash management, forecasting, oversight of the General Ledger, as well as ensuring compliance with GAAP, FASB and SEC reporting standards. From February 2003 to November 2005, Mr. Benjamin worked at Cascade Natural Gas Corporation, where his responsibilities included serving as Manager of Financial Reporting and Fixed Assets, along with Sarbanes Oxley process documentation, process flow creation and SEC reporting support. He received his M.B.A. from the University of Washington in Seattle in 2006 and a B.A. in accounting from the University of the Fraser Valley in Abbotsford, British Columbia, Canada in 1997.

Christopher S. Destro, VP of Sales and Marketing
Mr. Destro joined Atossa in December 2012 as VP Sales and Marketing. From 2007 to 2011, Mr. Destro served in increasingly responsible positions including Vice President of Sales, North America, for three divisions of Magellan Biosciences, where he managed sales of automated blood culture and automated susceptibility instrumentation for Trek Diagnostics, automated immunochemistry for Dynex and a lead care platform for Point of Care testing. In July 2011, Magellan was acquired by Thermo Fisher Scientific, where Mr. Destro became a commercial leader of the Microbiology Division, working with national contracts, distribution channels, and direct sales in the clinical, pharmaceutical, and industrial markets. Prior to joining Magellan, Mr. Destro served as Americas Sales Director for International

Bioproducts from 2000 to 2007, where he managed sales of core food pathogen diagnostic (ELISA) products while leading 17 distributors for the United States, Canada, Mexico and Latin America. Mr. Destro holds a Bachelor of Science degree in Microbiology from Ohio State University.

VALUATION AND RECOMMENDATION

We are initiating coverage of Atossa Genetics with an Outperform rating. Our 12-month price target is $7.50 per share.

Atossa is an emerging medical diagnostics company with a focus on breast cancer detection. The Company has launched two breast health tests in late 2011 and will launch two more tests in 2013. Atossa also holds 179 issued patents and 50 pending patent applications directed to its products, services, and technologies. The Company has eleven 510(k)-cleared medical devices and two 510(k)-exempt medical devices. This strong intellectual property position provides long term growth for the Company in the years to come.

We think revenue will accelerate in the coming years thanks to its focused marketing strategy and continued new products/services offering. We see total revenue growing at an impressive 79% compound annual growth rate (CAGR) from fiscal 2013 to 2018 according to our financial model. We model that the Company will become profitable in fiscal 2016 with earnings per share (EPS) of $0.05 based on total revenue of $20.75 million. We forecast EPS will grow to $0.62 per share based on revenue of $53.5 million in fiscal 2018. This is impressive considering the relatively short history of the operations and the small size of the Company.

Based on Atossa's strong fundamentals, we think the Company is undervalued. Currently, Atossa shares are trading at about $4.00 per share which values the Company at $52 million in terms of market cap based on 13 million shares outstanding. This is a deep discount compared to its peers. Based on our financial model, revenue will grow at amazing 79% CAGR from 2013 to 2018. Atossa will become profitable in 2016. We think Atossa shares should trade at 30 x P/E multiple which is similar to the biotech industry average P/E ratio. If we use this P/E multiple, coupled with our estimated EPS of $0.62 in 2018, discounted at 20% for five years, we come up with a price target of $7.50 per share.

One wild card for Atossa valuation is that the Company could be an acquisition target for big players. The clinical lab testing industry is quite fragmented currently, and merger & acquisition activity is looming. We all know that big players LabCorp and Quest Diagnostics are increasingly acquiring smaller players in this field. Qiagen NV, a research service company based in Netherland, entered into molecular diagnostics market in 2007 by acquiring Digene Corp. Since then, Qiagen has been quite aggressive in acquisition of other small genetic/molecular testing companies.

With the increased activity in M&A in the industry, Atossa could be an easy target for acquisition. If acquired by big players, share price of Atossa may soar.

We are optimistic about the Company's prospect. With a rapidly growing market worldwide, combined with its unique technology and broad range of product offering, the Company is well positioned to boost its top line and bottom line in the coming years. We think at this time, downside risk for Atossa is relatively low while upside potential is high.

RISKS

Cash Burn and Limited History of Operation are a Little Concern

One concern right now is cash burn although recent IPO boosted the Company's balance sheet.

As of September 30, 2012, Atossa held about $0.7 million in cash. Plus the $3.5 million proceeds from the November IPO, the Company should have cash of about $3.0 million at the end of 2012. Current cash can last through the third quarter of 2013.

We estimate Atossa needs to raise funds as early as in 2H13. We remind investors that equity financing will dilute existing shareholder base, and share price may be under pressure accordingly.

Also, Atossa has a relatively short history of operation. The Company was incorporated in April 2009 and commenced commercial operation in late 2011. Since the Company is still in the early stage of commercialization, sales ramp may be slow initially and revenue may fluctuate quarter by quarter immediately following the launch of new products/services. All this will put its share price under pressure.

Competition May Hurt Growth

Atossa's MASCT System for NAF collection competes in the medical device product industry with Halo Healthcare and with academic scientists and physicians who use "homemade" NAF fluid collection systems for research purposes. Halo Healthcare's **Halo System** is automated and provides warmth and nipple aspiration simultaneously and is the only non-"homemade" NAF collection system that competes with MASCT. The advantages of the MASCT System compared to the Halo System include a lower acquisition cost and portability. The disadvantages of the MASCT System compared to the Halo System include the requirement that a nurse or other healthcare provider manually operate the device, which may result in increased risks of human error and improper sample collection, and the reduced availability of experience with the device among the medical community. Atossa currently provides the ForeCYTE laboratory testing services to a number of physicians who use the Halo System for NAF collection.

The Company's ForeCYTE testing services faces challenges from laboratories using NAF not collected with the MASCT System. Laboratories that could process NAF samples not collected with the MASCT System include local and regional pathology groups, national laboratories, hospital pathologists, and academic laboratories. The largest such competitors include Laboratory Corporation of America and Quest Diagnostics Incorporated.

Atossa's MASCT System and related testing service ForeCYTE may also face competition from **alternative diagnostic tools** such as mammograms, ultrasound examinations, magnetic resonance imaging (MRI), fine needle aspiration and core biopsies, among others.

In addition to facing competition with respect to the MASCT System and the processing of collected NAF samples, Atossa also faces competition regarding **the ArgusCYTE diagnostic test**. The detection and analysis of circulating tumor cells (CTCs) in the blood of patients with breast cancer is an active area of medical research, and many companies and academic research institutes are involved in such detection and analysis. Among them, Johnson & Johnson markets an FDA-cleared test for breast cancer CTCs and Clariant Laboratories, a GE Healthcare company, also markets a breast cancer CTCs test.

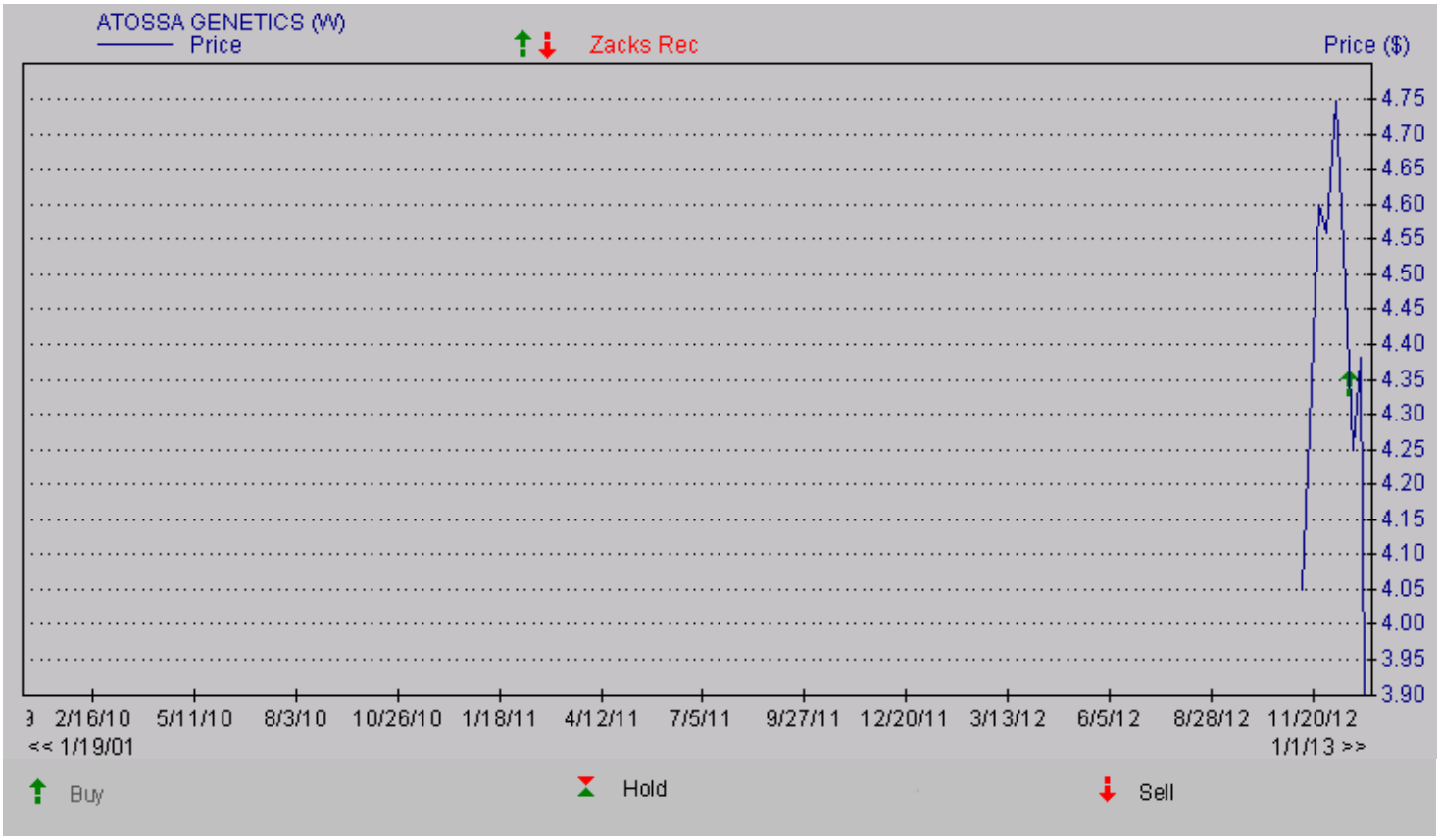
The above competition could impair market adoption of Atossa's products and services.

PROJECTED INCOME STATEMENT

	2012E (Dec)					2013E (Dec)					2014E (Dec)	2015E (Dec)	2016E (Dec)	2017E (Dec)	2018E (Dec)
$ in million except per share data	Q1	Q2	Q3	Q4E	FYE	Q1E	Q2E	Q3E	Q4E	FYE	FYE	FYE	FYE	FYE	FYE
Diagnostic Testing Services	$0.05	$0.22	$0.10	0.14	$0.51	$0.17	$0.45	$0.85	$1.45	$2.92	$7.50	$12.50	$20.00	$30.00	$52.00
Product sales	$0.00	$0.00	$0.00	0.00	$0.01	$0.01	$0.01	$0.01	$0.01	$0.02	$0.20	$0.50	$0.75	$1.00	$1.50
Total Revenues	**$0.05**	**$0.22**	**$0.11**	**$0.14**	**$0.52**	**$0.18**	**$0.46**	**$0.86**	**$1.46**	**$2.94**	**$7.70**	**$13.00**	**$20.75**	**$31.00**	**$53.50**
YOY Growth	-	-	-	-	34584.1%	220.6%	103.9%	709.8%	962.0%	465.1%	161.9%	68.8%	59.6%	49.4%	72.6%
CoGS	0.00	0.02	0.02	0.01	0.05	0.01	0.04	0.09	0.15	0.28	0.92	1.69	3.11	4.65	8.03
Gross Income	**$0.05**	**$0.21**	**$0.09**	**$0.13**	**$0.47**	**$0.16**	**$0.42**	**$0.77**	**$1.31**	**$2.66**	**$6.78**	**$11.31**	**$17.64**	**$26.35**	**$45.48**
Gross Margin	94.1%	92.0%	85.7%	92.0%	91.0%	92.0%	92.0%	90.0%	90.0%	90.4%	88.0%	87.0%	85.0%	85.0%	85.0%
SG&A	$1.09	$1.37	$1.23	$0.93	$4.62	$1.05	$1.25	$1.50	$1.75	$5.55	$7.50	$10.00	$12.50	$15.00	$20.00
% SG&A	1996.6%	614.6%	1161.4%	682.3%	888.4%	600.0%	274.7%	175.4%	120.3%	188.8%	97.4%	76.9%	60.2%	48.4%	37.4%
R&D	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.10	$0.50	$0.60	$1.00	$2.50	$4.00	$7.50	$10.00
% Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Income	**($1.0)**	**($1.2)**	**($1.1)**	**($0.8)**	**($4.1)**	**($0.9)**	**($0.8)**	**($0.8)**	**($0.9)**	**($3.5)**	**($1.7)**	**($1.2)**	**$1.1**	**$3.9**	**$15.5**
Operating Margin	-	-	-	-	-	-	-	-	-	-	-	-	-	12.42%	28.93%
Other Net	($0.0)	($0.0)	($0.0)	($0.0)	($0.0)	($0.0)	($0.0)	($0.0)	($0.0)	($0.0)	($0.0)	($0.1)	($0.1)	($0.1)	($0.1)
Pre-Tax Income	**($1.0)**	**($1.2)**	**($1.1)**	**($0.8)**	**($4.2)**	**($0.9)**	**($0.8)**	**($0.8)**	**($1.0)**	**($3.5)**	**($1.7)**	**($1.3)**	**$1.1**	**$3.8**	**$15.4**
Income taxes(benefit)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.5
Tax Rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reported Net Income	**($1.0)**	**($1.2)**	**($1.1)**	**($0.8)**	**($4.2)**	**($0.9)**	**($0.8)**	**($0.8)**	**($1.0)**	**($3.5)**	**($1.7)**	**($1.3)**	**$1.1**	**$3.8**	**$14.9**
YOY Growth	-	-	-	-	-	-	-	-	-	-	-	-	-	-	293.5%
Net Margin	-	-	-	-	-	-	-	-	-	-	-	-			
Diluted Shares Out	11.3	11.3	11.3	12.1	11.5	12.9	12.9	13.2	14.0	13.3	16.0	18.0	20.0	22.0	24.0
Reported EPS	**($0.09)**	**($0.10)**	**($0.10)**	**($0.07)**	**($0.36)**	**($0.07)**	**($0.07)**	**($0.06)**	**($0.07)**	**($0.27)**	**($0.11)**	**($0.07)**	**$0.05**	**$0.17**	**$0.62**
One time charge	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*
Non GAAP Net Income	**($1.0)**	**($1.2)**	**($1.1)**	**($0.8)**	**($4.2)**	**($0.9)**	**($0.8)**	**($0.8)**	**($1.0)**	**($3.5)**	**($1.7)**	**($1.3)**	**$1.1**	**$3.8**	**$14.9**
Non GAAP EPS	**($0.09)**	**($0.10)**	**($0.10)**	**($0.07)**	**($0.36)**	**($0.07)**	**($0.07)**	**($0.06)**	**($0.07)**	**($0.27)**	**($0.11)**	**($0.07)**	**$0.05**	**$0.17**	**$0.62**

Source: Company filing and Zacks estimates

HISTORICAL ZACKS RECOMMENDATIONS



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