Zacks Small-Cap Research

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Zoom Telephonics (ZMTP-OTC)

ZMTP: Zacks Company Report - OUTPERFORM

Current Recommendation	**Outperform**
Prior Recommendation	N/A
Date of Last Change	01/26/2011
Current Price (04/15/11)	$0.54
Six- Month Target Price	**$1.00**

OUTLOOK

Zoom Telephonics designs, produces, markets, sells, and supports broadband and dial-up modems, Voice over Internet Protocol or "VoIP" products and services, WiFi and Bluetooth wireless products, and other communication-related products. Zoom is a major supplier to Best Buy, Staples, Walmart, and other leading retailers of electronic products. Over the past 10 years the firm has transformed its portfolio of products from dial-up modems to much faster DSL, Cable, and 3G modems, and has also introduced WiFi and Bluetooth wireless products. As technology ramps up, we expect long term service contracts to become less attractive, allowing individuals to more easily pick and choose superior technology. Further, the emerging LTE and WiMAX markets could transform how the Internet is accessed. We see value in the shares.

SUMMARY DATA

52-Week High	**$0.75**
52-Week Low	**$0.35**
One-Year Return (%)	**N/A**
Beta	**0.03**
Average Daily Volume (sh)	**10,509**
Shares Outstanding (mil)	**5.4**
Market Capitalization ($mil)	**$1**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**N/A**
Insider Ownership (%)	**N/A**
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 2011 Estimate	**4.9x**
P/E using 2012 Estimate	**3.8x**
Zacks Rank	**2**

Risk Level	**High**
Type of Stock	**Growth**
Industry	**Communications**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2009	2.34 A	3.06 A	2.53 A	2.79 A	10.7 A
2010	2.49 A	3.50 A	4.22 A	3.10 A	13.3 A
2011	3.15 E	3.30 E	3.45 E	3.80 E	13.7 E

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

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2009	-$0.51 A	-$0.14 A	-$0.44 A	-$0.19 A	-$1.32 A
2010	-$0.15 A	-$0.08 A	$0.14 A	$0.07 A	-$0.02 A
2011	$0.03 E	$0.02 E	$0.03 E	$0.03 E	$0.11 E

Due to a rights offering the share count will jump from 2.320 mil in 2010 to 5.450 mil in 2011.

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KEY POINTS

- Despite the march to new technologies the dial up modem business is still viable for Zoom and helps Zoom to place new technologies into major retailers and distributors. Revenues declined only slightly in 2009, and were up in 2010. Dial up remains the largest source of revenue and gross profits.

- The Internet remains only 24.7% penetrated compared to the world population. Further, investors should consider the explosion of handheld devices such as iPhones and iPads and the momentum behind wireless Internet access. Zoom is well-positioned to benefit from these trends.

- Zoom reaches the retail market (in North America) through high-volume retailers. Retailers include Amazon, Best Buy, Fry's, Micro Center, Staples, Wal-Mart, and many others. Retailers typically carry an assortment of the firm's dial-up modems, cable modems, and DSL modems.

- Long service plans may be a thing of the past as new technology is created, and as the downside of being locked into a long-term service commitment is becoming clearer to consumers. Purchase of Zoom mobile broadband modems typically lets someone avoid making a long-term service commitment.

- WiMAX and LTE hold great promise, and could create a tail wind for the firm.

- The Firm has no debt long-term debt and $1.34 million ($0.25 per share) in cash and Marketable Securities on its balance sheet.

OVERVIEW

Founded in 1977, Boston Massachusetts based Zoom Telephonics designs, produces, markets, sells, and supports broadband and dial-up modems, Voice over Internet Protocol or "VoIP" products and services, WiFi and Bluetooth wireless products, and other communication-related products. The firm's primary objective is to build upon its position as a leading producer of Internet access devices sold through high volume retailers and electronics distributors, and to take advantage of a number of trends in communications including higher modem speeds and the growth of mobile broadband.

Dial-up modems were Zoom's highest revenue category for many years. Sales of dial-up modems have been declining since the late nineties, and Zoom's fixed broadband, mobile broadband, and wireless product categories have become increasingly important. However, dial-up modem revenues declined only slightly in 2009, and dial-up modems were Zoom's largest source of revenues and gross profits in 2009.

In response to increased demand for faster connection speeds the firm has transformed its portfolio of products to include DSL, Cable, and mobile broadband modems and modem/routers. Zoom's product line also includes WiFi and Bluetooth adapters and routers.

Reorganization
Prior to September 22, 2009, Zoom Telephonics was a 100%-owned subsidiary of Zoom Technologies. Essentially all of the assets and liabilities of Zoom Technologies were held in Zoom Telephonics and all the revenues, expenses and cash flows of Zoom Technologies were derived from Zoom Telephonics. In

September 2009 Zoom Telephonics spun off from Zoom Technologies in connection with a successful merger/spinoff.

Distribution

In North America Zoom reaches the retail market primarily through high-volume retailers. North American retailers include Amazon, Best Buy, Fry's, Micro Center, Staples, Wal-Mart, and many others. These retailers typically carry an assortment of dial-up modems, cable modems, and DSL modems, and typically also carry an assortment of wireless products.

Further the firm sells significant quantities of products through distributors, who often sell to corporate accounts, retailers including etailers, service providers, value-added resellers, equipment manufacturers, and other customers. The firm's North American distributors include major customers Tech Data, Ingram Micro, D&H Distributing, Border States Electric, and others. Zoom also sells through distributors and major retailers in the UK, Spain, and some countries in Latin America.

DSL, Cable, and Fiber Fixed Broadband

High-speed Internet access is normally provided by a wire or cable, or by some form of wireless mobile broadband. Zoom provides modems and modem/routers for almost all popular forms of high-speed Internet access.

Digital Subscriber Line (DSL) is the most popular form of high-speed Internet access worldwide. DSL transforms an ordinary phone line into a high-speed conduit for data, voice and video, and DSL can share a phone line that is also used for voice phone calls. As long as your home or business is within about 4 miles of your service provider's central office (a local office with switching equipment which connects everyone in a certain area to the phone network and Internet), you'll be able to subscribe to DSL service. Typical connections allow users to receive data at 1.5 Mbps and send data at approximately 256 Kbps, though actual speeds may be lower or much higher, as determined by the proximity to the provider's central office and the cost of the service. DSL service is always on – users don't need to dial a connection to gain access to the Internet.

Zoom has a broad line of DSL modems and modem/routers, including routers with WiFi wireless network capability. Zoom sells these products through the sales channels mentioned above, and also sells to Internet Service Providers including some telephone companies. Zoom recently introduced a line of DSL products using Broadcom DSL chip technology, and Zoom believes this will help to increase Zoom's DSL sales and margins.

Cable modems provide Internet access through the same cable used for cable TV. Cable modems are especially popular in the USA, South Korea, and other markets. Cable modems can achieve higher speeds than DSL modems; and top speeds depend on the type and cost of cable service, and on the fact that the cable's capacity may be shared by other cable modems connected to the same local cable. Zoom currently ships DOCSIS 2.0 and DOCSIS 3.0 cable modems, and Zoom hopes to expand its line to include modem/routers. Zoom is the second largest cable modem producer for North American retailers, and Zoom's customers include Amazon, Best Buy, Fry's, Micro Center, and Staples.



Cable Modem for DOCSIS 3.0

Verizon and some other phone companies also offer Internet access through a fiber optic cable Zoom does not currently offer products for fiber optic Internet access.

Lawsuit

In response to Comcast's new Physical and Environmental (P&E) testing regime that cable modems sold at retail must pass before Comcast will allow them to be attached to its network, Zoom filed a complaint against Comcast at the Federal Communications Commission (FCC). The complaint charges that Comcast, the nation's largest cable service provider in the US, has flagrantly violated the Commission's rules through an equipment certification program that restricts subscribers' right to attach cable modems to Comcast's network. The complaint also notes that in addition to harming the competitive retail market for cable modems, Comcast's recently expanded retail modem testing regime and unilateral refusal to even test certain devices also violate Comcast's own public commitment to abide by the commission's Open Internet Principles. The lawsuit was settled during the first quarter of 2011 and we expect slow but steady growth for the rest of 2011.

Exhibit 2:
At home, what do you now use to connect to the Internet (figures as a percent of home Internet users)

Cable modem	58
DSL-enabled phone line	44
Mobile broadband wireless connection for your computer or cell phone	44
Fixed wireless provider	29
Dial-up telephone line	12
Satellite connection	10
A fiber optic connection such as FiOS	10
T-1 connection	5

Source: Federal Communications Commission survey of 5,005 adult Americans, October-November 2009.

* note Percentage rounds to 212 rather than 100 since many respondents have multiple broadband access plans

Mobile broadband modems and routers

Mobile broadband typically uses ATT, Sprint, Verizon, or other cellular wireless technology for Internet access through a phone, computer, or mobile broadband modem. Internet access travels with the user, and can be used indoors, outdoors, or wherever the user is within range of a compatible cell tower.

In 2009 Zoom began shipping mobile broadband modems and routers, and mobile broadband has been a fast-growing part of Zoom's business. Until recently Zoom's line included 7.2 Mbps modems, a mobile broadband desk router, and a mobile broadband travel router. The routers allow someone to plug in almost any model of mobile broadband modem, and then share the modem's mobile broadband connection among many different computers, phones, tablets, and other WiFi compatible wireless devices within the range of the router.

Zoom recently introduced two new mobile broadband products, a 14.4 Mbps modem and a 7.2 Mbps modem/router.

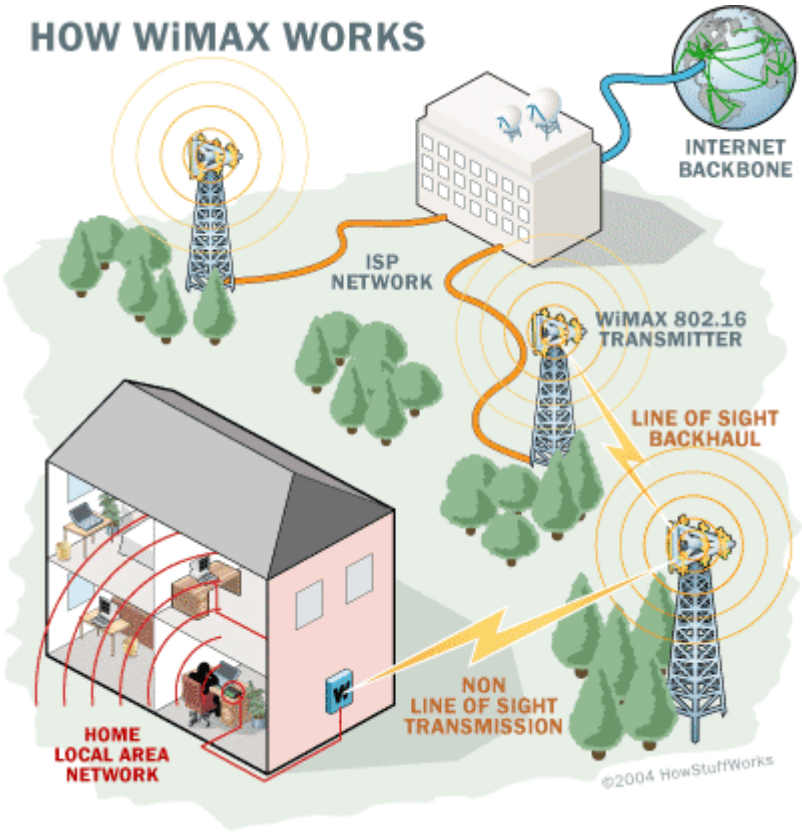
Zoom believes it will benefit from the fast growth of mobile broadband and from the consumer interest in avoiding long-term service commitments.

According to market research firm Infonetics, the number of residential mobile broadband subscribers in North America is nearly doubling in 2010 over 2009, to about 15 million, and is forecast by Infonetics to jump to 70 million by 2014

Potential in WiMAX and LTE
WiMAX is a telecommunications protocol that provides fixed and mobile Internet access, with WiMAX speeds by Clear in the USA typically about 4 Mbps. In the cities where there is WiMAX coverage, this is a competitor to DSL and cable. However, there are still many areas of the USA where WiMAX coverage is not available.

Verizon has been rolling out LTE mobile broadband service, with speeds up to 12 Mbps. When fully deployed, this is likely to have greater coverage than WiMAX. ATT has also announced plans to have LTE.

Zoom plans to have mobile broadband routers that work with a WiMAX or LTE USB modem, as well as with slower mobile broadband modems. This type of router is well-suited to Zoom's retail channels if it has broad enough compatibility with available wireless modems.



Backdrop of Growth
In our opinion the internet is still growing and has a relatively low 24.7% penetration rate compared to the population. Especially if one considers Asia which has approximately 56% of the world's population yet remains only 18.5% penetrated. Another trend to consider in assessing the growth rate is the explosion of handheld devices such as IPhones and Blackberries. There are in effect more and more devices being connected and each new connection needs some type of access.

WORLD INTERNET USAGE AND POPULATION STATISTICS						
World Regions	Population (2009 Est.)	Internet Users Dec. 31, 2000	Internet Users Latest Data	Penetration (% Population)	Growth 2000-2009	Users % of Table
Africa	991,002,342	4,514,400	65,903,900	6.70%	1359.90%	3.90%
Asia	3,808,070,503	114,304,000	704,213,930	18.50%	516.10%	42.20%
Europe	803,850,858	105,096,093	402,380,474	50.10%	282.90%	24.20%
Middle East	202,687,005	3,284,800	47,964,146	23.70%	1360.20%	2.90%
North America	340,831,831	108,096,800	251,735,500	73.90%	132.90%	15.10%
Latin America/caribbean	586,662,468	18,068,919	175,834,439	30.00%	873.10%	10.50%
Oceania/Austraila	34,700,201	7,620,480	20,838,019	60.10%	173.40%	1.20%
World Total	**6,767,805,208**	**360,985,492**	**1,668,870,408**	**24.70%**	**362.30%**	**100.00%**

***Source: Internetworldstats.com/howstuffwork.com**

3G

3G technology is the latest in mobile communications. 3G stands for "third generation" -- this makes analog cellular technology generation one and digital/PCS generation two. 3G technology is intended for the true multimedia cell phone -- typically called smartphones –

The first shipments of the Zoom 3G+ Freedom Modem, Model 4597 Occurred on October 18th 2010. The full-featured 3G+ USB modem works on a range of services worldwide, including both AT&T and T-Mobile in the USA. Since model 4597 is not “locked” to a particular service, its owner can easily choose and change service providers. The 3G+ Freedom Modem works with prepaid and pay-as-you-go cellular Internet services, so its owner can avoid the expense and obsolescence risk of long-term service plans. As technology ramps up we expect long-term service plans to diminish in order to keep up with changing technology.



Model 4597 3G+ Freedom Modem for AT&T and T-Mobile

The 3G+ Freedom Modem is activated by plugging in a small card, called a SIM, which can be obtained at a mobile phone store. Changing a service provider is done by simply unplugging one provider's SIM and replacing it with another provider's SIM. This makes it easy to select the best service provider based on a number of factors including service availability, service speed in a location, and price. Model 4597 supports three high-speed cellular data frequencies, including the 1700 MHz (AWS) frequency used by T-Mobile for its highest speeds in the US and the 850 MHz and 1900 MHz frequencies used for the highest AT&T 3G speeds. The Freedom Modem supports a data rate of up to 7.2 Mbps on downloads and up to 5.76Mbps on uploads, though this data rate also depends on the service provider’s data rates at whatever location is selected.

INDUSTRY OUTLOOK

INDUSTRY OUTLOOK -Positive

The outlook for the Computer Hardware industry is Positive relative to the S&P 500. Although enterprise spending has rebounded modestly from the 2009 recession, we have yet to see a significant acceleration in spending on Information Technology by large enterprise customers. We believe that while Chief Information Officer's (CIO's) have increased spending in order to keep up with requirements of the business, most are still in the cost savings mode that has existed over the past five years. As confidence in the economy increases, we believe that this mentality will gradually shift from one of cost savings to increasing efficiencies. As this mentality changes, we expect to see increased spending on new technologies, such as Voice over Internet Protocol (VoIP), WiMAX, 4G and an overall acceleration in growth industry wide.

Offsetting our optimism on the future of enterprise spending are concerns about consumer spending. Rising interest rates and a potentially slowing housing market have taken a toll on consumer spending of technology products, leading to disappointing results from companies with consumer exposure. We therefore look to companies with new technologies and mostly enterprise exposure for out-performance in 2011-2012, while other industry participants languish in a still lukewarm environment.

INDUSTRY POSITION

Zoom competes in the ultra competitive communications network access industry. The industry is characterized by aggressive pricing practices, continually changing customer demand patterns, rapid technological advances, and emerging industry standards. These characteristics result in frequent introductions of new products with added capabilities and features, and continuous improvements in the relative functionality and price of modems and other PC communications products.

Product Group	Competitors
Dial-up modem	Best Data, Creative Labs, Lite-On, Sitecom, and US Robotics
DSL modem	2Wire, 3Com, Actiontec, Airties, Asus, Aztech, Best Data, Cisco Systems
Cable modem	Arris Systems, Cisco Systems (Linksys and Scientific Atlanta), D-Link, Hon Hai Network Systems, Motorola
3G	Cradlepoint, D-Link, Huawei, Netgear, Novatel Wireless, Sierra Wireless, and ZTE
VoIP hardware	AudioCodes, Cisco Systems (Linksys division), Digium, D-Link, Draytek, Grandstream, Mediatrix,
Bluetooth	Anycom, Belkin, D-Link, IOGear, Jabra, Kensington, Linksys, Logitech, Sitecom, SMC, Targus, Trendnet

RECENT NEWS

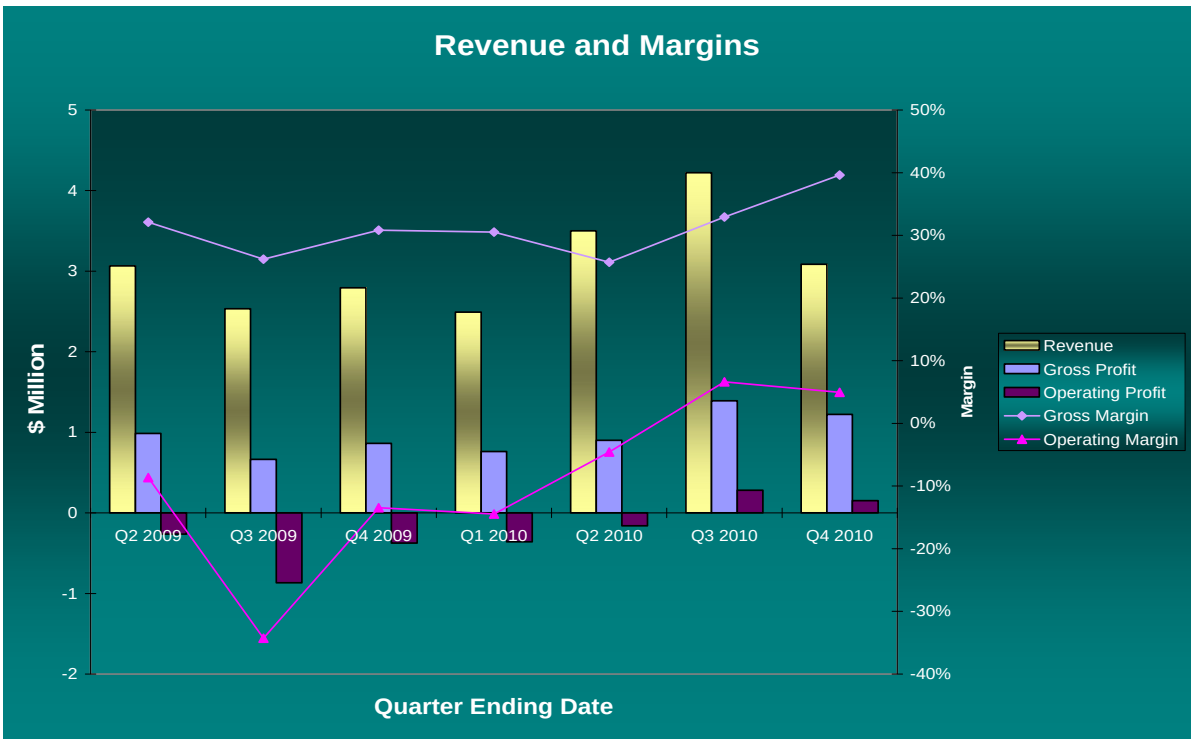
On February 23, 2011 ZMTP announced results for the fourth quarter of fiscal year 2010 ending December 2010. Revenue for the period was $3.1 million down 26.2% sequentially from $4.2 million and up 10.5% year over year.

Gross profit was $1.2 million or 39.6% of net sales in Q4 2010, up from $0.9 million or 30.8% of net sales in Q4 2009. The increase in gross profit was primarily due to manufacturing overhead cost reductions and a shift in sales toward Zoom's higher margin products. Operating expenses were $1.1 million or 34.7% of net sales in Q4 2010 versus $1.2 million or 44.3% of net sales in Q4 2009. The decline in operating expenses was primarily due to reduced personnel costs.

Zoom's cash balance on December 31, 2010 was $1.01 million, down from $1.22 million on December 31, 2009. The major contributors to cash during 2010 were the rights offering and $268 thousand in net income, and the major consumer of cash was an increase in inventory of $1.1 million. Zoom's current ratio improved from 3.0 at the end of 2009 to 4.4 at the end of 2010. The firm has no long term debt. During the quarter the firm also completed a successful rights offering and a transaction that resulted in receiving 80,000 shares of Zoom Technologies stock.

Year-over-year Zoom grew revenues for the fourth straight quarter, and achieved a positive operating income for the second straight quarter. Looking at innovation, Zoom introduced four new products in Q4 2010, including We3G mobile broadband hotspot, a 14.4 Mbps mobile broadband modem, a wireless keyboard for the iPad, and a wireless keyboard for the Xbox, PS3, and HDTV-connected Windows computers.

On December 28th 2010 Zoom Telephonics announced that it had completed its rights offering, raising $867,411 by selling 3,469,644 shares at $0.25 each to its shareholders as of November 10, 2010. Approximately 173 shareholders purchased shares.



On December 13th 2010 Zoom announced that it has begun shipping two new wireless keyboards, Model 9010 for the iPad and Model 9006 for the Xbox, PS3, and TV-connected Windows computers.

Model 9010 is a Bluetooth wireless keyboard that's customized for the iPad, and that also works with the iPhone and iPod touch. This keyboard provides faster, easier character entry than a touchscreen keyboard; so it's ideal for Apple Pages, email, Facebook, Twitter, Web browsing, and texting. The keyboard has scissor-action keys for excellent tactile feel. It's compact and portable, and easily slips into a briefcase or purse. Hotkeys speed up selection of iPad search, brightness up/down, photo, virtual keyboard, previous or next track, play/pause, mute, home, lock screen, and volume up/down. Keyboard options include US English, UK English, and Spanish character sets. Estimated retail price in the US is $39.95.

Model 9006 is a wireless keyboard for the Xbox 360, PlayStation 3, and TV-connected Windows computers. This compact keyboard is big enough for fast, easy input; and is ideal for bringing Facebook, email, instant messaging, Web browsing, texting, Windows Media Center, and other applications to an HDTV or other TV. The keyboard includes a multi-point touchpad and four media hotkeys for Windows systems, and works at distances up to 30 feet (9meters).

The Model 9006 installs easily on an Xbox 360 or PS3, where the keyboard's wireless USB adapter is simply plugged into the gaming console. Software is included to simplify connection of a Windows laptop or desktop computer to an HDTV. The Windows software also supports a range of magnification modes, easy Web navigation menus, and more. Keyboard options include US English, UK English, and Spanish character sets. Estimated retail price in the US is $39.95.

On August 5th 2010 Zoom announced the first volume shipments of the Zoom Model 4402 Wireless-N Router. The low-cost Model 4402 connects to an ADSL modem or cable modem to provide shared Internet access to computers, phones, game stations, and other devices via its wireless capability and/or its four Ethernet LAN ports. It can also function as a wireless access point, or as a wireless Repeater that extends the range of a wireless network.

VALUATION

Zoom seems primed to enter a new growth phase. The growth engine in the short term is three fold. The first is the transformation of Zoom's well rounded portfolio of technology from dial up to advanced technology products, the next growth engine is new customers as well as new product lines every quarter. The strength of the retail business model is evident in that the firm can roll out new business and keep operating expenses in check. Lastly the evolution and speed of technology will provide the firm entry into new markets such as WiMAX and LTE as well as free customers up from long term contracts.

Looking at 2010 Results,

- Dial-up modem revenues increased from 2009 to 2010, the first annual increase in many years. Revenues decreased as a percentage of total revenues.

- Cable modems had the strongest growth, due to introduction in 2010 of a DOCSIS 3.0 cable modem and continued strong sales of the DOCSIS 2.0 cable modem. In 2011 Zoom expects to introduce DOCSIS 3.0 with wireless-N.

- Mobile broadband products had the second highest growth, fueled by strong growth in this category worldwide.

- DSL modem revenues dropped, Zoom's new line of Broadcom based DSL modems and introduction of a DSL modem/router with wireless-N may reverse this trend.

ZMTP should outperform given the IT market's bottomless need for faster response times and increased bandwidth against the backdrop of cloud computing, virtualization, and Internet-based applications. We see value in the shares of ZMTP and set a $1.00 target price based on 6.81x our 2011 estimated earnings plus cash per share of $0.25.

RISKS

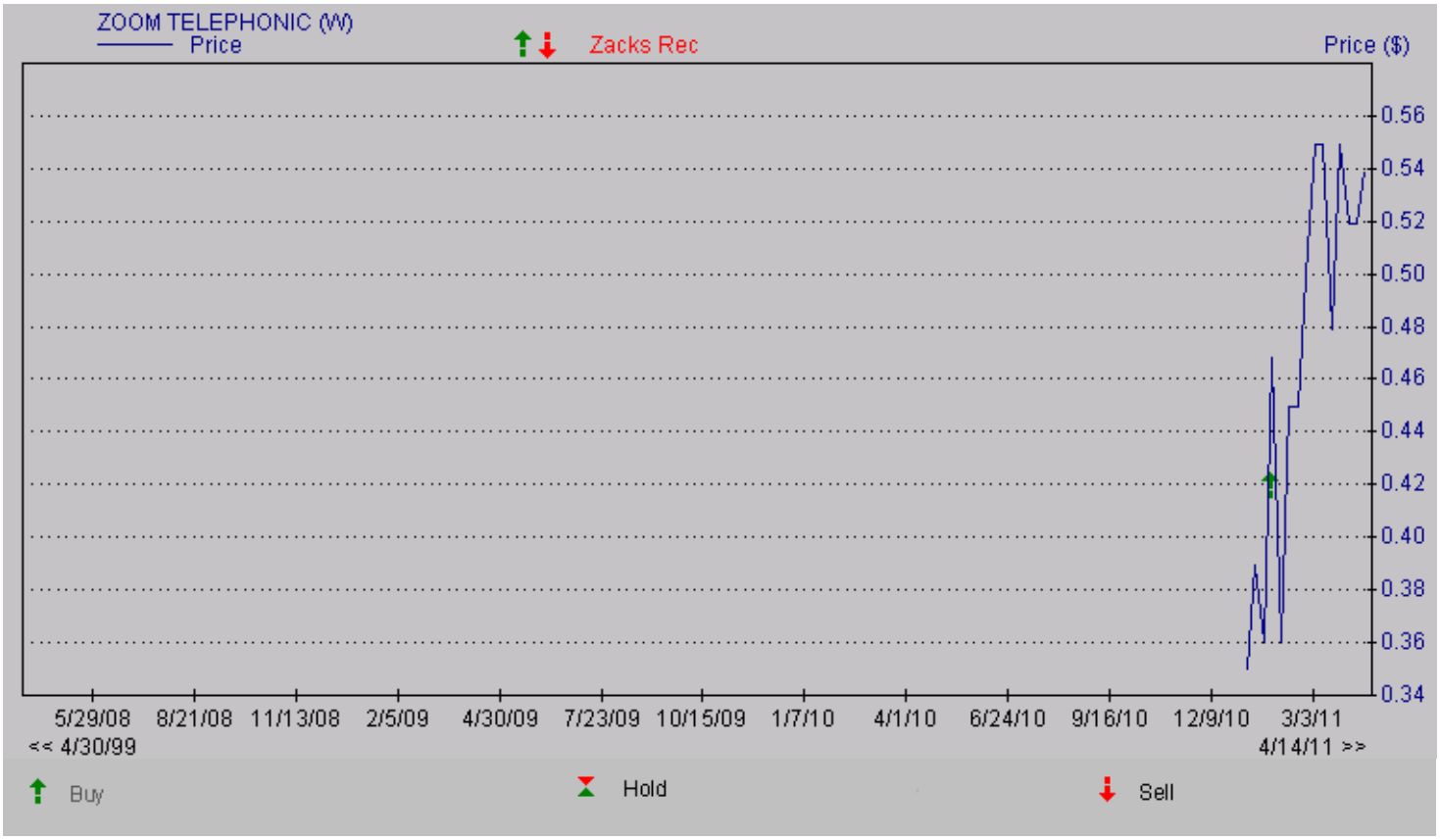
- The market for dial-up modems will continue to decline.
- Future success will depend on the firm's ability to more successfully penetrate the broadband modem markets, which have been challenging markets, with significant barriers to entry.
- The prospect of a double dip recession could impact the company.

PROJECTED INCOME STATEMENT & BALANCE SHEET

INCOME STATEMENT ($ Millions)	Dec-09 Q409	Mar-10 Q1 10	Jun-10 Q2 10	Sep-10 Q3 10	Dec-10 Q4 10	Mar-11 Q1 11 E	FY 2008	FY 2009	FY 2010 E	FY 2011 E	FY 2012 E
REVENUE											
Net Revenue	**2.79**	**2.49**	**3.50**	**4.22**	**3.09**	**3.15**	**14.5**	**10.7**	**13.3**	**13.7**	**15.0**
Sequential Growth		*-11%*	*40%*	*21%*	*-27%*	*2%*					
OPERATING EXPENSES											
Cost of Revenues	1.93	1.73	2.60	2.83	1.86	1.88	11.5	7.7	9.0	8.3	9.0
% of Revenue	*69.2%*	*69.4%*	*74.3%*	*67.0%*	*60.3%*	*59.7%*	*79.3%*	*72.1%*	*67.8%*	*60.6%*	*60.0%*
Gross Profit -	**0.9**	**0.8**	**0.9**	**1.4**	**1.2**	**1.3**	**3.0**	**3.0**	**4.3**	**5.4**	**6.0**
Proforma Gross Margin	*30.8%*	*30.6%*	*25.7%*	*33.0%*	*39.7%*	*40.3%*	*20.7%*	*27.9%*	*32.2%*	*39.4%*	*40.0%*
R&D + Engg	0.38	0.31	0.29	0.25	0.28	0.29	1.7	1.4	1.1	1.2	1.4
% of Revenue	*13.4%*	*12.2%*	*8.4%*	*6.0%*	*8.9%*	*9.1%*	*11.9%*	*12.8%*	*8.5%*	*8.8%*	*9.3%*
SG&A	0.86	0.82	0.77	0.86	0.80	0.83	5.21	4.24	3.24	3.70	4.00
% of Revenue	*30.9%*	*32.9%*	*21.9%*	*20.3%*	*25.8%*	*26.3%*	*36.0%*	*39.5%*	*24.4%*	*27.0%*	*26.7%*
GW Amort, Restructuring, other	-	-					-	-	-		
% of Revenue											
Total Operating Expenses	1.24	1.13	1.06	1.11	1.07	1.12	6.9	5.6	4.4	5	5
% of Revenue	*44.3%*	*45.2%*	*30.3%*	*26.3%*	*34.7%*	*35.5%*	*47.9%*	*52.2%*	*32.8%*	*36%*	*36%*
Operating Income -	**-0.38**	**-0.36**	**-0.16**	**0.28**	**0.2**	**0.2**	**-3.9**	**-2.6**	**-0.1**	**0**	**1**
Operating Margin	*-13.5%*	*-14.6%*	*-4.6%*	*6.7%*	*5.0%*	*4.8%*	*-27%*	*-24%*	*-1%*	*4%*	*4%*
NON-OPERATING ITEMS											
Non operating Income/Expense	0.0	0.1	0.0	0	0	0	-0.2	0.0	0.4	0	0
% of Revenue	*0.04%*	*2.60%*	*0.07%*	*0.06%*	*9.62%*	*0.08%*	*-1.42%*	*0.36%*	*2.76%*	*0.00%*	*0.00%*
Tax Provision	0.0	0.0	0.0	0.0	0.0	0.0	0.012	0.005	0.001	0.000	0.000
Effective Tax Rate											
Net Income -	**-0.38**	**-0.30**	**-0.16**	**0.28**	**0.45**	**0.15**	**-4.16**	**-2.58**	**0.28**	**0.5**	**0.6**
Net Income Margin	*-13.5%*	*-12.0%*	*-4.5%*	*6.7%*	*14.6%*	*4.9%*	*-28.8%*	*-24.0%*	*2.1%*	*4%*	*4%*
Non-Recurring Adjustments					**0.12**						
EARNINGS PER SHARE											
EPS - Basic	-$0.19	-$0.15	-$0.08	$0.14	$0.07	$0.03	-$2.23	-$1.32	-$0.02	$0.11	$0.14
EPS - Diluted	-$0.19	-$0.15	-$0.08	$0.14	$0.07	$0.03	-$2.23	-$1.32	-$0.02	$0.11	$0.14

Ken Nagy, CFA Zacks Investment Research 4/14/2011

HISTORICAL ZACKS RECOMMENDATIONS



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