Zacks Small-Cap Research

May 23, 2013
Ken Nagy, CFA

www.zacks.com 111 North Canal Street, Chicago, IL 60606

AUXILIO, Inc. (AUXO-OTC)

AUXO: Solid Wins Power Growth- OUTPERFORM

Current Recommendation	**Outperform**
Prior Recommendation	N/A
Date of Last Change	08/21/2011
Current Price (05/22/13)	$0.94
Target Price	**$2.00**

OUTLOOK

AUXILIO is the only health care exclusive, vendor neutral Managed Print Services (MPS) firm that provides document production management strategies, services and solutions to hospitals throughout the United States. AUXILIO's continuous workflow improvement solutions enable hospitals and health systems to reduce costs and waste in their operational and clinical functions by managing the process of document production between printing and copying equipment and technology. AUXILIO should see a tail wind in its top and bottom-line growth given the Health Information Technology federal mandates; the fact that hospitals are seeking efficiencies to reduce the cost of health care to the public, and because of increasing reductions in Medicare reimbursements. A strategic relationship with Sodexo, entry into the Catholic hospital market, and the passing of the affordable Care act should act as catalysts. We see value in the shares.

SUMMARY DATA

52-Week High	**$1.18**
52-Week Low	**$0.74**
One-Year Return (%)	**-18.26**
Beta	**0.31**
Average Daily Volume	**5,969**
Shares Outstanding (mil)	**20**
Market Capitalization ($mil)	**$19**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**27**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**13.6**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using 2013 Estimate	**94**
Zacks Rank	**3**

Risk Level	**Moderate**
Type of Stock	**Growth**
Industry	**Outsourcing**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2011	5 A	5 A	7 A	6 A	22 A
2012	7 A	11 A	9 A	10 A	36 A
2013	10 A	10 E	10 E	11 E	41 E

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

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2011	-$0.04 A	-$0.03 A	$0.00 A	-$0.05 A	-$0.13 A
2012	-$0.07 A	-$0.01 A	-$0.02 A	$0.00 A	-$0.11 A
2013	-$0.01 A	$0.00 E	$0.01 E	$0.01 E	$0.01 E

© Copyright 2013, Zacks Investment Research. All Rights Reserved.

WHATS NEW

Solid Wins in Previous Years Power Growth at Auxilio

On May 15, 2013, Auxilio, Inc., reported its first quarter fiscal 2013 results. A strong quarter resulted in a 54.4 percent year over year jump in sales, with revenue expanding $3.555 million to $10.092 million from $6.537 million for the first quarter ended March 31, 2012. Auxilio's strength in its year over year revenues was primarily a result of the addition of the six new recurring revenue contracts starting during 2012.

Cost of revenue for the year, which consists of document imaging equipment, parts, supplies and salaries and expenses of field services personnel, grew to $8.515 million for the for the quarter ended March 31, 2013 as compared to $6.188 million for the same period of 2012.

As a result, first quarter gross margin jumped year over year to 15.6 percent from 5.4 percent for the comparable period in 2012. The jump in margins reflects the maturing of Auxilio's customer base and managements focus on margin improvement.

Although gross margin improved year over year, it's important to note that gross margin is negatively impacted by new contracts, which at the onset, translate to higher costs associated with absorbing new customer's legacy contracts in advance of anticipated revenue.

As Auxilio implements its programs, it attempts to improve upon these contracts, therefore reducing costs over the term of the contract.While the upfront costs associated with bringing on new accounts will continue, management expects to partially offset those costs with accelerated growth and quicker ramp up of new accounts.

Total operating expenses increased year over year by $94,221 to $1.674 million but improved to only 16.6 percent of revenues compared to operating expenses being 24.2 percent of revenues during the first quarter fiscal 2012.

Auxilio reported a net loss of $230,300, which was a year over year improvement of $1.389 million from a net loss of $1.619 million during the first quarter, ended March 31, 2012.

Based on the weighted average number of basic and diluted common shares of 20.115 million shares, basic and diluted net loss per share resulted in a net loss of $0.01 per basic and diluted share during the first quarter ended March 31, 2013. This compares to a basic and diluted net loss per share of $0.08 on a weighted average number of basic and diluted shares of 19.449 million shares during the three months ended March 31, 2012.

The Company's balance sheet improved with, Auxilio having $2.684 million of cash and equivalents, a working capital deficit of $418,556 and zero borrowing to its line of credit during the period ended, December 31, 2012. This compares to cash and equivalents of $2.190 million, a working capital deficit of $25,084 and $528,000 borrowed against its line of credit for the quarter ended December 31, 2012.

By adding new accounts and expanding existing accounts and driving contracts toward profitability, the Company has made significant progress on its growth objectives.

Auxilio is currently engaged in several brand new hospital implementations including Sharp Healthcare and Citrus Valley heath partners in California, a new contract announced earlier this year. Once fully implemented, and startup cost have been absorbed, these nine hospitals will increase recurring revenue and soon be driving additional margin.

Into the Catholic Health East contract at December 2011 and up through the end of 2012, Auxilio doubled the size of its national portfolio to over 80 hospitals with more than 1600 affiliated care entities across the United States.

As a result of these implementations, the Company is seeing a reduction in its start up costs per hospital and an improvement in its margins which will support the Company's efforts to reach positive cash flow from operations in 2013.

This is significant as this new revenue adds to the cash flow from the Company's legacy accounts moving Auxilio that much closer to cash flow positive from operations.

INVESTMENT THESIS

- No other Managed Print Services company has its entire business dedicated to solving cost-cutting and waste reduction issues in the document production process within the health care industry.
- Vendor neutral status means negotiating power for 'best equipment, lowest price' regardless of manufacturers' make or model for customers.
- Hospitals are under intense government and public scrutiny to do more with less or cut costs.
- Hospital IT departments are overburdened with federal electronic records mandates and are outsourcing for support services.
- There are approximately 5,795 hospitals in the United States, representing a large market opportunity.
- A partnership agreement with Sodexo gives the firm the inside track on its portfolio of over 1,300 hospitals.

OVERVIEW

AUXILIO, Inc. provides fully-outsourced Managed Print Services (MPS) exclusively to the health care industry throughout the United States. The company is vendor neutral and provides full-time, on-site and trained customer service and technical service representatives that execute customized document management solution programs that are risk-free with guaranteed savings. The company is headquartered out of Mission Viejo, CA.

AUXILIO's vendor neutral position ensures maximum savings and efficiencies by enabling the company to work with a wide range of print-related equipment vendors. Its vendor neutral positioning enables it to offer each of its customers the proper hardware solutions based on need, use and quality.

Furthermore, AUXILIO's risk-free program assumes all costs related to a customer's print environment with no upfront costs, and AUXILIO guarantees savings up to 30 percent for customers at fixed rates that generate service fees for the company. The company's utilization model includes all expenses related to the production of the document, including services, supplies, equipment, finance charges and labor.

Through its validated and proven methodology, proprietary database of information and highly-skilled staff expertise in MPS in hospitals since 2004, AUXILIO performs strategic, operational and financial assessment analyses at the customers' premises and is able to forecast savings and waste reduction. AUXILIO is able to assist hospitals and health systems in reducing expenses by creating manageable, standardized and dependable document management programs.

AUXILIO is the first and only MPS provider in the U.S. dedicated exclusively to the health care industry and hospitals. Its comprehensive and single focus on hospitals provides AUXILIO with a deeper understanding of the cultural and urgent care environment of hospitals, thereby providing its customers with heightened performance levels of caregiver service and satisfaction.

AUXO currently has a national portfolio of 80 hospitals and manages over 1,000 facilities that consist of affiliated clinical, corporate and administrative support offices.



AUXILIO's Partnership with Sodexo Brings Results

In January of 2012, AUXILIO announced it signed a five year, $5 million agreement with Memorial Health System in Colorado Springs, Colorado. Memorial Health System has three hospitals with over 4,100 employees including over 650 beds and 950 physicians. AUXILIO will implement its print management solutions program, which is anticipated to cut costs and maximize efficiencies to the print infrastructure of Memorial Health System's three hospitals and affiliated clinical and support facilities.

This MPS agreement is a result of the effective joint marketing alliance between AUXILIO and Sodexo. In May 2011, AUXILIO secured an expanded marketing alliance with Sodexo, a leading provider of comprehensive service solutions, which more than doubled the investment in AUXILIO's sales resources and marketing efforts. The strategic relationship with Sodexo promotes AUXILIO's managed print solutions and leverages Sodexo's customer pipeline by providing crucial, C-suite access to over 1,300 U.S. hospitals in the $22 billion market in which AUXILIO competes.

This in turn should continue to prove beneficial to AUXILIO and its shareholders as the Company further advances its sales progress as well as continues to expand AUXILIO's ability to attract and sign new customer contracts.

Customer Type	Size	Cash Flows
Single	One Single Facility	$15,000 to $50,000 per month
Mid-Size	medium hospital with small clinics attached	$50,000 to $100,000 per month
Large	Large hospital or several facilities	$100,000 to $400,000 per month

Backdrop of growth in MPS

Hospitals are paper intensive businesses. A typical 525-bed hospital will create roughly 35 million documents each year and expend about $1.5 million to print, copy, fax and scan each piece. This cost results in a high proportion of their annual budgets spent on printing and document handling — an estimated nine percent, according to the National Health Service in 2010. The inefficiencies are tremendous in the print environment as there is routinely a fragmented array of printers, scanners and multi-function devices; no management or centralized cost center; an over-burdened staff, and inefficient workflow processes that adversely affect the quality of health care provided to patients.

Enter Managed Print Services (MPS). Hospital management teams, (CEOs, CFOs, and CIOs) across America are seeking best practices and change management techniques to reduce their carbon footprint and to be more accountable and transparent to their boards, stakeholders and the public They are turning to MPS as one of the few remaining areas where they can capture considerable savings (as much as 20 to 30 percent) and efficiencies to improve workflow processes, as well as gain employee productivity and satisfaction, all while reducing waste and making the transition to electronic health records less costly and painful. According to estimates by Photizo Group, the growth of MPS by 2012 will have a carbon reduction impact equivalent to taking 304,000 cars off the road and saving enough energy to power 230,000 homes for a year.

The question today is often not if your hospital should implement MPS, but how best to implement MPS to over-achieve desired results. Creating fundamental, sustainable transformation in workflow processes requires a comprehensive change in a hospital's operations and culture.

MR Mandate

With its exclusive focus on the health care industry, the Healthcare Information Technology (HITECH) portion of the American Recovery and Reinvestment Act of 2009 (ARRA) offers AUXILIO a unique growth opportunity. The ARRA was initiated with the intent to stimulate the U.S. economy by providing nearly $800 billion in spending and tax cuts. The HITECH portion of the bill includes nearly $20 billion of reimbursement incentives to those providers achieving "Meaningful Use" for the implementation of an Electronic Medical Record System.

The funding is per-physician and hospital or health system and is based on either Medicare or Medicaid charges. Eligible physicians can receive up to $44,000 in incentive payments under the Medicare provision or up to $63,750 under the Medicaid provision. The funding began in May 2011 for those who achieve Stage 1 "Meaningful Use". It is expected that Medicare will begin applying penalties to hospitals and physicians who fail to adopt an Electronic Medical Record System starting in 2015.

Solutions that maximize interoperability of hardware and EHR software across the enterprise and improve workflow processes in a hospital's print environment are vital to the successful implementation of electronic records management. The world renowned ECRI Institute in 2010, identified four steps to EHR implementation success, the first one advised to 'map out the existing workflow and clinical data flow at your organization,' which is precisely the service AUXILIO's MPS program performs.

AUXILIO's unshared position as the only managed print service provider in the U.S. dedicated exclusively to the health care industry provides a greater opportunity for hospitals to tap into HITECH incentives by bringing its unique expertise and knowledge in assisting customers in the preparation of electronic records management and the complex compliance requirements of the 'meaningful use' criteria federal mandates.

AUXILIO is able to assist its customers in electronic records management preparation by solving device connectivity issues from department to department, facility-to-facility, and person-to-person, and uses its trained full-time, on-site teams to support hospital staff in the design and application of practical solutions to software that are customized and standardized.

Typical Customer Case Study

Let's look at a hospital with three campuses that has approximately 1,000 beds and averages five million documents per month at an average cost of $0.045 per document. (This assumes a 60% printer/fax 40% copier split) The problem before the assessment is that no one owns the process. It is a bad mix of dysfunction and under-utilized technology. Through a combination eliminating multiple vendor invoices and bringing the system together in a centralized managed process, AUXILIO can manage entire process for $0.035 per document which represents a 20% discount. This translates to savings to the hospital of $43,000 per month or $2.6 million over the life of the contract. (Assumes a three-five year contract) That savings could improve if the firm is able to reduce the total documents produced per month. The revenue for AUXILIO in this case is projected at $170,000 per month. On a margin basis, most projects take several months to be profitable before settling in at around 20%.

Combine this type of cost saving potential with the fact that most hospitals are reeling from Medicare cuts and you have a powerful business model. In a white paper on www.healthaffairs.org, Author James Robinson illustrates how hospitals respond to Medicare payment shortfalls. The study presents empirical evidence that faced with shortfalls between Medicare payments and projected costs, hospitals in concentrated markets focus on raising prices to private insurers, while hospitals in competitive markets focus on cutting costs.



Opportunity

The potential for growth as the only exclusive MPS provider to the health care industry is enormous. There are approximately 5,795 hospitals in the United States of which only 42are current clients. The Sodexo partnership opens the company up to over 1,300 potential new customers, which the firm has direct access to and the inside track to its C-suite. Four Sodexo contracts were signed in 2010. They include the Johns Hopkins Health System (made up of over 100 clinical and administrative support facilities and five hospitals) Palisades Medical Center, St. Joseph's in Yonkers and New York Hospital Queens. AUXILIO's three year goal is to have 80 hospitals with an average of 300-500 beds each with three-five year contracts.

Beyond the obvious huge number of potential hospitals, the health care industry in general is set to take on a greater and greater piece of the GDP pie given the aging baby boom generation. According to the American Hospital Association (AHA), the over-65 population will nearly triple between 1980 and 2030 as a result of the aging Baby Boomers, adding new demands and challenges on an already stressed-out health system.

The first Boomers will turn 65 this year and, more than 37 million of them - six out of 10 - will be managing more than one chronic condition by 2030. Also by 2030:

- 14 million Boomers will be living with diabetes - that's one out of every four Boomers.

- Almost half of the Boomers will live with arthritis and that number peaks to just over 26 million in 2020.
- More than one out of three Boomers - over 21 million - will be considered obese.

As patients live with multiple chronic diseases, demand for services will increase. The number of physician visits has been increasing for all adults, up 34 percent over the last decade, and this trend is expected to continue. By 2020, Boomers will account for four in 10 office visits to physicians. Over the next 20 years, Boomers will make up a greater proportion of hospitalizations as they live longer but with multiple complex conditions.

Largest Contract in Company History Could be a Stepping Stone!

On January 12th, AUXILIO announced a five-year contract worth over $40 million with Catholic Health East (CHE) to implement its MPS strategy in 19 hospitals, three long-term care facilities and a multitude of clinical and administrative entities in 11 states from Maine to Florida. CHE is based in Newtown Square, Pa., and is a multi-institutional Catholic health care network of 18 regional health corporations located along the eastern seaboard of the U.S. and employs approximately 54,000 full-time employees.

The contract is significant for two reasons. First, it's the largest in company history (executed outside of the Sodexo partnership). Second, it could further awareness of AUXILO into Catholic hospitals across the U.S. CHE is the 5th largest Catholic health system in the United States.

Looking at Thompson Reuters annual list of the 100 Top Hospitals in the U.S., Catholic hospitals take up 29 spots in the top 100. The list is decided by quality not just size. To get an idea of the worldwide size of the Catholic Church's reach, according to the Catholic News Agency, The Catholic Church manages 26 percent of health care facilities in the world with 117,000 health care facilities, including hospitals, clinics, and orphanages. There are more than 600 Catholic health care institutions in the United States.

The hospitals represent health ministries that originated with communities of religious sisters throughout the history of health care in America. Among them: Sisters of St. Francis, Bon Secours, Sisters of Mercy, Daughters of Charity, Sisters of Charity, Sisters of Providence, Sisters of St. Joseph and others. It is estimated one in six Americans receives health care in a Catholic health institution each year, according to the Catholic Health Association. *Source Catholic News Source

The Future of Health Care

After surviving the review of the Supreme Court and the 2012 Presidential election it is clear that the Patient Protection and Affordable Care Act (Obama Care) will now become a reality. One section of the plan includes bonus pay for performance. Nearly $1 billion in payments to hospitals over the next year will be based in part on patient satisfaction**,** determined by a 27-question government survey administered to patients. Hospitals with high scores will get a bonus payment. Those with low ones will lose money.

The new payment rate combines hospitals' patient-satisfaction scores with a measure of whether hospitals follow a dozen procedural metrics for treating such things as heart ailments and pneumonia. For example, hospitals can get marked down if they don't immediately give patients medication during a heart attack. (Think Progress/ Wall Street Journal)

Obamacare in the Short Run

They will increase at the margin in the short-run because Obamacare means more Americans will have health insurance, so insurance companies will pay for those who would remain uninsured but for Obamacare. Without Obamacare, more patients would go through the ER, etc. and not be able to afford to pay, declare bankruptcy, welch. Hospital write-offs are significant right now.

What will happen in the long-run? That is a harder question to answer. Obamacare contains many pilot programs to try to cut costs, which includes cutting revenues to hospitals, presumably, including by cutting hospital readmission rates and cutting unnecessary hospitalizations. Demographics argue strongly against

hospital revenue dropping significantly in our opinion.

INDUSTRY OUTLOOK

Our outlook for the business services industry is positive. Companies in this broadly characterized industry provide consulting, information and data, information technology (IT), marketing, payment processing, staffing, and other outsourcing services to businesses. The industry is generally tied to the economy, and is related to growth in business spending. Most firms in this industry have straightforward business models that generate healthy cash flows, low debt levels, and negligible dividend payouts. Firms in this industry are wide-ranging in terms of size, market share, and geographic reach.

INDUSTRY POSITION

AUXILIO operates in a highly competitive market in which the majority of competition comes from the large photocopy/multi-functional digital device manufacturers such as Xerox, Canon, Konica Minolta, Ricoh and Sharp. Smaller competitors are also found in a number of regional and local equipment dealers and distributors in the communities that the hospitals serve. In addition, some in-house departments perform a portion of the functions the firm seeks to outsource.

AUXILIO is entirely focused on the health care industry. No other vendor/service provider has its entire business dedicated to solving issues within the health care industry.

Benefits include

- Hospitals need only pay a single invoice.
- Not restricted to any single equipment vendor.
- AUXILIO maintains a daily connection with the hospital.
- Operate the print management process as a department in the hospital with full-time staff on-site.

VALUATION

Several factors point to AUXILIO growing faster than the overall industry.

- The cost saving nature of the business combined with the fact that hospitals are under pressure to cut costs.
- The aging population that will require more health care assets.
- The fact that AUXILIO remains the only Managed Print Services Company that has its entire business dedicated to the health care industry.

- The partnership agreement with Sodexo gives the firm the inside track on its portfolio of over 1,300 hospitals.

- Entry into the Catholic Hospital Market.

Investors should be aware that signing new clients and realizing immediate profits do not go hand and in hand. Contracts signed in 2010 provide a microcosm into how cash flows are affected by new business. During the latter part of 2010, AUXILIO signed five new long-term customer contracts. As such, its results only represent a small portion of the revenue related to these new contracts but recognized many of the costs related to starting up an account, such as commissions, travel, recruiting and "onboarding" of new employees and other upfront costs. In addition, AUXILIO assumes the customer's legacy contracts with third party vendors when it signs a new account and absorbs related costs at the beginning of the relationships. However, after a period of time, AUXILIO is able to favorably restructure the contracts. As a result of these factors, the company's gross and operating margins are negatively impacted, but are expected to improve over the life of the contracts. These factors are symptomatic of a service model, and as such, AUXILIO expects for them to continue as the business grows and new contracts are added.

To value the firm we assume AUXILIO takes a moderate share of the market over the next ten years and then grows at the rate of the economy after that.

The intrinsic value is essentially a sum of the company's future earnings, minus any long-term debt. Dividing the intrinsic value by the number of shares outstanding yields an intrinsic stock price. We used the following inputs:

- A 10-year period with an earnings growth rate of 15% and a discount rate of 11.43%.

- A continuing period assumed to go on forever, with earnings growing at 3% and a discount rate of 9.87%.

We also used a relative valuation model of 1.5x sales using the same discount rates.

With these inputs we arrive at a target price of **$2.00.**

RISKS

- The majority of the competition in the health care industry market for Managed Print Services comes from the large photocopy/multi-functional digital device manufacturers such as Xerox, Canon, Konica Minolta, Ricoh and Sharp.

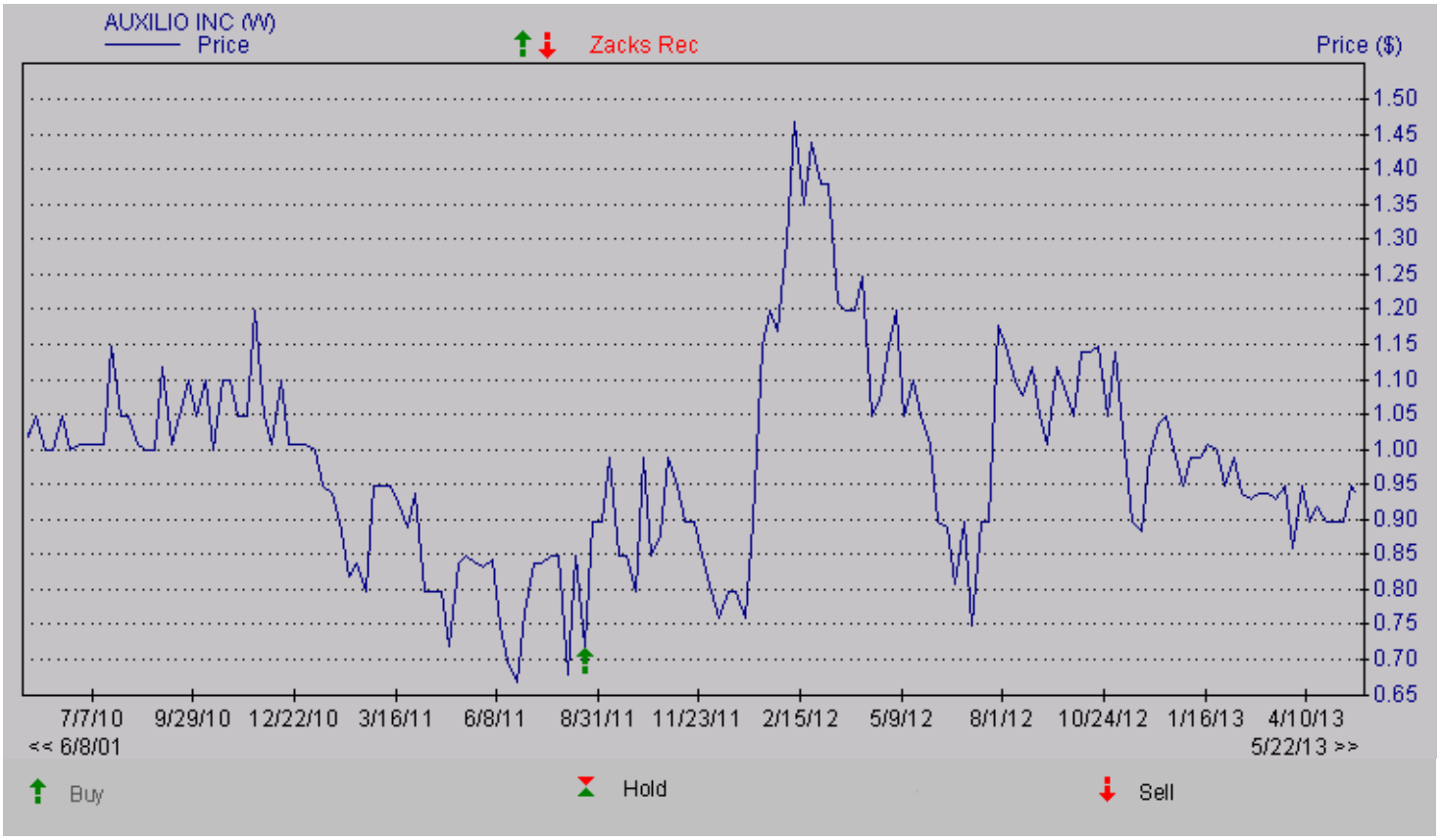
- The market for the firm's products and services is competitive and is likely to become even more competitive in the future. Increased competition could result in pricing pressures, reduced sales, reduced margins or the failure of products and services to achieve or maintain market acceptance.

PROJECTED INCOME STATEMENT

INCOME STATEMENT ($ Millions)	Mar-12 Q1 12	Jun-12 Q2 12	Sep-12 Q3 12	Dec-12 Q4 12	Mar-13 Q1 13	Jun-13 Q2 13 E	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 E
REVENUE												
Net Revenue	**6.54**	**10.72**	**8.78**	**9.61**	**10.09**	**10.25**	**21.02**	**15.98**	**15.41**	**21.85**	**35.65**	**41.00**
Sequential Growth		*64%*	*34%*	*-10%*	*15%*	*7%*						
OPERATING EXPENSES												
Cost of Revenues	6.19	9.32	7.43	8.08	8.52	8.60	15.91	11.93	12.53	19.1	31.0	34.5
% of Revenue	*94.6%*	*87.0%*	*84.6%*	*84.1%*	*84.4%*	*83.9%*						
Gross Profit -	**0.35**	**1.40**	**1.35**	**1.53**	**1.58**	**1.65**	**5.11**	**4.05**	**2.88**	**2.7**	**4.6**	**6.5**
Proforma Gross Margin	*5.4%*	*13.0%*	*15.4%*	*15.9%*	*15.6%*	*16.1%*	*24.3%*	*25.3%*	*18.7%*	*12.4%*	*13.0%*	*15.9%*
R&D + Engg	0.00	0.00	0.00	0.00	0.00	0.00	0.0	0.0	0.0	0.0	0.0	0.0
% of Revenue	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
SG&A	1.58	1.51	1.69	1.47	1.67	1.70	4.34	3.99	4.43	5.19	6.26	6.25
% of Revenue	*24.2%*	*14.1%*	*19.3%*	*15.3%*	*16.6%*	*16.6%*	*20.7%*	*24.9%*	*28.7%*	*23.8%*	*17.6%*	*15.2%*
GW Amort, Restructuring, other	-	-	-	-	-	-	*0.2*	-	-	-	-	-
% of Revenue												
Total Operating Expenses	1.58	1.51	1.69	1.47	1.67	1.70	4.54	3.99	4.43	5.19	6.26	6.25
% of Revenue	*24.2%*	*14.1%*	*19.3%*	*15.3%*	*16.6%*	*16.6%*	*21.6%*	*24.9%*	*28.7%*	*24%*	*18%*	*15%*
Operating Income -	**-1.23**	**-0.11**	**-0.34**	**0.06**	**-0.10**	**-0.05**	**0.57**	**0.06**	**(1.55)**	**-2.48**	**-2**	**0**
Operating Margin	*-18.8%*	*-1.1%*	*-3.9%*	*0.6%*	*-1.0%*	*-0.5%*	*3%*	*0%*	*2%*	*-11%*	*-5%*	*1%*
NON-OPERATING ITEMS												
Non operating Income/Expense	0	0	0	0	0	0	(0.62)	-0.1	0.01	-0.11	-1	0
% of Revenue	*-5.92%*	*0.82%*	*-3.65%*	*-1.29%*	*-1.25%*	*0.00%*	*-2.95%*	*-0.58%*	*0.04%*	*-0.50%*	*-2.09%*	*0.00%*
Tax Provision	0.002	0.000	0.000	0.006	0.006	0.002	0.056	0.011	0.015	0.007	0.007	0.000
Net Income -	**-1.62**	**-0.03**	**-0.66**	**-0.07**	**-0.23**	**-0.05**	**(0.10)**	**(0.04)**	**(1.56)**	**-2.6**	**-2.4**	**0.3**
Net Income Margin	*-24.8%*	*-0.3%*	*-7.5%*	*-0.8%*	*-2.3%*	*-0.5%*	*-0.5%*	*-0.3%*	*-4%*	*-12%*	*-7%*	*1%*
EARNINGS PER SHARE												
EPS - Basic	-$0.08	$0.00	-$0.03	$0.00	-$0.01	$0.00	-$0.01	$0.00	-$0.08	-$0.13	-$0.12	$0.01
EPS - Diluted	-$0.08	$0.00	-$0.03	$0.00	-$0.01	$0.00	-$0.01	$0.00	-$0.08	-$0.13	-$0.12	$0.01

Ken Nagy, CFA Zacks Investment Research 5/15/2012

HISTORICAL ZACKS RECOMMENDATIONS



DISCLOSURES

The following disclosures relate to relationships between Zacks Investment Research ("ZIR") and Zacks Small-Cap Research ("Zacks SCR") and the issuers covered by the Zacks SCR analysts in the Small-Cap Universe.

ZIR or Zacks SCR Analysts do not hold or trade securities in the issuers which they cover. Each analyst has full discretion on the rating and price target based on their own due diligence. Analysts are paid in part based on the overall profitability of Zacks SCR. Such profitability is derived from a variety of sources and includes payments received from issuers of securities covered by Zacks SCR for non-investment banking services. No part of analyst compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in any report or blog.

ZIR and Zacks SCR do not make a market in any security nor do they act as dealers in securities. Zacks SCR has never received compensation for investment banking services on the small-cap universe. Zacks SCR does not expect received compensation for investment banking services on the small-cap universe. Zacks SCR has received compensation for non-investment banking services on the small-cap universe, and expects to receive additional compensation for non-investment banking services on the small-cap universe, paid by issuers of securities covered by Zacks SCR. Non-investment banking services include investor relations services and software, financial database analysis, advertising services, brokerage services, advisory services, investment research, and investment management.

Additional information is available upon request. Zacks SCR reports are based on data obtained from sources we believe to be reliable, but is not guaranteed as to accuracy and does not purport to be complete. Because of individual objectives, the report should not be construed as advice designed to meet the particular investment needs of any investor. Any opinions expressed by Zacks SCR Analysts are subject to change. Reports are not to be construed as an offer or the solicitation of an offer to buy or sell the securities herein mentioned. Zacks SCR uses the following rating system for the securities it covers. Buy/Outperform: The analyst expects that the subject company will outperform the broader U.S. equity market over the next one to two quarters. Hold/Neutral: The analyst expects that the company will perform in line with the broader U.S. equity market over the next one to two quarters. Sell/Underperform: The analyst expects the company will underperform the broader U.S. Equity market over the next one to two quarters.

The current distribution of Zacks Ratings is as follows on the 1028 companies covered: Buy/Outperform- 14.8%, Hold/Neutral- 79.4%, Sell/Underperform – 5.2%. Data is as of midnight on the business day immediately prior to this publication.