

CEL-SCI Corporation (CVM - \$ 0.21)

Multikine Phase III Enrollment Expected to Accelerate

- F3Q13 EPS Relatively In-line, Tweaking Estimates.** F3Q13 EPS was a loss of \$0.01 on a net loss of \$4.5 million, which was better than our estimate of a loss of \$5.0 million and EPS of a loss of \$0.02. R&D expense was above our estimate, but that was more than offset by higher than expected Grant Income and Other revenue in the quarter. We are slightly increasing our R&D expense projections as we believe the company will accelerate enrollment in the Phase III Multikine trial. We are maintaining our FY13 EPS estimate of a loss of \$0.04 but are lowering our FY14 and FY15 EPS estimates by \$0.01 to a loss of \$0.07 for each year.
- Adding Clinical Trial Sites.** In F3Q13, CEL-SCI worked to accelerate enrollment in its Multikine Phase III head and neck cancer trial. Management noted that the company is making considerable progress in advancing the study, with the exception of India, where new medical legislation has impacted clinical trial enrollment for all pharmaceutical companies. There are proposals under consideration in India to amend the law, which would allow CEL-SCI to resume enrollment of new patients there. In the interim, CEL-SCI has begun to develop plans in other Far Eastern countries, in which key investigators have already been identified, in the event that India does not come on-line in a timely manner. CEL-SCI is adding over 40 clinical centers around the world, more than doubling the number of clinical trial sites that will enroll patients. By mid-August, the company expects to have completely redesigned the electronic data software for the study to make it more user friendly. Management expects enrollment will accelerate beginning in September. We continue to expect that Multikine, if approved by the FDA, could reach the market in the 2018 - 2020 timeframe.
- Maintaining Buy-rating and Price Target.** While there will be no new data out from the Phase III Multikine trial for several years, the company has been taking action to speed the time of the trial. It fired its CRO and hired two new companies to run the trial, one of which has made a \$10 million co-development deal with CEL-SCI. We acknowledge that it is hard for investors to take a wait and see approach to the stock, however, at this price level, we believe that CEL-SCI represents a good long-term investment. Our price target for CEL-SCI is \$0.75, which is based on the NPV of our probability-adjusted forecasts for Multikine and a small value for the company's manufacturing plant

Healthcare / Biotechnology

Ticker: **CVM**
Rating: **Buy**
Price Target: **\$ 0.75**

Trading Data:

| | |
|--------------------------|---------|
| Last Price (08/12/2013) | \$ 0.21 |
| 52-Week High (9/20/2012) | \$ 0.43 |
| 52-Week Low (7/24/2013) | \$ 0.16 |
| Market Cap. (MM) | \$ 66 |
| Shares Out. (MM) | 310 |

Earnings Estimates: (per share)

| (Sept.) | 1Q | 2Q | 3Q | 4Q | FY | P/E |
|---------------|--------|-------|--------|-------|-------|-----|
| FY_15E | NA | NA | NA | NA | -0.07 | NM |
| FY_14E | -0.02 | -0.02 | -0.02 | -0.02 | -0.07 | NM |
| FY_13E | -0.01A | 0.00A | -0.01A | -0.02 | -0.04 | NM |
| FY_12A | -0.02 | -0.04 | 0.00 | -0.01 | -0.07 | NM |

Edward White

Managing Director/Senior Analyst
(212) 953-4910
ewhite@laidlawltd.com

Source: Laidlaw & Company estimates

FOR ANALYST CERTIFICATION AND DISCLOSURES, PLEASE SEE DISCLOSURES SECTION AT THE END OF THIS REPORT. This report has been prepared by Laidlaw & Co (UK), Ltd. Investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. All prices are those current at the end of the previous trading session unless otherwise indicated. Prices and consensus estimates are sourced from a reliable market source

Risks to Owning the Stock

There are many standard risks for development stage biotechnology companies that hold true for the entire industry. There are development risks associated with preclinical and clinical studies, and potential delays in the start of trials. There is regulatory risk that the company will be unable to receive regulatory approvals for drugs or that regulatory approval may be delayed. Manufacturing risks are associated with the upgrading of facilities from clinical study production to commercial production. There is also commercial risk for a company to successfully market and sell its drug or drugs. Other risks include financing risk, currency risk, potential governmental price controls, and IP (generic) risks. The stock of biotechnology companies, like all publically traded companies, is subject to market volatility and liquidity risks if there are small trading floats. CEL-SCI is susceptible to all of these risks.

Other downside risks specific to CEL-SCI include the likelihood of the need to sell more stock to raise capital for the continuation for the Multikine Phase III trial, the timing of Multikine regulatory submission and approval, and the ultimate market potential and expectations for Multikine.

We note that this recommendation is speculative in nature due to the company's current stock price (under \$1.00 per share) and our opinion that the large majority of the value of the stock is hinged on a binary event, the approval of Multikine for the treatment of head and neck cancer.

Figure 1: Income Statement

| CEL-SCI Corp. <i>Income Statement (millions, except per share data)</i> | FY 2012 | | | | FY 2013E | | | | FY 2014E | | | | FY_11 Sept | FY_12 Sept | FY_13E Sept | FY_14E Sept | FY_15E Sept |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|---------------|---------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Q1_12 Dec | Q2_12 Mar | Q3_12 Jun | Q4_12 Sept | Q1_13 Dec | Q2_13 Mar | Q3_13 Jun | Q4_13E Sept | Q1_14E Dec | Q2_14E Mar | Q3_14E Jun | Q4_14E Sept | | | | | |
| Product Sales, net | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Grant Income and Other Revenue | 0.01 | 0.11 | 0.04 | 0.11 | 0.02 | 0.02 | 0.11 | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 | 0.96 | 0.25 | 0.16 | 0.07 | 0.07 |
| Revenue | 0.01 | 0.11 | 0.04 | 0.11 | 0.02 | 0.02 | 0.11 | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 | 0.96 | 0.25 | 0.16 | 0.07 | 0.07 |
| Cost of sales | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Gross Profit | 0.01 | 0.11 | 0.04 | 0.11 | 0.02 | 0.02 | 0.11 | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 | 0.96 | 0.25 | 0.16 | 0.07 | 0.07 |
| <i>Operating expenses:</i> | | | | | | | | | | | | | | | | | |
| Selling, general and administrative | 1.85 | 1.63 | 1.67 | 1.44 | 2.00 | 1.65 | 1.78 | 1.47 | 2.05 | 1.69 | 1.82 | 1.51 | 6.66 | 6.60 | 6.90 | 7.06 | 7.24 |
| Research and development | 2.46 | 2.59 | 2.47 | 2.85 | 2.92 | 2.52 | 3.77 | 4.07 | 4.40 | 4.62 | 4.77 | 4.82 | 11.75 | 10.37 | 13.28 | 18.60 | 20.46 |
| Depreciation and amortization | 0.14 | 0.14 | 0.11 | 0.14 | 0.13 | 0.09 | 0.08 | 0.08 | 0.08 | 0.08 | 0.08 | 0.08 | 0.53 | 0.53 | 0.38 | 0.32 | 0.32 |
| Total Operating Expenses | 4.45 | 4.37 | 4.25 | 4.43 | 5.06 | 4.26 | 5.63 | 5.62 | 6.52 | 6.38 | 6.66 | 6.40 | 18.94 | 17.50 | 20.57 | 25.97 | 28.01 |
| Total Operating Expenses (non-GAAP) | 4.45 | 4.37 | 4.25 | 4.43 | 5.06 | 4.26 | 5.63 | 5.62 | 6.52 | 6.38 | 6.66 | 6.40 | 18.94 | 17.50 | 20.57 | 25.97 | 28.01 |
| Operating Income(loss) | (4.44) | (4.26) | (4.21) | (4.32) | (5.04) | (4.24) | (5.51) | (5.60) | (6.51) | (6.37) | (6.64) | (6.38) | (17.99) | (17.24) | (20.40) | (25.90) | (27.94) |
| Operating Income(loss) non-GAAP | (4.44) | (4.26) | (4.21) | (4.32) | (5.04) | (4.24) | (5.51) | (5.60) | (6.51) | (6.37) | (6.64) | (6.38) | (17.99) | (17.24) | (20.40) | (25.90) | (27.94) |
| <i>Other Income:</i> | | | | | | | | | | | | | | | | | |
| Gain on derivative instruments | 0.96 | (4.20) | 3.39 | 1.77 | 2.75 | 3.54 | 1.08 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 4.43 | 1.91 | 7.36 | 0.00 | 0.00 |
| Interest income | 0.03 | 0.03 | 0.03 | 0.03 | 0.03 | 0.03 | 0.03 | 0.02 | 0.03 | 0.03 | 0.03 | 0.02 | 0.16 | 0.12 | 0.11 | 0.11 | 0.11 |
| Interest expense | (0.12) | (0.06) | (0.04) | (0.04) | (0.04) | (0.04) | (0.04) | (0.04) | (0.04) | (0.04) | (0.04) | (0.04) | (0.32) | (0.26) | (0.17) | (0.16) | (0.16) |
| Other expenses | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | (12.00) | 0.00 | 0.00 | 0.00 | 0.00 |
| Income (loss) before provision for income taxes (GAAP) | (3.58) | (8.49) | (0.84) | (2.57) | (2.31) | (0.71) | (4.45) | (5.62) | (6.52) | (6.38) | (6.65) | (6.40) | (25.71) | (15.48) | (13.10) | (25.96) | (27.99) |
| Income (loss) before provision for income taxes (non-GAAP) | (3.58) | (8.49) | (0.84) | (2.57) | (2.31) | (0.71) | (4.45) | (5.62) | (6.52) | (6.38) | (6.65) | (6.40) | (25.71) | (15.48) | (13.10) | (25.96) | (27.99) |
| <i>Tax: (%) non-GAAP</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> |
| Income tax provision GAAP | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Net income (loss) GAAP | (3.58) | (8.49) | (0.84) | (2.57) | (2.31) | (0.71) | (4.45) | (5.62) | (6.52) | (6.38) | (6.65) | (6.40) | (25.71) | (15.48) | (13.10) | (25.96) | (27.99) |
| Net income (loss) non-GAAP | (3.58) | (8.49) | (0.84) | (2.57) | (2.31) | (0.71) | (4.45) | (5.62) | (6.52) | (6.38) | (6.65) | (6.40) | (25.71) | (15.48) | (13.10) | (25.96) | (27.99) |
| Modifications of Warrants/Inducement Warrants | (0.6) | (1.6) | 0.0 | 0.0 | 0.0 | 0.0 | (0.1) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | (1.07) | (2.17) | (0.06) | 0.00 | 0.00 |
| Net income (loss) available to common shareholders GAAP | (4.16) | (10.09) | (0.84) | (2.57) | (2.31) | (0.71) | (4.51) | (5.62) | (6.52) | (6.38) | (6.65) | (6.40) | (26.78) | (17.65) | (13.16) | (25.96) | (27.99) |
| Net income (loss) available to common shareholders non-GAAP | (4.16) | (10.09) | (0.84) | (2.57) | (2.31) | (0.71) | (4.51) | (5.62) | (6.52) | (6.38) | (6.65) | (6.40) | (26.78) | (17.65) | (13.16) | (25.96) | (27.99) |
| Diluted EPS (GAAP) | (0.02) | (0.04) | (0.00) | (0.01) | (0.01) | (0.00) | (0.01) | (0.02) | (0.02) | (0.02) | (0.02) | (0.02) | (0.13) | (0.07) | (0.04) | (0.07) | (0.07) |
| Diluted EPS (non-GAAP) | (0.02) | (0.04) | (0.00) | (0.01) | (0.01) | (0.00) | (0.01) | (0.02) | (0.02) | (0.02) | (0.02) | (0.02) | (0.13) | (0.07) | (0.04) | (0.07) | (0.07) |
| Weighted Diluted Shares outstanding (000s) | 228.6 | 247.4 | 258.5 | 272.9 | 283.1 | 309.0 | 309.3 | 334.9 | 358.9 | 358.9 | 374.0 | 400.1 | 208.5 | 251.8 | 309.1 | 375.2 | 427.9 |
| Weighted Diluted Shares outstanding YOY change (%) | 11.4% | 19.5% | 24.0% | 27.9% | 23.9% | 24.9% | 19.7% | 22.7% | 26.8% | 16.1% | 20.9% | 19.5% | 32.12% | 20.8% | 22.7% | 21.4% | 14.0% |

Source: Bloomberg LP; Company reports; Laidlaw & Company estimates

Figure 2: Balance Sheet

| CEL-SCI Corp. | FY 2012 | | | | FY 2013E | | | | FY_10 Sept | FY_11 Sept | FY_12 Sept | FY_13E Sept | FY_14E Sept | FY_15E Sept |
|---|--------------|--------------|--------------|---------------|--------------|--------------|--------------|----------------|---------------|---------------|---------------|----------------|----------------|----------------|
| | Q1_12 Dec | Q2_12 Mar | Q3_12 Jun | Q4_12 Sept | Q1_13 Dec | Q2_13 Mar | Q3_13 Jun | Q4_13E Sept | | | | | | |
| <i>Balance Sheet (\$ millions, except per share data)</i> | | | | | | | | | | | | | | |
| Assets: | | | | | | | | | | | | | | |
| Cash and cash equivalents | 3.5 | 5.3 | 7.2 | 3.9 | 10.7 | 7.0 | 3.5 | 5.8 | 26.6 | 4.3 | 3.9 | 5.8 | 2.2 | 1.4 |
| Receivables | 0.0 | 0.1 | 0.0 | 0.2 | 0.0 | 0.0 | 0.2 | 0.0 | - | 0.5 | 0.2 | 0.0 | 0.0 | 0.0 |
| Prepaid expenses | 1.8 | 1.9 | 1.8 | 1.3 | 1.1 | 1.3 | 0.8 | 0.8 | 0.3 | 2.0 | 1.3 | 0.8 | 0.8 | 0.8 |
| Inventories used for R&D and manufacturing | 1.4 | 1.4 | 1.4 | 1.4 | 1.1 | 1.3 | 1.1 | 1.1 | 1.5 | 1.6 | 1.4 | 1.1 | 1.1 | 1.4 |
| Deferred rent- current portion | 0.7 | 0.7 | 0.7 | 0.7 | 0.6 | 0.6 | 0.6 | 0.6 | 0.8 | 0.7 | 0.7 | 0.6 | 0.6 | 0.6 |
| Other | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Current Assets | 7.3 | 9.3 | 11.0 | 7.4 | 13.6 | 10.2 | 6.2 | 8.4 | 29.1 | 9.0 | 7.4 | 8.4 | 4.8 | 4.2 |
| Research and Office equipment and leasehold improvements | 0.9 | 0.8 | 0.7 | 0.6 | 0.6 | 0.6 | 0.5 | 0.4 | 1.3 | 1.0 | 0.6 | 0.4 | 0.1 | 0.1 |
| Patent costs | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.3 | 0.3 | 0.3 | 0.4 | 0.4 | 0.4 | 0.3 | 0.3 | 0.3 |
| Deferred Rent | 6.3 | 6.2 | 6.1 | 5.9 | 5.8 | 5.7 | 5.6 | 5.5 | 7.1 | 6.5 | 5.9 | 5.5 | 5.1 | 4.7 |
| Deposits | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 2.1 | 2.1 | - | 1.7 | 1.7 | 2.1 | 2.1 | 2.1 |
| Other assets | - | - | - | - | - | - | - | - | 0.0 | - | - | - | - | - |
| Total Assets | 16.7 | 18.4 | 19.9 | 16.1 | 22.0 | 18.5 | 14.8 | 16.7 | 37.8 | 18.6 | 16.1 | 16.7 | 12.3 | 11.4 |
| Liabilities & Shareholders' Equity: | | | | | | | | | | | | | | |
| Accounts payable | 0.6 | 0.7 | 0.7 | 0.6 | 0.4 | 0.5 | 1.2 | 0.2 | 1.5 | 0.7 | 0.6 | 0.2 | 0.2 | 0.2 |
| Accrued expenses | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.6 | 0.6 | 0.2 | 0.3 | 0.2 | 0.6 | 0.6 | 0.6 |
| Due to employees | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 |
| Related party loan | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 |
| Deferred rent - current portion | - | 0.0 | - | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | - | - | 0.0 | 0.0 | 0.0 | 0.0 |
| Lease obligations - current portion | - | - | - | - | 0.0 | 0.0 | 0.0 | 0.0 | - | - | - | 0.0 | 0.0 | 0.0 |
| Convertible note | 3.0 | - | - | - | - | - | - | - | - | 5.0 | - | - | - | - |
| Derivative instruments - current portion | 0.0 | - | - | - | - | - | - | - | 0.4 | 0.1 | - | - | - | - |
| Total Current Liabilities | 4.9 | 2.0 | 2.0 | 1.9 | 1.8 | 1.9 | 3.0 | 2.0 | 3.3 | 7.2 | 1.9 | 2.0 | 2.0 | 2.0 |
| Derivative instruments - net of current portino | 3.5 | 10.0 | 8.8 | 7.0 | 8.4 | 4.9 | 3.8 | 3.8 | 6.5 | 2.2 | 7.0 | 3.8 | 3.8 | 3.8 |
| Deferred revenue | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Deposits held | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | - | - | 0.0 | 0.0 | 0.0 | 0.0 |
| Deferred rent - net of current portion | 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 |
| Lease obligations - net of current portion | - | - | - | - | 0.0 | 0.0 | 0.0 | 0.0 | - | - | - | 0.0 | 0.0 | 0.0 |
| Other long-term obligations | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Liabilities | 8.6 | 12.1 | 10.9 | 9.0 | 10.4 | 6.9 | 7.0 | 6.0 | 10.0 | 9.5 | 9.0 | 6.0 | 6.0 | 6.0 |
| Stockholders' Equity | 8.1 | 6.2 | 9.0 | 7.0 | 11.6 | 11.5 | 7.8 | 10.7 | 27.9 | 9.1 | 7.0 | 10.7 | 6.3 | 5.4 |
| Total Liabilities & Equity | 16.7 | 18.4 | 19.9 | 16.1 | 22.0 | 18.5 | 14.8 | 16.7 | 37.8 | 18.6 | 16.1 | 16.7 | 12.3 | 11.4 |

Source: Bloomberg LP; Company reports; Laidlaw & Company estimate

Figure 3: Cash flow Statement

| CEL-SCI Corp. <i>Non-GAAP Cash Flow Cont. Ops. (\$ millions, except per share data)</i> | FY_10 Sept | FY_11 Sept | FY_12 Sept | FY_13E Sept | FY_14E Sept | FY_15E Sept |
|---|----------------------|----------------------|----------------------|-----------------------|-----------------------|-----------------------|
| Cash flows from operating activities: | | | | | | |
| Net income (loss) | 10.5 | (25.7) | (15.5) | (13.1) | (26.0) | (28.0) |
| <i>Adjustments to reconcile net income to net cash provided by operating activities:</i> | | | | | | |
| Depreciation and amortization | 0.5 | 0.5 | 0.5 | 0.4 | 0.4 | 0.4 |
| Issuance of convertible notes and preferred stock in legal settlement | 1.2 | 0.2 | - | - | - | - |
| Issuance of common stock, warrants and options for services | - | 9.0 | 0.5 | 0.4 | - | - |
| Amortization of loan premium | (0.0) | - | - | - | - | - |
| Extension of options issued to consultants | 0.0 | 0.0 | 0.1 | - | - | - |
| Extension of options issued to employees | 0.2 | 0.1 | 0.0 | - | - | - |
| Employee option cost | 1.3 | 1.5 | 2.2 | 2.7 | 2.3 | 2.3 |
| Common stock contributed to 401 (k) plan | 0.1 | 0.2 | 0.2 | 0.1 | - | - |
| Impairment loss on abandonment of patents | 0.0 | 0.0 | 0.0 | 0.0 | - | - |
| Loss on retired equipment | 0.0 | 0.0 | 0.0 | 0.0 | - | - |
| Deferred rent | (0.0) | (0.0) | - | 0.1 | 0.4 | 0.4 |
| Gain on derivative instruments | (28.8) | (4.4) | (1.9) | (7.4) | - | - |
| Other | - | - | - | - | - | - |
| Changes in assets and liabilities: | | | | | | |
| Decrease (increase) in deposits | 1.6 | (1.7) | - | (0.4) | - | - |
| Decrease (increase) in receivables | - | (0.5) | 0.3 | 0.1 | - | - |
| Decrease in deferred rent asset | 1.0 | 0.6 | 0.6 | 0.5 | 0.4 | 0.4 |
| Decrease (increase) in prepaid expenses | (0.3) | (1.7) | 0.8 | 0.5 | - | - |
| Decrease (increase) in inventory for R&D and manufacturing | (1.1) | (0.1) | 0.2 | 0.2 | (0.0) | (0.3) |
| Decrease in accounts payable | 0.7 | (0.8) | (0.2) | 1.5 | - | - |
| (Decrease) increase in accrued expenses | 0.1 | 0.1 | (0.1) | 0.4 | - | - |
| Increase in deferred revenue | 0.1 | - | 0.0 | 0.0 | - | - |
| Increase (decrease) in due to employees | (0.0) | (0.0) | (0.0) | 0.1 | - | - |
| Increase in deposits held | - | - | 0.0 | - | - | - |
| Decrease in deferred rent liability | (0.0) | - | 0.0 | 0.0 | - | - |
| Net cash provided by (used in) operating activities | (12.8) | (22.6) | (12.2) | (13.8) | (22.5) | (24.8) |
| Operating Cash Flow per share | (\$0.26) | (\$0.11) | (\$0.05) | (\$0.04) | (\$0.06) | (\$0.06) |
| Cash flow from investing activities: | | | | | | |
| Additional investment in manufacturing facility | (0.0) | - | - | - | - | - |
| Decrease in restricted cash | 0.0 | 0.0 | - | - | - | - |
| Purchases of equipment | (0.5) | (0.2) | (0.1) | (0.1) | (0.1) | (0.1) |
| Expenditures for patent costs | (0.0) | (0.1) | (0.1) | (0.0) | (0.0) | (0.0) |
| Cash provided by investing activities | (0.5) | (0.3) | (0.1) | (0.1) | (0.1) | (0.1) |
| Cash flows from financing activities: | | | | | | |
| Proceeds from issuance of common stock | - | 3.9 | 14.3 | 15.8 | 19.0 | 24.0 |
| Payments on obligations under capital leases | - | - | - | (0.0) | (0.0) | (0.0) |
| Proceeds from exercise of warrants and stock options | 6.3 | 0.7 | 2.7 | - | - | - |
| Payments for repurchase of preferred stock | - | (4.1) | - | - | - | - |
| Payments on convertible debt | - | - | (5.0) | - | - | - |
| Cash (used in) provided by financing activities | 6.3 | 0.6 | 12.0 | 15.8 | 19.0 | 24.0 |
| Net (decrease) increase in cash and cash equivalents | - | (7.0) | (22.3) | (0.3) | (3.6) | (0.9) |
| Cash and cash equivalents at beginning of the period | - | 33.6 | 26.6 | 4.3 | 3.9 | 5.8 |
| Cash and cash equivalents at end of period | - | 26.6 | 4.3 | 3.9 | 5.8 | 2.2 |

Source: Bloomberg LP; Company reports; Laidlaw & Company estimates

DISCLOSURES:

ANALYST CERTIFICATION

The analyst responsible for the content of this report hereby certifies that the views expressed regarding the company or companies and their securities accurately represent his personal views and that no direct or indirect compensation is to be received by the analyst for any specific recommendation or views contained in this report. Neither the author of this report nor any member of his immediate family or household maintains a position in the securities mentioned in this report.

EQUITY DISCLOSURES

For the purpose of ratings distributions, regulatory rules require the firm to assign ratings to one of three rating categories (i.e. Strong Buy/Buy-Overweight, Hold, or Underweight/Sell) regardless of a firm's own rating categories. Although the firm's ratings of Buy/Overweight, Hold, or Underweight/Sell most closely correspond to Buy, Hold and Sell, respectively, the meanings are not the same because our ratings are determined on a relative basis against the analyst sector universe of stocks. An analyst's coverage sector is comprised of companies that are engaged in similar business or share similar operating characteristics as the subject company. The analysis sector universe is a sub-sector to the analyst's coverage sector, and is compiled to assist the analyst in determining relative valuations of subject companies. The composition of an analyst's sector universe is subject to change over time as various factors, including changing market conditions occur. Accordingly, the rating assigned to a particular stock represents solely the analyst's view of how that stock will perform over the next 12-months relative to the analyst's sector universe.

Additional information available upon request.

RATINGS INFORMATION

Rating and Price Target Change History



3 Year Rating Change History

| Date | Rating | Closing Price (\$) |
|------------|---------|--------------------|
| 01/15/2013 | Buy (B) | 0.28 |

3 Year Price Change History

| Date | Target Price (\$) | Closing Price, (\$) |
|------------|-------------------|---------------------|
| 01/15/2013 | 0.75 | 0.28 |

Source: Laidlaw & Company

Created by: <http://Blue-Compass.net>

| Laidlaw & Company Rating System* | | % of Companies Under Coverage With This Rating | % of Companies for which Laidlaw & Company has performed services for in the last 12 months | |
|----------------------------------|---|--|---|-----------|
| | | | Investment Banking | Brokerage |
| Strong Buy (SB) | Expected to significantly outperform the sector over 12 months. | 0.00% | 0.00% | 0.00% |
| Buy (B) | Expected to outperform the sector average over 12 months. | 83.33% | 16.67% | 0.00% |
| Hold (H) | Expected returns to be in line with the sector average over 12 months. | 16.67% | 0.00% | 0.00% |
| Sell (S) | Returns expected to significantly underperform the sector average over 12 months. | 0.00% | 0.00% | 0.00% |

ADDITIONAL COMPANIES MENTIONED

ADDITIONAL DISCLOSURES

As of the date of this report, neither the author of this report nor any member of his immediate family or household maintains an ownership position in the securities of the company (ies) mentioned in this report. Laidlaw & Co (UK), Ltd., has not provided any investment banking services for the company (ies) mentioned in this report over the last 12 months.

This report does not provide individually tailored investment advice and has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. Laidlaw & Co (UK), Ltd. recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives.

The securities, instruments, or strategies discussed in this report may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them. This report is not an offer to buy or sell or the solicitation of an offer to buy or sell any security/instrument or to participate in any particular trading strategy.

Associated persons of Laidlaw & Co (UK), Ltd not involved in the preparation of this report may have investments in securities/instruments or derivatives of securities/instruments of companies mentioned herein and may trade them in ways different from those discussed in this report. While Laidlaw & Co (UK), Ltd., prohibits analysts from receiving any compensation. Bonus or incentive based on specific recommendations for, or view of, a particular company, investors should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

With the exception of information regarding Laidlaw & Co (UK), Ltd. this report is based on public information. Laidlaw & Co (UK), Ltd makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete and it should not be relied upon as such. Any opinions expressed are subject to change and Laidlaw & Co (UK), Ltd disclaims any obligation to advise you of changes in opinions or information or any discontinuation of coverage of a subject company. Facts and views presented in this report have not been reviewed by, and may not reflect information known to, professionals in other Laidlaw & Co (UK), Ltd business areas. Laidlaw & Co (UK), Ltd associated persons conduct site visits from time to time but are prohibited from accepting payment or reimbursement by the company of travel expenses for such visits. The value of and income from your investments may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions of companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. If provided, and unless otherwise stated, the closing price on the cover page is that of the primary exchange for the subject company's securities/instruments.

Any trademarks and service marks contained in this report are the property of their respective owners. Third-party data providers make no warranties or representations of any kind relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages of any kind relating to such data. This report or any portion thereof may not be reprinted, sold or redistributed without the written consent of Laidlaw & Co (UK), Ltd. This report is disseminated and available primarily electronically, and, in some cases, in printed form.

The information and opinions in this report were prepared by Laidlaw & Co (UK), Ltd. For important disclosures, please see Laidlaw & Co (UK), Ltd.'s disclosure website at www.Laidlawltd.com, or contact your investment representative or Laidlaw & Co (UK), Ltd at 546 Fifth Ave, 5th Floor, New York, NY 10036 USA.

© 2013 Laidlaw & Co. (UK), Ltd.

NOTES: