

## CEL-SCI Corporation (CVM - \$ 0.83)

### Another Shot on Goal for Multikine

CVM announced that it has signed a co-development and profit sharing agreement with Ergomed Clinical Research Ltd. for CEL-SCI's investigational immunotherapy drug Multikine in the treatment of HIV/HPV co-infected women with cervical dysplasia.

- Another Potential Indication for Multikine.** The new Multikine program aims to follow up on the early results seen in a Phase I study, conducted at the University of Maryland. In this study, Multikine was given to HIV/HPV co-infected women with cervical dysplasia resulting in visual and histological evidence of clearance of lesions. The elimination of a number of HPV strains was determined by in situ polymerase chain reaction (PCR) performed on tissue biopsy collected before and after Multikine treatment. As reported by the study investigators, the study volunteers all appeared to tolerate the treatment with no reported serious adverse events associated with the Multikine treatment.
- CEL-SCI Signs Another Co-Development and Profit Sharing Agreement with Ergomed.** CEL-SCI has signed a co-development and profit sharing agreement with Ergomed Clinical Research for Multikine in HIV/HPV co-infected women with cervical dysplasia. Ergomed will assume 50% (up to \$3 million) of the clinical and regulatory costs for the development of Multikine as a potential treatment for HIV/HPV co-infected women with cervical dysplasia. In April, CEL-SCI announced that Ergomed will contribute up to \$10 million towards the Phase III Multikine head & neck cancer study as it will perform clinical services in exchange for a single digit percentage (we estimate about 5%) of milestone and royalty payments, up to a specified maximum amount, from sales for the head and neck cancer indication only.
- Maintaining Buy-rating and Price Target.** While there will be no new data out from the Phase III Multikine trial in head and neck cancer for several years, we expect nearer-term news flow to come from the new potential indications, HIV/HPV co-infected patients with peri-anal warts and HIV/HPV co-infected women with cervical dysplasia. With the recent capital raise, we believe the company has enough cash to fund their operations for at least another year. With a market cap of \$41 million, an estimated over \$16 million in cash, a \$25 million manufacturing facility, a product in a large Phase III trial and potentially entering two new indications with faster paths to approval in our opinion, we believe CEL-SCI's stock is under-valued. Our 12-month price target for CEL-SCI is \$7.50, 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:	<b>CVM</b>
Rating:	<b>Buy</b>
Price Target:	<b>\$7.50</b>

#### Trading Data:

Last Price (10/17/2013)	\$ 0.83
52-Week High (10/18/2012)	\$ 3.85
52-Week Low (10/16/2013)	\$ 0.75
Market Cap. (MM)	\$ 41
Shares Out. (MM)	49

#### Earnings Estimates: (per share)

(Sept.)	1Q	2Q	3Q	4Q	FY	P/E
<b>FY_15E</b>	NA	NA	NA	NA	-0.51	NM
<b>FY_14E</b>	-0.13	-0.13	-0.14	-0.12	-0.52	NM
<b>FY_13E</b>	-0.08A	-0.02A	-0.15A	-0.17	-0.43	NM
<b>FY_12A</b>	-0.18	-0.41	-0.03	-0.09	-0.70	NM

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Source: Laidlaw & Company estimates

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### *Additional Information*

**Large Target Market.** Genital HPV infection is the most common sexually transmitted disease in both men and women. The American Social Health Association estimates that about 75% - 80% of sexually active Americans will be infected with HPV at some point in their lifetime. The 2003-2004 National Health and Nutrition Examination Survey (NHANES) published in the February 28, 2007 *Journal of the American Medical Association* found that 26.8% of women tested positive for one or more strains of HPV. Usually, HPV infection does not cause overt signs or symptoms of disease, but some types of HPV cause cervical and anal intraepithelial neoplasia, or anal warts. In the NHANES study, prevalence of these high-risk types of HPV was 15.2%. Up to 70% of cervical cancers worldwide are caused by HPV types 16 and 18. Generally, HPV can be eliminated by an individual having a healthy immune system without treatment. However, certain HPV strains may cause persistent (over 2 years) infection, which can lead to cancer.

Men and women with a history of anogenital warts have a 30 fold increased risk of anal cancer. Persistent HPV infection in the anal region is thought to be responsible for up to 80% of anal cancers. HPV is a significant health problem in the HIV infected population as individuals are living longer as a result of greatly improved HIV medications.

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## Valuation

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*Our valuation for CEL-SCI is based on the NPV of our probability-adjusted forecasts for Multikine*

Our valuation for CEL-SCI is based on the NPV of our probability-adjusted forecasts for Multikine. We believe that Multikine has substantial blockbuster potential in head and neck cancer, which is currently undervalued by the market. We believe the indications for HIV/HPV co-infected men and women with perianal warts and HIV/HPV co-infected women with cervical dysplasia are much smaller than head and neck cancer, but Multikine in these indications could be approved much sooner than an indication for head and neck cancer. Since the Multikine Phase III trial is an event-driven trial, it is difficult to definitively state when the trial will end and the drug will be submitted to regulatory authorities and approved. We do expect a rolling submission in the U.S. We have run two scenarios for the timing of approval, one of which we assume Multikine will be launched in 2018 and the other in 2020. It is possible, assuming the drug is approved, that it could be on the market prior to our 2018 assumption. We believe there is a better than 50% chance that the drug is approved in head and neck cancer.

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*Our price target for CEL-SCI is \$7.50*

Our 12-month price target for CEL-SCI is \$7.50, which includes our risk-adjusted value for Multikine in all three potential indications, a small value for the company's manufacturing plant and no value for the LEAPS program, due to its preclinical status. However, we believe the LEAPS program could potentially have substantial value in the future provided at least one drug candidate enters Phase I studies by the end of 2016. We have assumed there will be more stock offerings, the next likely in mid-to-late 2015, before Multikine is submitted for regulatory approval. We believe the recent offering will fund the company through next October. Our price target assumption includes the shares and warrants issued with the most recent capital raise including the over-allotment. For our price target, we assume a fully-diluted share count of over 84.7 million. We maintain our BUY rating and 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 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.

## Risks to Owning the Stock

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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 market cap, cash position 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	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
<b>Revenue</b>	<b>0.01</b>	<b>0.11</b>	<b>0.04</b>	<b>0.11</b>	<b>0.02</b>	<b>0.02</b>	<b>0.11</b>	<b>0.02</b>	<b>0.02</b>	<b>0.02</b>	<b>0.02</b>	<b>0.02</b>	<b>0.96</b>	<b>0.25</b>	<b>0.16</b>	<b>0.07</b>	<b>0.07</b>
<b>Cost of sales</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Gross Profit</b>	<b>0.01</b>	<b>0.11</b>	<b>0.04</b>	<b>0.11</b>	<b>0.02</b>	<b>0.02</b>	<b>0.11</b>	<b>0.02</b>	<b>0.02</b>	<b>0.02</b>	<b>0.02</b>	<b>0.02</b>	<b>0.96</b>	<b>0.25</b>	<b>0.16</b>	<b>0.07</b>	<b>0.07</b>
<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	4.48	4.93	5.07	5.12	11.75	10.37	13.28	19.59	22.13
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
<b>Total Operating Expenses</b>	<b>4.45</b>	<b>4.37</b>	<b>4.25</b>	<b>4.43</b>	<b>5.06</b>	<b>4.26</b>	<b>5.63</b>	<b>5.62</b>	<b>6.60</b>	<b>6.69</b>	<b>6.96</b>	<b>6.70</b>	<b>18.94</b>	<b>17.50</b>	<b>20.57</b>	<b>26.96</b>	<b>29.69</b>
<b>Total Operating Expenses (non-GAAP)</b>	<b>4.45</b>	<b>4.37</b>	<b>4.25</b>	<b>4.43</b>	<b>5.06</b>	<b>4.26</b>	<b>5.63</b>	<b>5.62</b>	<b>6.60</b>	<b>6.69</b>	<b>6.96</b>	<b>6.70</b>	<b>18.94</b>	<b>17.50</b>	<b>20.57</b>	<b>26.96</b>	<b>29.69</b>
<b>Operating Income/(loss)</b>	<b>(4.44)</b>	<b>(4.26)</b>	<b>(4.21)</b>	<b>(4.32)</b>	<b>(5.04)</b>	<b>(4.24)</b>	<b>(5.51)</b>	<b>(5.60)</b>	<b>(6.59)</b>	<b>(6.68)</b>	<b>(6.94)</b>	<b>(6.68)</b>	<b>(17.99)</b>	<b>(17.24)</b>	<b>(20.40)</b>	<b>(26.89)</b>	<b>(29.62)</b>
<b>Operating Income/(loss) non-GAAP</b>	<b>(4.44)</b>	<b>(4.26)</b>	<b>(4.21)</b>	<b>(4.32)</b>	<b>(5.04)</b>	<b>(4.24)</b>	<b>(5.51)</b>	<b>(5.60)</b>	<b>(6.59)</b>	<b>(6.68)</b>	<b>(6.94)</b>	<b>(6.68)</b>	<b>(17.99)</b>	<b>(17.24)</b>	<b>(20.40)</b>	<b>(26.89)</b>	<b>(29.62)</b>
<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
<b>Income (loss) before provision for income taxes (GAAP)</b>	<b>(3.58)</b>	<b>(8.49)</b>	<b>(0.84)</b>	<b>(2.57)</b>	<b>(2.31)</b>	<b>(0.71)</b>	<b>(4.45)</b>	<b>(5.62)</b>	<b>(6.60)</b>	<b>(6.69)</b>	<b>(6.95)</b>	<b>(6.70)</b>	<b>(25.71)</b>	<b>(15.48)</b>	<b>(13.10)</b>	<b>(26.95)</b>	<b>(29.67)</b>
<b>Income (loss) before provision for income taxes (non-GAAP)</b>	<b>(3.58)</b>	<b>(8.49)</b>	<b>(0.84)</b>	<b>(2.57)</b>	<b>(2.31)</b>	<b>(0.71)</b>	<b>(4.45)</b>	<b>(5.62)</b>	<b>(6.60)</b>	<b>(6.69)</b>	<b>(6.95)</b>	<b>(6.70)</b>	<b>(25.71)</b>	<b>(15.48)</b>	<b>(13.10)</b>	<b>(26.95)</b>	<b>(29.67)</b>
<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>
<b>Income tax provision GAAP</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss) GAAP	(3.58)	(8.49)	(0.84)	(2.57)	(2.31)	(0.71)	(4.45)	(5.62)	(6.60)	(6.69)	(6.95)	(6.70)	(25.71)	(15.48)	(13.10)	(26.95)	(29.67)
Net income (loss) non-GAAP	(3.58)	(8.49)	(0.84)	(2.57)	(2.31)	(0.71)	(4.45)	(5.62)	(6.60)	(6.69)	(6.95)	(6.70)	(25.71)	(15.48)	(13.10)	(26.95)	(29.67)
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)	(6.60)	(6.69)	(6.95)	(6.70)	(26.78)	(17.65)	(13.16)	(26.95)	(29.67)
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)	(6.60)	(6.69)	(6.95)	(6.70)	(26.78)	(17.65)	(13.16)	(26.95)	(29.67)
<b>Diluted EPS (GAAP)</b>	<b>(0.18)</b>	<b>(0.41)</b>	<b>(0.03)</b>	<b>(0.09)</b>	<b>(0.08)</b>	<b>(0.02)</b>	<b>(0.15)</b>	<b>(0.17)</b>	<b>(0.13)</b>	<b>(0.13)</b>	<b>(0.14)</b>	<b>(0.12)</b>	<b>(1.28)</b>	<b>(0.70)</b>	<b>(0.43)</b>	<b>(0.52)</b>	<b>(0.51)</b>
<b>Diluted EPS (non-GAAP)</b>	<b>(0.18)</b>	<b>(0.41)</b>	<b>(0.03)</b>	<b>(0.09)</b>	<b>(0.08)</b>	<b>(0.02)</b>	<b>(0.15)</b>	<b>(0.17)</b>	<b>(0.13)</b>	<b>(0.13)</b>	<b>(0.14)</b>	<b>(0.12)</b>	<b>(1.28)</b>	<b>(0.70)</b>	<b>(0.43)</b>	<b>(0.52)</b>	<b>(0.51)</b>
Weighted Diluted Shares outstanding (000s)	22.9	24.7	25.8	27.3	28.3	30.9	30.9	33.5	51.3	51.3	51.3	54.0	20.8	25.2	30.9	52.0	58.0
Weighted Diluted Shares outstanding YOY change (%)	11.4%	19.5%	24.0%	27.9%	23.9%	24.9%	19.7%	22.7%	81.1%	66.0%	65.8%	61.2%	-57.9%	20.8%	22.7%	68.1%	11.6%

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

Figure 2: Balance Sheet

CEL-SCI Corp. <i>Balance Sheet (\$ millions, except per share data)</i>	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						
<b>Assets:</b>														
Cash and cash equivalents	3.5	5.3	7.2	3.9	10.7	7.0	3.5	0.0	26.6	4.3	3.9	0.0	2.4	2.9
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Current Assets</b>	<b>7.3</b>	<b>9.3</b>	<b>11.0</b>	<b>7.4</b>	<b>13.6</b>	<b>10.2</b>	<b>6.2</b>	<b>2.6</b>	<b>29.1</b>	<b>9.0</b>	<b>7.4</b>	<b>2.6</b>	<b>5.0</b>	<b>5.8</b>
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	-	-	-	-	-
<b>Total Assets</b>	<b>16.7</b>	<b>18.4</b>	<b>19.9</b>	<b>16.1</b>	<b>22.0</b>	<b>18.5</b>	<b>14.8</b>	<b>10.9</b>	<b>37.8</b>	<b>18.6</b>	<b>16.1</b>	<b>10.9</b>	<b>12.5</b>	<b>12.9</b>
<b>Liabilities &amp; Shareholders' Equity:</b>														
Accounts payable	0.6	0.7	0.7	0.6	0.4	0.5	1.2	-	1.5	0.7	0.6	-	-	-
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	-	-	-	-
<b>Total Current Liabilities</b>	<b>4.9</b>	<b>2.0</b>	<b>2.0</b>	<b>1.9</b>	<b>1.8</b>	<b>1.9</b>	<b>3.0</b>	<b>1.8</b>	<b>3.3</b>	<b>7.2</b>	<b>1.9</b>	<b>1.8</b>	<b>1.8</b>	<b>1.8</b>
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>8.6</b>	<b>12.1</b>	<b>10.9</b>	<b>9.0</b>	<b>10.4</b>	<b>6.9</b>	<b>7.0</b>	<b>5.8</b>	<b>10.0</b>	<b>9.5</b>	<b>9.0</b>	<b>5.8</b>	<b>5.8</b>	<b>5.8</b>
<b>Stockholders' Equity</b>	<b>8.1</b>	<b>6.2</b>	<b>9.0</b>	<b>7.0</b>	<b>11.6</b>	<b>11.5</b>	<b>7.8</b>	<b>5.2</b>	<b>27.9</b>	<b>9.1</b>	<b>7.0</b>	<b>5.2</b>	<b>6.8</b>	<b>7.1</b>
<b>Total Liabilities &amp; Equity</b>	<b>16.7</b>	<b>18.4</b>	<b>19.9</b>	<b>16.1</b>	<b>22.0</b>	<b>18.5</b>	<b>14.8</b>	<b>10.9</b>	<b>37.8</b>	<b>18.6</b>	<b>16.1</b>	<b>10.9</b>	<b>12.5</b>	<b>12.9</b>

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

**Figure 3: Cash flow Statement**

<b>CEL-SCI Corp.</b> <i>Non-GAAP Cash Flow Cont. Ops. (\$ millions, except per share data)</i>	<b>FY_10</b> Sept	<b>FY_11</b> Sept	<b>FY_12</b> Sept	<b>FY_13E</b> Sept	<b>FY_14E</b> Sept	<b>FY_15E</b> Sept
<b>Cash flows from operating activities:</b>						
<b>Net income (loss)</b>	10.5	(25.7)	(15.5)	(13.1)	(26.9)	(29.7)
<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)	1.7	-	-
(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	-	-
<b>Net cash provided by (used in) operating activities</b>	<b>(12.8)</b>	<b>(22.6)</b>	<b>(12.2)</b>	<b>(13.6)</b>	<b>(23.5)</b>	<b>(26.5)</b>
<b>Operating Cash Flow per share</b>	<b>(\$0.26)</b>	<b>(\$1.08)</b>	<b>(\$0.48)</b>	<b>(\$0.44)</b>	<b>(\$0.45)</b>	<b>(\$0.46)</b>
<b>Cash flow from investing activities:</b>						
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)
<b>Cash provided by investing activities</b>	<b>(0.5)</b>	<b>(0.3)</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.1)</b>
<b>Cash flows from financing activities:</b>						
Proceeds from issuance of common stock	-	3.9	14.3	9.8	26.0	27.0
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)	-	-	-
<b>Cash (used in) provided by financing activities</b>	<b>6.3</b>	<b>0.6</b>	<b>12.0</b>	<b>9.8</b>	<b>26.0</b>	<b>27.0</b>
Net (decrease) increase in cash and cash equivalents	-	(7.0)	(0.3)	(3.9)	2.4	0.5
Cash and cash equivalents at beginning of the period	-	33.6	4.3	3.9	0.0	2.4
Cash and cash equivalents at end of period	-	<b>26.6</b>	<b>4.3</b>	<b>3.9</b>	<b>2.4</b>	<b>2.9</b>

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

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*Additional information available upon request.*

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#### Rating and Price Target Change History



#### 3 Year Rating Change History

Date	Rating	Closing Price (\$)
01/15/2013	Buy (B)	2.82

#### 3 Year Price Change History

Date	Target Price (\$)	Closing Price, (\$)
01/15/2013	7.50**	2.82

\*\* Split Adjusted

Source: Laidlaw & Company

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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
<b>Strong Buy (SB)</b>	Expected to significantly outperform the sector over 12 months.	0.00%	0.00%	0.00%
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**NOTES:**