



SSUR.OB

StatSure Diagnostic Systems, Inc.

FDA Approves CLIA Waiver for StatSure's Patented Barrel Technology for Rapid HIV Testing

November 6, 2007

Mid-Quarter Review

Ranking: "BUY"

Price at 11.5.07: \$0.40

Valuation: \$1.66

52 Week Range: \$0.12 - \$1.03

Market Capitalization: \$15.27 m

Float: 23.27 m

Shares Outstanding: 38.18 m

Shares Fully Diluted: 46.20 m

Fiscal Year End: Dec

Exchange: NASDAQ (OTC: BB)



A valuation increase strengthens "BUY" ranking

StatSure Diagnostic Systems, Inc. (SSUR.OB) announced that the U.S. Food and Drug Administration ("FDA") has approved a waiver under the Clinical Laboratory Improvements Amendments of 1988 ("CLIA") for an HIV 1/2 Rapid Test employing the company's patented "barrel" technology. The HIV 1/2 product is marketed and distributed worldwide by Inverness Medical Innovations (Amex: IMA) under its Clearview® brand as "Clearview COMPLETE HIV 1/2".

SSUR.OB expects revenues from HIV barrel sales to grow to millions of dollars per annum over the next several years. Receipt of the CLIA Waiver permits IMA to sell into the much broader market consisting of more than 190,000 sites. This rapid HIV product was released to the more limited "Professional" market in 2/07. We expect IMA, a leader in marketing and distributing point-of-care (POC) products throughout the globe, will aggressively build a significant market-share consistent with its overall market penetration. The worldwide market for POC HIV tests currently is estimated to be \$150 m but could become a billion dollar market as consumer (self-testing) markets begin to open toward the end of this decade. SSUR.OB's patented platform for rapid testing offers significant advantages over its competition and could be the simplest, safest and most reliable product format in meeting the needs of the public health clinics, doctors' offices, military, insurance industry, hospitals, and other potential POC segments that comprise this HIV market. StatSure's product technology is part of a three-way deal announced last year with Chembio Diagnostics, (CEMI.OB -manufacturing) and Inverness (distribution). The partnered approach is well positioned to meet the growing worldwide demand for rapid HIV screening tests and we believe the benefits that will accrue to StatSure financially support our increased valuation. Over-the-counter (OTC) diagnostics tests performed by consumers are a large and rapidly growing global business. We believe that this market represents a very substantial upside opportunity for StatSure despite its impact being several years off for HIV testing. Industry experts have suggested that the US OTC market alone will exceed \$500 m dollars annually. Currently no HIV screening products have been approved for OTC use in the US; however, industry experts predict that by 2009-2010, the FDA will have approved HIV products for consumer purchase and use.

Improving Risk/Reward Ratio and Growth Outlook

Scimitar maintains a "BUY" ranking on SSUR.OB and has upgraded the modeled valuation to \$1.66 from \$1.25 based on the impact of receipt of the CLIA Waiver. The revenue impact of this "waiver" affects the risk/reward scenario due primarily to SSUR.OB's value drivers: a virtual operating mode (manufacturing and marketing are outsourced), modest executive infrastructure, the financial (margin) model (reflected by the terms of the "three-way deal"); the results of which provides for a high percentage of revenues to drop to the bottom line. These value-drivers are transparent, simple and strong determinants of SSUR.OB's business and operating model.

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Please read the important
Disclosures Section
At the end of this review

Investment Thesis

Scimitar maintains a “BUY” ranking on SSUR.OB and has upgraded its modeled valuation to \$1.66 from \$1.25 based on receipt of the CLIA Waiver. We modeled the fair value by applying multiple quantitative tools: first, a Standardized Discount Matrix and Price Target Sensitivity Analysis in which we utilize a 30x P/E multiple (biotech) with the estimated 2012 EPS of \$0.19 (at a 35% Discount Rate back to '2008 or 4 years/periods), achieving a Valuation Table Matrix of \$1.67; second, an implied fair value of the Sum of the Parts Analysis resulted in a fair value of \$1.49; and third we calculated the averaged blended valuation to \$1.66 per share. We also conduct a pricing sensitivity analysis (comparable share price) by using a combination of methods including a “Sum-of-The-Parts Analysis” and “EV/Revenue Multiple Analysis” in the valuation section of report. In our 10/06 Review, we had reduced our valuation by approximately 25% based on the pending status of the FDA CLIA Waiver. In these current volatile market times, we have stepped back from making specific “price targets” in many securities, opting to defining a targeted valuation scenario. Projecting the value of SSUR.OB is better understood in terms of a quantitative valuation model complemented by a comprehensive qualitative analysis. Simple price targets do not work particularly well in this environment. StatSure Diagnostic Systems’ business model maximizes margins by selectively outsourcing the manufacturing and marketing of rapid immunoassay tests for the detection of infectious diseases and oral fluid collection devices with their strategy leveraging intellectual property and effective management of expert and cost-efficient contractors. Hence, SSUR.OB’s lack of excess infrastructure allows for a bare-bones cost basis and maximum conversion of gross margin to operating margin. IMA’s leadership position in the POC diagnostics business could elevate StatSure’s product platform(s) beyond the POC HIV segment to other infectious diseases. **The CLIA Waiver reinforces an improved risk/reward ratio and growth outlook, raising the valuation as we reiterate our “BUY” ranking.**

SSUR.OB’s patented proprietary platform(s) offer significant advantages over its competition and could be the simplest, safest and most reliable product platform in meeting the needs of the public health clinics, doctors offices, military, insurance industry, hospitals, and potential OTC markets. SSUR.OB’s HIV product technology, now partnered with Chembio Diagnostics, CEMI.OB (manufacturing) and Inverness Medical, AMEX: IMA (distribution) is well positioned to meet the growing demand for rapid HIV screening tests. The product was released to the more limited “professional” market this past February. With receipt of the CLIA Waiver from the FDA, we expect the real product launch to occur over the next few months with accompanying initial growth of revenues as IMA penetrates US POC markets for this barrel-based HIV product.

SSUR.OB trades well below a venture level valuation. Share price enhancement will result when SSUR.OB: begins to generate revenues from the POC HIV market; emerges from a company “at risk” status (SSUR.OB’s auditors issued a “going concern” warning in SSUR.OB’s latest 10-K filing); implements an on-going communication program to expand institutional ownership of its shares and eliminates the cash drain of its quarterly debt payments. In addition, approximately 50% of the common stock is currently held by a small group of individuals that could impact liquidity and trading volumes.

FDA CLIA Waiver

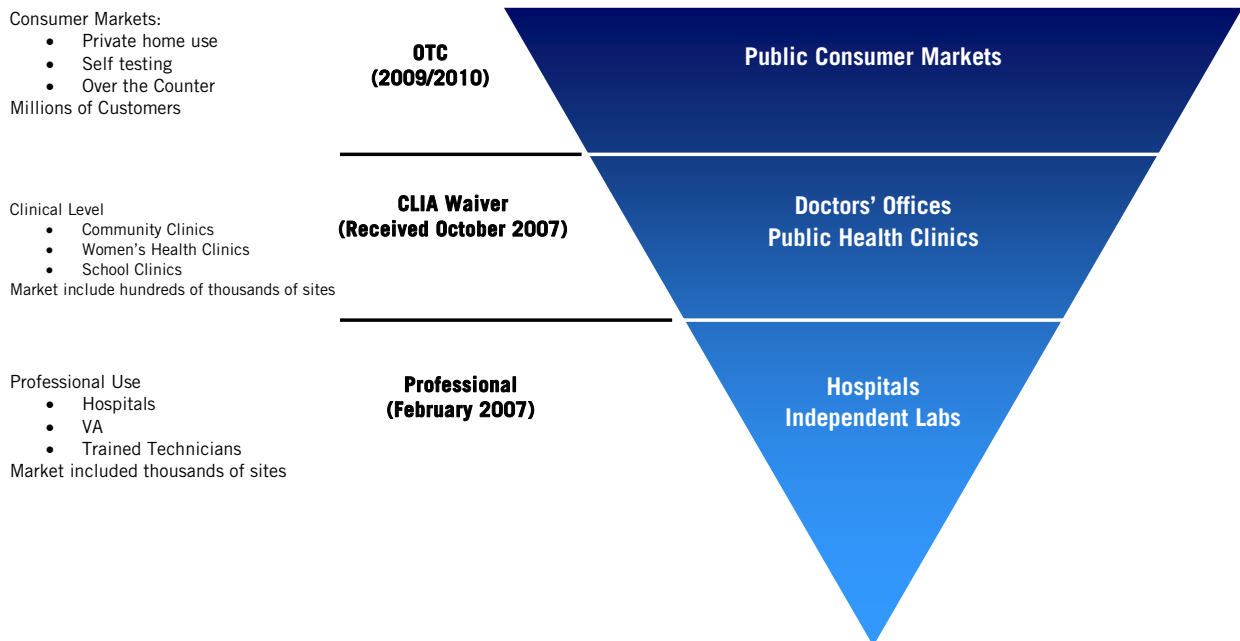
A CLIA waiver allows (approved) devices to be used in approximately 190,000 certified laboratories in the US. Waived rapid HIV tests can be used at many clinical and non-clinical testing sites, including community and outreach settings. Any agency that is performing waived rapid HIV tests is considered a clinical laboratory. Non-clinical testing sites that plan to offer waived rapid HIV tests must either apply for their own CLIA Certificate of Waiver or establish an agreement to work under the CLIA Certificate of an existing laboratory. The CLIA Program sets standards and issues certificates for clinical laboratory testing. The Clinical Laboratory Improvement Amendments of 1988 (CLIA) established quality standards for laboratory testing to ensure the accuracy, reliability, and timeliness of patient test results. **CLIA requires that any facility examining human specimens for diagnosis, prevention, treatment of a disease or for assessment of health must register with the federal Centers for Medicare & Medicaid Services (CMS) and obtain CLIA certification.** The Food and Drug Administration (FDA) has approved several rapid HIV tests as waived tests under CLIA. Waived tests must use unprocessed specimens (whole blood or oral fluid), be easy to use, and have little risk of an incorrect result. So far, more than 1,400 test systems have been waived. A Certificate of Waiver is one of four types of certificates issued under CLIA. CLIA defines a clinical laboratory as any facility which performs laboratory testing on specimens derived from humans for the purpose of providing information for the diagnosis, prevention, or treatment of disease or impairment, and for the assessment of health. **An objective of the CLIA is to ensure the accuracy, reliability and timeliness of test results regardless of where the test was performed.**

A Significant Market Potential Opportunity

The POC or doctor's offices market for diagnosing infectious diseases is a major growth sector; European and Asian markets for rapid HIV POC testing remain essentially untapped and represent significant geographic expansion opportunities as does the on-going and effective emphasis the CDC directs in all US public health sectors for increased and routine testing for all ages between 13 and 64.

The Over-the-Counter (OTC) diagnostics - tests performed by consumers – will be the largest and most rapidly growing global business. The development of new technologies housed in easy-to-use product formats and designed to be operated by untrained individuals, opens the market to extend beyond the traditional laboratory. OTC testing will likely emerge in the next couple of years

HIV Point of Care Testing: US Market Segmentation



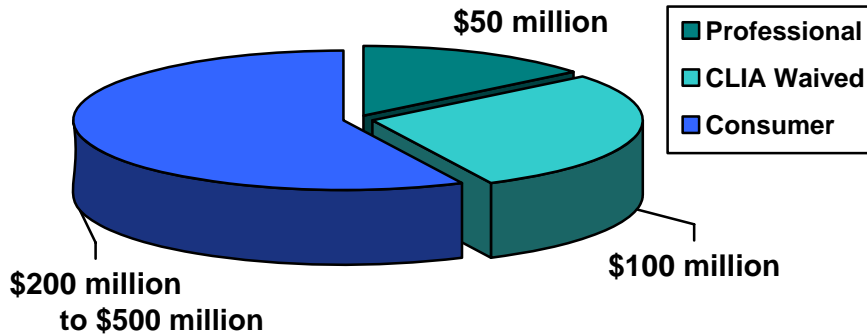
This market is shifting from the exclusive residence of hospital-based or independent reference laboratories to clinics, physician group practices and a host of other "point-of-care sites; currently there appears to be a decreasing resistance to allowing products for HIV testing or other STD's to be sold directly to the consumer.

A Significant Market Opportunity (continued)

Estimated Domestic Market Potential

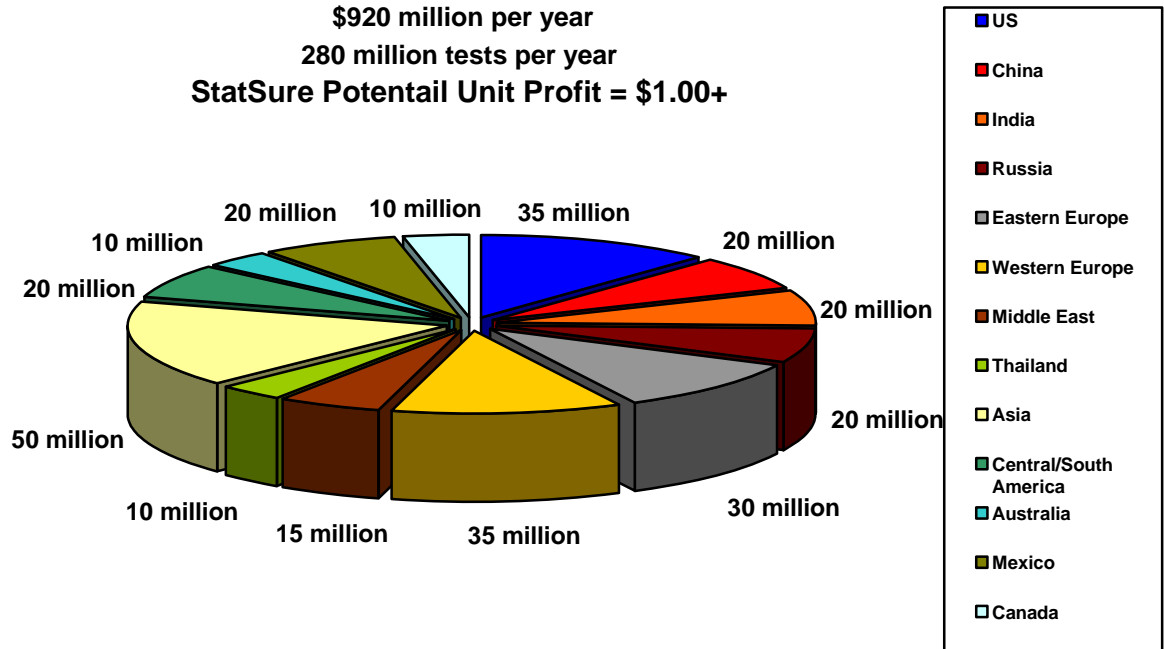
\$350+ million per year
35 million tests per year

StatSure Potential Unit Profit = \$1.50+ per test



Estimated Global Market Potential in Aggregate

\$920 million per year
280 million tests per year
StatSure Potential Unit Profit = \$1.00+



Valuation Analysis

We are increasing our modeled SSUR.OB's valuation to \$1.66 based on receipt of the CLIA Waiver reinforcing the positive Risk/Reward Ratio and increased growth outlook while reiterating a "Buy" ranking. We had incorporated an additional discount in our last report (10/25/07) by approximately 25% due to the absence of a CLIA Waiver from the FDA for the HIV product. We modeled the fair value by applying multiple quantitative tools: first, a Standardized Discount Matrix and Price Target Sensitivity Analysis in which we utilize a 30x P/E multiple (biotech) with the estimated 2012 EPS of \$0.19 (at a 35% Discount Rate back to '2008 or 4 years/periods), achieving a Valuation Table Matrix of \$1.67; second, an implied fair value of the Sum of the Parts Analysis resulted in a fair value of \$1.49; finally, we calculate the averaged blended valuation to \$1.66 per share. In these current volatile market times, we have stepped back from making specific "price targets" in many securities opting to defining a targeted valuation scenario.

Projecting the "potential" value of SSUR.OB's is best understood in terms of a quantitative valuation model complemented by a comprehensive qualitative analysis to assist investors. Price targets do not appear to work particularly well in this environment. We also conducted a pricing sensitivity analysis (comparable share price) by using a combination of methods including a "Sum-of-The-Parts Analysis" and a "Revenue Multiple Analysis.

The current valuation of SSUR.OB and its products and technology used several valuation approaches resulting in an Average Blended Price target shown below:

Valuation Table	
Valuation Matrix (EPS @30x P/E @ 35% Discount)	\$1.67
Sum-of-The-Parts	\$1.49
Comparable Analysis	\$1.81
Averaged Blended Valuation	\$1.66

The "Street" recognizes the value in the HIV rapid testing market; for example, OraSure (NASDAQ:OSUR) had been upgraded to "BUY" from "Hold" based on the expected announcements of individual European country approvals and CDC's funding purchases of screening tests for state and city public-health clinics.

SSUR.OB's patented technology is now "partnered" with CEMI.OB and IMA, and well-positioned to meet the growing demand for rapid and affordable screening tests for HIV. Although we still believe shares of SSUR.OB offer meaningful upside in the long term, SSUR.OB must continue to manage its business in a cost effective manner to meet short term and near term milestones beyond the CLIA waiver for its HIV Barrel product.

The value-drivers of SSUR.OB's base business' are: the relative risk/reward ratio has dramatically improved (upon this CLIA Waiver approval); its virtual structure (most functions are outsourced minimizing the need to increase infrastructure costs); and a high percentage of revenues can now drop to the bottom line. In addition, new Class II device products that are being considered incorporate existing StatSure patented technology facilitating their introduction while minimizing cost and risk; the potential OTC market is close to possibly becoming a reality, as soon as 2009. Reiterating from the previous review, (10/25/07), SSUR.OB must resolve its debt structure and determine the role and balance of its management team, particularly if the Company intends to move off the Bulletin Board, define the independence within its Board of Directors as defined by a Corporate Governance Quotient (CGQ®), a rating system (appears in Yahoo financial profile pages) provided by Institutional Shareholder Services. ISS provides evaluations on the strengths, deficiencies, and risks of a company's corporate governance practices and board of directors. Many funds and institutions review these ratios under the premise that corporate governance is enhanced when selected combinations of these variables are adopted. Currently, SSUR.OB continues to depend on founders and majority shareholders to fill certain of those critical positions. SSUR should further pursue the shift towards an independent management team and non-aligned directors.

We continue to hold the view that numerous opportunities exist for new product opportunities applying StatSure's patented technology platform while maintaining their virtual business (model) strategy. **SSUR.OB's stock price of \$0.40 and market capitalization of \$15.27 m is low when compared with its near and long-term potential and we are recommending a "BUY" with a valuation of \$1.66.**

Valuation Analysis (continued)

Valuation Assumptions

Our Standardized Discount Matrix and Price Target Sensitivity Analysis below assumes a 2012 EPS of \$0.19. We then apply a 30x P/E biotech multiple to the estimated 2012 EPS and a 35% Discount Rate back to '2008 or 4 years/periods to achieve a valuation table matrix of \$1.67 per share.

Valuation Matrix

Based on projected EPS in 2012 of: **\$0.19**

P/E x	Discount Factor				
	17.5%	20.0%	25.0%	30.0%	35.0%
30	\$2.91	\$2.68	\$2.27	\$1.94	\$1.67
35	\$3.40	\$3.12	\$2.65	\$2.27	\$1.95
40	\$3.88	\$3.57	\$3.03	\$2.59	\$2.23
45	\$4.37	\$4.02	\$3.41	\$2.92	\$2.51
50	\$4.85	\$4.46	\$3.79	\$3.24	\$2.79

Source: Scimitar Equity Research Estimates

Our Sum-of-The-Parts scenario is conservative using estimated 2012 revenue of approximately \$16.3 million and applies a stringent discount rate of 35% over 4 year/periods back to 2008 yielding a \$1.49 fair value per share in modeling the number of shares outstanding (from the capitalization page) post 10/17/07 IMA investment (Sum-of-The-Parts figures below) and SSUR.OB'S current 3-month trading range of \$0.15 - \$0.40.

StatSure:

Sum of the Parts Analysis

Part (000's)	Value
2012E revenues	\$16,358
Sales multiple	10.0
Discount rate	35.0%
Periods	4.00
Value of royalties	57,274
Cash	500.0
EV of pipeline	25,000
Total	82,774
Shares outstanding	50,000
Implied fair value	\$1.49

Per share:

Revenues	\$	1.15
Cash	\$	0.01
Pipeline	\$	0.50
Total	\$	1.49

Capitalization

Financial Instruments	# of Shares	Exercise Price(s)	Expiration Date
Common Stock Authorized	50,000,000		
Common Stock Outstanding	38,182,525(1)		
Convertible Debentures	300,000	\$1.00	3/31/2009
Warrants outstanding	2,957,187(2)	\$0.94(1)	5 years
Employee and Director Stock Options	1,200,000	\$0.85 (1)	7 years
Preferred Stock(4)	1,980,000	\$0.50	
Fully Diluted Total	46,195,010		

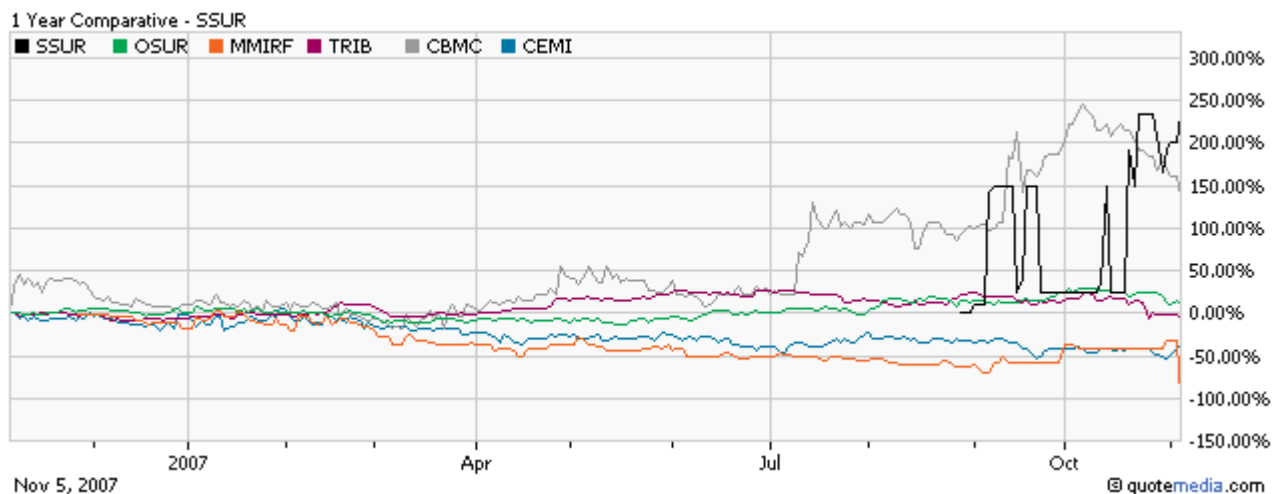
(1, 2) Inverness strategic investment made in October 2007 consists of a purchase of 1,428,572 common shares at a price of \$0.35 per share. Additionally, Inverness received 5 year warrants to purchase up to an additional 1.1 million shares of the Company's stock at a price of \$0.75 per share.

Comparables Chart

Company	Ticker Symbol	Price (11.5.07)	12 month High-Low	Shares (MM)	Mkt. Cap (\$MM)
StatSure Diagnostic System	SSUR.OB	\$0.40	\$2.00 - \$0.15	38.18 m	\$15.27 m
OraSure Technologies	OSUR	\$9.09	\$10.57 - \$6.50	46.62 m	\$423.76 m
MedMira (CDN \$)	MIR.V	\$0.135 (CDN)	\$0.30 - \$0.09	60.82 m	N/A
Trinity Biotech	TRIB	\$8.95	\$11.85 - \$8.20	18.68 m	\$167.17 m
Calypte Biomedical	CBMC.OB	\$0.16	\$0.23 - \$0.05	342.31 m	\$53.06 m
Chembio Diagnostics	CEMI.OB	\$0.53	\$0.93 - \$0.37	14.08 m**	\$7.46 m

**Chembio Diagnostics has an additional 26 m (+) shares fully diluted because of convertible preferred stock and warrants.

Comparables Chart



StatSure Diagnostic (SSUR.OB - Black)
 OraSure (OSUR - Green)
 MedMira Inc. (MMIRF - Orange)
 Trinity Biotech (TRIB - Purple)
 Calypte Biomedical Corp (CBMC - Grey)
 Chembio Diagnostics (CEMI - Blue)

Company Description

StatSure Diagnostic Systems Inc. (SSUR.OB) was formerly known as Saliva Diagnostic Systems (SVAD.OB) and is a public, medical device company. StatSure Diagnostic Systems, Inc. is now located at 1881 Worcester Rd. Suite #200, Framingham, MA (01701) and can be contacted at 508 872 2625. The Company also has a small office in Brooklyn, NY where its accounting and finance are conducted. StatSure is primarily engaged in commercializing two product platforms: first, the development, manufacturing and marketing of oral-fluid collection devices to provide physiologic samples to use to screen for the presence of drugs-of-abuse or infectious diseases; and second, the development of point-of-care (POC), rapid, immunoassays for use in the detection of infectious diseases. These immunoassays incorporate SDS' patented "barrel" technology, designed to provide speed, safety and convenience which are considered critical factors in point-of-care markets. In the oral fluid collection market, the StatSure's platform has a patented internal quality control that indicates sufficient volume of the oral fluid sample ("volume adequacy indicator"). StatSure strategy has been to outsource the development, manufacture and marketing of rapid immunoassay tests for the detection of infectious diseases and oral fluid collection devices. SSUR.OB's novel rapid immunoassay platform is the StatSure™ capillary blood system, the core technology for the company's rapid tests for HIV infection. SSUR.OB's patented proprietary platforms offer significant advantages to current blood tests and oral fluid collection devices, including convenience, ease-of-use, significantly reduced risk of infection from collecting and handling specimens as well as a patented sample adequacy indicator that is integral to its saliva collection devices. StatSure Diagnostic System's StatSure™ tests provide quick, accurate, portable, safe and cost-effective alternative to certain conventional laboratory tests that need to be performed in a POC environment. **As part of the two-way deal with Chembio, StatSure and Chembio settled their multi-year patent litigation and StatSure granted Chembio an exclusive manufacturing license for the HIV barrel product to be marketed by IMA.** In an additional two-way agreement with CEMI.OB, a Joint HIV Barrel Commercialization Agreement was finalized that establishes a long-term strategic "partnership", wherein both companies equally split the profit dollars once the actual cost of manufacturing is reimbursed.

SSUR.OB's products are differentiated. **Rapid POC Immunoassays:** These rapid tests are designed to require only three simple steps to use: collect, push into the buffer vial and read the results visually and quickly. The tests produce visual results in fifteen (15) minutes or less and are used without special equipment, storage, or training. StatSure's rapid tests utilize a capillary action, lateral flow assay in which all reagents are provided on solid phases in a dried format (test strip). This patented platform can be used to meet a broad spectrum of other POC market needs for infectious - disease screening or in other vertical niche' markets. **Oral Fluid Collection Systems:** In testing for drugs of abuse and certain other diagnostic analytes, it is preferred to collect the sample on-site (e.g. at the workplace, or at a motor-vehicle accident) and then efficiently perform the test in a central testing facility. **SSUR.OB participates in this market with a patented oral collection device which is marketed typically as a private label to manufacturers of the drug-of-abuse kits or for other diagnostic kits.** In these markets oral fluid testing has several significant advantages over blood or urine-based testing systems, including its lower cost, its non-invasive nature, safety, mobility and accuracy, the ease of maintaining a chain-of-custody, the treatment of test subjects with greater dignity, no requirement for specially-prepared collection facilities, and difficulty of sample adulteration. The forensic toxicology market consists of 250 – 300 laboratories including: federal, state and county crime laboratories, and medical examiner and reference laboratories. There are a wide variety of entities in the criminal justice system that require drug screening, such as police forces, drug courts, prisons, drug treatment programs and community/family service programs. More informational available at: www.statsurediagnostics.com

Investment Risks

StatSure Diagnostic Systems, Inc. is an early stage medical device diagnostic test company that is subject to numerous risks associated with its industry, development stage, financial structure, business model, size, market volatility, and operating history. Market acceptance of SSUR.OB'S diagnostic and POC tests and technology is limited and may never receive wide market acceptance. SSUR.OB participates in FDA clinical trials that are costly and subject to inherent risks and uncertainties that could relate to the next generation of HIV products. SSUR.OB faces intense competition in each of its vertical markets: point of care markets for HIV and other sexually transmitted diseases, and in the oral collection device market for diagnostics for drugs-of –abuse and certain other diseases. Competitors in these fields may have better technology and patent protection. Competitors may have better access to capital resources and diagnostic markets than SSUR.OB, thus making it harder to compete. SSUR.OB may face challenges to its intellectual property; although it is adequately protected against infringements to its intellectual property portfolio, future challenges or litigations. Both the barrel technology and the saliva collector patents remain risk factors. SSUR.OB's stock may face liquidity risk because of its low stock price, cash position and volatile movement on little volume. In the near term, SSUR.OB most likely will need to rely heavily on equity financing to fund its on-going operations. **SSUR.OB's auditors issued a "going concern" warning in SSUR.OB's latest 10-K filing.**

Investors should always read the risk factors in SSUR.OB's latest 10-K and 10-Q SEC filings before making any investment decisions.

Technology, Strategic Alliances, Management, Board

To access technology section click on the link below

HTTP: [Technology Review](#)

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Compensation for Products and Services

Scimitar makes publicly available an excel format statement of yearly payments by covered companies.

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Company Specific Risk Disclosure

The specific risks for those companies covered by Scimitar Equity Research, Inc. (Scimitar) may be greater than the general risks involved with common stock. The majority of the companies covered by Scimitar are development stage companies that are not profitable, and may not be profitable in the foreseeable future. The majority of the companies we cover rely heavily on equity financing to fund their continuing operation. If one or more of these companies is/are unable to sell equity to fund its operations, then that/those particular company/ies may become insolvent. The futures of these companies are reliant on approval of their drugs/diagnostics by the FDA. Also, if clinical and regulatory approvals are granted for one of the company's products, then that does not necessarily guarantee revenue. The companies are subject to manufacturing and regulatory risks as well. These risks could adversely affect future earnings of each company. The shareholders of each company are reliant on the board of directors and management to objectively manage the company in a manner that maximizes shareholder value. The board of directors and management of a particular company may have different objectives or lack competency to reach the shareholders' goals. A misalignment of corporate governance would put that particular company at financial risk. These companies are dependent on key employees and are reliant on current management to run each company. If there is a sudden change of management for any number of reasons, it could affect the future performance of the company. The ability to hire skilled workers and retain them is necessary for each company's success. There is no guarantee that certain patents and trademarks that a particular company claims to will be upheld in the United States or abroad. These intellectual properties, patents and trademarks may be infringed by other companies without financial recourse to a particular company. The company/ies may also be sued by other companies or individuals for patent/trademark infringement, clinical/manufacturing faults, or for any number of legal/contractual reasons. Development stage companies face several competitors in the biotechnology/diagnostics/devices field that may have greater access to capital, clinical expertise, and marketing expertise. Their competitors may have better products, manufacturing capabilities and reach FDA approval with a similar product before these companies. Increased competition in these fields may adversely affect a particular company's stock price. Many companies covered by Scimitar are classified as "penny stocks" and the price of these companies' stocks may move substantially on little volume. Because each company is a penny stock, the companies are subject to increased market price volatility and risk. These companies have an increased degree of volatility relative to the overall market. Risk-averse investors, and all other investors, should be aware of the risks associated with these companies and read all 10-K's and 10-Q's before considering any investment. Investors are expected to be knowledgeable and competent of these risks themselves, or otherwise, speak to their investment advisors before purchasing any securities in the market. Scimitar does not accept any liability for whatever actions an investor takes on their own, or with the advice of their investment advisor after reading Scimitar's research reports.

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Rating Definitions

Informational: It has been our practice to generate an informational company review when we initiate coverage. A "Buy" ranking could accompany a price target but these company reviews generally entail that additional information is needed to determine or clarify the companies approach to the growth opportunity.

Buy: Stocks ranked "Buy" are those stocks Scimitar recommend actively buying. These are stocks that are demonstrating their vision while meeting expectation and should appreciate at least 10% over the next 6 months.

Hold: Stocks ranked "Hold" are those stocks Scimitar would continue to hold in a portfolio. These are stocks that are making progress strategically and operationally but are not expected to demonstrate significant appreciation in the next 6 months.

Sell: Stocks ranked "Sell" are those Scimitar would sell; these are stocks that appear not to be able to fulfill or deliver on their disclosed milestones and are expected to depreciate at least 10% over the next 6 months.

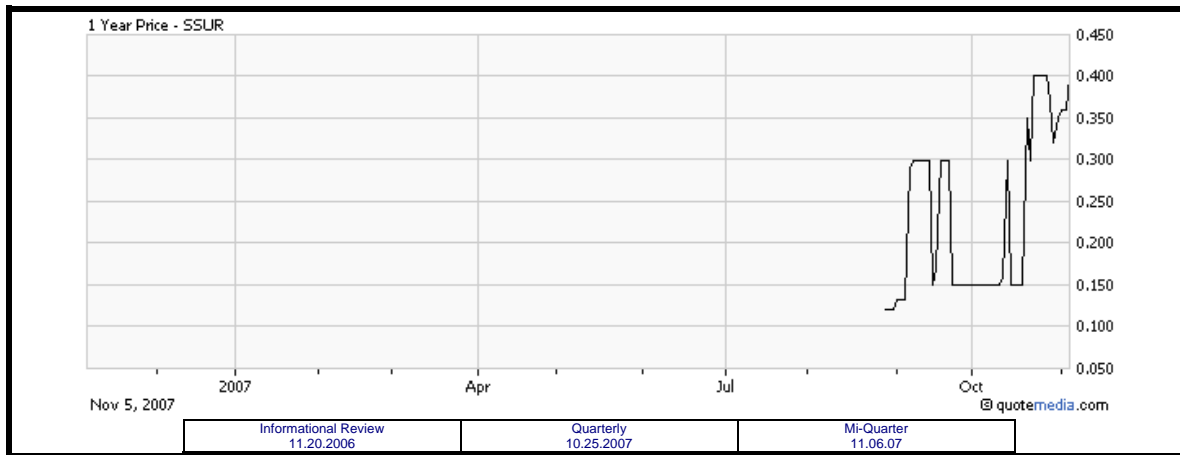
Termination (of coverage): In the event an analyst's coverage is terminated, there is a requirement that firms notify investors when coverage is dropped. This notice must include a final ranking or recommendation. The rule specifically calls for notice to be made in the same manner as in research coverage was first initiated.

<http://www.scimitarequity.com/content/disclosure/distribution-rankings.jsp>

Valuation Methodology

Projecting the future valuation of companies and their innovative technology is at best an "inexact science" and needs to be understood in terms of its intent and vulnerabilities. Scimitar accepts its responsibility to research and prudently perform analysis while incorporating due diligence. The value of science or technology platform, product development cycles, regulatory timelines and filings, collaboration partners, management team and ultimately market initiatives should not be quantitatively modeled too early.

<http://www.scimitarequity.com/content/disclosure/valuation-methodology.jsp>



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Applicable current disclosures can be downloaded from our website, by calling the telephone number listed below, or by writing to the address listed below:

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