Jefferson Research

Financial Reality Tools for Investors

Institutional Research Services

Torpedo Alert® Ratings

Short Profiles

1800 SW First St., Ste 515

Portland Oregon 97201

503-228-8474

www.torpedoalert.com

November 19, 2008

Jefferson Research & Management

Who we are:

- An independent research firm based in Portland, Oregon headed by Bruce A. Gulliver, CFA, Ph.D. in Business Economics from Claremont Graduate School.
- Providing research to over 60 institutional investors since 1989
- Initiated Torpedo Alert Research Service on January 1, 2000 after three years of work.

The Concept:

Systematically provide a reliable rating system for determining changes in company fundamentals using forensic financial analysis and inter-relationships of three financial statements: a tool used for managing both long and short positions and sector exposure.

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Institutional Research Products:

Quantitative Products: Torpedo Alert® Ratings (Weekly)

- Company Rating Service
- Technical Focus List
- Client Customized Portfolio Review

Website Products:

- Research Workstation:
  - Company Summary Information
  - Financial Sonar Reports

Written Products:

- Short Profiles: Initial Reports, Quarterly Updates, Quarterly Updates
- Client Newsletter (Bi-weekly): Long and Short Ideas

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Torpedo Alert® Research Products:

Company Rating Service (weekly)

Includes: Approximately 1800 Companies

Excludes: Industries: Cyclicals & Financials

Negative Earnings: All Companies with negative earnings in both of the past 2 years

Trading Volume: Less than 40,000 shares/Day (90 day avg.)

Market Cap: Less than $50 million

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Torpedo Alert® Rating Service

How it was Developed:

Academic research and professional practice has determined there are five general causes of company blowups.

Our Approach:

Jefferson Research has determined ten key dimensions of a company that are Predictors of significant underperformance and relate to general causes of blowups:

- **Aggressive Accounting**
- **Deteriorating Financial Condition**
- **Over Evaluation**
- **Change in Industry or Company Competitive Situation**
- **Bad Acquisitions**

Analyze nearly 50 variables from 3 financial statements across multiple time periods to produce dimension and overall stock ratings.

Variables Measure:

- **Operating Efficiency**
- **Cash Flow Quality**
- **Earnings Quality**
- **Balance Sheet Quality**
- **Valuation**

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Torpedo Alert® Rating Service – The Jefferson Research Dimensions:

- A/R & Inventory
- Accruals
- Cashflow Quality
- Earnings Quality
- Income Adjustment
- Investment returns
- Liquidity
- Margins
- Turnover
- Valuation

Example: The Liquidity Dimension is measured using the following variables:

- Current Ratio
- Quick Ratio
- Cash Position
- Altman Z-score

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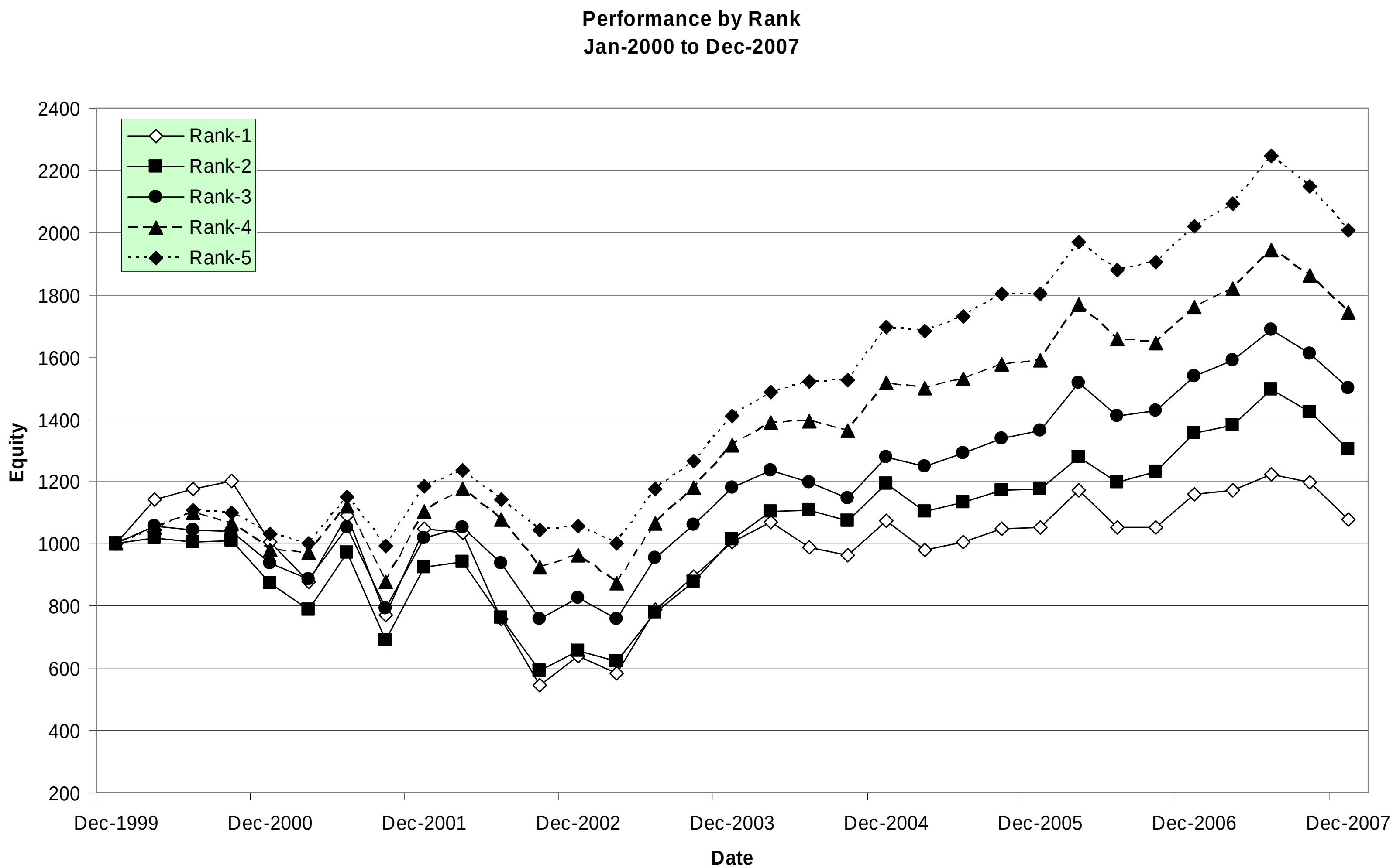
Financial Reality Tools for Investors



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Technical Focus List

Weekly updated list of trading ideas based on Torpedo Alert™ Ratings and Technical Factors

Focus List Short Performance 2000-2008

	Annual Return Last 3 Yrs '06-'08	Annual Return Last 6 Yrs '03-'08	Annual Return Last 9 Yrs '00-'08
Large Cap Focus - Shorts	-37.0%	-16.7%	-29.0%
S&P 500	-22.8%	-6.8%	-9.9%
Small Cap Focus - Shorts	-37.7%	-19.5%	-23.4%
S&P 600	-22.8%	-3.1%	-2.2%

Focus List Long Performance 2003 -2008

	Annual Return Last 3 Yrs '06-'08	Annual Return Last 6 Yrs '03-'08
Large Cap Focus - Longs	-6.2%	9.5%
S&P 500	-22.8%	-6.8%
Small Cap Focus - Longs	4.5%	27.1%
S&P 600	-22.8%	-3.1%

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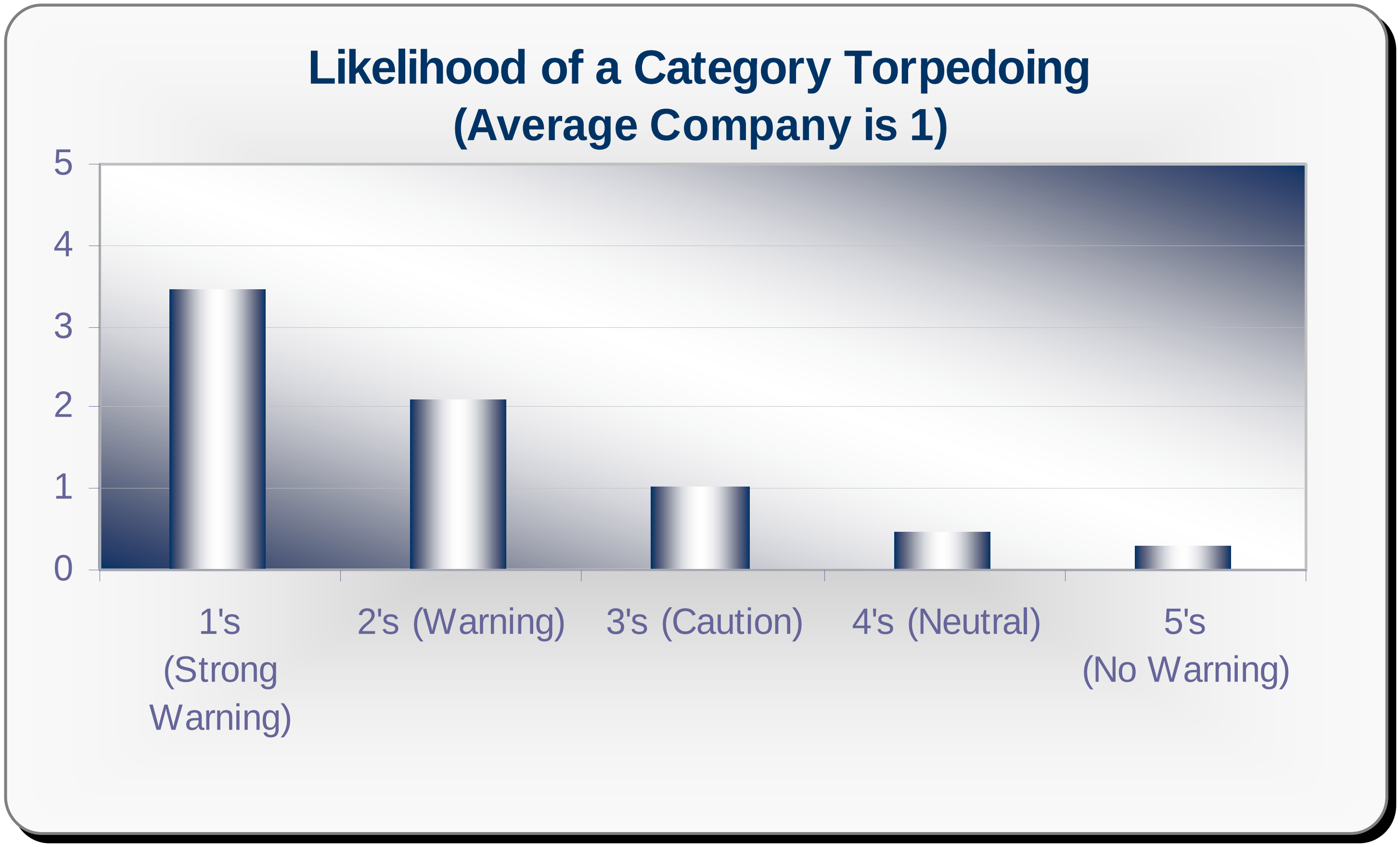
Torpedo Alert® Ratings Performance



***Torpedo company defined as a 60% or greater decline during the calendar year.**

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Torpedo Alert® Ratings Performance

Percentage of Companies (Down 60%)*
Identified By Torpedo Alert™ 1997-2007**

	1997-1999	2000	2001	2002	2003	2004	2005	2006	2007	10 year Average	5 year Average
1's (Strong Alert)	39%	28%	32%	49%	28%	29%	28%	38%	30%	**37%**	**30%**
2's (Alert)	18%	12%	20%	17%	4%	13%	18%	12%	18%	**16%**	**15%**
3's (Caution)	25%	37%	32%	22%	40%	30%	36%	35%	37%	**29%**	**36%**
4's (Neutral)	9%	18%	12%	11%	24%	28%	15%	15%	13%	**13%**	**17%**
5's (No Warning)	6%	4%	3%	1%	4%	0%	3%	0%	2%	**3%**	**2%**
No Data	4%	0%	0%	0%	0%	0%	0%	0%	0%	**1%**	**0%**
Total Covered	**334**	**335**	**108**	**400**	**25**	**46**	**67**	**34**	**98**		

*Torpedo companies are defined as those down 60% or more sometime during a calendar year.

**Based on Torpedo Alert™ ratings for data available as of January 1st of the designated year or September 30th of the previous year.

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Sample Weekly Report:

SHORTS

JEFFERSON RESEARCH TORPEDO ALERT™

ALL CAP TORPEDO LIST: TORPEDO ALERT™ STATUS

REPORT PRODUCTION DATE: OCT 24, 2003

JEFFERSON ALERT RATINGS	
1= STRONG WARNING	3= CAUTION
2= WARNING	4= NEUTRAL
	5= NO WARNING

DIMENSIONAL RATINGS
1= STRONG ALERT
2= ALERT
3= CAUTION
4= NO ALERT

	COMPANY	TIC	MKT CAP (millions)	INDUSTRY	CURRENT PRICE	PRICE CHANGE 2 WEEK	PRICE CHANGE YTD	LAST QTR REPORT		PRELIMINARY RATING	CURRENT ALERT RATING	LAST RATING	RATING CHANGE DATE	NEXT QUARTER REPORT DATE	TOTAL DIMENSIONS SHOWING ALERT	A/R & INV.	CASH FLOW	CAPITAL RETURNS	MARGINS	LIQUIDITY	TURNOVER	ACCRUAL WARNING	EARNINGS QUALITY	INC. ADJ. WARNING	VALUATION
1	99 CENTS ONLY STORES	NDN	2076	Multiline Retail	$29.11	-1%	8%	Q2Y03		2	3	4	09/05/03	02/04/04	4	1	2	4	4	4	2	3	4	4	1
2	ABERCROMBIE & FITCH -CL A	ANF	2854	Specialty Retail	$29.52	-4%	44%	Q2Y03		--	2	4	09/19/03	11/11/03	4	1	4	3	2	2	2	4	4	4	4
3	ABLE LABORATORIES INC	ABRX	286	Pharmaceuticals	$18.27	-1%	57%	Q2Y03		--	2	1	08/29/03	10/28/03	2	3	3	2	3	4	1	3	3	4	4
4	ACTEL CORP	ACTL	662	Semiconductors & Semico	$26.54	7%	64%	Q2Y03		--	2	3	08/29/03	01/23/04	3	3	3	2	3	4	4	3	3	2	2
5	ACTION PERFORMANCE COS INC	ATN	471	Leisure Equipment & Proc	$26.32	1%	39%	Q3Y03		--	2	3	08/08/03	11/07/03	1	3	3	4	4	4	1	3	4	3	3
6	ACTIVISION INC	ATVI	1191	Software	$13.52	3%	39%	Q1Y03		--	1	3	11/08/02	10/22/03	5	1	3	2	2	4	2	4	1	3	3
7	ACXIOM CORP	ACXM	1387	IT Services	$16.25	0%	6%	Q1Y03		4	2	3	08/22/03	01/22/04	0	4	3	3	4	3	4	3	3	3	3
8	ADVANCED FIBRE COMM INC	AFCI	2068	Communications Equipme	$24.14	4%	45%	Q2Y03		--	1	2	08/22/03	01/28/04	4	3	2	3	1	3	3	3	1	1	3
9	ADVANCED MAGNETICS INC	AVM	74	Health Care Equipment &	$9.58	0%	128%	Q3Y03		--	1	--	07/10/03	--	6	1	4	2	2	3	2	1	3	2	3
10	ADVISORY BOARD CO	ABCO	693	Health Care Providers & S	$44.63	-3%	49%	Q1Y03		--	2	3	08/29/03	10/23/03	4	3	4	2	4	3	2	1	2	4	3
11	AETNA INC	AET	9645	Health Care Providers & S	$62.67	1%	52%	Q2Y03		--	2	3	08/08/03	10/30/03	4	3	1	3	2	3	2	2	4	4	4
12	AFFYMETRIX INC	AFFX	1224	Biotechnology	$20.77	-2%	-9%	Q2Y03		--	2	1	10/17/03	01/29/04	2	4	3	3	3	3	3	4	1	1	4
13	AIRTRAN HOLDINGS INC	AAI	1359	Airlines	$16.42	-17%	321%	Q2Y03		3	2	1	09/05/03	01/28/04	3	4	3	3	4	4	2	4	2	2	4
14	ALBANY MOLECULAR RESH INC	AMRI	466	Biotechnology	$14.65	-1%	-1%	Q2Y03		--	2	1	08/29/03	11/04/03	3	3	3	4	2	1	3	2	3	4	3
15	ALEXANDER & BALDWIN INC	ALEX	1256	Marine	$30.30	0%	17%	Q2Y03		--	2	3	05/16/03	10/23/03	3	1	3	3	4	3	3	4	2	1	4
16	ALLTEL CORP	AT	15320	Diversified Telecommunic	$49.13	0%	-4%	Q2Y03		--	1	2	10/10/03	10/23/03	3	4	3	3	4	2	3	4	3	1	2
17	AMERICAN GREETINGS -CL A	AM	1286	Household Durables	$20.96	4%	33%	Q2Y03	NEW	--	2	3	10/24/03	12/23/03	2	3	3	3	1	3	3	3	3	2	4
18	ANALOGIC CORP	ALOG	616	Health Care Equipment &	$45.90	-6%	-9%	Q3Y03		2	3	4	06/20/03	12/12/03	1	4	3	3	1	3	3	4	3	3	3
19	APPLE COMPUTER INC	AAPL	8251	Computers & Peripherals	$22.76	-1%	59%	Q3Y03		1	1	2	02/15/02	01/16/04	4	1	3	2	3	4	3	3	1	1	3
20	APPLICA INC	APN	184	Household Durables	$7.82	7%	56%	Q2Y03		--	1	3	05/16/03	10/30/03	3	3	3	3	1	4	1	3	3	2	3
21	APPLIED FILMS CORP	AFCO	422	Computers & Peripherals	$29.64	2%	48%	Q4Y03		--	2	1	09/12/03	01/16/04	4	4	3	4	4	4	4	1	1	1	2
22	APPLIED INNOVATION INC	AINN	93	Communications Equipme	$6.19	0%	104%	Q2Y03		3	1	3	09/26/03	--	3	3	4	2	4	3	2	3	3	2	4
23	ARBITRON INC	ARB	1126	Commercial Services & Su	$37.36	5%	12%	Q2Y03		3	2	3	08/15/03	01/23/04	2	4	3	3	2	4	3	4	3	3	2
24	ARCTIC CAT INC	ACAT	314	Leisure Equipment & Proc	$22.00	6%	38%	Q1Y03		3	1	3	08/29/03	01/16/04	2	1	4	4	2	3	3	3	3	3	4
25	ARTHROCARE CORP	ARTC	484	Health Care Equipment &	$23.43	21%	138%	Q2Y03		--	2	1	08/29/03	02/05/04	4	4	3	2	3	2	3	4	2	1	3

Jefferson Research & Management

Torpedo Alert® Newsletter

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TORPEDO ALERT™ RATING SERVICE NEWSLETTER: April 19, 2004

The purpose of this newsletter is to provide additional service to our clients by summarizing recent events concerning: our Technical Focus List (near-term trading ideas) and Weekly Ratings (rating service). We welcome your questions and comments on this new service and its content. Please call Bruce Gulliver or Kevin Tyree at 503-228-8474 with questions or feedback.

Rating Changes: New Sells and Buys

New "Sell" Prospects 1 or 2 ratings	New "Buy" Prospects 5 ratings
Advanced Digital Info Corp. (ADIC)	CP Ships, Ltd. (TEU)
Digital Theater Systems, Inc. (DTSI)	Excel Technology, Inc. (XLTC)
Echostar Communications Corp. (DISH)	Hot Topic, Inc. (HOTT)
International Speedway Corp. (ISCA)	Intelligroup, Inc. (ITIG)
iPayment, Inc. (IPMT)	Laboratory Corp. of America Holdings (LH)
Kansas City Southern (KSU)	Magna International, Inc. (MGA)
OneSource Information Services, Inc. (ONES)	McCormick & Co, Inc. (MKC)
PC Mall, Inc. (MALL)	Michaels Stores, Inc. (MIK)
Switchboard, Inc. (SWBD)	Petco Animal Supplies, Inc. (PETC)
Telesystems Intl. Wireless, Inc. (TIWI)	Tempur Pedic International, Inc. (TPX)

Torpedo Alert™ Ratings: 1) Strong Warning 2) Warning 3) Caution 4) Neutral 5) No Warning

* For further information on these and other companies visit our website at www.torpedoalert.info.

Interesting Facts & Observations

Interesting Fact 1: Short Profile Lexar Declines 42.3% last week

Last week our Short Profile clients benefited from our insights with a 42.3% decline in Lexar Media, Inc. (LEXR) after the company missed estimates and guided lower for the year based on falling prices. If you are not a Short Profile client, you may want to consider adding this service and receiving our new report on Triad Hospitals. Please contact us at 503-228-8474 for details.

Continued……..

DISCLAIMER

This report is for information purposes only for clients of Jefferson Research & Management, and in no way should be interpreted as a complete investment recommendation. This report has been prepared exclusively by Jefferson Research & Management. Information contained in this report is obtained from sources believed to be reliable, but no guarantee is made to its accuracy and no representation is made that it is complete, or that errors, if discovered, will be corrected. Jefferson Research & Management and/or its marketing partners have owners and employees that may have positions or options in companies covered by Jefferson, including the subject of this report.

Interesting Facts & Observations .....Continued

Interesting Fact 2: Annual Restatements .....Continued

			Torpedo Alert™ Warnings			
Company	**Financial Scoop**	**Number of restatements in past year**	**Alert**	**Earnings Quality**	**Cash Flows**	**Accrual**
Bristol-Myers Squibb (BMY:NYSE)	Restating fourth-quarter and full-year results for 2003 due to accounting errors. Follows an earlier restatement of earnings between 1999 and 2002, as of early 2003	Twice	Q401 to Q302	Q401	Q401,Q102, Q302 to Q103	no warning
P.F. Chang's China Bistro (PFCB:Nasdaq)	Will delay filing its 10K; plans to restate earnings for prior years, including for calendar year 2003	Once	Q302	Q202	Q103	Q102 to Q402
Veritas (VRTS:Nasdaq)	Will restate earnings for 2001 through 2003	Once	no warning	no warning	Q301 to Q102	Q401, Q102, Q403
Nortel (NT:NYSE)	Will restate earnings for 2003 and earlier periods; Nortel already restated earnings for the past three years in October 2003	Twice	Q300, Q101 to Q301, Q303	no warning	Q201 to Q303	no warning
Metris (MXT:NYSE)	Restated its financial results for 1998 through 2002 and for the first three quarters of 2003 following an SEC inquiry	Once	Q202 to Q303	Q400, Q301	Q400 to Q103, Q303 to Q403	Q402 to Q303
Quovadx (QVDX:Nasdaq)	Restating results for 2003	Once	Q400 to Q401, Q202 to Q302, Q303 to Q403	Q301, Q102	Q101, Q302 to Q402	Q103 to Q403
WorldCom	Restated pretax profits from 2000 and 2001; this month former CEO Bernie Ebbers indicted on fraud charges in accounting scandal that led to 2002 corporate bankruptcy	Once	Q100 to Q400	Q100	Q300	Q200 to Q400
Service Corp. International (SRV:NYSE)	Restating results for 2000 through 2003	Once	Q300, Q301 to Q401	Q301, Q402	Q300 to Q402	no warning
Flowserve (FLS:NYSE)	Restating results for 1999 through 2003	Once	Q400	Q202	no warning	Q400, Q202
OM Group (OMG:NYSE)	Restating results for 1999 through 2003	Once	Q301, Q102 to Q103, Q303	Q300 to Q400,	Q402 to Q303	Q301 to Q401
IDX Systems (IDXC:Nasdaq)	Restated results for 2003	Once	Q102 to Q202	Q101	Q101, Q401 to Q203	Q202 to Q302
Network Associates (NET:NYSE)	Restated results for 2003 this month; restated earnings for periods from 1998 to 2003 after investigations by the SEC and Justice Department	Twice	Q400 to Q101, Q301 to Q401, Q402 to Q403	Q301	Q400 to Q102, Q302 to Q403	Q402 to Q203
Take-Two (TTWO:Nasdaq)	In February, restated results from 1999 to 2003 following investigation by the SEC	Once	Q301 to Q401, Q203 to Q104	Q202	Q201 to Q301, Q102, Q402 to	Q103, Q403 to Q104
Sipex (SIPX:Nasdaq)	In February, restated results from 2003, marking the second revision of third-quarter '03 results	Twice	Q400 to Q302, Q303 to Q403	no warning	Q101, Q401 to Q102, Q302 to Q402, Q303	Q303 to Q403

Source: SEC filings, media reports.

"Sell" Highlight of the Week

Health Management Associates, Inc (HMA): Faltering Health

Health Management Associates, Inc. is a for-profit hospital operator, with 52 hospitals in 16 states. HMA currently rates a 3 "Caution" rating on our Torpedo Alert™ rating service. However, significant industry issues, which we highlighted in our April 12, 2004 Short Profile report on Triad Hospitals, Inc. (TRI), have prompted a closer look at the company. Among the industry issues highlighted in that report were: 1) An increasing number of uninsured and under-insured patients. 2) Increasing malpractice insurance rates. 3) Contractual allowances in declining profitability. 4) Medicare limitations and confusion. 5) Increasing competition from Physician Practice Groups and Specialty Surgical Hospitals. While all of the issues pose problems for the industry, the most prominent of late has been the increasing number of uninsured and under-insured patients. When looking at our ratings, excluding Triad, which we already have a report on, and Tenet Healthcare, which has already had greatly publicized issues of its own, Health Management Associates was our worst rated hospital operator.

Driving HMA's 3 "Caution" ratings on our Torpedo Alert™ rating service are 1 "Strong Warning" ratings in our Cash Flow and Liquidity dimensions, and 3 "Caution" ratings in our Margin and Turnover dimensions.

We have seen cash flow warnings in each quarter for at least the last three years for HMA. Our cash flow warning is based on our adjusted cash flow being significantly lower than the company's reported operating cash flow. On a trailing twelve-month basis our adjusted operating cash flow was just 34.3% of the company's reported operating cash flow. Our adjusted cash flow removes one-time and non-operating items, in this case largely a change in the company' provision for doubtful accounts, from the company's reported operating cash flow.

Our liquidity rating was driven by significant declines in the company's cash balance, current ratio, and quick ratio in the quarter. The company's cash balance decreased from $413 million at the end of fiscal Q4 2003 to $132 million at the end of Q1 2004. The company purchased five hospital facilities from Tenet Healthcare in the quarter for $515 million, increasing borrowings $275 million, with the remainder in cash. The company's current ratio declined to 1.7 from 4.0 in Q4, while its quick ratio declined to 1.4 from 3.4 in Q4.

Both the company's gross margin and EBIT margin declined sequentially and year over year in fiscal Q1. The company's gross margin fell to 20.1%, from 22.3% in Q4 and 21.1% a year earlier. The company's EBIT margin fell to 16.0%, from 18.0% in Q4 and 16.8% a year earlier. If HMA experiences any unexpected increases in expenses, such as increased bad debt expense, further deterioration is likely. (see below)

On March 2, 2004 HMA affirmed its fiscal second quarter EPS guidance of 37 cents per share, and did not mention increasing bad debt expense in the press release. Just last Wednesday, April 14, 2004, competitor HCA, Inc. warned that its bad debt expense would be greater than previously expected, for both the current quarter and full fiscal year. In the press release management cited increasing uninsured patients, and mentioned a worsening of this problem in the month of March, saying, "Uninsured emergency room visits rose 18 percent in the first quarter and 26 percent in the month of March, while uninsured admissions rose 14 percent in the first quarter and 19 percent in march compared to the same periods in 2003." HMA may have had a similar increase in uninsured patients in March, after the company affirmed guidance, which may lead the company to miss its fiscal second quarter, and/or guide lower for the year. HMA reported bad debt expenses of 7.7% in Q1 2004 versus 7.6% in Q4 2003, and 7.3% for fiscal year 2003.

Continued……..

Torpedo Alert® Newsletter Performance

Inception (April 19, 2004) to November 3, 2008

Longs (Closed Positions)

	Number	Percent	Average Return	Average Days	Return
Total Winners	41	51.9%	28.07%	226.8	45.2%
Total Losers	38	48.1%	-16.98%	158.4	-39.1%
Total Closed Positions	79		6.40%	193.9	12.0%

Shorts (Closed Positions)

	Number	Percent	Average Return	Average Days	Return
Total Winners	40	50.0%	-25.17%	147.0	-62.5%
Total Losers	40	50.0%	22.14%	128.2	63.1%
Total Closed Positions	80		-1.52%	137.6	-4.0%

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Torpedo Alert® Short Profiles

- Product Introduced in July, 2000
- Reports include:
  - Wall Street Review
  - Financial/Accounting Issues
  - Operating Issues
  - Competitive Issues
  - Forecast Risks
- Typically 20-30 pages in length
- Quarterly Earnings Release Notes: Pre and Post Conference Call
- Goal: 12-15 Reports per Year with Updates Quarterly or on Significant News

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Torpedo Alert® Short Profiles

Kinds of Companies Profiled:

- Deterioration in Fundamentals Not Recognized in Price or Short Interest. (All)

Competitive/Industry Issues:

- Unsustainable Business Model: NTRI, EXBD, HLYW, and LEAP
- Macro Industry Problems: RGC and LEXR
- Diminished Competitive Advantage: JSDA
- Operating Problems/Economics: WFMI

Performance:

Returns to Low	-33%
Returns to Coverage	-12%
S&P	1%

July 1, 2000 through March 31, 2008

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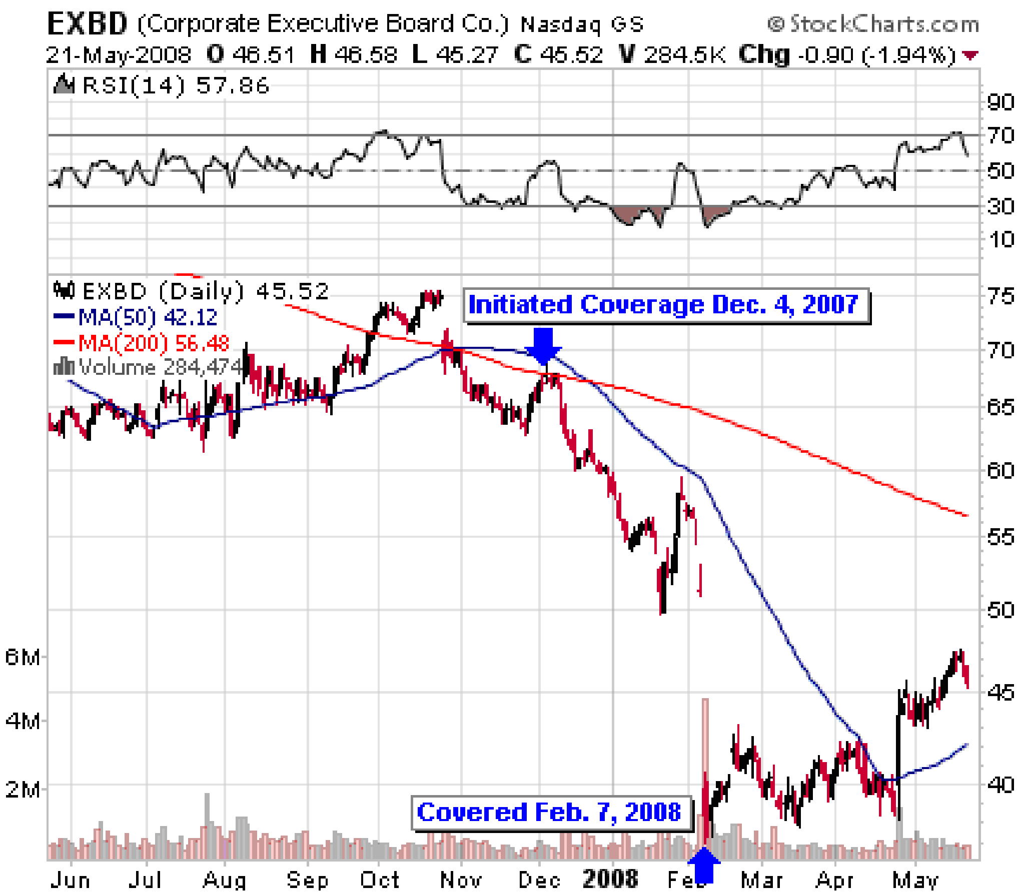
Torpedo Alert® Short Profiles

Corporate Executive Board Co. (EXBD)



EXBD is a consulting company with a simple business model that has allowed significant growth in customers and the amount of product and services customers are willing to buy each year. However, the company eventually hit several obstacles, including: ability to produce new products, ability to find new lower price customers, and the reversal of favorable accounting effects on cash flow and early economies of scale.

Dec. 4, 2007 - Reinitiating coverage, from Sept. 26, 2006 Original Short Profile on EXBD based on fewer obvious areas for the Company to develop new programs-reducing cross selling potential as the company mad a difficult move to middle market clients.

Feb. 7, 2008 - Discontinued coverage after EXBD had corrected 42.9% from our reissuing coverage on December 4, 2007 at $68.30.

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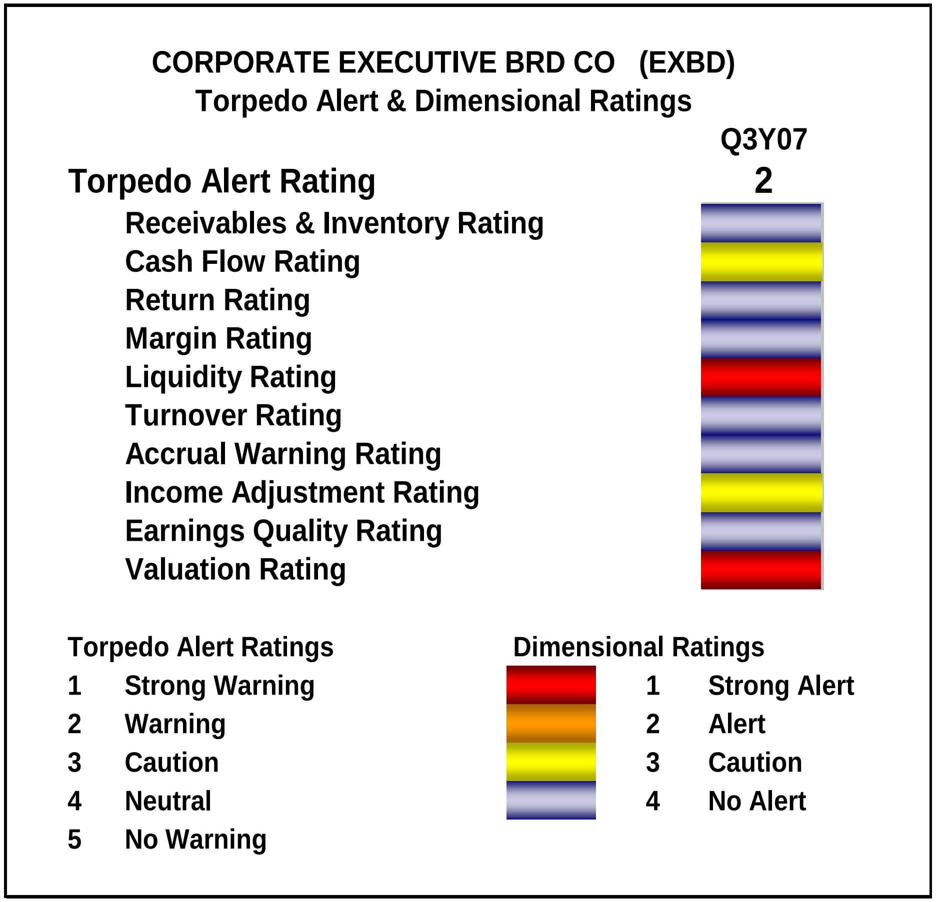
Torpedo Alert® Short Profiles

Corporate Executive Board Co. (EXBD)



Issues Included:

•Declining growth in the large company market has forced EXBD to pursue middle market companies rather than the Fortune 1000 companies that had been the core of its customer base. This kind of transition can be a "tipping point" for companies in their cycle of growth. Already operating cash flow is a decreasing percentage of revenues.

Besides these changes we also note other factors facing the company:

•1) Declining ability to generate operating cash flow.

•2) Increased employee and office space costs as the company moves to new headquarters.

•3) Lack of operating leverage due to increased marketing hiring and other factors.

•4) An incentive compensation plan that is not supportive of shareholders with several exclusions from calculated earnings.

•5) Fewer obvious areas to develop new programs, which limits program growth.

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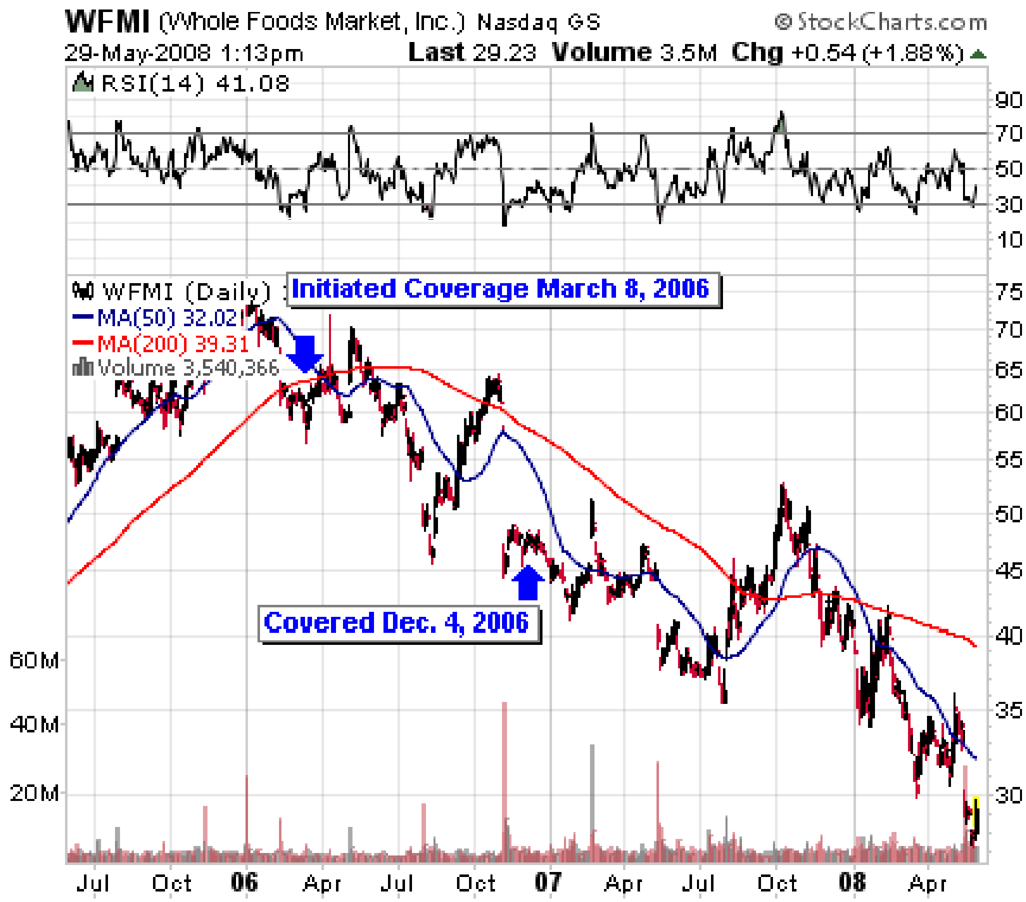
Torpedo Alert® Short Profiles

Whole Foods Market, Inc. (WFMI)



Whole Foods was touted as the hot new supermarket chain concept, with a focus on organics and high customer service. However, one-time events had driven a portion of the company's same-store-sales growth, while multiple restatements and lease accounting caused confusion. Operating expenses were increasing for the retailer, while the accelerated vesting of stock options had hidden a true company expense.

Mar. 8, 2006 - Initiating coverage, as competition was heating up in natural and organic groceries, with existing grocers adding space in this area, and numerous concept stores were popping up across the U.S.

Dec. 4, 2006 - Discontinued coverage after the company posted its second consecutive quarter of single-digit comp store sales, and the slowed growth story we had portrayed was now much better known.

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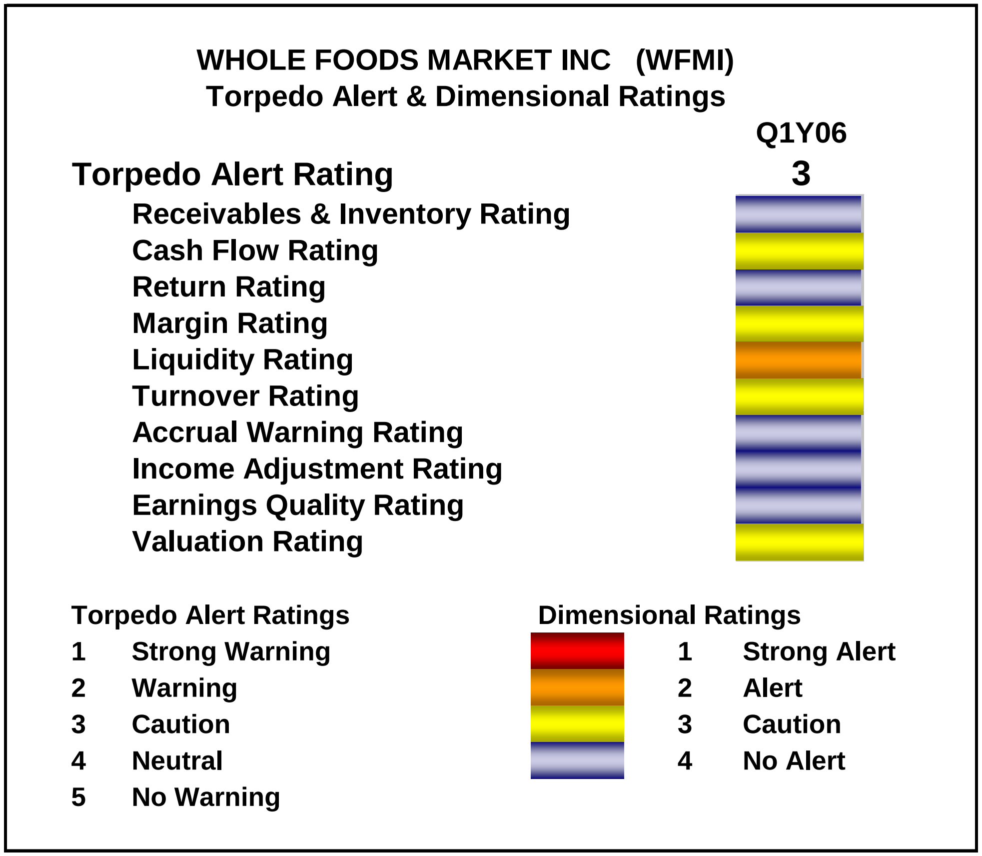
Torpedo Alert® Short Profiles

Whole Foods Market, Inc. (WFMI)



Issues Included:

•While competition was increasing from old line grocers entrance into the organics market, an existing grocers were rolling out new chain concept stores, one-time items, such as remodels and increasing space for prepared foods, which had contributed to same store sales growth were starting to anniversary, and would have less impact going forward. Meanwhile operating costs were increasing faster than sales, and would pressure margins going forward.

•Several accounting and operational issues, including:

•1) Stock options overstating operating cash flow and creating a virtuous cycle of cash flow
•2) Stock option distortion in operating expense metrics
•3) Use of operating leases disguising debt position
•4) Restatements were confusing and contributed to achievement of EVA performance goal
•5) The expense eraser: early vesting of stock options
•6) Poor cash flow quality and declining cash flow margins.
•7) Increase in operating expenses offset by decline in cost of goods sold
•8) Increasing labor costs (even without stock options) as percentage of full time employees increased
•9) Increasing lease costs indicated from percentage sales provision

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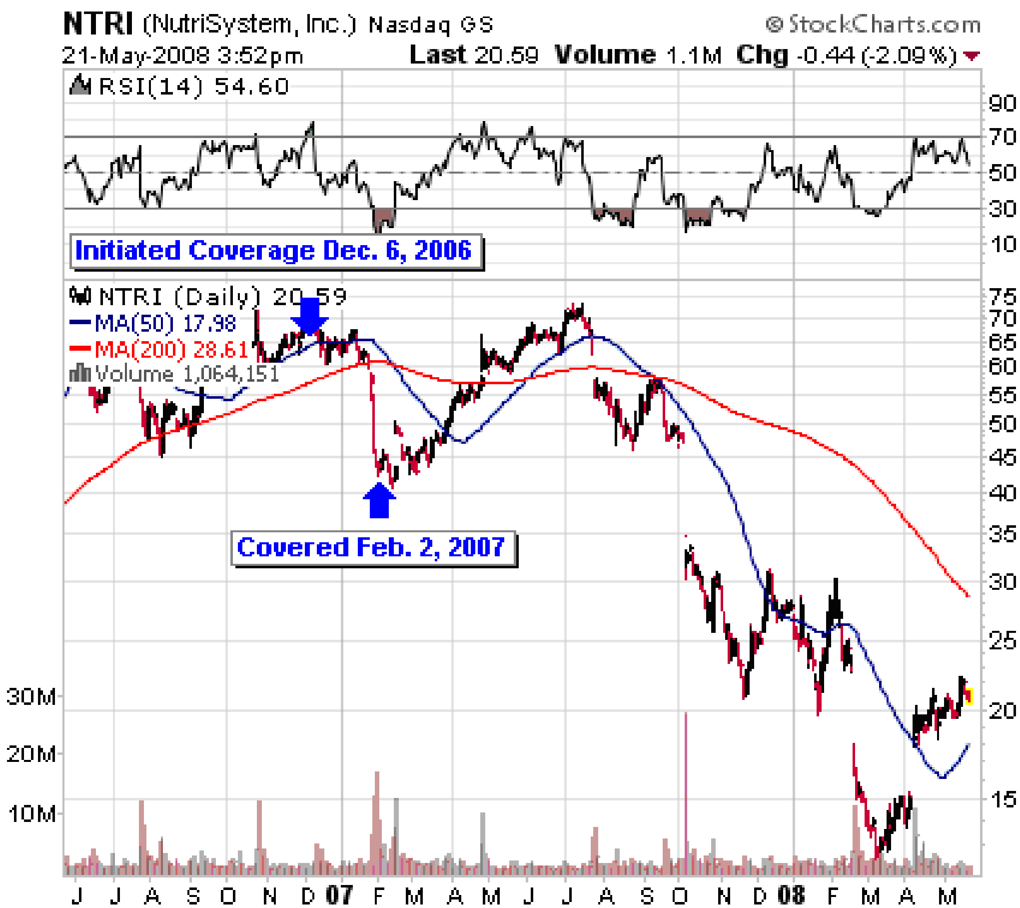
Torpedo Alert® Short Profiles

NutriSystem, Inc. (NTRI)



NutriSystem had been a hyper growth, turnaround story for several years. New management had changed strategy and the company has grown rapidly from $23 million to $212 million in sales over the past two fiscal years. The number of new customers per year had grown from 23,000 to 347,000. However, there was a serious flaw in the company's business model, which required the company to replace a larger amount of clients 5-6 times every year to grow the company.

Dec. 6, 2006 - Reinitiating coverage, from July 12, 2006 Original Short Profile on NutriSystem (NTRI) based on falling acceptance of product and negative comments on food.

Feb. 2, 2007 - Discontinued coverage after NTRI had corrected 40.9% from our reissuing coverage on December 6, 2006 at $73.77.

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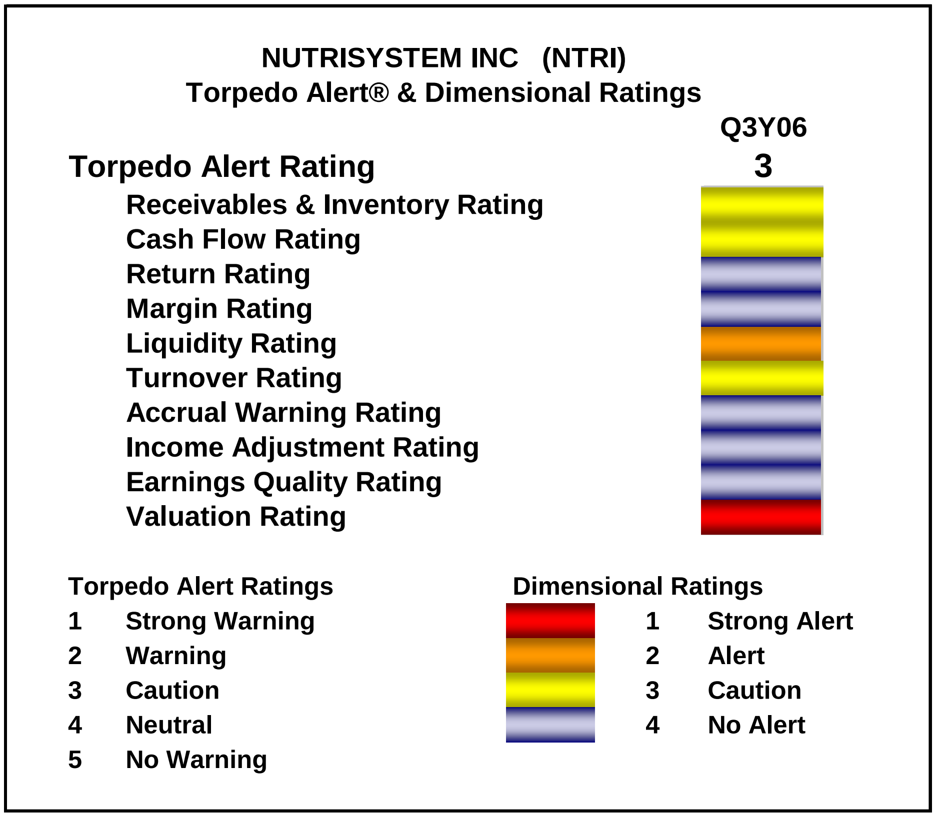
Torpedo Alert® Short Profiles

NutriSystem, Inc. (NTRI)



Issues Included:

•The biggest issue facing the company is the fact that customers typically buy for an average of only 10 weeks and then leave the program. While some dieters do return, it means that the company has to replace each customer about 5-6 times each year. With the growth shown and expected by analysts in NTRI this puts increasing demands on marketing. By our calculations, customers are already buying less which will make sustained growth more difficult by requiring even more new customers.

•Several accounting and operational issues, including:

•1) Overstatement of revenue: no net-out of returns in reported revenue
•2) Increasing product returns: suggesting poor quality
•3) Overstated cash flow: significant tax benefits from stock options
•4) Price increases: not likely a sustainable source of growth
•5) Food production and transportation costs: energy intensive and increasing rapidly
•6) One-time improvement to margins: switch in the business model to an internet based marketing thus reducing overhead costs
•7) Reduced buying: declining revenue per customer

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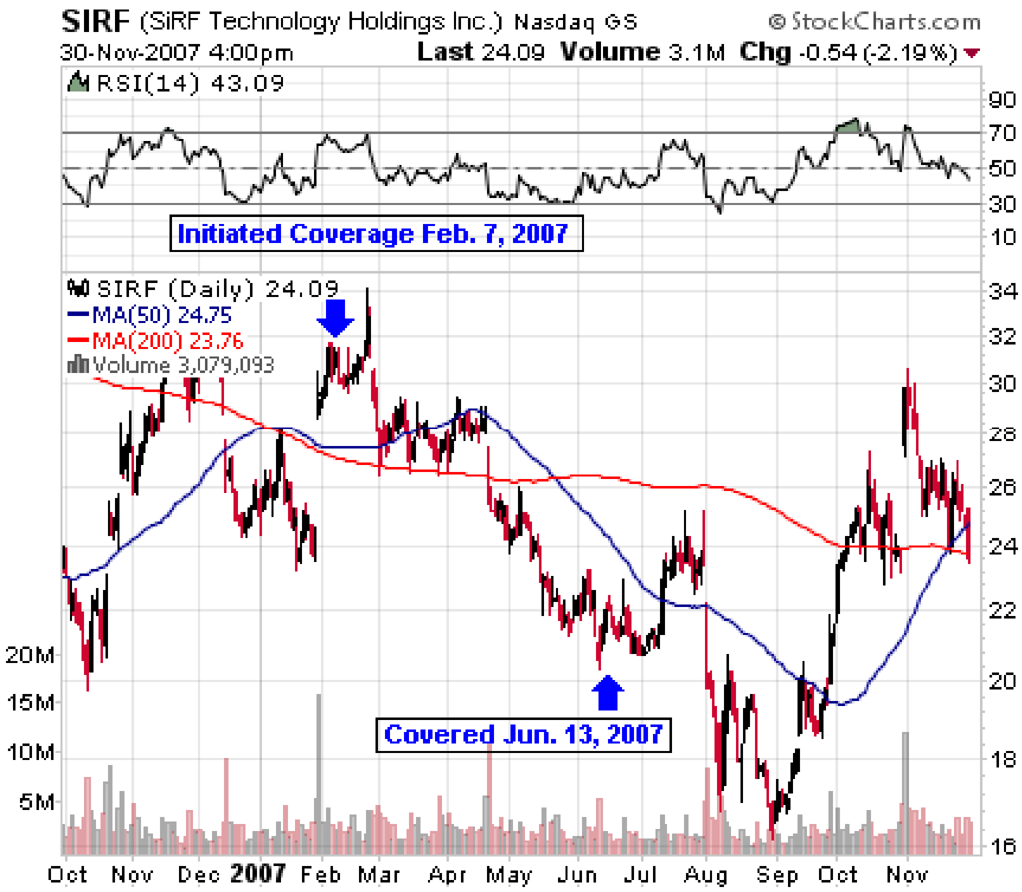
Torpedo Alert® Short Profiles

SIRF Technology Holdings, Inc. (SIRF)



The company's near monopoly position is now being eroded by new competitors of all sizes. The company has already lost business with one of its major customers, Tom-Tom who selected Global Locate as a chipset source for the company's most popular product recently and previously used only SIRF chips. The company is also facing significant declines in ASPs for its products that will likely nearly completely offset expected volume in units.

Feb. 7, 2007 - Initiated coverage on SiRF based on increasing competition for the company's chips and software and declining ASPs for its products.

Jun. 13, 2007 – With rumors circulating that SiRF may be an acquisition target, we discontinued coverage after SiRF had corrected 26.8% from our initial coverage on Feb. 7, 2007 at $29.38.

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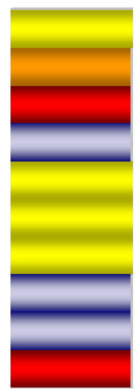
Torpedo Alert® Short Profiles

SIRF Technology Holdings, Inc. (SIRF)

SIRF TECHNOLOGY HOLDINGS INC (SIRF)
Torpedo Alert & Dimensional Ratings

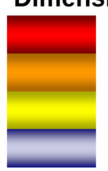
	Q3Y06
Torpedo Alert Rating	**2**
Receivables & Inventory Rating	
Cash Flow Rating	
Return Rating	
Margin Rating	
Liquidity Rating	
Turnover Rating	
Accrual Warning Rating	
Income Adjustment Rating	
Earnings Quality Rating	
Valuation Rating	



Torpedo Alert Ratings

1 Strong Warning
2 Warning
3 Caution
4 Neutral
5 No Warning

Dimensional Ratings



1 Strong Alert
2 Alert
3 Caution
4 No Alert

Issues Included:

•**With competition increasing and chip prices in a downward path, large forecast risks by our analysis include significant use of pro-forma estimates, competitive pressure on revenue growth, gross and operating margins. SIRF is likely to disappoint in our view in 2007.**

•**Several accounting and operational issues, including:**

•**1) Margin assumptions may be too aggressive.** The company may not be able to cut costs as fast as the decline in ASPs, pressuring both gross and operating margins.
•**2) Cash flow quality is also showing a warning.** Our adjusted cash flow is less than half that reported on a TTM basis.
•**3) Revenue assumptions may be too aggressive.** The loss of some of the company's business with TomTom, along with the increasing competition and ASPs that are in free fall may mean significant revenue risk.
•**4) Stock option effects are significant and dilution a risk.** Even if investors choose to focus on pro forma earnings, dilution is real and represents 16.5 percent of outstanding shares presently.
•**5) Valuation is very high.** Currently the company trades at 588 times trailing earnings, 6.2 times sales, and 110 times trailing cash flow .

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Torpedo Alert® The Team

- **Bruce Gulliver**
  - BA, Magna Cum Laude, Hastings College
  - Ph.D. Business Economics: Claremont Graduate School
  - CFA (1990)
  - Adjunct Finance Instructor (1977 - 78)
  - Energy Industry Analyst (1978 - 87)
  - PacifiCorp Financial Services (1988 - 89)
  - Jefferson Research & Management (1989)
  - Invited Speaker at 2002 AIMR Conference and 2003 Annual Meeting on subject: "Revelations From Financial Reporting: Detecting Company Problems"
  - Speaker at 2004 CFA Institute Equity Research and Valuation conference

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Torpedo Alert® The Team

- **Kevin Tyree**
  - BA in Finance
  - Honors Graduate, Portland State University
  - CFA Level III Candidate
  - Nine Years of Experience

- **Bruce Maughan**
  - BS in Finance and Accounting
  - Honors Graduate, Portland State University

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Customized:	$40,000
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