



Growth Stock Watch

DOW 30: 11,199
NASDAQ COMP: 2,102
RUSSELL 2000: 693

Geoffrey J. Eiten, Publisher ♦ Denelle A. Swaim, Managing Editor ♦ 300 Chestnut St., Ste. 200, Needham, MA 02492 ♦ 781.444.6100 ♦ www.otcgs.com

MARKET COMMENTARY



Basically, things haven't changed much since last month - other than the foiled hijackings plot that was to take place on various U.S. airliners. In general, the markets have been quiet, primarily because it is August. The markets tend to slow down about this time while everyone

finishes off the last of their summer vacations. However, I have seen a slight pick up in the buying of small cap stocks lately.

Things will probably remain slow through Labor Day, at which time I believe the markets will gradually drift higher because the Feds are finally slowing down the interest rate hikes and possibly halting them all together.

This month's recommendation, Mikron Infrared Inc's. (NASDAQ:MIKR) fundamental performance is way outperforming its stock performance and, in my opinion, is extremely undervalued at under \$10 per share. Read on to see why.

— **Geoffrey Eiten, Publisher**

BUY MIKRON INFRARED

Mikron Infrared, Inc (Nasdaq:MIKR) has been an innovative leader in the field of infrared non-contact temperature measurement since 1969. The Company provides industrial customers and R&D laboratories with instrumentation ranging from convenient, single point portable infrared thermometers to complete thermal imaging systems and blackbody radiation calibration sources.

The basic theoretical principle behind infrared thermometry is that all physical objects emit infrared radiation. The amount of radiation emitted is a function of the surface temperature of each object. Mikron Infrared's infrared thermometers and thermal imaging systems detect and measure that radiation, convert it into an electric signal and translate that signal into a temperature reading or thermal image of the target surface of the object, all without contact with the object.

Basic components of the Company's infrared thermometers and thermal imaging systems consist of a detector which converts the infrared radiation emitted from the surface of the focused object into an electrical signal, in the case of its single point infrared thermometers, the detector is a single element sensitive to incoming photons, in the case of Mikron Infrared's two-color infrared thermometers, two detectors are employed which measure and ratio the intensities of two adjacent wave lengths, and in the

Company's thermal imaging systems, the detector is a matrix - called a focal plane array - of rows and columns of elements sensitive to the incoming photons, electrical circuitry, a microprocessor with firmware, an LED or LCD display, protective housings for these components, and communication software for data recording and manipulation.

Mikron supplies high speed, high accuracy and high-resolution non-contact temperature



measurement systems for process control, predictive maintenance, nondestructive testing, and laboratory research. The Company has developed extensive application expertise in many industries, which drives ongoing development of new products and solutions to help customers maintain a competitive advantage through process improvement.

The Company designs and manufactures the most complete line of blackbody sources for the calibration of infrared thermometers, thermal imaging systems, radiometers and spectrometers. The source temperature capabilities of the Company's blackbody sources range between minus 40° C - 3,000° C (minus 4° F - 5,430° F). This line of products has garnered Mikron a worldwide reputation of excellence for its accuracy and reliability and has made it a recognized leader in this field.

Mikron Infrared also designs, assembles and/or markets accessories and optional equipment for its infrared thermometers, such as Infracouple® infrared temperature sensors, lenses, fiber optic assemblies, calibration equipment, mounts, protective jackets and cases, batteries, chargers and camera adapters.

The Company also services its products during and after the expiration of the applicable warranty period, which is from one to two years, depending on the model. These services also include recalibration of infrared thermometers, blackbody sources and thermal imagers. In order to provide the highest degree of accuracy in the performance of calibration services, Mikron calibrates its own testing equipment and blackbody sources with Mikron single point temperature measurement devices that have been tested and calibrated by the U.S. National Institute of Standards and Technology or NIST.

GROWTH THROUGH ACQUISITION

In August 1999, the Company purchased hardware and software assets that Texas Infrared, Inc. employed in connection with its manufacture

MIKRON INFRARED STOCK PERFORMANCE • MIKR



BUSINESS:	TECHNOLOGY
NASDAQ SYMBOL:	MIKR
MARKET PRICE:	\$10.15 (8/15/06)
52-WEEK RANGE:	\$5.39 - 16.85
AVERAGE DAILY VOLUME:	20,661
MARKET CAP:	\$56.72 Million

MIKRON INFRARED, INC.
16 THORNTON ROAD
OAKLAND, NJ 07436
TEL: 201.405.0900
FAX: 201.405.0090

WEB SITE: HTTP://WWW.MIKRONINST.COM

and sale of industrial fixed position uncooled focal plane array thermal imaging cameras. The Company has incorporated the software technology acquired from Texas Infrared into its line of thermal imaging cameras.

In May 2000, Mikron acquired all of the issued and outstanding shares of the common stock of E2T, a privately held California corporation. In 1974, E2T began developing and manufacturing non-contact infrared temperature measurement devices for use in many different industries and applications, such as chemical, petrochemical and

**Dear OTC-Growth Stock
Watch Reader:**

Mr. Eiten enjoys hearing from his subscribers. Please feel free to call and receive a personal response to your investment questions. This service is available free to all subscribers to OTC-GSW. Call today: 781-444-6100x613 or log on to www.otcresearch.com.



**QUESTIONS? CALL OTC-GSW DIRECT
888-2-OTCGSW**

petroleum refineries, hazardous waste incinerators, furnaces, rotating kilns, high temperature reactors, glass plants, pulp mills and steel mills. In fiscal year 2002, Mikron merged E2T into the Company. Now, its E2T line of industrial infrared temperature sensors and controllers are capable of measuring temperatures ranging from ambient to 5,000° F with response times as fast as one millisecond.

In April 2001, the Company acquired the right to manufacture and market three infrared thermometers and a data recording device via a license granted by Quantum Logic Corporation. The Company now offers two of those thermometers - both of which are portable single point temperature measurement units - as part of its product line. The agreement with Quantum Logic obligated Mikron to purchase their existing inventory of parts for the four licensed products, and to pay a royalty on all sales. That agreement also provided that Quantum would not license the four products to anyone else; would cease manufacturing and selling the four products at a mutually agreed upon time; and could revoke the license if Mikron failed to sell at least \$300,000 of licensed products per year.

The annual dollar volume of the Company's sales of those products has never exceeded that threshold. Although Quantum could revoke the agreement, it has thus far chosen not to do so. According to Mikron, the Company believes that Quantum will continue to refrain from revoking the agreement.

In November 2002 through Mikron Europe GmbH, or Mikron Europe, a German subsidiary, the Company purchased: IMPAC Electronic GmbH, or IMPAC; Infra sensor Spezialpyrometer GmbH, or Infra sensor; INFRAPOINT Messtechnik GmbH, or Infracpoint; IMPAC FRANCE Sarl, or IMPAC France and IMPAC Infrared LTD, or Infrared; and 90% of the outstanding share capital of IMPAC Systems GmbH, or Systems, referred to, together with IMPAC, Infra sensor, Infracpoint, IMPAC France, and Infrared, as the IMPAC Companies.

PRINCIPAL MARKETS, MARKETING AND CUSTOMERS

Mikron's infrared thermometry products and accessories are used industrially in manufacturing processes to measure the process temperature of metals, wood, plastics, paper, textiles, rubber, glass, ceramics, food and chemicals; by original equipment manufacturers; for condition monitoring and preventative and predictable maintenance purposes to check temperatures of kiln walls, heat exchangers, boilers, engines, compressors, transmissions, bearings, gears, pumps, steam lines and traps, transformers, electrical switch gear and heat loss prevention; and for quality control to test the temperature and integrity of electronic equipment, electrical components and circuitry, insulation, and cooling and heating systems.

Mikron products are sold through a network of approximately 120 independent sales representatives worldwide. The sales activities of sales representatives are coordinated by 32 employees who are also directly responsible for the balance of sales. The Company promotes its products through printed advertisements in selected industrial and trade journals and by

MIKRON INFRARED FINANCIAL PROFILE • MIKR			
3 Months Ended	Apr 30, 2006	Apr 30, 2005	%Chg
Net Revenue	\$9,260	\$7,600	+21.8%
Net Income	\$969	\$570	+70%
Earnings Per Share	\$0.17	\$0.10	+70%
12 Months Ended	Oct 31, 2005	Oct 31, 2004	%Chg
Revenue	\$30,016	\$26,017	+15.4%
Net Income	\$ 2,395	\$1,793	+33.6%
Earnings Per Share	\$0.44	\$0.34	+29.4%
CURRENT ASSETS: \$16,027		CURRENT LIABILITIES: \$5,289	
CASH & CASH EQUIVALENTS: \$2,083		STOCKHOLDERS' EQUITY: \$16,852	
LONG TERM DEBT: \$80			
(in thousands, except per share data)			
Gerald D. Posner CEO, President Phone: 201.405.0900	Mikron Infrared, Inc. 16 Thornton Road Oakland, NJ 07436		

participating in national and international trade shows.

COMPETITION

There is significant competition among the manufacturers of infrared thermometry products. According to Mikron, its sales constitute a small percentage of the worldwide market for these products. The primary competitive factors applicable to infrared thermometry products are accuracy, sensitivity, response time, quality control and the availability of products that optimize performance in specific applications, conditions and temperature ranges.

Mikron considers principal competitors to be: Flir Systems, Inc., Infrared Solutions, Inc., Ircan, Inc., Land Instruments International, Ltd., Raytek Corporation and L-3 Communications Infrared Products to be competitors in the market for thermal imaging products; and CHINO Corporation, Eurotron Instruments, S.p.A., Exergen Corporation, Heitronics Infracor Messtechnik GmbH, Ircan, Inc., Land Instruments International, Ltd. and Raytek Corporation are competitors in the market for single point non-contact temperature measurement devices. According to Mikron, CI Systems, Inc., Electro Optical Industries, Inc. and Santa Barbara Infrared, Inc. are competitors in the manufacture and marketing of blackbody radiation calibration sources.

Though the Company intends to continue to expand its single point measurement and black body product lines, Mikron believes it will achieve greater revenue growth through expansion of marketing efforts and offerings in its thermal imaging product line. According to the Company, as the costs of camera components become less expensive, the costs of its thermal imaging products, as well as those of its existing competitors and new competitors will diminish to levels that will become competitive from a price perspective with other non-contact temperature measurement applications currently employed by end users in markets that, up to the present, Mikron and competitors have not been able to enter.

QUALITY ASSURANCE

Mikron products are ISO 9001:2000 certified. The Company is also certified to ATEX and CSA

standards. These international customer driven certifications, encompass all operating aspects of the Company's business, including sales and marketing, design and engineering, manufacturing, testing and calibration. They also confer to the Company's quality systems and operating systems a standard of recognition that is understood and accepted by most domestic and international customers.

Mikron's principal products (including the principal products of its IMPAC Companies) have also been tested and certified to meet or exceed sensitivity and emissions standards for electro-magnetic interference established by the European Union. The Company's products and systems also have been approved for use in accordance with the hazardous locations standards set by CSA International, which has been accredited by OSHA as a nationally recognized testing laboratory in the United States and accredited as a Certification Organization and Testing Organization by the Standards Council of Canada.

RESEARCH AND DEVELOPMENT

The Company conducts product development activities to increase the size of its available market through broader product offerings and to reduce the cost of its products. Mikron believes this results in more competitive pricing and better operating margins. For the past six years, the Company's research and development activities have been primarily devoted to the development of new infrared thermometry products, as well as the adaptation and enhancement of existing products for new applications.

According to Mikron, the Company's ability to maintain a technological edge in infrared technology and to achieve early market entry with new infrared thermometry products are critical factors to its business. During fiscal 2005, the Company increased R&D expenditures by approximately 19% over R&D expenditures in fiscal 2004. The Company performs research and development in the United States and in Europe and intends to maintain its commitment to research and development at or above current levels of expenditure, provided that revenues continue to justify the allocation of financial resources in that way. Most of the new products that Mikron has introduced over the last several years were a direct outgrowth of the Company's research and development program.

RECENT DEVELOPMENTS

Mikron Infrared recently announced financial results for the first six months and second quarter of its fiscal year ending October 31, 2006.

Mikron's three and six month sales and operating income were records for the company. Sales of \$9,259,787 for the second quarter of fiscal 2006 were 22% higher than the \$7,599,721 of sales achieved during the same quarter in fiscal 2005. Operating income increased by 54% to \$1,575,839 in the second quarter of fiscal 2006, from \$1,021,786 in the second quarter of fiscal 2005.

Mikron's six month sales were \$17,602,788 for fiscal year 2006 compared to \$14,963,138 for same period in fiscal year 2005, for a comparative 18% increase. The company posted a 39% increase in

operating income to \$2,904,098 for the first six months of fiscal year 2006, compared to \$2,093,557 for the comparable period in fiscal 2005.

Both basic and fully diluted earnings per share were \$0.17 for the second quarter of fiscal 2006, compared to \$0.10 in the second quarter of fiscal 2005. Basic and fully diluted earnings per share were \$0.31 for the first six months in fiscal year 2006, compared to \$0.22 for the comparable period in fiscal 2005.

Mikron President Posner said, "I am pleased with our second quarter performance which showed sustained strong sales and operating profit performance. Mikron's North American operations, which are experiencing an upward trend, outperformed the solid second quarter results of Mikron's European unit. This resulted in the significant increase over the comparable quarter last year in sales and operating income."

Kohmescher, Mikron's Chief Financial Officer said, "Mikron has continued to retire its long-term debt, reducing it by over \$750,000 in the second quarter, and by more than \$1,300,000 during the first half of fiscal 2006. Our strong cash position allowed us to acquire Kleiber GmbH on May 01, 2006 while, at the same time, we paid off all remaining debt related to the acquisition of IMPAC that we made three and a half years ago. The payment schedule we negotiated with the principals of Kleiber has enabled us to pay the approximately \$330,000 purchase price without utilizing any bank financing."

POINTS OF LIGHT

In a niche sector like thermometry, market leadership is established through with a solid business plan, continued research and development as well as effective sales and marketing. Mikron Infrared is carving its position in this growing sector with strategic acquisition, research and development and other targeted growth strategy. So far, management's strategy has been effective- maintaining consistent growth year-over-year and impressive quarter-over-quarter performance. As the Company continues to grow its footprint by developing and maintaining additional market share, look for continued bottom-line increases over the horizon for this niche, high tech pure play whose products impact a broad range of industries.

CORPORATE NEWS UPDATES

❖ ABAXIS, INC.

Abaxis (Nasdaq:ABAX) recently announced results for the first fiscal quarter ended June 30, 2006. For the period, Abaxis reported revenues of \$20.4 million, as compared with revenues of \$14.3 million for the comparable period last year, an increase of 43 percent. Instrument revenue, reagent disc and hematology reagent revenue increased by \$5.5 million or 41 percent over the same period last year. The Company reported net income attributable to common shareholders of \$2.4 million, compared to \$1.0 million for the same period last year. The Company's effective tax rate in the quarter ended June 30, 2006 was 40 percent, compared to 36 percent for the same period last year. The Company reported diluted

net income per share of \$0.11 (calculated based on 21,758,000 shares), compared to \$0.05 per share (calculated based on 21,120,000 shares) for the same period last year.

Severson, president and CEO said, "With revenues up 43% and net income increasing 140% versus the comparable quarter last year, we are very gratified with the results of the first quarter of fiscal year 2007. We achieved strong sales growth in all of our product segments. We are particularly pleased with the 123% increase in our medical business. Our distribution partners are doing a consistent job of introducing our products to the various segments of the medical markets. Utilizing our Piccolo system medical professionals are increasingly taking advantage of the opportunity to confidently diagnose medical conditions, prescribe effective treatment regimes and produce improved patient outcomes on a more timely basis. We are in the early stages of developing this market and we are encouraged by the great opportunities ahead."

The Company also announced that it has entered into a formal distribution agreement with Infoblab, Inc., one of the oldest independent laboratory companies in the U.S. Infoblab, Inc. will sell and distribute the Piccolo® chemistry analyzer and the complete line of Abaxis' reagent discs within the U.S. medical market.

ABAX remains a STRONG BUY under \$22.

Abaxis, Inc. develops, manufactures and markets portable blood analysis systems for use in any veterinary or human patient-care setting to provide clinicians with rapid blood constituent measurements.

❖ ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.

Perot Systems Corporation (NYSE: PER) announced a new 10-year agreement with University Physicians & Surgeons Inc. (UP&S) of Huntington, West Virginia. Under terms of the contract, valued at approximately \$80 million, Perot Systems will provide information technology and revenue cycle services. Perot Systems also will fund, implement, and operate the full suite of Allscripts' (Nasdaq: MDRX) TouchWorks(TM) electronic health record.

The collaborative agreement will provide the 175-physician practice plan with resources that are essential for modern medical practice management. "One major reason UP&S chose Perot Systems was its ability to deliver the best in technology to meet patient care needs using a model that helps us manage costs while enhancing patient services," said James Schneider, executive director of UP&S.

The Company also announced its results for the three and six months ended June 30, 2006. Total revenue for the three months ended June 30, 2006 was \$60.0 million, compared to \$29.5 million for the same period last year. Revenue from software and related services for the three months ended June 30, 2006 was a record \$46.7 million, compared to \$16.1 million for the same period last year, increasing by approximately 190%. Revenue from software and related services reflects the first full quarter of integration with A4 Health Systems.

Net income for the three months ended June

30, 2006 was \$2.8 million, or \$0.05 per diluted share, compared to net income of \$2.0 million, or \$0.05 per diluted share, for the same period last year. Cash earnings for the three months ended June 30, 2006 was \$9.8 million, or \$0.18 per diluted share, compared to cash earnings of \$3.6 million, or \$0.08 per diluted share, for the same period last year. Cash earnings are comprised of net income giving effect to the add-back of income taxes, depreciation and amortization, stock-based compensation and one-time A4 integration costs.

"The second quarter was the strongest in Allscripts history, with record earnings and strong sales growth, confirming that we continue to gain traction in the market by offering the right solutions at the right time," said Tullman, CEO. "A4 contributed solid results in the first full quarter since the acquisition, confirming Allscripts as the clear leader across all segments of the ambulatory market, and demonstrating our ability to grow quickly while also investing in the future."

Allscripts also announced that Novant Health has selected the TouchWorks(TM) Electronic Health Record to automate and connect all of their 587 employed physicians across 141 locations in North Carolina and South Carolina. The contract, in excess of \$6 million, marks the largest single TouchWorks deal in Allscripts history.

Novant Health serves 3.4 million residents in 34 counties and is comprised of physician medical groups and eight hospitals: Presbyterian Hospital, Presbyterian Orthopaedic Hospital, Presbyterian Hospital Matthews and Presbyterian Hospital Huntersville in the Charlotte region; Forsyth Medical Center and Medical Park Hospital in Winston-Salem; Thomasville Medical Center in Thomasville; and Brunswick Community Hospital in Supply, NC.

MDRX remains a STRONG BUY under \$22.

Allscripts Healthcare Solutions, Inc. provides clinical software, connectivity, and information solutions to physicians in the United States. It has three segments: Software and Related Services; Information Services; and Prepackaged Medications

❖ ARGON ST, INC.

Argon ST, Inc. (NASDAQ:STST) announced revenues and earnings for its third fiscal quarter and nine months ended July 2, 2006.

Revenues for the three months ended July 2, 2006 were \$68,902,000 compared to \$75,611,000 for the prior year quarter. This represents a decrease of \$6,709,000, down approximately 9%, from the prior year quarter. Revenues for the nine months ended July 2, 2006 increased \$4,617,000 to \$192,690,000 up approximately 2%, compared to \$188,073,000 for the prior year period.

Net income for the three months ended July 2, 2006 was \$5,166,000 or \$0.23 per diluted share, a decrease of approximately 12% compared to \$5,855,000 or \$0.28 per diluted share for the prior year quarter. For the nine months ended July 2, 2006 net income was \$15,291,000 or \$0.69 per diluted share, a decrease of approximately 3% compared to the prior year period of \$15,719,000 or \$0.76 per diluted share.

CEO Collins, said, "Our third quarter performance was somewhat better than the revised mid year plan in terms of sales and earnings, but there was a reduction from last year's results. Additionally, although contract awards are taking longer than planned, we are seeing both increasing opportunities and high success rates on those programs that we choose to pursue. We believe that with our new technology developments, acquisitions, and key contract awards we are laying the foundation for resumption of our targeted growth plans."

STST remains a BUY under \$22.

Argon ST Inc., formerly Sensytech, Inc., designs, develops and manufactures systems and equipment for integrated passive surveillance systems for military and commercial customers.

❖ **BJ'S RESTAURANTS INC.**

BJ's Restaurants Inc. (NASDAQ:BJRI) reported revenues and net income for the second quarter ended July 4, 2006.

During the first quarter of fiscal 2006, the company adopted SFAS No. 123 (Revised), "Share-Based Payment." SFAS No. 123R requires the fair value measurement of all stock-based payments to employees, including grants of stock options, and recognition of those expenses in the company's results of operations. Including the impact of FAS No. 123R on a pro-forma basis in the prior year's second quarter, net income increased approximately 64% to \$2.3 million compared to non-GAAP pro-forma net income of \$1.4 million, and diluted net income per share increased approximately 67% to \$0.10 compared to non-GAAP pro-forma net income per share of \$0.06 in the prior year's second quarter.

"We were pleased with our financial results for the second quarter of 2006," said Deitchle, president and CEO. "Our 5.9% comparable sales increase during the second quarter represented our 39th consecutive quarter of positive comparisons on that measure since our 1996 IPO, and was achieved in spite of a very difficult sales and operating environment for casual dining restaurants in general. We believe that our positive sales trends can be principally attributed to BJ's continuing favorable price/value relationship as perceived by our guests, coupled with improving operational execution."

"Our fiscal 2007 development plan is nearly completed, with five signed leases and several signed letters of intent already in hand for as many as 13 openings next year," said Deitchle. "Our primary growth goal is to achieve a 20 percent to 25 percent increase in total restaurant operating weeks during each of 2006 and 2007. We remain very confident that we can achieve that goal in a high-quality manner. BJ's stands for high-quality restauraunteering -- high-quality food, beverages, service, locations, facilities and ambiance -- at an outstanding value for our guests. We will settle for nothing less as we continue to execute our growth plan."

BJRI remains a BUY under \$18.

BJ's Restaurants Inc., formerly Chicago Pizza & Brewery, Inc. (BJ's) owns and operates 29 restaurants located in California, Oregon, Colorado, Arizona and Texas and receives fees from one licensed restaurant in Lahaina, Maui.

❖ **CATAPULT COMMUNICATIONS CORP.**

Catapult Communications Corporation (Nasdaq: CATT) reported that revenues for its third fiscal quarter ended June 30, 2006 were \$10.8 million, compared to \$14.3 million in the third quarter of fiscal 2005. Net income for the third quarter of fiscal 2006 was \$1.1 million or \$0.07 per diluted share, compared to \$2.4 million or \$0.16 per diluted share in the same period a year ago.

For the three months ended June 30, 2006, the Company reported pre-tax loss of \$1.0 million, compared to pre-tax income of \$2.8 million for the third quarter of fiscal 2005. The pre-tax loss for the third quarter of fiscal 2006 reflected the impact of approximately \$748,000 in pre-tax, non-cash stock option expenses recognized under FAS123®. No stock option expenses were recorded in the third quarter of fiscal 2005. For the three months ended June 30, 2006, the Company recorded a tax benefit of \$2.1 million, compared with a tax provision of \$0.4 million in the same period a year ago.

At the end of the third fiscal quarter, the Company had approximately \$5.4 million in orders on hand requiring additional product development on which revenue has not yet been recognized. The Company expects to begin recognizing this revenue in the fourth quarter of its current fiscal year.

During the quarter, the Company's cash, cash equivalents and short-term investment position increased by \$2.4 million to \$73.9 million at quarter end.

"We continue to see a decline in business in Japan; however, orders and revenue again grew during the third quarter in our Rest of World region, which includes China, Korea, and India," said Karp, Catapult Chairman and CEO. "Overall, we are seeing signs of weakness in the telecom industry, but new technologies should ultimately begin to create good opportunities for Catapult to address."

CATT is a SELL.

Catapult Communications Corporation designs, develops, manufactures, markets and supports advanced software-based test systems offering integrated suites of testing applications for the global telecommunications industry.

❖ **CENTRAL EUROPEAN DISTRIBUTION CORPORATION**

Central European Distribution Corporation (Nasdaq: CEDC) announced financial results for the second quarter ended June 30, 2006. Unaudited net sales for the three-month period ended June 30, 2006 increased 35% to \$222 million, from \$164 million for the same period in 2005. Unaudited operating income increased 195% to \$22.0 million for the three-month period ended June 30, 2006, from \$7.5 million for the same period in 2005.

Carey, CEO and President, said, "We had another strong quarter of operating performance delivering record cash flow of \$30.5 million and operating profit of \$22.0 million for the quarter. The underlying profit drivers were an improved gross margin and a reduction in SG&A expense (12% reduction) as a percentage of sales from the first quarter.

"We continue to see rapid consolidation in the wholesale trade in Poland and are working diligently to make distributor acquisitions of \$65 million of annualized revenue before the end of the year. We also see significant acquisition opportunities in the spirit sector within Central Europe in which we currently have taken the first step with the acquisition of Bols Hungary and the Royal Vodka brand. We have also solidified relationships in our existing key export markets with new export agreements that take effect from July 2006."

CEDC remains a BUY under \$22.

Central European Distribution Corp. is an importer and distributor of alcoholic beverages in Poland. The Company operates through its subsidiaries.

❖ **CERADYNE, INC.**

Ceradyne, Inc. (Nasdaq: CRDN) received a purchase order from Mack Trucks, Inc. for a prototype lightweight ceramic armored truck cab incorporating technology specifically designed to meet the requirements of the U.S. Army's recently announced Long Term Armor Strategy (LTAS). Ceradyne expects to deliver the armored cab to Mack in August 2006.

The cab is a Mack® Granite(TM) typically used in severe service applications. Ceradyne will incorporate its FlexKit(TM) ceramic armor system which is adjustable and interchangeable and consistent with LTAS requirements for ballistic and blast protection. The build will be performed at Ceradyne's Wixom, Michigan, facility, with the lightweight armor design allowing the use of Mack's standard drive train components. Mack is actively working with engineering firms to optimize the overall cab design, with a focus on crew situational awareness and ease of operations.

Marc King, VP of armor operations, said, "We are pleased to be teaming with Mack to develop this new truck armor concept for the U.S. Army's long term armor strategy. The primary objective of using Ceradyne's lightweight armor as part of the overall design is to protect the crew from high levels of ballistic threats, including blast protection, and achieve a significant reduction in weight, compared to traditional all-metal armor.

"It is our understanding that Mack plans to feature this cab in live-action demonstrations for the U.S. Army, and other agencies, as a production solution for future armored truck requirements."

CRDN remains a BUY under \$45.

Ceradyne develops, manufactures and markets advanced technical ceramics for industrial, electronic, defense and consumer applications.

❖ **COMTECH GROUP, INC.**

Comtech Group, Inc. (Nasdaq: COGO) announced financial results for its second quarter ended June 30, 2006. All results are reported in U.S. dollars (USD).

Revenue for the second quarter was approximately \$41.6 million, an increase of 65.6 percent compared to \$25.1 million in the second quarter of last year. The composition of revenues was: \$16.1 million, or 38.7 percent of total sales for mobile handset sales representing a 22.0

percent increase, \$14.6 million, or 35.1 percent of sales for telecommunications infrastructure equipment representing a 44.6 percent increase, and \$9.5 million for digital home entertainment products and others, or 22.8 percent of total sales which is up significantly versus minimal revenues last year. The Company's new engineering business services revenues contributed \$1.5 million for the quarter as compared to \$1 million in the first quarter of 2006.

"I am pleased with our results for the quarter as we recorded the highest revenue and net income in the Company's history. Our revenues during the second quarter were positively impacted by strong growth in our telecommunications infrastructure equipment product offering and continued strong sales within our digital consumer electronics product offering," said Kang, Chairman and CEO.

Net income for the second quarter was \$3.6 million, or EPS of \$0.11 on a U.S. GAAP basis compared to net income of \$2.6 million, or \$0.10 EPS in the second quarter last year. Included in the second quarter 2006 net income was an amount of \$388,000 for share-based compensation cost to reflect the adoption of SFAS 123R, effective January 1, 2006. Excluding the share-based compensation cost, the Company would have reported net income of \$4.0 million or \$0.12 diluted earnings per share for the first quarter. The weighted average number of shares used in the calculation of diluted EPS was 33.8 million compared to 26.8 million shares in the prior-year second quarter. The increase in weighted average shares was mainly due to the additional shares issued in the secondary registered offering completed in July 2005.

"While our existing business is growing strongly, we are actively preparing for our next stage of growth," Kang continued. "Based on strong indications from our current customers we made the conscious decision to increase spending to expand our engineering services operations and are optimistic on the prospects of winning new business in these locations. We expect to begin generating a return on these investments in the second half of 2006 and then more significantly in 2007."

For the six month period ended June 30, 2006 the Company reported revenue of \$75.6 million, an increase of 64.7 percent compared to the \$45.9 million reported during the first half of 2005. Gross profit was \$14.2 million, an increase of 86.8 percent compared to \$7.6 million reported during the first half of 2005. Gross margin was 18.8 percent of sales, compared to gross margins of 16.6 percent for the same period last year.

**COGO is a
STRONG BUY under \$13.**

Comtech Group and its subsidiaries provide module design solutions to various electronic manufacturers in China.

❖ **CYTC CORPORATION**

Cytc Corporation (Nasdaq: CYTC) announced results for the second quarter ended June 30, 2006.

Revenue for the quarter ended June 30, 2006 rose to \$150.4 million, compared to revenue of \$125.4 million for the same period of 2005. Net income for the quarter was \$31.7 million, or \$0.27

per diluted share, compared to net income for the same period in 2005 of \$28.0 million, or \$0.23 per diluted share, an increase of 14 percent. Adjusted net income for the quarter, excluding the impact of stock-based compensation expense, was \$35.5 million, or \$0.29 per diluted share, an increase of 25 percent over the same period of 2005.

Sullivan, chairman, president, and CEO, stated, "I am very pleased with our second quarter results. Our 20 percent year-over-year revenue growth was primarily driven by robust domestic sales of our NovaSure® Endometrial Ablation product and continued strong performance of our diagnostics business. Domestic NovaSure sales grew 47 percent. Second quarter growth was complemented by 35 percent revenue growth of our MammoSite® Radiation Therapy System. Our international business also made substantial progress, with sales growing 23 percent based largely on continued expansion of our ThinPrep business and NovaSure growth in the United Kingdom and Canada." Mr. Sullivan concluded, "Overall, the second quarter results underline the success of our strategy to diversify our revenue sources, led by strong growth from our domestic surgical products and our international business."

CYTC remains a BUY under \$24.

Cytc Corporation is a women's health company that designs, develops, manufactures and markets clinically effective products.

❖ **DXP ENTERPRISES, INC.**

DXP Enterprises, Inc. (NASDAQ:DXPE) announced a 99.7% increase in net income to \$2,950,000 for the second quarter ending June 30, 2006 with diluted earnings per share of \$0.51 compared to net income of \$1,477,000 and diluted earnings per share of \$0.26 for the second quarter of 2005. Sales increased 53.5% to \$69.8 million from \$45.5 million for the second quarter of 2005. Sales by the businesses acquired in 2005 and 2006 accounted for \$9.1 million of the sales increase. Excluding sales by the acquired businesses, sales for the second quarter of 2006 increased 33.4% from the second quarter of 2005.

Year-to-date net income as of June 30, 2006 increased 134% to \$5.5 million, or \$0.95 per diluted share, compared to \$2.3 million, or \$0.41 per diluted share for the first six months of 2005. Sales increased 51.6% to \$132.3 million from \$87.3 million for the first six months of 2005. Sales by the businesses acquired in 2005 and 2006 accounted for \$17.6 million of the sales increase. Excluding sales of the acquired businesses, sales for the first six months of 2006 increased 31.4% from the same period in 2005.

David R. Little, Chairman and CEO, said, "Our industrial customer base continues to indicate a strong outlook in the upstream and downstream energy sectors of oil, gas and coal. We are also seeing continued growth opportunities in the chemical, petrochemical, mining and general industries sectors. The dynamic of all of DXP's major markets seeing growth and future opportunities gives us a continued positive long term outlook."

DXPE remains a BUY under \$34.

DXP Enterprises, Inc. engages in the distribution of maintenance, repair, and operating (MRO) products, equipment and service to industrial customers.

❖ **EDUCATIONAL
DEVELOPMENT CORPORATION**

Educational Development Corporation (Nasdaq: EDUC) reported net revenues for the 1st quarter ended May 31, 2006 of \$8,106,977 compared with \$8,226,679 for the comparable period last year. The Company reported net earnings of \$696,648 compared with net earnings of \$745,200 for the previous year and basic earnings per share of \$0.19 a share versus \$0.20 for the same period a year ago.

The Company has experienced a shift in sales from independent bookstores to national chains. While sales to national chains were up 5%, sales to the smaller bookstores declined 11% resulting in an overall decline of 4% for the quarter ended May 31, 2006 when compared with the same quarter last year. Home Business Division maintained its market share with virtually the same revenue for the quarters ended May 31, 2006 and 2005 respectively.

EDUC is a SELL.

Educational Development Corporation is the exclusive trade publisher of a unique line of children's books produced in the United Kingdom by Usborne Publishing Limited.

❖ **EMBEX®, INC.**

Embrex®, Inc., The In Ovo Company(SM), (Nasdaq: EMBX) announced financial results for the second quarter ended June 30, 2006.

Consolidated net income was \$0.5 million for second-quarter 2006, a 57% reduction in comparison to second-quarter 2005 net income of \$1.2 million. Diluted earnings per share were \$0.06 for the second quarter of 2006 compared to \$0.15 for the same period in 2005. Diluted net income per share of common stock was based on 8.4 million and 8.3 million shares outstanding for second- quarter 2006 and 2005, respectively. Second-quarter 2006 earnings per share of \$0.06 includes \$0.04 of depreciation and term loan interest that the Company began to expense for Embrex Poultry Health after Inovocox(TM) vaccine and the facility were approved by the USDA in April. Second-quarter 2005 earnings per share of \$0.15 includes \$0.10 of capitalized Inovocox(TM) pre- licensure serials amounting to \$0.5 million and extraterritorial income exclusions from the filing of 2001 and 2002 amended tax returns that amounted to another \$0.5 million.

For the quarter ended June 30, 2006, consolidated revenues were \$13.3 million, a 2% increase compared to consolidated revenues of \$13.0 million for the second quarter of 2005. Product sales increased 19%, to \$0.9 million in the second-quarter of 2006 compared to \$0.7 million during the same period in 2005. Second-quarter 2006 recurring device lease fees, a component of device revenues, increased \$0.1 million in comparison to the second-quarter of 2005. These recurring fees generally contribute more than 90% to device revenues. Device sales remained essentially unchanged at \$0.1 million from the second quarter of 2005 to the second quarter of 2006. Device sales are another component of device revenues and are sporadic in nature. Overall, device revenues remained unchanged at \$12.2 million for both the second quarter of 2006 and 2005. An increase in installed Inovoject® systems, particularly in Latin America, and new

Egg Remover® installations were somewhat offset by reduced egg sets as customers adjusted to supply and demand factors in both domestic and export markets.

Consolidated revenues totaled \$26.5 million for the first half of 2006, representing an increase of 3% over 2005 first-half revenues of \$25.8 million. Product sales increased 8% to \$1.5 million in the first half of 2006 as compared to \$1.4 million for the same period in 2005, due to increased Bursaplex® sales in Asia that occurred as the effects of avian influenza outbreaks subsided and poultry production in the region increased. Device revenues amounted to \$24.5 million for the first half of 2006, an increase of 2% over 2005 first-half device revenues of \$24.1 million. Most of the device revenue increase was attributable to a 2% increase in recurring device lease fees, which was partially offset by a \$0.1 million decrease in device sales.

Marcuson, President and Chief Executive Officer said, "When we look at net income and realize it included a number of non-recurring tax adjustments, additional expenses following USDA licensure of Inovocox(TM) and adoption of accounting standard SFAS 123®, it speaks to our continued focus on cost and expense reduction efforts."

EMBX is a HOLD.

Embrex is focused on developing patented pharmaceutical, biological, and mechanical products that improve bird health, reduce bird production costs and provide other economic benefits to the poultry industry.

❖ **HEALTHWAYS, INC.**

Healthways, Inc. (NASDAQ: HWAY) announced that it has received clearance under Hart-Scott-Rodino for its previously announced merger with LifeMasters Supported SelfCare, a leading disease management company based in California. The \$307.5 million cash merger is expected to close on Sept. 1, which is the start of the Company's fiscal 2007.

Healthways and LifeMasters together will have nearly 75 unique customers including health plans, employers and government Medicare and Medicaid programs. In addition, LifeMasters' presence in, and experience with, the Medicaid market enhances Healthways' opportunity to gain access to an addressable market of more than 20 million Medicaid participants. Both directly and through health plan ASO relationships, the combined organization will provide services to over 500 employers and nearly 3 million individuals. The combined organization will employ more than 3,500 people, the majority of whom are nurses and other clinicians delivering services from 14 call centers across the country.

HWAY remains a STRONG BUY under \$53.

Healthways, Inc. provides specialized, comprehensive care enhancement services to health plans and hospitals, with an emphasis on diabetes, cardiac disease, and respiratory disease.

❖ **ESSEX CORPORATION**

Essex Corporation (Nasdaq: KEYW) reported second quarter results. Revenues for the three-month period ended June 30, 2006 were \$63.8

million as compared to \$41.4 million in the same period of 2005, an increase of 54%. Income After Taxes was \$1.6 million and \$1.8 million in the three-month periods ended June 30, 2006 and June 30, 2005, respectively. Earnings per Share (EPS) were \$0.07 per share (diluted) for Q2 2006 versus EPS for the same period in 2005 of \$0.08 per share (diluted). Beginning with the first quarter 2006, Net Income and EPS reflect the impact of provisions for taxes and stock option expenses. Income Before Income Taxes for the three month period ended June 30, 2006 was \$2.6 million compared to \$1.8 million for the same period of 2005.

"Essex is in another period of exciting growth in its core business delivering services and products to its intelligence and defense customers," said Moodispaw, CEO and President. "The growth indicators for this core business remain very strong and positive, including the growth in Services and Products revenue, the demand for more facility space to support customer requirements, and a high ordering volume on Purchased Materials. Key accomplishments in Q2 2006 include record revenue; the launch of the Software Configurable Radar Product; opening of a dedicated 37,000 square foot facility for the Cougar program; and record setting Net Cash Provided by Operating Activities."

KEYW remains a BUY under \$15.

Essex Corporation provides optoelectronic and signal processing services to classified U.S. Government customers under next generation research and development contracts.

❖ **EXACTECH, INC.**

Exactech, Inc. (Nasdaq: EXAC) announced that revenue for the second quarter of 2006 increased 11% to \$26.6 million from \$23.9 million in the second quarter of 2005. Diluted earnings per share for the quarter was \$0.18 based on net income of \$2.1 million, compared to diluted earnings per share of \$0.16 on net income of \$1.9 million for the second quarter of 2005.

For the first six months of 2006, revenue was \$52.0 million, an increase of 12% over revenue of \$46.5 million in the first six months of 2005. Net income for the first six months increased 21% to \$3.7 million, or \$0.31 per diluted share, compared to \$3.0 million, or \$0.27 per diluted share, in the first half of 2005.

Chairman and CEO Petty said, "We saw welcome improvements in a number of areas during the quarter. Sales of knee products, our largest business segment, increased 4% to \$14.4 million from \$13.8 million in the same quarter of 2005. Hip product sales rose 13% to \$4.6 million, compared with \$4.1 million in the second quarter of 2005. We also had a solid 12% gain in revenues from tissue services to \$3.0 million in the quarter compared to \$2.6 million. The other products category includes our Equinoxe(TM) shoulder system and pre-formed antibiotic cement spacers. These have grown substantially compared to the second quarter of 2005, rounding out our line of product offerings for total joint repair for hips, knees and shoulders."

EXAC remains a BUY under \$14.

Exactech develops and markets orthopedic implant devices, related surgical instruments and biological products to hospitals and physicians.

❖ **EXPRESS SCRIPTS, INC.**

Express Scripts, Inc. (Nasdaq: ESRX) announced second quarter net income of \$107.8 million, or \$0.75 per diluted share. This represents a 25 percent increase over \$0.60 per diluted share last year, adjusted to exclude an \$0.08 per diluted share non-recurring tax benefit.

"Our strong results reflect the success of our formulary strategy, which promotes the use of lower-cost generic drugs," stated Paz, president, CEO and chairman. "Clients and their members that acted early to adopt our formulary changes are realizing significant savings. Because our business model is built around the alignment of interests, the more successful we are in helping clients and members save on prescription drugs, the better we perform."

"There is no greater evidence that our interests are aligned with those of our clients and their members than our industry-leading generic utilization rate," noted Paz. The use of lower-cost generic drugs reached approximately 56.3 percent of total prescriptions in the second quarter compared to 53.9 percent for the same period last year.

Gross profit for the second quarter increased 31 percent to a record \$363.6 million from \$276.8 million last year. The increase reflects the growth in specialty drugs, including the addition of Priority Healthcare ("Priority"), lower retail and home delivery drug purchasing costs, higher generic utilization, and the growth in home delivery prescriptions. Gross profit per adjusted claim was a record \$2.81, a 43 percent increase over \$1.96 for the same quarter last year.

ESRX remains a BUY under \$82.

Express Scripts operates as a pharmacy benefit management (PBM) company in North America, providing health care management and administration services.

❖ **GSI COMMERCE INC.**

GSI Commerce Inc. (Nasdaq: GSIC) announced that Robert Blyskal, the company's president and chief operating officer, plans to retire effective October 2006. Blyskal came out of retirement to join GSI Commerce as co-president and chief operating officer in May 2004 and was later named president and chief operating officer in August 2005. Michael Rubin, chairman and chief executive officer of GSI Commerce, will assume the role of president following the departure of Blyskal. The company does not plan to fill the position of chief operating officer at this time.

The Company also announced that for its fiscal second quarter ended July 1, 2006, the company reported net revenues of \$119.6 million and a net loss of \$3.6 million, or \$0.08 per share, compared to net revenues of \$91.9 million and a net loss of \$2.9 million, or \$0.07 per share, for 2005's fiscal second quarter.

Included in net loss and net loss per share for the fiscal second quarter of 2006 is a non-cash charge of approximately \$0.4 million, or \$0.01 per share, to reduce the carrying value of the shares owned by the company in Odimo Incorporated from \$1.3 million to approximately \$0.9 million, which represents the market value of the shares as of July 1, 2006. These shares represent a portion of the consideration received when the company sold certain assets of Ashford.com to Odimo in fiscal

2002. GSI Commerce did not include this non-cash charge when it issued guidance for the second quarter and full year on April 26.

"We had a successful second quarter marked by strong revenue growth, better than planned adjusted EBITDA and the signing and launch of our deal with Toys "R" Us," said Rubin, chairman and CEO. "We are pleased with the momentum in our business and continue to focus on driving strong growth, improving profitability and investing in our platform."

GSIC remains a BUY under \$12.

GSI Commerce, Inc. is a leading developer and operator of e-commerce businesses.

❖ **HEALTHCARE SERVICES GROUP, INC.**

Healthcare Services Group, Inc. (NASDAQ:HCSG) reported that revenues for the three months ended June 30, 2006 increased 6% to \$122,840,000 compared to \$116,048,000 for the same 2005 period. Net income increased over 35% for the three months ended June 30, 2006 to \$6,203,000 or \$0.23 per basic and \$0.22 per diluted common share, compared to the 2005 second quarter net income of \$4,584,000 or \$0.17 per basic and \$0.16 per diluted common share.

Revenues for the six months ended June 30, 2006 increased 5% to \$241,758,000 compared to \$230,743,000 for the same 2005 period. Net income for the six months ended June 30, 2006 increased by 36% to \$11,994,000 or \$0.44 per basic and \$0.42 per diluted common share compared to the 2005 six month period net income of \$8,847,000 or \$0.33 per basic and \$0.31 per diluted common share.

HCSG remains a STRONG BUY under \$21.

Healthcare Services Group, Inc. provides management, administrative and operating expertise and services to the housekeeping, laundry, linen, facility maintenance and foodservice departments of the healthcare industry.

❖ **ICT GROUP, INC.**

ICT GROUP, INC. (NASDAQ:ICTG) reported results for the second quarter ended June 30, 2006.

Revenue for the second quarter of 2006 increased 15% to \$111.3 million compared to \$97.0 million in last year's second quarter. Operating income increased 57% to \$4.9 million, from \$3.2 million in last year's second quarter. Net income was \$3.9 million, or \$0.25 per diluted share, compared to \$1.7 million, or \$0.14 per diluted share, in the 2005 second quarter. Net income for the second quarter of 2006 included a pre-tax charge of \$648,000 or \$0.03 per diluted share, related to share-based compensation.

"Our solid revenue and earnings performance in the second quarter reflected strong demand for our domestic and international services across key vertical markets and the increasing growth of our near-shore/offshore operations. We achieved significant operating leverage in the period, posting a 57% increase in operating income and a 120 basis point increase in operating margin on a

year-over-year basis," said Brennan, Chairman and CEO.

ICTG remains a BUY under \$27.

ICT GROUP is a leading global provider of integrated customer relationship management (CRM) solutions.

❖ **ICU MEDICAL, INC.**

ICU Medical, Inc., (Nasdaq: ICUI) announced results for the second quarter ended June 30, 2006

Second quarter revenue was \$51.4 million, a 26% increase as compared to \$40.7 million in the same period last year. Net income increased 33% to \$6.3 million, or \$0.40 per diluted share, as compared to \$4.7 million, or \$0.31 per diluted share, in the second quarter of 2005.

For the six-months ended June 30, 2006, the Company earned \$12.7 million, or \$0.82 per diluted share, on revenues of \$100.2 million, as compared to net income of \$9.2 million, or \$0.61 per diluted share, on revenues of \$67.8 million for the six-months ended June 30, 2005.

"We are encouraged by our better than expected revenue and earnings results in the second quarter," said O'Brien, CFO. "Our gross margins on product sales improved to 44% in the second quarter from 42% in the first quarter and our manufacturing relocation to Salt Lake City and Mexico continues to be on plan and, as of today, is approximately 40% complete. All channels experienced increased sales growth, particularly International which grew 66%."

ICUI remains a STRONG BUY under \$42.

ICU Medical develops, manufactures and sells proprietary disposable medical connection systems for use in intravenous therapy applications and to protect users from accidental spread of infectious diseases.

❖ **INTEGRATED AMERICA, INC.**

IntegraMed America, Inc. (Nasdaq:INMD) announced financial results for the second quarter and the six months ended June 30, 2006.

Net income for the second quarter of 2006 was \$533,000, a 14% increase from the \$467,000 net income reported for the second quarter of 2005. Diluted earnings per share for the second quarter of 2006 were \$0.08 compared to \$0.07 for the same period in 2005. Net income for the first six months of 2006 was \$1,009,000, a 29% increase from the \$781,000 net income reported for the first six months of 2005. Diluted earnings per share for the first six months of 2006 were \$0.15 compared to \$0.12 for the same period in 2005. All earnings per share and weighted average share numbers reflect the 30% stock split effected in the form of a dividend and paid on June 22, 2005 and the 25% stock split effected in the form of a dividend and paid on June 21, 2006.

Total revenues for the second quarter of 2006 were \$31.8 million, a 13.8% increase from comparable pro forma revenues for the same period in 2005. Total revenues for the first six months were \$62.3 million a 12.4% increase compared to pro forma revenues of \$55.4 million for the same period in 2005.

The contribution to earnings from operations in the second quarter of 2006 was approximately \$3.8 million, a 5% increase from \$3.6 million reported for the same period in 2005. The contribution to earnings from operations in the first six months of 2006 was approximately \$7.6 million compared to \$6.9 million in the same period in 2005.

"In comparing the second quarter of 2006 with the second quarter of 2005, the Provider Services segment of our business had 12% revenue growth; and the Shared Risk® Refund Program and Patient Financing portion of the Consumer Services segment had revenue growth of 42%," said Jay Higham, President and CEO. In addition, the change in reporting format as well as the continued rapid growth in our higher margin Consumer Services segment have combined to produce a 12% improvement in contribution margins for the year to date period.

"While we have focused on expanding our network of member clinics and our product offerings, we have continued to control costs and have reduced G&A expenses as a percentage of contribution by approximately 3% in the first six months of 2006 compared to the same period in 2005. We have had a good start in the first six months in building revenue and bottom-line results for 2006," said Higham.

INMD remains a STRONG BUY under \$10.

IntegraMed America, Inc. offers products and services to patients and providers in the fertility industry.

❖ **IRIS INTERNATIONAL**

IRIS International (NASDAQ:IRIS) announced revenues of \$16.6 million for the second quarter ended June 30, 2006, a 7% increase over revenue of \$15.6 million in the second quarter of 2005.

As a result of non-recurring charges and special items, and incremental stock based compensation expense related to FAS 123R which totaled \$5.9 million or \$0.33 per diluted share, the Company reported a net loss of \$4.5 million or \$0.25 per diluted share in the second quarter of 2006, versus net income of \$1.6 million, or \$0.09 per diluted share in the comparable year ago quarter.

Excluding the non-recurring charges and special items, and incremental stock based compensation expense related to FAS 123R, adjusted net income for the second quarter ended June 30, 2006 was \$1.4 million, or \$0.08 per diluted share. Diluted average shares outstanding for the 2006 and 2005 periods were 17.9 million and 18.5 million, respectively.

"IVD Consumables and Service and Sample Processing revenues continue to grow at impressive rates. While IVD instrument sales are sequentially higher versus the immediately preceding first quarter of 2006, they are below our expectations," stated President and CEO Garcia. "Iris Diagnostics is not losing opportunities or customers to competitors. Rather, in the second quarter we experienced longer-than-expected domestic sales cycles for IVD instruments, primarily related to capital constraints on the part of customers. However, we have a sizable pipeline of qualified sales prospects including multi-unit and multi-site potential orders and our forecast

reflects a significant acceleration of instrument placements in the second half. Our revised full year guidance incorporates a range between 14% and 20% revenue growth in the second half over the first half of 2006. We have put together a comprehensive program to close many of these domestic orders and to increase sales through our recently introduced market segmentation initiative, the launch of four new diagnostics products, and increased emphasis on domestic sales. We are also very pleased with the performance of our Sample Processing Division which continues to perform very well with a growth rate exceeding 27% as a result of our new Express 3 centrifuge and the consistent demand for our DNA hybridization work-stations."

For the six months ended June 30, 2006, IRIS had revenue of \$32.7 million, an 11% increase over revenue of \$29.5 million for the first six months of 2005. The net loss for the six months of 2006 was \$2.8 million or \$0.16 per diluted share versus net income of \$2.8 million or \$0.16 per diluted share in the first six months of 2005. Excluding the non-recurring charges and special items, and incremental stock based compensation expense related to FAS 123R, adjusted net income for the six months was \$3.1 million, or \$0.17 per diluted share. Diluted average shares outstanding for the 2006 and 2005 periods were 17.6 million and 18.0 million, respectively.

The Company also announced that it has prepared its allocation of the purchase price paid to acquire Leucadia Technologies, Inc. on April 3, 2006. The Company expects to finalize the allocation of the purchase price by the end of the third quarter and the preliminary allocation may change.

IRIS is a BUY under \$9.

IRIS International, Inc. develops, manufactures and markets in vitro diagnostic (IVD) equipment, including IVD imaging systems based on automated intelligent microscopy technology and special purpose centrifuges and other small instruments for automating microscopic procedures performed in clinical laboratories.

◇ IRIDEX CORPORATION

Iridex Corporation (Nasdaq: IRIX) reported financial results for the second quarter ended July 1, 2006. Sales for the period were \$8.7 million, compared with \$9.4 million reported for the second quarter of 2005. For the six-month period ended July 1, 2006, sales were \$17.7 million, a slight increase from the \$17.5 million reported for the same period of 2005.

Net income for the quarter was \$48,000 or \$0.01 earning per share, including the effect of SFAS 123R compared with net income of \$430,000 in the year-ago period or \$0.05 earning per share, which excluded the effect of SFAS 123R. In the second quarter of 2006, the Company recorded a pre-tax charge related to SFAS 123R of \$478,000 and in addition booked over \$700,000 in legal, relocation and Innovatech patent acquisition expenses that negatively impacted net income. During the quarter, the Company also recorded a tax benefit of \$270,000.

Caldwell, President and CEO said, "We have already begun the work necessary to regain our momentum in the domestic dermatology segment and all of the international ophthalmic equipment

sales delayed during the second quarter have already been recorded in the third quarter. We were very pleased with our overall quarter-over-quarter growth of 24% in disposable sales and believe that our strategies to grow the disposable probe revenues continue to gain traction. As a result, we believe that we remain on track to achieve double-digit revenue growth for 2006. Another bright point for the quarter was that gross margins of 53% improved almost five percentage points compared with last year.

IRIX is a BUY under \$8.50.

IRIDEX Corporation provides therapeutic-based laser systems and delivery devices in the United States and internationally. Its laser systems consist of a small, portable laser console and delivery devices.

◇ IXIA

Ixia (Nasdaq:XXIA) reported financial results for the second quarter ended June 30, 2006.

Net revenues for the second quarter of 2006 were \$39.9 million, which represents a sequential increase of 3% from the immediately preceding first quarter and compares to \$41.3 million in the second quarter of last year. Net income on a GAAP basis for the second quarter of 2006 was \$0.3 million, or \$0.00 per diluted share, compared to net income of \$9.8 million, or \$0.14 per diluted share, for the second quarter of 2005. Ixia adopted Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" ("FAS 123R"), effective January 1, 2006.

Ixia's 2006 second quarter GAAP results include non-cash charges of \$4.5 million related to stock-based compensation, \$1.6 million for the amortization of acquired intangible assets, and a net tax benefit of \$1.8 million related to these items. Excluding the effects of these items, non-GAAP net income for the second quarter of 2006 was \$4.5 million, or \$0.07 per diluted share, compared to \$9.8 million, or \$0.14 per diluted share, for the comparable period in 2005. Second quarter 2005 non-GAAP results excluded non-cash charges of \$1.2 million related to the amortization of acquired intangible assets and a net tax benefit of \$1.2 million related to the tax effects of the amortization of the acquired intangible assets and tax benefits related to previously recognized stock-based compensation.

"Ixia's results in the second quarter reflect a number of positive trends," commented Ginsberg, President and CEO. "During the quarter we added 85 new customers and had record non-Cisco bookings and revenues, demonstrating that we are making progress in diversifying our customer base. Carrier sales were also a record, at 14% of revenues. Our government and enterprise business showed strong growth due to increased military spending and some renewed investment by enterprise customers. Geographically, we saw strong demand in EMEA and a record quarter in the China region, which includes Taiwan."

"While generally we continued to experience some pricing pressure due to competitive dynamics, we are starting to see strong demand from carriers, as they roll out and test the infrastructure to support triple play services," added Mr. Ginsberg. "Demand for 10 Gigabit Ethernet testing products remains healthy, with near record revenues, as operators upgrade their

core networks. Finally, we had our best quarter ever for software sales, led by IxLoad, our Layer 4 through 7 testing application, used to test advanced services like IPTV."

XXIA remains a HOLD.

Ixia provides technology and systems that allow customers to test and measure the performance, functionality, and conformance of Internet protocol equipment and networks, and the applications that run over them.

◇ JAKKS PACIFIC, INC.

JAKKS Pacific, Inc. (Nasdaq:JAKK) announced results for the second quarter and first six months ended June 30, 2006.

Second quarter 2006 net sales were \$124.0 million, compared to \$127.1 million recorded in the comparable period last year. Net income for the second quarter was \$6.4 million, or \$0.22 per diluted share, compared to \$11.6 million, or \$0.38 per diluted share, reported in the second quarter of 2005. Included in the results were non-cash, stock based compensation charges of \$1.4 million in the second quarter of 2006 compared to a credit of \$0.6 million in the second quarter of 2005 and incremental overhead and acquisition amortization charges of \$5.4 million in the second quarter 2006 relating to the acquisition of Creative Designs International.

The Company's net sales for the six months ended June 30, 2006 were \$231.3 million, compared to \$261.8 million during the same period in 2005. Net income for the first six months of 2006 was \$8.7 million, or \$0.31 per diluted share, compared to the first six months 2005 earnings of \$21.7 million or \$0.72 per diluted share. Included in the results were non-cash, stock based compensation charges of \$3.7 million in the first six months of 2006 compared to a credit of \$0.2 million in the first six months of 2005 and incremental overhead and acquisition amortization charges of \$9.5 million in the first six months of 2006 relating to the acquisition of Creative Designs International.

"During the second quarter we continued to successfully integrate our recently acquired Creative Designs(TM) product line, which contributed to the second quarter's sales, offsetting certain shortfalls in international sales and sales in our Fly Wheels(TM) and TV Games(TM) lines," said Friedman, Chairman and CEO. "We will be introducing several new products at retail during the second half of the year to complement our rich portfolio of items, and we anticipate they will be favorably received by retailers and customers this holiday season and beyond. We continue to be pleased with our growth and accomplishments over our ten year history and believe that our ability to adapt and consistently cultivate our product portfolio with a compelling and diversified product mix will enable us to build long-term value for our shareholders."

JAKK is a HOLD.

Jakks Pacific, Inc. is a multi-brand toy company that designs, develops, produces and markets toys and related products.

◆ LIFECORE BIOMEDICAL, INC.

LIFECORE BIOMEDICAL, INC. (Nasdaq:LCBM) reported record net sales of \$17.7 million in the fourth quarter ended June 30, 2006, an increase of 19% over net sales of \$14.9 million in the fourth quarter of fiscal year 2005.

Fiscal fourth quarter GAAP net income of \$2,411,000, or \$1.18 per diluted share, was posted for the quarter compared to GAAP net income of \$11,744,000, or \$8.7 per diluted share, in the quarter ended June 30, 2005. The fourth quarter of last fiscal year was significantly impacted by the release of the deferred tax valuation allowance in the net amount of \$10,205,000, after deducting income tax expense of \$1,717,000. Excluding the effect of these tax adjustments, pro-forma fiscal 2005 fourth quarter net income was \$1,539,000, or \$.11 per diluted share, after applying an effective tax rate of 33.3%. Fiscal 2006 fourth quarter results include expenses for stock options in the amount of \$211,000 and income tax expense of \$1,586,000 at an effective rate of 39.7%. Pro-forma net income for the fourth quarter of fiscal 2006 was \$2,622,000, or \$1.19 per diluted share, when the stock option expense is excluded. Pro-forma results reflected a 70% increase in net income for the fourth quarter.

For its fiscal year ended June 30, 2006, Lifecore had record net sales of \$63.1 million, an increase of 13% over the \$55.7 million reported in fiscal year 2005. Foreign currency translation comparisons decreased fiscal 2006 sales by \$422,000 compared to fiscal 2005.

Fiscal 2006 GAAP net income was \$7,040,000, or \$.52 per diluted share, compared to fiscal 2005 GAAP net income of \$17,511,000, or \$1.31 per diluted share, which includes the previously mentioned non-recurring tax benefit. Excluding the effect of the tax benefit, pro-forma fiscal 2005 net income was \$5,589,000, or \$.42 per diluted share, after applying an effective tax rate of 33.3%. Fiscal 2006 results include expenses for stock options in the amount of \$844,000 and income tax expense of \$4,380,000 at an annual effective rate of 38.4%. Pro-forma net income for fiscal 2006 was \$7,884,000, or \$.58 per diluted share, when the stock option expense is excluded. Pro-forma results reflected a 41% increase in net income for the fiscal year. (See Disclosure of Pro-Forma Information and Reconciliation of GAAP Net Income to Pro-Forma Net Income Information later in this press release.)

"We posted records in both sales and pro-forma net income for the second year in a row," said Allingham, President and CEO. "We are obviously pleased with the results and I salute our employees for their execution of the vision established two years ago."

LCBM remains a STRONG BUY under \$15.

Lifecore Biomedical, Inc. manufactures biomaterials and medical devices for use in various surgical markets, and provides for elated specialized contract aseptic manufacturing services

◆ LIFECELL CORPORATION

LifeCell Corporation (Nasdaq: LIFC) reported financial results for the second quarter ended June 30, 2006.

Product revenues for the second quarter were \$35.7 million, up 60%, compared to \$22.3 million reported for the same period in 2005. The increase in product revenues was primarily due to a significant increase in demand for the Company's flagship reconstructive surgical product, AlloDerm® Regenerative Tissue Matrix, which increased 73% to \$30.3 million in the current quarter compared to \$17.6 million in the second quarter of 2005. Orthopedic product revenues, which include Graft Jacket® and AlloCraft(TM)DBM, increased to \$2.3 million in the quarter from \$2.0 million in the second quarter of 2005. GraftJacket® represented \$1.9 million of orthopedic product revenues in the quarter compared to \$1.7 million in the prior year quarter. Repliform® revenues increased in the quarter to \$2.0 million from \$1.6 million in the same quarter in 2005.

Net income for the second quarter of 2006 was \$5.1 million, or \$0.15 per diluted share, compared to net income of \$3.6 million, or \$0.11 per diluted share in the second quarter of 2005. As noted above, since the Company adopted the provisions of SFAS 123R on a prospective basis, we did not adjust prior year reported results. If compensation expense was recorded for share-based payments in the second quarter of 2005, adjusted net income, including share-based compensation, would have been \$3.0 million, or \$0.09 per diluted share. Adjusted net income is considered non-GAAP financial information and a reconciliation of reported net income to adjusted net income is included in the attached financial tables.

Product revenues for the first six months were \$66.2 million, up 58%, compared to \$42.0 million reported for the same period in 2005. The increase in product revenues was primarily due to a significant increase in demand for the Company's flagship reconstructive surgical product, AlloDerm® Regenerative Tissue Matrix, which increased 71% to \$55.6 million in the first six months of 2006 compared to \$32.5 million in the first six months of 2005. Orthopedic product revenues, which include Graft Jacket® and AlloCraft(TM)DBM, increased to \$4.5 million in the first six months from \$3.8 million in the first six months of 2005. GraftJacket® represented \$3.7 million of orthopedic product revenues in the first half of 2006 compared to \$3.1 million in the prior year. Repliform® revenues increased in the first six months to \$4.1 million from \$3.3 million in the same period in 2005.

Net income for the first six months of 2006 was \$9.2 million, or \$0.27 per diluted share, compared to net income of \$5.7 million, or \$0.17 per diluted share in the first six months of 2005. As noted above, since the Company adopted the provisions of SFAS 123R on a prospective basis, we did not adjust prior year reported results. If compensation expense was recorded for share-based payments in the first six months of 2005, adjusted net income, including share-based compensation, would have been \$4.7 million, or \$0.15 per diluted share. Adjusted net income is considered non-GAAP financial information and a reconciliation of reported net income to adjusted net income is included in the attached financial tables.

LIFC remains a STRONG BUY under \$28.

LifeCell Corporation develops and markets products made from human allograft tissue for

use in reconstructive, urogynecologic and orthopedic surgical procedures.

◆ MEDICAL ACTION INDUSTRIES INC.

Medical Action Industries Inc. (NASDAQ/NM:MDCI) reported increased revenue and net income for the three months ended June 30, 2006.

Net sales for the first quarter reached \$39,031,000, an increase of \$3,055,000 or 8%, over the \$35,976,000 in net sales reported for the three months ended June 30, 2005. Net income for the period increased to \$2,621,000 or \$.25 per basic share (\$.25 per diluted share), compared with \$2,485,000 or \$.24 per basic share (\$.24 per diluted share), reported for the comparable quarter in fiscal 2006.

Net income for the three months ended June 30, 2006 includes the after-tax negative impact of \$195,000, or \$0.02 per basic and diluted share, resulting from the expensing of stock-based compensation associated with the adoption of Statement of Financial Accounting Standard ("SFAS") No. 123®, "Share-Based Payment."

"Our operating results are extremely satisfying given the continued pressure on gross margins from increased raw material and energy costs. Our operating results reflect growth from our line of minor procedure kits and trays, containment systems for medical waste and to a lesser extent operating room towels. Since year-end our working capital position has increased by approximately \$3,319,000. This financial strength gives us the ability to pursue attractive acquisition opportunities," said Meringolo, CEO and President.

MDCI remains a BUY under \$22.

Medical Action Industries Inc. is a leading supplier of medical and surgical disposable products.

◆ MERIT MEDICAL SYSTEMS INC.

Merit Medical Systems Inc. (NASDAQ: MMSI) reported record revenues of \$48.1 million for its second quarter ended June 30, 2006, compared with \$42.4 million for the second quarter of 2005, an increase of 13.5%. Revenues for the six-month period ended June 30, 2006, were a record \$93.2 million, compared with \$82.7 million for the same six-month period in 2005, a gain of 13%.

Net income for the second quarter ended June 30, 2006, was \$3.5 million, or \$0.13 per share, compared to \$4.7 million, or \$0.17 per share, for the comparable quarter of 2005. Net income for the six-month period ended June 30, 2006, was \$5.9 million, or \$0.21 per share, compared to \$8.8 million, or \$0.32 per share, for the same period in 2005.

"We are pleased and encouraged by the performance of the company in the second quarter," said Lampropoulos, chairman and CEO. "More than two years ago we developed a plan to expand and restructure our R&D department as well as new facilities for additional capacity and growth. We have executed that plan and now have considerable capacity reserve, which we believe will enhance gross margins in the future."

Although typical seasonality is expected during the third quarter, we believe the opportunity for continued gross margin improvement exists beyond the third quarter. Additionally, we have acquired and successfully assimilated three business and product opportunities in the first six months of 2006."

MMSI remains a BUY under \$14.

Merit Medical Systems, Inc. produces and sells single-use medical products for use in diagnosis and treatment of cardiovascular disease.

❖ MTS MEDICATION TECHNOLOGIES, INC.

MTS Medication Technologies, Inc. (AMEX:MPP) announced its financial results for its fiscal first quarter ended June 30, 2006.

Net Sales for the first quarter increased 21.3% to \$11.5 million from \$9.5 million in the prior year's first quarter. Net income available to common stockholders was \$381,000, or \$0.06 per diluted common share, compared with \$272,000, or \$0.05 per diluted common share in the prior year's first quarter. Net Sales from consumables increased 13%, net sales associated with prepackaging machines increased 8% and OnDemand® net sales increased 166% compared with the prior year's first quarter.

Siegel, President and C.E.O., said, "We are pleased with the results of our first quarter, which included significant growth over the prior year's first quarter in both revenue and income. Although we have experienced increases in our manufacturing costs, we have been successful in recovering a substantial portion of those increases by adjusting our selling prices, where appropriate, and increasing our penetration of small independent pharmacies who generally buy in smaller quantities, but at higher prices. We sold and installed an OnDemand Express(TM) system in our first quarter and met our expectations for revenue associated with our MedLocker product line. As we move into the second quarter, we have a backlog of \$1.5 million in OnDemand system installations and are optimistic that MedLocker will continue to meet our expectations for this fiscal year."

MPP remains a BUY under \$6.50.

MTS Medication Technologies, formerly Medical Technology Systems Inc. is a holding company that operates through its subsidiaries, MTS Packaging Systems, Inc. (MTS Packaging) and MTS Packaging Systems International, Ltd. (MTSPI). MTS Packaging primarily manufactures and sells disposable medication punch cards, packaging equipment and ancillary products throughout the United States.

❖ MERIDIAN BIOSCIENCE, INC

Meridian Bioscience, Inc (NASDAQ:VIVO) reported third quarter and nine months results for the period ended June 30, 2006.

Net sales for the third fiscal quarter ended June 30, 2006, were \$26,583,000 as compared to \$25,421,000 for the same period of the prior fiscal year, an increase of 5%. Net earnings for the third quarter of fiscal 2006 were \$4,862,000, or \$0.18 per diluted share, up 39% and 29%, respectively, over the third quarter of fiscal 2005. Diluted

common shares outstanding for the third quarter of fiscal 2006 and 2005 were 26,788,000 and 24,302,000 respectively, an increase of 10% due primarily to the issuance of 1,800,000 shares in September 2005 and conversions of 5% convertible debentures.

Net sales for the nine months ended June 30, 2006, were \$79,763,000 as compared to \$67,949,000 for the same period of the prior fiscal year, an increase of 17%. Net earnings for the nine months ended June 30, 2006, were \$13,547,000, or \$0.51 per diluted share, up 54% and 38%, respectively, over the same period of prior fiscal year 2005. Diluted common shares outstanding for the first nine months of fiscal 2006 and 2005 were 26,768,000 and 23,892,000 respectively, an increase of 12%.

Motto, Chairman and CEO said, "Once again, the profitability of the business during the third quarter demonstrated favorable operating leverage. As sales continued to increase for the third quarter, our gross profit and operating income margins were 61.5% and 25.9%, respectively. We recently increased our guidance for fiscal 2006 and continue to be comfortable with the outlook for the fourth quarter and full year."

VIVO is a BUY under \$20.

Meridian Bioscience, Inc. is a fully integrated life science company engaged in the development, manufacture, sale and distribution of diagnostic test kits, primarily for certain respiratory, gastrointestinal, viral and parasitic infectious diseases.

❖ NETSMART TECHNOLOGIES, INC.

Netsmart Technologies, Inc. (Nasdaq: NTST), reported record results for the second quarter ended June 30, 2006.

Revenue for the quarter was \$14,287,000, an 84 percent increase from \$7,759,000 for the quarter ended June 30, 2005. Net income for the second quarter was \$735,000, an increase of 64 percent compared with net income of \$449,000 for the same quarter in 2005. Net income per diluted share for the quarter was \$0.11 compared with \$0.08 for the same quarter last year. Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) for the three months ended June 30, 2006 were \$2.4 million, compared to \$1.1 million for the same period last year. The second quarter of 2006 represents the Company's 32nd consecutive quarter of profitability.

Revenue for the six months ended June 30, 2006 was \$28,143,000, an 85 percent increase from \$15,188,000 for the six months ended June 30, 2005. Net income for the six months was \$1,244,000, an increase of 53 percent compared with net income of \$813,000 for the same period in 2005.

Net income per diluted share for the six months ended June 30, 2006 was \$0.18 compared with \$0.15 for the same period last year. EBITDA for the six months ended June 30, 2006 was \$4.4 million, compared to \$2 million for the same period last year. Recurring revenue for the six months ended June 30, 2006 was \$15,223,000, compared to \$6,524,000 for the same period last year.

"We are pleased to report another record quarter, including a \$2.4 million increase in EBITDA for the six months ended June 30, 2006," said Conway, chairman and CEO. "A key component of our continued success is the investment we have made in sales, marketing, strategic initiatives and other key areas. In addition to our strong organic growth, we are executing on our growth strategy by winning strategic deals, such as the recently announced contract to provide a new statewide public health system for the State of North Carolina, and by acquisitions such as the recent purchase of QS Technologies."

NTST remains a STRONG BUY under \$14.

Netsmart Technologies Inc. licenses and installs its proprietary software products, operates an established service bureau and enters into long-term maintenance agreements with behavioral health and public health organizations, methadone clinics and other substance abuse facilities throughout the United States.

❖ OPTION CARE, INC.

Option Care, Inc. (Nasdaq:OPTN) reported results for the quarter ended June 30, 2006. Revenue was \$158 million for the second quarter, a 32% increase compared to revenue of \$119 million for the second quarter of 2005. On a GAAP basis, net income from continuing operations increased 12% for the second quarter to \$5.4 million compared to \$4.8 million for the second quarter of 2005.

For the six months ended June 30, 2006, revenue increased 30% to \$313 million. GAAP net income from continuing operations was \$10.5 million or \$0.30 per diluted share, an 11% increase from the \$9.5 million or \$0.28 per diluted share in 2005. The Board of Directors declared a dividend of \$0.02 per share for the second quarter of 2006. The dividend is payable on August 28, 2006 to stockholders of record as of August 14, 2006.

On a GAAP basis, diluted earnings per share from continuing operations were \$0.15 for the quarter ended June 30, 2006, compared to \$0.14 for the comparable period last year. Included in these second quarter of 2006 results from continuing operations is a net \$(0.01) per diluted share loss from special items detailed as follows: a \$1.2 million or \$0.02 per diluted share gain related to franchise settlements and terminations offset by \$1.4 million or \$(0.03) per diluted share of expenses related to facility consolidations as a result of acquisition activities, professional fees, and other items. The second quarter of 2005 included a net gain of \$0.03 per diluted share primarily due to a franchise termination settlement. The diluted earnings per share from continuing operations excluding these special items for these periods amounted to \$0.16 for June 30, 2006, an increase of 45% from \$0.11 for the prior year second quarter.

Rai, president and CEO said, "We are extremely pleased with the second quarter results and the objectives achieved. We are encouraged with the organic growth for both home infusion and specialty pharmacy services and our acquisitions are on-track with expectations."

OPTN remains a BUY under \$12.

Option Care provides various home infusion therapies and specialty injectable pharmaceuticals to patients at home; and other alternate sites, such as infusion suites and physician's offices in the United States.

❖ **PALOMAR MEDICAL TECHNOLOGIES, INC.**

Palomar Medical Technologies, Inc. (Nasdaq: PMTI) announced that it filed a lawsuit in the U.S. District Court for the District of Massachusetts against Candela Corporation (Nasdaq: CLZR) for patent infringement. In this lawsuit, Palomar has accused Candela's light-based hair removal systems, including the GentleLase and GentleYag, of infringing U.S. Patent No. 5,735,844 ("the '844 Patent"). Palomar has an exclusive license to the '844 Patent from the General Hospital Corporation in Boston, Massachusetts. The patent claims asserted against Candela in this lawsuit include the same claims that Palomar successfully asserted against Cutera, Inc. (Nasdaq: CUTR) as well as additional patent claims.

The Company also announced financial results for the second quarter ended June 30, 2006. The Company's second quarter product revenues increased by 37 percent as compared to the second quarter in 2005. The Company's second quarter total revenues increased by 101 percent and net income increased by 333 percent, including the Cutera settlement, as compared to the second quarter in 2005. The Company also strengthened its balance sheet since the second quarter of last year, including increasing its cash and investments from \$34 million to \$74 million.

Revenues for the quarter ended June 30, 2006 were \$36.7 million, up from \$18.2 million in the second quarter of 2005. Product revenues increased to \$21.6 million from \$15.8 million and gross profit from product revenues increased to \$15.3 million or 71 percent, up from \$10.5 million or 67 percent in the year-earlier quarter. The Company reported net income of \$17.4 million, or \$0.86 per diluted share, for the second quarter of this year, versus net income of \$4.0 million, or \$0.21 per diluted share, for the second quarter of last year.

Revenues for the six months ended June 30, 2006 were \$59.1 million, up from \$35.3 million in the six months ended June 30, 2005. Product revenues increased to \$42.0 million from \$30.1 million and gross profit from product revenues increased to \$30.4 million or 72 percent, up from \$20.3 million or 68 percent in the first half of 2006 as compared to the first half of 2005. The Company reported net income of \$23.6 million, or \$1.18 per diluted share, for the first half of this year, versus net income of \$7.5 million, or \$0.40 per diluted share, for the first half of last year.

CEO Caruso said, "This has been another exciting and rewarding quarter for Palomar. We continue to enjoy increased market acceptance of our new product offerings, and we believe we are maintaining our leadership position as an innovator in our markets. Our reputation for leading-edge technology and product reliability has resulted in increased revenue for Palomar over the past four years in the expanding market for light-based cosmetic procedures; a trend we think will continue throughout 2006."

PMTI remains a STRONG BUY under \$34.

Palomar Medical Technologies, Inc. is a researcher and developer of light-based systems for hair removal and other cosmetic procedures.

❖ **PETMED EXPRESS, INC.**

PetMed Express, Inc. (NASDAQ:PETS) announced its financial results for the quarter ended June 30, 2006. Net income was \$4.8 million, or \$0.20 diluted per share, for the quarter ended June 30, 2006, compared to net income of \$3.5 million, or \$0.15 diluted per share, for the quarter ended June 30, 2005, an increase to net income of 34%. Net sales for the quarter ended June 30, 2006 were \$50.7 million, compared to \$43.6 million for the quarter ended June 30, 2005, an increase of 16%. Approximately 59% of all sales were placed on the Company's website for the first fiscal quarter, compared to 54% for the same quarter in the prior year.

Akdag, CEO and President, said, "We are pleased to report that our retail reorder sales increased by 32%, from \$25.8 million to \$33.9 million for the quarters ended June 30, 2005 and 2006, respectively. We will continue to focus on reorder sales in fiscal 2007 by initiating more relevant personalized communication and health education content to build value for our customers and assist them in choosing the right products for their pets. Earlier in the year we made a strategic business decision to focus more on retail customers, and to limit wholesale sales. Our retail sales, excluding wholesale sales, increased by 19%, compared to an increase of 21% for the same quarter in the prior year. We are also pleased to report that net cash provided by operating activities increased by \$1.8 million, from \$8.0 million for the quarter ended June 30, 2005 to \$9.8 million for the quarter ended June 30, 2006."

PETS remains a STRONG BUY under \$11.50.

PetMed Express, Inc. (d/b/a 1-800-PetMeds), along with its subsidiaries, is a nationwide pet pharmacy. The Company markets prescription and non-prescription pet medications, as well as health and nutritional supplements for dogs and cats, direct to the consumer.

❖ **PPD, INC.**

PPD, Inc. (Nasdaq: PPD) reported financial and operating results for the second quarter ended June 30, 2006.

PPD recorded net revenue of \$309.0 million for the second quarter of 2006, an increase of 26.0 percent over net revenue of \$245.1 million for the second quarter of 2005. Net revenue for the second quarter 2006 included reimbursed out-of-pocket expenses of \$25.5 million, compared to \$16.6 million for the same period in 2005.

Income from operations for the second quarter 2006 was \$49.0 million, an increase of 68.4 percent over income from operations of \$29.1 million for the same period in 2005. Second quarter 2006 income from operations included \$4.9 million of stock compensation expense.

Second quarter 2006 earnings per diluted share were \$0.31, compared to \$0.18 for the second quarter of 2005. Earnings per diluted share for

second quarter 2006 include stock compensation expense, net of tax, of \$0.028 per diluted share. Second quarter 2005 earnings per diluted share have been adjusted to include stock compensation expense of \$0.025 per diluted share, net of tax, and to reflect the two-for-one stock split completed on February 28, 2006.

The effective tax rate for the second quarter 2006 was 32.0 percent, compared to 35.0 percent for the same period last year. The lower tax rate for the second quarter of 2006 was attributable to the recognition of tax benefits pursuant to a statutory North Carolina economic development tax credit program and resolution of certain contingent income tax liabilities.

"We believe our second quarter operating results demonstrate continued strength in the market as well as PPD's ability to perform well across the continuum of global drug development markets and service segments," stated Eshelman, CEO. "On top of net revenue growth of 24 percent, excluding reimbursables, and record operating cash flow, PPD grew its book of net new business 34.5 percent year-over-year for the quarter, resulting in a net book-to-bill ratio of 1.44 and backlog of more than \$2.0 billion. With the continued progress of the Phase III development program for the Takeda DPP4 compound, we remain confident in our ability to drive value through our integrated platform of drug discovery and development services."

PPDI remains a STRONG BUY under \$39.

Pharmaceutical Product Development is a global provider of research and development and consulting services in the development and discovery science segments.

❖ **PLX TECHNOLOGY, INC.**

PLX Technology, Inc. (NASDAQ:PLXT) announced financial results for the second quarter ended June 30, 2006.

For the second quarter ended June 30, 2006, PLX reported net revenues of \$19.4 million, a 47 percent increase from the \$13.2 million reported in the second quarter ended June 30, 2005, and a three percent decrease compared to the \$20.0 million reported in the first quarter ended March 31, 2006. Included in the first quarter ended March 31, 2006 results is a one-time pick-up in net revenues and gross margin of \$2,766,076 and \$1,875,066, respectively, as a result of the Company's change from the sell-through method of accounting for revenues to the sell-in method, whereby revenues are recognized at the time of shipment to a distributor.

Net revenues for the first six months of 2006 were \$39.4 million, a 49 percent increase from the \$26.4 million reported for the first six months of 2005. As described above, net revenues for the first six months of 2006 include the one-time pick-up in revenue in the first quarter ended March 31, 2006 as a result of the change to the sell-in accounting method.

Net income for the second quarter ended June 30, 2006, under U.S. generally accepted accounting principles (GAAP), which included the effect of acquisition-related costs and stock option expense, was \$0.3 million, or \$0.01 per share (diluted). This compared with net losses under GAAP of \$0.7 million, or a loss of \$0.03 per

share (diluted), in the second quarter ended June 30, 2005 and net income under GAAP of \$1.5 million, or \$0.06 per share (diluted), in the first quarter ended March 31, 2006. Net income for the first six months of 2006 was \$1.8 million, or \$0.06 per share (diluted), compared to net losses of \$1.3 million, or a loss of \$0.05 per share (diluted), for the first six months of 2005.

"Our year-over-year and sequential results reflect solid execution of our growth initiatives," said Salameh, CEO. "More specifically, we achieved 47 percent revenue growth year-over-year, while growing quarterly pro forma results from a loss to a \$2.2 million net profit and increasing cash and investments by nearly \$6 million. Successful execution of our PCI Express and USB product plans were the main drivers of these results. In the second quarter, we started sampling two new PCI Express switches, which brings our total PCI Express product family to nine switches and bridges. This product family, by far the broadest in the industry, addresses a wide range of applications in the server, storage, PC peripheral, and embedded-system markets. Since we launched the product line in late 2004, we have shipped PCI Express production units, samples or development systems to more than 400 customers, compared to over 300 at the end of the first quarter."

**PLXT remains a
STRONG BUY under \$10.**

PLX Technology Inc. is a worldwide supplier of high-performance integrated circuits, software and reference design packages for the Peripheral Component Interconnect bus market.

❖ **PYRAMID BREWERIES INC.**

Pyramid Breweries Inc. (Nasdaq:PMID) announced results for the second quarter ended June 30, 2006. Gross sales for the quarter were \$14.6 million, representing an overall improvement of 6%, compared to the second quarter of 2005.

Net income for the quarter was \$28,000, or \$0.00 per diluted share, compared to \$168,000 or \$0.02 per diluted share a year ago. Excluding the impact of CEO transition costs of \$373,000, net income on a pro forma basis for the quarter was \$401,000, representing an increase of 139% over the second quarter in 2005.

"The Pyramid brand, led by our flagship Hefe Weizen, is on a roll and the company has momentum," stated Barnum, CEO. "We have achieved 24% volume growth in our core Pyramid brand, over the last year and it continues to accelerate, even in our largest and most established Northwest markets."

PMID is a BUY under \$2.50.

Pyramid Breweries Inc. is a brewer of fresh, flavorful specialty beers, generally known as craft beers.

❖ **RENAISSANCE
LEARNING®, INC.**

Renaissance Learning®, Inc. (Nasdaq:RLRN) announced financial results for the three- and six-month periods ended June 30, 2006. Revenues for the second quarter of 2006 were \$29.3 million, an increase of 3.4% from second quarter 2005 revenues of \$28.3 million. Net income was \$4.7

million compared to net income of \$7.3 million for the second quarter of 2005, a decrease of 36%. Earnings per share for the quarter were \$0.16, compared to \$0.24 per share earned in the prior year.

Revenues for the six-month period ended June 30, 2006 were \$60.4 million, up 8.1% from 2005 revenues of \$55.9 million. Net income was \$8.2 million for the six-month period, down 40.9% from the prior year net income of \$13.8 million. Earnings per share for the first half of 2006 were \$0.27 compared to \$0.45 in the first six months of 2005. Excluding AlphaSmart revenues, the Company's revenues declined by 20% for the quarter and 12% for the six-month period compared to the prior year, while AlphaSmart revenues declined by 20% for the quarter and 24% for the six-month period compared to its prior year results.

"As expected, second quarter results continued to show declines over the prior year," said Paul, CEO. "However, we are seeing a significant increase in quote activity. The market has been particularly receptive to our new full subscription Accelerated Reader Enterprise offering, the impact of which can be seen in the increase in deferred revenue of \$2 million in the quarter, and there has been an improvement in orders for the AlphaSmart Neo laptop as a result of our renewed sales and marketing efforts. On the other hand, while we are encouraged by these positive signs, we still have significant work to do to get back to a growth mode."

RLRN remains a BUY under \$13.

Renaissance Learning provides learning information systems to grades K-12, consisting of computer software and related training.

❖ **RADVISION**

RADVISION (NASDAQ: RVSN) announced that revenues for the second quarter of 2006 reached a record \$22.0 million, representing a 26% increase from \$17.5 million reported in the second quarter of 2005.

Operating income for the second quarter of 2006 was \$2.1 million. Excluding the effect of stock-based compensation expense related to the adoption of FAS123R, the Company achieved operating income of \$3.3 million. This compares with operating income of \$2.2 million in the second quarter of 2005.

Net income for the 2006 second quarter was \$3.2 million, or \$0.14 per diluted share. Excluding the effect of stock-based compensation expense, net income was \$4.4 million or \$0.20 per diluted share. This compares with \$2.9 million or \$0.13 per diluted share reported in the 2005 second quarter.

For the first six months of 2006, revenues were \$42.1 million, operating income was \$4.0 million and net income was \$6.1 million or \$0.27 per diluted share. Excluding the effect of stock-based compensation expense, operating income for the first six months of 2006 was \$6.3 million and net income was \$8.4 million or \$0.37 per diluted share. For the first half of 2005, revenues were \$33.8 million, operating income was \$4.1 million and net income was \$5.4 million or \$0.24 per diluted share.

Raviv, CEO said, "Our main growth driver in the second quarter was the successful worldwide

launch of our new SCOPIA(TM) v.5 platform and iView management application, which contributed to a 33% increase in our room conferencing revenues over the second quarter of 2005 and a 60% increase sequentially. We shipped SCOPIA v.5 for the largest phase of the Defense Information Systems Agency (DISA) DVS-II project that we won with Cisco and Northrop Grumman late last year. Our second quarter DISA sales were made through Cisco, our largest channel partner. Total Cisco revenues rose 70% year-over-year. Our non-Cisco channel sales in the Americas also were strong in the quarter.

"Our growth in the second quarter reflected our focus on execution and the advancement of our technology leadership. We will continue to pursue our strategy of enabling and advancing unified communications."

**RVSN remains a
STRONG BUY under \$15.50.**

RADVISION designs, develops and supplies products and technology that enable voice, video, and data communications over packet networks.

❖ **SCIELE PHARMA, INC.**

Sciele Pharma, Inc. (NASDAQ:SCRX), formerly First Horizon Pharmaceutical Corporation (NASDAQ:FHRX), announced increased revenues and earnings for the second quarter and six months ended June 30, 2006. Net revenues for the second quarter of 2006 increased 45% to \$72.4 million from \$49.8 million in the second quarter of 2005. Adjusted diluted earnings per share (EPS), excluding after-tax stock compensation expense of \$0.04 for the second quarter of 2006, (a non-GAAP measure), increased 48% to \$0.31 over the second quarter of 2005.

Fourteau, President and CEO, stated, "In the second quarter of 2006, our increases in sales and earnings were driven by the strong performance of our cardiovascular/metabolic product portfolio, led by Sular and Triglide. The Company plans to expand its Women's Health sales force and launch a new women's health product in the second half of this year. Also in the second quarter, we made good progress on the development of our new formulation of Sular. We plan to begin a pivotal trial in the second half of 2006 and file with the FDA in the first half of 2007. We recently received orphan drug designation from the FDA for glycopyrrolate to treat chronic moderate-to-severe drooling in pediatric patients. We believe this will be important for the Company's long-term growth."

For the six months ended June 30, 2006, net revenues increased 53% to \$138.9 million from \$90.8 million for the six months ended June 30, 2005. Adjusted diluted earnings per share, excluding after-tax stock compensation expense of \$0.08 for the first six months of 2006 (a non-GAAP measure), increased 43% to \$0.57 compared with \$0.40 in the same period of 2005.

**SCRX remains a
STRONG BUY under \$20.**

Sciele Pharma, Inc., formerly First Horizon Pharmaceutical Corporation is a specialty pharmaceutical company that markets and sells prescription products for the treatment of cardiovascular, obstetrical and gynecological, and pediatric and gastroenterological conditions and disorders.

◆ SECURE COMPUTING CORPORATION

Secure Computing Corporation (NASDAQ:SCUR) announced second quarter 2006 revenue of \$38.7 million. This represents a 48% increase compared to \$26.1 million in the same quarter last year, and a 9% decrease compared to revenues of \$42.6 million in the prior quarter. On a GAAP basis, net income was \$6.7 million, or \$0.11 per fully-diluted share, for the second quarter of 2006, which includes the impact of reducing by \$7.3 million the valuation allowance that has been established against the Company's net deferred tax asset. Excluding the impact of the reduction in the tax valuation allowance, the net loss for the second quarter was \$657,000.

Second quarter non-GAAP net income was \$5.0 million or \$0.08 per fully-diluted share. These non-GAAP results exclude stock-based compensation, amortization of acquired intangible assets and the impact of the utilization of net operating losses and tax valuation allowance, (refer to the "Use of Non-GAAP Financial Measures" section for a reconciliation of GAAP to Non-GAAP financial information).

"Although revenue for the quarter was short of plan, it was not due to a lack of market opportunity for our products," said McNulty, chairman, president and CEO. "Our revenue shortfall was due to a combination of a larger than normal number of orders slipping out of the quarter at the end of June, coupled with purchasing delays by our customers as a result of the CyberGuard acquisition. Since the CyberGuard transaction brought together very similar and overlapping Unified Threat Management (UTM) products, customers delayed making purchasing decisions as they waited for completed roadmaps that included upgrade paths for their installed products."

SCUR remains a HOLD.

Secure Computing Corporation develops network security solutions that enable organizations to exchange critical information with their customers, partners, and employees.

◆ SMITH MICRO SOFTWARE, INC.

Smith Micro Software, Inc. (Nasdaq:SMSI) reported its 2006 second quarter financial results.

Smith Micro reported record net revenue of \$12.6 million for the second quarter ended June 30, 2006, a 27% increase over revenue of \$9.9 million in the first quarter of 2006 and nearly four times the \$3.3 million recorded in the second quarter of 2005.

Pro forma net income (which excludes amortization of intangible assets associated with acquisitions and stock compensation related expenses) for the second quarter was \$3.2 million, or \$0.13 per fully diluted share, compared to pro forma net income of \$2.9 million, or \$0.12 per fully diluted share in the first quarter of 2006 and net income of \$764,000, or \$0.03 per share, in the second quarter of 2005.

On a GAAP basis, the company earned \$0.04 per fully diluted share for second quarter 2006 as compared to \$0.03 per fully diluted share in the second quarter of 2005.

For the six months ended June 30, 2006, the company reported net revenues of \$22.4 million or a 319% increase over the \$5.4 million reported for the six months ended June 30, 2005. Proforma net income for the first six months of 2006 was \$6.1 million, or \$0.25 per diluted share as compared to \$636,000, or \$0.03 per diluted share reported for the six months ended June 30, 2005.

Earnings for the first six months of 2006, on a GAAP basis, were \$0.12 per diluted share as compared to \$0.03 per diluted share for the six months ended June 30, 2005.

President and CEO Smith said, "We achieved solid progress for the first half of fiscal 2006. Within our Enterprise software division, we signed three new customers for initial deployment orders and have a significant number of potential customers in the pipeline. Our recent launch of our QuickLink Mobile Music program is currently on track and is being marketed to several wireless carriers worldwide. We currently expect to see multiple orders before the end of this fiscal year from this product offering.

SMSI is a BUY under \$10.

Smith Micro Software, Inc. and its subsidiaries develop and market wireless communication software products and services in the United States.

◆ SRI/SURGICAL EXPRESS, INC.

SRI/Surgical Express, Inc. (SRI) (Nasdaq:STRC) announced financial results for the second quarter ended June 30, 2006.

For the second quarter of 2006, SRI Surgical reported total revenue of \$23.4 million, an increase of \$212,000 over the second quarter of 2005. Net loss for the second quarter of 2006 was \$802,000 or \$0.13 per basic and diluted common share compared to net income of \$255,000, or \$0.04 per basic and diluted common share reported for the second quarter of 2005. Revenues for the six months ended June 30, 2006 were \$46.9 million, an increase of \$464,000 compared to the same period of 2005. SRI Surgical had one less business day in its six-month period ended June 30, 2006 than in the same period of 2005.

Net loss was \$1.1 million or \$0.17 per diluted share for the six months ended June 30, 2006, compared to net income of \$320,000, or \$0.05 per diluted share for the same period of last year. The second quarter's results of 2006 were adversely affected by increased expense due to an expansion of the sales force, increased production labor and product costs, the recognition of stock-based compensation and severance costs.

CEO Carlton stated, "Our increased investment in our sales organization and related marketing programs did not achieve targeted revenue growth. This shortfall and the increased costs negatively impacted our operating results for the second quarter. We have and will continue to implement cost and expense reduction measures to better align spending with revenues. We remain committed to our aggressive growth plan."

STRC is a SELL.

SRI/Surgical Express, Inc. provides hospitals with reusable and disposable products and devices used in surgical procedures.

◆ STRAYER EDUCATION, INC.

Strayer Education, Inc. (Nasdaq:STRA) announced financial results for the three months ended June 30, 2006. Revenues for the three months ended June 30, 2006 increased 19% to \$65.6 million, compared to \$55.2 million for the same period in 2005, due to increased enrollment and a 5% tuition increase which commenced in January 2006.

Net income was \$14.0 million compared to \$12.5 million for the same period in 2005, an increase of 12%. Net income for the three month ended June 30, 2006 includes the effect of a \$1.3 million after tax expense related to stock-based compensation. Excluding stock-based compensation expense, net income was \$15.3 million, an increase of 22% compared to 2005.

Diluted earnings per share was \$0.97 compared to \$0.85 for the same period in 2005, an increase of 14%. Diluted earnings per share for the three months ended June 30, 2006 includes the effect of an \$0.08 per share after tax expense related to stock-based compensation. Excluding stock-based compensation expense, diluted earnings per share was \$1.05, an increase of 24% compared to 2005. Diluted weighted average shares outstanding decreased to 14,497,000 from 14,791,000 for the same period in 2005.

Revenues for the six months ended June 30, 2006 increased 19% to \$132.6 million, compared to \$111.4 million for the same period in 2005, due to increased enrollment and a 5% tuition increase which commenced in January 2006.

Net income was \$30.0 million compared to \$26.6 million for the same period in 2005, an increase of 13%. Net income for the six months ended June 30, 2006 includes the effect of a \$2.0 million after tax expense related to stock-based compensation. Excluding stock-based compensation expense, net income was \$32.0 million, an increase of 20% compared to 2005. Diluted earnings per share was \$2.06 compared to \$1.79 for the same period in 2005, an increase of 15%. Diluted earnings per share for the six months ended June 30, 2006 includes the effect of a \$0.14 per share after tax expense related to stock-based compensation. Excluding stock-based compensation expense, diluted earnings per share was \$2.20, an increase of 23% compared to 2005.

"We were pleased both with our solid financial performance in the second quarter and our strong enrollment for the summer term," said President and CEO Silberman. "We also look forward to the addition of two more new campuses for the fall term including one in Alabama, a new state for Strayer."

STRA remains a BUY under \$103.

Strayer Education, Inc. is the holding company for Strayer University, which is a leading proprietary institution of higher education.

◆ SURMODICS

SurModics (Nasdaq:SRDX) reported financial results for the third fiscal quarter ended June 30, 2006.

"SurModics is pleased to report strong financial and operating results for the third quarter of fiscal year 2006, achieving record revenue and earnings," said Barclay, President and CEO. "We delivered broad-based revenue growth, setting

new records in each of our three operating segments - Drug Delivery, Hydrophilic and Other, and Diagnostics and Drug Discovery. In addition to strong CYPHER sales, we also delivered record non-Cordis revenue in the quarter."

Revenue for the third quarter of fiscal 2006 was \$18.1 million, an increase of 10% from \$16.5 million in the year earlier period. On a GAAP basis, operating income was a record \$9.5 million; net income was a record \$6.4 million; and diluted earnings per share was a record \$0.34. Results include expensing of stock options, as required by SFAS No. 123R.

On a non-GAAP basis, operating income grew 19% to a record \$11.1 million, from \$9.3 million in the prior-year period. The operating margin for the quarter was 61%. Net income increased 20% to a record \$7.4 million, from \$6.2 million in the same period last year. Diluted earnings per share was a record \$0.39, an 18% increase from \$0.33 in the third quarter of fiscal 2005. Non-GAAP results exclude non-cash compensation charges. Please see our financial tables and the footnotes for a detailed explanation and reconciliation of GAAP and non-GAAP figures.

For the first nine months of fiscal year 2006, revenue was a record \$52.3 million, an increase of 13% from \$46.3 million in the year earlier period. On a GAAP basis, operating income was \$27.0 million; net income was \$14.0 million; and diluted earnings per share was \$0.75; these figures were all records. On a non-GAAP basis, operating income grew 15% to a record \$31.4 million, from \$27.3 million in the prior-year period. Net income increased 21% to a record \$21.2 million, from \$17.5 million in the same period last year. Diluted earnings per share was a record \$1.12, an 18% increase compared with \$0.95 for the first nine months of fiscal 2005. Non-GAAP results exclude non-cash compensation charges, the non-cash IPR&D charge in connection with the Company's acquisition of InnoRx, Inc. in January 2005, and a non-cash impairment loss on our investment in Novocell. Please see our financial tables and the footnotes for a detailed explanation and reconciliation of GAAP and non-GAAP figures.

"SurModics remains in excellent financial condition," said Ankeny, Senior VP and CFO. "Our balance sheet remains strong, with a cash and investment balance of \$96.7 million and no debt as of June 30, 2006. Operating cash flow for the third quarter was \$8.9 million. We continue to evaluate opportunities to put our strong balance sheet to work."

SRDX remains a BUY under \$37.

SurModics is a manufacturer of surface modification coatings for medical devices

❖ TARO PHARMACEUTICAL INDUSTRIES LTD.

Taro Pharmaceutical Industries Ltd. (Nasdaq: TARO) reported that on July 19, 2006 it received a Staff Determination from the Listing Qualifications Department of The Nasdaq Stock Market.

The Staff Determination states that because Nasdaq has not received the Company's Annual Report on Form 20-F for the year ended December 31, 2005 (the "2005 Form 20-F") as required by Nasdaq Marketplace Rule 4320(e)(12), the Company's ordinary shares are

subject to delisting from The Nasdaq Global Select Market unless the Company requests a hearing. The Company has requested a hearing before a Nasdaq Listing Qualifications Panel to review the Staff Determination. The Company's ordinary shares will remain listed pending the review. There can be no assurance that the Panel will grant the Company's request for continued listing.

On July 18, 2006, Taro announced that it is in the last stages of completing the audit of its financial statements for the year ended December 31, 2005 and anticipates completing the audit in August. Taro expects to file its 2005 Form 20-F upon completion of the audit.

TARO remains a HOLD.

Taro is a multinational, science-based pharmaceutical company dedicated to meeting the needs of its customers through the discovery, development, manufacturing and marketing of the highest quality healthcare products.

❖ TECHNE CORPORATION

Techne Corporation (NASDAQ: TECH) reported consolidated net earnings increased 10.9% to \$73.4 million and its earnings per diluted share increased 14.2% to \$1.85 compared with \$66.1 million and \$1.62 per diluted share for the fiscal year ended June 30, 2005.

For the quarter ended June 30, 2006, Techne's consolidated net earnings increased 5.0% to \$19.5 million and its earnings per diluted share increased 4.3% to \$0.49 for the quarter ended June 30, 2006 compared with \$18.6 million and \$0.47 per diluted share for the quarter ended June 30, 2005.

Consolidated net sales for the three months and fiscal year ended June 30, 2006 were \$52.1 million and \$202.6 million, respectively. This was an increase of 9.5% and 13.4% from the three months and fiscal year ended June 30, 2005, respectively

Consolidated gross margins were 77.3% and 77.4% for the quarter and fiscal year ended June 30, 2006, respectively.

TECH remains a BUY under \$50.

Techne Corporation has two operating subsidiaries, a specialty manufacturer of biological products and a distributor of biotechnology products.

❖ TECHNOLOGY RESEARCH CORPORATION

Technology Research Corporation (Nasdaq:TRCI) announced revenues and earnings for its first fiscal quarter ended June 30, 2006.

Revenues were \$10.6 million unchanged from the revenue reported in the same quarter last year. Net income for the first fiscal quarter ended June 30, 2006 was \$27 thousand compared with net income of \$293 thousand for the fiscal quarter ended June 30, 2005. Diluted net income is \$0.00 per share for the current quarter compared with diluted net income of \$0.05 per share for the same quarter last year.

Wiggins, Chairman, President & CEO said, "The highlight of the first quarter was the completion of our first acquisition in April of Automated Engineering Corporation's

recreational vehicle product line business. The integration of this acquisition is ongoing and we expect it to be accretive to earnings in its first year. As stated in the past, we are continuing to seek acquisition opportunities where we can accelerate the Company's growth while providing a return to the bottom line."

TRCI is a HOLD.

Technology Research Corporation designs, develops, manufactures and markets electronic control and measurement devices related to the distribution of electrical power.

❖ TRUE RELIGION APPAREL, INC.

True Religion Apparel, Inc. (Nasdaq: TRLG) announced financial results for the second quarter ended June 30, 2006.

Net sales for the 2006 second quarter increased 39.7% to \$30.7 million compared with \$22.0 million in the 2005 second quarter.

Excluding the previously announced one-time expense related to an interim arbitration settlement, which includes the arbitration award, legal costs and interest, and which totals \$1.9 million before income taxes, or \$0.05 per diluted share, adjusted net income increased 43% to \$6.1 million, or \$0.26 per diluted share. This compares with \$4.3 million, or \$0.18 per diluted share in the second quarter of 2005. Giving effect to this one-time charge, net income for the 2006 second quarter was \$4.9 million, or \$0.21 per diluted share. Because the settlement charge is a non-recurring, one-time event, management believes that including non-GAAP net loss per share provides a useful and relevant measure for comparative year-over-year operating performance.

Net income from operations was \$9.8 million, or 31.9% of sales, in the 2006 second quarter versus \$6.7 million, or 30.3% of sales, in the same period in 2005.

"Sales in the second quarter reflected continued strength in our U.S. wholesale business with premium department stores and specialty retailers, as well as achieved targets in international markets, our retail store, and other initiatives," said Lubell, CEO "Along with our strong sales performance this quarter, we also made excellent strides in our goal to become a fully-integrated global premium lifestyle brand. We augmented our infrastructure with the continued build-out of expanded warehousing and distribution facilities, added several new senior executives, recently signed leases for True Religion stores in SoHo and South Beach, engaged InGroup Licensing to facilitate licensing opportunities and enhanced our distribution in China and Latin American with new distributors in those regions. In addition, we also continued expanding our product offering to a more comprehensive lifestyle collection with exciting new items lined up for the next several seasons."

Gross profit in the second quarter increased to \$16.4 million compared with \$10.9 million in the second quarter of 2005. Second quarter 2006 gross margins were 53.2% compared with 49.7% in the comparable period last year.

For the six-month period ended June 30, 2006, net sales increased 57.5% to \$66.3 million

compared with \$42.1 million in the same period last year. Excluding the arbitration settlement, net income rose 53% to \$12.6 million, or \$0.54 per diluted share. On a reported basis, net income was \$11.4 million, equal to \$0.49 per diluted share, versus \$8.1 million, or \$0.35 per diluted share in the first half of 2005.

Gross profit in the 2006 six-month period was \$35.1 million compared with \$21.1 million last year. Gross margins for the period were 52.9% compared with 50.2% in 2005.

Net income from operations for the first six months of 2006 was \$20.4 million, equal to 30.7% of sales, versus \$13.2 million, or 31.3% of sales, in the same period last year.

TRLG remains a BUY under \$18.

True Religion Apparel, Inc., through its wholly owned subsidiary, Guru Denim, Inc., engages in the design, development, manufacture, marketing, distribution, and sale of fashion jeans and other apparel.

✧ **TELETECH HOLDINGS, INC.**

TeleTech Holdings, Inc. (Nasdaq:TTEC) announced that Dennis Lacey, the Company's Chief Financial Officer, has resigned effective August 16, 2006. Mr. Lacey has accepted a position in a deal-making capacity with Republic Financial Corporation, a private investment firm.

The Company also announced second quarter 2006 financial results. The Company also filed its Quarterly Report on Form 10-Q with the Securities and Exchange Commission for the quarter ended June 30, 2006.

TeleTech reported record second quarter revenue of \$287 million, a 13 percent increase over the year-ago quarter. Further, revenue in TeleTech's North American and International BPO segments, representing 97 percent of consolidated revenue, grew 19.3 percent over the year-ago quarter.

Income from operations more than doubled from the year-ago quarter, increasing to \$11.6 million or 4.0 percent of total revenue.

Fully diluted EPS increased more than three-fold over the prior-year quarter to 17 cents per share. This includes a \$5.2 million (7 cents per share) tax benefit from the reversal of certain international deferred tax valuation allowances due to continued and improved profitability in these regions.

Tuchman, chairman and CEO said, "This is the third consecutive quarter of double-digit revenue gains achieved entirely from organic growth. Our improved performance resulted from solid execution and an ongoing commitment to profitable growth as we focus on achieving our year-end 2007 financial goals. We plan to further complement our strong organic growth with Global 500 clients by pursuing strategic and accretive acquisitions, such as our recent purchase of Direct Alliance Corporation," said Tuchman. "We will also continue our share repurchase program given our belief in the prospects for our business and our leading industry position."

TTEC remains a BUY under \$14.

Teletech is the leading global provider of e-commerce-enabling customer management solutions.

✧ **VASCO DATA SECURITY INTERNATIONAL, INC.**

VASCO Data Security International, Inc. (Nasdaq: VDSI) reported financial results for the second quarter and six-months ended June 30, 2006.

Revenues for the second quarter of 2006 increased 50% to \$18.5 million from \$12.3 million in 2005 and, for the first six months of 2006, increased 35% to \$32.2 million from \$23.8 million in 2005.

Net income available to common shareholders for the second quarter of 2006 was \$3.0 million, or \$0.08 per diluted share, an increase of \$1.4 million or 92% from \$1.6 million, or \$0.04 per diluted share in 2005. Net income available to common shareholders for the first six months of 2006 was \$4.2 million, or \$0.11 per diluted share, an increase of \$1.2 million or 41% from \$3.0 million, or \$0.08 per diluted share in 2005.

The results of the second quarter continue the trend of strong growth," said Valcke, President and COO. "As two-factor authentication becomes more broadly accepted as a cost-effective means of protecting against identity theft, we are seeing both an increase in the number of deals as well as the size of the deals...As a market leader, especially in the banking and financial market, we also are seeing increased interest from distributors, solution partners and companies with complimentary technologies. As we start the third quarter, we have a backlog of firm orders to be shipped in the third quarter of \$16.1 million, which is 39% higher than the \$11.6 million backlog we had, entering the third quarter of 2005."

VDSI remains a STRONG BUY under \$9.

VASCO Data Security International, Inc. engages in the design, development, marketing, and support of open standards-based hardware and software security systems that manage and secure access to information assets worldwide.

✧ **VIASAT, INC.**

ViaSat, Inc. (Nasdaq: VSAT) announced record revenues of \$128.7 million and new net contract awards of \$134.0 million for the quarter ended June 30, 2006. In addition, ViaSat reported net income of \$0.26 per share on a diluted non-GAAP basis or \$0.20 per share on a diluted GAAP basis.

"We are very pleased with fiscal first quarter financial performance across our key metrics -- new business awards, revenues, earnings, and cash flows," said Mark Dankberg, chairman and CEO of ViaSat. "In the aggregate, first quarter events and achievements set the stage for sustained growth driven by several key market areas including MIDS and JTRS, information assurance, and satellite broadband."

VSAT remains a BUY under \$26.

ViaSat Inc. designs, produces, and markets advanced digital satellite telecommunications and wireless signal processing equipment for commercial and government markets.

✧ **VCA ANTECH, INC.**

VCA Antech, Inc. (Nasdaq:WOOF), reported financial results for the quarter ended June 30,

2006, as follows: revenue increased 23.5% to a second quarter record of \$255.2 million; gross profit increased 23.4% to \$75.0 million; operating income increased 22.4% to \$55.6 million; net income was \$29.6 million; and diluted earnings per common share was \$0.35.

The quarter ended June 30, 2005 included an after-tax charge of \$11.5 million, or \$0.14 per diluted common share, for debt retirement costs. Excluding this item, adjusted net income for the second quarter of 2006 increased 29.7% to \$29.6 million and adjusted diluted earnings per common share increased 29.6% to \$0.35.

The Company also reported financial results for the six months ended June 30, 2006, as follows: revenue increased 24.4% to a first six-months record of \$489.3 million; gross profit increased 24.5% to \$138.5 million; operating income increased 22.6% to \$100.3 million; net income was \$59.2 million; and diluted earnings per common share was \$0.70. The first quarter of 2006 included a tax benefit in the amount of \$6.8 million, or \$0.08 per diluted common share, due to a favorable outcome of an income tax audit that resulted in a change to our estimated tax liabilities. The second quarter of 2005 included an after-tax charge of \$11.5 million, or \$0.14 per diluted common share, for debt retirement costs. Excluding these items from the six months ended June 30, 2006 and 2005, adjusted net income increased 30.9% to \$52.4 million and adjusted diluted earnings per common share increased 29.2% to \$0.62.

Antin, Chairman and CEO, said, "Our operating results for the second quarter were marked by continued growth in our core businesses. Our consolidated revenue increased to \$255.2 million and our consolidated gross profit margin of 29.4% remained unchanged from the comparable prior year quarter. Our consolidated operating income margin was 21.8% compared to 22.0% in the comparable prior year quarter. Operating income for the second quarter of 2006 includes share-based compensation of \$669,000, or 0.3% of consolidated revenue, as a result of adopting SFAS No. 123R on January 1, 2006. In addition, during the second quarter of 2006, we made a \$20.0 million prepayment of our senior term notes, which brings the total year-to-date prepaid amount to \$60.0 million.

WOOF remains a BUY under \$34.

VCA Antech Inc. is an animal healthcare services company that operates a network of veterinary diagnostic laboratories and free-standing, full-service animal hospitals in the United States.

CURRENT PORTFOLIO

STOCKS REPORTED & NASDAQ® SYMBOL	DATE OF REPORT	RECOMMENDED PRICE	CURRENT MARKET PRICE (8/15/2006)	% CHANGE & CURRENT RECOMMENDATION	% GAIN @ SUBSEQUENT HIGH
EXPRESS SCRIPTS (ESRX)*	9/92	\$0.60	81.83	+13538% (B)	+15248%
TECHNE CORP. (TECH)*	6/93	\$3.43	49.25	+1336% (B)	+1909%
EXACTECH (EXAC)	9/96	\$2.81	13.48	+379% (B)	+650%
STRAYER EDUCATION (STRA)**	4/97	\$12.88	102.87	+699% (B)	+852%
VIASAT (VSAT)	6/97	\$7.19	26.22	+265% (B)	+524%
SURMODICS (SRDX)*	5/98	\$4.88	36.64	+652% (B)	+1085%
GSI COMMERCE, INC. (GSC)	8/98	\$6.63	11.64	+76% (B)	+245%
CATAPULT COMMUNICATIONS (CATT)	4/99	\$18.88	8.76	-54% (S)	-80%
PLX TECHNOLOGIES (PLXT)	10/99	\$18.44	10.05	-45% (SB)	+105%
TELETECH HOLDINGS (TTEC)	2/00	\$27.50	13.96	-49% (B)	+38%
EMBEX, INC. (EMBX)	3/00	\$19.00	9.63	-49% (H)	+38%
JAKKS PACIFIC, INC. (JAKK)	12/00	\$8.94	15.80	+77% (H)	+201%
CERADYNE (CRDN)	1/01	\$7.75	44.73	+477% (H)	+615%
TARO PHARMACEUTICAL IND. (TARO)	3/01	\$19.75	12.45	-37% (H)	+234%
ICT GROUP (ICTG)	8/01	\$11.50	27.20	+137% (B)	+137%
SRI/SURGICAL EXPRESS (STRC)	9/01	\$34.50	4.75	-86% (S)	+0%
MEDICAL ACTION INDUSTRIES (MDC)	10/01	\$18.16	22.00	-21% (B)	+34%
RENAISSANCE LEARNING, INC. (RLRN)	11/01	\$31.87	13.09	-59% (B)	+7%
CENTRAL EUROPEAN DIST. CORP. (CEDC)**	2/02	\$4.35	21.44	+393% (B)	+573%
PHARMACEUTICAL PROD. DVL.P. (PPDI)	4/02	\$31.80	38.28	+20% (SB)	+107%
ROCKY MNTN CHOCO FACTORY (RMCF)**	5/02	\$5.70	13.82	+142% (B)	+297%
EDUCATIONAL DVL.PMNT CORP. (EDUC)	6/02	\$6.65	6.86	+3% (S)	+103%
VCA ANTECH INC. (WOOF)**	9/02	\$14.00	33.96	+143% (B)	+218%
HEALTHWAYS, INC. (HWAY)**	10/02	\$18.88	53.00	+181% (SB)	+181%
ICU MEDICAL INC. (ICUI)	12/02	\$37.10	42.39	+14% (SB)	+14%
PYRAMID BREWERIES INC. (PMID)	3/03	\$2.78	2.30	-17% (B)	+26%
MEDIFAST, INC. (MED)	5/03	\$9.46	18.13	+92% (SB)	+96%
ARGON ST, INC. (STST)**	6/03	\$13.89	21.05	+52% (B)	+163%
NETSMART TECHNOLOGIES (NTST)	11/03	\$11.22	14.10	+26% (SB)	+42%
TECHNOLOGY RESEARCH CORP. (TRC)	12/03	\$16.35	4.35	-73% (H)	+12%
MERIT MEDICAL SYSTEMS, INC. (MMSI)	1/04	\$24.38	13.22	-46% (B)	+0%
ESCALON MEDICAL CORP. (ESMC)	2/04	\$10.25	4.90	-52% (SB)	+103%
CYTYG CORPORATION (NASDAQ: CYTC)	3/04	\$19.51	23.32	+20% (B)	+52%
MEDICAL TECHNOLOGY SYSTEMS, INC. (MPP)	4/04	\$12.27	6.49	-47% (B)	+0%
YAK COMMUNICATIONS (YAKKE)	5/04	\$7.30	3.00	-59% (B)	+37%
PALOMAR MEDICAL TECHNOLOGIES (PMTI)**	6/04	\$14.15	33.37	+136% (SB)	+250%
B.J.'S RESTAURANTS INC. (BJRI)	7/04	\$14.00	17.75	+27% (B)	+87%
PETMED EXPRESS, INC. (PETS)**	8/04	\$5.14	11.21	+118% (SB)	+275%
HEALTHCARE SVCS. GROUP, INC. (HCSG)*	9/04	\$11.33	20.35	+80% (SB)	+86%

Key: (B) Buy = Good long-term value (SB) Strong Buy = Look for up to 100% gain in 12 months
 (AB) Aggressive Buy = Look for over 100% gain in 12 months (A) Average down (S) Sell
 (H) Hold (C) Closed out position
 * Recommended price adjusted for stock splits & dividends.
 **Note: If a gain of over 100% has been achieved, sell half and purchase another "buy" recommendation.

For best performance on your stock purchase, call us during the month for up to the minute news, prices, and recommendations. You may speak directly with Chief Analyst and Publisher Geoffrey J. Eiten by calling 781-444-6100 x613, M-F 9 a.m.-5 p.m. (Eastern Time), or via email: geiten@otcgsw.com

© 1979-2006 OTC Growth Stock Watch, a publication of OTC Research Corporation. All Rights Reserved; reproduction, whole or in part, without permission is prohibited. All trademarks are property of their respective owners. OTC Growth Stock Watch is published monthly. One-year subscription is \$299. Foreign subscribers add \$15,000/yr for air mail delivery. Check, MC, Amex & Visa accepted. Back issues & corporate volume discounts available. Your comments or suggestions are always welcome. Your satisfaction is guaranteed. Please call or write: OTC Growth Stock Watch, 300 Chestnut Street, Ste. 200, Needham, MA 02492. Ph: 781-444-6100 Email: otcinfo@otcgsw.com. Please notify us immediately of any change in address.

CURRENT PORTFOLIO CONT'D

STOCKS REPORTED & NASDAQ® SYMBOL	DATE OF REPORT	RECOMMENDED PRICE	CURRENT MARKET PRICE (8/15/2006)	% CHANGE & CURRENT RECOMMENDATION	% GAIN @ SUBSEQUENT HIGH
ESSEX CORP. (KEYW)	10/04	\$12.53	15.13	+21% (B)	+92%
ABAXIS, INC. (ABAX)	11/04	\$12.73	22.12	+74% (SB)	+93%
MERIDIAN BIOSCIENCE, INC. (VIVO)	12/04	\$18.25	20.06	+10% (B)	+38%
INTEGRATED AMERICA, INC. (INMD)*	1/05	\$6.37	9.15	+44% (SB)	+76%
LIFECELL CORP. (LIFC)**	2/05	\$8.73	27.47	+215% (SB)	+246%
IXIA (XXIA)	3/05	\$18.79	9.84	-48% (H)	+13%
IRIS INTERNATIONAL INC. (IRIS)**	4/05	\$13.61	8.05	-41% (SB)	+90%
LIFECORE BIOMEDICAL INC. (LCBM)	5/05	\$11.85	14.46	+22% (SB)	+36%
TRUE RELIGION (TRLG)	6/05	\$12.98	17.48	+35% (B)	+65%
VASCO DATA SECURITY (VDSI)	7/05	\$10.29	8.78	-15% (SB)	+10%
OPTION CARE (OPTN)	8/05	\$13.16	12.19	-7% (B)	+6%
DXP ENTERPRISES INC. (DXPE)**	9/05	\$15.60	33.19	+72% (B)	+188%
SCIELE PHARMA, INC. (SCRX)	11/05	\$19.30	19.30	+24% (SB)	+56%
RADVISION, LTD. (RVSN)	1/06	\$17.80	15.20	-15% (SB)	+12%
SECURE COMPUTING (SCUR)	2/06	\$12.79	6.42	-50% (SB)	+0%
ALLSCRIPTS INC. (MDRX)	3/06	\$18.70	21.95	+17% (SB)	+17%
IRIDEX CORP. (IRIX)	4/06	\$12.26	8.10	-34% (B)	+0%
ZIGO CORP. (ZIGO)	5/06	\$16.38	14.34	-12% (B)	+0%
SMITH MICRO SOFTWARE (SMSI)	6/06	\$13.88	9.45	-32% (SB)	+0%
COMTECH GROUP (COGO)	7/06	\$9.89	12.17	+23% (SB)	+23%

SELECT PAST PERFORMERS

STOCKS REPORTED & NASDAQ® SYMBOL	DATE OF REPORT	% CHANGE AT CLOSEOUT
ADVANCEPCS (ADVP)	Dec-96	SELL RECMND... ON 9/15/2003 +3089% (S)
AVERT (AVRT)	Mar-95	SELL RECMND... ON 7/15/2001 +673% (S)
THE BARBERS (BBHF)	May-96	SELL RECMND... ON 3/15/1999 +176% (S)
CENTENE CORPORATION (CNTE)	Mar-02	CLOSED POSITION ON 9/15/2002 +170% (C)
DIANON SYSTEMS (DIAN)	April-00	SELL RECMND... ON 1/15/2002 +144% (S)
THERAGENICS (THRX)	Aug-96	SELL RECMND... ON 8/15/1998 +89% (S)
ADVANCED DIGITAL INFORMATION (ADIC)	Mar-99	SELL RECMND... ON 5/15/2002 +89% (S)
ASI SOLUTIONS (ASIS)	Aug-97	SELL RECMND... ON 3/15/2001 +88% (S)
BRADLEY PHARMACEUTICALS (BPRX)	Aug-02	CLOSED POSITION ON 5/15/2003 +87% (C)
POINT OF SALE (POSI)	Jul-99	SELL RECMND... ON 8/15/2000 +82% (S)
NEXTHEALTH (NEXT)	August-00	SELL RECMND... ON 12/15/2001 +57% (S)
THE FIRST YEARS (KIDD)	Mar-97	SELL RECMND... ON 8/15/2000 +52% (S)
U.S. LABORATORIES INC (USLB)	April-01	SELL RECMND... ON 8/15/2002 +35% (S)
BALANCE BAR (BBAR)	Jul-98	SELL RECMND... ON 5/15/2000 +33% (S)
CANTEL MEDICAL CORP. (CNTL)	June-01	SELL RECMND... ON 5/15/2002 +16% (S)
ALCIDO CORP. (ALCD)	April-95	CLOSED POSITION ON 11/15/2004 +469% (C)

Current Average Gain of Portfolio Since Sept. 1992: + 168%
Average Gain at Subsequent High Since Sept. 1992: + 350%

OTC Growth Stock Watch, published by OTC Research Corp., endeavors to supply its subscribers with sound opinions and advice based on its analysis of publicly available information from sources believed to be reliable, but makes no representation as to its accuracy or completeness. Opinions and advice of OTC Growth Stock Watch are not based upon individual needs or investment objectives of subscribers nor are they an offer to buy or sell securities. Neither OTC Research Corporation nor the publisher of OTC Growth Stock Watch has received any fees or compensation from the featured companies and OTC Research Corp. does not accept any outside advertising of any kind.

Since many company issues featured may carry above average risk, OTC Growth Stock Watch recommendations should be bought only by investors financially able to purchase speculative stocks. OTC Growth Stock Watch, its affiliates and subsidiaries and/or their officers and employees may from time to time acquire, hold or sell a position in the securities mentioned in its newsletters. Upon request, the Company will be pleased to furnish specific information in this regard. Additional information on any securities discussed is available upon request.