MARQUETTE UNIVERSITY

Applied Investment Management (AIM) Program

AIM Fund Investment Advisory Board Meeting
September 25, 2007

AIM Equity Fund Presentations

Student Presenter	Company Name	Ticker	Price
Barrett Willich	Piper Jaffray Companies	PJC	$54.78
Christopher Williams	Merit Medical Systems Inc.	MMSI	$12.55
Patrick Ingber	Arbitron Inc.	ARB	$46.70
Patrick Flaherty	VisSat Inc.	VSAT	$32.57
Joel Grebenick	Blackboard Inc.	BBBB	$43.86
Peter Merkel	ViroPharma Inc.	VPHM	$9.14
Break			
Andrew O'Connell	Olin Corporation	OLN	$21.62
Katie Koutnik	Emergent BioSolutions, Inc	EBS	$7.72
Christopher Caparelli	DivX, Inc.	DIVX	$14.56
Michael Carlson	Calamos Asset Management Inc.	CLMS	$25.34
Katherine Provo	Golden Telecom Inc.	GLDN	$72.90
Paul Simenauer	CNET Networks Inc.	CNET	$7.43

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Piper Jaffray Companies

PJC

Price: $54.78 ($44.24 - 74.30)

Fiscal Year Ended: December 31

Date: September 19, 2007 | Barrett Willich
Russell 2000 Index: 817.40 (712.17 – 856.48) | Financial Services Sector

Piper Jaffray Companies (PJC) is an international investment bank and institutional services firm, that serves the needs of middle-market corporations, private equity groups, public entities, and institutional investors. Operations consist primarily of three groups: investment banking (debt underwriting, equity underwriting, and M&A advisory), equity and fixed income institutional sales and trading, and other income (PE, VC, and asset management). The company is based in Minneapolis, MN with 20 branch offices across the United States, London, and Asia.

Recommendation

PJC is strong player in the highly cyclical investment banking market. Although it is inevitable that the M&A market is slowing, PJC's unique position in the middle market will provide more stable revenue, because 67% of deals are financed with cash and very few are financed through the CLO/CDO markets. The company is also lean, after selling its private client services group to UBS for $750M. This was a strong strategic move, because the group could not effectively compete with larger models. The gains have been redeployed in the company by expanding operations, especially in their alternative energy business. No long-term debt leaves PJC in a position to acquire companies to broaden its product portfolio.

Key Statistics	Sept 19, 2007
Market Cap	$1.01M
Shares Outstanding	18.48M
Average Volume	397,118
Beta	2.04
EPS (TTM)	3.38
2007 Consensus EPS	2.82
P/E (TTM)	18.3
PEG	3.42
Price/Book	0.99
WACC	11.27%
Rev. Growth '05-'06	19.37%
ROE	6.48%
Operating Margin	14.37%
Target Price	$56.45

Investment Thesis

- **Strategic Growth.** PJC is growing organically and through acquisitions to build up current product groups and diversify its portfolio. Management is looking to double their amount of bankers to 300. Acquisitions of Goldbond Capital Holdings and Fiduciary Asset Management (FAMCO) (closed at $53.1M) will help build the asset management division and provide steady revenue streams. The Goldbond acquisition will also extend PJC's global footprint to Asia.

- **Leverage.** Management indicated that they may lever the company next year. This could make a more efficient capital structure, or provide capital to acquire new business units.

- **Middle-Market Investment Bank.** There is an increasing demand for the middle-market banking service. The impact of Sarbanes-Oxley costs on small, public companies is driving many to go private. Middle-market firms are also demanding more research coverage, trading liquidity, and greater access to the capital markets that bulge bracket models cannot efficiently provide.

- **Volatile Markets.** Global Fixed income trading increased 34% in August. The VIX averaged 46% higher in August. Average daily share volume on the NYSE and NASDAQ rose 11%. The trading group can take advantage of the markets.

Valuation

PJC was caught in 9/18 the sell-off of investment banks and was attractively priced at $48.00; however, after the Fed cut rates, the stock shot up 13% and is no longer significantly undervalued. PJC is at 18.3x 2007 P/E multiple while its comps trade at 18.0x. The price to book value trades at 1.0x, below the comps at 1.9x. Finally, PJC trades at 1.9x 2007 revenues, while the comps trade at 1.9x 2007 revenues. DCF valued PJC at $48.12. A blended intrinsic value of $56.05 was calculated using 20% DCF, 45% P/E, 15% P/B, and 20% P/Rev valuations. PJC is a good investment at $50.00 or lower.

Risks

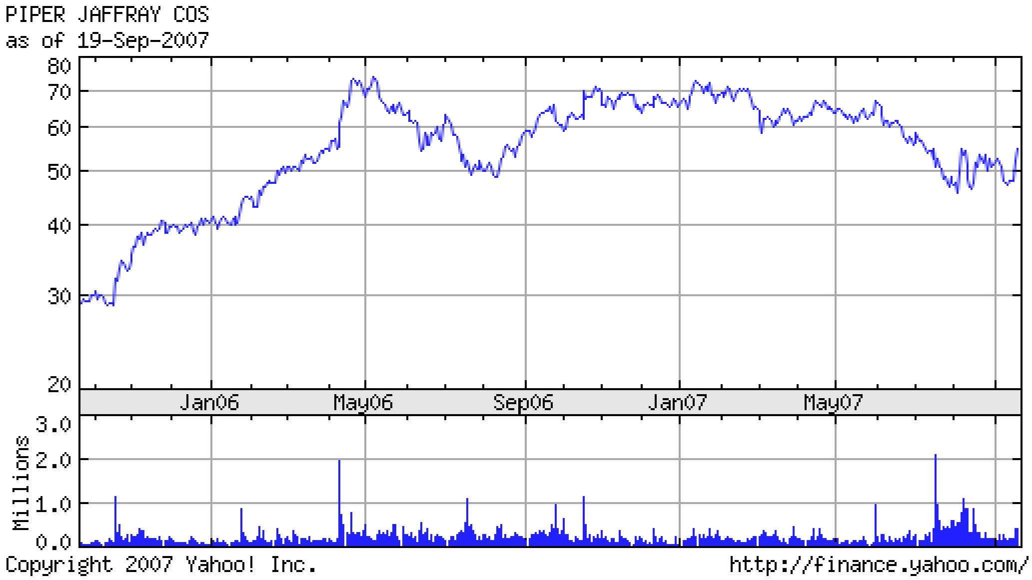
- **Lower Returns on Acquisitions.** Lower than expected returns on Goldbond and FAMCO could hurt the bottom line. The acquisitions were made in a rich environment and the premiums may have been unwarranted.

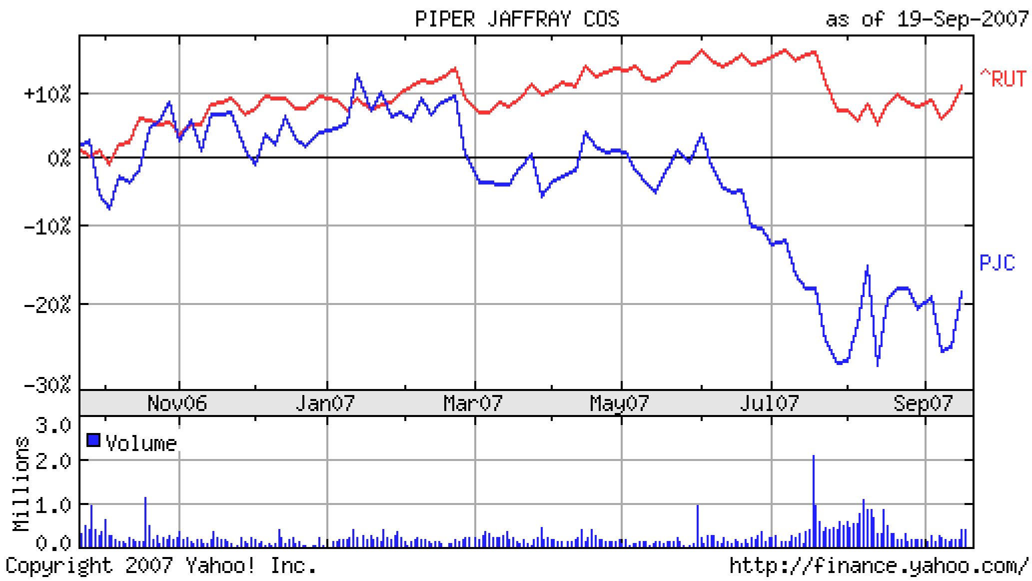
- **Slowdown in Investment Banking Activity.** The mini credit-crisis and seasonality caused a 41% decline in underwriting activity. M&A announcements decreased 71% in August. Estimates say that even if 21% of $2+ trillion M&A backlog are pulled, M&A will still grow 21% for 2007. A huge backlog, $250 billion in recently raised PE capital, and healthy corporate balance sheets will keep the activity steady.

- **Small Product Portfolio.** Although the sale of the private client services unit was smart, trading and banking activities are very cyclical. Acquisitions or growth in new product lines will provide more stable cash flows in any market type.

Management

Andrew S. Duff, Chairman and CEO, has been with the firm since 1980 and has been the head of multiple groups during his tenure. The rest of the management team has spent substantial time at PJC. An experienced management team is important for weathering the cycles. Willingness to acquire and grow internally shows that management has a vested interest in building the company; however, low management ownership does cause some concerns.





Ownership

% of Shares Held by All Insider and 5% Owners:	0.0%
% of Shares Held by Institutional & Mutual Fund Owners:	84.0%

Source: Yahoo! Finance

Top 5 Shareholders

Holder Name	Shares Held	Percent of Share Outstanding
BlackRock Advisors, LLC	1,306,116	7.07%
Price (T.Rowe) Associates Inc	1,105,165	5.98%
Barclays Global Investors UK Holdings Ltd	1,044,084	5.65%
Dimensional Fund Advisors Inc	1,007,003	5.45%
Melon Financial Corporation	648,432	3.51%

Source: Yahoo! Finance

Merit Medical Systems Inc.

MMSI

Price: $12.55 ($10.89-$16.79)

Fiscal Year Ends: December 31

Date: September 19, 2007 — Christopher Williams

Russell 2000 Index: 815.72 (712.17 - 856.48) — Health Care Sector

Merit Medical Systems Inc. is the leading manufacturer of disposable medical products used mainly in the diagnosis and surgical treatment of cardiovascular and radiology procedures. The company designs, develops, manufactures, and markets over 2000 products in their portfolio selling them directly to hospital based cardiologists, radiologists, and other surgical technicians. Some of their main products include radial artery compression systems, angiography needles and accessories, numerous catheters, guide wires, pressure infuser bags, and other surgical prep kits. Merit Medical has been a public company since 1990 and is headquartered in South Jordan, Utah. Merit operates in the United States, Germany, Ireland, United Kingdom, and France. Major competitors include Arrow Industries, Johnson and Johnson, ICU Medical, and Boston Scientific.

Recommendation

Merit Medical's favorable position in the disposable surgical products field is led by their vast portfolio of over 2,000 FDA approved products, and commitment to a strong pipeline of developing products to compliment new surgical procedures. MMSI currently has sales of close to 192 million dollars in a market that is estimated to be over 1 billion. Revenue growth has averaged over 13% annually for the past five years mainly due to strong sales of their catheter products as well as strategic acquisitions. The most notable of the acquisitions includes MCTec, and Datascope. Due to acquisitions, rising R&D costs, and greater than expected operating and non-operating expenses, MMSI has noticed a narrowing of their net margin and negative EPS growth in the past two years. Their net margin has dissolved from 10% to 6.5%. While this is a concern, I believe that the synergies of their recent acquisitions will begin to take effect, and management will stay committed to improving margins and controlling other expenses. Due to the current conditions, the health care sector plans to initiate coverage of MMSI with the possibility of adding it to the AIM portfolio should the outlook become more favorable.

Key Statistics	Sept 19, 2007
Market Cap	$327.06M
Shares Outstanding	27.32M
Average Volume	171,191
Beta	.80
EPS (TTM)	$.45
2007 Estimated EPS	$.50
P/E (TTM)	26.08
PEG	1.51
WACC	11.30%
Debt/Assets	0%
ROE	8.67%
Gross Margin	38.33%
Operating Margin	10.46%
Target Price	$14.00

Investment Thesis

- **Cardiovascular disease in an aging population.** Cardiovascular disease accounts for over 30% of all deaths in the U.S. every year. With a 75% increase of those most exposed to the risks of heart disease, the demand for an array of procedures, especially minimally invasive treatments, will greatly increase.

- **Growing international sales.** Sales internationally have grown from 25% in 2004 to 28% of total sales in 2006. Sales internationally have outgrown sales domestically by 18% last year. This number is expected to continue to improve as MMSI works closely with over 100 independent dealers that distribute products worldwide.

- **New product development.** MMSI has focused the development of new products to assist in the diagnosis of cardiovascular disease as well as developing less invasive procedures and surgical techniques. These products include drug-coated stents, anti-platelet therapy and trans-radial catheterization which a surgeon inserts vascular catheters through a radial artery. This allows for a patients rapid recovery and decreases the costs of the procedure. R&D grew 22% from 2005 to 2006. MMSI plans to keep R&D in the 6-8 million dollar range or around 4% of revenue.

- **Valuation to peers.** MMSI's current P/E ratio is 26. This falls below its main competitor ARROW's P/E of 36, and the industry average of 31. MMSI also boasts a P/S of 1.56 which is much lower than the industry.

Valuation

A 10-year discounted cash flow analysis provided an intrinsic price of MMSI at $12.63, close to its current price. This is a conservative estimate assuming that MMSI is able to improve their COGS margin by 100 basis points in 2007 and another 100 bps in 2008. Due to their relocation of production of several product lines to Mexico and better control over general costs, I believe that this is a realistic forecast. Any further improvement to the net margin will greatly benefit the stock's intrinsic value. In addition, a P/E multiple comparison values the company at $15.50. Taking different valuation methods into consideration, my target price is $14 dollars.

Risks

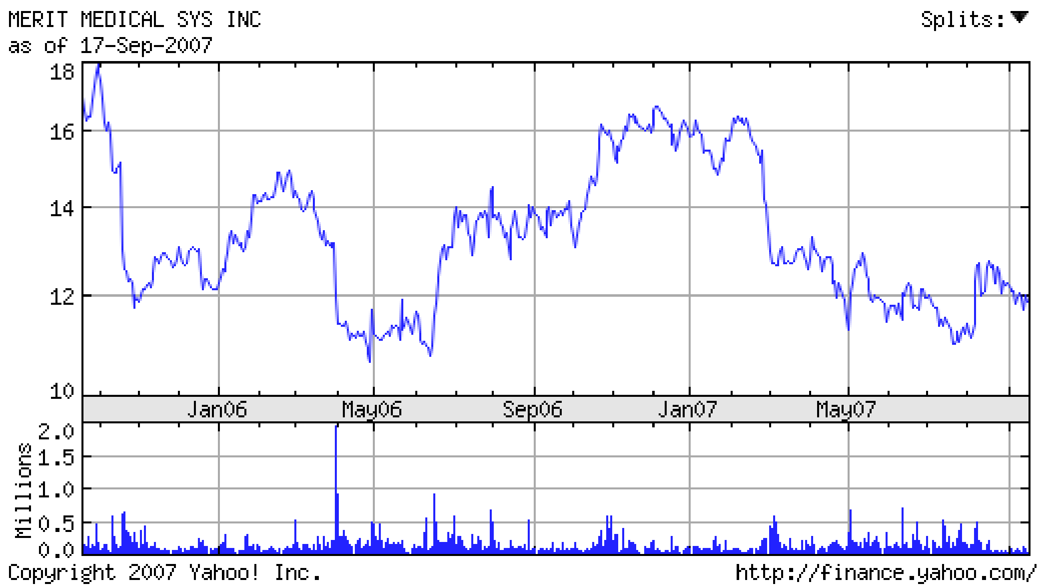
- **Ability to integrate new acquisitions.** Due to the DataScope acquisition completed in early 2007, MMSI may have delays in reaching their margin goals. Also, future acquisitions may not prove to be beneficial, further decreasing their gross margin.

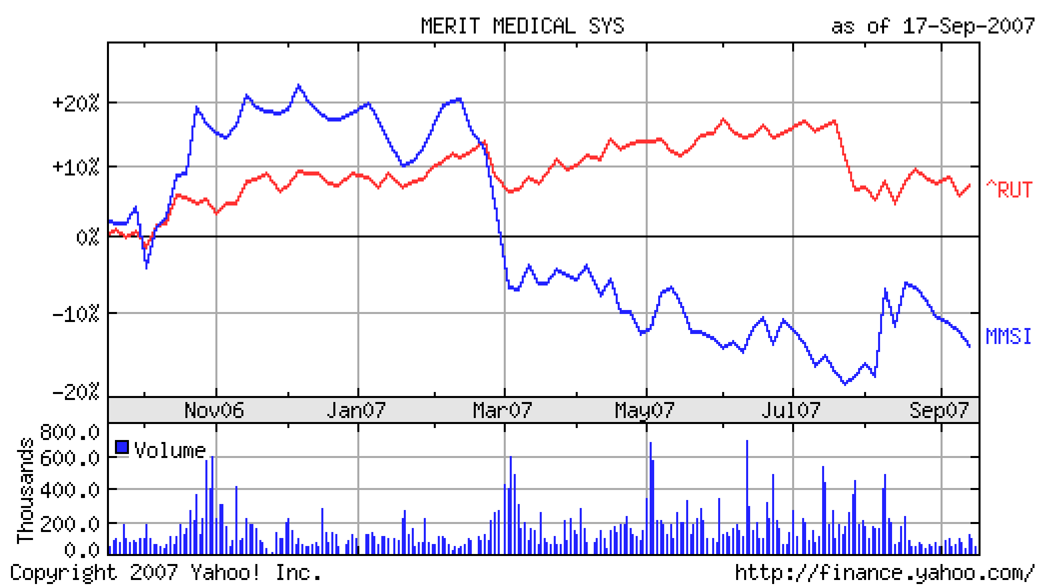
- **Patent Infringement.** MMSI currently has 108 total U.S. and international patents. In 2008, patents for their Inflation devices will expire. However, MMSI does not see this as a threat to revenues since the products have evolved since the patent was issued.

- **Competitors.** MMSI operates in a highly competitive field that includes Arrow Inc. and Boston Scientific. Both of these companies are much larger in comparison to MMSI and may have significantly more resources to invest in further product development.

Management

MMSI is still lead by its two founders Fred Lampropolos (CEO) and Kent Stanger (CFO). Mr. Lampropolous has over 100 patents attached to his name and was previously the president of Utah Medical before MMSI. Mr. Stanger was head controller at Utah Medical before joining Fred in his venture to start MMSI.





Ownership

% of Shares Held by All Insider and 5% Owners:	18%
% of Shares Held by Institutional & Mutual Fund Owners:	63%

Source: Yahoo! Finance

Top 5 Shareholders

Holder Name	Shares Held	Percent of Share Outstanding
Rutabaga Capital	2,886,000	10.56%
Fidelity MGMT	2,450,000	8.97%
Barclays Global Investors	1,481,000	5.42%
Burgundy Asset Management	1,481,000	5.42%
Friess Assoc Inc	1,282,000	4.69%

Source: Yahoo! Finance

Arbitron Inc.

ARB

Price: $46.70(36.65 - 55.63)

Fiscal Year Ends: December 31

Date: September 19, 2007 | Patrick Ingber

Russell 2000 Index: 817.40 (712.17 - 856.48) | Business Services Sector

Arbitron, Inc. (ARB), through its subsidiaries, provides media and marketing information services in the United States and internationally. It measures radio audiences in the United States; measures national radio audiences, and the audience size and composition of network radio programs and commercials; and provides application software used for accessing and analyzing media audience and marketing information data. The company also provides consumer, shopping, and media usage information services to radio, cable television, advertising agencies, advertisers, retailers, out-of-home media, and online media industries, as well as serves broadcast television and print media industry through its Scarborough joint venture with The Nielsen Company.

Recommendation

ARB is an established leader in providing radio audience measurement to the media advertising industry. The company has created a presence in every major market in the United States through building its proprietary software applications and data collection processes. To continue meeting the changing needs of the industry, ARB has initiated the commercialization process of its new Portable People Meter (PPM) technology and continues to work towards initializing its Project Apollo. ARB's advanced technologies have already garnered long term contracts from such advertising giants as CBS and Clear Channel, a strong signal that the company will continue its superior revenue growth (2001-2006 CAGR of 7.7%) for years to come. It is recommended that ARB be added to the AIM portfolio with a price target of $53.00.

Key Statistics	Sept 19, 2007
Market Cap	$1,411M
Shares Outstanding	29.84M
Average Volume	287,168
Beta	.86
EPS (TTM)	1.49
2008 Estimated EPS	1.836
P/E (TTM)	31.00
PEG	1.30
WACC	10.89%
Debt/Equity	N/A
ROE	55.79%
Gross Margin	60.61%
Operating Margin	23.16%
Target Price	$53.00

Source: Morningstar, Thomson, Bloomberg

Investment Thesis

- **Increased desire for accountability in the media advertising industry.** Providing its audience measurement to 299 markets nationwide, ARB is the industry benchmark in the radio measurement industry. This makes ARB an attractive option as the media industry continues to pursue increased accountability for its advertisements and a more accurate measure of their return on investments. The company's investment in Project Apollo is specifically designed to take advantage of this increased desire for accountability.

- **Strong barriers to entry created by solid recurring revenue and proprietary patents.** ARB licenses its measurement reports and software applications to its customers, typically on a three to five year basis. This creates revenue stability and, along with the company's 24 patents granted and 39 pending patent applications, creates barriers to entry for potential competitors.

- **Significant improvement initiatives to more accurately represent markets surveyed.** Improvement initiatives include an electronic eDiary to compliment the paper and pencil surveys issued by the company and phasing in cellular-phone-only households into the Arbitron sample frame beginning in 2008. More notably, however, is the commercialization of the Portable People Meter (PPM) that will allow respondents to passively monitor their listening habits.

- **Growth opportunities for serving unexploited media customers.** The company has received feedback from its cable television, online radio network, and international customers expressing a need for improved measurement systems in such markets. Greater response to this need would allow ARB to reduce its reliance on the radio broadcasting industry as its main source of revenues.

Valuation

Taking into account management's affirmation of 5-7% revenue growth for 2007 and low double digit revenue growth thereafter, my 5 year discounted cash flow model for Arbitron Inc. values the company at $53.24, a 14% upside from its current price. Applying a more conservative earnings multiple of 28 to estimated 2008 EPS of 1.86 provides a price of 52.08. Together, these valuations present a target price of $53.00 for the company.

Risks

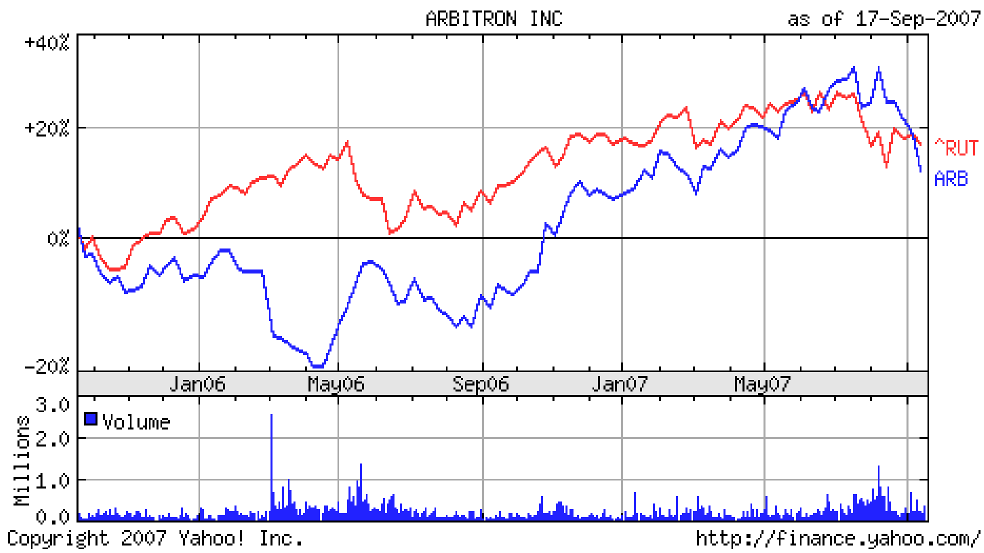
- **Difficulty in maintaining participation of respondents.** Participation in the surveys administered by ARB is strictly voluntary, and if the response rates of future respondents are not sufficient the ability of ARB to obtain quality information will be impacted.

- **Consolidation in the radio industry.** With 86% of its revenues drawn from radio audience measurement and software licensing, further continuation of the current consolidation of radio broadcasting networks would lead to an increased dependence on a limited number of key customers. The decision of any of these key customers not to renew their agreements with Arbitron would negatively impact the company's revenue.

- **Success of PPM technology.** The company has allocated significant capital towards the development and initiation of its PPM technology. The success of the commercialization of PPM is dependent upon both its acceptance as the dominant form of information collection and the ability of contracted manufacturers to produce equipment built to the company's specifications in a timely manner.

Management

CEO Stephen B. Morris has been CEO of ARB since the company's spinoff from Ceridian Corporation in 2001. Prior to 2001, Stephen B. Morris was the executive vice president of Ceridian and President of Ceridian Corporation's Arbitron Division since 2006.



Ownership

% of Shares Held by Insiders:	8%
% of Shares Held by Institutional & Mutual Fund Owners:	>90%

Source: Yahoo! Finance

Top 5 Shareholders

Holder Name	Shares Held	Percent of Share Outstanding
Capital Research and Management Company	2,167,180	7.26%
Pamet Capital Management, LLC	1,984,598	6.65%
Renaissant Technologies Corp	1,967,000	6.59%
Eminence Capital, LLC	1,916,086	6.42%
Barclays Global Investors UK Holdings	1,420,321	4.76%

Source: Yahoo! Finance

ViaSat Inc.

VSAT

Price: $32.57 ($24.36- $36.00)

Fiscal Year Ends: March 30

Date: September 19, 2007 | Patrick Flaherty
Russell 2000 Index: 815.72 (712.17 - 856.48) | Hardware Sector

ViaSat provides satellite communication equipment and solutions to the government and commercial markets. The government business offers data links, tactical networking and information assurance, and government satellite communication systems, with major products including multi-information distribution systems (MIDS), KG assurance products, and Data Controller products. Meanwhile, the commercial business offers satellite networks and antenna systems to consumer, enterprise, and mobile markets. Major products and services in this segment include Surfbeam broadband and very small aperture terminal (VSAT) satellite networks. Headquartered in Carlsbad, California, the company went public in December 1996 and employs about 1,500 employees. Major competitors include Harris Corporation, L-3 Communications, and Rockwell Collins.

Recommendation

Key Statistics	Sept 19, 2007
Market Cap	$981.27M
Shares Outstanding	30.19M
Average Volume	126,912
Beta	1.42
EPS (TTM)	$0.92
2008 Estimated EPS	$1.46
P/E (TTM)	28.56
PEG	1.00
WACC	12.14%
ROE	9.86%
Gross Margin	26.42%
Operating Margin	6.86%
Target Price	$39.00

ViaSat presents itself favorably with its technological innovation. In order to stand out from competitors, ViaSat remains on the cutting edge of technology and adapts to trends in their industry. As one of only two providers of U.S certified data link systems, ViaSat has updated their products to be compliant with government requirements, including Link-16, Joint Tactical Radio System, HAIPE IS and the Crypto Modernization Program. On the commercial side, ViaSat offers Surfbeam broadband, a K_a -band DOCSIS based technology. This technology allows for greater bandwidth (more subscribers per satellite) and enables faster browsing speeds (1.56 megabits per second download and up to 256 kilobits per second upload- thirty times faster than dial-up). It also gives the ability to use spot beams, which focuses satellite coverage over a general area. ViaSat has found success with one of the fastest growing satellite broadband providers ever, WildBlue. WildBlue launched its first satellite in June 2005 and currently has over 200,000 subscribers. It adds about 30,000 each month. ViaSat management expects WildBlue to expand one more satellite to accommodate the increased demand. Therefore, it is recommended that ViaSat be added to the AIM portfolio at a target price of $39.00

Investment Thesis

- **Technologically Innovative:** ViaSat prides itself on its continued success with technological innovation. By adapting to the Link-16 certifications, the Joint Tactical

Radio System, HAIPE IS, the Crypto Modernization Program, and DOCSIS technology, ViaSat has established a reputation as an advanced, high quality manufacturer.

- **Growth Opportunities in the WildBlue Segment:** In May, ViaSat signed a contract with WildBlue for $200M over three to five years for broadband services in the U.S and Canada. WildBlue adds approximately 1,000-1,500 subscribers per day and is likely to use another satellite as a result of more users. DIRECTV is expected to begin distributing WildBlue service in the next quarter, while ViaSat's supplier of WildBlue equipment reported the company doubling shipments.
- **Attractive Valuation.** ViaSat's current PE ratio of 28.56, while high, is still below the industry average P/E of 37.7. The company's forward P/E of 16.9 is well below the industry average of 20.5. Additionally, the PEG ratio of 1.00 is below the industry average of 1.5.

Valuation

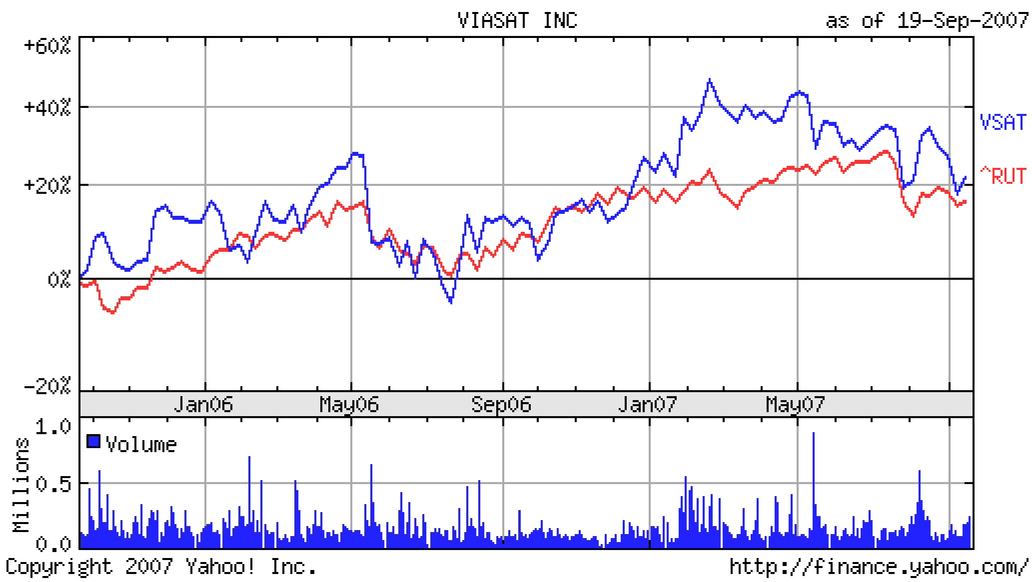
Using a growth rate of 15% for the first five years, an 8% growth rate for the following five years, and a terminal growth rate of 3%, a DCF model indicates ViaSat's intrinsic value is $35.26. On the basis of the company's P/E of 28.56 and estimated 2008 EPS of $1.46, an intrinsic value of $41.69 is found. Taking both methods into account, the target price for ViaSat is $39.00.

Risks

- **Reliance on Contracts:** ViaSat holds many contracts in both the government and commercial markets that pose threats. The company's five largest contracts accounted for approximately 46% of revenue in 2007. If these customers altered their orders, the business could be adversely affected. Also, contracts with fixed price account for about 84% of revenue in 2007. In these contracts, ViaSat does not anticipate technical problems or costs. If these types of problems occur, the company could experience significant costs overruns and losses.
- **High Research and Development Expenses:** ViaSat considers research and development activities crucial for remaining on the cutting edge of the industry. R&D expenses may not grow as much as sales, lowering the company's operating margin. For example, this past quarter, revenues were flat while R&D expenses grew $2.6 million YoY and grew by 2% as a percentage of sales, causing the company to miss earnings.

Management

ViaSat's management brings knowledge and experience from the industry and within the company. Mark Dankberg, Chairman of the Board and Chief Executive Officer, helped found the company in 1986. He previously held positions with satellite communication companies Rockwell and M/A- COM Linkabit. President and Chief Operating Officer Richard Baldridge joined ViaSat in 1999 as Vice President and Chief Financial Officer. He has held positions at Raytheon and General Dynamics Corp. Ronald Wangerin, Vice President and Chief Financial Officer, has been with ViaSat since 2002 and has held positions at Raytheon and Deloitte and Touche.



Ownership

% of Shares Held by All Insider and 5% Owners:	11%
% of Shares Held by Institutional & Mutual Fund Owners:	70%

Source: Yahoo! Finance

Top 5 Shareholders

Holder Name	Shares Held	Percent of Share Outstanding
Mark Dankberg	1,839,506	6.09%
Barclays Global Investors UK Holdings	1,288,660	4.27%
Franklin Resources	1,132,750	3.75%
Rainier Investment Management	1,119,439	3.71%
Times Square Capital Management	1,118,300	3.70%

Source: Yahoo! Finance

Blackboard, Inc.

BBBB

Price: $43.86 ($25.61-$46.21)

Fiscal Year Ends: December 31

Date: September 19, 2007 — Joel Grebenick

Russell 2000 Index: 817.40 (712.17-856.48) — Business Services

Blackboard is the market leader in enterprise software applications and related services to the education market including the U.S. postsecondary, international, U.S. K-12, and other markets. The company offers six software applications in two suites, the Blackboard Academic Suite and the Blackboard Commerce Suite. The Blackboard Academic Suite includes tools for course content organization and presentation, communication, assessment, grading, and general online activity management. The Blackboard Commerce Suite is a complete hardware/software solution that enables institutions to establish and manage a debit card for students, which can be used for meals and other academic expenses both on campus and at independent retail establishments. The company's annual subscription model gives a great deal of visibility into revenue (70%), and boasts a 90% client retention rate.

Recommendation

Based on Blackboard's position as the market leader in the industry, its recent acquisition of its biggest competitor, WebCT, and its visible business model, it is recommended that BBBB be added to the AIM fund.

Key Statistics	Sept 19, 2007
Market Cap	1.267B
Shares Outstanding	28.90M
Average Volume	417,960
Beta	0.886
EPS (TTM cash)	$0.50
2007 Est. cash EPS	$0.87
P/E (NTM)	43.8
PEG (NTM)	0.44
WACC	10.0%
Debt/Assets	35.2%
ROE	0.5%
Gross Margin	73.0%
Operating Margin	9.5%
Target Price	$52

Sources: Bloomberg, Yahoo! Finance, 10-K/Q Filings

Investment Thesis

- **Market Leader.** Blackboard is the market leader in the enterprise software industry. Its products are used by 30% of U.S. postsecondary institutions (6,600), 10% of international postsecondary institutions (10,500), and 2.5% of the U.S. K-12 institutions (17,400). In addition, Blackboard has posted revenue growth of over 35% the previous four quarters.
- **WebCT Acquisition.** Blackboard acquired WebCT, its biggest competitor, in 2006 and has combined both sales forces to sell Blackboard and WebCT. Cross-selling opportunities are now abundant as Blackboard's full Academic Suite is now available for WebCT users. Blackboard's 90% renewal rate should be maintained given the company's dedication to serving the WebCT customer base. For example, a service pack was released to WebCT users to fix any bugs in the previous versions. The company is seeing early signs of synergies and cost effectiveness.

- **Predictability and Visibility.** Due to Blackboard's annual subscription model, over 70% of revenues are classified as recurring ratable, which means that their customers pay the money upfront and Blackboard recognizes the revenue on a monthly basis over the length of the contract.

- **Average Contract Value per License.** Average contract value per license was $35,826 for 2Q07, which was a 2.2% increase sequentially and a 16.1% increase y/y. The continued expansion of the Enterprise user base coupled with the steady decline in Basic license users helps add to that trend, as will the addition of the higher-value Outcomes licenses.

Valuation

Using 26x 2008E FCF per share of $2.10 yields a $54 target price. Alternatively, a ten year DCF Model found the price of the stock to be $48. The assumptions that were used in the DCF were a growth rate of 22% from 2008-2009, 13% from 2010-2015, a terminal growth rate of 4%, and a WACC of 10%. Taking both valuations into consideration, a target price of $52 was determined; representing a potential return in excess of 18%.

Risks

- **Problems with WebCT merger.** WebCT merger may cause attrition and an upturn or downturn in sales will not be fully noticed until future periods based on the ratable recurring nature of the company's model.

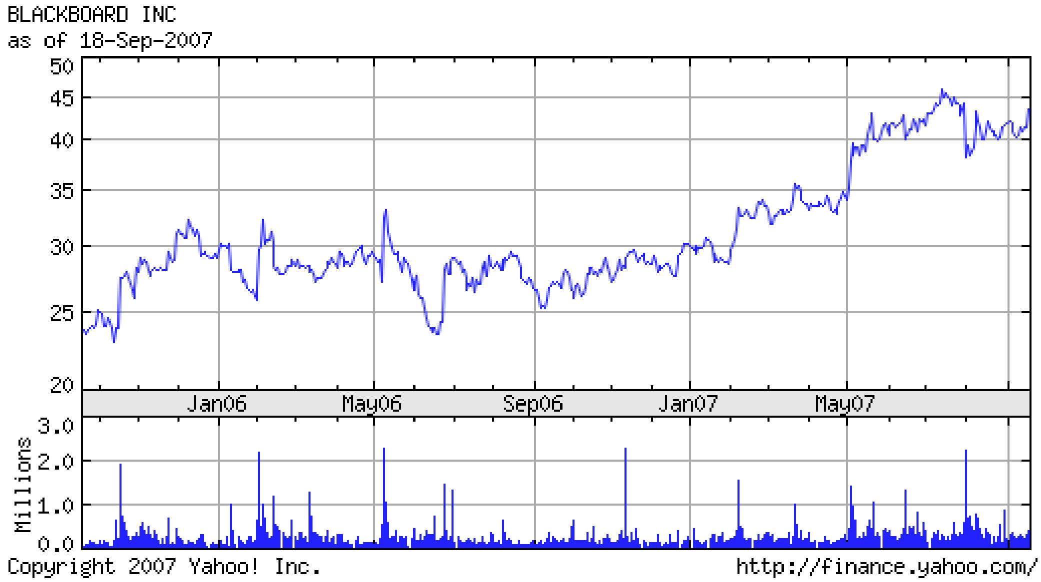
- **Challenging Market.** Blackboard's primary client is the education market, which can be a difficult market based on unstable selling patterns, slower adoption rates, and changes in market trends. Also, most academic institutions depend greatly on government funding.

- **Competition.** Blackboard competes against other commercial Course Management System (CMS) providers, such as Desire2Learn. In addition, a portion of the addressable market is biased toward open-source (Sakai) and homegrown (Wharton School) solutions, which presents opposition to commercial providers like Blackboard.

- **Continued Renewals.** A bulk of Blackboard's revenues is derived from annual subscriptions, making renewals a key for sustaining revenue and spurring future growth. For the last two years, renewal rates have exceeded 90%.

Management

Matthew Pittinsky and Michael Chasen founded Blackboard in 1997 and serve as Chairmen and CEO, respectively. Both men began their careers as consultants for KPMG's Higher Education Practice. At KPMG, they both worked closely with several universities and colleges to implement wide-ranging software systems.



Ownership

% of Shares Held by All Insider and 5% Owners:	14%
% of Shares Held by Institutional & Mutual Fund Owners:	98%

Source: Yahoo! Finance

Top 5 Shareholders

Holder Name	Shares Held	Percent of Share Outstanding
Fidelity Group Company Fund	2,828,200	9.79%
Waddell & Reed Financial Inc.	2,762,016	9.56%
Morgan Stanley	1,418,009	4.91%
Legg Mason Inc.	1,277,775	4.42%
BlackRock Advisors, LLC	1,005,850	3.48%

Source: Yahoo! Finance

ViroPharma Inc.

VPHM

Price: $9.14 ($7.51 – 18.39)
Fiscal Year Ended: December 31

Date: September 19, 2007 — Peter Merkel
Russell 2000 Index: 817.40 (712.17 – 856.48) — Health Care Sector

ViroPharma Incorporated's principal activity is to develop and commercialize products that address serious diseases treated by physician specialists, in areas including hospital settings, transplant medicine and gastroenterology. It is focused on the marketing and sale of its commercialized product, Vancocin, an oral capsule to treat antibiotic-associated pseudomembranous colitis caused by Clostridium difficile and enterocolitis caused by Staphylococcus aureus, including methicillin-resistant strains. The development activities are currently focused on product candidates to treat viral diseases including those caused by cytomegalovirus (CMV) and hepatitis C (HCV) infections

Recommendation

Key drivers include generics coming online to compete with Vancocin, Phase III testing success of Camvia, and the future for HCV-796. The FDA approval process faced by the company and its competitors are difficult to predict at best. The upside potential of this stock long-term offers an incredible opportunity, while the downside is limited by VPHM holding $5.25/share in net cash and management buying additional shares in the low $8 range. By carefully weighing all of the positive and negative factors at play in the stock, $13 is a fair target price for VPHM.

Key Statistics	Sept 19,2007
Market Cap	$638.12M
Shares Outstanding	69.82M
Average Volume	2.09M
Beta (60 month)**	2.169
2006 EPS*	$.97
2007 Estimated EPS*	$1.21
P/E (TTM)	7.20
PEG (yahoo finance)	.33
Cash/Share	$7.40
WACC (calculated)	14.45%
Rev. Growth '05-'06	26.25%
ROE (TTM)	23.72%
Operating Margin (TTM)	64.49%
Target Price	$13

*Sources: Google, *Thomson, **Bloomberg*

Investment Thesis

- **Near time generic entry overhangs investors.** VPHM initially bought Vancocin from Eli Lilly in late 2004 without patent protection. Since then, there has been talk about competitors creating a generic but nothing has materialized. VPHM fell 30% in March 2006 after an Office of Generic Drugs ruling threatened to make the approval process for Vancocin generics easier for potential entrants. VPHM is challenging this ruling. Regardless of the OGD ruling, physicians and patients might not be willing to use a generic product that had not been tested on humans to treat a life threatening illness.

- **Negative news already in the stock.** In early August, VPHM and Wyeth decided to stop dosing of its HCV-796 compound due to raised enzyme levels in 2 patients' liver. The test will continue without HCV-796 and VPHM and Wyeth will decided what to do with its antiviral compound in the future. As a result the stock dropped 36% from $13.64 to $8.70.

- **Attention will shift to Camvia.** Camvia received orphan drug designation and advanced to Phase III trials earlier this year. VPHM is currently running 2 Phase III trials. If the trials go well, Camvia could reach commercialization as early as 2010.

- **$5.25 Net Cash / Share.** While management hasn't indicated exactly what their plans are for the $516M in cash and short term investments on the balance sheet, it is likely to be used for development of a new drug, an acquisition of a new drug or used to help develop HCV-796. Regardless of the use, it provides nice support for the stock. The $5.25 takes into consideration the $516M, $250M in LT-debt, and estimated cash flow for 2H07

- **Attractiveness of the C.difficile market.** VPHM's Vancocin product is positioned to capitalize on both the increased incidence and virulence of C.difficile appearing in hospitals. Compared to the current standard of care (metronidazole), Vancocin is more effective at treating severe and potentially deadly cases of CDAD.

Valuation

Based on a weighted scenario analysis using a DCF and by using street estimates, ViroPharma should be valued at $13. This provides upside potential of ~44%. Considering management purchasing stock at the low $8 range and $5.25 net cash/share, the downside appears to be about $7.25. The stock does not pay a dividend

Risks

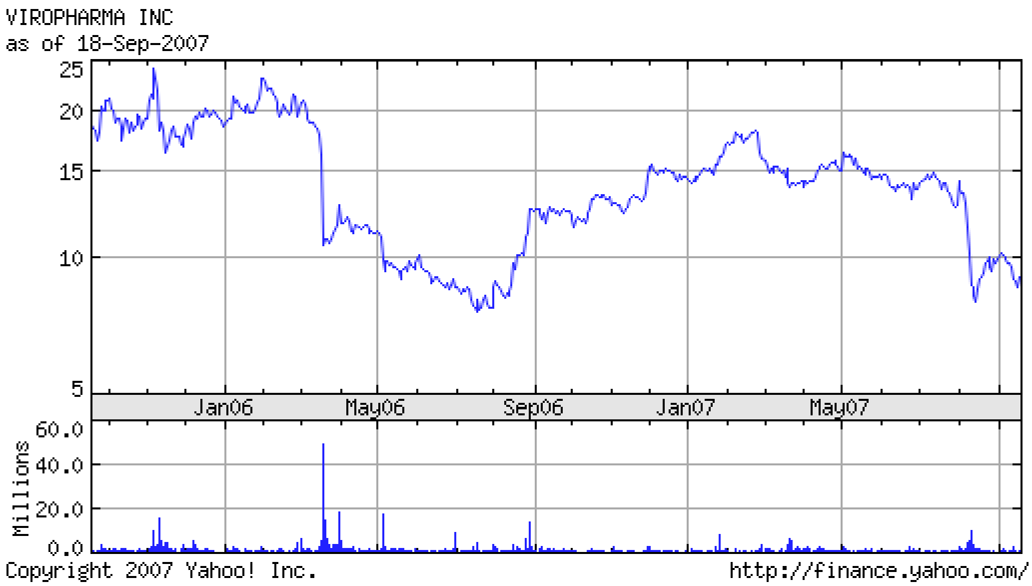
- **Generic entry.** If a generic product enters the market for CDAD treatment in 2008 VPHM could take a major hit. As a result, the company could encounter cash flow problems that would limit its ability to move its pipeline. If a generic does not enter in 2008, my valuation will have been too conservative and the target price would be closer to $16.

- **Nongeneric competition for Vancocin.** Even if generic drugs do not threaten Vancocin's market share in the nearterm as expected, the product still faces competition from nongeneric drugs currently in FDA testing. Most notably, Genzyme has a product expected to be commercialized by the end of 2007. However, the negative side effects of this drug compared to Vancocin may limit the threat.

- **Setbacks in FDA approval process for pipeline.** While Maribavir testing has been positive, the risk of a setback from a negative FDA ruling still remains.

Management

Michel de Rosen, ViroPharma's Chairman, CEO and President, has 14 years of experience in the pharmaceuticals industry and has been with the company since 2000. The company's Chief Scientific Officer, Dr. Colin Broom, also brings valuable experience to the company from his work at SmithKline, SanofiAventis and Amgen.



Source: Yahoo! Finance

Ownership

% of Shares Held by All Insider and 5% Owners:	1.0%
% of Shares Held by Institutional & Mutual Fund Owners:	89.0%

Source: Yahoo! Finance

Top 5 Share Holders

Holder Name	Shares Held	Percent of Share Outstanding
Baker Brothers Advisors, LLC	6,044,413	8.66%
Barclays Global Investors UK Holdings	4,276,241	6.13%
Vanguard Group, Inc	2,488,879	3.56%
Royce & Associates Inc.	2,422,100	3.47%
State Street Corporation	2,098,427	3.01%

Source: Yahoo! Finance

Olin Corporation

OLN

Price: $21.62 ($15.02 - $22.71)
Fiscal Year Ends: December 31

Date: September 25, 2007
Russell 2000 Index: 809.76 (712.17 - 856.48)

Andy O'Connell & Luke LaManna
Industrial Materials Sector

Olin Corporation, incorporated in 1892, is a manufacturer in three business segment; Chlor Alkali Products, Metals, and Winchester. Chlor Alkali Products, with its manufacturing facilities in the U.S., produces chlorine and caustic soda, as well as other related chemical products. The Metals segment produces and distributes copper and copper alloy sheet, strip, foil, rod, welded tube, fabricated parts, and stainless steel and aluminum strip. Winchester , with its principal manufacturing facility in East Alton , IL , produces and distributes sporting ammunition, reloading components, small caliber military ammunition and components, and industrial cartridges. Olin is headquartered in Clayton, MO.

Recommendation

With its market positioning, industry leadership, and brand recognition, Olin has established itself in three unique markets. Its industry experience and diversification has allowed for Olin to become a mature, steady company. With many of the companies in the industrial materials sector being beaten up by housing exposure, a goal was to find an established company with little exposure to the housing market. Additionally, another goal was to find a company that paid a healthy dividend to help add stability to the portfolio. The current P/E of Olin is below its historical average of over 14x and its consistent performance makes Olin a great value – and its dividend yield is nearly 4%. The recent appreciation of the stock has taken away some potential upside, but with the strong dividend yield and solid fundamentals, I am recommending we add Olin to the portfolio.

Key Statistics	Sept 19, 2007
Market Cap	$1.525B
Shares Outstanding	73.9M
Avg. Volume (3m)	1,141,810
Beta	0.9
EPS (ttm)	1.47
2008 Estimated EPS	1.40
P/E (ttm)	10.72
PEG	2.33
WACC	10.19%
Debt/Assets	16.6%
ROE*	26.21%
ROA*	8.02%
Gross Margin**	9.2%
Operating Margin**	4.7%
Annual Dividend	$0.80
Target Price	$23.00

*Sources: Yahoo! Finance; Bloomberg; **Morningstar;*

Investment Thesis

- **High Dividend Yield.** Olin pays out $0.80 in dividends annually, equating to a nearly 4% dividend yield. This yield is more than double the industry average. Olin has paid dividends in 322 consecutive quarters.
- **Pioneer Acquisition / Positioning in Chlor Alkali Market.** Prior to acquiring Pioneer (completed in August '07), Olin was the 4th largest player in the Chlor Alkali market. With the addition, Olin will become 3rd largest with approximately 12% of market capacity. While the added capacity will greatly add to the company, the expansion of Olin's geographic footprint into the western part of the U.S. may prove to be even more

beneficial. Due to high transportation costs and legislation, the western market was not an option before the acquisition.

- **Market leader in copper.** Olin is the largest participant in the copper alloy sheet and strip market. As market leader, Olin has been able to take on the low cost leader of this industry. Additionally, Olin is profitable with other metals, benefiting from 37 U.S. patents dealing with high performing alloys. As a sign of Olin's power in the market, they have been able to pass along most of the cost from increasing raw material prices, therefore sustaining margins. The metals segment represents 67% of Olin's income.

- **Winchester Brand.** After being in existence for over 140 years, the Winchester Ammunition brand has become well respected in its industry by the military, law enforcement personnel, and sportsmen and hunters. Winchester has received 3 new military orders in 2007, totaling over $60M, and the government now accounts for 9% of its sales. At the beginning of September, Winchester implemented a 15% price increase to help fight increasing input costs, the ninth in a series of increases. There has been little resistance to the increases thus far and competitors seem to be following suit.

Valuation

Using a ten year discounted cash flow model yielded an intrinsic value of $21.21. The model assumes conservative growth rates of 5% for the next 5 years, 4% for years 6-10, and a 3% terminal growth rate. 5 year historical revenue growth has been 20%. The model also assumes a WACC of 10.19%. A P/E valuation resulted in an intrinsic value of $19.60. This uses a historical P/E of 14x and 2008 EPS estimate of $1.40. OLN is also often valued on a EV/EBITDA basis, and has historically traded at 7x. Using 2008 estimates, 7x would yield a price of about $26.00. Combining these methods, I arrived at a target price of $23.00.

Risks

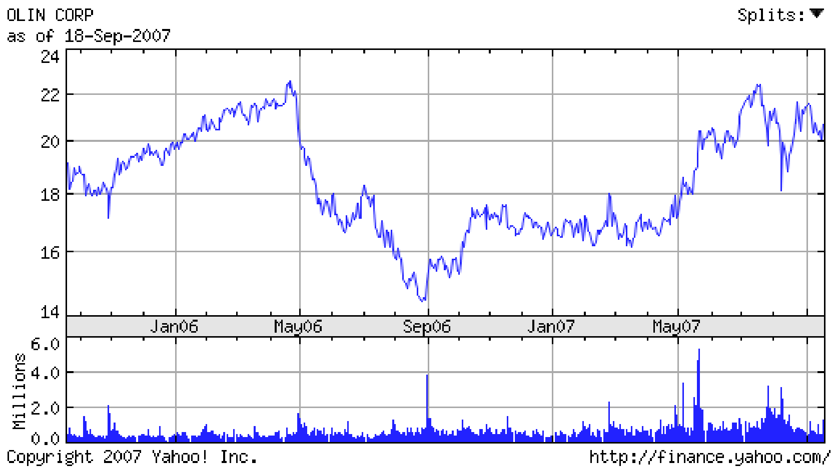
- **Cyclical pricing in Chlor Alkali market.** The prices of the products in this market are primarily set by supply and demand. Increased capacity by competitors can play a major role in the price Olin receives per ton of product. The prices Olin takes can be extremely volatile and market conditions become very important.

- **Cost of raw materials.** To this point, Olin has been able to pass along the rising costs of raw materials, particularly metals, to its consumers. However, if input prices continue to rise, there may be a limit to how much customers are willing to take on, and inputs costs will in turn eat into Olin's margins.

- **Governmental regulation.** Although true for all of Olin's segments, governmental regulation plays a key role in the Chlor Alkali segment. Strict regulation already creates extremely high transportation costs. Additional transportation or production regulation could adversely affect Olin's business.

Management

Joseph D. Rupp is Chairman, President, and CEO of Olin. He has served as Chairman of Olin since July 2005 and held the positions of President and CEO since January 2002. He joined Olin's Brass Division in 1972 and held a number of positions of increasing responsibility in the Brass Division manufacturing and engineering organization.



Ownership

% of Shares Held by All Insider and 5% Owners:	1%
% of Shares Held by Institutional & Mutual Fund Owners:	80%

Source: Yahoo! Finance

Top 5 Shareholders

Holder Name	Shares Held	Percent of Share Outstanding
State Street Corporation	7,262,265	9.82%
Barclays Global Investors UK Holdings Ltd	3,846,310	5.20%
Lord Abbett & Co	3,200,422	4.33%
Mellon Financial Corporation	2,759,793	3.73%
Jeffrey L. Gendell	2,549,000	3.45%

Source: Yahoo! Finance

Emergent BioSolutions, Inc.

EBS

Price: $7.92 ($7.77-$17.75)

Fiscal Year Ends: December 31

Date: September 19, 2007
Russell 2000 Index: $817.40 (712.17-856.48)

Katie Koutnik
Health Care Sector

Emergent BioSolutions, Inc. (EBS) is a biopharmaceutical company that focuses on the development, manufacture, and commercialization of immunobiotics primarily in the U.S. Emergent operates in two segments, biodefense and commercial. The biodefense segment focuses on immunobiotics for use against biological agents, with its primary product BioThrax. This is the only vaccine approved by the U.S. FDA for the prevention of anthrax infection. The commercial segment develops immunobiotics for use against infectious diseases, with a product vaccine portfolio consisting of Typhoid, Hepatitis B, Group B Strep, Chlamydia, and Meningitis B vaccines. Emergent's clients are primarily the U.S. Department of Defense (DoD) and the U.S. Department of Health and Human Services (HHS). The company was founded in 1998, went public in November 2006, and is based in Rockville, Maryland.

Recommendation

EBS's dominant position in the biodefense segment has allowed for five years of profitability. As current bioterrorism concerns continue among U. S. citizens and governmental authorities, EBS is positioned favorably in the current market. It leads its competitors in gross and operating margins. Volatility for Emergent arises as anticipated contracts with the DoD and the HHS continue to remain under negotiation. Securing these contracts remains to be its principal growth driver. Each has announced its intent to implement another large multi-year supply contract with EBS worth a combined 11-33M doses and $275-790M in revenue over the next several years. Revenues of $175M predicted in 2007, allow for 14% growth over 2006. Due to the current weighting of the health care portfolio, a watch should be initiated on the stock, with a buying opportunity contingent on Emergent's ability to secure contracts with the DoD and the HHS.

Key Statistics	Sept 19, 2007
Market Cap	$240.82M
Shares Outstanding*	29.73M
Average Volume*	96,931
Beta	2.3
EPS (TTM)*	$0.83
2007 Estimated EPS**	$0.79
P/E (TTM)*	9.64
P/S (TTM)*	1.33
WACC	14.0%
Debt/Assets**	17.95%
ROE**	23.0%
Gross Margin	84.2%
Operating Margin	25.2%
Target Price	$13.00

*Source: Thomson, *Yahoo! Finance, **Bloomberg*

Investment Thesis

- **Threat of bioterrorism.** The anthrax pandemic was spurred by terrorist attacks in the second half of 2001. Letters containing anthrax spores were sent through the U.S. mail to government officials and members of the media. As a result of these attacks, 22 people became infected and 5 died. Future anthrax attacks would be devastating to public health as well as the economy.

- **Only provider of FDA approved anthrax vaccine.** EBS's revenue is driven predominantly by sales of BioThrax, the only FDA approved vaccine for anthrax. More than 95% of BioThrax revenue is attributed to two U.S. government customers – HHS and DoD. BioThrax generated sales of $127M in 2005 and $148M in 2006. Most recently the HHS placed a request for 10.4M doses of BioThrax to add to the Strategic National Stockpile. The contract period runs through September 2010 and contains an option for 8.35M additional doses. The DoD placed a request for 1.0M to 3.7M doses each year for up to four years.
- **High barriers of entry.** Competitors are experiencing delays in the development of an alternative anthrax vaccine. Several anthrax develop programs have failed and their funding has been pulled. This helps further solidify the market position of BioThrax.
- **Increase vaccine capacity through plant expansion.** By year-end 2008, the expansion of the Lansing, Michigan plant should be ready for production. Currently, capacity for BioThrax production is 8M doses per year, upon completion of the Lansing facility, production capacity is predicted to increase to 40M doses.
- **Potential international sales.** With limited production capacity, EBS is currently unable to pursue large foreign government contracts. However, small amounts of BioThrax have been supplied to Canada, Germany, and Taiwan. With production capacity expected to increase, an announcement for an increase of new international contracts seems likely.
- **Development of commercial product pipeline.** The commercial portfolio currently has several vaccines in pre-clinical trials as well as Phases I and II. Pre-clinical vaccines include those for Chlamydia and Meningitis B; Phase I vaccines include those for Group B Strep; Phase II vaccines include those for Typhoid and Hepatitis B.

Valuation

In the small cap biotechnology space, Emergent is one of the few profitable firms. The discounted cash flow valuation for Emergent indicates an implied share price of $13.18, compared to the current price of $7.92. Adjusting for WACC assumptions leads to a price range of $12.85-13.51 and adjusting for varying scenarios reflects a price range of $7.86-16.50 for the stock. Based on an industry P/E of 16x for firms in biotechnology, the stock should be valued at $12.64. I believe a target price of $13.00 is reasonable.

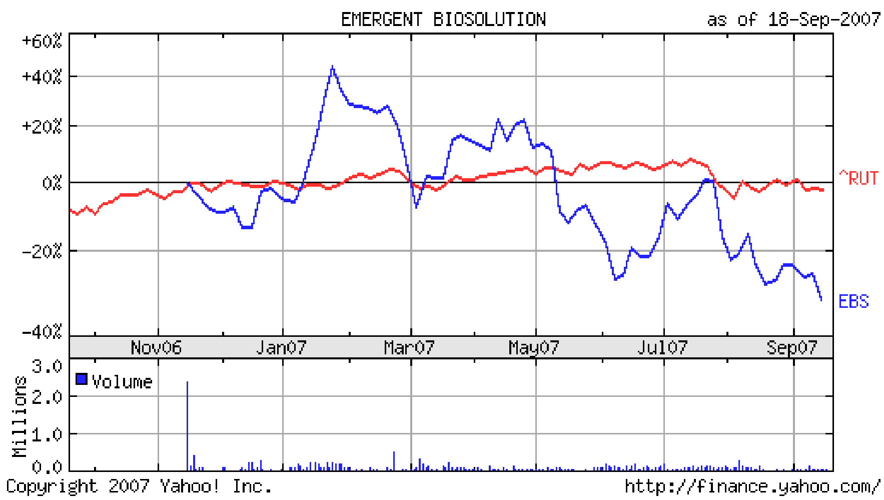
Risks

- **Reliance on U.S. government for BioThrax sales.** Emergent relies on the U.S. government for substantially all of its revenue through the sale of BioThrax. While competition for many of its pipeline products may be low, inconsistent stream of revenues may result with scattered government contracts.
- **Failure to develop other biodefense or commercial products.** With limited diversification of products, the FDA's approval of Emergent's vaccines in the biodefense and commercial pipeline is crucial. With several vaccines in Phase II trials, the result of FDA disproval could produce negative consequences.
- **No patent protection on BioThrax.** Emergent relies upon unpatented protection for BioThrax. The only intellectual protection for BioThrax is confidentiality regarding manufacturing capability, techniques, processes, and biological starting materials.
- **Acquisition synergy.** Emergent has relied on an acquisition strategy since inception to build its commercial immunobiotics pipeline. Past acquisitions include Vivacs in 2006,

Microscience in 2005, and Antex in 2003. These and future synergies may not outweigh the costs associated with the acquisition.

Management

Fuad El-Hibri has served as CEO and Chairman since June 2004 and as President from March 2006 to April 2007. From May 1998 until June 2004 he was CEO and Chair of BioPort Corporation until it became a wholly owned subsidiary of Emergent BioSolutions.



Ownership

% of Shares Held by All Insider and 5% Owners:	75.31 %
% of Shares Held by Institutional & Mutual Fund Owners:	21.80 %

Source: Yahoo! Finance

Top 5 Shareholders

Holder Name	Shares Held	Percent of Share Outstanding
Intervac LLC	8,315,000	27.967%
Biopharm LLC	4,065,000	13.673%
Michigan Biologi	1,882,000	6.329%
Biovac LLC	1,599,000	5.379%
Apax	1,455,000	4.895%

Source: Bloomberg

DivX, Inc.

DIVX

Price: $14.56 ($12.20-$31.89)

Fiscal Year Ends: December 31

Date: September 19, 2007 — Christopher Caparelli

Russell 2000 Index: 809.76 (712.17 – 856.48) — Software Sector

DivX, Inc. is the creator of one of the world's most popular video technologies, designed to improve the overall experience of digital media. DivX's main product offering is a video compression-decompression software library, or codec, designed to compress digital video for faster transmission speeds and smaller storage size, while maintaining a high level of quality. The DivX media format, comprised of the DivX video compression technology and supporting software has been downloaded over 240 million times, including 60 million in the 2006 calendar year. Support for this codec exists on over 100 million hardware devices such as DVD players, high definition televisions and mobile phones, manufactured by OEM's like Philips, Samsung and LG. Founded in May of 2000, DivX went public on September 21, 2006 at $16.00 per share. DivX is headquartered in San Diego, California and has 258 full-time employees.

Recommendation

DivX derives a majority of revenue through three independent streams, each offering a unique opportunity for revenue growth. The first stream, *Consumer hardware technology licensing*, accounted for 76% of 2006 revenue, generated from royalties paid by OEM's wishing to implement DivX technology into their hardware devices. The second stream, *Software licensing*, accounted for 8% of 2006 revenue, generated from third party software licensing and direct to consumer software marketing. The third stream, *Advertising and third-party product distribution*, accounted for 18% of 2006 revenue, generated by embedding third party software into DivX software packages.

Key Statistics	Sept. 19, 2007
Market Cap	$502.04 M
Shares Outstanding	34.34 M
Average Volume	449,637
Beta	1.77
EPS (2006)	$0.62
2007 Estimated EPS	$0.49
P/E (TTM)	28.90
PEG	.94
WACC	13.74%
ROA	10.59%
ROE	13.85%
Gross Margin	93.28%
Operating Margin	23.62%
Target Price	$20.50

Through these combined streams, DivX has generated nearly 100% revenue growth year over year since 2004, while expanding gross margins 15% during the same period. In order to ensure growth from their largest revenue stream, DivX has recently entered into new strategic partnerships with D-Link, Samsung, Qualcomm, and LG, bolstering their future revenues from hardware based royalties. With revenue from the consumer electronic market growing at over 30% and a strong slate of new consumer devices ready to hit the shelves, DivX is recommended as an addition to the AIM portfolio with a target price of $20.50.

Investment Thesis

- **Strengthening of the DivX "Ecosystem" –** DivX technology interweaves hardware manufacturers, content creators, software vendors and advertisers in an effort to provide the consumer with the best possible digital media experience. As consumer adoption of the DivX technology continues to increase, supported by over 80 million downloads of the DivX codec in the last 12 months, the entire ecosystem strengthens, creating more value for those involved. More DivX users require more DivX certified hardware devices, creating opportunities for advertisers and software vendors, resulting in increased adoption of the technology.
- **Strong Revenues from Hardware Royalties –** With over 100 million DivX certified hardware devices sold worldwide, DivX relies upon strong relationships with OEM's for continued growth. New cutting edge devices from LG, Samsung, and D-Link carrying DivX certification are expected to perform well with consumers, strengthening DivX's largest revenue stream.
- **Attractive Valuation –** Priced initially at $16.00, DivX reached a high of $31.36 on November 28, 2006 trading on strong momentum. After missing Q2 earnings in May and a strong summer sell-off, DivX hit a low of $12.61 in late July and has remained relatively flat since, despite a strong Q3 report. This undervaluation presents a strong buying opportunity, with good upside potential.

Valuation

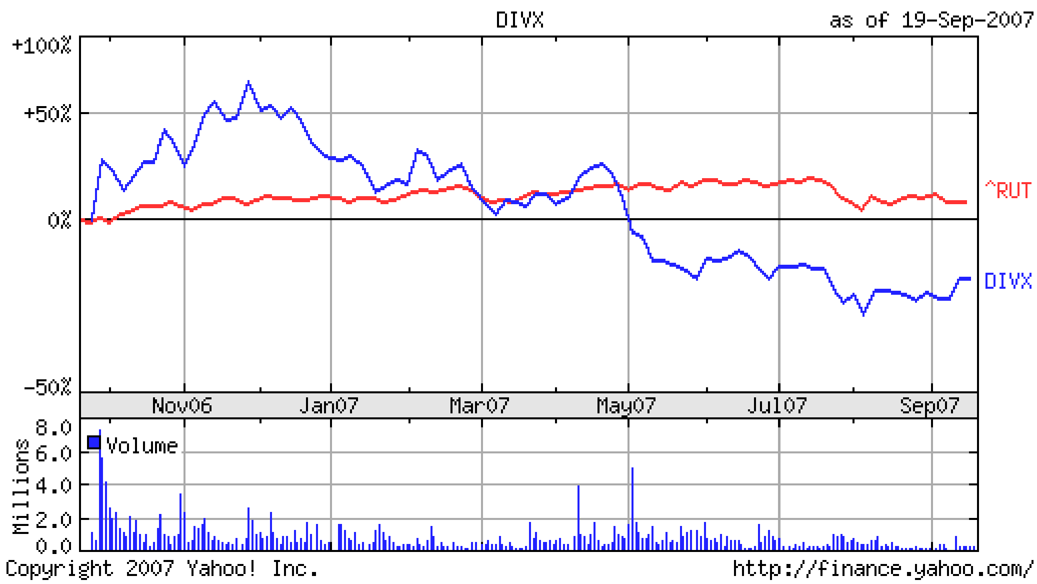
A five year discounted cash flow model yields an intrinsic value for DivX of $22.62, assuming a 13.74% WACC and a revenue CAGR of 30%. A relative price/earnings model yields a valuation of $18.21 due to DivX's low P/E, relative to its peer group. Both models yielding an undervaluation leads to a recommendation of DivX as an addition to the AIM fund with a price target of $20.50, an undervaluation of approximately 40%.

Risks

- **Competition –** DivX faces the possibility of stiff competition from companies like Apple and Microsoft. Currently, DivX operates in a slightly different space than these tech giants, providing a more interoperable media language. Despite DivX's large consumer following, should either competitor choose to market a more generic media format, DivX could face a serious challenge.
- **Revenue Concentration –** In 2006, Google accounted for 18% of DivX's total net revenues, through a software distribution and promotion agreement. Should the demand for DivX's software decline representing a decrease in exposure for Google, the current agreement, which expires on December 31, 2007 has no obligation for renewal.

Management

With the separation of DivX's video distribution website, Stage6.com, into its own private company expected in late 2007, Co-Founder and current Executive Chairman Jordan Greenhall is stepping down to lead the new company. Current President, Kevin Hell has been named Acting Chief Executive Officer after holding several other management positions with the firm.



Ownership

% of Shares Held by All Insider and 5% Owners:	45.70%
% of Shares Held by Institutional & Mutual Fund Owners:	35.40%

Source: Yahoo! Finance

Top 5 Shareholders

Holder Name	Shares Held	Percent of Share Outstanding
Insight Holdings Group	2,316,632	6.75%
Royce & Associates, Inc.	2,030,853	5.91%
Roxbury Capital Management	1,044,820	3.04%
Integral Capital Management VII, LLC	850,000	2.48%
Principal Financial Group, Inc	827,035	2.41%

Source: Yahoo! Finance

Calamos Asset Management Inc.
CLMS
Price: $25.34 ($20.08-31.85)
Fiscal Year Ends: December 31, 2007

Date: September 19, 2007 — Mike Carlson
Russell 2000 Index: 817.40 (712.17-856.48) — Financial Sector

Calamos Asset Management Inc. is a publicly owned asset manager and currently has $43.9 billion in assets under management. Calamos manages open-ended funds, closed-ended funds and separate client focused portfolios for high net worth individuals, corporations, pension funds and other institutions. The firm invests in domestic equity and debt, international investments, convertible bonds and alternative investments. Calamos uses different strategies for its equity and debt combinations and a large portion of their assets are invested in high quality growth stocks. The firm was founded in 1977 and is based in Naperville, Illinois.

Recommendation

Calamos earns the majority of their revenues from their investment management fees. This source of income historically ranges from 0.73% to 0.76% of the total assets under management (variance depends on yearly performance). Total AUM have grown 3.5x since year end of 2002 and are currently valued at $43.9 billion. Since inception, Calamos has typically earned over 12% on their AUM. After reporting some asset outflow in mid-2006 the stock price decreased a substantial 45% and has continued to decrease slightly for the past year until recently. Calamos has been oversold and with its historical returns and strong reputation, it is currently an attractive purchase for the AIM Equity Fund.

Key Statistics	Sept 19, 2007
Market Cap	$571.06 M
Shares Outstanding	22.54M
Average Volume	345,778
Beta	1.532
EPS (TTM)	$1.19
2007 Estimated EPS	$1.14
P/E (TTM)	21.24
PEG	1.63
WACC	12.63%
ROA	15.37%
ROE	14.03%
Operating Margin	39.00%
Dividend	$0.44
Target Price	$30.00

Sources: Morningstar, Yahoo

Investment Thesis

- **Strong Historical Performance.** Calamos has been a consistently strong performer since its inception. If they can maintain their historical average near 12% per year and retain their AUM then the stock is appears to be undervalued. Additionally, if they can repeat instances of extreme growth in individual years, there is large potential for price appreciation.
- **Adds Diversity and Stability to Financial Portfolio.** The AIM Financial portfolio does not currently have any asset managers. By adding this stock it will diversify our holdings and bring us closer to the normalized weights of the Russell 2000 Financial Sector. Also, after its large sell off, Calamos is unlikely to have another large decline.

- **Dividend.** Although categorized as a growth stock, I see Calamos as a stability play. The potential for downside is small, and while the dividend isn't substantial, it is a guarantee for a few basis points.

Valuation

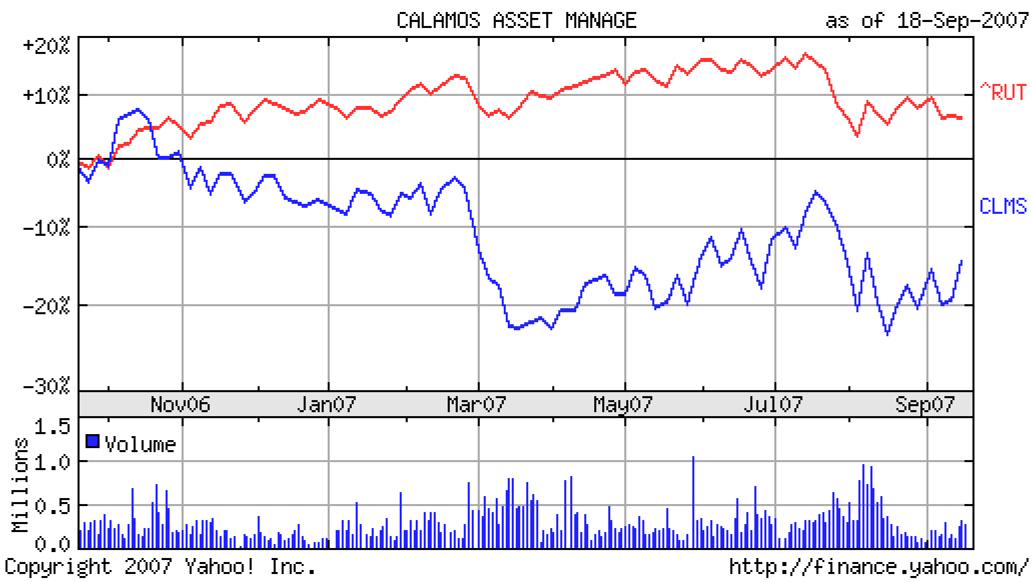
Using a ten year DCF model with a WACC of 12.63%, the intrinsic value of Calamos is estimated at $30.15. They currently have a PE of 21.24, which is at a premium to the industry average of asset managers, 20. With Calamos' smaller size and growth strategy, it should be compared to a growth oriented manager like Janus Capital Group, which has a PE of 36.14. The large difference implies that the DCF is the more conservative valuation.

Risks

- **Management.** The firm is run by John Calamos and his son Nick Calamos. As Chairman and CEO they are ultimately responsible for the choices and strategies that are executed for the AUM. They currently hold approximately 97% of the voting power across all classes of voting stock. In addition, the Calamos Family has over $320 million invested in the different funds of the firm.
- **Growth vs. Value.** With a large amount of their assets in growth funds, Calamos is at risk to market trends. If value stocks out-perform growth stocks, it could make it difficult for Calamos to exceed their benchmark which could affect their performance revenues.
- **Market Risk.** A decline in the prices of securities would lead to a decline in assets under management which directly affects revenues and earnings. Of the $43.9 billion under management**,** nearly half are invested in equities. Accordingly the AUM is vulnerable to large market conditions, and recently the stock price has shown sensitivity to this matter.
- **Asset Outflows.** Approximately 61% of the AUM is categorized as open-ended mutual funds. Assets of this nature have no contractual time agreements and therefore can be returned to individuals unexpectedly. Institutional investors also have the ability to retrieve their assets upon request. Calamos is at risk to these unpredicted outflows.

Management

As mentioned earlier, the company is run by John Calamos and his son Nick Calamos. While their large amount of control is a concern, their experience is an asset to the company. Their large personal investment in the company also ensures that the growth and performance of the company is in line with their personal interests.



Ownership

% of Shares held by all Insiders at 5% Owners	11%
% Shares held by Institutional and Mutual Fund Owners	98%

Source: Yahoo! Finance

Top 5 Shareholders

Holders	Shares Held	Percent of Share Outstanding
Torray LLC	1,605,504	7.1%
Stark Offshore Management, LLC	1,104,401	4.9%
Sirios Capital Management, LLC	1,102,110	4.89%
Federated Investors, Inc.	1,012,300	4.49%
Barclay's	885,255	3.39%

Source: Yahoo! Finance

Golden Telecom

GLDN

Price: $72.90 (29.04 - 76.99)

Fiscal Year Ends: December 31, 2007

Date: September 19, 2007 — Katherine Provo

Russell 2000 Index: 791.46 (712.70 – 856.48) — Telecom Sector

Glolden Telecom is a leading facilities-based provider of integrated telecommunications and Internet services in major population centers throughout Russia as well as other Common Wealth of Independent States (CIS) Countries including Ukraine, Kazakhstan and Uzbekistan. As a competitive exchange carrier, the compnay offers voice, data, and internet services to corporations, operators, and individuals in major cities including Moscow, Kiev, St. Petersburg, and others using their own overlay networks as well as leased channels, fiber optic and satellite-based networks. The company also offers mobile services in the Ukrainian cities of Kiev and Odessa.

Key Statistics	Sept 19, 2007
Market Cap	$3.06B
Shares Outstanding	40.31M
Average Volume	389,786
Beta	1.45
EPS (TTM)	$2.44
2007 EPS est.	$2.92
WACC	11.37%
P/E (TTM)	29.80
Est. P/E	18.50
PEG	1.96
Debt/Equity	31.70%
ROE	11.46%
ROA	8.64%
Operating Margin	14.89%
Dividend Yield	1.10%
Target Price	$75.00

Recommendation

GLDN is an interesting company with vast growth opportunities through acquisitions and organic growth to take advantage of the rapidly growing telecom industry in Russia and Eastern Europe. Investing in the stock would diversify the portfolio and expose us to emerging markets. At this the stock appears to be fairly valued, but it is attractive at a price of $69 or lower.

Investment Thesis

- **Continued Expansion through Acquisitions.** During 2006 GLDN bought controlling interest in eleven existing telecom providers to achieve their goal of becoming the leading communication operator in Russia and the CIS. Revenues grew 28% from 2005 with only11% attributable to the acquisitions. In May, GLDN acquired one of their key competitors in the Moscow broadband market which will greatly aid them in expanding their market share in the broadband market.
- **Completion of Federal Transit Network.** In 2006 GLD completed their FTN project and have begun launching their national long-distance products throughout Russia which contains 143M people and 2.2M business. Through the FTN, GLDN is expecting to capture 20% of the Russian long distance market by 2010 up from the current 11%.
- **Favorable Economics.** Russia has escaped the threats of the credit crunch and recession which are currently an issue in the US economy. GDP growth averaged 24% a year over the past 5 years and inflation has been decreasing every year. The average disposable income for Russians has grown at a CAGR of 37% per year. Also, the Russian Economy is closely tied to the oil market which has seen record prices over the past months. The

Ruble has been gaining in value against the dollar and is expected to continue to do so as the Russian economy continues to grow.

- **Under Developed Telephone Market.** The telecom infrastructure in Russia and the CIS countries was neglected for years under the Soviets and has been slow to improve after the fall of communism. Over the past five years the telecom industry in Russia has experienced annual growth rates of 25-30%. The telecom market is estimated at a value of $31B in 2006 and is set to reach $70B by 2010. Currently the broadband market is only 5% penetrated, but expected to reach 23% by 2010 as growing companies, along with consumers, demand a faster more reliable internet server.

Valuation

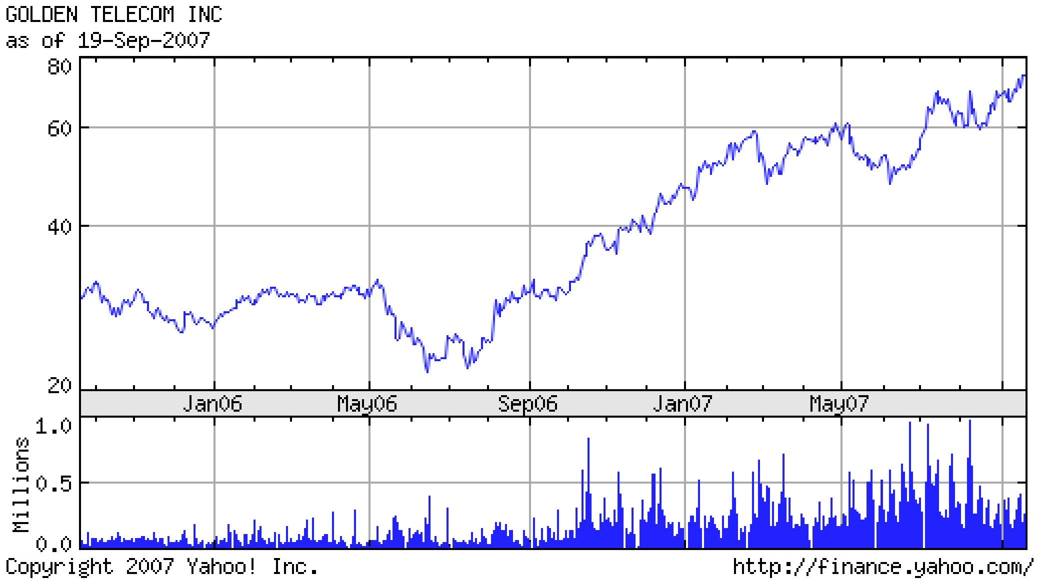
An intrinsic value of $73.00 was found using a WACC of 11.37% and a terminal growth rate of 4.5% which is reasonable given the historic growth rates in the double digits and the growing Russian telecom market that is expected to continue far into the future. The company is currently trading at 4.3X 2009E EV/EBITDA which is at a slight discount to the average of Russian Telecom companies of 4.5X and well below the emerging market median of 5.5X. Given these two valuations I believe the stock price has a intrinsic value of $75.

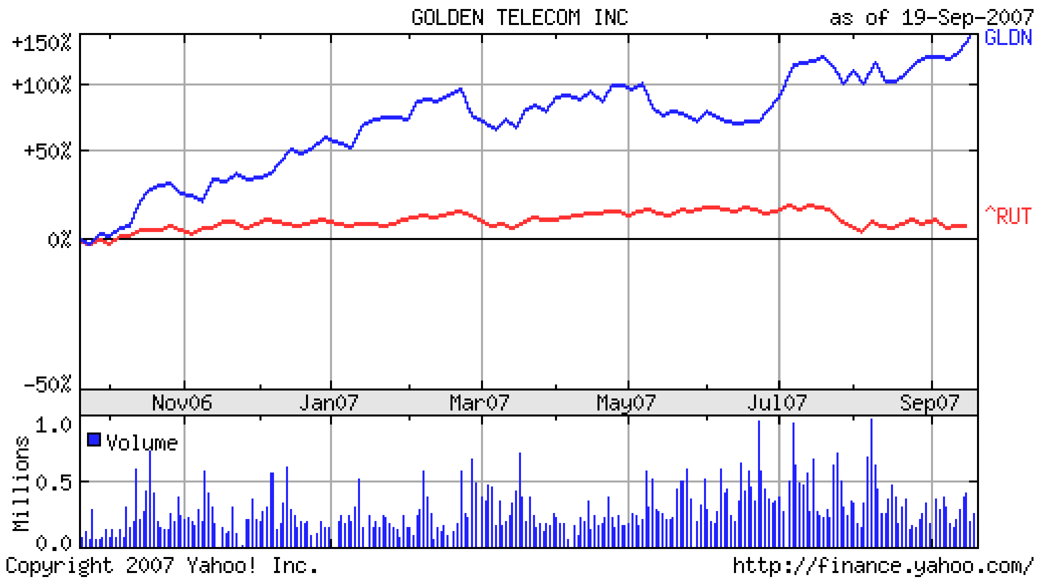
Risks

- **Threat of Corruption.** There have been frequent changes in the governments of Russia and CIS countries in the recent past making them subject to rapid and drastic changes in government regulations. Corruption exists in some levels of government and corporations which could adversely affect the business of GLDN.
- **Integration of Acquisitions.** GLDN has been aggressive at growth through acquisitions and is expected to continue to do so in the future. With increased growth it will continually become costlier to manage the business segments.
- **Government Interference.** In Ukraine the government controls the majority of the state telecommunications operator, Ukretelecom. The single, government owned monopoly poses a threat for GLDN since this will make them incapable in lodging complaints against the monopoly and the government may make unfavorable regulations against GLDN in an attempt to push them out of the country.
- **Ability to Lease Capacity.** A substantial amount of GLDN's operating networks are leased from third parties. Any failure of local operators to comply or offer reasonable lease agreements or GLDN's inability to secure lease agreements would substantially hurt their business. Also, any regulation changes concerning what local incumbents can charge would materially affect GLDN's profits.

Management

GLDN's management team is relatively young with all members under the age of 52. Jean-Pierre Vandromme has been the CEO since September 2005. Before coming to the firm Mr. Vandromme was Chairman, President, and CEO of Ventelo, a Scandinavian telecom company for over 10 years. Mr. Vinogradov was the prior CEO and still remains on as President. He joined the company in 2001 when GLDN acquired Sovintel where he was the previous General Director since 1995. Prior to his appointment as General Director he held the positions of Commercial Director, Head of Marketing and Sales Department, and Head of Marketing and Development Department at the company.





Ownership

% of Shares Held by All Insider and 5% Owners:	70%
% of Shares Held by Institutional & Mutual Fund Owners:	21%

Source: Yahoo! Finance

Top 5 Institutional holders

Holder Name	Shares Held	Percent of Share Outstanding
AXA	712,088	1.77%
Goldman Sachs Group	635,267	1.58%
Wellington Management Company	557,360	1.38%
Acadian Asset Management	499,096	1.24%
Barclays Global Investors UK Holdings	404,594	1.00%

Source: Yahoo! Finance

CNET Networks

CNET

Price: \$7.43 (\$6.90 - \$9.98)

Fiscal Year Ends: Dec. 31, 2008

Date: September 19, 2007 — Paul Simenauer

Russell 2000 Index: 806.63 (712.17 - 856.48) — Media Sector

CNET Networks, Inc. is an interactive media company that builds brands for people and the things they are passionate about, such as technology, entertainment, business, food and parenting. The Company's leading brands include CNET, GameSpot, MP3.com, ZDNet, TechRepublic, Webshots, CHOW and Urban Baby. Founded in 1992, CNET Networks has a strong presence in the United States, Asia and Europe.

Recommendation

CNET is play on premium internet content primarily in technology and entertainment. Valuations for CNET are reasonable (10x 2008 EV/EBITDA vs. 16.2x comparable companies) and expectations are low (3 buys, 6 holds, 3 sells). However, I believe that the stock will be driven upward as PC and Video Game ad spend begin to accelerate, and management begins to monetize lifestyle web properties.

Key Statistics	Sept 19, 2007
Market Cap	\$1.09B
Shares Outstanding	151.65M
Average Volume	2,388,950
Beta v. Russell 2000	1.64
EPS (TTM)	-\$.04
2008 Estimated EPS	\$1.14
P/E (TTM)	N/A
WACC	9%
Cash Flow/Share	\$.07
Debt/Assets	.225
ROE	-2.18%
Gross Margin	56%
Operating Margin	4.7%
EPS Growth Est (5 Yr)	12%
Target Price	\$11.00

Investment Thesis

- **Secular growth trends in net advertising.** Worldwide internet advertising is expected to grow at ~25% CAGR from 2006 to 2009. As CNET has 90% of revenue coming from internet advertising, the company is highly levered to this trend.
- **Category leadership in technology and entertainment.** Based on comScore's web traffic data, CNET Networks was ranked #9 Web property in the world with 124mm uniques/month, and ranked #16 in the US with 32mm uniques/month.
- **Ability to expand margins through sale of rich media and video advertising.** Increasing us of rich media and video advertising are key themes to watch for in 2007-2008. As rich media and video advertising is more expensive than other forms of internet advertising, a higher penetration of rich media and advertising will create a more favorable revenue mix, expanding margins and leading to upside surprises.
- **Catalyst in reacceleration of technology sector and video game sector verticals.** Advertising expenditure for PC's are expected to accelerate as global demand picks up in the back half of 2007 and into 2008, and corporations, organizations, and individuals upgrade to VISTA. Ad spend in the video game sector, which CNET is levered to via its Gamespot.com property, will also increase as this season will see the release of several blockbuster titles: Halo 3, Metal Gear Solid 4,

- **Possible takeout target or activist situation.** Based off of comparable transactions within the internet media industry, which is fairly fragmented, CNET could be taken out at 17x-23x EPS, which implies a PT of ~$19.00. Activist investors could also get involved, as the company has highly valuable internet properties, which could be monetized better.

Valuation

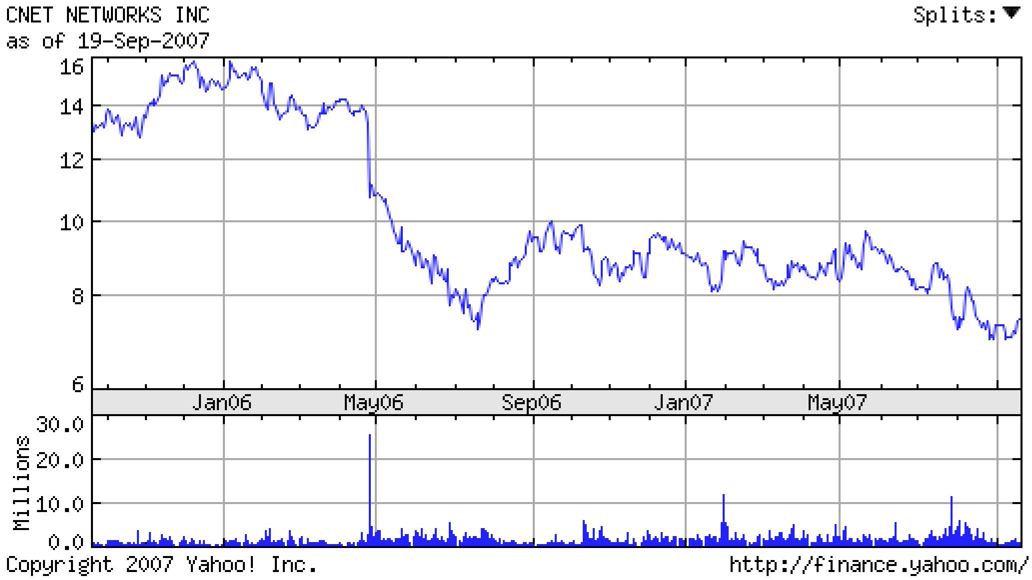
Based on a combination of my DCF model (PT $9.84) and a comparable company analysis based off of EV/EBITDA multiples (PT $12.23), I arrived at a price target of $11.00. The DCF model assumes a growth rate of 12%, a WACC of 9%, and EBIT margins of ~29%.

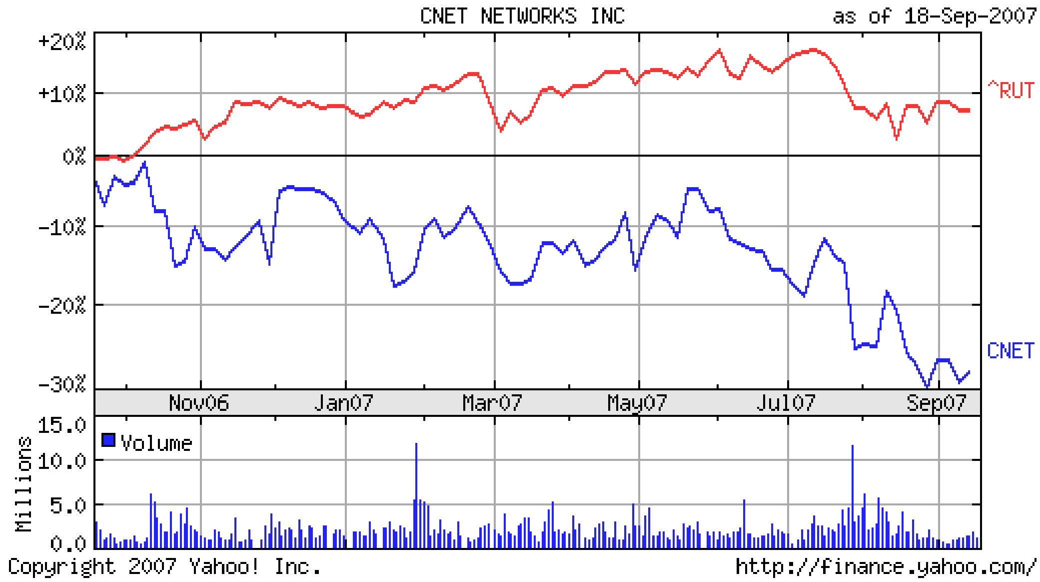
Risks

- **Strong competition from social media.** CNET missed the social media boat, failing to turn its Webshots acquisition into a social media site, although this can be easily fixed. Currently, CNET faces strong competition for unique visitors to its sites from social media players including Facebook and Myspace.
- **Weak monetization for many properties.** Excluding CNET Networks and GameSpot, many of CNET's many web properties lack strong monetization. This is especially noticeable in the company's recent move into the lifestyle space with Chow and Urban Baby. This presents another opportunity for management to grow the company, if they can execute- otherwise CNET will fall behind other internet competitors.
- **Poor international exposure**- Only 25% of revenue comes from abroad, which is unusual in comparison to many other internet companies. A better revenue mix is needed going forward.

Management

- Shelby Bonnie- Shelby Bonnie is a co-founder of CNET Networks and served with the Company as both an executive and a member of our Board of Directors from 1993 to 2006. He served as a director until March 2007, served as our Chief Executive Officer from March 2000 to October 2006 and served as Chairman of the Board of Directors from November 2000 to October 2006. Mr. Bonnie has also held the positions of Chief Operating Officer and Chief Financial Officer of the Company. Prior to joining CNET Networks, Mr. Bonnie held positions at Tiger Management Corporation, a New York based investment managing firm; Lynx Capital, a private equity fund; and in the mergers and acquisitions department of Morgan Stanley & Co. Inc. Mr. Bonnie currently serves on the board of Warner Music Group Corp.





Ownership

% of Shares Held by All Insider and 5% Owners:	13%
% of Shares Held by Institutional & Mutual Fund Owners:	>90%

**Source: Yahoo! Finance*

Top 5 Holders

Holder	Shares Held	Percent of Share Outstanding
Legg Mason Inc.	13,252,599	8.74%
Mazama Capital	12,317,893	8.12%
Tudor Investment Corporation	8,621,842	5.69%
TCS Capital Management	7,534,600	4.97%
Blackrock	7,285,750	4.80%

**Source: Yahoo! Finance*