

Protea Biosciences Group (PRGB - \$ 0.90)

Highlights From Management Meeting at ASMS

We attended the annual American Society for Mass Spectrometry (ASMS) meeting in Baltimore and spent time with Protea's management team, visiting the company's hospitality suite, and viewing its posters and presentations. We continue to be impressed with the company's proprietary technology, Laser Ablation Electrospray Ionization (LAESI) mass spectrometry with molecular visualization capabilities and bioinformatics and its expanding applications.

- Molecular Imaging Profile on the Rise at 2014 ASMS.** While dedicated posters involving Mass Spectrometry Imaging have been presented at past ASMS conferences, Imagining had a significantly more prominent presence at the 2014 conference. While anecdotal, we believe the increased interest in and application of molecular imaging is representative of the paradigm shift in mass spec arising from the introduction of innovative technologies such as Laser Ablation Electrospray Ionization and it will hasten the adoption of Protea's LAESI technology.
- Protea and DP-1000 Brand Awareness at ASMS.** During one of three opening addresses at ASMS, both Protea Biosciences Group and its lead product, the LAESI DP-1000, were mentioned by name. In the past, specific companies and products have not been discussed during general conference addresses. In our opinion, this highlights the increased awareness of Protea in the mass spectrometry community as well as the recognition of the potentially game-changing nature of its technology.
- Protea Presentations and Expanded Molecular Imaging Capabilities.** Protea had 10 posters and 1 oral presentation over the course of the three day conference. Of particular note was the poster, "Increased Sensitivity in LAESI-MS Analyses Using a Heated Extension Tube for the Analysis of Plant and Animal Tissues" that details advancement in LAESI technology. The company detailed the results of Ion Mobility on a Waters Syanpt G2S High definition mass spec, which included a 6 fold increase in mass spec signal. The new technology will be used for in-situ metabolite and lipid profiling.
- Maintaining BUY Rating and Price Target.** We are maintaining our BUY rating and \$4.50 price target. We forecast sales will grow from \$1.2 million in 2013 to \$13.2 million in 2016 and over \$100 million by 2020, an impressive revenue CAGR of 88.2% out to 2020. Our price target of \$4.50 is based on 7.0x on the net present value of our revenue estimates.

Earnings Estimates: (per share)

| (Dec) | 1Q | 2Q | 3Q | 4Q | FY | P/E |
|---------------|--------|-------|-------|-------|-------|-----|
| FY_15E | NA | NA | NA | NA | -0.13 | NA |
| FY_14E | -0.04A | -0.04 | -0.04 | -0.04 | -0.17 | NA |
| FY_13A | -0.08 | -0.07 | -0.06 | -0.05 | -0.25 | NA |
| FY_12A | -0.11 | -0.09 | -0.08 | -0.06 | -0.33 | NA |

Source: Laidlaw & Company estimates

Healthcare / Medical Technology

Ticker: **PRGB**
Rating: **Buy**
Price Target: **\$ 4.50**

Trading Data:

| | |
|--------------------------|---------|
| Last Price (06/19/2014) | \$ 0.90 |
| 52-Week High (4/29/2014) | \$ 5.00 |
| 52-Week Low (6/17/2014) | \$ 0.88 |
| Market Cap. (MM) | \$ 59 |
| Shares Out. (MM) | 66 |

Edward White

Senior Managing Director/Senior Analyst
(212) 953-4910
ewhite@laidlawltd.com

Christopher Wolpert

Associate Equity Analyst
cwolpert@laidlawltd.com

FOR ANALYST CERTIFICATION AND DISCLOSURES, PLEASE SEE DISCLOSURES SECTION AT THE END OF THIS REPORT. This report has been prepared by Laidlaw & Co (UK), Ltd. Investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. All prices are those current at the end of the previous trading session unless otherwise indicated. Prices and consensus estimates are sourced from a reliable market source

Figure 1: Summary of ASMS Posters and Presentations

Protea Posters and Presentations at 2014 ASMS

A Rapid Fungal De-Replication/Identification Method Based on Laser Ablation Electrospray Ionization (LAESI) Mass Spectrometry Technology and Principle Component Analysis (PCA)

Digging Deeper: Using Acid-Cleavable Detergents to Uncover More of the MSI Proteome

Fatty Acid and Lipid Profiling of Arbuscular Mycorrhizal Fungi with LAESI-MS

High Throughput Spatially Resolved Peptide Identification Using Hydrogel Digestion and Electro-Elution

Increased Sensitivity in LAESI-MS Analyses Using a Heated Extension Tube for the Analysis of Plant and Animal Tissues

Investigation of an Unprecedented Natural Non-Enzymatic Reaction with Laser Ablation Electrospray Ionization (LAESI) Mass Spectrometry Technology

Mapping Regional Localization in Rat Brain of Reduced Lipoic Acid by Laser Ablation Electrospray Ionization Tandem Mass Spectrometry (LAESI-MS/MS)

Mass Spectrometry Imaging of Skin Wound Healing Biomarkers Using Laser Ablation Electrospray Ionization Mass Spectrometry (LAESI-MS)

Remote Laser Ablation Electrospray Ionization Mass Spectrometry for Non-Proximate Analysis

Single Bead Peptide Microarrays Characterized by Laser Ablation Electrospray Ionization Mass Spectrometry Imaging (LAESI-MSI)

Spatial Metabolomics of Alzheimer's Disease Brain Using LAESI-MS *

* Oral Presentation

Source: Company reports

Risks to Owning the Stock

As with all medical technology companies, many factors can impact operating results including but not limited to changes in government regulations and oversight, product development failures and delays, litigation outcomes, competitive launches, and product recalls. The mass spectrometry molecular imaging market is highly concentrated and competitive. Current and potential competitors have significant resources to aggressively promote their products. Most of these companies have more resources than Protea. Competitors could develop technologies and products that are more effective, easier to use, or less expensive than LAESI as well as utilize existing sales channels to market their products to a wider base of customers. Large competitors in the mass spectrometry market include Agilent Technologies, AB SIEX (Danaher Corp. subsidiary), Bruker, Thermo Scientific, and Waters Corporation. A large majority of the revenue generated in the global mass spectrometry market is concentrated among five key competitors. The company's services unit may require significant future capital expenditures for equipment necessary to remain competitive. In addition, the company's services has competition from multiple sources including DNA sequencing solutions providers, traditional mass spectrometry imaging, and molecular imaging services providers.

Figure 2: Income Statement

| PROTEA BIOSCIENCES GROUP, INC. <i>Income Statement (000s, except per share data)</i> | FY 2013 | | | | FY 2014E | | | | FY_11 Dec | FY_12 Dec | FY_13 Dec | FY_14E Dec | FY_15E Dec | FY_16E Dec |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|-------------------|-------------------|------------------|------------------|
| | Q1_13 Mar | Q2_13 Jun | Q3_13 Sept | Q4_13 Dec | Q1_14 Mar | Q2_14E Jun | Q3_14E Sept | Q4_14E Dec | | | | | | |
| Revenue | 481.6 | 278.0 | 178.5 | 285.4 | 468.1 | 525.0 | 680.0 | 1,050.0 | 713.0 | 834.3 | 1,223.5 | 2,723.1 | 6,724.0 | 13,161.3 |
| <i>Operating expenses:</i> | | | | | | | | | | | | | | |
| Cost of good sold | - | - | - | - | - | 167.3 | 238.9 | 324.0 | - | - | - | 730.2 | 1,664.5 | 2,655.0 |
| Gross Profit | 481.6 | 278.0 | 178.5 | 285.4 | 468.1 | 357.8 | 441.1 | 726.0 | 713.0 | 834.3 | 1,223.5 | 1,993.0 | 5,059.5 | 10,506.3 |
| Selling, general and administrative (includes COGS in actuals) | 2,047.6 | 2,023.6 | 1,943.8 | 2,760.4 | 2,353.4 | 2,486.1 | 2,521.3 | 2,952.9 | 5,246.0 | 5,218.8 | 8,775.5 | 10,313.8 | 11,345.1 | 12,153.8 |
| Research and development | 863.6 | 844.5 | 658.9 | 405.9 | 722.0 | 745.0 | 750.0 | 700.0 | 6,242.9 | 4,595.8 | 2,772.9 | 2,917.0 | 3,135.7 | 3,292.5 |
| Depreciation and amortization | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Operating Expenses | 2,911.2 | 2,868.2 | 2,602.7 | 3,166.3 | 3,075.4 | 3,231.1 | 3,271.3 | 3,652.9 | 11,488.8 | 9,814.6 | 11,548.4 | 13,230.7 | 14,480.9 | 15,446 |
| Operating Income/(loss) | (2,429.6) | (2,590.2) | (2,424.2) | (2,880.9) | (2,607.3) | (2,706.1) | (2,591.3) | (2,602.9) | (10,775.8) | (8,980.3) | (10,324.9) | (10,507.6) | (7,756.9) | (2,285.0) |
| <i>Other Income:</i> | | | | | | | | | | | | | | |
| Interest and exchange income (expense) | (2.2) | 8.6 | 0.6 | 6.1 | 0.2 | 0.1 | 0.1 | 0.1 | 8.1 | (8.7) | 13.1 | 0.6 | 0.8 | 1.1 |
| Interest expense | (158.3) | (174.6) | (131.3) | (282.1) | (166.2) | (166.2) | (166.2) | (166.2) | (729.6) | (541.8) | (746.2) | (664.7) | (664.7) | (664.7) |
| Debt Conversion cost | - | - | - | (724.6) | - | - | - | - | - | - | (724.6) | - | - | - |
| Gain on debt settlement | - | - | - | - | - | - | - | - | - | - | 0.0 | - | - | - |
| Loss on asset disposal | (15.8) | - | - | 0.7 | (24.8) | - | - | - | - | (0.4) | (15.1) | -24.8 | - | - |
| Derivative income | - | - | - | 380.0 | 65.9 | - | - | - | - | - | 380.0 | 65.9 | - | - |
| Other | - | - | - | - | (124.8) | - | - | - | - | - | - | (124.8) | -124.8 | - |
| Income (loss) before provision for income taxes | (2,605.8) | (2,756.1) | (2,554.9) | (2,776.2) | (2,857.0) | (2,872.1) | (2,757.3) | (2,768.9) | (11,497.3) | (9,531.3) | (11,417.7) | (11,255.4) | (8,545.6) | (2,948.5) |
| <i>Tax: (%) non-GAAP</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> |
| Income tax | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Net income (loss) | (2,605.8) | (2,756.1) | (2,554.9) | (2,776.2) | (2,857.0) | (2,872.1) | (2,757.3) | (2,768.9) | (11,497.3) | (9,531.3) | (11,417.7) | (11,255.4) | (8,545.6) | (2,948.5) |
| Foreign currency translation adjustment | (11.5) | 12.2 | 5.8 | 23.1 | 0.8 | - | - | - | 18.6 | (21.2) | 29.6 | 0.8 | - | - |
| Total Comprehensive Loss | (2,617.3) | (2,743.9) | (2,549.1) | (2,753.1) | (2,856.2) | (2,872.1) | (2,757.3) | (2,768.9) | (11,478.7) | (9,552.5) | (11,388.1) | (11,254.6) | (8,545.6) | (2,948.5) |
| Diluted EPS (GAAP) | (0.08) | (0.07) | (0.06) | (0.05) | (0.04) | (0.04) | (0.04) | (0.04) | (0.55) | (0.33) | (0.25) | (0.17) | (0.13) | (0.04) |
| Weighted Diluted Shares outstanding | 34,517.6 | 40,866.2 | 43,952.0 | 54,152.8 | 65,455.8 | 65,455.8 | 65,455.8 | 65,455.8 | 20,925.5 | 28,953.1 | 45,044.6 | 65,455.8 | 67,678.0 | 69,344.7 |
| Weighted Diluted Shares YOY change (%) | 26.2% | 45.5% | 50.3% | 74.0% | 89.6% | 60.2% | 48.9% | 20.9% | | 38.4% | 55.6% | 45.3% | 3.4% | 2.5% |

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

Figure 3: Balance Sheet

| PROTEA BIOSCIENCES GROUP, INC. <i>Balance Sheet (\$ 000s, except per share data)</i> | FY 2013 | | | | FY 2014E | | | | FY_11 Dec | FY_12 Dec | FY_13 Dec | FY_14E Dec | FY_15E Dec | FY_16E Dec |
|---|------------------|------------------|------------------|------------------|------------------|-----------------|----------------|-----------------|------------------|------------------|------------------|-----------------|-----------------|-----------------|
| | Q1_13 Mar | Q2_13 Jun | Q3_13 Sept | Q4_13 Dec | Q1_14 Mar | Q2_14E Jun | Q3_14E Sept | Q4_14E Dec | | | | | | |
| Assets: | | | | | | | | | | | | | | |
| Cash and cash equivalents | 89.1 | 308.6 | 41.0 | 1,086.3 | 313.3 | 7,159.6 | 2,919.1 | 4,567.9 | 505.3 | 27.6 | 1,086.3 | 4,567.9 | 6,704.9 | 9,291.2 |
| Restricted Cash | - | - | - | - | - | - | - | - | 50.0 | - | - | - | - | - |
| Trade accounts receivable | 403.9 | 228.4 | 66.6 | 216.9 | 115.3 | 29.4 | (37.0) | (107.1) | 76.7 | 127.7 | 216.9 | (107.1) | (314.4) | (615.4) |
| Other receivables | 312.6 | 35.2 | 27.7 | 435.3 | 436.9 | 436.9 | 436.9 | 436.9 | 315.6 | 308.9 | 435.3 | 436.9 | 436.9 | 436.9 |
| Inventory | 600.7 | 607.6 | 591.4 | 465.3 | 553.4 | 620.6 | 753.9 | 1,014.0 | 223.3 | 905.2 | 465.3 | 1,014.0 | 2,003.9 | 3,172.4 |
| Prepaid Expenses | 50.0 | 57.3 | 103.9 | 304.7 | 134.6 | 134.6 | 134.6 | 134.6 | 141.4 | 29.6 | 304.7 | 134.6 | 134.6 | 134.6 |
| Total Current Assets | 1,456.3 | 1,237.2 | 830.6 | 2,508.5 | 1,553.5 | 8,381.1 | 4,207.5 | 6,046.4 | 1,312.2 | 1,399.0 | 2,508.5 | 6,046.4 | 8,966.0 | 12,419.8 |
| Property and equipment, net | 2,579.1 | 2,558.3 | 2,389.1 | 2,886.2 | 3,324.8 | 3,574.8 | 3,824.8 | 4,274.8 | 3,319.2 | 2,790.5 | 2,886.2 | 4,274.8 | 5,274.8 | 6,374.8 |
| Other noncurrent assets | 22.1 | 22.3 | 22.9 | 23.2 | 23.2 | 23.2 | 23.2 | 23.2 | 17.6 | 22.6 | 23.2 | 23.2 | 23.2 | 23.2 |
| Total Assets | 4,057.5 | 3,817.8 | 3,242.7 | 5,417.9 | 4,901.5 | 11,979.1 | 8,055.4 | 10,344.4 | 4,649.1 | 4,212.0 | 5,417.9 | 10,344.4 | 14,263.9 | 18,817.7 |
| Liabilities & Shareholders' Equity: | | | | | | | | | | | | | | |
| Current maturities on short and long-term debt | 1,495.4 | 1,294.2 | 3,038.0 | 1,054.1 | 1,221.2 | 1,221.2 | 1,221.2 | 1,221.2 | 398.4 | 1,374.5 | 1,054.1 | 1,221.2 | 1,221.2 | 1,221.2 |
| Accounts payable | 1,241.0 | 1,068.9 | 1,662.3 | 759.0 | 1,671.5 | 1,756.2 | 1,778.0 | 1,985.4 | 2,504.1 | 2,270.7 | 759.0 | 1,985.4 | 2,173.0 | 2,317.8 |
| Bank line of credit | 2,725.0 | 2,725.0 | 2,725.0 | 2,725.0 | 3,000.0 | 2,600.0 | 1,000.0 | - | 3,000.0 | 2,725.0 | 2,725.0 | - | - | - |
| Loans payable to stockholders | 3,123.2 | 3,673.2 | 620.0 | 465.9 | 1,070.9 | 1,070.9 | 1,070.9 | 1,070.9 | - | 2,898.2 | 465.9 | 1,070.9 | 1,070.9 | 1,070.9 |
| Obligation related to letter of credit | 600.0 | 443.9 | 377.7 | 152.0 | 69.8 | 69.8 | 69.8 | - | 750.0 | - | 152.0 | - | - | - |
| Other payables and accrued expenses | 1,205.0 | 1,127.4 | 410.7 | 1,069.2 | 862.5 | 862.5 | 862.5 | 862.5 | 310.9 | 764.5 | 1,069.2 | 862.5 | 862.5 | 862.5 |
| Total Current Liabilities | 10,389.7 | 10,332.8 | 8,833.7 | 6,225.1 | 7,895.9 | 7,580.6 | 6,002.4 | 5,140.0 | 6,963.4 | 10,032.8 | 6,225.1 | 5,140.0 | 5,327.6 | 5,472.4 |
| Option fee | - | - | - | - | 300.0 | 300.0 | 300.0 | 300.0 | - | - | - | - | - | - |
| Long-term debt - net of current portion | 1,942.8 | 1,815.0 | 1,698.4 | 1,580.3 | 1,754.3 | 1,754.3 | 1,754.3 | 1,754.3 | 2,189.5 | 2,083.0 | 1,580.3 | 1,754.3 | 1,754.3 | 1,754.3 |
| Derivative Liabilities | - | - | - | 623.6 | 557.7 | 557.7 | 557.7 | 557.7 | - | - | 623.6 | 557.7 | 557.7 | 557.7 |
| Total Liabilities | 12,332.5 | 12,147.8 | 10,532.1 | 8,429.0 | 10,507.9 | 10,192.5 | 8,614.4 | 7,751.9 | 9,152.9 | 12,115.9 | 8,429.0 | 7,451.9 | 7,639.5 | 7,784.4 |
| Stockholders' Equity | (8,275.0) | (8,330.0) | (7,289.4) | (3,011.0) | (5,606.4) | 4,398.5 | 2,053.0 | 5,204.4 | 992.0 | (7,903.8) | (3,011.0) | 2,892.4 | 6,624.4 | 11,033.3 |
| Total Liabilities & Equity | 4,057.5 | 3,817.8 | 3,242.7 | 5,417.9 | 4,901.5 | 11,979.1 | 8,055.4 | 10,344.4 | 4,649.073 | 4,212.0 | 5,417.9 | 10,344.4 | 14,263.9 | 18,817.7 |

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

Figure 4: Cash flow Statement

| PROTEA BIOSCIENCES GROUP, INC. <i>Non-GAAP Cash Flow Cont. Ops. (\$ 000s, except per share data)</i> | FY_11 Dec | FY_12 Dec | FY_13 Dec | FY_14E Dec | FY_15E Dec | FY_16E Dec |
|--|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|
| Cash flows from operating activities: | | | | | | |
| Net income (loss) | (11,497.3) | (9,531.3) | (11,417.7) | (11,255.4) | (8,545.6) | (2,948.5) |
| <i>Adjustments to reconcile net income to net cash provided by operating activities:</i> | | | | | | |
| Depreciation and amortization | 1,279.6 | 1,009.1 | 844.9 | 929.5 | 976.0 | 1,024.8 |
| Non-cash compensation | 352.0 | 345.7 | 873.0 | 989.3 | 1,009.1 | 1,039.4 |
| Issuance of common stock and warrants for services | - | - | 345.7 | 30.5 | 30.5 | 30.5 |
| Issuance of common stock for accrued interest | 258.2 | 53.3 | 372.2 | - | - | - |
| Accretion of convertible debenture discount | 132.7 | 0.4 | 137.6 | 262.8 | 262.8 | 262.8 |
| Debt conversion costs associated with inducement | - | - | 724.6 | - | - | - |
| Loss on disposal of fixed assets | - | 30.0 | 15.1 | 24.8 | - | - |
| Bad debt expense | - | - | 4.0 | 2.0 | - | - |
| (Income) Expense from change in value of derivative | - | - | (380.0) | (65.9) | - | - |
| <i>Changes in assets and liabilities:</i> | | | | | | |
| Trade accounts receivable | (26.0) | (81.1) | (93.1) | 321.9 | 207.3 | 301.0 |
| Prepaid expenses | (75.5) | 111.9 | (275.1) | 170.1 | - | - |
| Other receivables | 727.3 | 1.7 | (127.0) | (1.6) | - | - |
| Inventory | 43.7 | (681.9) | 439.9 | (548.7) | (989.9) | (1,168.5) |
| Trade accounts payable | 780.8 | (233.4) | (1,989.5) | 971.3 | 187.6 | 144.9 |
| Obligation related to the Letter of Credit | - | - | - | (69.8) | - | - |
| Option fee | - | - | - | 300.0 | - | - |
| Other payables and accrued expenses | 57.3 | 453.5 | 304.7 | (206.7) | - | - |
| Net cash provided by (used in) operating activities | (7,967.2) | (8,522.0) | (10,220.8) | (8,145.9) | (6,862.2) | (1,313.7) |
| Cash flow from investing activities: | | | | | | |
| Movement in restricted cash | (0.1) | 50.0 | - | - | - | - |
| Purchase of and deposits on equipment | (1,241.9) | (408.2) | (478.9) | (1,001.9) | (1,000.0) | (1,100.0) |
| Proceeds from sale of equipment | - | - | 1.0 | - | - | - |
| Cash provided by investing activities | (1,242.0) | (358.2) | (477.9) | (1,001.9) | (1,000.0) | (1,100.0) |
| Cash flows from financing activities: | | | | | | |
| Net advances on bank line of credit | - | (275.0) | - | 275.0 | - | - |
| Proceeds from sale of common stock | 2,282.1 | 5,738.5 | 9,352.8 | 14,987.5 | 10,000.0 | 5,000.0 |
| Proceeds from short and long-term debt | 7,405.0 | 1,090.0 | 1,994.5 | - | - | - |
| Proceeds from shareholder debt | - | 2,148.2 | 1,000.0 | 605.0 | - | - |
| Repayment of long-term debt | (402.0) | (278.0) | (858.2) | (21.2) | - | - |
| Proceeds from Obligation related to the Letter of Credit | - | - | 600.0 | (69.8) | - | - |
| Repayment of Obligation related to the Letter of Credit | - | - | (361.3) | (3,147.9) | - | - |
| Cash (used in) provided by financing activities | 9,285.1 | 8,423.7 | 11,727.9 | 12,628.6 | 10,000.0 | 5,000.0 |
| Effect of exchange rates on cash | 18.6 | (21.2) | 29.6 | - | - | - |
| Net (decrease) increase in cash and cash equivalents | 94.6 | (477.7) | 1,058.7 | 3,480.8 | 2,137.8 | 2,586.3 |
| Cash and cash equivalents at beginning of the period | 410.7 | 505.3 | 27.6 | 1,086.3 | 4,567.1 | 6,704.9 |
| Cash and cash equivalents at end of period | - | 505.3 | 1,086.3 | 4,567.1 | 6,704.9 | 9,291.2 |

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

DISCLOSURES:

ANALYST CERTIFICATION

The analyst responsible for the content of this report hereby certifies that the views expressed regarding the company or companies and their securities accurately represent his personal views and that no direct or indirect compensation is to be received by the analyst for any specific recommendation or views contained in this report. Neither the author of this report nor any member of his immediate family or household maintains a position in the securities mentioned in this report.

EQUITY DISCLOSURES

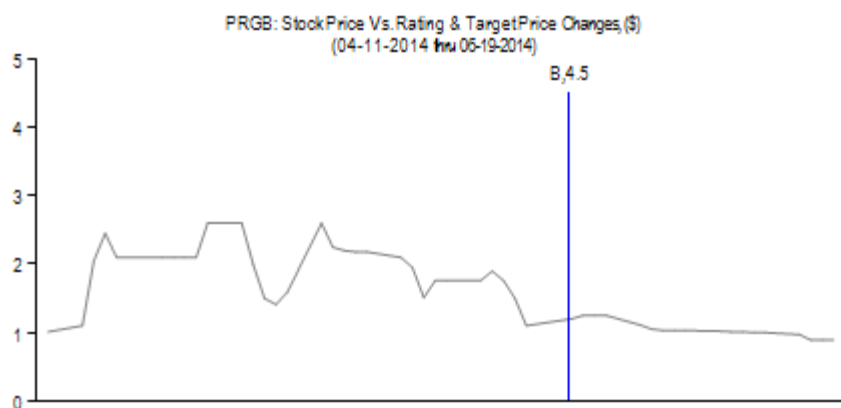
For the purpose of ratings distributions, regulatory rules require the firm to assign ratings to one of three rating categories (i.e. Strong Buy/Buy-Overweight, Hold, or Underweight/Sell) regardless of a firm's own rating categories. Although the firm's ratings of Buy/Overweight, Hold, or Underweight/Sell most closely correspond to Buy, Hold and Sell, respectively, the meanings are not the same because our ratings are determined on a relative basis against the analyst sector universe of stocks. An analyst's coverage sector is comprised of companies that are engaged in similar business or share similar operating characteristics as the subject company. The analysis sector universe is a sub-sector to the analyst's coverage sector, and is compiled to assist the analyst in determining relative valuations of subject companies. The composition of an analyst's sector universe is subject to change over time as various factors, including changing market conditions occur. Accordingly, the rating assigned to a particular stock represents solely the analyst's view of how that stock will perform over the next 12-months relative to the analyst's sector universe.

Additional information available upon request.

‡ Laidlaw & Company has received compensation from the subject company for investment banking services in the past 12 months and expects to receive or intends to seek compensation for investment banking services from the company in the next three months.

RATINGS INFORMATION

Rating and Price Target Change History



3 Year Rating Change History

| Date | Rating | Closing Price (\$) |
|------------|---------|--------------------|
| 05/27/2014 | Buy (B) | 1.20 |

3 Year Price Change History

| Date | Target Price (\$) | Closing Price, (\$) |
|------------|-------------------|---------------------|
| 05/27/2014 | 4.50 | 1.20 |

Source: Laidlaw & Company

Created by: Blue-Compass.net

| Laidlaw & Company Rating System* | | % of Companies Under Coverage With This Rating | % of Companies for which Laidlaw & Company has performed services for in the last 12 months | |
|----------------------------------|---|--|---|-----------|
| | | | Investment Banking | Brokerage |
| Strong Buy (SB) | Expected to significantly outperform the sector over 12 months. | 0.00% | 0.00% | 0.00% |
| Buy (B) | Expected to outperform the sector average over 12 months. | 93.75% | 37.50% | 12.50% |
| Hold (H) | Expected returns to be in line with the sector average over 12 months. | 6.25% | 0.00% | 0.00% |
| Sell (S) | Returns expected to significantly underperform the sector average over 12 months. | 0.00% | 0.00% | 0.00% |

ADDITIONAL COMPANIES MENTIONED

Agilent Technologies (A, Not Rated)
Bruker Corporation (BRKR, Not Rated)
Danaher Corporation (DHR, Not Rated)
Thermo Fisher Scientific Inc. (TMO, Not Rated)
Waters Corp. (WAT, Not Rated)

ADDITIONAL DISCLOSURES

As of the date of this report, neither the author of this report nor any member of his immediate family or household maintains an ownership position in the securities of the company (ies) mentioned in this report.

This report does not provide individually tailored investment advice and has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. Laidlaw & Co (UK), Ltd. recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. The securities, instruments, or strategies discussed in this report may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them. This report is not an offer to buy or sell or the solicitation of an offer to buy or sell any security/instrument or to participate in any particular trading strategy.

Associated persons of Laidlaw & Co (UK), Ltd not involved in the preparation of this report may have investments in securities/instruments or derivatives of securities/instruments of companies mentioned herein and may trade them in ways different from those discussed in this report. While Laidlaw & Co (UK), Ltd., prohibits analysts from receiving any compensation. Bonus or incentive based on specific recommendations for, or view of, a particular company, investors should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

With the exception of information regarding Laidlaw & Co (UK), Ltd. this report is based on public information. Laidlaw & Co (UK), Ltd makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete and it should not be relied upon as such. Any opinions expressed are subject to change and Laidlaw & Co (UK), Ltd disclaims any obligation to advise you of changes in opinions or information or any discontinuation of coverage of a subject company. Facts and views presented in this report have not been reviewed by, and may not reflect information known to, professionals in other Laidlaw & Co (UK), Ltd business areas. Laidlaw & Co (UK), Ltd associated persons conduct site visits from time to time but are prohibited from accepting payment or reimbursement by the company of travel expenses for such visits. The value of and income from your investments may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions of companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. If provided, and unless otherwise stated, the closing price on the cover page is that of the primary exchange for the subject company's securities/instruments.

Any trademarks and service marks contained in this report are the property of their respective owners. Third-party data providers make no warranties or representations of any kind relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages of any kind relating to such data. This report or any portion thereof may not be reprinted, sold or redistributed without the written consent of Laidlaw & Co (UK), Ltd. This report is disseminated and available primarily electronically, and, in some cases, in printed form.

The information and opinions in this report were prepared by Laidlaw & Co (UK), Ltd. For important disclosures, please see Laidlaw & Co (UK), Ltd.'s disclosure website at www.LaidlawLtd.com, or contact your investment representative or Laidlaw & Co (UK), Ltd at 546 Fifth Ave, 5th Floor, New York, NY 10036 USA.

© 2014 Laidlaw & Co. (UK), Ltd.

NOTES: