

Usio, Inc.

USIO (NASDAQ) - Buy \$6 Price Target

May 15, 2025

Usio Unveils Revamped Sales Strategy and Accelerates Innovation – Reiterate Buy / \$6 Target

Analyst: Barry M. Sine, CFA, CMT

- Usio kicked off 2025 with strong top-line results that exceeded our estimate and consensus.
- The results were driven by its ACH business, which has introduced several new services over the last year.
- Management reiterated guidance for 14% to 16% for the year. This represents second-half acceleration from the 5% 1Q growth (10% normalized), as the company has already signed several Payfac customers who are coming online over the next few months.
- Usio's major new initiative this year is called Usio One and involves combining formerly separate product salespeople into a unified team of 12 quota-bearing sales reps, all using the same CRM system. The tee-off meeting was held in April, and the team is already seeing results.
- We were also struck by the significant number of new products the company is working on. It is already generating revenue from remotely created checks and PINless debit cards. It is now working on incredibly advanced products, including using biometrics, such as the retina, instead of a physical card or phone wallet, and AI to ensure that the most optimal payment solution available is used. Last June, the company promoted Houston Frost to the role of chief product officer. He brings a Ph.D. in Chemical and Biological Engineering to this role. In our opinion, Usio has long been the most innovative company in payments, and we believe that we are at the cusp of a rapid acceleration in the pace of innovation.
- Usio is much stronger financially than it has ever been. It was EPS positive last year, and we see consistent annual EPS profitability going forward. It now has a cash balance of \$8.7 million. The stock is up for the year, and volume has risen dramatically. These are all metrics that make the company look more attractive to institutional investors.
- While USIO shares are gaining more interest, they remain attractively valued at just 0.3x our 2026 revenue estimate and 5.5x our 2026 EBITDA estimate. Management expects 14-16% revenue growth this year with 25% gross margin and a 10% EBITDA margin longer term. As a technology-based SaaS company, Usio can scale tremendously with few additional costs, driving profitability.

Rating	BUY	Earnings Per Share			
Target Price	\$6.00	Normalized to exclude unusual items			
Ticker Symbol	USIO	FYE - December	2023	2024	2025E
Market	NASDAQ	1Q - March	\$0.00	(\$0.01)	(\$0.01) A
Stock Price	\$1.56	2Q - June	\$0.01	\$0.00	\$0.01
52 wk High	\$2.92	3Q - September	(\$0.04)	\$0.10	\$0.02
52 wk Low	\$1.24	4Q - December	\$0.00	\$0.02	\$0.02
		Year	(\$0.02)	\$0.12	\$0.04
Shares Outstanding:	26.8 M				
Public Market Float:	17.1 M	Revenue (\$mm)	\$82.6	\$82.9	\$94.8
Avg. Daily Volume	96,190	EV/Rev	0.4X	0.4X	0.4X
Market Capitalization:	\$42 M				
Institutional Holdings:	27.7%	EBITDA (\$mm)	\$2.4	\$2.9	\$5.0
Dividend Yield:	0.0%	EV/EBITDA	NM	12.2X	7.0X
					\$6.3
					5.5X

Risks/Valuation

- We see four key risk categories, which we discuss in our initiation report: regulatory changes, cybersecurity risks, errors, and fraud.
- Our valuation implies a 53% premium to larger, slower-growing comps on an EV/EBITDA basis, but a 58% discount on an EV/sales basis.

Company description: Usio is a diversified payments company headquartered in San Antonio, Texas. It has proven highly innovative in new product launches, acquisitions, and customer wins, driving 24% revenue growth over the last five years.

Usio, Inc.

USIO (NASDAQ) - Buy \$6 Price Target

Usio Unveils a Revamped Sales Strategy and Accelerates Innovation

Usio reported strong first-quarter results, teeing off what we think will be a very strong year. Revenue was up 5% on a GAAP basis, but 10% organically, as the year-ago quarter included over \$1 million in spoilage revenue. That was the last quarter of such revenue, so reported growth should accelerate, especially into the second half of this year, as customers who have already been signed begin to process their payments with Usio. Guidance for 14% to 16% revenue growth for the full year was reiterated.

Usio is undergoing more significant changes than ever in its history. First, it is now being run as a unified organization under a plan called Usio One. Previously, its four product lines were run as distinct businesses and even had separate salesforces and CRM platforms. This was a natural first step as each of these business units derived from an acquisition. However, starting this year, the company promoted one of its senior-most executives, Greg Carter, to be chief revenue officer. All salespeople have now been trained to sell all of the products, and they all now use the same CRM platform. This has already led to new business with existing single-product customers recently adding other Usio products. We think this is obvious low-hanging fruit that should accelerate revenue. But more importantly, and over the longer term, the company can now go to market approaching new customers with a more impressive, full array of payment solutions. We think this will help the company's win rate and allow it to compete with the larger players in the payments space.

The other change is the pace of innovation. We have always viewed Usio as the most innovative company in payments, but we see the pace of change accelerating. Usio initially had a monopoly on the guaranteed income programs run by a variety of state and local governments around the country, as it was able to adapt payment solutions to serve these customers. When COVID struck, the City of New York asked MasterCard if it could help them issue virtual prepaid debit cards as an incentive for people to take the vaccine. MasterCard referred the city to Usio, and they rapidly deployed a solution that turned into one of the most lucrative programs in the company's history. More recently, it has seen strong adoption of remotely created checks and PINless debit cards. It also offers a reverse ATM solution for places like ballparks that no longer take cash. Customers can insert cash into a reverse ATM, and it will issue a USIO-backed debit card to spend at the venue. The acceleration in the rate of change is driven by the promotion of Houston Frost to chief product officer last June. He has a Ph.D. in Chemical and Biological Engineering and founded the Akimbo prepaid card business Usio acquired. The company is now close to demonstrating a new biometric payment option, eliminating the need for a card or even a phone to make payments. Payments will be able to be made by scanning a customer's retina, which would be associated with their accounts. Using artificial intelligence, it would select the most optimal payment method for the user. So, for example, a person could attend a sporting event, and buy a beer and a hot dog, all by scanning their retina. In another area, the company is working on a filtered payment solution that will limit the products a customer can purchase with a card. So, customers with health spending accounts will only be able to use that debit card for approved products. Lastly, the company mentioned that it is working on a payroll card product. This would open up a massive segment of the payments business that the company has never contested. With Mr. Frost less than a year into his new job, we think these innovations will accelerate.

Our updated financial model is at the end of this report. For the most part, the first quarter unfolded as we expected, with revenue a bit higher and EBITDA a bit lower. As discussed, revenue was up 5%, but organic growth was 10%, excluding spoilage revenue in the year-ago period. 1Q24 marked the end of this spoilage revenue associated with the New York City COVID program, so comparisons going forward should be more organic, reflecting the double-digit growth the company typically generates. The gross margin declined slightly, as interest revenue was lower than a year ago, and this revenue carries no expense. We expect the company to generate \$5 million in EBITDA this year. We expect annual revenue to shortly exceed \$100 million, and as a SaaS company, Usio is eminently scalable. Thus, EBITDA margins should accelerate with a goal of 10% EBITDA margins achievable, in our opinion.



Usio, Inc.

USIO (NASDAQ) - Buy \$6 Price Target

Usio, Inc. – Revenue Forecast

Dollars in thousands, except per share data
Fiscal years ended December 31

	2024					2025E					2026E				
	1Q	2Q	3Q	4Q	YEAR	1Q	2Q	3Q	4Q	YEAR	1Q	2Q	3Q	4Q	YEAR
	March	June	September	December		March	June	September	December		March	June	September	December	
ACH	3,881,734	3,894,330	4,302,510	4,599,750	16,678,324	5,044,517	4,673,196	5,163,012	5,519,700	20,400,425	5,801,195	5,374,175	5,937,464	6,347,655	23,460,489
YoY growth	16.2%	-4.5%	21.9%	16.7%	12.0%	30.0%	20.0%	20.0%	20.0%	22.3%	15.0%	15.0%	15.0%	15.0%	15.0%
Sequential growth	-1.5%	0.3%	10.5%	6.9%		9.7%	-7.4%	10.5%	6.9%		5.1%	-7.4%	10.5%	6.9%	
Percent of total revenue	18.5%	19.4%	20.2%	22.4%	20.1%	22.9%	21.2%	20.2%	21.9%	21.5%	23.2%	22.1%	21.0%	22.7%	22.2%
ACH interest	211,640	190,233	201,545	186,299	789,717	224,129	200,000	200,000	200,000	824,129	200,000	200,000	200,000	200,000	800,000
Electronic check transaction	4.0%	10.0%	25.0%	34.0%	18.0%	36.0%									
Returned check transactions	9.0%	13.0%	18.0%	27.0%	17.0%	24.0%									
Electronic check dollars processed	22.0%	36.0%	61.0%	44.0%	42.0%	42.0%									
Credit card	7,560,734	7,261,268	7,197,362	7,248,182	29,267,546	7,878,694	7,987,395	8,276,966	8,697,818	32,840,874	8,824,137	8,945,882	9,270,202	9,741,557	36,781,778
YoY growth	3.0%	2.0%	0.4%	5.8%	2.8%	4.2%	10.0%	15.0%	20.0%	12.2%	12.0%	12.0%	12.0%	12.0%	12.0%
Sequential growth	10.3%	-4.0%	-0.9%	0.7%		8.7%	1.4%	3.6%	5.1%		1.5%	1.4%	3.6%	5.1%	
Percent of total revenue	36.1%	36.2%	33.8%	35.3%	35.3%	35.8%	36.3%	32.3%	34.5%	34.6%	35.3%	36.7%	32.8%	34.9%	34.8%
Credit card transaction volume	18.0%	19.0%	22.0%	34.0%	24.0%	65.0%									
Credit card dollars	8.0%	10.0%	7.0%	15.0%	10.0%	17.0%									
Prepaid card	3,341,224	3,673,418	4,017,153	3,048,855	14,080,650	2,907,451	3,857,089	5,021,441	3,963,512	15,749,493	3,488,941	4,049,943	5,272,513	4,161,687	16,973,085
YoY growth	-30.5%	-29.6%	-14.3%	-24.1%	-24.8%	-13.0%	5.0%	25.0%	30.0%	11.9%	20.0%	5.0%	5.0%	5.0%	7.8%
Sequential growth	-16.9%	9.9%	9.4%	-24.1%		-4.6%	32.7%	30.2%	-21.1%		-12.0%	16.1%	30.2%	-21.1%	
Percent of total revenue	15.9%	18.3%	18.8%	14.8%	17.0%	13.2%	17.5%	19.6%	15.7%	16.6%	14.0%	16.6%	18.6%	14.9%	16.1%
Prepaid interest	402,741	334,624	309,131	299,183	1,345,679	182,661	350,000	350,000	350,000	1,232,661	350,000	350,000	350,000	350,000	1,400,000
Load volume	108.0%	55.0%	21.0%	36.0%	35.0%	-15.0%									
Transaction volume	26.0%	58.0%	56.0%	7.0%	45.0%	5.0%									
Purchase dollars	42.0%	39.0%	23.0%		26.0%	-8.0%									
Output solutions	5,537,923	4,686,869	5,253,388	5,140,816	20,618,996	5,732,867	4,921,212	6,566,735	6,426,020	23,646,834	6,306,154	5,413,334	7,223,409	7,068,622	26,011,518
YoY growth	-7.1%	-3.3%	2.2%	13.0%	0.6%	3.5%	5.0%	25.0%	25.0%	14.7%	10.0%	10.0%	10.0%	10.0%	10.0%
Sequential growth	21.7%	-15.4%	12.1%	-2.1%		11.5%	-14.2%	33.4%	-2.1%		-1.9%	-14.2%	33.4%	-2.1%	
Percent of total revenue	26.4%	23.3%	24.6%	25.0%	24.9%	26.0%	22.3%	25.6%	25.5%	24.9%	25.2%	22.2%	25.5%	25.3%	24.6%
Output interest	34,390	39,146	40,389	37,003	150,928	38,731	35,000	35,000	35,000	143,731	35,000	35,000	35,000	35,000	140,000
Transactions/pieces mailed				5.40	24.50	5.00									
Electronic dollars processed				86.0%											
Total	20,970,386	20,079,888	21,321,478	20,560,088	82,931,840	22,009,050	22,023,892	25,613,155	25,192,050	94,838,147	25,005,427	24,368,335	28,288,588	27,904,521	105,566,870
YoY growth	-2.2%	-5.6%	3.9%	6.2%	0.4%	5.0%	9.7%	20.1%	22.5%	14.4%	13.6%	10.6%	10.4%	10.8%	11.3%
Sequential growth	8.3%	-4.2%	6.2%	-3.6%		7.0%	0.1%	16.3%	-1.6%		-0.7%	-2.5%	16.1%	-1.4%	

Source: Company reports and Litchfield Hills Research LLC



Usio, Inc.

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Usio, Inc. – Income Forecast

Dollars in thousands, except per share data

Fiscal years ended December 31	2024					2025E					2026E				
	1Q	2Q	3Q	4Q	YEAR	1QA	2Q	3Q	4Q	YEAR	1Q	2Q	3Q	4Q	YEAR
	March	June	September	December		March	June	September	December		March	June	September	December	
Revenue	20,970,386	20,079,888	21,321,478	20,560,088	82,931,840	22,009,050	22,023,892	25,613,155	25,192,050	94,838,147	25,005,427	24,368,335	28,288,588	27,904,521	105,566,870
YoY growth	-2.2%	-5.6%	3.9%	6.2%	0.4%	5.0%	9.7%	20.1%	22.5%	14.4%	13.6%	10.6%	10.4%	10.8%	11.3%
Seq growth	8.3%	-4.2%	6.2%	-3.6%		7.0%	0.1%	16.3%	-1.6%		-0.7%	-2.5%	16.1%	-1.4%	
Cost of services	16,116,691	15,280,074	16,425,321	15,495,310	63,317,396	17,199,907	16,738,158	19,465,997	19,145,958	72,550,020	19,004,124	18,519,934	21,499,327	21,207,436	80,230,821
As a percent of revenue	76.9%	76.1%	77.0%	75.4%	76.3%	78.1%	76.0%	76.0%	76.0%	76.5%	76.0%	76.0%	76.0%	76.0%	76.0%
Gross margin	23.1%	23.9%	23.0%	24.6%	23.7%	21.9%	24.0%	24.0%	24.0%	23.5%	24.0%	24.0%	24.0%	24.0%	24.0%
S,G&A - cash	4,060,225	4,000,845	4,119,317	4,547,694	16,728,081	4,142,895	3,964,301	4,610,368	4,534,569	17,252,132	4,500,977	4,386,300	5,091,946	5,022,814	19,002,037
As a percent of revenue	19.4%	19.9%	19.3%	22.1%	20.2%	18.8%	18.0%	18.0%	18.0%	18.2%	18.0%	18.0%	18.0%	18.0%	18.0%
Stock-based comp.	499,273	460,061	569,772	564,300	2,093,406	410,062	550,000	550,000	550,000	2,060,062	550,000	550,000	550,000	550,000	2,200,000
Cancellation of stock-based comp.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	576,154	547,849	583,718	555,581	2,263,302	495,770	525,000	525,000	525,000	2,070,770	525,000	525,000	525,000	525,000	2,100,000
Operating income	(281,957)	(208,941)	(376,650)	(602,797)	(1,470,345)	(239,584)	246,434	461,789	436,523	905,162	425,326	387,100	622,315	599,271	2,034,012
Operating margin	-1.3%	-1.0%	-1.8%	-2.9%	-1.8%	-1.1%	1.1%	1.8%	1.7%	1.0%	1.7%	1.6%	2.2%	2.1%	1.9%
Interest income	115,354	107,270	125,564	116,558	464,746	79,011	125,000	125,000	125,000	454,011	125,000	125,000	125,000	125,000	500,000
Other	-	261,413	-	1,476,272	1,737,685	-	-	-	-	-	-	-	-	-	-
Interest expense	(13,585)	(14,250)	(13,700)	(12,267)	(53,802)	(11,843)	(10,000)	(10,000)	(10,000)	(41,843)	(10,000)	(10,000)	(10,000)	(10,000)	(40,000)
Pretax income	(180,188)	145,492	(264,786)	977,766	678,284	(172,416)	361,434	576,789	551,523	1,317,330	540,326	502,100	737,315	714,271	2,494,012
Taxes	(13,858)	70,000	(3,032,195)	348,840	(2,627,213)	62,554	62,596	72,798	71,601	269,548	75,016	73,105	84,866	83,714	316,701
As a percent of revenue	-0.1%	0.3%	-14.2%	1.7%	-3.2%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Net income to common	(166,330)	75,492	2,767,409	628,926	3,305,497	(234,970)	298,837	503,992	479,922	1,047,781	465,309	428,995	652,450	630,558	2,177,312
Net income margin	-0.8%	0.4%	13.0%	3.1%	4.0%	-1.1%	1.4%	2.0%	1.9%	1.1%	1.9%	1.8%	2.3%	2.3%	2.1%
Diluted shares outstanding	26,508,872	26,534,407	27,322,497	27,162,675	26,852,129	26,615,947	26,630,947	26,645,947	26,660,947	26,638,447	26,675,947	26,690,947	26,705,947	26,720,947	26,698,447
Seq change	5,621	25,535	788,090	(159,822)		(546,728)	15,000	15,000	15,000		15,000	15,000	15,000	15,000	
EPS diluted - continuing	(\$0.01)	\$0.00	\$0.10	\$0.02	\$0.12	(\$0.01)	\$0.01	\$0.02	\$0.02	\$0.04	\$0.02	\$0.02	\$0.02	\$0.02	\$0.08
EBITDA															
Operating income	(281,957)	(208,941)	(376,650)	(602,797)	(1,470,345)	(239,584)	246,434	461,789	436,523	905,162	425,326	387,100	622,315	599,271	2,034,012
Addback															
Depreciation and amortization	576,154	547,849	583,718	555,581	2,263,302	495,770	525,000	525,000	525,000	2,070,770	525,000	525,000	525,000	525,000	2,100,000
Stock comp. expense	499,273	460,061	569,772	564,300	2,093,406	410,062	550,000	550,000	550,000	2,060,062	550,000	550,000	550,000	550,000	2,200,000
EBITDA	793,470	798,969	776,840	517,084	2,886,363	666,248	1,321,434	1,536,789	1,511,523	5,035,994	1,500,326	1,462,100	1,697,315	1,674,271	6,334,012
YoY growth	-22.9%	-30.9%	-88.2%	74.7%	21.2%	-16.0%	65.4%	97.8%	192.3%	74.5%	125.2%	10.6%	10.4%	10.8%	25.8%
EBITDA margin	3.8%	4.0%	3.6%	2.5%	3.5%	3.0%	6.0%	6.0%	6.0%	5.3%	6.0%	6.0%	6.0%	6.0%	6.0%

Source: Company reports and Litchfield Hills Research LLC



Usio, Inc.

USIO (NASDAQ) - Buy \$6 Price Target

Usio Trades at a Significant Discount to Comps – Our \$6 Target Implies a Slight Premium on EV/EBITDA

Company Name	Fiscal Period	Price	Shares Outstanding	Market Value	Enterprise Value	Sales	EBITDA	Enterprise Value/ Sales	Enterprise Value/ EBITDA
USIO	12/31/2024	\$1.56	26.8	42.3	38.1	82.3	2.1	0.5x	17.8x
USIO @ 2025E	12/31/25	\$1.56	26.8	42.3	38.1	94.8	5.0	0.4x	7.6x
USIO @ \$6 target on 2052E	12/31/25	\$6.00	26.8	160.7	156.5	94.8	5.0	1.7x	31.1x
USIO @ \$6 target on 2026E	12/31/26	\$6.00	26.8	160.7	156.5	105.6	6.3	1.5x	24.7x
ACI Worldwide, Inc.	03/31/2025	\$49.21	104.9	5,156.9	5,814.7	1,594.3	434.1	3.6x	13.4x
Bread Financial Holdings, Inc.	03/31/2025	\$55.29	46.5	2,566.3	3,451.3	4,787.0	-	0.7x	
Euronet Worldwide, Inc.	03/31/2025	\$110.14	43.2	4,769.0	5,013.8	3,989.8	635.0	1.3x	7.9x
EVERTEC, Inc.	03/31/2025	\$36.66	64.0	2,337.7	3,028.4	845.5	296.4	3.6x	10.2x
Fidelity National Information Ser	03/31/2025	\$78.05	525.4	40,812.7	52,098.7	10,127.0	4,122.0	5.1x	12.6x
Fiserv, Inc.	03/31/2025	\$189.86	554.4	105,896.9	133,771.9	20,456.0	8,971.0	6.5x	14.9x
Jack Henry & Associates, Inc.	03/31/2025	\$177.91	72.8	12,986.0	13,169.6	2,215.5	705.4	5.9x	18.7x
Shift4 Payments, Inc. Class A	03/31/2025	\$92.14	67.5	8,161.9	9,798.4	3,330.6	586.4	2.9x	16.7x
PayPal Holdings, Inc.	03/31/2025	\$72.68	972.5	70,304.4	72,469.4	31,789.0	6,787.0	2.3x	10.7x
Block, Inc. Class A	03/31/2025	\$58.50	555.0	35,777.5	33,662.8	24,121.1	2,414.1	1.4x	13.9x
WEX Inc.	03/31/2025	\$137.56	34.2	4,730.2	5,215.5	2,628.2	1,013.3	2.0x	5.1x
Corpay, Inc.	03/31/2025	\$352.76	70.5	25,012.5	28,840.7	3,974.6	2,150.5	7.3x	13.4x
Average								3.2x	12.4x

Source: FactSet Research Systems, Company reports, and Litchfield Hills Research LLC



Usio, Inc.

USIO (NASDAQ) - Buy \$6 Price Target

Disclosures:

Analyst Certification

We, the Litchfield Hills Research Department, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject company and the underlying securities.

FINRA Compliant Research Report

We, the Litchfield Hills Research Department, hereby certify that this report is compliant with FINRA research rules 2241, 3110.

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Litchfield Hills Research LLC Rating System

BUY: We expect the stock to provide a total return of 15% or more within a 12-month period.

HOLD: We expect the stock to provide a total return of negative 15% to positive 15% within a 12-month period.

SELL: We expect the stock to have a negative total return of more than 15% within a 12-month period.

Total return is defined as price appreciation plus dividend yield.

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