

IRIS INTERNATIONAL, INC.

**Moderator: Cesar Garcia
April 22, 2004
10:00 a.m. CT**

Operator: Good day and welcome, ladies and gentlemen, to the First Quarter 2004 IRIS International, Incorporated conference call. At this time, I would like to inform you that this conference is being recorded, and that all participants are in a listen-only mode.

At the request of the company, we will open the conference up for questions and answers after the presentation.

This conference call contains forward-looking statements made in reliance upon the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, but are not limited to, the company's views on future commercial revenues, market growth, capital requirements, new product introductions, and are generally identified by phrases such as "thinks," "anticipates," "believes," "estimates," "expects," "intends," "plans," and similar words.

Forward-looking statements are not guarantees of future performance and are inherently subject to uncertainties and other factors which could cause actual results to differ materially from the forward-looking statement. These statements are based upon, among other things, assumptions made by, and information currently available to, management, including management's own knowledge and assessment of the company's industry, competition and capital requirements.

Other factors and uncertainties that could affect the company's forward-looking statements include, among other things, the following: the acceptance by customers of our new iQ200 products platform, our substantial expansion of international sales and our reliance on key suppliers, the potential need for changes in long-term strategy in response to future developments, future advances in diagnostic testing methods and procedures, as well as potential changes in government regulations and healthcare policies, both of which could adversely affect the economics of the diagnostic testing procedures automated by the company's products, rapid technological

change in the microelectronics and software industries, and increasing competition from imaging and non-imaging-based in vitro diagnostic products.

The company refers interested persons to its most recent annual report on Form 10-K and its other SEC filings for description of additional uncertainties and factors that may affect forward-looking statements. The company assumes no duty to update its forward-looking statements.

At this time, I would now like to turn the conference over to Mr. Cesar Garcia, the company's President and Chief Executive Officer. Please go ahead, sir.

Cesar Garcia: Thank you, Madonia, for presenting our forward-looking statements.

Good morning. And welcome, everyone, to the Iris International first quarter conference call. Our Chief Financial Officer, Martin Paravato, joins me on this call.

I'm pleased to report that Iris International has achieved this quarter a 53 percent increase in revenue in comparison to the first quarter 2003. More satisfying to us is that we experienced revenue and earnings growth in both operating units: Iris Diagnostics and StatSpin. This is our third consecutive profitable quarter.

I would like to discuss briefly our salient accomplishment for the first quarter of 2004. We'll review first our largest business, Iris Diagnostics.

The Diagnostics Division revenue increased 53 percent as a result of the iQ200 shipments and higher consumables. Our international expansion continues to progress, with 37 countries distributing now the iQ200 Automated Urine Microscopy Analyzer. We estimate that approximately 50 percent of international shipments have been connected by our distributors to the AX4280.

We also estimate that of the 100 iQ200 Automated Urine Microscopy Analyzers shipped last year, approximately 65 are in use at laboratories worldwide and 25 are being used by the distributors to demonstrate our product.

Please remember that you have to account for the four-and-a-half-month lag between shipments and actual consumable usage.

On the domestic front, we have currently a two-pronged sales approach: first, our traditional direct sales group, and second, our sales to "group purchasing organizations," better known as GPOs.

I want to clarify that GPOs do not distribute or sell products. They facilitate relationships and promote those products under contract in exchange for a management fee, based on the revenues.

For example, we signed two supply agreements with Premiere that became effective April 1st: the exclusive agreement for the iQ200 Microscopy Analyzers and a co-exclusive supply agreement for our urine chemistry product line, which consists of the AX-4280 and the AJ-4270, both instruments manufactured ARKRAY. These agreements give us access to 1,700 hospitals, of which approximately 500 qualify for the iQ200 system. We are in the process now of evaluating which of those hospitals and laboratories have definite plans to acquire urinalysis instrumentation of any type within the next 18 months.

Although tier-pricing structures were set with the agreements, this still is a complex process that requires analysis and communication at the corporate level, and sales at the hospital level. We have qualified personnel to handle this sophisticated selling approach.

As well, we have initiated conversations with six other major GPOs. We believe that this process, once fully implemented, should accelerate our domestic penetration, but we need more time to assess this opportunity.

Domestically, we have increased the number of Application Specialists to reduce what we call time-to-consumable usage. Most of the first instruments shipped began to consume reagents and chemical strips six months after shipment. Most recently, this has improved, and we are getting closer to our target of four and a half months. We will continue to explore options to reduce this further.

Internationally, we have intensified our applications training with direct support from our headquarters. We want to have the best-serviced product in the market!

Customer feedback is very good. Prior to and during the PIPE placement, there was a substantial amount of due diligence performed by others and us. Consistently, customers have reported high satisfaction with the clinical utility of the instruments and they have begun to achieve significant manpower savings.

Our R&D plan for the balance of the year focuses on the implementation of a number of customer-suggested enhancements and additional functionality identified by us to solidify our position on a variety of uses, institutions and markets. For example, body fluids.

Lastly, our iQ200 evaluation is proceeding well at Keio University, but is taking longer than anticipated due to training issues. Our team of experts will be visiting ARKRAY next week for the final review of their evaluation results and for advanced training prior to commercialization.

ARKRAY has identified a number of country-specific requirements that both companies have agreed to implement in stages. I am pleased to inform that the signing of the distribution agreement is in the final process.

StatSpin achieved significant growth in revenues and earnings in Q1 2004. Coincidentally, they also achieved a 53 percent revenue growth against Q1 2003.

StatSpin was not affected by the drastic seasonal reductions experienced in Q1 last year. Most of the revenue increase came from sales to OEM customers who integrate our centrifuges and sub-assemblies into their diagnostic instruments. As well, sales through our clinical distribution channels were strong as a result of our very successful with promotion and advertising campaigns.

StatSpin released its first new product in five years in collaboration with DakoCytomation and preliminary indications of the product acceptance are very good. As with any new product in the early stages of

commercialization, it is too early to claim success. We are very satisfied with StatSpin's performance as they also make a significant contribution to our operating profit.

Our contract research organization, ADIR, received its first two grants in the last 12 months. These NIH grants total 1.2 million over 12 months. There are other significant grants with high scores, but they're pending federal funding at this time. Our objective always is to achieve at least break-even at ADIR, while getting free and clear access to the technology they develop in our other operating units.

We were successful in executing the private placements that will yield net proceeds on \$11.5 million, which will be used to pay our \$5.5 million in debt on its entirety. The iQ200 product development efforts and the diagnostics factory improvement consumed \$20 million over the last four years. After the closing of the PIPE, we will be debt free.

One of the intangible reasons that motivated us to proceed with this PIPE was to eliminate our over-dependency in borrowing and to have enough cash on hand to finalize sudden growth if it materializes.

I want to make it clear that our relationship with our bank is excellent and we plan to maintain our credit facility in place.

We are very satisfied with the quality of investors that participated in the PIPE. The lead investor was The Pinnacle Fund LLC from Texas. We welcome all other new shareholders as a result of this transaction.

We are also very satisfied with the significant participation of two of our existing investors, SIAR and Dolphin Asset Management, who have consolidated significant positions in the company. We believe that a small dilution is a reasonable price to pay in exchange for the benefits that I have described.

Regarding NASDAQ, we are in the transition phase and it is too early to judge their performance. The market makers are learning more about the company. As this progresses, the stock behavior in the NASDAQ National

Market should begin to take shape. We remain convinced that our move to NASDAQ was justified based on global exposure and increased liquidity.

Now, our CFO, Martin Paravato, will present the financial summary for the first quarter.

Martin Paravato: Thank you very much, Cesar. I'm pleased to report on the results of our first quarter of 2004. As announced earlier today, for the first quarter, we reported net income of \$530,000, or four cents per fully diluted share, as compared to a net loss of four cents per fully diluted share in the comparable quarter of 2003.

For the quarter, our consolidated revenues grew to 9.4 million, a very satisfying 53 percent increase over the comparable quarter of the prior year. The increase included strong sales of our new iQ200 analyzer, as well as increased sales at our StatSpin subsidiary.

Reviewing our business segments, our IVD products segment, also referred to as our Diagnostics Division, reported net revenues of 7.4 million during the first quarter, up from 4.8 million during the first quarter of 2003, a 53 percent increase.

Revenues from StatSpin, our laboratory device division amounted to \$2 million for the quarter, up from 1.3 million for the prior year quarter, a 53 percent increase. The increase is due to strong sales of centrifuges and increased revenues from supplies and service.

Also contributing to our revenues and income were royalty fees received from the licensing of certain technology abroad. Such fees amounted to \$186,000 during Q1 of 2004, as compared to 130,000 during Q1 of 2003.

Gross profit margins were 50 percent for the first quarter, as compared to 52 percent during the same quarter a year ago. Gross profit on instrument sales was impacted as a result of sales to customers abroad, which generate lower profit margins as such sales are through distributors versus directly to the end user.

As anticipated, Service margins declined as a percentage of sales as a result of the increasing number of new diagnostic systems under warranty from 64 percent to 61 percent.

Gross Margins at our StatSpin subsidiary were 49 percent as compared to 47 percent a year earlier.

Operating expenses (which includes sales, marketing, general and administrative, as well as research and development costs) were down during the first quarter of 2004 as compared to the prior year by approximately \$163,000. The first quarter in the prior year was impacted by management restructuring costs, which amounted to \$400,000.

In addition, sales and marketing costs increased by approximately 521,000 during the first quarter, primarily relating to marketing and sales efforts relating to the iQ200, both domestically and on an international basis. Operating expenses were 40 percent of revenues during Q1 of 2004 as compared to 64 percent of revenues the same quarter a year ago. And yet the total expenses were down 163,000 year to year.

Our balance sheet also improved during the first quarter by the net income we reported. In addition, we anticipate further strengthening of our balance sheet once the private placement of 2.1 million shares of our common stock is consummated.

We will utilize a portion of the proceeds to pay off existing debt, which currently is approximately 5.5 million, with the remainder being added to working capital. This will have the effect of eliminating interest expense during the remainder of the year 2004 and with the additional outstanding shares, will have a slight dilutive effect on our net income.

I would like to turn the next portion of our conference call back to Cesar Garcia, our Chief Executive Officer.

Cesar Garcia: Thank you, Marty, for the financial update. Now, we will welcome questions from our audience. Madonia, will you take these calls please?

Operator: Certainly. Today's question-and-answer session will be conducted electronically. If you'd like to ask a question, you may do so by pressing star one on your telephone keypad at this time. In the interest of time, the company requests that you please limit yourself to one question per caller. If you're using a speakerphone, we ask that you please pick up your handset to allow your signal to reach our equipment.

Once again, that's star one at this time. And we'll pause for a moment to assemble the queue.

Our first question comes from Barry Kitt, with Pinnacle Fund.

Tom Hunz: Good morning, guys. This is Tom Hunz at the Pinnacle Fund – nice job.

I didn't think I heard anything with regard to guidance. Are you still comfortable with the 12 to 14 cents that you've issued for previous guidance?

Cesar Garcia: Thank you, Tom, for the question. That's an excellent question.

Yes, the company is confident that we will achieve our guidance performance. Presently, we're running on the high side of our guidance. While we will do as we said in the press release, we will revisit the guidance after the completion of the second quarter. But we remain confident that we will achieve those numbers ...

Tom Hunz: Wonderful. OK. Great, thanks.

Operator: Our next question will come from Gary Schwab, with Janney Montgomery Scott.

Gary Schwab: Yes, hi, Cesar. Could you repeat what you said before about in the first through December, you said you sold 100 systems? Did you say 65 percent of those were foreign?

Cesar Garcia: No, 65 percent of them are in actual use worldwide ...

Gary Schwab: Sixty-five percent of the 100 are in actual use, and the other 35 percent are being used as demonstration models?

Cesar Garcia: No, you have – 65 units are in actual use worldwide. Twenty-five units are being used by distributors to demo the product, and there's another 15 units that haven't been put into clinical use, these are probably the units that we shipped at the end of the year. They're still in the validation cycle ...

Gary Schwab: OK. So – 65 percent – then you said 12 percent – 12 units – does that add up to 100?

Cesar Garcia: No – 65, 25 and 15 ...

Martin Paravato: Fifteen – that's correct.

Gary Schwab: Oh, OK, 25 and 15, OK. OK.

Cesar Garcia: ... the number, it's about 105, that were accounted for. So ...

Gary Schwab: OK. Can I ask one other thing? It's about consumables.

At the end of December, you said that – I think you said that none of the foreign revenues had come from iQ200 consumables. I notice that – what about now, those foreign sales – how much came from consumables in this first quarter?

Martin Paravato: The consumables for the foreign sales – as you can realize, the iQ200 units were sold during the fourth quarter – primarily during the fourth quarter – and the consumables are starting to be generated during the first quarter of 2004. We haven't really released the detailed information between domestic and international consumables. We're just – we have a total consumable number, which increased by approximately \$500,000, you know, over the prior year. And we expect the consumables to continue to increase as those units are placed in service.

Gary Schwab: OK. Because I notice that IVD service and supplies went from 4.6 million to 4.67 million between the fourth quarter and the first quarter. So it really didn't go up all that much. So you're saying that consumables really didn't start to kick in yet.

Martin Paravato: That's correct. That's correct.

Gary Schwab: But you would expect then, this quarter, we should see a much bigger increase in consumables?

Martin Paravato: There will be an increase in consumables. How much that'll be we don't currently have projected. But we expect an increase. It did increase about \$100,000 over the fourth quarter.

Gary Schwab: Yes. Did you lose much in service contracts between the third quarter – between the fourth quarter and the first quarter because of old systems coming out being replaced? Or doesn't that really ...

Martin Paravato: Approximately 20 of the systems that we placed in the fourth quarter were without service contracts because the services is warranted for a whole year. So ...

Gary Schwab: Right.

Martin Paravato: ... replaced old units, those old units are no longer generating service revenue.

Gary Schwab: So you replaced about 20 units in the fourth quarter? Is that what you said?

Martin Paravato: That's correct.

Gary Schwab: OK.

Martin Paravato: Thank you, Gary.

Gary Schwab: OK, thanks very much.

Operator: Before we move to our next question, I would like to remind everyone that if you do have a question for today's speakers, please press star, one at this time.

We'll go now to Raymond Myers, with Emerging Growth.

Raymond Myers: Hello. Good morning, Cesar.

Cesar Garcia: Good morning, Raymond.

Raymond Myers: I'm new to this story. And I find it very interesting. And I would like to know if you would run through your consumables revenue model, including, for example, how much consumable revenue you would anticipate receiving per unit, once it's in full use out in the field, and discuss also the gross margin on the consumables revenue.

Cesar Garcia: OK. We will give you the – kind of the quick version here. If you want, you can call me after the conference call. And we can give you a more comprehensive explanation.

Typically if you sell an iQ200 system in the high end, we generate \$30,000 per machine per year, in the domestic market. If you sell to the mid-range market, which is the market that we're trying to penetrate more aggressively – because of a lower number of tests, they generate 24,000 per iQ200 system per year.

Now, internationally, we only sell the iQ200 Microscopy Analyzer. If you sell the iQ200 Microscopy Analyzer here, domestically, you generate about \$10,000 in instruments a year. If you sell the iQ200 Microscopy Analyzer internationally, because of the discount, you generate about \$8,000 per instrument per year. And in terms of gross margins, we generate about 60 percent in consumables.

That's as far as I want to go in the conference call. If you want, give me a call, and we can discuss this further.

Raymond Myers: Sounds great, I will. Thank you.

Cesar Garcia: Thank you.

Operator: We'll go now to Paul Connolly, with Southwell Partners.

Paul Connolly: ... morning. Could you tell me how many shares are fully outstanding after the PIKE transaction, please?

Martin Paravato: It's 14,272,272.

Paul Connolly: 14,272,272.

Martin Paravato: That's correct.

Paul Connolly: And can you just do me a quick favor? On the breakdown of revenues between instruments, consumables, and then StatSpin – can you give me the fourth quarter over the first quarter breakdown?

Martin Paravato: Well, in the fourth quarter, our instrument sales were three million seven. And in the first quarter, the instrument sales were two million five. In the fourth quarter, consumables were four million six – four million five sixty one. And in the first quarter, it was four million six seventy three. The royalty income was \$150,000 in the fourth quarter and \$186,000 in the first quarter of 2004.

Our StatSpin subsidiary – sales were 1.8 million in Q4 and approximately two million in the first quarter of 2004.

Paul Connolly: And on the instrument number, can you tell me how many instrument sales represented the 3.7 and the 2.5?

Cesar Garcia: No. No, we ...

Paul Connolly: You don't provide that breakdown?

Cesar Garcia: We don't provide that information.

Paul Connolly: OK. Great. Thank you very much.

Cesar Garcia: You're welcome.

Operator: We'll now take a follow-up question from Barry Kitt, with Pinnacle Fund.

Tom Hunz: Hi, guys. This is Tom again. To help me put this in total perspective here, and to characterize 2004, 2004 is the year for revenue growth and instrument placement. And 2005, we'll start to see the consumables revenue and the maintenance revenue start to kick to a greater basis.

Cesar Garcia: Correct.

Tom Hunz: OK.

Cesar Garcia: Yes, that's a very important point. What is happening, Tom – in previous conference calls, we described the different transitional issues that we – that we have to handle in 2004. You're placing the instruments, the consumables that will kick in later – you have about a four and a half-month lag between placement of the instruments and the consumables. The instruments that have been placed are under warranty. Not only do we have to carry that expense, but they replace a unit that was under the service agreement, we lose that revenue. We have also the effect – the full-year effect of increase on the marketing and sales to support the global launch of the iQ200 program. Now once we begin to realize the consumables – the consumable revenue, more toward the end of the year, then you will begin to see a significant increase on earnings.

So the message to the shareholder community is that 2004 is a year of penetration, significant revenue growth.

But earnings will not grow proportional to revenue. In 2005 and beyond, we will achieve increasing revenue and earnings.

Paul Connolly: Great. Much clearer, thank you.

Cesar Garcia: Thank you.

Operator: We'll go now to Dennis Kaffel, with Brill Securities.

Dennis Kaffel: Yes, hi, Cesar. Congratulations on the great job you're doing, and to your – to your people.

Cesar Garcia: Thank you.

Dennis Kaffel: When you talked on the last conference call – we were talking about, I believe – if my memory serves me right – 12 to 14 cents earnings. That was assuming full taxation, correct?

Cesar Garcia: That's correct.

Dennis Kaffel: OK. But in actuality, you don't pay taxes.

Cesar Garcia: That's a – that's a very good point. We take a – we take provision of 40 percent ...

Martin Paravato: Forty percent of pretax income is included as a tax expense. But in fact, we have a \$19 million tax loss carryover, which allows us to have the benefit of the loss carry forward, which doesn't require any cash. So on a cash basis, you'd have to look at the pretax number.

Dennis Kaffel: OK. So is the way to look at it to look at your EBITDA figure?

Martin Paravato: That's probably a good way to look at it. Yes, sure. Either that, or the pretax number – if you take the 12 to 14 cents and just divide it by 0.6, you'll come up with what the number is on a per-share basis pretax.

Dennis Kaffel: OK. And what is your tax loss carry forward now?

Martin Paravato: It's \$19 million.

Dennis Kaffel: OK, great. Thank you, gentlemen.

Martin Paravato: Thank you.

Operator: As a reminder, if you do have a question, please press star, one.

We'll go to Gary Schwab, with Janney Montgomery Scott, for a follow-up question.

Gary Schwab: Yes, I had a question about the AJ-4270, which is that smaller chemistry unit that seems to be glossed over, nobody seems to be paying much attention to that. But I see that could possibly also be a considerable consumables generator. Can you talk a little bit more about that, and how – where would you be putting those units? And could they be using multiple of those units at hospitals?

Cesar Garcia: OK. Let me explain to you why you haven't heard that much about the AJ-4270. The issue with these small products is like any clinical instrument. It has to be connected to the laboratory information system. The iQ communication protocols interfaces were designed about a year ago. And that's why we have been so successful in placing units quickly. Contrary to that, the AJ-4270 carries a different communication protocol. And we are now programming the interface to connect it in the laboratories, mostly in the satellite lab.

These small instruments are used in emergency rooms and satellite labs. And they can produce significant consumables, once they get, you know, installed. But you need to have the communication links, because otherwise, they won't use them.

So the plans are to get the communications box finished within the next 60 days. And then, I think that you will begin to see a significant revenue stream on that AJ-4270.

Gary Schwab: How much do they use in consumables, on a mid-size hospital ...

Cesar Garcia: On an average basis, probably about 5,000 per instrument per year.

Gary Schwab: And where do they – what do they sell for, approximately?

Cesar Garcia: Those instruments, they sell for net, for about \$6,000 to \$7,000. You don't make a lot of margin in the instrument. You really get a very reasonable ratio between consumable to instrument cost.

Gary Schwab: Do you ...

Cesar Garcia: ... place in a box for, let's say, 7,000, and generate 5,000 per instrument per year, that's a very good return.

Gary Schwab: And they would go into satellite labs, emergency rooms and – would a hospital use it in other places, too?

Cesar Garcia: They would use them in other places. Most of the time, the satellite lab that I'm referring to is in the hospital.

Gary Schwab: Yes.

Cesar Garcia: They decentralize testing, depending on the specialty, sometimes. And they have them go through the emergency rooms and the operating rooms. And that's how you end with having a multiple of the smaller instruments, for every one of the automated instruments.

Gary Schwab: So they should start showing up in your third quarter?

Cesar Garcia: In the third quarter.

Gary Schwab: OK. All right, Cesar. Thanks very much.

Cesar Garcia: Thank you very much, Gary.

Operator: Our next question comes from Paul Connolly, at Southwell Partners.

Paul Connolly: Yes. Following up on Tom's question on guidance, the 12 to 14 cents – the top-line number associated with that was what?

Martin Paravato: On the 12 to 14 cents, it was \$37.6 million.

Paul Connolly: OK, on the revenue line. And ...

Martin Paravato: On the revenue line, which is a 20 percent increase over the year 2004.

Paul Connolly: And what is the assumption on instrument sales related to that number?

Cesar Garcia: We haven't disclosed the actual number of instruments.

Martin Paravato: No. We didn't give a breakdown between instruments and consumables in our StatSpin subsidiary.

Paul Connolly: Trying to get a full picture – Tom had mentioned that '04 would be a growth story in instrument sales, and then the consumables would be an '05 story. Can you kind of give us some color to '04 and the breakdown where the growth is?

Cesar Garcia: Well, in 2004 – 2005, we're going to see continuing growth on the instrument. But really, what begins to happen, you begin to have the compounding effect of the instruments. If you place x amount of instruments this year, they begin to grow – instruments grow arithmetically, consumables begin to grow geometrically. It's a population model. And because you have such a significant amount of recurrent revenue, not only from the consumable but also from the service, we expect to get about \$13,000 per instrument on service.

And so if you take – an institution that buys consumables, and they also buy service. You could be getting consumables and service for \$40,000 per instrument per year.

Martin Paravato: Now having said that, Cesar, you know, the consumables that we have in place now – if you look at Q4, for instance, we had \$4.5 million in consumables in Q4 of last year. Substantially, all of those consumables relate to our legacy product line. You know, very little of it relates to the iQ200 that was only introduced in August. So the consumables on the legacy product line – although, you know, it won't continue increasing, but it's going to be substantial on a go-forward basis.

Paul Connolly: And would that be a similar statement for the first quarter of 4.7 million on consumables? Is all of it legacy product?

Martin Paravato: I would say, you know, substantially, all of it is legacy products. The consumables on the iQ200 are kicking in, in the first quarter. But the majority of the consumables that we have in the first quarter are for the legacy products.

Paul Connolly: Ten percent for the iQ200?

Martin Paravato: No, not going to give you a percentage, because we ...

Cesar Garcia: It's very small.

Martin Paravato: We don't have that information really in front of us.

Cesar Garcia: It's very small.

Paul Connolly: OK, thank you.

Cesar Garcia: Thank you.

Operator: As a reminder, if you do have a question, please press star one.

We'll go now to Chuck Gibbon, with Advance Sterilization.

Chuck Gibbon: Hi. My question is – the last conference call, there was questions about changing to the NASDAQ. And the response was, at this time, we had no immediate plans to go to the NASDAQ. And then recently, you know, we did change over to the NASDAQ. I like the move. But why was it not, you know, at least told that we were looking into it?

Martin Paravato: This is Marty, Chuck. I think what we said is that the – that decision – any decision regarding a change to the NASDAQ would be made by our board of directors. And at that time, we were in the process of discussing it with our board of directors. And, you know, we hadn't – we hadn't completed the transition. So it was too premature at that point in time to make an announcement on the switch to NASDAQ.

Chuck Gibbon: OK, very good.

Martin Paravato: Thank you.

Chuck Gibbon: Thank you.

Operator: We'll go now to Michael Selib, a private investor.

Michael Selib: Yes, good morning. Couple of things – number one, as the subject of NASDAQ was mentioned, I believe yesterday, or else the day before at 11:55 a.m., the spread and quote on your stock was 6.85 to 7.12, a 27-cent spread. These wide spreads are very unfair to your investors, who may want to either buy the stock or sell the stock, and do it at a fair price. Spreads like that are very inimical.

And I was wondering – there is an exchange that has offered narrower spreads than that, and that's the American. Have you ever thought of applying to the American, where your investors could get a fair shake?

Martin Paravato: We just transferred over to NASDAQ from the American recently. And we do realize and recognize the fact that there was a big spread in the last few days. And we're in the process of addressing that.

Michael Selib: I see. Well, if these spreads continue, I hope you will consider getting back on the American. Because the track record on the American was known, and the spreads were narrower.

The second thing I wanted to cover with you is that investors look to these conference calls to have some information about significant events affecting the future of the company. I can think of three important events, having listened to the last two conference calls.

These three events, which were never mentioned, were: number one, your decision to defer earnings on the sales of the instruments until the warranty period was over, which was kind of a very big surprise and had an adverse effect on the stock, obviously. Number two, there wasn't any particular alert as to the financing arrangements or the private placement, and the possible dilution. Although it's not major, it's still an impact – it's a significant event in the company's life. And number three, of course, this decision to go off the American and onto NASDAQ.

The question I wish to pose to you is: Are you going to be using these future conference calls to alert us to the kinds of events which would have a significant impact on the company's future? Or are we going to be subjected to surprises, of which all of the three things that I mentioned were really surprises?

Martin Paravato: Well, I don't think that we intentionally hold back information, you know, and surprise you with things like that. But there are certain events that take place, for instance, the private placements. You know, that whole process does take time to go through. And it wasn't something that we had – was far enough along to make a preliminary announcement on it. So I don't know whether that would have been appropriate to make a comment like that.

As far as the NASDAQ, we were in process of that negotiation discussion at the board level. And we discussed it, and it was just too preliminary to announce.

As far as the deferring of revenue, I'm not sure I follow what you mean. If we receive payment on a service contract that is for a period of two, three, four years, the Generally Accepted Accounting Principles require us to spread that out over a four-year period. But I'm not sure if that's what you were referring. Maybe you can clarify.

Cesar Garcia: Hello? Hello?

Operator: One moment, please. We'll open his line back up. Mr. Selib, please press star, one again.

Cesar Garcia: Maybe we can take the next call, then.

Michael Selib: Yes. I was referring to the practice when you sell one of the new instruments. You're able to book the revenue, but you have to wait, I think, on the warranty period before you can book the earnings ...

Cesar Garcia: I disagree with your comment 100 percent. We announced that in November, when I became President and CEO and had my first conference call. That's one of the first things that I presented. We discussed it again at the last conference call. We have been very, very clear that we have a time lag between the placement of the instruments and the generation of consumables, and the generation of service warranty.

We couldn't be any more clear ...

Martin Paravato: Our new products do come with a one-year warranty ...

Cesar Garcia: Yes.

Martin Paravato: ... which, you know, is included with any new product that you would purchase. So the customer won't purchase a service through a warranty contract until that warranty period is up.

Male: Right.

Martin Paravato: See, it's just like a new car.

Cesar Garcia: Regarding the other two points – there is always a balance between what we can disclose publicly, in conference calls, and there's always a matter of opinion in terms of what things are disclosed. I can guarantee you that we follow the securities regulations. And we advise our shareholders as needed.

There is another side in these situations. If you announce information that is premature, and then you get unfavorable performance from the stock point of view, then people will be saying, Why did you announce that, when you didn't have to?

The events that we have implemented most recently – they have been very favorable. And I feel that part of the issue here is that our shareholders have to trust our management judgment and decisions. And at this point in time, the decisions that we have made are good decisions.

Martin Paravato: Next question.

Operator: And that is all the time we have for questions today, gentlemen. I'd like to turn the call back to Mr. Garcia for any additional or final comments.

Cesar Garcia: Well, in closing, I want to restate our satisfaction with our results today. I must acknowledge the excellent work performed by all employees and the leadership of our company, including our Board of Directors.

I also want to thank all the shareholders for their support, especially those that participated in the recent PIKE transaction.

Please let us thank you again for joining us today. Have a good day.

Martin Paravato: Thank you.

Operator: Ladies and gentlemen, if you wish to access the replay for this call, you may do so by dialing 800-428-6051, or, for an international number, 973-709-2089, with an ID number of 351107.

This does conclude today's conference call. We thank you for your participation, and have a great day.

You may now disconnect.

END