

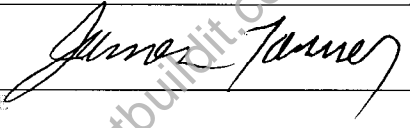
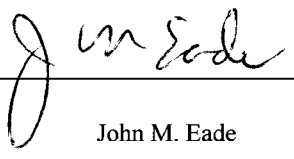
WALL STREET ON DEMAND

SERVICE AGREEMENT

SERVICE PROVIDER WALL STREET ON DEMAND, INC. (WSOD)	CLIENT ARGUS RESEARCH CORPORATION (ARGUS)
PRINCIPAL OFFICE 3005 Center Green Drive Boulder, CO 80301	PRINCIPAL OFFICE 61 Broadway New York, NY 10006
INCORPORATION Delaware	INCORPORATION Delaware

WSOD CLIENT NUMBER	WSOD CONTRACT NUMBER	EFFECTIVE DATE April 14, 2004
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This Service Agreement consists of the attached Master Terms and Conditions and/or any Statements of Work. Together, these documents are referred to as the Agreement. By signing below, each party agrees that it has read the Agreement and will be bound by it with effect from April 14, 2004. This date is referred to as the Effective Date.

ACCEPTED WALL STREET ON DEMAND, INC.	ACCEPTED ARGUS RESEARCH COPORATION
SIGNATURE 	SIGNATURE 
PRINT NAME James Tanner	PRINT NAME John M. Eade
TITLE President & CEO	TITLE President
DATE OF SIGNATURE	DATE OF SIGNATURE 05/04/04

WSOD and Client agree as follows:

1 Definitions

Addendum means any written document signed by both parties containing terms amending terms of this Agreement. If the terms of this Agreement and any Addendum conflict, the terms of the relevant Addendum shall control.

Service Fees means fees and reasonable costs payable by Client for the performance of *WSOD Services* as detailed in each *Statement of Work*.

WSOD Services means the services detailed in a *Statement of Work*, and will often include design work, consulting work, aggregation work, reporting and hosting work.

Customized Solution means any software product, functionality design, report design or service implementation (and any associated *Documentation* and *Updates*) developed by WSOD and identified as such in any *Statement of Work*.

Documentation means any standard written material in machine readable or printed form that describes the design, functions, operation or use of the *Customized Solution*.

Statement of Work means a written document in a form prescribed by WSOD signed by both parties regarding tasks to be performed and/or items to be delivered under this Agreement. If the terms of this Agreement and any *Statement of Work* conflict, the terms of the *Statement of Work* shall control. A *Statement of Work* shall not be binding on either party until it has been signed by both parties.

2 Provision of Services

2.1 *WSOD Services* will be documented in a *Statement of Work* and the *Statement of Work* will specify whether such services will be provided on a fixed-price basis or a time and materials basis, or volume. Each *Statement of Work* shall be given a sequential number so as to keep track of all signed *Statements of Work*.

2.2 Client shall provide WSOD with full cooperation to facilitate proper and prompt performance of the *WSOD Services*, including:

- a) providing WSOD with specific and detailed information concerning Client's use of, and providing reasonable access to, any applicable software; and
- b) providing WSOD adequate access to Client's personnel who have sufficient experience to coordinate and assist WSOD in the provision of the *WSOD Services*.

3 Payments and Fees

3.1 **Fees.** On the payment dates specified on the relevant *Statement of Work*, Client shall pay to WSOD the *Service Fees* and WSOD charges as set forth in the applicable *Statement of Work*. Unless otherwise specified in the applicable *Statement of Work*, all *Services* shall be billed by WSOD to Client monthly in arrears.

3.2 **Payment of Invoices.** All undisputed *Service Fees* are (unless otherwise indicated on the relevant *Statement of Work*) payable 30 days after the date of the relevant invoice. A service charge of 1.5% per month or the highest lawful interest rate, whichever is lower, will be applied to all amounts not paid when due. Client shall, within 15 days of receipt of any invoice, provide written notice to WSOD of any dispute setting forth in reasonable detail the reason for such dispute.

3.3 **Billing Errors.** If Wall Street On Demand makes a billing mistake that results in a credit to Client, that credit will be due within 15 days of discovery, or on the next invoice, whichever is sooner.

3.4 **Currency and Method of Payments.** Unless otherwise specified, *Service Fees* are quoted, and all payments shall be made in, United States dollars.

3.5 **Payments to Third Party Information Providers.** If applicable, Wall Street On Demand will pay any the information providers on time, according to the terms in its agreements with those providers.

4 Taxes

4.1 **Payment of Taxes.** In addition to the *Service Fees*, Client will pay to WSOD or to the relevant taxing authority, as appropriate, any applicable taxes or duties (excluding taxes levied or imposed on WSOD income) payable under this Agreement, so that after payment of such taxes and duties the amount received by WSOD is not less than the *Service Fees*.

5 Title

5.1 **WSOD Property.** Unless otherwise agreed in a *Statement of Work*, Client acknowledges that the only rights it has to the *Customized Solution* under this Agreement are non-exclusive rights under license. Client agrees not to use the *Customized Solution* other than as licensed under this Agreement. The parties acknowledge that performance of this Agreement may result in the development by WSOD of new concepts, software, methods, techniques, processes, adaptations and ideas, in addition to WSOD prior technology, which may be embodied in the *Customized Solution*. Unless otherwise agreed in the *Statement of Work*, the parties agree that the same shall belong to WSOD exclusively.

6 Licenses

6.1 WSOD grants to Client a non-transferable, non-assignable, non-sublicensable, license to use the *Customized Solution*.

6.2 **License Limitations.** The licenses granted shall be subject to the following limitation: Client shall only give access to the *Customized Solution* to entitled users, and use such *Customized Solution* only at the web sites and/or distribution channels which are set forth on the relevant *Statement of Work*.

7 Termination

7.1 **Term.** This Agreement and the licenses granted under it will remain in effect perpetually unless terminated.

7.2 **Termination.** Either party may terminate this Agreement or any individual *Statement of Work* (within the timescales set out below) if the other party:

- a) commits a material breach of this Agreement which is incapable of remedy. Such termination shall be effective immediately on giving notice;
- b) commits a material breach of this Agreement, which remains unremedied 30 days after giving notice. Such termination shall be effective at the end of the 30 day notice period. However, if the breach is capable of remedy but cannot reasonably be cured within such 30 day period, termination shall not be effective if the party in default commences cure of the breach within 30 days and thereafter diligently pursues such cure to completion within 60 days of such notice of breach; or
- c) makes an assignment for the benefit of its creditors, files or has filed against it a petition under any bankruptcy, insolvency, reorganization or similar law, appoints or has appointed against it a trustee or receiver for any of its property or commences or has commenced against it (by resolution or otherwise) the liquidation or winding-up of its affairs, which termination shall be effective immediately upon giving notice.

7.3 Statement of Work. The parties' termination for any reason of any individual *Statement of Work* shall not result in a termination of this Agreement but shall result in only the termination of the relevant *Statement of Work*. The provisions of this Agreement relating to the effects of termination shall apply to each *Statement of Work* as an independent contract.

7.4 Obligations upon Termination. Upon termination of a *Statement of Work* pursuant to which *Customized Solution* was developed, if WSOD retains ownership of the *Customized Solution* Client will cease using the *Customized Solution*. In addition, upon termination of a *Statement of Work* or this Agreement, Client shall pay any outstanding fees accrued through the date of termination.

7.5 Survival. The respective rights and obligations of the parties under Clauses 5, 7.4, 8, 9, 10, 12 and 14 shall survive any termination of this Agreement.

8 Warranties and Indemnities

8.1 Mutual Warranties. Each party warrants that:

- a) it has full power to enter into and perform its obligations under this Agreement;
- b) it has obtained all necessary corporate approvals to enter into and execute this Agreement; and
- c) its performance under this Agreement does not or shall not conflict with any other material agreement or obligation to which it is a party or by which it is bound.

8.2 WSOD Warranty. WSOD warrants to Client that the Wall Street On Demand Services shall be of a professional quality conforming to generally accepted industry standards and practices.

8.3 Disclaimer of warranties. Except as expressly set forth in this agreement or a *Statement of Work*, there are no other warranties with respect to the services provided under this agreement. Client acknowledges that the information displayed by the Wall Street On Demand Service is obtained by Wall Street On Demand from various sources which Wall Street On Demand and Client believe to be reliable, that transmission of the Content is accomplished by communications facilities over which Wall Street On Demand has no control, and that Wall Street On Demand assumes no responsibility for such content or for outages or for interruptions of service. Except as expressly set forth in this agreement or a *Statement of Work*, Wall Street On Demand and its suppliers make no warranty or representation that the *Customized Solution* will meet client's requirements or that the content displayed will be error free or be received by WSOD without interruption. WSOD and its suppliers make and client receives no other warranties whether express, implied, statutory, or otherwise arising from course of dealing or usage of trade, and WSOD expressly disclaims all other warranties, including the implied warranties of merchantability, non-infringement and fitness for a particular purpose.

8.4 Exclusion of special damages. Neither party nor its suppliers shall be liable for any indirect, special, incidental, punitive, or consequential damages, loss of profits, economic loss, loss of business, or loss of data or computer files or programs, even if advised of the possibility of such damages. The foregoing shall apply regardless of whether such liability is based in contract, tort, (including but not limited to gross negligence) and strict liability or any other theory of legal liability.

8.5 Limitation of Liability. For *WSOD Services* performed under a *Statement of Work*, WSOD shall not be liable to Client for an amount greater than that having then been paid by Client to WSOD under that *Statement of Work*. Client agrees that the fees reflect the allocation of risk as set forth in this Clause.

8.6 Indemnity by WSOD. WSOD agrees to indemnify Client against any Damages Client may suffer due to:

- a) any misrepresentation or breach of warranty by WSOD contained in this Agreement; or
- b) any breach of WSOD obligations under this Agreement.

8.7 Indemnity by Client. Client agrees to indemnify WSOD against any Damages WSOD may suffer due to:

- a) any misrepresentation or breach of warranty by Client contained in this Agreement; or
- b) any breach by Client of its obligations under this Agreement..

9 Governing Law, Jurisdiction, Third Party Rights

9.1 This Agreement will be governed by and construed in accordance with the laws of the State of Colorado, without regard to the principals thereof relating to conflict of laws. Both parties consent to the non-exclusive jurisdiction of any state or federal court sitting in the State of Colorado, and of any court to which an appeal therefrom may be taken. Each party hereby irrevocably waives the right to a trial by jury in any action or proceeding arising out of this Agreement.

9.2 Despite anything to the contrary in this Agreement, the prevailing party in any claim shall have the right to collect its reasonable expenses incurred in enforcing this Agreement, including reasonable attorneys' fees.

10 Confidentiality

10.1 Confidentially Obligations. Either party (the *Disclosing Party*) may from time to time disclose Confidential Information to the other party (the *Recipient*). *Confidential Information* is all nonpublic information concerning the business, technology, internal structure and strategies of the Disclosing Party which is conveyed to the Recipient verbally or in tangible form and is either marked as "confidential" or which due to the circumstances surrounding its disclosure, should be reasonably construed as confidential. During the term of this Agreement and for so long as the Confidential Information retains commercial value, Recipient will keep in confidence and will not disclose, or permit any employee, agent or other person working under Recipient's direction to disclose any Confidential Information to any other person. Recipient will employ at least the same methods and degree of care, but no less than a reasonable degree of care, to prevent disclosure of the Confidential Information as Recipient employs with respect to its own confidential information.

10.2 Permitted Disclosures. There will be no obligations on Recipient with respect to any Confidential Information which:

- a) is now generally known or available or which, subsequently through no act or failure to act on the part of Recipient, becomes generally known or available;
- b) is rightfully known to Recipient at the time of receiving such information;
- c) is provided to Recipient by a third party without restriction on disclosure and without Recipient having actual notice or reason to know that the third party lacks authority to provide it;
- d) is independently developed by Recipient; or
- e) is required to be disclosed by operation of law or by any government or regulatory authority.

10.3 Obligations upon Termination. Upon termination of this Agreement, each party shall, at the other party's option, either return or destroy all software and Confidential Information of the other party.

11 Notices

Any notice under this Agreement shall be given in writing and be sent to the signatory of the applicable *Statement of Work*, or that person's replacement. Notices can be considered delivered if by e-mail, and the recipient has acknowledged receipt with an e-mail of his or her own;

12 Change Control

Any change to the *WSOD Services* will be referred to as a *Change* and be subject to a notice (*Change Notice*) in accordance with the following Change procedure. Either party may request a Change and issue a Change Notice. A Change Notice can be in any form but must provide reasonable details of the Change and, if possible, the party's estimate of the effect (if any) of the Change on the price, its impact on delivery dates, the manpower required and any other effect which it considers the Change will have. The other party will respond in writing by return if possible, but in any event within 7 calendar days of receipt of the Change Notice, indicating whether or not it accepts the Change, and giving its own estimate of the effects which the Change will have, including any costs and timing issues expected to arise in connection with evaluating the Change. Each party shall respond to all further correspondence by return if possible, but in any event within 7 calendar days of receipt of previous correspondence, until agreement on the Change is reached and recorded in an agreed contract amendment signed by both parties. Neither party shall be under any obligation to accept any Change that is not subject to such an agreed contract amendment.

13 General

13.1 Assignment. Neither party may transfer any of its rights or obligations under this Agreement without the prior written consent of the other party, which consent shall not be unreasonably withheld or delayed. This Clause 13.1 shall not be construed as limiting WSOD right to use subcontractors to carry out any of its obligations under this Agreement. WSOD shall remain liable for any such services provided by a subcontractor. Any assignment not in conformity with this Clause 13.1 is void.

13.2 Entire Agreement; Amendment; Waiver. This Agreement constitutes the entire understanding between the parties regarding its subject matter and supersedes all proposals, verbal or written, and all other representations, statements, negotiations and undertakings relating to such subject matter. In entering this Agreement, neither party has relied on any statement, warranty or representation (except in the case of fraud) made by the other save as set out in this Agreement. No change in, addition to, or waiver of any provision of this Agreement shall be binding upon either party unless in writing signed by an authorized representative of such party. No waiver or failure to enforce by either party of any breach by the other of any provision of this Agreement shall be construed as a waiver of that or any other provision on any other occasion.

13.3 Severability. If any provision of this Agreement is held by a court of competent jurisdiction to be invalid, illegal or unenforceable, the remainder of this Agreement shall remain in effect and this Agreement shall be read as though the offending provision had not been written.

13.4 Counterparts. This Agreement may be signed in multiple counterparts, each of which shall be deemed effective as if each party had signed each such counterpart.

13.5 Export Compliance. Client acknowledges that certain software developed hereunder may be subject to United States or other export regulations for high-technology items and agrees to comply with all such regulations. [Argus: unaware of when this situation might arise. WSOD: This is a provision specific to certain technology (such as encryption). It does not really apply to the projects we would typically do, but we may do one in the future (for example, if we made Flash module that has custom encryption code and this module was downloadable, the code behind it could not be used by certain countries on the ban list, such as Cuba. So even though odds are slim that this would come up, it might.)]

13.6 Force Majeure. Neither party shall be liable for any failure to perform (except payment obligations) under this Agreement if prevented from doing so by acts of God, strikes, lock-outs, governmental orders or restrictions, war, threat of war, hostilities, revolution, riots, epidemics,

fire, earthquake, flood or other occurrence that could not with reasonable diligence be controlled or prevented by the party. Any failure to perform shall be cured as soon as reasonably practical by the non-performing party. Any event of force majeure that continues for more than 30 days shall entitle the other party to terminate upon serving notice on the non-performing party.

13.7 Privacy. WSOD shall not collect any information about the manner in which Client, or any of Client's customers, uses the *Customized Solution* including, without limitation, individualized or aggregated data related to activity on WSOD networks, nor shall WSOD employ cookies or software tools of a similar nature, absent the specific written permission of Client; provided however, that WSOD shall have the right to collect aggregated and individual tracking data related to activity on WSOD networks, and use cookies in connection therewith, so long as such aggregated data does not reveal any *Customer Data* and is used solely in connection with WSOD's provision of the services contracted for herein. *Customer Data* means the nonpublic personal information of Client's customers or prospective customers (and/or those of Client's parent, affiliated or subsidiary companies) received by WSOD in connection with the performance of its obligations under this Agreement, including, but not limited to (i) an individual's name, address, e-mail address, telephone number and/or social security number, (ii) the fact that an individual has a relationship with Client and/or its parent, affiliated or subsidiary companies, or (iii) an individual's account information.

13.8 Independent Contractor. WSOD and Client agree that WSOD is an independent contractor.

STATEMENT OF WORK NUMBER #1

DESIGN, DEVELOPMENT, HOSTING & DISTRIBUTION OF ARGUS MERGENT RESEARCH PDF REPORT

This *Statement of Work* incorporates by reference all terms and conditions of the *WSOD Services Agreement* ("Agreement") between Wall Street On Demand, Inc. and Argus Research Corporation dated April 14, 2004. This *Statement of Work* commences on April 14, 2004 (*SOW Effective Date*).

1 Project Description

Wall Street On Demand will design, build, host and distribute a 2-page color PDF report for Argus using information from Mergent (to be called the Argus Company Report). This project effort also includes and is limited to:

The design, creation, hosting and distribution of the Argus Company Report as shown in Exhibit A;

Distribution of the current Argus Company report (to be called the Argus Analyst Report) shown in Exhibit B;

The creation of one standard datafeed (PDFs on an FTP site) for report delivery (distribution);

If needed, The creation and maintenance of one standard HTTP Request-Response API (distribution);

Integration of the Argus Company Report and the Argus Analyst Report into aggregation or meritocracy systems (such as Jaywalk) for the purposes of the SEC Settlement initiatives.

2 Assumptions

WSOD will create a single report template capable of integrating data from Mergent and Argus;

The Development Schedule commitment assumes that WSOD will have the data feeds necessary to create the reports;

The standard HTTP Request-Response API and/or the standard datafeed (PDFs on an FTP site) for report delivery can be accessed by any Argus client;

3 Development Schedule

Wall Street On Demand will make the report available 6 weeks after receiving the data feeds needed from Argus and Mergent to create the report.

4 Reporting

Wall Street On Demand will provide Argus monthly standard reporting package outlining access and usage of the request / response API.

5 Service Fee

There are no volume-related fees. There are no development fees, except as outlined in the exception case below.

The Service Fee for all of the work enumerated in this Statement of Work will be \$15,000 a month. Billing will commence the earlier of launch date or August 1, 2004. Launch date is defined as when the report is available in a WSOD product environment for access by Argus or Argus clients.

In the event that the SEC delays the SEC Settlement Initiatives past August 1st 2004, Argus agrees to pay to WSOD a one-time development fee of \$20,000 to cover the costs of developing the Argus Company Report. WSOD will keep the report in its systems, without making additional changes, until such time as the delivery of the report is required by at least one client. The \$15,000 hosting fee will commence once the first client has access to the Argus Company Report.

Argus will not be required to pay the \$20,000 development fee if the Argus Company Report launches by August 1st 2004.

6 Content

Argus will be responsible for purchasing all of the content needed for this report.

7 Intellectual Property

Notwithstanding anything in the Agreement to the contrary, the parties agree that the "look and feel" of the PDF report designed hereunder, to the extent originated and prepared exclusively for Argus pursuant to this Agreement, and to the extent copyrightable under United States copyright law, shall belong exclusively to client.

8 Term

This statement of work will remain in effect for twelve (12) months from the first monthly billing date ("Initial Term") and thereafter shall renew for additional twelve (12) month terms ("Renewal Terms") unless either party cancels the service in writing at least 90 days prior the Renewal Term.

9 Client Responsibilities

Client shall notify WSOD of any issues relating to the Client's Product which may affect the WSOD Services, including, but not limited to, periods of likely materially increased access to the Client Product (for example caused by promotions), geographical spreads of subscribers and therefore likely access requirements, and changes to the URL.

Client shall provide WSOD with non-binding forecasts of its requirements for Hosting Services on a quarterly basis.

10 Material Changes and New Functionality

Wall Street On Demand will make any changes requested after the launch of the PDF Report at the rate of \$120 an hour, for actual hours worked.

Whenever Client wants a firm bid for additional work, then it is anticipated that a successful bid would create an additional *Statement of Work*.

11 Change Management

WSOD reserves all rights in its sole discretion to make changes and enhancements to the equipment and software used to provide the Hosting Services from time-to-time to maintain operations and as required for problem management and/or system security. WSOD will use commercially reasonable efforts to implement changes during non-peak hours, except for changes required for emergency purposes which may be made at any time. To the extent reasonable and commercially practicable, Client will be notified in advance of any material changes prior to implementation.

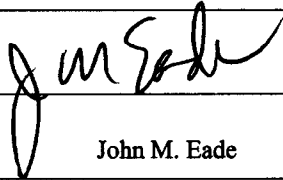
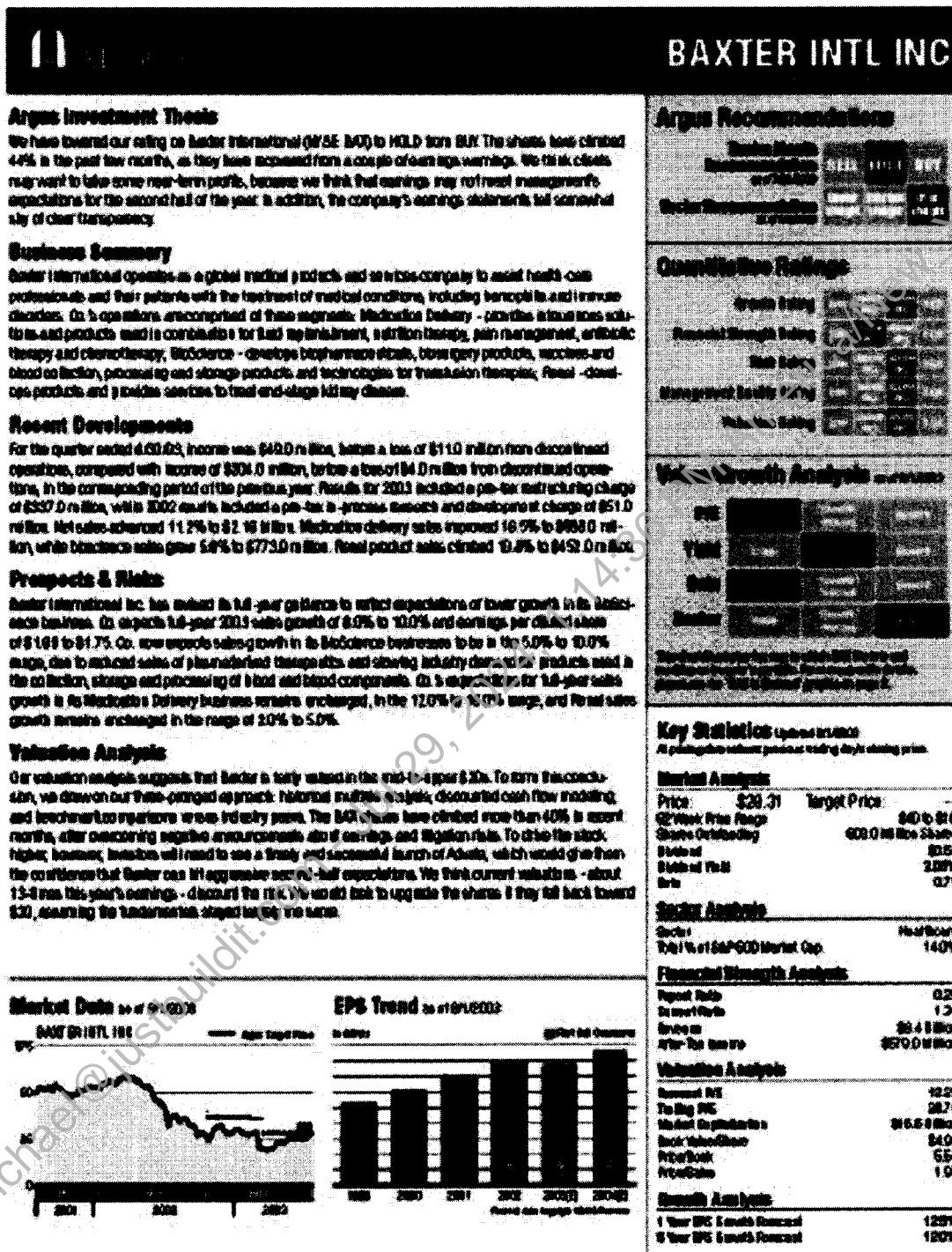
ACCEPTED WALL STREET ON DEMAND, INC.	ACCEPTED ARGUS RESEARCH COPORATION
SIGNATURE	SIGNATURE 
PRINT NAME James Tanner	PRINT NAME John M. Eade
TITLE President & CEO	TITLE President
DATE OF SIGNATURE	DATE OF SIGNATURE 5/04/04

EXHIBIT A TO STATEMENT OF WORK #1
Argus Mergent Report (to be called Argus Company Report)



© 2003 Argus Research Company

Argus Analyst Report

BAXTER INTL INC

Results

More for	More Shareholders
Dividend Payout	AAA
Number of Years Consistent Increase	AAA
10 Year Dividend Growth Rate	AAA

Dividend Achiever Award®: The company ranks in the top 10 dividend achievers in each industry group as determined by the Dividend Payout, Number of Years Consistent Increase and 10 Year Dividend Growth Rate. Dividend Payout is based on the company's dividend yield as of the end of the most recent fiscal year. Dividend Payout is based on the company's dividend yield as of the end of the most recent fiscal year. Dividend Payout is based on the company's dividend yield as of the end of the most recent fiscal year.

International Hotliders



Other Sectors	04
Other Sectors	202
Number of Institutions	200
Institutional Ownership	70%
Change from Previous Quarter	0.1%

Total Buyers:	1
Total Sellers:	0
Number of Shares Purchased:	3,000
Number of Shares Sold:	0

Company	RPS Growth %	P/E
BAXTER INC	9.1	12.1
MERCK & CO INC	0.4	14.8
MCA INC	10.2	10.8
YOUNG & RUBICAM	11.0	10.9
WYETH	12.0	16.8
BAXTER DIV. INC	12.6	16.2
BECTON Dickinson	12.8	15.2
ABBOTT LABS	14.3	15.4
JONASSEN & JOHNSON	15.0	17

Assistant Director	John Burke
Security Analyst	David Hoffman
Information Security Assistant	Mike Flanagan

Conclusions

Valuations have come down to attractive levels in this high-profile, growth investment sector. For example, the industry's P/E on this year's forecast EPS is down to 30, only a slight premium to the market multiple of 19. The average yield of 1.4% is near the market average of 1.7%, and many of the big players have yields of 2-3%.

Europe's Outlook

Health-care earnings are expected to grow by about 17% in 2003, steady with the expectations from last month. This is still below the mid-range growth rates that permeated through 2001, so we think that expectations are low enough to set us for some upside surprise.

Figure 1

Some form of prescription drug relief for seniors is likely to be implemented as a centerpiece of the political election next year. Also on the political fire, President Bush has endorsed a program that could improve the outlook for generic drug makers. On a more niche basis, for small companies, only a handful of drugs are driving sales growth; any disappointment to one of these blockbusters would spell bad news for the company.

August 2010

Outgoing-year top-liners are expected to grow to average 7.4% in 2008, up from the mid-single-digit pace in 2007. The majority of the growth is coming from volume increases and contributions from new products; price increases are less of a factor. The falling dollar also helps. Hospital admission growth rates are declining, in part because of the changing economy.

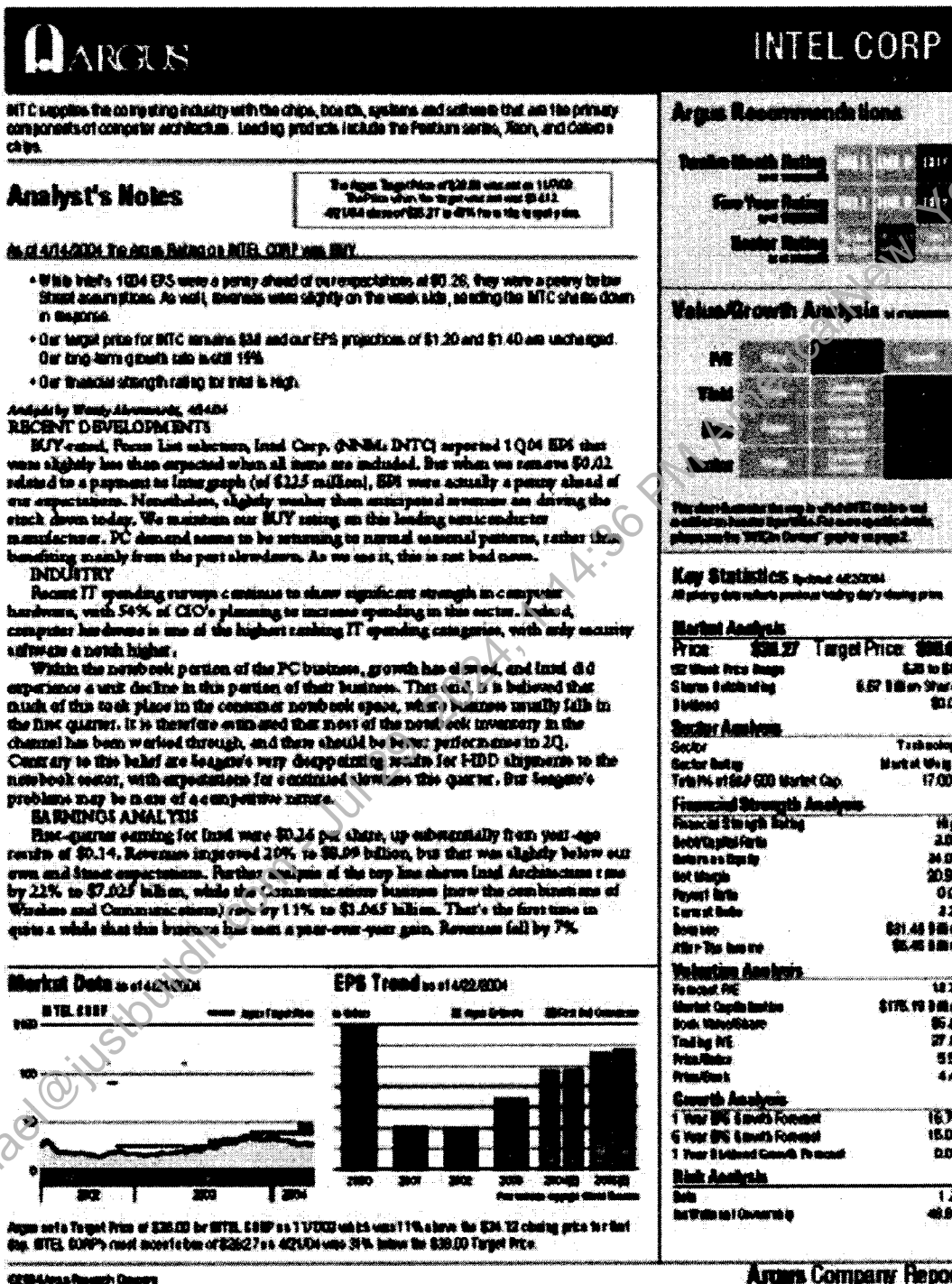
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MILITARY

© 2005 Apple Computer, Inc.

Arms Analyst Report

EXHIBIT B TO STATEMENT OF WORK #1
Current Argus Company Report (to be called Argus Analyst Report)





INTC in Context The Company

The characteristic pleomorphic nature of the model and its center based on long threaded matrix. The red fibrous compound of the system of finger mold composite. The green portion, blue phase of the system of the matrix. For a more ple of years, please see the Argosian Institute.

[illegible]

Print: 1/2 Sheet

Material	Quantity	Unit	Price	Total
1/2" x 1/2" x 1/2"	100	sq ft	1.00	100.00
1/2" x 1/2" x 1/2"	100	sq ft	1.00	100.00

100.00 100.00



5 Year Growth		10 Year Growth		15 Year Growth	
Water					
Sewer					

	Blank	Water	Sucrose	Glycerol	Starch	Cellulose	Protein
Biotin/Captisol							
Interfer							
Sucrose							

Sector Style Map	
	Legend
	Water
	Forest
	Barren Land
	Urban
	Agriculture
	Wetlands
	High Density Forest
	Low Density Forest
	Mountainous
	Other

Wing	Back Hatch
	Thermostatic
	Adapted
	Heavy
	Insulation - Special
Court House	Special
	General System
General	Insulation

Angewandte Psychologie

Company	Revenue	1996
WESTERN DIGITAL CORP	16.2	4.9%
DIGITAL RV INC	16.4	22.0%
INTERMET ACCESSITY SYS INC	16.4	23.2%
INTEL CORP	16.7	18.2%
SYMMATEC CORP	16.8	35.6%
ANALOG DEVICES INC	26.0	28.3%
ADVANCED MICRO DEVICES	28.3	28.4%
TECH INSTRUMENTS	28.5	20.1%
ISILONG CORP	31.2	50.9%

Argers Company Report



INTEL CORP

Analyst's Notes continued

On 3/5/2004 the Argus Rating on INTEL CORP was BUY

- Intel's mid-quarter update was a slight disappointment, with the company's revenue target coming down a bit.
- We've lowered our 2004 and FY04 estimates modestly to \$9.25 and \$1.20, respectively. Our FY05 estimate remains at \$1.40.
- We maintain our BUY rating on the INTC shares. Having gone through a correction recently from the peak gains in 2003, the INTC shares have settled downside in our opinion.

Analysis by Wendy Abramowitz, M.D.

RECENT DEVELOPMENTS

BUY-rated Intel Corp. (NASDAQ: INTC) gave a mid-quarter update. While there were no major changes to guidance, the company did lower the midpoint of revenue projections to \$9.1 billion from \$9.2 billion. It appears that inventory did build toward the end of 4Q in the Asia-Pacific and Japan, requiring more of a contraction this quarter before purchasing in those regions built again. The portion of Intel's business where the occurred was Architecture (both microprocessors), Intel's other sectors are in-line with expectations. Due to this, we've lowered our 1Q04 EPS estimate to \$0.25, and our full-year estimate is down by \$0.02 to \$1.20. For FY05, we are sticking with our projection of \$1.40.

INDUSTRY

It appears that PC demand in general is slowing this quarter, after strong double-digit unit growth in 4Q. Indeed, HDD is also suggested in January that the distributor channel was somewhat overstocked. Now, Intel is saying that OEM's in Asia were slightly overstocked at the end of 4Q - but Intel's distribution channel appears fine.

Also of note, recent IT spending surveys suggest that demand in January for computers has done remained strong, but was slowing modestly in February. But in general, demand is still well above where it was last year.

EARNINGS ANALYSIS

Given the industry trends discussed above, we have lowered our revenue and EPS forecast for Intel's 1Q04. We are now forecasting revenue at \$8.13 billion with EPS at \$0.15. Earlier our forecast was for revenue of \$8.3 billion and EPS of \$0.27. For the full year, we have lowered our estimate to \$1.20 from \$1.22. We expect 2Q to remain seasonally normal with a bit more of a pickup in the second half. For 2005, our estimate remains \$1.40, which has been a bit below consensus (which stood at \$1.47). We would not be surprised to see the consensus estimate come closer to our own. Our long-term growth rate for Intel remains 15%.

FINANCIAL STRENGTH & RISK

Our financial strength rating for Intel remains High. It was noted in the early week call that Intel's higher inventory level in 4Q will probably remain roughly flat in 1Q - with it being worked down more in 2Q, but we do not see this as a major concern.

Risk has mainly been related to the strong response that Advanced Micro Devices' 64-bit microprocessor is receiving and the impact that this is having on Intel's market share. But as we reported, Intel will come out with a competitive chip sooner rather than later. Accordingly make in general remain small for Intel.

VALUATION & INVESTMENT THESIS

As the PC industry continues to provide Intel with good growth opportunities and the company regains market share (and with the likelihood of an improving financial structure in its other operations), we continue to rate the INTC shares BUY. Our target price remains \$34, suggesting that the INTC shares are worth about 15.5 times cash flow.

Midday Friday, the BUY-rated INTC shares traded at \$29.02, down 0.65.

On 1/15/2004 the Argus Rating on INTEL CORP was BUY

- Intel posted strong 4Q03 results that beat expectations. We've increased our 2004 estimate to \$1.22 and are holding a 2005 estimate of \$1.40. Our long-term growth rate is now 15%.
- Intel's financial strength rating is High.
- We maintain our BUY rating with a target price of \$34. Despite last year's exceptional performance in the INTC share price, we think there is further upside.

Analysis by Wendy Abramowitz, M.D.

RECENT DEVELOPMENTS

BUY-rated Intel Corp. (NASDAQ: INTC) posted excellent fourth-quarter results, whether one-time items are included or not. The company beat their own revenue guidance as well as consensus EPS. We're increasing our earnings estimates for 2004 to \$1.22 and projecting a 2005 estimate of \$1.40. For the full year, Intel reported revenues of \$30.1 billion with EPS at \$0.85.

EARNINGS ANALYSIS

Revenue for the quarter was \$8.74 billion, with a 29% growth rate at Intel Architecture, to \$7.67 billion. Meanwhile, the Communications Group showed a year-over-year revenue gain of 9%, to \$592 million. Wireless continued to show a year-over-year decline, but it was up sequentially to \$469 million. Intel Architecture continues to be the lion's part of the business that is profitable - but the other two sectors are experiencing diminishing losses. We would think that Communications and Wireless are now being combined into one, which should aid in cost synergies.

On a regional basis, Asia-Pacific continues to represent the largest portion of revenues, at 40%, and had strong year-over-year growth for the quarter, at 27%. Other regions were more notable in terms of improving growth trends. For example, the American region showed growth of 9% versus 4% last quarter, and in Europe growth went to 20% from 12.5% last quarter. Japan has the best year-over-year growth rate of 61%, also up from last quarter's 57%.

Gross margins for the quarter were exceptionally strong at 63.6% compared with 58.2% last quarter. This was partially due to higher ASPs, as well as improved factory utilization. Operating expenses were also well managed, up 6% sequentially and 7% year-over-year.

Intel took a \$611 million charge to reflect the underperformance of certain acquisitions. This charge also resulted in a lower-than-normal tax rate. So even if we exclude the charge and assume a normalized tax rate of 32%, EPS would still have reached the better-than-expected \$0.53 that was reported. (Without these adjustments, the tax rate was just 15.6% for the quarter.) Including the charge, but assuming a normalized tax rate, EPS would have been \$0.17. This compares with last year's 4Q EPS



INTEL CORP

Analyst's Notes continued

of \$0.16.

Five-quarter guidance calls for revenue in the \$7.9 to \$8.5 billion range, with gross margins of about 60%, operating expenses of \$2.3 billion, and a tax rate of 32%. Our model indicates EPS of \$0.27. For the full year, guidance suggests a 62% gross margin, R&D spending of \$4.8 billion, depreciation of \$4.6 billion, amortization of acquisition-related intangibles of \$170 million, and a tax rate of 32%. Given our projections for improving revenue growth (which we now forecast at 16% for the full year), slightly better gross margins, but a higher than-assumed tax rate, we are raising our estimate for this year to \$1.22 from \$1.18. For 2003, our initial projection is \$1.40. Our long-term growth rate is now 15%.

FINANCIAL STRENGTH & RISK

We rate Intel's financial strength High. The company's net cash position has been improving nicely for the past two years and now stands at \$14.76 billion. Total debt to cap is a reasonable 5%. Inventory turns were not quite as strong this quarter as last or from a year ago, as the company stacked up on some raw materials given projections for the coming year. This is not a concern at this point, but we will keep a close eye on inventories next quarter. ROE for the year was 15%, ROA 12%, and ROIC 8%.

Intel's risks are minimal. AMD's strength, particularly in flash memory, may continue to put pressure on Intel — but we think INTC will do fine given the margin lead in this business. On the microprocessor side, product plans are on track. One notable issue is a delay in a mobile microprocessor, to 2Q04.

VALUATION & INVESTMENT THESIS

Intel is the leading microprocessor manufacturer, as well as being the number one semiconductor maker in market share. The industry continues to improve, largely driven by growth in the PC and server sectors, and we maintain our BUY rating on the INTC shares with a target price of \$38. Our model, which mainly utilizes cash flow assumptions, indicates reasonable valuations which could bring the stock to the low-\$40s. But as we've said in the past, we are being conservative for now.

On Thursday at midday, BUY rated INTC traded at \$33.04, down 0.3%.