Vascular Solutions, Inc.

March 23, 2005

Financial Summary

<table>
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<th>Key(mil)</th>
<th>2004</th>
<th>2005E</th>
<th>2006E</th>
</tr>
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<tbody>
<tr>
<td>Mar</td>
<td>$4.4</td>
<td>$7.0E</td>
<td>$</td>
</tr>
<tr>
<td>Jun</td>
<td>$5.2</td>
<td>$7.6E</td>
<td>$</td>
</tr>
<tr>
<td>Sep</td>
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<tr>
<td>Dec</td>
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<td>$9.9E</td>
<td>$</td>
</tr>
<tr>
<td>FY</td>
<td>$22.3</td>
<td>$33.0E</td>
<td>$45.0E</td>
</tr>
<tr>
<td>P/Sales</td>
<td>5.9x</td>
<td>4.0x</td>
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<table>
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<tr>
<th>EPS (mil)</th>
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<th>2005E</th>
<th>2006E</th>
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<td>$</td>
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<tr>
<td>Jun</td>
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<td>$(0.01)E</td>
<td>$</td>
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<tr>
<td>Sep</td>
<td>$(0.03)</td>
<td>$(0.02)E</td>
<td>$</td>
</tr>
<tr>
<td>Dec</td>
<td>$(0.04)</td>
<td>$(0.03)E</td>
<td>$</td>
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<tr>
<td>FY</td>
<td>$(0.25)</td>
<td>$(0.02)E</td>
<td>$(0.45)E</td>
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<tr>
<td>P/E</td>
<td>na</td>
<td>460x</td>
<td>20.5x</td>
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Price: $9.21
52-Week Range: $14.74-$6.60
Target: 13.00
Rating: BUY

Shares Outstanding: 14.4 mil
Mkt. Capitalization: $133 mil
Ave. Volume: 69,500
Instit. Ownership: 8%
BV / Share: $0.95
Debt / Tot. Cap.: 0%
Est. LT EPS Growth: 40%

Company Description

Vascular Solutions is a medical device company focused on developing products for the interventional radiology and cardiology markets. Current product offerings include the Duett line of vascular closure devices, D-Stat Dry hemostatic bandages for rapid control of topical bleeding, the Vari-Lase endovenous laser for the treatment of varicose veins, the Pronto thrombus extraction catheter and Langston dual lumen pigtail catheter for measurement of intra-arterial pressure gradients.

Key Points:
- VASC is one of a select group of small, publicly traded medical device companies that is experiencing rapidly growing revenues at the current time. The Company is well along in the process of weaning itself from dependence on one product line to being a diversified manufacturer of medical products aimed at interventional radiologists and interventional cardiologists.
- The Company is approaching its goal of profitable operations as new, high-margin products grow in importance in the revenue mix.
- With the continued growth in the sales of current products, sales force additions and pace of new product launches, the Company expects to achieve net sales of between $35 million and $40 million and report a profit in 2005. We view this guidance as aggressive, but not necessarily unattainable. We have chosen to take a more conservative stance and our fiscal 2005 estimates are below management's and street estimates. Also, our estimates include expenses of $1.8 million ($0.11 per share) this year and $1.3 million ($0.09 per share) in fiscal 2006 for the development of a new thrombin raw material manufacturing capability.
- Company guidance does not include any forecasted revenue from a new product, the D-Stat Dry 3x3 trauma bandage. The patch is currently being evaluated in several trauma centers in the U.S. and by potential national distributors. In addition, VASC has supplied product to military units in Iraq. Anecdotally, the product is performing very well. A successful trial and introduction of this product could be a catalyst for significantly higher valuations.
- At the end of December 2004, there was $7.9 million of cash and no debt on the balance sheet. An existing asset based line of credit facility was recently increased to $5.0 million from $3.0 million and extended through 2005. While VASC will make significant purchases of thrombin raw materials in 2005 as it establishes a new supplier, we believe finances are adequate to support expected growth over the foreseeable future.

Investment Recommendation:
We are initiating coverage of VASC with a BUY rating and a target price of $13.00 per share. Our target price assumes the shares can sell for up to 5x our estimate of fiscal 2006 revenues plus a per share value of the tax loss carry forwards available to shelter earnings over the next three to five years or up to 30 plus times our estimate of fiscal 2006 EPS of $0.45, untaxed.

Small, rapidly growing medical device companies tend to sell at high valuations relative to revenues and earnings and acquisitions are frequently made at 4x to 8x revenues. VASC is no exception to this rule. The stock has recovered off its recent lows and is currently selling at about 4x our estimate of 2005 revenues, but sales growth is robust, there is a growing pipeline of new products and the Company is on the verge of profitable operations. Consequently, we believe purchases at current levels will be well rewarded. In addition, we have not factored any material contribution into our estimates for products that VASC expects to introduce into the market over the next several quarters. We believe these products can generate meaningful revenue and profit in 2006 and could help to stimulate investor interest.
Company Description:

Vascular Solutions is a medical device company focused on developing proprietary products for the interventional radiology and interventional cardiology markets. VASC was founded in 1996 and went public in 2000 when it sold 4.0 million shares at $12.00 per share. The Company sold an additional 888,900 shares at $6.75 per share in a private transaction in March 2004.

The Company’s original product, the Duett vascular sealing device, was CE marked in Europe in 1998 and cleared for marketing in the U.S. by the FDA in 2000. After struggling against larger, better financed competitors of the Duett, VASC is well into the process of remaking itself into a more diversified marketer of medical products.

New product offerings currently making an impact on the top line include the D-Stat Dry line of hemostatic bandages for the rapid control of topical bleeding, the Pronto extraction catheter for the removal of soft thrombus from arteries, the Vari-Lase endovenous laser for the treatment of varicose veins and the Langston dual lumen pigtail catheter for measurement of intra-arterial pressure gradients. A number of other complementary products are FDA cleared and/or currently under development.

Product Portfolio:

The Company’s original product was the Duett vascular sealing device. Today the vascular sealing market is about $400 million and is dominated by St. Jude Medical’s AngioSeal division. VASC’s sales of sealing devices peaked at just over $11 million in 2001 and have been in decline since. Sales of this product line were approximately $6.0 million 2004. The Company expects Duett sales to continue to decline at a rate of 20% to 30%, year-over-year, as it continues to harvest this line and focus on new higher margined products.

The first offshoot of the Duett technology, the D-Stat Flowable hemostat was introduced in the first quarter of 2002. The D-Stat Flowable utilizes the same collagen, thrombin and diluent components as the Duett sealing device to control bleeding and blood oozing following percutaneous procedures. The D-Stat Flowable generated revenues of $1.4 million in fiscal 2004. VASC completed enrollment in a 268 patient clinical study in December 2004 for the use of the D-Stat Flowable in the hemostasis of prepectoral pockets created in pacemaker and defibrillator implantations. The Company expects to submit a PMA for this application by mid-2005. The U.S. market opportunity for this indication is estimated to be greater than 100,000 procedures or $10 million annually.

In September 2003, VASC received regulatory clearance and commenced sales of the D-Stat Dry hemostatic bandage. The D-Stat Dry is a version of the Company’s proprietary blood clotting substance that is freeze dried into a gauze pad and combined with an adhesive bandage. The D-Stat Dry product line is used in conjunction with manual compression to manage bleeding after catheterization procedures in the femoral and radial arteries. VASC’s sales of D-Stat Dry and D-Stat radial products reached $8.8 million in fiscal 2004 ($2.6 million in the fourth quarter). Management believes the current market size for the product exceeds $40 million. Based on the number of diagnostic angioplasty procedures done annually in the U.S. (1.5 million), this appears to be a reasonable estimate of market size; though the market potential could be significantly larger if the D-Stat Dry were used more widely in balloon angioplasty and stenting procedures.

Competitive products include the Syvek Patch manufactured and marketed by Marine Polymer Technologies, the Closure-PAD manufactured by Scion Cardiovascular and distributed by Medtronic, the Chito-Seal distributed by Abbot Laboratories and Medafor’s hemostatic patches. The distinguishing characteristic of the D-Stat Dry versus competitive
products is the collagen/thrombin clotting formulation in VASC's product versus the competitors mechanical approaches (seaweed, polysaccharide beads etc.).

A 3x3 inch version of the D-Stat Dry patch for trauma applications has been approved by the FDA and VASC is currently doing post-approval testing of the patch in several trauma centers around the U.S. and has supplied the patch to military units in Iraq. Negotiations are underway with potential distributors and two have progressed far enough so that management believes an agreement could be signed with one of these parties shortly. Management has not given guidance on the market for this product, but we believe the potential is significant.

Other product line extensions for the D-Stat include a resorbable collagen/thrombin product (D-Stat foam) for the surgical market and a liquid thrombin product. There is only one supplier of liquid thrombin and VASC believes that annual sales of thrombin are in the range of $200 million. This project is aimed at providing a captive manufacturing capacity first and then developing commercial sales to other users. The Company expects to spend $1.8 million, or $0.11 per share, this year and $1.3 million, or $0.09 per share, in fiscal 2006 to develop this capacity. The target completion date is the end of 2006.

In September 2003, VASC launched its Vari-Lase endovenous laser procedure (EVLP) kit in the U.S. This was followed in early 2003 by the introduction of a laser console that is manufactured by a third party to VASC's specifications. Over 100,000 patients per year currently undergo vein stripping procedures to treat varicose veins. Management estimates that the potential market for laser consoles and EVLP kits is in the range of $65 to $70 million annually. Over time the number of minimally invasive procedures can expand, but we estimate the currently addressable market is closer to $25 to $30 million given competitive inroads to date in this market. Medicare and private payers have set reasonable reimbursement levels for EVLP treatments and coverage is expanding.

VNUS Medical Technologies, which uses a radio frequency generator and a disposable endovenous catheter, is the largest factor in the minimally invasive treatment of varicose veins. VNUS reported sales in the fourth quarter of 2004 of $11.1 million. We estimate the VNUS sold approximately 11,000 disposable kits in that quarter. In the EVLP arena, VASC competes with Angiodynamics, DioMed, Dornier MedTech and two other smaller companies, though we do not believe any of these entities have established themselves yet as the go to supplier of EVLP products and technology.

The Pronto extraction catheter was CE marked in Europe in August 2003 and received a U.S. 510(k) approval in December 2003. It was introduced to the U.S. market in early 2004. The Pronto product consists of a syringe and catheter that mechanically extracts soft thrombus (blood clots) from arterial vessels using vacuum suction. Pronto sales were $1.1 million in the fourth quarter of 2004 and $3.0 million for the full year. Management estimates the market potential for the Pronto to be in excess of $100 million.

The principal competitor in the mechanical thrombectomy market is Possis Medical. We estimate that Possis’ sales of AngioJet devices was approximately $65 million in its fiscal year ended in July 2004. Other directly competitive devices include DataScope’s ProLumen extraction catheter that was introduced in mid-2004 and Medtronic’s Export extraction catheter.

**Recent Results and Outlook:**

VASC reported revenues of $6.7 million and a loss of $573,000, or ($0.04) per share, in its most recent quarter ended December 31, 2004. While revenues were modestly below street expectations of $7.0 million, revenues grew 95% year-over-year and 12% sequentially. The
quarter included $210,000 of expenses associated with the qualification of a new thrombin manufacturing facility. For the full year, VASC reported revenues of $22.3 million versus $11.8 million in fiscal 2004. After three years of stagnant sales, this represented a breakout year for the Company.

With the continued expansion of the sales force and pace of new product launches, the Company expects to achieve net sales of between $35 million and $40 million. In 2005, by product line, management is forecasting revenues of $15 million for D-Stat Dry products, $7.0 million in Pronto sales, $5.0 million for the Vari-Lase line, $4.0 of Duett products, $1.5 in D-Stat Flowable products and $2.5 million from other products.

We view this guidance as aggressive, but not necessarily unattainable. We have chosen to take a more conservative stance and our fiscal 2005 revenue estimate of $33 million is below management’s and street estimates. Gross margins are expected to be in the 71% to 73% range. Company guidance is for sales and marketing expenses of $3.2 to $3.5 million per quarter, G&A expenses of $550-$650,000 per quarter, R&D expenses of $800,000 to $1.0 million per quarter and clinical and regulatory spending of $500-$600,000 per quarter. Our estimates are consistent with this guidance.

In addition, our estimates include expenses of $1.8 million ($0.11 per share) this year and $1.3 million ($0.09 per share) in fiscal 2006 for the development of a new thrombin raw material manufacturing capability. These costs are tied to specific milestones and management has not given guidance on specific timing of the milestones. Our quarterly estimates assume that payments will build each quarter and reach a peak in the fourth quarter when VASC expects to take delivery of the first commercial batches of thrombin.

Company guidance and our model do not include any forecasted revenue from a new product, the D-Stat Dry 3x3 trauma bandage. Management expects a partnership announcement for this product before mid-year since two of the potential distribution partners are nearing the end of their evaluation process. VASC has not provided any guidance for sales of this product, but it potentially could have a ramp like the D-Stat Dry vascular sealing product ($8.8 million of revenue in 2004), in our opinion.

Balance Sheet:
At the end of December 2004, there was $7.9 million of cash and no debt in the balance sheet. An existing asset based, line of credit facility was recently increased to $5.0 million from $3.0 million and extended through 2005. While VASC will make significant purchases of thrombin raw materials as it establishes a new supply source in 2005, we believe finances are adequate to support expected growth over the foreseeable future.

Outlook and Valuation:
Small, rapidly growing medical device companies tend to sell at high valuations relative to revenues and earnings and acquisitions are frequently made at 4x to 8x revenues. VASC is no exception to this rule. The stock is off its recent lows and currently selling at about 4x our estimate of 2005 revenues, but sales growth is robust, there is a growing pipeline of new products and the Company is on the verge of profitable operations. Consequently, we believe purchases at current levels are warranted. In addition, we have not factored any material contribution into our estimates for products that VASC expects to introduce into the market over the next several quarters. We believe these products can generate meaningful revenue and profit in 2006 and could help to stimulate investor interest.
Conclusion:
We are initiating coverage of VASC with a BUY rating and a target price of $13.00 per share. Our target price assumes the shares can sell for up to 5x our estimate of fiscal 2006 revenues plus a per share value of the tax loss carry forwards available to shelter earnings over the next three to five years or up to 30 plus times our estimate of fiscal 2006 EPS of $0.45, untaxed.

Other Public Companies mentioned in this report:
Abbott Laboratories (ABT - $43.76 - not rated)
Angiodynamics, Inc. (ANGO - $18.79 - not rated)
DataScope, Inc. (DSCP - $32.41 - not rated)
DioMed, Inc. (DIO - $3.74 - not rated)
E-Z-EM, Inc. (EZM - $12.26 - not rated)
Medtronic, Inc. (MDT - $51.84 - not rated)
Possis Medical, Inc. (POSS - $8.32 - Hold)
St. Jude Medical, Inc. (STJ - $37.06 - not rated)
VNUS Medical Technologies, Inc. (VNUS - $10.86 - not rated)
**Summary Income Statement and Balance Sheet**

Fiscal Year ends 12/31

$ in '000 except EPS

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>2004</th>
<th>Q1E</th>
<th>Q2E</th>
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<th>Q4E</th>
<th>2005E</th>
<th>2006E</th>
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<tr>
<td><strong>Net Sales</strong></td>
<td>$12,100.5</td>
<td>$11,804.2</td>
<td>$4,437.8</td>
<td>$5,245.8</td>
<td>$5,931.4</td>
<td>$6,650.0</td>
<td>$22,265.0</td>
<td>$7,000.0</td>
<td>$7,550.0</td>
<td>$8,550.0</td>
<td>$8,550.0</td>
<td>$9,900.0</td>
<td>$33,000.0</td>
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<td>$7,234.1</td>
<td>$3,042.7</td>
<td>$3,672.8</td>
<td>$4,290.1</td>
<td>$4,652.0</td>
<td>$15,657.3</td>
<td>$4,900.0</td>
<td>$5,360.5</td>
<td>$6,113.3</td>
<td>$7,128.0</td>
<td>$23,501.8</td>
<td>$31,950.0</td>
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<td><strong>Gross Profit Margin</strong></td>
<td>58.8%</td>
<td>61.3%</td>
<td>68.6%</td>
<td>70.0%</td>
<td>72.3%</td>
<td>70.0%</td>
<td>70.3%</td>
<td>70.0%</td>
<td>71.0%</td>
<td>71.5%</td>
<td>72.0%</td>
<td>71.2%</td>
<td>71.0%</td>
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<td><strong>Cost of goods sold</strong></td>
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<td>$4,570.2</td>
<td>$1,395.0</td>
<td>$1,573.0</td>
<td>$1,641.3</td>
<td>$1,998.0</td>
<td>$6,607.7</td>
<td>$2,100.0</td>
<td>$2,189.5</td>
<td>$2,436.8</td>
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<td>$9,498.3</td>
<td>$13,050.0</td>
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<td><strong>Operating Expenses</strong></td>
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<td>$4,693.8</td>
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<td>$19,232.7</td>
<td>$5,229.4</td>
<td>$5,579.4</td>
<td>$5,804.4</td>
<td>$6,654.4</td>
<td>$23,267.5</td>
<td>$25,110.0</td>
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<td><strong>Operating Profit</strong></td>
<td>($11,736.2)</td>
<td>($9,778.7)</td>
<td>($1,511.0)</td>
<td>($1,021.1)</td>
<td>($444.7)</td>
<td>($599.4)</td>
<td>($3,575.4)</td>
<td>($294.4)</td>
<td>($187.6)</td>
<td>$336.4</td>
<td>$488.6</td>
<td>$343.0</td>
<td>$7,040.0</td>
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<td><strong>Interest Income</strong></td>
<td>$507.2</td>
<td>$150.3</td>
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<td>$22.2</td>
<td>$3.7</td>
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<td>$67.3</td>
<td>$35.0</td>
<td>$31.3</td>
<td>$27.5</td>
<td>$15.0</td>
<td>$108.8</td>
<td>$200.0</td>
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<tr>
<td><strong>Legal Settlement</strong></td>
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<td>$3,094.6</td>
<td>$3,534.0</td>
<td>$3,733.3</td>
<td>$4,026.7</td>
<td>$4,560.0</td>
<td>$5,280.0</td>
<td>$8,000.0</td>
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<tr>
<td><strong>Net Income</strong></td>
<td>($14,979.0)</td>
<td>($9,628.4)</td>
<td>($1,499.1)</td>
<td>($998.8)</td>
<td>($437.4)</td>
<td>($573.4)</td>
<td>($3,507.9)</td>
<td>($294.4)</td>
<td>($187.6)</td>
<td>$336.4</td>
<td>$488.6</td>
<td>$343.0</td>
<td>$7,040.0</td>
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<tr>
<td><strong>Fully Diluted EPS</strong></td>
<td>($1.13)</td>
<td>($0.75)</td>
<td>($0.11)</td>
<td>($0.07)</td>
<td>($0.03)</td>
<td>($0.04)</td>
<td>($0.25)</td>
<td>($0.02)</td>
<td>($0.01)</td>
<td>($0.02)</td>
<td>($0.03)</td>
<td>($0.02)</td>
<td>($0.45)</td>
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**Balance Sheet**

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<tr>
<th></th>
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<th>2003</th>
<th>Q1</th>
<th>Q2</th>
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<th>Q4</th>
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<th>Q1E</th>
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<th>Q3E</th>
<th>Q4E</th>
<th>2005E</th>
<th>2006E</th>
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<tr>
<td><strong>Cash</strong></td>
<td>$5,885.0</td>
<td>$9,332.92</td>
<td>$8,057.3</td>
<td>$7,392.9</td>
<td>$7,184.0</td>
<td>$6,446.2</td>
<td>$5,693.9</td>
<td>$4,693.1</td>
<td>$3,040.0</td>
<td>$6,187.4</td>
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<tr>
<td><strong>Accounts Receivable</strong></td>
<td>$1,810.0</td>
<td>$2,199.8</td>
<td>$2,604.3</td>
<td>$3,094.6</td>
<td>$3,354.0</td>
<td>$3,733.3</td>
<td>$4,026.7</td>
<td>$4,560.0</td>
<td>$5,280.0</td>
<td>$8,000.0</td>
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<tr>
<td><strong>DSOs</strong></td>
<td>$3,186.0</td>
<td>$4,028.0</td>
<td>$3,801.6</td>
<td>$3,991.8</td>
<td>$3,659.0</td>
<td>$3,957.5</td>
<td>$4,105.3</td>
<td>$4,568.9</td>
<td>$5,197.5</td>
<td>$7,031.3</td>
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<tr>
<td><strong>Inventory</strong></td>
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<td>45</td>
<td>45</td>
<td>47</td>
<td>48</td>
<td>48</td>
<td>48</td>
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<td>48</td>
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<tr>
<td><strong>Excess Thrombin Inv.</strong></td>
<td>11.0</td>
<td>11.5</td>
<td>9.7</td>
<td>9.7</td>
<td>7.3</td>
<td>7.5</td>
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<td>7.5</td>
<td>7.5</td>
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<tr>
<td><strong>Current Assets</strong></td>
<td>$13,340.5</td>
<td>$15,897.6</td>
<td>$14,698.2</td>
<td>$14,966.4</td>
<td>$14,965.0</td>
<td>$14,617.0</td>
<td>$14,581.3</td>
<td>$15,322.0</td>
<td>$19,317.5</td>
<td>$24,150.0</td>
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<tr>
<td><strong>Net Fixed Assets</strong></td>
<td>$1,180.7</td>
<td>$2,357.1</td>
<td>$2,424.3</td>
<td>$2,477.6</td>
<td>$2,374.0</td>
<td>$2,500.0</td>
<td>$2,650.0</td>
<td>$2,750.0</td>
<td>$2,800.0</td>
<td>$2,500.0</td>
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<tr>
<td><strong>Intangible Assets</strong></td>
<td>$645.7</td>
<td>$591.3</td>
<td>$535.4</td>
<td>$486.3</td>
<td>$484.3</td>
<td>$428.6</td>
<td>$374.3</td>
<td>$319.9</td>
<td>$265.5</td>
<td>$48.0</td>
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</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$15,169.4</td>
<td>$18,464.1</td>
<td>$16,604.4</td>
<td>$16,926.7</td>
<td>$16,822.0</td>
<td>$16,545.6</td>
<td>$16,605.5</td>
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<td>$26,698.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
<td>$2,120.0</td>
<td>$2,685.8</td>
<td>$2,316.6</td>
<td>$2,930.0</td>
<td>$3,132.0</td>
<td>$3,150.0</td>
<td>$3,397.5</td>
<td>$3,847.5</td>
<td>$7,750.0</td>
<td>$5,625.0</td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Long term debt</strong></td>
<td>$0.0</td>
<td>$15,038.2</td>
<td>$0.0</td>
<td>$0.0</td>
<td>$0.0</td>
<td>$0.0</td>
<td>$0.0</td>
<td>$0.0</td>
<td>$0.0</td>
<td>$0.0</td>
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</tr>
<tr>
<td><strong>Shareholders Equity</strong></td>
<td>$10,872.0</td>
<td>$13,690.0</td>
<td>$14,333.1</td>
<td>$14,076.7</td>
<td>$14,197.8</td>
<td>$14,105.0</td>
<td>$14,705.0</td>
<td>$15,750.0</td>
<td>$15,750.0</td>
<td>$21,073.0</td>
<td></td>
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</tr>
<tr>
<td><strong>Book Value</strong></td>
<td>$1.05</td>
<td>$1.04</td>
<td>$1.02</td>
<td>$0.99</td>
<td>$0.95</td>
<td>$0.92</td>
<td>$0.91</td>
<td>$0.93</td>
<td>$0.97</td>
<td>$1.45</td>
<td></td>
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</tbody>
</table>
**Analyst Certification**

I, Ernest Andberg, certify that the views expressed in this research report accurately reflect my personal views about the subject company and its securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation related to the specific recommendations expressed in this report.

**Important Disclosures:**

The analyst or any member of his/her household does hold a long or short position, options, warrants, rights or futures of this security in their personal account(s).

As of the end of the month preceding the date of publication of this report, Feltl & Co. did not beneficially own 1% or more of any class of common equity securities of the subject company.

There is not any actual material conflict of interest that either the analyst or Feltl and Company is aware of.

The analyst has not received any compensation for any investment banking business with this company in the past twelve months and does not expect to receive any in the next three months.

Feltl & Co. has not been engaged for investment banking services with the subject company during the past twelve months and does not anticipate receiving compensation for such services in the next three months. Investors should assume that Feltl and Company is seeking or will seek investment banking or other business from the companies in our research universe.

Feltl & Co. has not served as a broker, either as agent or principal, buying back stock for the subject company’s account as part of the company’s authorized stock buy-back program in the last twelve months. Feltl & Co. may possibly serve as the company’s broker, either as agent or principal, as part of the company’s authorized buy-back program in the next three months.

No director, officer or employee of Feltl & Co. serves as a director, officer or advisory board member to the subject company.

**Feltl and Company Rating System:** Feltl and Company utilizes a four tier rating system for potential total returns over the next 12 months.

- **Strong Buy:** The stock is expected to have total return potential of at least 30%. Catalysts exist to generate higher valuations, and positions should be initiated at current levels.
- **Buy:** The stock is expected to have total return potential of at least 15%. Near term catalysts may not exist and the common stock needs further time to develop. Investors requiring time to build positions may consider current levels attractive.
- **Hold:** The stock is expected to have total return potential of less than 15%. Fundamental events are not present to make it either a Buy or a Sell. The stock is an acceptable longer-term holding.
- **Sell:** Expect a negative total return. Current positions may be used as a source of funds.
Ratings Distribution for Feltl and Company

<table>
<thead>
<tr>
<th>Rating</th>
<th>Number of Stocks</th>
<th>Percent of Total</th>
<th>----- Investment Banking -----</th>
<th>Number of Stocks</th>
<th>Percent of Rating category</th>
</tr>
</thead>
<tbody>
<tr>
<td>SB/Buy</td>
<td>23</td>
<td>66%</td>
<td>4</td>
<td>17%</td>
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<tr>
<td>Hold</td>
<td>11</td>
<td>31%</td>
<td>0</td>
<td>0%</td>
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</tr>
<tr>
<td>Sell</td>
<td>1</td>
<td>3%</td>
<td>0</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>total</td>
<td>35</td>
<td>100%</td>
<td>4</td>
<td>11%</td>
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</table>

The above represents our ratings distribution on the stocks in the Feltl and Company research universe, together with the number in (and percentage of) each category for which Feltl and Company provided investment-banking services in the previous twelve months.

Feltl & Company does make a market in the subject security at the date of publication of this report. As a market maker, Feltl & Co. could act as principal or agent.

**Valuation and Price Target Methodology:**

We are initiating coverage of VASC with a BUY rating and a target price of $13.00 per share. Our target price assumes the shares can sell for up to 5x our estimate of fiscal 2006 revenues plus a per share value of the tax loss carry forwards available to shelter earnings over the next three to five years or up to 30 plus times our estimate of fiscal 2006 EPS of $0.45, untaxed.
Risks to Achievement of Estimates and Price Target:

- VASC is dependent on the timely approval of new products by the FDA. The Company has historically been successful in gaining such approvals, but delays could negatively affect our estimates.
- VASC is dependent on Medicare and private payors to set reasonable reimbursement levels for its devices or the procedures in which its devices are utilized. Cost containment efforts by these payors could put pressure on prices and negatively affect revenues and earnings.
- The medical device industry is highly competitive and patent litigation is a way of life in the industry. VASC’s EVLP product is currently involved in patent and unfair competition litigation with DioMed. An adverse outcome to this litigation could increase costs for this product line or result in a discontinuation of the product.
- VASC is dependent on one supplier of its primary raw material. The Company is in the process of establishing a second source for thrombin, but any setbacks in this endeavor could have negative implications for costs or supply of this material.
- Even if our estimates are achieved, investors may not be willing to value the shares in line with our assumptions and the stock may not reach our target price.
- Readers should recognize that the risks outlined above do not represent a comprehensive list of all risk factors that may impact on the Company reaching our revenue, EPS and price targets.

Other Disclosures:

The information contained in this report is based on sources considered to be reliable, but not guaranteed, to be accurate or complete. Any opinions or estimates expressed herein reflect a judgment made as of this date, and are subject to change without notice. This report has been prepared solely for informative purposes and is not a solicitation or an offer to buy or sell any security. The securities described may not be qualified for purchase in all jurisdictions. Because of individual requirements, advice regarding securities mentioned in this report should not be construed as suitable for all accounts. This report does not take into account the investment objectives, financial situation and needs of any particular client of Feltl and Company. Some securities mentioned herein relate to small speculative companies that may not be suitable for some accounts. Feltl and Company suggests that prior to acting on any of the recommendations herein, the recipient should consider whether such a recommendation is appropriate given their investment objectives and current financial circumstances. Past performance does not guarantee future results. From time to time, Feltl and Company, or its officers, directors or agents, or members of their families, may have a position in securities mentioned and may make purchases or sales of the same in the open market or otherwise, and may own options, rights or warrants to purchase the same. Additional information is available upon request.
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