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NAME: HOOPER HOLMES INC	SYMBOL: HH (NYSE)
MARKET CAP (2/7/14): \$38 MILLION	PRICE PER SHARE (2/7/14): 0.54
FLOAT: 52.68 MILLION SHARES	AVG VOLUME (3 MONTHS): 204,000



HOOPERHOLMES

HERE IS WHAT THEY DO



Founded in 1899, Hooper Holmes is focused on health assessment in the insurance and healthcare industries. Most recently, the company has been moving away from assessment for the insurance industry and focusing on health and wellness.

Hooper Holmes performs risk assessment and risk management services including biometric screenings, health risk assessments and on-site wellness coaching for wellness companies, disease management organizations, clinical research organizations and health plans.

HERE IS THE PERFORMANCE OF THE STOCK



It goes without saying that investing in a bag of bricks would have cultivated a better return than HH over the past 15 years. The stock price has done nothing but deteriorate. Even with the market rising substantially since 2010, HH has severely underperformed.

What has been the primary culprit of this culture of underperformance?

THIS DOG WON'T HUNT

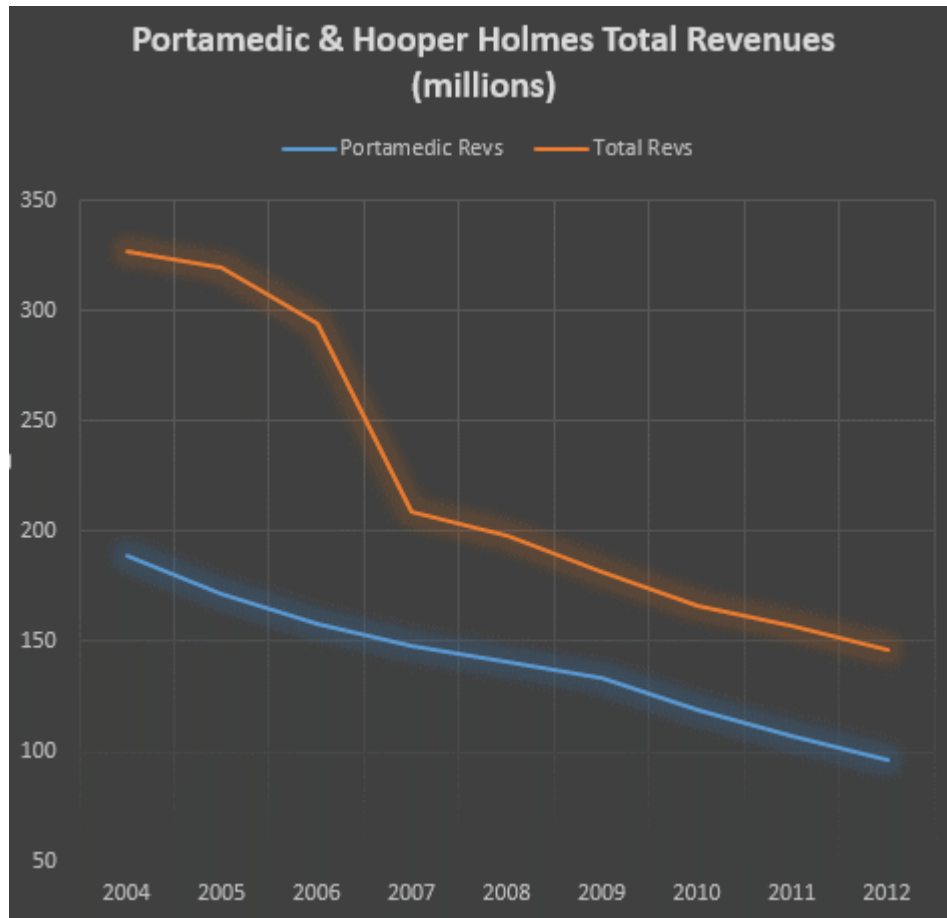


The stock price has essentially followed the revenue path of the company, which has been down in an almost straight line over the past decade.

This time last year, HH operated in four revenue producing segments:

- **Portamedic:** Performing paramedical and medical examinations of individuals, primarily on behalf of insurance companies.
- **Health & Wellness:** Performs risk assessment and risk management services for companies.
- **Heritage Labs:** Performs tests of blood, urine and oral fluid specimens, primarily generated in connection with Portamedic and Health & Wellness units.
- **Hooper Holmes Services:** Provides telephone interviews of insurance candidates.

GUESS WHO WASN'T PULLING THEIR WEIGHT?

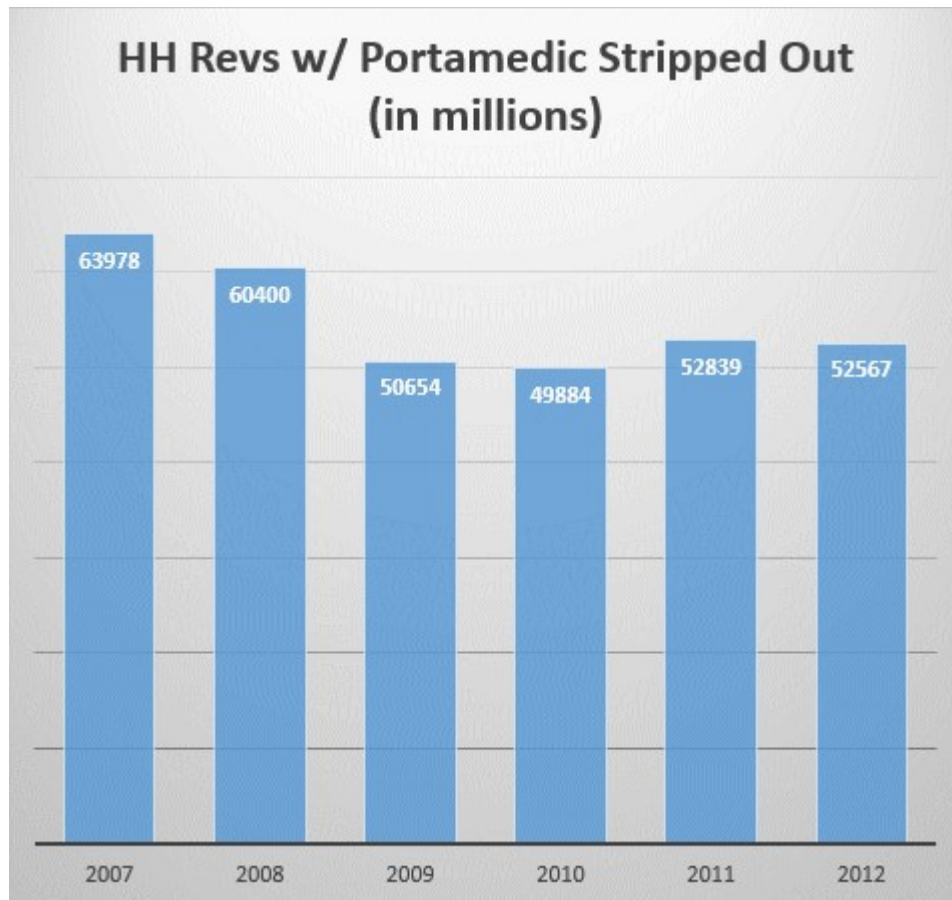


Carlo Cannell of Cannell Capital (we'll get to him later), an activist small-cap hedge fund, recently described the Portamedic unit as a “cancer.”

After seeing the results illustrated in plain sight, his assessment of Portamedic is correct. It is a cancer to the company.

The illustration becomes blatantly obvious with what follows....

IMAGINING A LIFE WITHOUT PORTAMEDIC



Since 2010 there is actually some stabilization in revenues and some hints at growth taking place when you imagine life without the Portamedic unit.

Can imagination actually become reality in the case of Hooper Holmes?

PORTAMEDIC GOES POOF!



September 30, 2013: *Hooper Holmes (NYSE MKT:HH) today announced the closing of the sale of the Company's Portamedic service line to American Para Professional Systems, Inc. for \$8.1 million in cash, after adjustments. In addition, Hooper Holmes has retained its existing Portamedic working capital. The definitive agreement between the two companies was announced on August 15, 2013.*

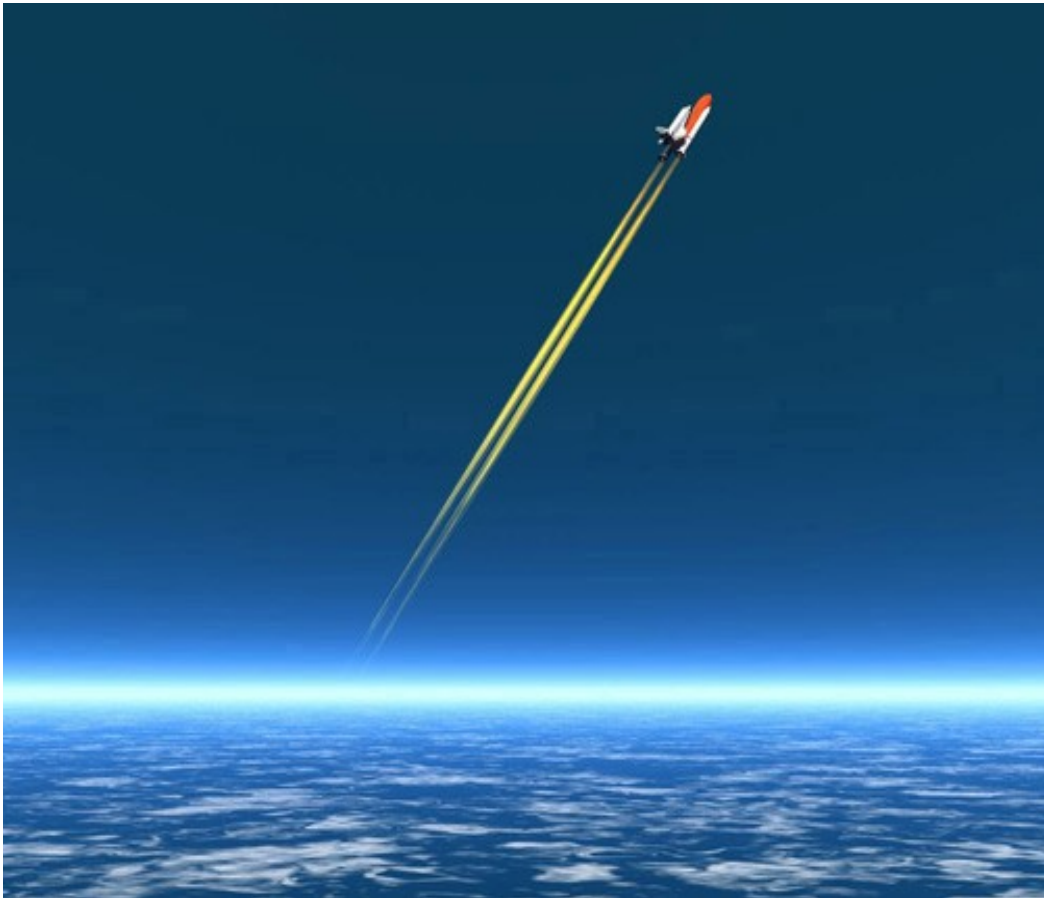
THE FIRST CATALYST APPEARS



The sale of Portamedic can certainly be considered a catalyst. As demonstrated, this unit of the company negatively influenced revenues of the company for an entire decade before management, led by a new CEO, finally saw the light, deciding to end the debacle that was Portamedic.

This first catalyst acts a removal to barriers for future appreciation. The second catalyst is what will cause the appreciation in share price going forward through revenue growth and eventual positive free cash flow.....

THE SECOND CATALYST

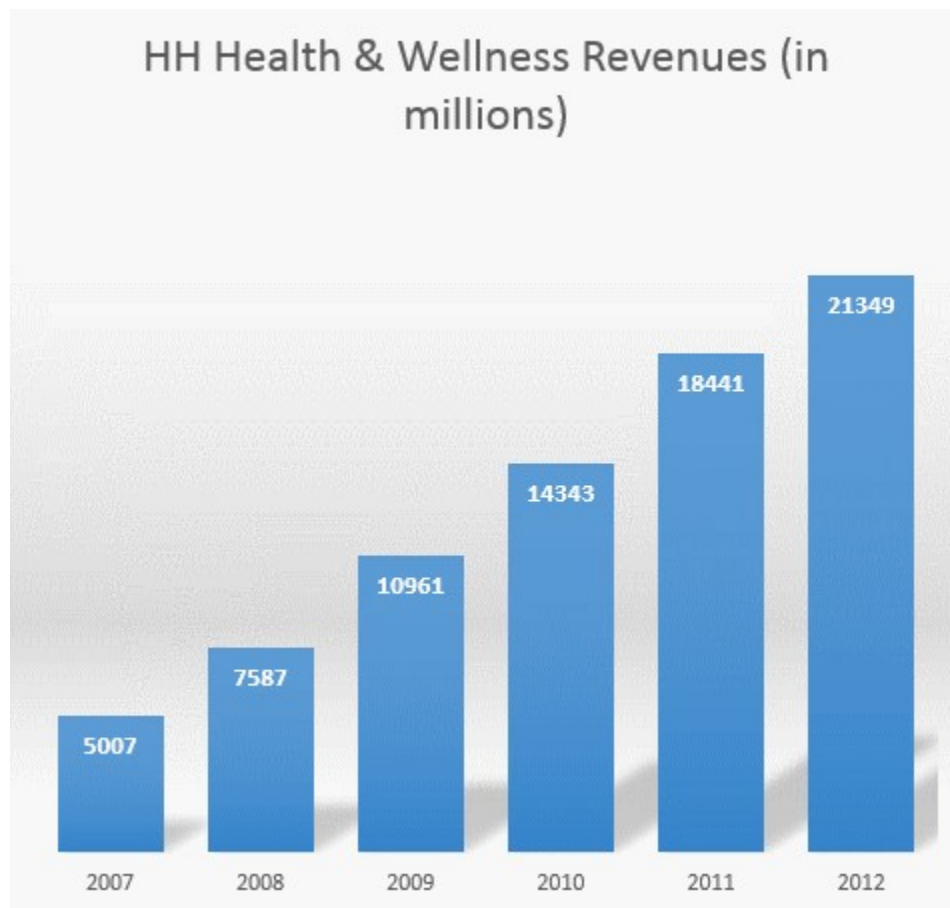


The catalyst towards actual growth in shares of HH comes in the form of their Health & Wellness unit.

The company has been focusing primarily on growing this unit of the company as it plays into the ACA (Affordable Care Act/Obamacare).

Under the wellness rules for the Affordable Care Act that took effect in January, companies are permitted to offer a reward of up to 30 percent of health costs for employees who complete a participatory program like a risk assessment, or biometric tests like waist measurement.

HEALTH & WELLNESS AS A CATEGORY BY ITSELF



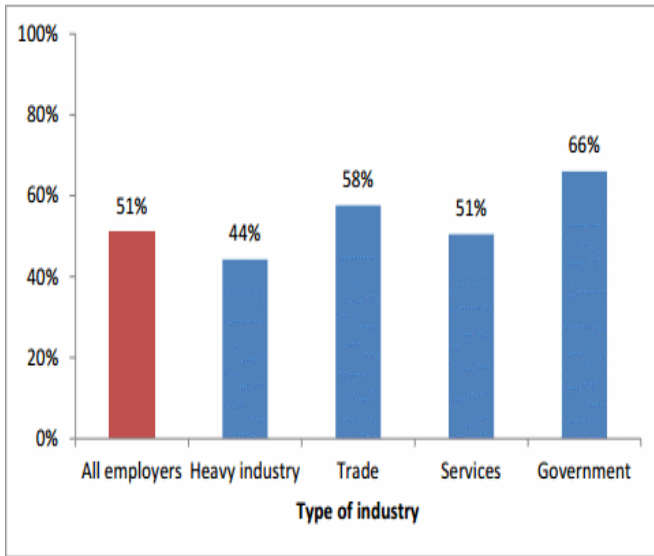
Now that the Portamedic unit has been divested, the Health & Wellness unit can be allowed to flourish unencumbered.

In the most recent conference call in November (in fact, this was the first conference call the company had hosted in over a year) the CEO said:

*“While, as I’ve said, our longer term strategy is still under review, we believe we can build a profitable **\$100 million annual revenue business** over the next 4 to 6 years. That’s an **annual growth rate of 12% to 18%**. The vast majority of our growth will come from the Health & Wellness business line. We believe that should be achievable considering the overall growth of the health care market.”*

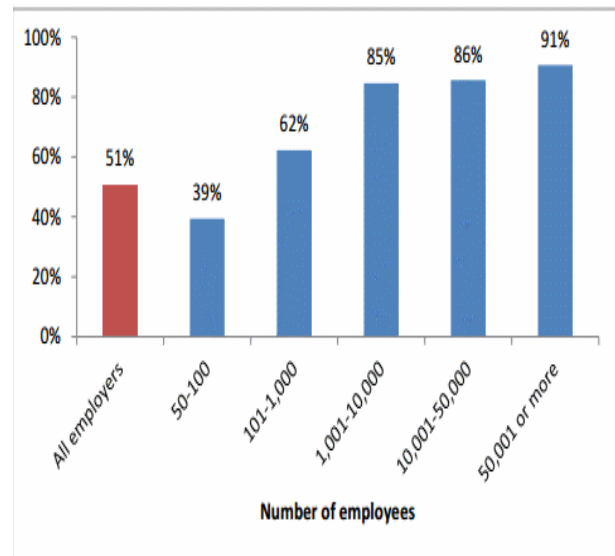
A LARGE SCALE INDUSTRY OPPORTUNITY

Figure 3.1: Percentage of Employers Offering a Wellness Program, by Industry



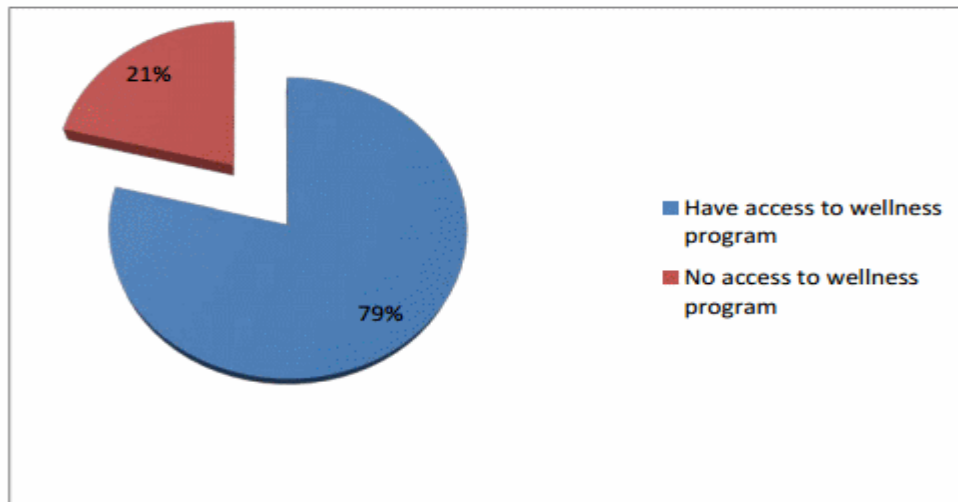
SOURCE: RAND Employer Survey, 2012.

Figure 3.2: Percentage of Employers Offering a Wellness Program, by Employer Size



SOURCE: RAND Employer Survey, 2012.

Figure 3.3: Estimated Percentage of Employees at Firms and Organizations with 50 or More Employees with Access to a Wellness Program



Health & Wellness tends to attract large organizations. The opportunity then is vast both in terms of large organizations offering health & wellness programs AND small to mid-sized companies making it a part of their healthcare offering.

SCALE OF OPPORTUNITY FOR HOOPER HOLMES



Total consolidated revenues for 2013 are estimated at \$45 million.

The company's net loss for the 9 months ended September 30, 2013, totaled \$9.3 million or \$0.13 per share. These results include restructuring charges and losses from the discontinued Portamedic unit.

Assuming a conservative, bottom of the barrel growth rate of 15% over the next 3 years, the company will be at or above \$70 million in revenues by 2016.

The upside here is we don't really know the scale of upside surprise that can occur as a result of health & wellness initiatives being highlighted by the ACA.

It is also extremely difficult to surmise the effect of a focused strategy now that the “cancer” that was Portamedic has been removed.

The growth rate can conceivably accelerate above 25% in the coming years should management execute properly.

A NEW CEO



Mr. Henry E. Dubois (not pictured above) has been the Chief Executive Officer and President of Hooper Holmes Inc since April 8, 2013. Mr. Dubois has been advising Hooper Holmes on business strategy and financial operations since January 2013. He has been a Partner of Tatum, LLC since 2011. He has been a senior executive and corporate advisor for more than 25 years, with experience in acquisition and organic growth strategies, corporate restructurings and recapitalizations.

And he is incentivized to the tune of 2 million options to purchase stock at a .47 cent strike price.

THE ACTIVIST



Carlo Cannell of Cannell Capital is a fairly well known small-cap activist investor. He has been invested in HH for some years now. Only recently has he taken an activist stance towards his investment. He now owns upwards of 15% of the company, buying as recently as the week of February 3rd, 2014.

In his letter to the Chairman of the Board, Mr. Cannell asked for the following steps to be taken to cut costs:

1. Cut the pay of the Board.
2. Downgrade the auditor.
3. Enact a reverse split.
4. Equity to “go dark” or in other words, get off the NYSE where compliance/listing costs are excessive given the current nature of the companies business.

CUTTING THE WASTE



While I don't expect HH to abide by all of Mr. Cannell's demands. I do expect that they will cut compensation and they will enact a reverse split.

The company has a 53 million share float. I expect that as the share price grows there will come a time when they will perform a secondary offering to raise cash. It will be a lot easier to accept a secondary against a tighter float versus what is already an excessive number of shares outstanding given the scale of the current operation.

This will also be a company that can garner a great deal of institutional participation once the restructuring and subsequent growth story begins gathering attention. It will be easier to gain the attention of institutions with a stock price above \$5 rather than around \$1 or \$2 per share.

In the case of HH, a reverse split will be beneficial for multiple reasons.

WHAT IS THE DOWNSIDE HERE?



The answer is that there really isn't much, if any.

The market continues to value shares of HH as if it still has a 100 pound dumbbell tied around its ankles while trying to swim in the Pacific.

There is no premium being assigned to the significant possibility of HH being a company that generates steady revenue growth and positive free cash flow over the next 12-24 months.

Like a Russian Tsar staring in the eyes of Rasputin, the market has become mesmerized by Hooper Holmes proclivity towards declining revenues with no hope of positive net income. The market has simply fallen into a pattern of discounting the company.

What is not being accounted for is that the picture has significantly changed with (1) divestiture of Portamedic (2) continuing and accelerating growth in Health & Wellness.

HH is only recently a vastly different company than anything it has been over the past 10 years....**and the market is not noticing.**

AN OPPORTUNITY IN SIMPLICITY



Hooper Holmes is an extraordinarily simple opportunity at its essence:

1. It is a streamlined company that is radically different than it was at anytime over the past decade.
2. It is a company that is involved in a growth sector that is gaining more attention as the ACA provides incentives to workers who participate in health & wellness programs similar to what HH offers.
3. It is a company that is being priced as if #1 and #2 above don't exist, making it an extremely attractive risk/reward proposition.

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