



For: Touchstone Applied Science Associates Inc.
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NEWS RELEASE

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FOR IMMEDIATE RELEASE

TOUCHSTONE APPLIED SCIENCE ASSOCIATES REPORTS 212% REVENUE GROWTH FOR Q1 FISCAL 2007

- Revenue Growth from both Core Operations and Questar Acquisition
- Year-Over-Year Q1 Pro Forma Revenue Grows 16%
- Posts EBITDA of \$442,000 or Nine Cents Per Diluted Share
- Amortization Expense Affects Bottom Line
- Company to be Renamed Questar Assessment, Inc.

Brewster, New York, March 19, 2007 -- Touchstone Applied Science Associates, Inc. (**OTCBB: TASA**) today reported strong increases in revenue for the first quarter of fiscal 2007. The increase came from both the impact of Questar Educational Systems, acquired on May 31, 2006 and from core operations (revenue sources previous to the Questar acquisition.) Revenues in the first quarter ended January 31, 2007 increased 212% to \$9.6 million from \$3.1 million in the first quarter of 2006.

"We achieved a solid first quarter performance" said Andrew L. Simon, President and CEO. "Questar added \$5.9 million in revenue to the first quarter. Equally significant, we experienced 20% growth in revenues, excluding the contribution from Questar. The growth came from the addition of new projects along with performing incremental scope work within our existing contracts"

Simon noted that first quarter revenue and net income were both in line with management's expectations. "Typically the first quarter is when we see our client project workload begin to accelerate. Our fiscal second and third quarters are typically when we realize a majority of our revenue and earnings." The Company's second quarter ends April 30, 2007. Simon added that "We have a full plate of projects to complete over the next few months. Given our anticipated workload, we felt it was important to complete our re-branding and staff realignment as early as possible. That allows us to focus our attention on serving our customers, project performance and business development". The Company has announced that, effective March 19, 2007, it will be renamed "Questar Assessment, Inc."

Simon further stated "We recorded a net loss of \$455,000, or \$.09 per share, in the first quarter. However, we believe our net cash generated or EBITDA * (earnings before interest, taxes, depreciation and amortization) is a good indicator of our financial performance. Our EBITDA in the first quarter was approximately \$442,000."

* - EBITDA is not a measure of financial performance under accounting principles generally accepted in the U.S. or GAAP, and should not be considered an alternative to net income, or any other measure of performance under GAAP, or to cash flows from operating, investing or financing activities as an indicator of cash flows or a measure of liquidity.

As previously announced the company recorded amortization expense associated with the intangible assets acquired from Questar. This non cash expense was approximately \$650,000 during the first quarter. This amounted to a \$.08 per share reduction in earnings.

PRO FORMA RESULTS

On a comparative pro forma basis, after giving effect to the Questar acquisition as of May 31, 2006, EBITDA increased to \$442,000 in the current quarter from approximately \$260,000 in the first quarter of last year. Comparative pro forma revenues increased to \$9.6 million this period from \$8.3 million in the first quarter a year ago. EBITDA per share for the first quarter fiscal 2007 was \$.09 versus a pro forma \$.05 for the first quarter a year earlier.

GROSS MARGINS / OVERHEAD COSTS

“Gross margin in the first quarter was 46%,” Simon stated. “This was in line with our expectations and up from 36% in the first quarter of fiscal 2006. The increased gross margin was attributable to both the inclusion of the Questar projects in the current quarter as well as an increase in the gross margin experienced on projects undertaken previous to the Questar acquisition. Although margins will vary from period to period as our project mix changes, we are beginning to achieve greater efficiency in our overall business due to the streamlining of certain cost structures. We have also been able to leverage our existing capacity over a larger project and revenue base.”

MANAGEMENT COMMENTS

“Our combined operations are working well together. The first several months after any major acquisition are filled with challenges but I am pleased with the progress we have achieved to date. We expect our new identity as Questar Assessment, Inc. to complete the melding of what had been two distinct organizations into a single, more vibrant entity. It will also be an important tool in our business development efforts. Although our new identity will be formally rolled out today, you will note we have begun using our new name at the end of this news release,” Simon stated.

“We still have work to do in terms of securing additional projects that will allow us to make optimal use of our assets. We are also accelerating our business development activities to ensure that customers are fully aware of the scope of our capabilities and to realize our full potential. The market for assessment services is robust. Although we must still compete for new business, our new identity, combined with the breadth of our product offerings the depth of our management expertise and our tradition of outstanding service provide us with greater ability to compete for – and win – new contracts.”

CONFERENCE CALL Monday March 19, 2007 at 10:00 a.m. EDT

Management will host a conference call this morning to discuss first quarter fiscal 2007 results. The call is scheduled to begin at 10:00 a.m. EDT. Participants may dial: 1-201-689-8470 for the live call. The call will also be web cast live and archived for three months. The web cast can be accessed at: <http://viaid.net/dce.aspx?sid=00003BF5>

ABOUT QUESTAR ASSESSMENT, INC. (formerly TASA)

Questar Assessment, Inc. headquartered in Brewster, N.Y., offers a comprehensive suite of educational assessment solutions to states, schools, school districts and to third parties. As one of the nation's leading providers, Questar provides products and services that range from test design, development, calibration, and psychometric services through print production, distribution, scanning, scoring, reporting, and data analysis services, as well as readability analysis of written materials. To

meet the requirements in electronic assessment, Questar offers on-line testing services to schools and educational entities in the K-12 market as well as customized assessment engines for curriculum providers. For more information, visit the company's website at www.tasa.com.

Statements contained in this release that are not historical facts are "forward-looking" statements as contemplated by the Private Securities Litigation Reform Act of 1995, as amended. Such forward-looking statements are subject to risks and uncertainties, which are enumerated in the company's reports filed with The Securities and Exchange Commission. These risks and uncertainties could cause actual results to differ materially from those projected or implied in the forward-looking statements.

Tables Follow ...

TOUCHSTONE APPLIED SCIENCE ASSOCIATES, INC.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	January 31, <u>2007</u> (Unaudited)	October 31 <u>2006</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 895,533	\$ 789,288
Restricted cash	21,849	20,307
Accounts receivable, net of allowance for doubtful accounts of \$33,000 and \$33,000, respectively	6,858,949	8,611,587
Inventories	476,293	545,362
Prepaid expenses and other current assets	666,942	496,509
Deferred income taxes	<u>392,094</u>	<u>364,031</u>
Total current assets	9,311,660	10,827,084
Property and equipment - net of accumulated depreciation of \$1,262,000 and \$1,013,000, respectively	3,518,193	3,734,227
Other assets:		
Test passage bank and test development, net of accumulated amortization of \$4,580,000 and \$4,509,000, respectively	2,389,189	2,335,670
Non Compete Covenants, net of accumulated amortization of \$70,000 and \$44,000, respectively	289,354	315,659
Customer contracts, net of accumulated amortization of \$1,005,000 and \$377,000, respectively	3,494,684	4,122,678
Goodwill	13,647,586	13,647,586
Deferred income taxes	1,584,984	1,325,379
Other assets	<u>331,209</u>	<u>349,832</u>
Total assets	<u>\$34,566,859</u>	<u>\$36,658,115</u>

TOUCHSTONE APPLIED SCIENCE ASSOCIATES, INC.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (Continued)

	January 31,	October 31,
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>	<u>2007</u> (Unaudited)	<u>2006</u>
Current liabilities:		
Revolving credit agreements	\$ -	\$1,774,819
Current maturities of long-term debt	1,744,044	1,459,502
Accounts payable	2,003,145	2,794,301
Income tax payable	208,319	204,319
Accrued expenses	3,398,653	1,996,161
Other liabilities	---	470,490
Deferred gain on sale of building – current portion	<u>125,438</u>	<u>125,438</u>
Total current liabilities	7,479,599	8,825,030
Long-term debt:		
Long-term debt, less current portion	11,946,821	12,405,735
Interest Rate Swap Devaluation	35,960	77,155
Deferred gain on sale of building, net of current portion	<u>679,458</u>	<u>710,817</u>
Total liabilities	<u>20,141,838</u>	<u>22,018,737</u>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.0001 par value, 5,000,000 shares authorized, issued and outstanding 1,888,888, respectively	189	189
Common stock, \$.0001 par value, 20,000,000 shares authorized, 3,021,561 and 2,946,047 shares issued and outstanding, respectively	302	295
Additional paid-in capital	15,310,527	15,069,034
Accumulated deficit	<u>(885,997)</u>	<u>(430,140)</u>
Total stockholders' equity	<u>14,425,021</u>	<u>14,639,378</u>
Total liabilities and stockholders' equity	<u>\$34,566,859</u>	<u>\$36,658,115</u>

TOUCHSTONE APPLIED SCIENCE ASSOCIATES, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS
ENDED JANUARY 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
		(Restated – Note 1)
Net revenue earned	\$9,592,013	\$3,074,014
Cost of goods sold	<u>5,203,142</u>	<u>1,963,479</u>
Gross profit	<u>4,388,871</u>	<u>1,110,535</u>
Operating expenses:		
Selling	581,959	349,717
Depreciation and amortization	928,591	61,769
General and administrative	<u>3,440,105</u>	<u>983,505</u>
Total operating expenses	<u>4,950,655</u>	<u>1,394,991</u>
Loss from operations	(561,784)	(284,456)
Other income (expense):		
Gain on sale of assets/leaseback of building	63,996	31,360
Interest income	369	3,902
Interest expense	<u>(242,107)</u>	<u>(24,106)</u>
Loss before income taxes	(739,526)	(273,300)
Income tax benefit	<u>(283,669)</u>	<u>(103,452)</u>
Net Loss	<u>\$ (455,857)</u>	<u>\$ (169,848)</u>

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