



For: Questar Assessment, Inc.  
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## NEWS RELEASE

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## FOR IMMEDIATE RELEASE

### QUESTAR ASSESSMENT REPORTS FISCAL 2007 REVENUE, NET INCOME AND EBITDA Of \$43.3 MILLION, \$304,000 and \$6.3 MILLION, RESPECTIVELY

- **Fiscal 2007 EBITDA of \$1.21 and Net Income of Six Cents per Fully Diluted Share**
- **New Business Development Leads to Backlog of Additional \$61 Million through 2013**
- **Annual Net Income Reduced by About \$2.9 million Due to Previously Announced Non-Cash Amortization Charge from Acquisition a Year Ago**

**Brewster, New York, January 29, 2008** – Questar Assessment, Inc. (**OTCBB: QUSA**) today reported increases in revenue, EBITDA \* (earnings before interest, taxes, depreciation and amortization) and net income for fiscal 2007 compared to fiscal 2006. Revenues in the year ended October 31, 2007 increased 83% to \$43.3 million from \$23.7 million fiscal 2006 mainly due to the Questar Educational Systems, Inc. acquisition, and the increase in existing project revenue. Net income in fiscal 2007 increased to \$304,071 or 6 cents per diluted share on 5,193,630 shares outstanding from a net loss of \$1,124,845 or 23 cents per basic share on 4,802,835 shares in fiscal 2006. EBITDA rose to \$6.3 million in fiscal 2007 compared to \$1.3 million in fiscal 2006.

\* - EBITDA is not a measure of financial performance under accounting principles generally accepted in the U.S. or by 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.

Effective May 31, 2006, the Company acquired the larger Questar Educational Systems, Inc. ("QES"). Revenue decreased 4% to \$43.3 million for fiscal 2007 from a pro forma amount of \$45.1 million for fiscal 2006. The year-over-year revenue decrease was largely due to the expected expiration in June 2007 of a specific state contract acquired from QES. Management was aware of this contract's pending conclusion at the time of the acquisition. Net income before taxes for fiscal 2007 totaled \$925,000, 43% lower than a pro forma amount of \$1,635,000 in fiscal 2006. Net income before taxes was reduced primarily due to two factors: the expected contract revenue decreases described above; and the inclusion in fiscal 2007 net income of approximately \$2.9 million of previously announced non-cash intangible amortization expense, resulting from the QES acquisition. The non-cash intangible amortization charge in fiscal 2006 was \$421,000.

"Fiscal 2007 was the first full fiscal year with Questar Educational Systems included in our results," said Andrew L. Simon, Chairman and CEO. "During that time, from the first day after the acquisition, we have been aggressively integrating all of our operations, IT systems, business development initiatives and corporate brands so that we can effectively leverage our larger combined organization in the most efficient manner moving forward. Fiscal 2007 results were in line with what management expected and were negatively impacted by the large amortization charge we absorbed. This amortization was detailed in our fiscal 2006 10KSB filing. Simon further added, "On balance, we are pleased with the results but do realize that we still have a lot work to accomplish in terms of business development in order to maximize future financial success. Since last year we have added over \$60 million in new contracts to our revenue backlog for 2008-2013; however, because of the anticipated conclusion of several contracts in the first half of the year and the addition

of new contracts in the beginning in the second half, it may be difficult for the next several quarters to compare positively over fiscal 2007's revenue performance. On a positive note, the pipeline for new opportunities is strong in both the number of opportunities and their relative revenue volume. Thus, we remain confident that ultimately we will successfully replace the projects that have concluded."

### **PRO FORMA EBITDA RESULTS (beginning of the earliest reporting period - November 1, 2005)**

On a comparative pro forma basis, after giving effect to the QES acquisition as of the earliest reporting period, November 1, 2005, EBITDA decreased to \$6.3 million in fiscal 2007 from a pro forma of approximately \$6.5 million in fiscal 2006. EBITDA per fully diluted share in fiscal 2007 decreased to \$1.21 versus a pro forma \$1.29 a year earlier. Fully diluted shares for fiscal 2007 were 5,193,630 versus 5,038,760 in fiscal 2006.

### **GROSS MARGINS / OVERHEAD COSTS**

"Gross margin in fiscal 2007 rose to 49% versus 41% in 2006," Simon reported. "We are pleased with our gross profit achievements during the last year as they indicate that we are doing a good job estimating project costs at inception and then managing the project's performance to those budgetary levels. General and administrative costs were 29% of revenue in fiscal 2007, and in line with expectations. We expect that fiscal 2008's overhead costs in terms of absolute dollars to be relatively flat when compared to amounts recorded in fiscal 2007, as we have existing capacity that can be leveraged over new incremental project work," Simon stated.

### **ADDITIONAL MANAGEMENT COMMENTS**

"Our financial performance for fiscal 2007 was good and on target to what we expected at the start of the year," Simon added. "We are in the business of acquiring and managing large state-level assessment programs. The process of acquiring these projects involves months of planting seeds, harvesting intelligence on RFP releases and ultimately delivering winning proposals. Each step requires a significant level of resources and time before success can be realized. Obviously, this process requires that we incur significant cost in advance of related revenue. I am confident that we, as an organization, over the past 20 months (since the QES acquisition in June 2006) have created a winning formula including achieving brand recognition that will lead to financial prosperity for our Company and shareholders," Simon concluded.

### **CONFERENCE CALL Tuesday January 29, 2008 at 11:00 a.m. EDT**

Management will host a conference call this morning to discuss fiscal 2007 results. The call is scheduled to begin at 11:00 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://viavid.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. 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 new website at [www.questarai.com](http://www.questarai.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.*

**FINANCIAL TABLES FOLLOW**

**QUESTAR ASSESSMENT, INC.  
CONSOLIDATED BALANCE SHEETS  
OCTOBER 31, 2007 and 2006**

<u>ASSETS</u>	<u>2007</u>	<u>2006</u>
Current assets:		
Cash and cash equivalents	\$ 2,413,121	\$ 789,288
Restricted cash	23,455	20,307
Accounts receivable, net of allowance for doubtful accounts of \$33,000	6,254,095	8,611,587
Inventories	319,524	545,362
Prepaid expenses and other current assets	652,486	496,509
Deferred income taxes	<u>269,010</u>	<u>364,031</u>
Total current assets	9,931,691	10,827,084
Property and equipment	3,483,049	3,734,227
Other assets:		
Test passage bank and test development	2,509,631	2,335,670
Non-competition covenants	210,439	315,659
Customer contracts	1,299,216	4,122,678
Goodwill	13,199,084	13,647,586
Deferred income taxes	1,064,532	1,325,379
Other assets	<u>282,326</u>	<u>349,832</u>
Total assets	<u>\$31,979,968</u>	<u>\$36,658,115</u>

**QUESTAR ASSESSMENT, INC.**  
**CONSOLIDATED BALANCE SHEETS (Continued)**  
**OCTOBER 31, 2007 and 2006**

<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>	<u>2007</u>	<u>2006</u>
Current liabilities:		
Revolving credit agreement	\$ --	\$ 1,774,819
Current maturities of long-term debt	1,848,187	1,459,502
Accounts payable	947,657	2,794,301
Income tax payable	--	204,319
Accrued expenses	2,465,743	1,996,161
Billings in excess of costs	--	470,490
Deferred gain on sale of building – current portion	<u>125,438</u>	<u>125,438</u>
Total current liabilities	5,387,025	8,825,030
Long-term debt, less current maturities	10,557,625	12,405,735
Interest rate swap agreement	73,382	77,155
Deferred gain on sale of building, net of current portion	<u>585,379</u>	<u>710,817</u>
Total liabilities	<u>16,603,411</u>	<u>22,018,737</u>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.0001 par value, 5,000,000 shares authorized; 1,888,888 shares issued and outstanding	189	189
Common stock, \$.0001 par value, 20,000,000 shares authorized; 3,084,443 and 2,946,047 shares issued and outstanding, respectively	308	295
Additional paid-in capital	15,502,129	15,069,034
Retained deficit	<u>(126,069)</u>	<u>(430,140)</u>
Total stockholders' equity	<u>15,376,557</u>	<u>14,639,378</u>
Total liabilities and stockholders' equity	<u>\$31,979,968</u>	<u>\$36,658,115</u>

**QUESTAR ASSESSMENT, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**YEARS ENDED OCTOBER 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
Net revenue earned	<u>\$43,338,154</u>	<u>\$23,686,213</u>
Cost of goods sold		
Cost of revenue earned	22,177,278	13,305,528
Impairment charges related to:		
Development costs	--	610,588
Inventory	<u>--</u>	<u>137,092</u>
Total Cost of goods sold	<u>22,177,278</u>	<u>14,053,208</u>
Gross profit	<u>21,160,876</u>	<u>9,633,005</u>
Operating expenses:		
Selling	2,416,856	1,801,973
Depreciation and amortization	4,225,033	980,998
General and administrative	<u>12,754,402</u>	<u>7,738,499</u>
Total operating expenses	<u>19,396,291</u>	<u>10,521,470</u>
Income (loss) from operations	1,764,585	(888,465)
Other income (expense):		
Deferred gain realized on leaseback of building	125,438	125,439
Gain on sale of assets	32,637	--
Interest income	27,084	2,538
Interest expense	<u>(1,025,058)</u>	<u>(613,149)</u>
Income (loss) before income taxes	924,686	(1,373,637)
Income tax provision (benefit)	<u>620,615</u>	<u>(248,792)</u>
Net income (loss)	<u>\$ 304,071</u>	<u>\$(1,124,845)</u>

**QUESTAR ASSESSMENT, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME (Continued)**  
**YEAR ENDED OCTOBER 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
Weighted average number of common and convertible preferred shares outstanding:		
Basic	4,932,772	4,802,835
Diluted	5,193,630	4,802,835
Net income (loss) per common share		
Basic	\$ .06	\$ (.23)
Diluted	\$ .06	\$ (.23)

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