Senator Specter
Kim Blickenstaff
CEO, Biosite Inc.
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1. **Mr. Blickenstaff, your written testimony indicates that you personally met with a representative from an independent research firm who told you that she was not at liberty to revise her negative report about Biosite despite her own positive findings. Was it your understanding that she could not revise the report because it was being influenced by a hedge fund that was taking a short position on your stock?**

   The analyst, Jolene Furdyk, indicated that in some cases her research yielded conclusions that differed from what was actually published in the report. She inferred that this occurred because whoever was writing the reports took liberties with her research. While she also implied that this was being done for the benefit of a client or clients, she did not explicitly identify that client as a hedge fund shorting our stock.

2. **How much did your company's stock decline in 2002 when the short selling positions increased from 690,000 to 7.1 million shares?**

   During this period Biosite Incorporated's stock price increased ~47% during this time, largely due to some very positive events, including strong earnings growth, positive clinical trial results and the resolution of litigation. However, there was constant downward pressure on the stock that appeared to negate a portion of the positive effect caused by favorable developments. Unfortunately, it would be difficult to quantify that negative effect.

3. **Your testimony indicates that Biosite's attempts to investigate the short selling activities in 2002 proved unproductive because "the lack of visibility into these trades." Can you elaborate on this point?**

   Short selling is a highly unregulated activity. Currently, firms that short stock are not required to submit filings to the SEC identifying those positions. Since the firm shorting a stock is borrowing those shares and has to return them to cover their short position, they are not technically the owner and so don't file for the shares. Also, firms that are short a stock are typically not be willing to communicate this information to the company whose stock they are short for obvious reasons so trying to get updates on a short position are impossible.