

Since 1958

Number 531 October 2006  
GeoPharma, Inc.

# S EQUITIES pecial ituations



**Not Just Another Generic Company:** There is very little that is generic about this month's recommendation, Florida-based GeoPharma Inc. Its management is top-notch. Its products are unique, and the company is profitable and growing rapidly, with revenues jumping from \$28.2 million in 2005 to \$49.7 million in 2006. But, there is one sense in which you could call GeoPharma "generic" — they are looking to break into the booming generic drug market.

Throughout its history, the company has derived most of its revenue from manufacturing for its clients and developing dietary supplements for the carb and weight watchers of America, at its state-of-the-art facility. However, with generic drugs now representing a little over half of the total number of prescriptions filled in the U.S., the company is leveraging its experience and resources to expand into this segment.

Another way GeoPharma is far from generic is its strategy. Instead of focusing on run-of-the-mill generic drugs, the company's scientists are looking to develop unique generic drugs, such as those that require complex delivery systems or formulations. By targeting niche markets where entry barriers are high and competition is minimal, GeoPharma believes it can avoid the road blocks and pitfalls that often stop other pharma small-caps in their tracks.

---

**WARNING:** There is no fee for being selected as an *EQUITIES Special Situation*. Our only requirement is being a real company whose stock we believe has the potential to increase 50% to 100% over the next two years. We have tried to be objective, but may have failed. You readers must decide for yourself.

Be careful to place strict limits on your purchases. The price quoted for the recommended stock is of the date this report went to the printer, who naturally needs time to produce and mail our newsletter. For current quotations, go online. The recent price for the common stock of this recommendation was about \$3.00. Do not pay more than \$6.00 for this stock. If a stock rises out of our price range, there will always be another opportunity or another stock with a bargain price. Remember, the price you pay will determine your profit (or loss) when you sell.

*EQUITIES Special Situations*: Subscription Price: \$150 per year; \$15 per issue. Published monthly since 1958 by *EQUITIES* Global Communications, Inc., also publishers of *EQUITIES* magazine: Subscription Price \$19.95 (four issues) per year. Editor-in-Chief: Robert J. Flaherty. Both publications are owned by Equities Global Communications, Inc, 2118 Wilshire Boulevard, #722, Santa Monica, CA 90403, David Bernard, Publisher. The information presented in this publication is not to be construed as an offer to sell or a solicitation to buy any securities referred to herein. The information contained in this publication is considered reliable, but is not guaranteed as to accuracy or completeness. Errors are inevitable. This newsletter contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 relating to the development of company's products and future operating results that are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected. Reference is made to the company's latest Annual Report or Form 10-K filed with the SEC for a more detailed description of such factors. Readers are cautioned not to place undue reliance on those forward-looking statements that speak only as of the date of this issue. The policy of *EQUITIES* Magazine is for our staff to avoid any pre-publication trading of a featured stock or any purchases or sales of a new Special Situations recommendation until ten days after publication. Some companies written up may be advertisers in our sister publication, paid sponsors at one of our corporate conferences or may buy reprints. However, our buy, sell or hold decisions will never be based on such events but on what we believe is best for our readers.

**GeoPharma, Inc.**  
**www.Geopharmainc.com**

<b>Symbol:</b>	GORX - \$ 4.05	<b>Price/Earnings Ratio:</b>	
<b>Exchange:</b>	Nasdaq	<b>Price/Sales:</b>	1.3:1
<b>52-Week Range:</b>	\$ 6.27 - \$ 2.55	<b>Current Ratio:</b>	1.8:1
<b>Shares Outstanding:</b>	13.3 mil.	<b>Total Assets:</b>	\$ 32.9 mil.
<b>Closely Held:</b>	44%	<b>Long-Term Debt:</b>	\$ 1.7 mil.
<b>Market Cap.:</b>	\$53 mil.	<b>Shareholders Equity:</b>	\$ 21.6 mil.
<b>Short Sales (Shares):</b>	77,000	<b>Book Value/Share:</b>	\$2.17 mil.
<b>Average Daily Vol.:</b>	23,000		

<b>Fiscal Years</b>	<b>Revenue</b>	<b>Net Loss</b>	<b>Loss</b>
(Ending Mar. 31)	(mil)	(mil)	Per Share (loss)
2003	\$ 14.7	\$ 1.0	\$ 0.15
2004	\$ 23.0	\$ 1.0	\$ 0.11
2005	\$ 28.2	\$ (0.9)	\$ (0.17)
2006	\$ 49.7	\$ 1.8	\$ 0.14

## RECOMMENDATION

Profitable and growing, this feisty emerging player stands to cash in on drugs coming off patent with its specialty focus on in niche markets where entry barriers are high and competition minimal. Room to run both fundamentally and technically.

### Highlights

Of special note is that GeoPharma is migrating from nutritional into generic drugs where opportunities are more numerous and profitability significantly greater with many branded drugs coming off patent in coming years.

Its Belcher division has completed the initial phase of its multi-phase expansion for pharmaceutical manufacturing and R&D. The addition of this state-of-the-art 33,000 sq. ft. facility will increase its capacity to manufacture and distribute generic goods. Currently, the company has filed a Paragraph IV, 12 ANDA's granted, 5 ANDAs in various stages of development, 2 pending FDA approval.

GeoPharma has posted consistent revenue growth, quarter-to-quarter, over the past 6 years, with a dramatic increase in its 2nd quarter earnings, reflecting better things to come.

More than \$80 billion worth of global blockbuster drugs face U.S. patent expiration by 2008, promising to further stuff the company's robust pipeline with novel and generic drugs

Note: GeoPharma's Pharmaceutical Benefit Management subsidiary, operated as a third party administrator to HMOs, has generated more than \$4 million in revenues by negligible earnings. It does not fit in with the company's future plans and is a candidate for divestment in the near future.

## BUSINESS

GeoPharma, Inc. manufactures, packages and distributes private label dietary supplements, over-the-counter (OTC) novel and generic drugs, and health and beauty products.

A generic drug must be identical in dose, strength, route of administration, safety, efficacy, quality, and intended use, as the patented drug it replaces comes off patent. Generics are less expensive than the branded drug because their production does not

require the R&D, approval costs, and marketing costs that the branded drug required. They can be produced when a patent expires or is proved invalid, or where a patent was never filed.

Before a company can produce a generic drug, it must submit an Abbreviated New Drug Application (ANDA) to the FDA's Center for Drug Evaluation and Research, Office of Generic Drugs. The term "abbreviated" refers to the fact that an ANDA is not generally required to include preclinical (animal) and clinical (human) data to establish safety and effectiveness. The company must scientifically demonstrate that the generic is bioequivalent, or performs in the same manner as the patented drug.

### **American Antibiotics**

Through its 50%-owned American Antibiotics, GeoPharma produces and distributes sterile and non-sterile oral and injectable Beta-Lactam antibiotics. The company acquired the 100,000 sq.ft. facility in Baltimore, Maryland in 2005, the only dedicated Beta-Lactam plant in the United States. In the past, Teva Pharmaceuticals (Nasdaq:TEVA) and Ranbaxy Labs (Pink: RBXLF) were the primary producers of Beta-Lactam. Management believes its fully dedicated plant gives it a competitive advantage because it is the only facility in the U.S. capable of producing both injectable and solid dosage Beta-Lactam. Other products produced by the company include, various amoxicillins and penicillans.

### **Belcher Pharmaceuticals, Inc.**

Belcher is a very market-driven company, seeking niche opportunities and unique intellectual properties as a producer and distributor of brand-equivalent prescription and OTC products.

Belcher's primary focus is on ANDA's with competitive strengths and unique challenges with formulation or bioequivalence. Products that are difficult to manufacture are preferred, as are drugs with few active pharmaceutical ingredient suppliers, and few competitors. Strategic alliances with API manufacturers, as well as the acquisition of intellectual properties and drugs in niche markets are high priorities.

In 2004, Belcher received approval for a concentrated oral gel wafer 510 (k) medical devices, Muscotrol, for the treatment of muscositis, a debilitating side effect of chemo and radiotherapy which affects up to 13 million cancer patients. Cura Pharmaceutical will handle its distribution and supply - marketing has already begun.

Belcher has filed for a patent on veterinary sodium levothyroxine, having found a way to stabilize it for safety, efficacy and effectiveness in a liquid and tablet form, overcoming a problem that has plagued the product for years.

Additionally, Belcher has licensed and performed preclinical studies on a compound for Pulmonary Hypertension. The company believes it was the first to file a Paragraph IV Challenge for Clarinex, a treatment for seasonal, perennial, and chronic allergic rhinitis. The Paragraph IV certifies that Belcher believes its proposed generic version of Schering-Plough's (NYSE:SGP) Clarinex tablets do not infringe of Schering's patents, or that the listed patents are invalid or unenforceable. Belcher's intention for the filing was to gain six-months exclusivity during which it can produce the generic version of the drug. In 2005, Clarinex generated \$325 million in sales for Schering. Litigation between the two will commence shortly.

Belcher manufactures cephalosporin at its FDA-approved state-of-the-art facility where it has ANDA's for Cephalexin in 250mg and 50mg doses and where it has purchased equipment for injectables for its drug delivery. Injectables are a very lucrative market with limited competition. Cephalexin is a Cephalosporin antibiotic used to treat infections caused by bacteria, such as pneumonia, and bone, ear and urinary tract infections. The same facility can be used to produce a generic drug for Omnicef, when it comes off patent where it generated more than \$230 million for Abbott Labs (NYSE:ABT).

### **Innovative Health Products, Inc. (IHP)**

IHP is one of the nation's largest custom contract manufacturers of nutritional supplements. Its FDA-registered 100,000 sq.ft. manufacturing, packaging and warehousing facility operating under Good Manufacturing Practice (GMP) standards is capable of producing more than 100 million doses per month. Supported by its scientific advisory board and a team of research scientists, molecular biologists, physicians, pharmacists, clinical nutritionists, herbalists, food technologists and sports physiologists, IHP offers expert product development and formulation assistance for the production of a full range of tablets, caplets, chewables, effervescent, capsules, powders, liquids, creams, gels, ointments, and lotions. Quality control from raw material analysis to final product inspection is carefully monitored and documented. Raw materials in liquid and powder form are sourced from more than 1,500 ingre-

dients, all held in quarantine until sampled and analyzed for identification and microbiological purity and potency before being stored under climate controlled conditions

Its turn-key solutions from concept to finished product propel IHP to the forefront as a leader in custom manufacture. Turn-key solutions include: product concepts, formulations, lab services, package and label design, regulatory compliance, and marketing and merchandising assistance. Today IHP serves more than 300 companies and provides more than 1,000 quality pharmaceutical and nutritional products to millions of customers worldwide.

Its modern, high-speed and custom-scalable processing equipment is capable of large and small orders with a full range of in-house packaging options, including bottles, blisters, pouches, packets, canisters, jars, and kits.

### **Breakthrough Engineered Nutrition, Inc.**

Produces and distributes functional foods sold worldwide. Its distribution sector, 30%, of revenues, is driven by sales of products such as Dex-L10, CarbSlim, and Lean Protein Bites for sale to more than 20,000 specialty and mass retail outlets in the U.S. and Canada, including: GNC, Walgreens, CVS, Wal Mart, Rite-Aid, Albertsons', Longs, and Drugstore.com. Distribution to Europe and South America is planned.

**Dex-L10** is the only Hoodia Gordonii product, an appetite suppressant, is independently certified and clinically tested. It is harvested from the Kalahari Desert in South Africa, dried and milled into powder and when encapsulated and taken, has no known side effects. Essentially, Dex-L10 causes one's brain to think its stomach is full.

**CarbSlim Bites** are an excellent alternative to sugar and help the low-carb consumer enjoy the low-carb lifestyle. All CarbSlim products taste like candy, but only contain 0.1 g of sugar per serving along with 5g of soy and 6g of fiber per serving while helping one control their appetite and burn more calories per day with no aftertaste. Good for kids, no hyperactivity. Sold at most major drug and retail stores, etc.

**Lean Protein Bites** are a tasty low-carbohydrate, high protein snack designed to satisfy sweet cravings. They possess no glycerin or gluten.

### **Manufacturing:**

GeoPharma's primary manufacturing facility is its 33,222 sq.ft. plant in Largo, Florida which houses its executive offices, manufacturing, packaging, warehousing, laboratory services, R&D, marketing and final distribution operations. The facility is state-of-the-art-complete with high-speed encapsulating, tableting, packaging, and other production equipment. It is large enough to accommodate bulk orders, but versatile enough to provide rapid response to various customer needs. Included in the facility is a graphics arts department for customer print layout and graphic needs.

A second facility, a leased FDA approved property, recently expanded to 20,000 sq.ft. from 10,000 sq.ft., is used for laboratory services, R&D, manufacture, packaging and the distribution of its OTC generic drugs and cosmetic products, including its Cephalosporin products.

In March, 2006, the company contracted to build a state-of-the-art generic drug manufacturing facility within the 30,000 sq.ft. Finally, it has leased 100,000 sq.ft of space in Baltimore for laboratory services, R&D, manufacture, packaging and distribution of its Beta-Lactam products.

Currently, GeoPharma's facilities can produce 900 million tablets and capsules annually and fulfill orders within 30-60 days. Management believes it can absorb an increase in sales volume of 100%, but is prepared to expand production upon FDA approval of generic and OTC drugs without a substantial capital investment.

### **FINANCES**

For its 2nd quarter ending September 30, 2006, GeoPharma's revenues advanced 36.5% to \$16.7 million from \$12.2 million a year ago. For the period, diluted earnings increased sharply to \$0.07 a share from \$0.04.

For its six months, the company's revenues increased 30.6% to \$31.3 million from 24.0 million a year ago. Diluted earnings

---

for the period were \$0.08 a share versus \$0.08 a year ago.

## COMPETITION

Competition is formidable in all of Geopharma's product lines. In generic drugs, a competitive advantage is gained by the first company to the market to introduce a generic drug after the related brand expires. Additionally, companies compete for the acceptance by wholesalers and retailers of its product, timeliness of delivery, its reputation for quality and service, the product's attractiveness and price.

The contract manufacture of nutraceuticals is highly competitive, and GeoPharma is going up against firms with greater resources and capacities across the board. Its branded products compete with manufacturers, private-label manufacturers and some large pharmaceutical companies. Brand recognition across multiple distribution channels, the effectiveness of advertising and promotion and project high quality and value are keys to gaining an edge. Competitors include CVS, Walgreen's, Express Scripts, warehouse and wholesale clubs, BJ's and Costco, mail order pharmacies, department stores, health and beauty salons, and Internet portals.

## REGULATION

Generic and OTC drugs, dietary supplements and health and beauty care products are subject to Food and Drug Administration (FDA), Federal Trade Commission (FTC), Consumer Product Safety Commission, and various state regulatory commissions. Regulatory oversight is not limited to drug approval matters, it extends to working conditions, employment practices the environment, packaging, labeling, promotion, distribution and sale, and product claims.

## TECHNICAL

During 2006, GORX traded generally between \$3 and 4  $\frac{3}{4}$  with short-lived spikes across \$6 in February and across \$5 in June. In response to the announcement of its outstanding earnings report, November 14, GORX spiked again to attack resistance at 4  $\frac{3}{4}$  on 1.4 million shares, but retreated in face of profit taking. The heavy buying rewarded traders who were content with a quick 50% profit, or so. However, we are thinking more long-term with a target of \$8 - \$10 initially, then the mid-teens farther out. Support is \$3  $\frac{3}{4}$  - \$4.

## MANAGEMENT

**Jugal K. Taneja**, 62, Chairman: Jugal K. Taneja has served as Chairman of GeoPharma since June 1998. Until June 1998, he also served as Chairman of Dynamic Health Products, Inc. From November 1991 until December 1998, he was Chairman and CEO of NuMed Home Health Care, Inc., a provider of home healthcare services and staffing of healthcare employees. From June 1993 until March 1998, he was CEO of National Diagnostics, Inc., a provider of medical diagnostic services. Taneja has been a director of DrugMax, Inc. since 1996. DrugMax is publicly owned and operates as an online business-to-business wholesaler and retailer of pharmaceuticals, over-the-counter drugs, health and beauty care products and private label dietary supplements. He does not devote full time to GeoPharma's business. His son, Mihir is CEO.

**Mihir K. Taneja**, 31, CEO, Secretary: Mihir has served as CEO and Secretary of GeoPharma since November 1999, prior to which he served as Vice President of Marketing (June 1998-November 1999) and in the same capacity for Dynamic Health Products, Inc. (July 1996 - November 1999). Prior to joining Dynamic, he was a market and financial analyst for Bancapital Corporation (1994-1996). He has an AB degree in finance and marketing from the University of Miami and is the son of Chairman, Jugal K. Taneja.

**Dr. Kotha S. Sekharam**, 55, President: Dr. Sekharam has been president of GeoPharma since 1998. He was the founder and president (1996-1998) of Nu-Wave Health Products, Inc., a producer of over-the-counter analgesic roll-ons and creams, dietary supplements and health and beauty care products. Nu-Wave was acquired by Dynamic Health Products (80% in 1995 and 100% in 1998). In 1996 he became president of Dynamic. From 1992 to 1995, he was director of R&D for Energy Factors, Geopharma's predecessor. He currently serves as both president of Geopharma and of Dynamic. Dr. Sekharam got his Ph.D. in food sciences from Central Food Technological Research Institute in Mysore, India, a United Nations university center and has been employed in the food and health industry since 1982.

**Carol Dore-Falcone**, 42, Vice President, CFO: has served in this capacity since August 1999. She has served in the same capacity with Dynamic from August 1999 to November 2000. From 1990 to 1999, she was an audit manager with Deloitte & Touche, Certified Public Accountants. She is a CPA and has a B.S. Degree in accounting from Montclair State University and an MBA from the University of Tampa.

## **RISKS**

Small companies are obviously at a competitive disadvantage with larger companies in terms of financial resources, advertising and in many instances price. Generic drugs must first gain timely FDA approval, then gain acceptance by wholesalers, retailers, the medical community and consumer. Then too there is always the risk of litigation regarding patent infringement, security law violations, and misrepresentations. Finally, small companies must generate sufficient revenues to cover costs to preclude incurring the dilution from the sale of securities or incurring more debt, which may not be possible if its prospects are unattractive.

## **COMPANY ADDRESS**

### **GeoPharma, Inc.**

6950 Bryan Dairy Road

Largo, FL 33777

Phone: 727-544-8866

Fax: 727-544-4386

Web Site: [www.geopharmainc.com](http://www.geopharmainc.com)

Contact: Carol Dore-Falcone, V.P.-CFO

## **INVESTOR RELATIONS**

### **Zangani Investor Community**

9 Main Street

Flemington, NJ 08820

Phone: 908-788-9660

Fax: 908-389-0677

Web Site: [www.Zangani.com](http://www.Zangani.com)

Contact: Kevin Nally

## **AUDITORS:**

Brimmer, Burek & Keelan LLP  
Tampa, Florida

---



# EQUITIES Special Situations Recommendations Still Open on 1/1/06 and Subsequent Recommendations

COMPANY	DATE RECOMMENDED	RECOMMENDED PRICE	RECENT PRICE	PCT. CHG.	B-H-S
NASDAQ:REFR					
Research Frontiers	7/01	25.98	5.36	-79	Buy
NYSE:IEX					
IDEX Corporation <sup>1</sup>	11-12/01	21.29	48.66	+129	Sold
NYSE:PPD					
Pre-Paid Legal Services <sup>2</sup>	6/02	16.80	42.38	+152	Buy
RENN.PK					
Renaissance Capital <sup>3</sup>	8-12/02	1.51	10.75	+612	Buy
AMEX:AXO					
AXS-One	2-4/03	0.72	0.81	+13	Sold
AMEX:IOC					
InterOil Corporation	7-12/03	20.49	23.29	+14	Buy
GTHA.OB					
GeneThera	1-4/04	1.83	0.104	-94	Sold
GWES.OB					
Great Western Land & Rec.	5-8/04	0.30	0.70	+133	Sold
AVSO.OB					
Avatech Solutions	10-11/04	0.37	2.48	+570	Sold
AMNEX:MED					
Medifast, Inc.	12-04	3.59	7.60	+2	Sold
NASDAQ:SBGI					
Sinclair Broadcast Group <sup>4</sup>	1-05	7.45	9.77	+31	Buy
PBEGF.PK & PBG.TO					
Petrobank Energy & Resources	2-05	3.00	10.84	+261	Sold
NASDAQ:UNTD					
United Online <sup>5</sup>	3-4/05	8.00	13.06	+63	Sold
EACC.OB					
eAutoclaims, Inc.	5-05	0.12	0.16	+33	Buy

COMPANY	DATE RECOMMENDED	RECOMMENDED PRICE	RECENT PRICE	PCT. CHG.	B-H-S
SNWPOB					
Satellite Newspapers	6-05	0.11	0.08	-27	Sold
RPTN.OB					
Raptor Networks Technology	7-8/05	0.51	0.639	+25	Buy
MSEL.PK					
Merisel	9-05	7.59	3.40	-55	Buy
SCNG.OB					
Scientigo, Inc.	10-11-12/05	1.00	0.18	-82	Buy
RXHN.OB					
Rexahn Pharmaceuticals, Inc.	1-06	1.75	2.00	+14	Buy
AVMD.PK					
Advanced Medical	2-06	2.00	0.70	-65	Buy
AMEX:UTK					
UTEK <sup>6</sup>	3-06	13.77	13.12	-5	Buy
BIPH.OB					
Biophan	4-06	1.53	0.435	-72	Buy
AMEX:KAL					
Callisto	5-06	1.41	.76	-46	Buy
NASDAQ:SIRI					
SIRIUS Satellite Radio, Inc.	6-06	4.48	4.29	-4	Buy
AMEX:BBC					
Bodisen Biotech	7-06	12.89	5.40	-58	Buy
QPCI.OB					
QPC Lasers	8-06	2.40	1.30	-46	Buy
CHNG.OB					
China Natural Gas, Inc.	9-06	3.00	2.83	-6	Buy
NASDAQ:GORX					
GeoPharma	10-06	4.05	4.05	-0	BUY

- <sup>1</sup> Purchase price adjusted for dividends of \$0.56 in both 2002 and 2003: a 3 For 2 Stock split in June 2004 and dividends of \$0.48 in 2004 and in 2005 and \$0.12 in 2006.
- <sup>2</sup> Purchase price adjusted downward for a dividend of \$0.50 in January 2005 and \$0.30 in May 2005 and \$0.60 so far in 2006.
- <sup>3</sup> Purchase price adjusted for dividends of \$0.10 in 2003, \$0.40 in 2003 and capital gains of \$0.85 in 2004 and dividends of \$0.40. In January 2005 purchase price adjusted downward

for a special dividend of \$2.77 and \$0.40 regular. Purchase price adjusted downward \$0.93 in January 2006 for a special dividend. And \$0.30 regular so far.

- <sup>4</sup> Purchase price adjusted downward for dividends of \$0.30 in 2005 and \$0.30 in 2006.
- <sup>5</sup> Purchase price adjusted downward for dividends of \$0.80 in 2005.
- <sup>6</sup> Purchase price adjusted downward for dividends of \$0.02 so far in 2006.

To begin or extend your subscription to *EQUITIES Special Situations*, mail this coupon with a check for \$150 (for one year) to *EQUITIES Special Situations*, 2118 Wilshire Boulevard, #722, Santa Monica, CA 90403. To change your address, please send your notification with your current label to above address. Or call 1-800-709-7005.

Check one:           o Six months \$75                           o One year \$150  
                           o Three years \$350                           o Lifetime (non-cancelable) \$999

Name \_\_\_\_\_ Title \_\_\_\_\_

Company \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

o Enclosed is \$ \_\_\_\_\_ Bill my:   o VISA           o MasterCard           o American Express

Card Number \_\_\_\_\_ Expiration Date \_\_\_\_\_

Signature \_\_\_\_\_

**Who Specializes in Quality  
 Middle-Market and Emerging  
 Public Companies?**

**EQUITIES Magazine  
 Our 55th Anniversary Year!**

**1 year (6 issues): \$19.95    2 years (12 issues): \$29.95    3 years (18 issues): \$39.95**

**For new magazine subscribers only, call 1-800-709-7005**

**For current subscribers, please write to:**

**EQUITIES Global Communications, Inc., 2118 Wilshire Boulevard, #722, Santa Monica, CA 90403**