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Piper Jaffray & Co.

Reason for Report:

Change in Price Target

Changes	Previous	Current
Rating	--	Neutral
Price Tgt	\$14.00	\$11.00
FY11E Rev (mil)	\$120.8	\$121.7
FY12E Rev (mil)	\$160.5	\$160.1
FY11E EPS	(\$0.14)	(\$0.13)
FY12E EPS	--	\$0.16

Price:	\$8.34
52 Week High:	\$14.98
52 Week Low:	\$6.88
12-Month Price Target:	\$11.00

Based on 3x EV/2011 sales

Shares Out (mil):	39.0
Market Cap. (mil):	\$325.3
Avg Daily Vol (000):	100
Book Value/Share:	\$3.00
Cash Per Share:	\$2.90
Debt to Total Capital:	0%
Div (ann):	\$0.00
Est LT EPS Growth:	25%
P/E to LT EPS Growth (FY10):	NA
Est Next Rep Date:	11/10/2010
Fiscal Year End:	Dec

Rev (mil)	2010E	2011E	2012E
Mar	\$25.7A	\$28.0E	\$36.5E
Jun	\$24.5A	\$32.0E	\$41.4E
Sep	\$21.7E	\$30.3E	\$40.7E
Dec	<u>\$25.3E</u>	<u>\$31.4E</u>	<u>\$41.6E</u>
FY	\$97.2E	\$121.7E	\$160.1E
CY	\$97.2E	\$121.7E	\$160.1E

FY RM	3.3x	2.7x	2.0x
CY RM	3.3x	2.7x	2.0x

EPS	2010E	2011E	2012E
Mar	(\$0.04)A	(\$0.04)E	\$0.01E
Jun	(\$0.15)A	(\$0.01)E	\$0.03E
Sep	(\$0.14)E	(\$0.06)E	\$0.06E
Dec	<u>(\$0.08)E</u>	<u>(\$0.03)E</u>	<u>\$0.06E</u>
FY	(\$0.40)E	(\$0.13)E	\$0.16E
CY	(\$0.40)E	(\$0.13)E	\$0.16E

FY P/E	NM	NM	52.1x
CY P/E	NM	NM	52.1x

EPS assumes post-IPO share count of 34.2mil basic / 39.0mil diluted.

Codexis, Inc.

Neutral

(CDXS - \$8.34)

Maintain Neutral Following In-Line 2Q; Awaiting Shell-Driven Catalyst

CONCLUSION:

We are maintaining our Neutral rating on CDXS shares after the company reported generally in-line 2Q results and reaffirmed full-year guidance. Cash burn was higher than we expected, but was due largely to the timing of Shell payments. Progress continues to be made toward developing enzymes for Codexis' biofuels program with Shell. We expect CDXS shares to remain range-bound pending better visibility around Shell's commercialization plans in the biofuels arena. Price target is moving to \$11 based on peer group valuation contraction.

- 2Q results demonstrate the benefit of a multi-platform strategy.** Total revenues increased 28% to \$24.5 million (\$2 million above PJC estimate), with particular strength (+100% y/y) in the company's Pharma product segment. Gross margin in Pharma expanded to 28%, but the company cautioned that this level is unlikely to be sustained in 2H10. EBITDA of \$1.4 million came in ahead of our breakeven estimate. Net loss per share was \$0.15, which was 4 pennies below our model. The strength of the company's pharma business segment plays an important role as the company develops its biofuel and carbon capture platforms. Cash from operations were -\$6.7 million, which was \$5 million below our estimate but was entirely attributable to a delayed Shell payment of \$9.5 million. We expect cash from operations to be roughly flat in 2H10.

- Progress continues with Shell – still waiting for commercialization.** During the quarter, Codexis met 2 of its 6 annual milestones with Shell and progress is being made toward the remaining 4. We see two potentially positive outcomes with Shell: (1) Shell finalizes its joint venture with Cosan and Codexis enzymes are integrated initially into first generation ethanol production and eventually cellulosic and biodiesel; (2) Shell and Iogen move ahead with its commercial-scale cellulosic biofuel facility in Canada. Either scenario would be positive for Codexis; however, specific timelines have yet to be set.

- Maintain Neutral rating and lowering price target.** Codexis reaffirmed its full year revenue guidance and our estimate is moving toward the higher end of the company's range. EBITDA is expected to be positive for the full year, which is consistent with our estimate. Our estimates for FY10 and FY11 remain largely unchanged. We are lowering our price target to \$11 as we adjust our target multiple from 4.0x EV/2001E revenue to 3.0x. Our lower multiple is consistent with recent contraction in the peer group of bioindustrial stocks.

INVESTMENT RECOMMENDATION:

Our Neutral rating on CDXS shares balances a bright long-term growth opportunity across a variety of bioindustrial and pharma platforms against the uncertainty surrounding timing of commercialization. The recent pullback in the stock has improved the risk/reward profile; however, the shares lack a significant near-term catalyst to warrant a more positive stance.

RISKS TO ACHIEVEMENT OF TARGET PRICE:

Facility construction delays, reduced regulatory support for biofuels, competing enzyme-based (or other) technologies, a sustained drop in oil prices

COMPANY DESCRIPTION:

Codexis uses "directed evolution" and synthetic biology to custom-tailor enzymes that can enhance the efficiency - and lower the cost - of producing products such as pharmaceuticals, biofuels, and various other bio-based chemicals.

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Codexis

Income Statement

(\$ In Million Except Per Share Data)

Date: 8/5/10

Price: \$8.64

Current disclosure information for this company can be found at:

<http://www.piperjaffray.com/researchdisclosures>

	2010E				2011E				2012E							
	1QA	2QA	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
	Mar	June	Sept	Dec	Mar	June	Sept	Dec	Mar	June	Sept	Dec				
Net Sales	25.7	24.5	21.7	25.3	28.0	32.0	30.3	31.4	36.5	41.4	40.7	41.6	82.9	97.2	121.7	160.1
Cost of Sales	5.2	6.1	5.0	5.7	6.8	9.5	7.4	7.5	10.9	14.1	12.0	12.0	16.7	22.0	31.2	48.9
Gross Profit	20.5	18.4	16.8	19.5	21.2	22.5	22.9	24.0	25.6	27.3	28.7	29.7	66.2	75.2	90.5	111.2
Research & development	13.0	13.0	13.2	13.5	13.5	14.0	15.0	15.0	15.0	16.0	16.0	16.5	45.9	52.7	57.5	63.5
Operations	2.0	2.0	2.0	2.0	2.0	2.0	2.5	2.5	2.5	2.5	3.0	3.0	8.9	8.0	9.0	11.0
SG&A	6.6	6.7	6.5	7.0	7.5	7.5	8.0	8.0	8.0	8.0	8.0	8.5	29.9	26.8	31.0	32.5
Operating Income from operations	(1.100)	(3.3)	(4.9)	(3.0)	(1.8)	(1.0)	(2.6)	(1.5)	0.1	0.8	1.7	1.7	(18.4)	(12.3)	(7.0)	4.2
Interest Expense, net	(0.3)	(0.6)	-	-	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5	(1.2)	(0.9)	1.6	2.0
Other	-	-	-	-	-	-	-	-	-	-	-	-	(0.6)	-	-	-
Total Other Income (loss)	(0.3)	(0.6)	-	-	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5	(1.9)	(0.9)	1.6	2.0
Pretax Income	(1.4)	(3.9)	(4.9)	(3.0)	(1.4)	(0.6)	(2.2)	(1.1)	0.6	1.3	2.2	2.2	(20.2)	(13.2)	(5.4)	6.2
Tax Provision	0.1	(0.1)	0.2	0.2	0.2	0.2	0.2	0.2	-	-	-	-	(0.1)	0.3	0.8	-
Net Income	(1.4)	(3.9)	(4.8)	(2.8)	(1.2)	(0.4)	(2.0)	(0.9)	0.6	1.3	2.2	2.2	(20.3)	(12.9)	(4.6)	6.2
Shares Basic	34.2	26.6	34.2	34.2	34.2	34.2	34.2	34.2	34.2	34.2	34.2	34.2	34.2	32.3	34.2	34.2
Shares Diluted (Mils.)	39.0	39.0	39.0	39.0	39.0	39.0	39.0	39.0	39.0	39.0	39.0	39.0	39.0	39.0	39.0	39.0
EPS-Reported Diluted	(\$0.04)	(\$0.15)	(\$0.14)	(\$0.08)	(\$0.04)	(\$0.01)	(\$0.06)	(\$0.03)	\$0.01	\$0.03	\$0.06	\$0.06	(\$0.59)	(\$0.40)	(\$0.13)	\$0.16
Depreciation and amortization	\$1.8	\$2.2	\$2.1	\$2.1	\$2.4	\$2.4	\$2.4	\$2.4	\$3.8	\$3.8	\$3.8	\$3.8	\$6.1	\$8.3	\$9.5	15.0
Non-cash stock comp & other	\$2.0	\$2.5	\$1.5	\$1.5	\$2.1	\$2.1	\$2.1	\$2.1	\$1.9	\$1.9	\$1.9	\$1.9	\$4.9	\$7.5	\$8.5	7.5
EBITDA	\$2.8	\$1.4	(\$1.3)	\$0.6	\$2.7	\$3.5	\$1.9	\$3.0	\$5.7	\$6.5	\$7.3	\$7.3	(\$7.3)	\$3.5	\$11.0	26.7
Margins:																
Gross Margin	79.7%	75.2%	77.1%	77.3%	75.6%	70.2%	75.6%	76.2%	70.1%	66.0%	70.5%	71.3%	79.9%	77.3%	74.4%	69.5%
R&D expense ratio	50.5%	53.1%	60.7%	53.4%	48.2%	43.8%	49.5%	47.7%	41.1%	38.7%	39.4%	39.7%	55.3%	54.2%	47.2%	39.7%
Operations expense ratio	7.8%	8.2%	9.2%	7.9%	7.1%	6.3%	8.3%	8.0%	6.9%	6.0%	7.4%	7.2%	10.7%	8.2%	7.4%	6.9%
SG&A expense ratio	25.7%	27.2%	29.9%	27.7%	26.8%	23.4%	26.4%	25.4%	21.9%	19.3%	19.7%	20.4%	36.0%	27.5%	25.5%	20.3%
EBITDA Margin	10.7%	5.6%	-6.1%	2.6%	9.5%	10.9%	6.3%	9.4%	15.6%	15.6%	17.9%	17.5%	-8.8%	3.6%	9.1%	16.7%
Operating Margin	-4.3%	-13.3%	-22.8%	-11.8%	-6.6%	-3.2%	-8.5%	-4.9%	0.2%	2.0%	4.1%	4.0%	-22.2%	-12.6%	-5.7%	2.6%
Pretax Margin	-5.6%	-15.8%	-22.8%	-11.8%	-5.2%	-1.9%	-7.2%	-3.6%	1.5%	3.2%	5.3%	5.2%	-24.4%	-13.6%	-4.4%	3.9%
Net Income Margin	-5.3%	-16.1%	-22.1%	-11.2%	-4.4%	-1.3%	-6.5%	-3.0%	1.5%	3.2%	5.3%	5.2%	-24.5%	-13.3%	-3.8%	3.9%

Codexis

Segment Sales & Profit Analysis

(\$ In Thousands Except Per Share Data)

	2010E				2011E				2012E							
	1QA	2QA	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
	Mar	June	Sept	Dec	Mar	June	Sept	Dec	Mar	June	Sept	Dec	FY09	FY10E	2011E	2012E
Revenue																
Pharma	6.9	8.5	6.7	7.8	10.2	14.2	11.0	11.2	17.0	22.0	18.7	18.7	20.0	29.9	46.6	76.4
Generic	2.4	4.2	2.4	3.6	3.9	7.2	4.1	4.5	5.1	8.6	4.9	5.5	8.8	12.7	19.8	24.1
Innovator	4.5	4.3	4.3	4.1	6.3	7.0	6.9	6.6	12.0	13.3	13.8	13.2	11.2	17.2	26.8	52.3
Biofuels	16.0	15.5	15.0	17.5	17.0	17.0	18.5	19.5	17.7	17.7	19.2	20.2	62.8	64.1	72.2	74.9
FTE	14.5	14.7	13.5	13.5	15.5	15.5	15.5	15.5	16.2	16.2	16.2	16.2	53.5	56.2	62.2	64.9
Other/Milestones	1.5	0.9	1.5	4.0	1.5	1.5	3.0	4.0	1.5	1.5	3.0	4.0	9.3	7.9	10.0	10.0
Bio-industrials	0.0	0.0	0.0	0.0	0.5	0.5	0.5	0.5	1.0	1.0	2.0	2.0	0.1	0.0	2.0	6.0
Carbon	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0	0.0	0.0	0.0	2.0
Water, Other	0.0	0.0	0.0	0.0	0.5	0.5	0.5	0.5	1.0	1.0	1.0	1.0	0.1	0.0	2.0	4.0
Grants	<u>2.7</u>	<u>0.5</u>	<u>0.0</u>	<u>0.0</u>	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>	0.0	3.2	1.0	2.8
TOTAL	25.7	24.5	21.7	25.3	28.0	32.0	30.3	31.4	36.5	41.4	40.7	41.6	82.9	97.2	121.7	160.1
Revenue % Change																
Pharma	39.4%	82.2%	33.0%	46.8%	47.0%	67.5%	63.6%	43.6%	67.1%	54.5%	70.1%	67.4%		49.7%	55.7%	64.0%
Generic	30.0%	157.4%	50.0%	0.0%	60.0%	70.0%	70.0%	25.0%	30.0%	20.0%	20.0%	20.0%		45.1%	55.2%	22.0%
Innovator	45.0%	41.1%	25.0%	150.0%	40.0%	65.0%	60.0%	60.0%	90.0%	90.0%	100.0%	100.0%		53.3%	56.0%	95.0%
Biofuels	11.2%	6.6%	0.0%	-7.1%	6.2%	9.9%	23.6%	11.6%	4.0%	4.0%	3.7%	3.5%		2.0%	12.7%	3.8%
FTE	12.2%	8.4%	0.2%	-0.5%	6.9%	6.0%	15.1%	15.1%	4.4%	4.4%	4.4%	4.4%		5.0%	10.6%	4.4%
Other/Milestones	2.9%	-16.6%	-1.4%	-24.1%	0.0%	76.3%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%		-15.3%	27.4%	0.0%
Bio-industrials	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a		n/a	n/a	n/a
Grants	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a		n/a	n/a	n/a
Total	32.4%	27.5%	8.3%	4.3%	8.9%	30.7%	39.4%	24.4%	30.3%	29.3%	34.2%	32.3%		17.2%	25.3%	31.5%
Gross Profit																
Pharma	1.719	2.409	1.750	2.020	3.366	4.689	3.634	3.682	6.135	7.906	6.743	6.723	3.310	7.899	15.371	27.51
Biofuels	16.041	15.504	15.004	17.504	17.039	17.039	18.539	19.539	17.729	17.729	19.229	20.229	62.806	64.053	72.156	74.92
Bio-industrials	0.000	0.000	0.000	0.000	0.500	0.500	0.500	0.500	1.000	1.000	2.000	2.000	0.069	0.000	2.000	6.00
Grants	<u>2.722</u>	<u>0.492</u>	<u>0.000</u>	<u>0.000</u>	<u>0.250</u>	<u>0.250</u>	<u>0.250</u>	<u>0.250</u>	<u>0.700</u>	<u>0.700</u>	<u>0.700</u>	<u>0.700</u>	0.046	3.214	1.000	2.80
TOTAL	20.482	18.405	16.754	19.524	21.155	22.478	22.924	23.971	25.564	27.335	28.672	29.652	66.230	75.166	90.528	111.22
Gross Margins																
Pharma	24.8%	28.4%	26.0%	26.0%	33.0%	33.0%	33.0%	33.0%	36.0%	36.0%	36.0%	36.0%	16.6%	26.4%	33.0%	36.0%
Biofuels	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a				
Bio-industrials	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a				
Grants	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a				
Total	79.7%	75.2%	77.1%	77.3%	75.6%	70.2%	75.6%	76.2%	70.1%	66.0%	70.5%	71.3%	79.9%	77.3%	74.4%	69.5%

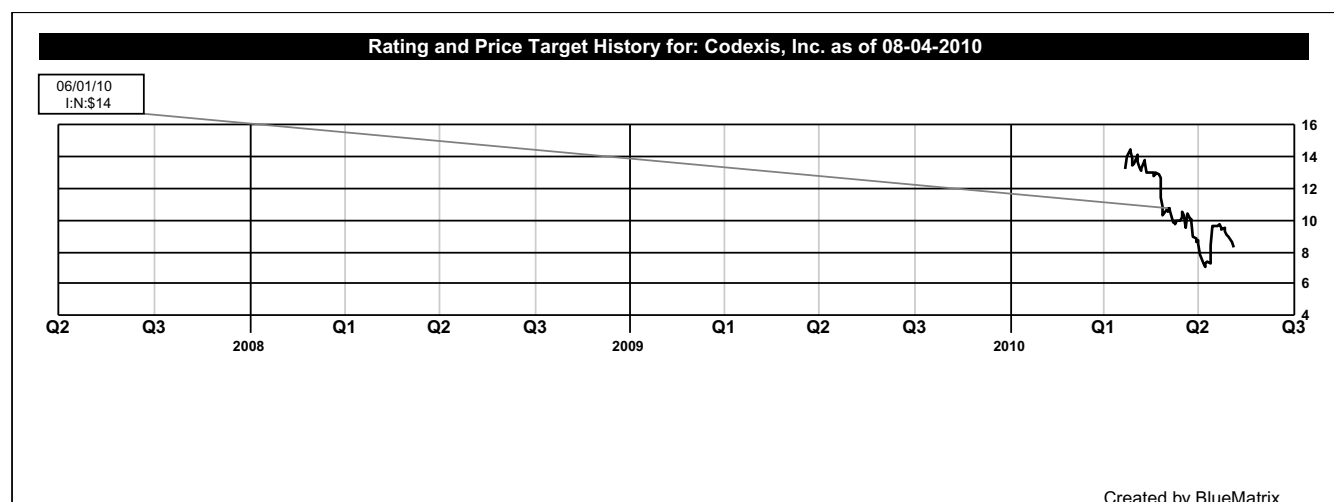
Codexis
Balance Sheet

(\$ Million)	FY10E				FY11E				FY12E				Fiscal	Fiscal	Fiscal	Fiscal	Fiscal
	Q1A	Q2A	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2008	2009E	2010E	2011E	2012E
Cash	29.2	100.3	99.2	95.6	92.5	89.7	84.4	77.4	73.0	70.5	68.9	67.4	37.1	55.6	95.6	77.4	67.4
Other current assets	21.5	14.3	16.0	17.7	20.9	23.6	25.5	28.2	30.1	31.3	32.7	33.8	11.2	11.8	17.7	28.2	33.8
Current Assets	50.7	114.6	115.1	113.3	113.4	113.3	109.9	105.5	103.2	101.8	101.5	101.2	48.3	67.4	113.3	105.5	101.2
Plant/Property/Equipment (Net)	21.3	21.3	22.2	23.1	24.7	26.3	30.0	33.6	40.8	48.1	55.3	62.6	16.0	21.6	23.1	33.6	62.6
Other long-term assets	11.9	7.8	17.8	22.8	27.8	27.8	27.8	27.8	17.8	7.8	7.8	7.8	6.5	10.1	22.8	27.8	7.8
TOTAL ASSETS	83.8	143.7	155.1	159.2	165.9	167.4	167.6	166.9	161.8	157.7	164.7	171.6	70.9	99.0	159.2	166.9	171.6
Current liabilities:																	
Notes Payable	-	-	-	-	-	-	-	-	-	-	-	-	5.2	7.9	-	-	-
Deferred revenue	9.4	4.6	8.9	9.0	9.2	9.9	10.7	10.1	10.8	11.6	12.4	13.3	10.6	24.7	9.0	10.1	13.3
Other Current Liabilities	28.0	26.3	26.7	27.0	27.7	26.8	26.0	24.7	26.4	28.3	30.4	32.4	26.6	31.5	27.0	24.7	32.4
Total Current Liabilities:	37.4	30.8	35.6	36.0	36.8	36.6	36.7	34.8	37.2	39.9	42.8	45.7	42.4	64.2	36.0	34.8	45.7
Long-Term Debt	-	-	-	-	-	-	-	-	-	-	-	-	8.5	-	-	-	-
Other liabilities	10.9	8.5	20.0	26.5	33.7	35.8	37.9	40.0	31.9	23.8	25.7	27.5	16.4	-	26.5	40.0	27.5
Total Liabilities	48.3	39.4	55.6	62.5	70.5	72.4	74.6	74.8	69.1	63.7	68.5	73.3	67.3	64.2	62.5	74.8	73.3
Preferred stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stockholders' equity	35.5	104.3	99.5	96.7	95.4	95.0	93.0	92.1	92.7	94.0	96.2	98.3	3.6	34.8	96.7	92.1	98.3
TOTAL LIABILITIES & S.E.	83.8	143.7	155.1	159.2	165.9	167.4	167.6	166.9	161.8	157.7	164.7	171.6	70.9	99.0	159.2	166.9	171.6

Codexis
Statement of Cash Flow

(\$ Millions)	FY10E				FY11E				FY12E				Fiscal	Fiscal	Fiscal	Fiscal	Fiscal
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2008	2009	2010E	2011E	2012E
Operating:																	
Net Income	(1.4)	(3.9)	(4.8)	(2.8)	(1.2)	(0.4)	(2.0)	(0.9)	0.6	1.3	2.2	2.2	(45.1)	(20.3)	(12.9)	(4.6)	6.2
Depreciation/Amortization	1.8	1.9	2.1	2.1	2.4	2.4	2.4	2.4	3.8	3.8	3.8	3.8	4.6	7.8	8.0	9.5	15.0
Share-based compensation	1.7	2.3	1.5	1.5	2.1	2.1	2.1	2.1	1.9	1.9	1.9	1.9	3.5	4.8	7.0	8.5	7.5
Changes in operating assets and liabilities:	(14.1)	(6.9)	3.0	(1.4)	(2.3)	(2.9)	(1.8)	(4.6)	0.5	1.5	1.6	1.7	0.8	(1.0)	(19.4)	(11.6)	5.3
Net Cash Flow for Operating Activities	(12.0)	(6.7)	1.9	(0.6)	1.0	1.2	0.7	(1.0)	6.6	8.4	9.4	9.5	(36.3)	(8.7)	(17.4)	1.8	34.0
Investing:																	
Purchases of plant, property, equipment	(1.3)	(1.9)	(3.0)	(3.0)	(4.0)	(4.0)	(6.0)	(6.0)	(11.0)	(11.0)	(11.0)	(11.0)	(8.5)	(10.8)	(9.2)	(20.0)	(44.0)
Other	13.6	(39.0)	-	-	-	-	-	-	-	-	-	-	15.6	(0.4)	(25.4)	-	-
Acquisitions	-	-	-	-	-	-	-	-	-	-	-	-	-	(1.3)	-	-	-
Net Investing Cash Flow	12.3	(40.9)	(3.0)	(3.0)	(4.0)	(4.0)	(6.0)	(6.0)	(11.0)	(11.0)	(11.0)	(11.0)	7.1	(12.5)	(34.6)	(20.0)	(44.0)
Financing:																	
Net change in long-term debt	(1.3)	(1.3)	-	-	-	-	-	-	-	-	-	-	(4.3)	(6.1)	(2.7)	-	-
Issuance of equity/preferred	-	72.7	-	-	-	-	-	-	-	-	-	-	0.4	-	-	-	-
Other	(1.5)	(1.5)	-	-	-	-	-	-	-	-	-	-	-	0.1	(3.0)	-	-
Net cash provided by Financing Activities	(2.8)	69.8	-	-	-	-	-	-	-	-	-	-	(3.9)	(6.0)	(5.6)	-	-
Exchange rate changes	(0.0)	(0.0)															
Increase in cash and cash equivalents	(2.6)	22.3	(1.1)	(3.6)	(3.0)	(2.8)	(5.3)	(7.0)	(4.4)	(2.6)	(1.6)	(1.5)		(27.2)	(57.7)	(18.2)	(10.0)
Cash at beginning of period	55.9	53.4	75.6	74.5	70.9	67.8	65.0	59.7	52.7	48.3	45.8	44.2		37.1	55.9	(1.8)	52.7
Cash at end of period	53.4	75.6	74.5	70.9	67.8	65.0	59.7	52.7	48.3	45.8	44.2	42.7		10.0	(1.8)	52.7	42.7
Free cash flow													(44.9)	(19.5)	(26.6)	(18.2)	(10.0)

Important Research Disclosures



Notes: The boxes on the Rating and Price Target History chart above indicate the date of the Research Note, the rating, and the price target. Each box represents a date on which an analyst made a change to a rating or price target, except for the first box, which may only represent the first Note written during the past three years.

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I: Initiating Coverage

R: Resuming Coverage

T: Transferring Coverage

D: Discontinuing Coverage

S: Suspending Coverage

OW: Overweight

N: Neutral

UW: Underweight

B: Buy (Piper Jaffray discontinued use of the B, N, and S ratings on June 30, 2009)

N: Neutral

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			Count	Percent
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HOLD [N]	272	39.10	24	8.82
SELL [UW]	66	9.50	1	1.52

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