WEDBUSH *QUICK NOTE*

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Anthera Pharmaceuticals (ANTH – OUTPERFORM): Trials Enrolling on Schedule; Benlysta May Provide Near-Term Catalyst

Price: $5.83 (Intraday 10/14/10) **Fair Value: $8**

- **Trial enrollments progressing well.** We recently met with the management team from Anthera and came away encouraged by the progress of the company's ongoing late-stage clinical trials. Management noted that enrollment in both the Phase III VISTA-16 and Phase IIb PEARL studies is proceeding at or ahead of schedule (although we do not know the precise numbers). Recall that the VISTA-16 study is evaluating A-002 (varespladib) in Acute Coronary Syndrome and the PEARL study is evaluating A-623 in Lupus. We expect interim biomarker data from both studies in H1:2011, which if positive, should serve to incrementally boost confidence in the trials succeeding.
- **Near term focus on Benlysta approval in Lupus.** The next important catalyst for Anthera will likely be the upcoming FDA advisory meeting (11/16/2010) and PDUFA date (12/9/2010) for Benlysta. Recall that Benlysta, developed by Human Genome Sciences (HGSI – Not Rated), is poised to be the first new drug approved for Lupus in decades. Given the high expectations for Benlysta and the similarities between Benlysta and A-623 (both target BLyS), we believe the upcoming attention on Benlysta could draw significant investor interest to Anthera in the near term. Moreover, we expect Benlysta's approval to spur partnership interest in A-623 from large pharma, as a clear regulatory pathway in Lupus will now be established.
- **Upcoming milestones should provide initial look into Anthera's key clinical trials.** We estimate the following near term milestones for ANTH: (1) interim biomarker data from the Phase III data for A-002 in Q1:11; (2) interim B-cell reduction data in A-623 Phase IIb trial in Q2:11; and (3) initiation of a Phase IIb program of A-001 in Acute Chest Syndrome in H1:11. Other near-term milestones relevant to Benlysta are listed above.
- **Reiterate OUTPERFORM rating and fair value of $8 per share.** Our fair value is calculated using a sum-of-parts analysis, applying a 30% annual discount to our peak annual sales estimate for A-002 in ACS, and A-623 in SLE, incorporating a 1-10 multiple for each based on stage of clinical risk.
- **Risks to the attainment of our fair value include risks that**: Anthera's products obtain disappointing clinical trial results and or fail to obtain regulatory approval; Physicians are not be impressed with the products' clinical profiles; Anthera or a partner fails to effectively commercialize Anthera's drug candidates; third-party patents prevent the timely commercialization; superior clinical results are obtained by a third-party competitor; Anthera is unable to raise needed capital.

Disclosure information regarding historical ratings and price targets is available at
http://www.wedbush.com/ResearchDisclosure/DisclosureQ310.pdf

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* WS changed its rating system from (Strong Buy/Buy/Hold/Sell) to (Outperform/ Neutral/Underperform) on July 14, 2009.

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