28-April-2010

Alimera Sciences (ALIM)

Developing an injectable implant to treat eye diseases.

Investment Rating: Outperform

Pricing Update

Stock Data *(in mil, except per share)*

Current Price (28-Apr-2010)	$11.06
Shares Outstanding	33.0
Market Capitalization	$364.9
Enterprise Value	$298.7

IPO Data

Offer Date	4/21/2010
Offer Price	$11.00
Price Range	$15.00 - $17.00
Shares Offered (% insider)	6.6 (0%)
Deal Size	$72.1
Use of Proceeds	Fund clinical trials/launch

IPO Underwriters *(*bookrunner)*

Credit Suisse*	Citi*
Cowen & Company	Oppenheimer & Co.

Key Financial Data

Income Model			*FY Ended Dec*
($ in mil)	**2009A**	**2010E**	**2011E**
Sales	$0.0	$0.0	$140.0
EBITDA	-17.6	-27.8	28.5
EBIT	-19.2	-29.8	26.0
Net Income	-21.1	-29.5	16.4
EPS	**-$0.94**	**-$0.97**	**$0.50**

Balance Sheet	*As of 12/31/09 (adj. for IPO)*
Cash	$66.2
Working Capital	61.4
Total Assets	67.9
Total Debt	0.0
Shareholders' Equity	60.9

Corporate Data

Employees	21
Year Founded	2003
Headquarters	Alpharetta, GA
Phone Number	678-990-5740
Web Address	www.alimerasciences.com

Rating Analysis — Very Weak / Neutral / Very Strong

Long-Term

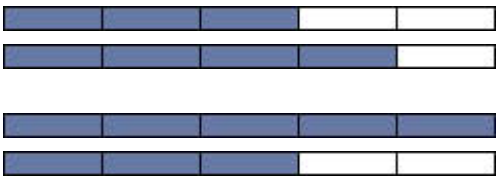
Company Fundamentals

Corporate Governance

Short-Term

Relative Valuation

Technical Strength



Alimera raises less proceeds than expected and trades flat during first five days. Although Alimera sold 6.55 million shares in its IPO (0.55 million shares more than expected), the company raised only $66 million in net proceeds versus $87 million as originally planned as the shares were priced at only $11, a sharp 31% discount to the proposed $15-$17 range. Since it commenced trading last week, the stock has moved within a tight range and closed at $11.06 today for a return of 1% thus far.

Raising valuation rating due to IPO discount. Alimera may get FDA approval for its steroid eye implant Iluvien as early as 4Q10, and sales could ramp quickly. Based on our assumption that Iluvien will launch in 1Q11 and may hit peak sales of $1.06 billion in 2017, we see significant upside to the current valuation. Even if we assumed a 25% discount rate in our DCF model, the fair value of the stock would be nearly $18, implying over 60% upside to the current price (an even steeper discount rate of 30% would imply a fair value of $13). Note that key risks to the valuation include Iluvien's failure to gain FDA approval and lower-than-expected sales due to the launch of competing products.

Market opportunity is over $1 billion. Although there is risk involved in the story as Alimera has yet to gain FDA approval of its sole product candidate and Iluvien will be up against alternate off-label treatments like Lucentis and Avastin, Iluvien has the potential to generate over $1 billion in peak sales. Alimera is run by an experienced management team that has been able to attract significant capital from a number of venture capital firms.

Bull Insights

- Iluvien is in late-stage development and the NDA filing is imminent
- If approved, Iluvien has the potential to generate $1 billion+ in peak sales
- Iluvien is designed to last much longer than off-label therapies
- Alimera is managed by Novartis alums and has strong venture backers
- The valuation leaves room for upside and the group is hot

Bear Insights

- Has lost $172 million to date and has only one drug in clinical development
- Iluvien failed in one Phase 3 trial under the modified data set
- Will compete against alternate treatments like Lucentis & Avastin (Genentech)
- Anticipates pricing pressure due to the pending healthcare reforms

Company Fundamentals — Rating: Neutral

Overview:

This biopharmaceutical firm, run by veterans from Novartis, is developing Iluvien, an implant containing an approved steroid that is injected into the back of the eye to treat ophthalmic diseases. Iluvien which has fewer side effects and lasts longer than currently prescribed off-label therapies, is currently in two Phase 3 clinical trials for the treatment of diabetic macular edema (DME). Alimera plans to file a New Drug Application (NDA) with the FDA in June, and approval is expected between 4Q 2010 and 1Q 2011. Alimera believes it can quickly capture share in the $3-$4 billion DME market with a small salesforce targeting the 1,600 retinal specialists in the U.S.

Rating Rationale:

Although Alimera has yet to file its New Drug Application and the unknown outcome of the FDA review introduces substantial risk to the story as Iluvien is the only product candidate in clinical development, we believe that - if approved - Iluvien has blockbuster potential and could quickly gain share in the diabetic macular edema (DME) market. Even though Iluvien will be up against alternate off-label treatments like Genentech's Lucentis and Avastin, the implant is designed to last much longer (up to 36 months) and offers the benefit of a controlled release mechanism. In addition, management is confident that a small salesforce can cover the market of retinal specialists in the U.S.

Business:

Is developing Iluvien, an implant containing corticosteroid fluocinolone acetonide (FA) that is injected into the back of the eye for the treatment of diabetic macular edema. DME is a disease of the retina whereby the blood vessel leakage of diabetic retinopathy causes swelling in the macula, which can in turn lead to severe vision loss and blindness in diabetic patients. Iluvien delivers sustained sub-microgram levels of FA in a tiny tube, providing a therapeutic effect for up to 36 months with fewer side effects than alternate treatments. Iluvien is currently being tested in two Phase 3 clinical trials involving 956 patients, and Alimera plans to file a New Drug Application (NDA) in the U.S. with 24 months of clinical data from its FAME study for the low dose of the drug in June. If granted Priority Review by the FDA, approval is expected as early as 4Q 2010; otherwise 1Q 2011. Plans to file for approval in Europe and Canada as well. Iluvien is also being studied in three Phase 2 trials for the treatment of dry age-related macular degeneration (AMD), wet AMD and retinal vein occlusion (RVO).

Plans to establish its own 40-person sales-and marketing team to cover the 900 retinal centers with 1,600 retinal specialists in the U.S. and expects to engage third-party collaborators in international markets. Outsources manufacturing. Licenses key technology for the delivery of medications to the eye from pSivida and is subject to a 20% profit sharing agreement. Must also pay pSivida a $25 million milestone payment upon FDA approval. Also has a patent licensing agreement with Emory University for the use of nicotinamide adenine dinucleotide phosphate (NADPH) oxidase inhibitors in the treatment of dry AMD.

Competition:

Although there are no ophthalmic drug therapies approved by the FDA for the treatment of DME, major pharma companies and biotechs are developing competing products, including Genentech/Roche with Lucentis, which is in Phase 3 for DME (using monthly injections) and already approved for wet AMD ($1.1 billion in 2009 sales); and Allergan with Ozurdex, an implant that delivers corticosteroid dexamethasone and which was approved for macular edema associated with retinal vein occlusion in June 2009. The current standard of care for DME is laser photocoagulation, but retinal specialists also use off-label therapies, such as Lucentis and Avastin.

Key Issues:

Has lost $172 million to date. Success depends solely on Iluvien, its only product candidate in clinical development. Although Iluvien met its primary efficacy endpoint for the full patient analysis set, statistical significance was not achieved for either its low or high dose in one trial using a modified data set, which excludes patients that enrolled but were not treated and data collected subsequent to patients' use of treatments prohibited by the protocol (i.e. Avastin, Lucentis). It is not clear which data set the FDA will be using in its analysis. Approval could be delayed by up to 36 months if Alimera is unable to obtain a waiver from the FDA for carcinogenicity studies in animals. Undesirable side effects of the drug include increased incidence of intraocular pressure (IOP), which may increase the risk of glaucoma and cataract formation. Licenses rights to its delivery device from a third party (pSivida). Will depend on single third-party manufacturers for the intravitreal insert, the inserter and the active pharmaceutical ingredient (API) in Iluvien. Has yet to secure reimbursement for Iluvien and expects to experience pricing pressure due to the healthcare reforms. Fluocinolone acetonide (FA), the API in Iluvien, is off-patent and currently used in ocular implant Retisert marketed by Bausch & Lomb to treat chronic uveitis.

Latest Results and Outlook

Recent Financial Trends:

Has not generated any product revenue on Iluvien to date. For the fiscal year ended December 2009, R&D expenses decreased 66% to $15.1 million, mainly due to non-recurring costs related to the restructuring of its licensing agreement with pSivida in 2008. SG&A expenses decreased 33% to $3.4 million as a result of non-recurring costs related to the preparation for an IPO in 2008 (which was subsequently delayed due to market conditions) and legal expenses incurred in conjunction with the restructuring of its license agreement with pSivida. Marketing costs declined by 40% to $0.8 million owing to reduced travel and general corporate awareness spending. Interest income declined to marginal amounts due a decrease in its cash balance over the year and a reduction in rates available on its money market accounts, as interest expense rose 25% to $1.9 million in light of a note payable issued to pSivida in March 2008.

Outlook:

Assuming FDA approval in 4Q 2010 and launch in 1Q 2011, we believe sales of Iluvien could ramp quickly as the company captures share in the large DME market. We have modeled revenue of $140 million in 2011, $290 million in 2012 and $440 million in 2013, ramping further to peak sales of $1.1 billion in 2017. Although Alimera is obligated to make a $25 million milestone payment to pSivida under its licensing agreement upon FDA approval of Iluvien and is subject to a 20% profit share with the firm, Alimera benefits from a leverageable operating model that could help it turn profitable as early as next year.

Income Statement Data			
FY Dec ($ in mil)	**2007**	**2008**	**2009**
Sales	$0.0	$0.0	$0.0
Gross Profit	0.0	0.0	0.0
EBITDA	-12.2	-49.1	-17.6
Operating Income	-12.5	-50.1	-19.2
Net Income	-11.4	-51.0	-21.1
EPS	**-$0.51**	**-$2.27**	**-$0.94**
Cash Flow Data			
Operating Income	-$12.5	-$50.1	-$19.2
Plus: D&A/Non-Cash	0.3	1.0	1.6
EBITDA	-12.2	-49.1	-17.6
CFFO	-$12.9	-$32.1	-$17.5
Less: Capex	0.2	0.6	0.1
Free Cash Flow	-13.1	-32.8	-17.6

Balance Sheet Data	**Actual**	**Post IPO**
($ in mil)	**12/31/09**	**12/31/09**
Cash	$14.9	$66.2
Working Capital	5.6	61.4
Total Assets	16.6	67.9
Total Debt	15.0	0.0
Shareholders' Equity	-5.4	60.9

**Excludes a $4 million option payment from Bausch & Lomb in Jan. 2010.*

Corporate Governance — Rating: Strong

Alimera is run by an experienced ophthalmics team with backgrounds from Novartis where they launched wet AMD treatment Visudyne, which generated $140 million in sales in its first year. In addition to their drug development and marketing expertise, this team has managed to continuously attract capital from a number of venture capital firms through various rounds of financing since 2004 (the last venture round was completed in August 2009 at $5.17). Although only two out of eight directors are truly independent, we believe the interests of management and Alimera's financial sponsors are well aligned with the interests of public shareholders and there are no major insider transactions.

Key Executive	Age	Position	Corporate Background
C. Daniel Myers	55	President and CEO	Co-founded Alimera in 2003. Was a founding member of Novartis Ophthalmics where he served as VP of Sales and Marketing from 1991-1997 and as President from 1997-2003. Has 27 years experience in the ophthalmic pharmaceutical industry.
Kenneth Green, Ph.D.	51	SVP and CSO	Joined in 2004. Previously served as global head of clinical sciences at Novartis Ophthalmics and managed ophthalmic clinical development organizations at Bausch & Lomb, CIBA Vision and Storz Ophthalmics.
Susan Caballa	65	SVP, Regulatory and Medical Affairs	Joined in 2004. Previously served as VP of Regulatory and Medical Affairs at Novartis Ophthalmics (1999-2004) and held regulatory management positions at Allergan (1983-1987), J&J unit Iolab Corporation (1987-1994) and Alcon (1994-1999).
David Holland	46	VP of Marketing	Co-founded Alimera in 2003. Joined CIBA Vision (later renamed Novartis Ophthalmics) in 1989 where he served as New Products Manager, Director of Marketing and Global Head of CIBA's Lens. Served as VP of Marketing at Novartis Ophthalmics from 1998 to 2003.

Key Shareholder	Holdings	Additional Details
Scale Venture Management (BAVP)	15.7%	Foster City, CA based venture capital firm that invests in mid-to-late stage companies across various industries. Has one Board seat.
Domain Associates	15.7%	Venture capital firm with offices in New Jersey and California. Has one Board seat.
Intersouth Partners	15.7%	Durham, NC based venture firm focused on investment opportunities in the technology and life science sectors. Has one Board seat.
Polaris Venture Partners	15.7%	Waltham, MA based venture capital firm focused on seed and early stage technology and life sciences businesses. Has one Board seat.
Venrock Associates	12.7%	Global venture capital investor. Has one Board seat.
Management	4.5%	Share ownership by its five key executives is largely represented by options.

Relative Valuation — Rating: Very Strong

Alimera may get FDA approval for its steroid eye implant Iluvien as early as 4Q10, and sales could ramp quickly. Based on our assumption that Iluvien will launch in 1Q11 and may hit peak sales of $1.06 billion in 2017, we see significant upside to the current valuation. Even if we assumed a 25% discount rate in our DCF model, the fair value of the stock would be nearly $18, implying over 60% upside to the current price (an even steeper discount rate of 30% would imply a fair value of $13). Note that key risks to the valuation include Iluvien's failure to gain FDA approval and lower-than-expected sales due to the launch of competing products.

Valuation Methods

	DCF
Methodology	15x 2019 Net
Implied Value	$17.82
Upside/Downside	+62%

View DCF Model at
www.ipointelligence.com/iporesearch/

Comparable Financial Analysis

	FY	Sales	GM %	EBIT %	Net %	Debt-to-Capital	Est. Sales 2010	Est. Sales 2011	Est. Sales 2012
Alimera Sciences	**Dec**	**$0.0**	**n/a**	**n/a**	**n/a**	**0.0%**	**$0**	**$140**	**$290**
Savient Pharma	Dec	$3.0	45.7%	n/a	n/a	0.0%	$10	$105	$160
QLT	Dec	$42.1	52.0%	-129.1%	-86.0%	0.0%	$50	$51	--
Intermune	Dec	$48.7	85.6%	-174.3%	-238.2%	636.4%	$80	$290	$490
Regeneron	Dec	$379.3	99.6%	-20.1%	-18.4%	21.6%	$420	$475	$655
Optimer Pharma	Dec	$0.9	n/a	n/a	n/a	0.0%	$5	$45	$115
Cadence Pharma	Dec	$0.0	n/a	n/a	n/a	7.9%	$5	$55	$150
Vivus	Dec	$50.0	76.1%	-107.9%	-108.5%	9.7%	$30	$80	$130
Clinical Data	Mar	$13.1	51.0%	-490.9%	-565.3%	55.5%	$15	$80	$175
Group Average			**68.4%**	**-184.5%**	**-203.3%**	**91.4%**	**$77**	**$148**	**$268**

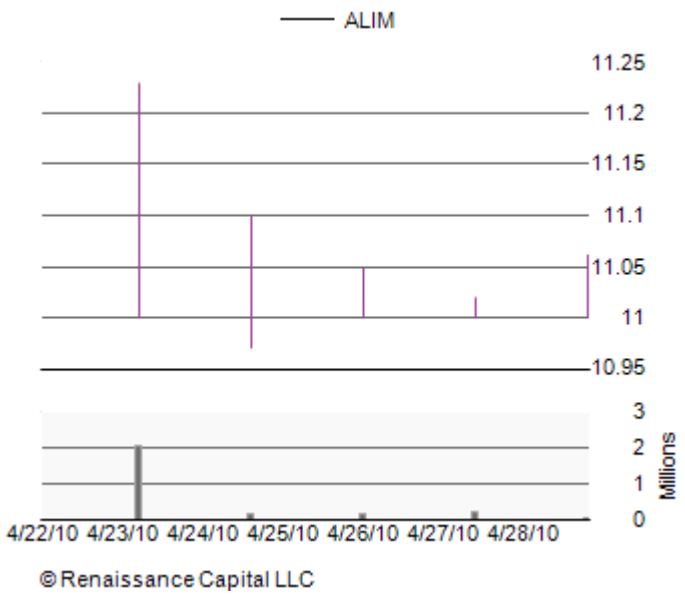
Comparable Valuation Analysis

					EV/Sales			P/E			
IPO and Key Peers	*Ticker*	*Price*	*Market Value*	*Enterprise Value*	*2010*	*2011*	*2012*	*2010*	*2011*	*2012*	*P/B*
Alimera Sciences	**ALIM**	**$11.06**	**$364.9**	**$298.7**	**n/a**	**2.1x**	**1.0x**	**n/a**	**21.2x**	**5.3x**	**6.0x**
Savient Pharma	SVNT	$14.44	$943.7	$835.5	76.3x	7.3x	5.2x	n/a	n/a	92.6x	14.7x
QLT	QLTI	$6.35	$344.4	$156.3	3.1x	3.0x	n/a	n/a	24.4x	n/a	0.9x
Intermune	ITMN	$43.10	$1,980.1	$2,018.7	25.0x	5.6x	4.1x	n/a	235.5x	20.8x	n/a
Regeneron	REGN	$24.62	$1,973.0	$1,740.7	4.1x	3.4x	2.7x	n/a	n/a	n/a	5.0x
Optimer Pharma	OPTR	$12.26	$406.4	$368.3	48.2x	8.4x	3.2x	n/a	n/a	27.0x	12.4x
Cadence Pharma	CADX	$9.90	$499.3	$423.7	35.9x	6.7x	2.8x	n/a	n/a	73.3x	6.7x
Vivus	VVUS	$9.69	$780.8	$594.0	20.7x	7.7x	4.6x	n/a	n/a	63.3x	4.2x
Clinical Data	CLDA	$18.93	$485.4	$464.8	21.7x	5.6x	4.4x	n/a	n/a	29.1x	12.2x
Group Average					**29.4x**	**6.0x**	**3.9x**	**n/a**	**130.0x**	**51.0x**	**8.0x**

Note: All dollars are in millions except for per share amounts.

Technical Strength — Rating: Neutral

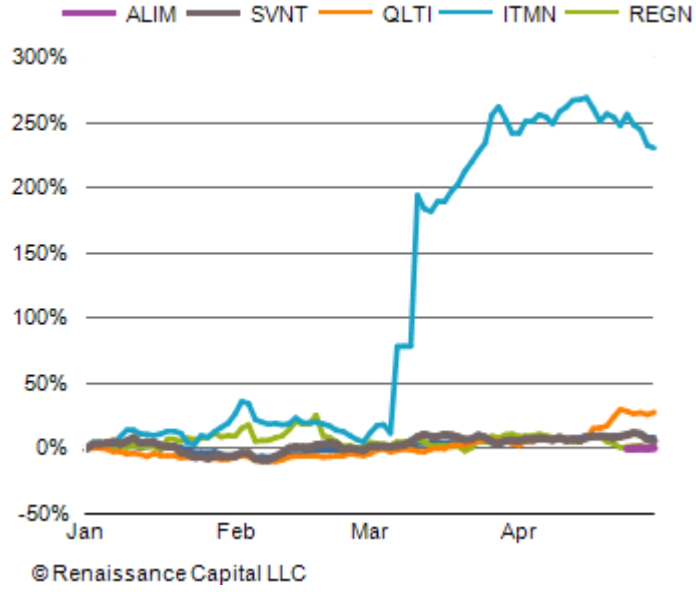
Stock Performance of IPO and its Peer Group
ALIM



IPO Performance Data

First Day	0%
Aftermarket	1%
Total Return	1%
Quiet Period Release	6/1/2010
Lock-up Release	10/18/2010
Days to Lock-Up Release	173
Shares Available for Sale	24,501,060
Percent of Total Shares Outstanding	74%

ALIM vs Key Publicly-Traded Peers vs Index



Publicly - Traded Peer Group

Key Peers	*Ticker*	*Stock Price*	*1-Mo. Return*	*YTD Return*
Alimera Sciences	ALIM	$11.06	0%	0%
Savient	SVNT	$14.44	2%	6%
QLT	QLTI	$6.35	21%	28%
Intermune	ITMN	$43.10	-9%	231%
Regeneron	REGN	$24.62	-6%	2%
Optimer	OPTR	$12.26	-3%	9%
Cadence	CADX	$9.90	7%	2%
Vivus	VVUS	$9.69	4%	5%
Clinical Data	CLDA	$18.93	-5%	4%
Alcon	ACL	$155.91	-3%	-5%
Indexes				
S&P Biotech Select Index	SPSIBI	1,518.04	-2%	10%
Nasdaq Composite Index	CCMP	2,471.73	3%	9%
S&P 500 Index	SPX	1,191.36	2%	7%
FTSE Renaissance IPO Index	IPOS	223.84	0%	3%

Stock prices as of 04/28/10

About Renaissance Capital

Renaissance Capital LLC ("Renaissance Capital" or "RC"), founded in Greenwich, Connecticut in 1991, is the global leader in IPO research. Its clients represent the "Who's Who" list of the largest and most active institutional IPO investors. As an independent research provider, Renaissance Capital does not receive payment for research or investment banking services from companies under coverage.

In addition to IPO research, Renaissance Capital maintains the FTSE Renaissance IPO Composite Index, the definitive benchmark of IPO performance and activity, and it manages the IPO Plus Fund, the first mutual fund to focus solely on investing in IPOs. The Fund has a 10 year track record. FTSE is jointly owned by the Financial Times of London and the London Stock Exchange.

Renaissance Capital was established by three Wharton MBA graduates after they spent over a decade on Wall Street (Merrill Lynch, Citi, Bear Stearns, Kidder Peabody and Credit Suisse First Boston) where they worked in the areas of investment banking, helping young companies raise capital via initial public offerings, as well as portfolio management, equity research and corporate financial restructuring.

Institutional clients have valued Renaissance Capital's IPO research for nearly two decades because of its timely, market savvy insights on every US initial public offering and a growing roster of non-US IPOs. Renaissance Capital augments its seasoned judgment with a proprietary, expert system for evaluating newly public companies.

Important Disclosures

Renaissance Capital Rating Distribution

Renaissance Capital's composite investment ratings fall into three categories: **Outperform (15 to 20), Marketperform (10 to 14)** and **Underperform (4 to 9)**. These categories are defined as follows: Above Average: the subject company is expected to perform better than the relevant broad market benchmark over the next 3 months. Average: the subject company is expected to perform in-line with the relevant broad market benchmark over the next 3 months. Below Average: the subject company is expected to perform below the relevant broad market benchmark over the next 3 months.

For purposes of FINRA/NYSE disclosure rules, RC's **Outperform** rating most closely corresponds to a buy recommendation; RC's **Marketperform** rating most closely corresponds to a hold/neutral rating; and RC's **Underperform** rating most closely corresponds to a sell rating. However Above Average, Average and Below Average are not the same as buy, hold/neutral and sell ratings, as RC's stock ratings are determined on a relative basis. An investor's decision to buy or sell a stock should depend on individual circumstances and risk tolerance. For the year 2009, the distribution of RC's research opinions were as follows:

Outperform	20%
Marketperform	74.9%
Underperform	5.1%

RC does not have an investment banking operation, and does not have investment banking relationships with any of the companies it researches, therefore no distribution of research ratings by investment banking clients are shown above.

Historical Recommendations and Price

The following table details the history of all RC research recommendations on ***ALIM*** since its initial public offering.

Firm Certifications

RC's research team is responsible for the rating and recommendation expressed herein. Each member of the research team responsible for this report has certified to RC that the views expressed herein accurately reflect his or her personal views about the subject securities and issuer. Accordingly, RC certifies that the recommendation, rating and views expressed herein represent the personal views of each member of the research team. Further, no member of the research team was, is or will be paid compensation directly related to the specific recommendation, rating or views expressed herein.

RC is a registered investment adviser providing portfolio management services to a diversified mutual fund, the IPO Plus Aftermarket Fund (the "Fund"), which is registered as an investment company with the Securities and Exchange Commission. The Fund may take positions that are contrary to recommendations expressed in a public research report published by RC. Also, the Fund may invest to a limited extent in the securities of public companies that are the subject of a research report published by RC. As a diversified mutual fund, the Fund is limited to investing no greater than 5% of Fund assets in the shares of any one issuer. As of the date of this report, the Fund does not beneficially own 1% or more of the securities of the issuer subject to this report.

Members of the research team are compensated primarily from firm revenue on the basis of several factors, including quality of research, client feedback, stock picking, competitive factors and overall revenues of RC consisting of fees from research and money management. Members of the research team may also receive, as one aspect of overall compensation, benefits from a compensation program based upon an increase in the net asset value of the Fund. Although members of RC's research team (and their households) are prohibited from making direct investments in the securities about which they report, research personnel are permitted to invest in the Fund. While the Fund is limited in the amount it can invest in a single stock, compensation tied to the Fund or the performance of an investment in the Fund, could indirectly influence a recommendation or rating on such a stock expressed in the report.

In as much as neither RC nor any affiliate has investment banking functions, no research personnel are compensated directly or indirectly from investment banking revenue.

Other Important Disclosures

This report is for the general information of clients of RC. Any unauthorized use or disclosure is prohibited. No part of this report may be (i) copied, photocopied, or duplicated in any form by any means or (ii) redistributed without RC's prior written permission. The information contained in this report was obtained from various sources believed to be reliable; however we do not guarantee its accuracy or completeness. All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks of RC.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where distribution, publication, availability or use would be contrary to law or regulation or which would subject RC or its affiliates to any registration or licensing requirement within such jurisdiction. This report may discuss numerous securities, some of which may not be qualified for sale in certain states and may, therefore, not be offered to investors in such states.

Neither the information contained in this report nor any opinion expressed herein constitutes an offer, or an invitation to make an offer, to buy or sell any securities. Opinions expressed herein reflect the opinion of RC as of the date of this report and are subject to change without notice. RC has no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate, or if research on the subject company is withdrawn. This report has been prepared as of the date indicated and may become unreliable for various reasons including, but not limited to, changes in market or economic circumstances. RC is not soliciting any action based on this material. The recommendation and rating herein do not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. This report is being furnished for informational purposes only and on the condition that it will not form a primary basis for any investment decision. Investors should consider this report as only a single factor in making their investment decision. By virtue of this report, neither RC nor any of its employees shall be responsible for any investment decision. Each investor must make its own determination of the appropriateness of an investment in any securities referred to herein based on the legal, tax, and accounting considerations applicable to such investor and its own investment strategy. The price and value of the investments referred to in this material and the income from them may go down as well as go up, and investors may realize losses on any investments.

Some of the companies mentioned in this report may have a high level of volatility. High volatility investments may experience sudden and large falls in their value causing losses when that investment is realized. Prices and availability of financial instruments are subject to change without notice. In addition, income from an investment may fluctuate and the price or value of financial instruments described in this report, either directly or indirectly, may rise or fall. Past performance is not a guide to future performance. Future returns are not guaranteed, and a loss of original capital may occur. RC does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment. Certain transactions - including investments in initial public offerings and other equities - give rise to substantial risk and are not suitable for all investors. RC may have issued, and may in the future issue, other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. Each report reflects the different assumptions, views and analytical methods of the analysts who prepared, or will prepare, them and RC is under no obligation to ensure that such other reports are brought to the attention of any recipient of this report. RC accepts no liability for loss arising from the use of the material presented in this report, except that this exclusion of liability does not apply to the extent that liability arises under specific statutes or regulations applicable to RC.

This research report contains both fundamental and technical analysis. Technical analysis is generally based on the study of trading volumes and price movements in an attempt to identify and project price trends. Technical analysis, taken alone, does not consider the fundamentals of the underlying corporate issuer and may indicate an investment opinion that conflicts with the conclusions derived from an opinion based solely on fundamental analysis.

Neither RC, its affiliates (other than the Fund), officers, directors, and employees, including persons involved in the preparation of this report, have long or short positions in the companies mentioned herein. RC is affiliated with a broker-dealer that introduces soft dollar trades on behalf of its institutional clients who purchase research from RC. To the extent technologically feasible, all clients of RC receive this report at the same time. RC does not have any investment banking operations or individual brokerage accounts.

This report may provide the addresses of, or contain hyperlinks to, websites. Except to the extent to which the report refers to RC's own website material, RC has not reviewed the linked site and takes no responsibility for the content contained therein. Such address or hyperlink (including addresses or hyperlinks to RC's own website material) is provided solely for your convenience and information and the content of the linked site does not in any way form part of this report. Accessing such website or following such link through this report or RC's website shall be at your own risk.

TO THE EXTENT PERMITTED BY LAW, RC SHALL NOT BE LIABLE FOR ANY DAMAGES SUFFERED OR INCURRED BY ANY PERSON OR ENTITY ARISING OUT OF ANY INACCURACIES, ERRORS OR OMISSIONS IN ANY REPORT PROVIDED BY RC. THERE ARE NO WARRANTIES, CONDITIONS, GUARANTIES OR REPRESENTATIONS AS TO MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, OR OTHER WARRANTIES, CONDITIONS, GUARANTIES OR REPRESENTATIONS, WHETHER EXPRESS OR IMPLIED, IN LAW OR IN FACT, ORAL OR IN WRITING. WITHOUT LIMITING THE FOREGOING, THERE IS NO WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, REGARDING THE REPORTS.

RC WILL NOT BE LIABLE UNDER ANY CIRCUMSTANCES FOR ANY CONSEQUENTIAL, INCIDENTAL, SPECIAL OR INDIRECT DAMAGES EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. THIS INCLUDES, BUT IS NOT LIMITED TO, CLAIMS FOR LOST PROFITS, TRADING LOSSES AND DAMAGES THAT MAY RESULT FROM THE USE, INCONVENIENCE, DELAY OR LOSS OF USE OF ANY REPORT PROVIDED BY RC OR FOR OMISSIONS OR INACCURACIES IN ANY SUCH REPORT. AS A CONDITION TO ACCESSING OR RECEIVING THE REPORT, YOU EXPRESSLY AGREE TO WAIVE ANY CLAIM YOU MAY HAVE AGAINST RC, ANY INFORMATION PROVIDER, RESEARCH PROVIDER, OR ANY OTHER PERSONS INVOLVED IN TRANSMITTING ANY INFORMATION RC MAKES AVAILABLE TO YOU.

TO THE MAXIMUM EXTENT PERMITTED BY LAW, ANY AND ALL IMPLIED WARRANTIES ARISING FROM TRADE USAGE, COURSE OF DEALING, OR COURSE OF PERFORMANCE, AND ANY AND ALL IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR USE OR PURPOSE, ARE EXPRESSLY EXCLUDED AND DISCLAIMED, AND RC SHALL HAVE NO LIABILITY FOR THE ACCURACY OF, OR FOR DELAYS OR OMISSIONS IN, ANY OF THE INFORMATION PROVIDED BY RC.

Recipients of this report should seek the advice of their independent financial advisor prior to making any investment decision based on this report or for any necessary explanation of its contents.