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ROTH Capital Partners

MORNING CALL SUMMARY | EQUITY RESEARCH | June 27, 2012

Price Target Changes

LDK Solar Co Ltd. (LDK)	**LDK: Q1 Miss, Q2 Weak, 2012 Outlook Lowered; Remain Neutral**

Company Comments

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Discovery Laboratories (DSCO)	**DSCO: Update - Focus Remains on 4Q12**
Liquidity Services Inc (LQDT)	**LQDT: Adding to Focus List**
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Sunesis Pharmaceuticals, Inc. (SNSS)	**SNSS: Sign the Check; $1.5 Million Milestone from Early Stage Program**
Synergy Pharmaceuticals, Inc. (SGYP)	**SGYP: Update - All Programs on Track**
WMS Industries, Inc. (WMS)	**WMS: Taking Another Stab at Video Poker**

Industry Comments

Enterprise Software	**Pandora Media, Inc. (P) Group Conference Call**

Upcoming Events

June 27, 2012: Insite Vision Inc. (INSV) | Boston & New York

June 27, 2012: Northern Vertex Mining Corp (NHVCF) | New York

June 28, 2012: Insite Vision Inc. (INSV) | New York

Corporate Access

June 27, 2012: Pandora Media (P) Group Conference Call

September 5, 2012: Semiconductor Corporate Access Day | San Francisco

Click here to view flyer

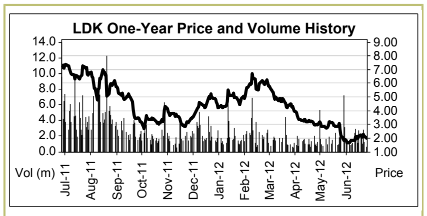
Price Target Changes

LDK Solar Co Ltd.
(NYSE: LDK)

Neutral | **Target:** Lowering to **$1.70** from $3.50

Philip Shen
(949) 720-7198

Price: $2.02
Mkt. Cap.(mil): $292.8



	EPS	Prev.	P/E
2011A	**(5.18)**		**NM**
2012E	**(5.25)**	(3.18)	**NM**
2013E	**(3.60)↓**	(2.18)	**NM**

LDK: Q1 Miss, Q2 Weak, 2012 Outlook Lowered; Remain Neutral

LDK missed Q1 expectations, provided weak Q2 guidance, and lowered its FY'12 outlook. Its balance sheet continues to deteriorate, and LDK now has a debt-to-capital ratio of 89%. With arguably the worst balance sheet among peers and a lagging cost structure, we see more challenges ahead. We remain Neutral and lower our PT to $1.70.

- **Downside Q1 results.** LDK posted a revenue miss of $200mn vs. consensus of $225mn and ROTHe of $230mn. EPADS was -$1.46 vs. consensus of -$1.14 and ROTHe of -$1.19. Gross margins came in at -65.5% vs. consensus of -12.1% and ROTHe of -4.0%. During the quarter, LDK shipped 164MW of wafers and 154MW of cells and modules vs. company guidance for wafers of 140-150MW, and cells/modules of 170-180MW. The EPADS miss was driven by a $91mn inventory write-down and $5.7mn of AD/CVD provisions offset by a $44mn A/R provision reversal.

- **Q2 guidance was weak.** With Q2 nearly over, LDK guided revenues of $220-270mn (vs. consensus of $370mn and ROTHe of $453mn). Wafer shipments were 300-350MW.

- **FY'12 guidance was lowered.** The company reduced its FY'12 guidance to $1.5-2.0bn of revenues from $2.0-2.7bn. This compares with consensus of $2.1bn and ROTHe of $2.1bn.

- **Balance sheet continues to deteriorate…** At the end of Q1, LDK had total debt of $3.4bn for a debt-to-capital ratio of 89% vs. 84% in Q4'11. Additionally, short term debt remains a high proportion of total debt at 66%. We expect LDK's absolute debt levels to remain at these levels as the company is violating a covenant that prevents it from incurring additional indebtedness.

- **...as LDK's suppliers serve as a source of funding.** DPOs increased to an estimated 344 days vs. 174 days in Q4'11. This compares to TSL of 148 days, YGE of 125 days and JKS of 58 days in Q1'12.

- **Lowering estimates and PT.** We are lowering our estimates on weaker ASPs and challenged gross margins. Our Q2'12 EPADS is now -$1.65 and FY'12 is -$5.25 vs. prior of -$0.81 and -$3.18 respectively.

Intraday price: $1.88, 2:00pm, ET 6/26/2012

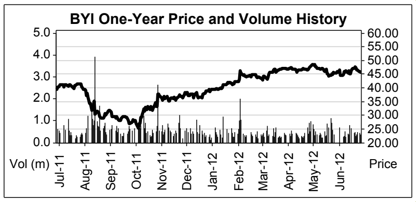
Company Comments

Bally Technologies, Inc.
(NYSE: BYI)

Buy | **Target: $56.00**

Todd Eilers
(949) 720-5781

Price: $45.75
Mkt. Cap.(mil): $1,971.9



	EPS	P/E
2011A	**1.85**	**24.7x**
2012E	**2.51**	**18.2x**
2013E	**3.17**	**14.4x**

BYI: Investor Meeting Highlights

We remain confident in our positive thesis on BYI shares following a recent round of investor meetings we hosted for Bally Technologies management. Below we provide key highlights from our recent multi-day trip.

- ***Grease & MJ* off to strong start.** The expansion of Bally's WAP business remains a key growth driver in FY13. During our meetings, mgt indicated the initial performance of its *Grease* and *Michael Jackson* branded games is strong w/ our checks indicating *Grease* at 2-3x house avg and *MJ* at 3-4x house avg. We continue to highlight that every 1,000 net WAPs placed adds 30c in recurring EPS.

- **Ohio is a key market.** New casino openings in Ohio is another growth driver for Bally resulting in both game sales & system installations. Including both casinos and VLTs at racetracks, we est Bally could generate ~$150M in combined sales and at least a $1.00/ share in EPS over the next 2-3 years. Mgt expects 2-3 racetrack casinos to open Phase I developments in early CY13, while the remaining 3-4 racetracks will likely open in late CY13 or early CY14 due to relocation plans.

- **Further systems growth.** Bally should also benefit from a pickup in new casino openings and two large multi-property competitive replacements. Mgt indicated it expects BCLC installations starting in 1Q FY13, while the Sun International installs should also begin in FY13. The OLG opportunity continues to move slowly as the privatization process continues although the opportunity is not lost as Bally's system is a requirement for operators.

- **iView DM interest picking up.** Mgt indicated interest continues to pick up as high profile properties like Pechanga, Mohegan Sun, and Hard Rock-Coconut Creek have completed floor-wide installations and are now seeing a positive impact. Furthermore, integration issues with legacy systems and third party game suppliers should become less of an issue as Bally completes more installations.

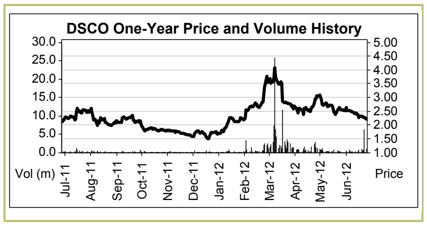
- **Thoughts on 4Q results, FY13 guidance.** We look for a strong 4Q from Bally with upside to Street numbers. We also believe Bally has a number of meaningful growth drivers for FY13 that could provide upside to ROTH/Street estimates. However, we also expect mgt to provide conservative FY13 guidance when it reports results. Our best guess is that management will likely provide an EPS guidance range for FY13 of $2.85 to $3.20 with a mid-point of ~$3.03 implying roughly +20% y/y growth in earnings.

Discovery Laboratories (NASDAQ: DSCO)

Buy | **Target: $10.00**

Scott R. Henry, CFA
(949) 720-7123

Price: $2.24
Mkt. Cap.(mil): $97.2



	EPS	P/E
2011A	**(0.93)**	**NM**
2012E	**(0.91)**	**NM**
2013E	**(0.45)**	**NM**

DSCO: Update - Focus Remains on 4Q12

We recently spoke with management of Discovery Labs. Based on our conversations, all programs appear on track with expectations. Key takeaways follow.

- **Surfaxin update - launch in 4Q12.** The company, as expected, continues to target launch of Surfaxin (for infant respiratory distress) in 4Q12. Manufacturing (DSCO mixes API supplied by external parties) capacity is not expected to be an issue.The DRG is already in place for surfactants and the key initial reimbursement lever will be getting appropriate shelf space via formulary acceptance and GPO (group purchasing organization) contracts.

- **Grading the launch.** We expect additional management targets on the 2Q12 conference call (~mid August). The initial guidance will likely stem on setting expectations for formulary targets. Further out, perhaps in September/October, we expect that the company will provide initial revenue guidance.

- **Expecting a gradual launch.** We expect that this will be a slow, gradual, launch to be evaluated over quarters as opposed to weeks/months. We anticipate 3 parts to the launch, including 1) attaining formulary status, 2) gaining market share, and 3) raising price for a superior product. We expect that this evolution could take 18+ months.

- **Afectair update.** We expect that the company may pursue a direct marketing campaign in the US for Afectair (NICU delivery ventilator) as opposed to a distributorship. This seems prudent given a salesforce already in place for Surfaxin.

- **Partnership outlook - Target early 2013.** We believe that the vision for DSCO extends beyond Surfaxin to the LS line extension, and ultimately to the Aerosurf aerosolized program. A key validation to this vision could be a partnership for ex-US rights that includes Aerosurf. We expect that this remains a 1H13 event.

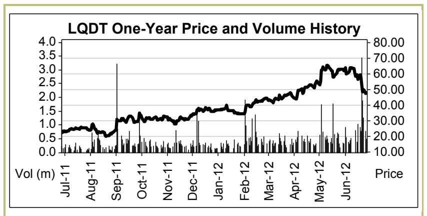
- **Maintain Buy rating - Strategy appears to be 1) Execute, 2) Partner, and 3) Price.** We believe that DSCO is transforming into a leader in the treatment of infant respiratory disease. This transformation will take time, but investors can gauge the progress via incremental steps over the coming years. Step 1 (next 6 months) - launch Surfaxin and attain satisfactory reimbursement, Step 2 (next year) - validate Aerosurf through a partnership of OUS rights, and Step 3 (next 2 years) - validate the product superiority of the Surfaxin franchise through premium pricing. We recommend purchasing shares for this transformation.

Liquidity Services Inc
(NASDAQ: LQDT)

Buy | **Target: $68.00**

Jared Schramm
(949)720-7125

Price: $48.21
Mkt. Cap.(mil): $1,504.6



	EPS	P/E
2011A	**1.02**	**NM**
2012E	**1.65**	**NM**
2013E	**1.94**	**NM**

LQDT: Adding to Focus List

We are adding LQDT to our Focus List based on its dominant position in what we believe is an expanding marketplace in its early stages of growth. The recent pullback in shares of LQDT provide an attractive entry point, in our opinion. Reiterate Buy rating and $68 price target.

Pullback in LQDT shares creates attractive entry point: We believe the recent sell-off of approx. 28% in LQDT shares from its recent highs has established an appealing entry point to the name. Comments from CFO Jim Rallo last week at an investor conference in regards to slower GMV margin growth were largely misconstrued, in our opinion, contributing to the decline in LQDT shares. We note the company's acquisition of Jacobs Trading in October 2011, a business which carries higher GMV margin, creates a difficult comparison on a y/y basis beginning in 1Q13. Additionally, LQDT's continuously changing mix of profit sharing, consignment and purchase model in its auctions merits management's conservative outlook in regards to margins, in our view.

We expect continued adjusted EBITDA margin expansion in FY12 and FY13, to 22.2% and 23.11% respectively, as the company leverages the efficiencies presented by its e-commerce model .

Online reverse supply chain remains in early growth stage: We believe less than 2% of the global reverse supply chain market transactions occur online, with the retail reverse supply chain marketplace being in excess of $50B, according to LQDT estimates. LQDT remains the largest player in the online space and we expect the company's growing network of buyers and sellers will drive further market share gains.

Adding LQDT to focus list: LQDT is a high conviction idea with a favorable risk/reward position, in our opinion. We have a great deal of confidence in management to execute on growth both organically and via acquisition, as demonstrated by the accretive integrations of TruckCenter and Jacobs Trading. Further, we expect the company to capitalize on its dominant position in the reverse supply chain as it expands its geographic reach and the market matures, driving growth well beyond 2013. Shares of LQDT currently trade at approx. 10x our FY13 EV/EBITDA estimate.

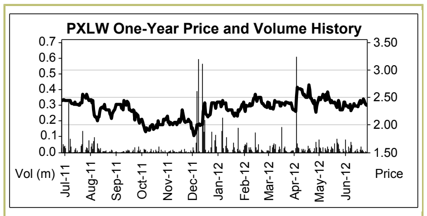
Reiterate Buy rating and $68 price target: LQDT will report 3Q12 results on July 31, before the market opens.

Pixelworks, Inc.
(NASDAQ: PXLW)

Buy | **Target: $4.00**

Krishna Shankar
(949) 720-5778

Price: $2.36
Mkt. Cap.(mil): $43.0



	EPS	P/E
2011E	**(0.36)**	**NM**
2012E	**(0.12)**	**NM**
2013E	**0.25**	**NM**

PXLW: Design Partnership Deal a Positive; Maintain Buy

We believe that the new design partnership deal with a large customer provides evidence of PXLW market leadership and good long term revenue visibility. We view PXLW as a leader in semiconductor and software solutions for video display processing in flat panel TVs, digital projectors, and embedded display applications, benefiting from the trend to ultra-high resolution, smart 3-D TVs, and market consolidation..

· **We believe that the PXLW R&D development deal** with a major customer for $3.5 million upfront within 60 days of the agreement and up to an additional $3.5 million on completion of certain milestones is a positive for PXLW and demonstrates the company's market leadership in TV and projector display processors. The design partnership will results in a custom chip that incorporates customer IP, PXLW IP, and third-party IP (such as ARM processor, USB 3.0 peripherals, DDR2 memory controller etc) and PXLW will manufacture the chip and ship to the customer for ramp in 2014/2015. The deal follows a $2 million IP sale to a chip customer in 1Q12 for their proprietary TV video processor system-on-chip design and we believe that PXLW may have other similar licensing/IP sale/R&D partnership deals in the works that could be announces over the next 12 months. Longer-term, the deal provides good validation for our model assumption of high-margin IP licensing/royalty/design services revenues to represent 5 to 7% of revenues/year. While the deal has a small positive impact near-term on the income model in terms of reducing R&D and third-party IP core licensing expenses, it is positive longer-term for PXLW in terms of revenue and market-share gain in 2014/2015 and allows the company to maintain its technology and market leadership in video/display processors for high-end TVs and projectors; while allowing for good control over R&D expenses.

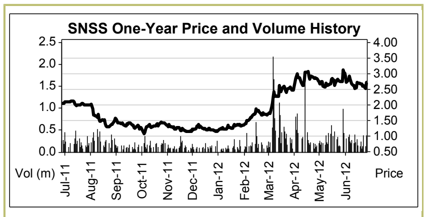
Leader in high-end video and display processing solutions. We view PXLW as the market leader in providing high-quality video and display processing semiconductor/software platform solutions for high-end flat panel TVs, digital projectors, and embedded display applications. We believe that PXLW benefits from the industry trend toward large size, ultra-high definition, 3-D 4K-by-2K " retina resolution" TV displays and the growing demand for high quality, connected digital projectors in corporate/government/ education and home entertainment markets. Industry consolidation and a reduction in the number of display processor semiconductor companies, together with the trend toward outsourcing of high-end display processing technology by the TV companies, play to PXLW technical and market strengths.

Sunesis Pharmaceuticals, Inc.
(NASDAQ: SNSS)

Buy | **Target: $6.00**

Joseph Pantginis, Ph.D.
(646) 358-1907

Price: $2.71
Mkt. Cap.(mil): $127.2



	EPS	P/E
2011A	**(0.43)**	**NM**
2012E	**(0.91)**	**NM**
2013E	**(0.74)**	**NM**

SNSS: Sign the Check; $1.5 Million Milestone from Early Stage Program

Sunesis announced the receipt of a $1.5 million milestone payment from Biogen Idec (BIIB - NC), for progress with preclinical work towards a collaborative kinase inhibitor program. We believe that investor focus is currently on the interim analysis for the rapidly enrolling Phase III VALOR study, expected to occur in September 2012.

Event

Sunesis announced the receipt of a $1.5 million milestone payment from collaborator Biogen Idec, related to progress of preclinical work under the multi-kinase inhibitor project. The program was split between immunology and oncology, the latter outlicensed to Millennium/ Takeda. Sunesis disclosed that this agreement was amended in 2011 and that it is entitled to up to $60 million in pre-commercial milestone payments, retains the right to co-develop and co-promote drug candidates from this program, and is entitled to royalties on future product sales.

Impact

We are encouraged by the progress with Sunesis' earlier stage pipeline under the umbrella of the Biogen Idec/Millennium collaboration. We view Sunesis' early stage programs developed in partnership with large pharma companies as a potential "free option" for the company. We believe that all eyes are currently on the Phase III VALOR study of vosaroxin in r/r AML, which recently completed a pre-planned safety review. The study continues to enroll very fast, with 348 patients as of June 2012, underscoring, in our opinion, significant interest and excitement from physicians and patients. At a pre-planned interim analysis currently targeted for September the DSMB will review unblinded data and may decide that the study continue as planned, or adjust the sample size to increase powering, should efficacy trends look favorable. We reiterate our positive view on Sunesis' strategy to utilize an adaptive design for VALOR.

Action

We reiterate our $6 price target and Buy rating. We anticipate a positive outcome to the VALOR study. Our target is based on conservative projections for vosaroxin in AML with 30% chance of success (potentially low for a Phase III asset) and $525 million peak sales. Our valuation does not include contributions from vosaroxin in additional tumor indications and from the Raf kinase program with Millennium/Takeda.

Synergy Pharmaceuticals, Inc.
(NASDAQ: SGYP)

Buy | **Target: $12.00**

Scott R. Henry, CFA
(949) 720-7123

Price: $4.68
Mkt. Cap.(mil): $308.0

	EPS	P/E
2011A	**(0.30)**	**NM**
2012E	**(0.55)**	**NM**
2013E	**(0.48)**	**NM**

SGYP: Update - All Programs on Track

We recently spoke with management of Synergy Pharmaceuticals. Based on our conversations, all programs appear on track. We reiterate our Buy rating and $12/share price target. Takeaways follow.

- **SGYP shares added to Russell indexes.** Synergy Pharmaceutical shares have recently been added to the Russell 3000, Russell Global, and Russell Microcap indexes after the close June 22, 2012. We view this as a positive given the potential to increase liquidity of shares.

- **Plecanatide enrollment update.** Management indicated that the 800-patient Phase 2/3 chronic idiopathic constipation trial remains on track for completion in 4Q12. We estimate enrollment completion likely in August 2012. Post 12 week follow-up and another month for data collection, we target results in late November/December 2012.

- **IBS-C update.** We expect that the trial for this expanded indication will begin prior to the CIC data presentation. Assuming a successful clinical meeting with the FDA early Summer, we target an investigator meeting in September 2012 and enrollment starting in October 2012.

- **SP-333 update.** We target an IND for this compound in August 2012. We expect that this molecule is more stable than plecanatide and may be more appropriate for ulcerative colitis.

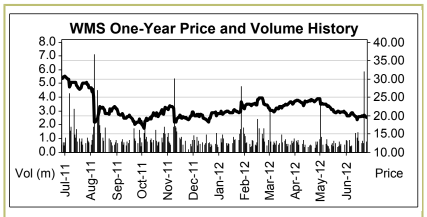
- **Other notable events.** The PDUFA date for Ironwood's linaclotide remains in September 2012. We view this as notable for investors, but we believe that the approval of the competitive linaclotide (similar mechanism of action) is a positive for the class as a whole.

WMS Industries, Inc. (NYSE: WMS)

Neutral | **Target: $22.00**

Todd Eilers
(949) 720-5781

Price: $19.49
Mkt. Cap.(mil): $1,073.5



	EPS	P/E
2011A	**1.66**	**11.7x**
2012E	**1.35**	**14.4x**
2013E	**1.65**	**11.8x**

WMS: Taking Another Stab at Video Poker

WMS landed its first My Poker placement with a Station Casinos deal, which was announced this morning. Given IGT's dominance in the video poker space, we believe odds are relatively low WMS will make meaningful headway in this category. However, the Station deal is a nice start and initial performance will be critical in determining the potential success of the product.

- **Station Casinos video poker deal.** This morning WMS announced an exclusive launch alliance with Station Casinos to introduce its new My Poker video poker game. The product is expected to be installed by the end of CY12 in all of Station's Las Vegas area properties following regulatory approval. We note Station Casinos owns and/or manages 20 casinos with roughly 20,000 slot machines including 18 Las Vegas area properties featuring ~11,000 video poker machines.

- **Thoughts on the announcement.** Landing an initial order for multiple Station properties is a nice start to the launch of WMS's My Poker product given Station's focus on the Las Vegas locals market which includes substantial video poker play. However, we note WMS and other competitors have tried multiple times over the years to crack IGT's stranglehold on the video poker market with limited success. Interestingly, we note WMS has licensed certain IGT's games for the My Poker product providing some content familiarity for customers along with the flexibility of the new cabinet/platform.

- **Estimated financial impact.** While no order size was given, we suspect an initial placement of ~17-22 games at 18 properties is reasonable and would imply an initial order size of ~300-400 games. We note WMS plans to sell the My Poker product while taking a small recurring fee for its Player's Life Web Services tie-in to the product. We estimate the initial order will likely contributed $5-6M in sales and 2c-3c in EPS in WMS's 2Q FY13 (Dec '12 qtr). As with all games, the performance of My Poker will determine how successful the product will be in attacking the estimated 100,000 unit North American video Poker market.

- **Maintain Neutral rating.** While the Station deal is positive, we maintain our Neutral rating and $22 PT as we believe WMS shares are fairly valued at current levels. Although ship share declines appear to have stabilized for replacement game sales, we remain concerned about the potential negative impact from increased competition in the WAP category over the next couple of qtrs.

Intraday Price: $19.47 at 10:50am ET 6/26/2012

Industry Comments

Enterprise Software

Roth Capital Research
(800) 678-9147

Pandora Media, Inc. (P) Group Conference Call

ROTH Capital Partners and Nate Schneiderman, Senior Research Analyst, Enterprise Software, will be hosting a conference call with Pandora Media, Inc. (P) CEO Joseph Kennedy on Wednesday, June 27, 2012 at 11:00am PST /2:00pm EST.

Date: Wednesday, June 27, 2012

Time: 11:00 am PT/2:00 pm ET

Company: Pandora Media, Inc (P) Group Conference Call

Presenter: Joseph Kennedy - Chairman, CEO & President

Format: Format of the call will be a brief overview of the business followed by Q&A - we welcome your questions.

Live Dial-in: contact your ROTH salesman for the dial-in information

To RSVP for this call, please email rothecm@roth.com or contact your ROTH Salesperson at 800-933-6830

Pandora Media, Inc. provides an Internet radio services in the United States. The company allows listeners to create up to 100 personalized stations to access unlimited hours of free music and comedy, as well as offers a paid subscription service to listeners. It is also involved in the sale of displays, audio advertising, and video advertising products to advertisers for delivery on computer, mobile, and other connected device platforms. As of January 31, 2012, the company had approximately 125 million registered users; and 47 million active users. Pandora Media, Inc. was founded in 2000 and is headquartered in Oakland, California.

Disclosures

Within the last twelve months, ROTH has received compensation for investment banking services from Synergy Pharmaceuticals, Inc. and Discovery Laboratories.

ROTH makes a market in shares of Synergy Pharmaceuticals, Inc., Discovery Laboratories, Liquidity Services Inc, Sunesis Pharmaceuticals, Inc., Pixelworks, Inc., Broadcom Corporation and Flow International Corporation and as such, buys and sells from customers on a principal basis.

Within the last twelve months, ROTH has managed or co-managed a public offering for Synergy Pharmaceuticals, Inc. and Discovery Laboratories.

On September 28, 2010, ROTH changed its rating system in order to replace the Hold rating with Neutral.

On May 26, 2011, ROTH changed its rating system in order to incorporate coverage that is Under Review.

Distribution of IB Services Firmwide

			IB Serv./Past 12 Mos. as of 06/27/12	
Rating	**Count**	**Percent**	**Count**	**Percent**
Buy [B]	**202**	**71.89**	**69**	**34.16**
Neutral [N]	**65**	**23.13**	**5**	**7.69**
Sell [S]	**2**	**0.71**	**0**	**0**
Under Review [UR]	**11**	**3.91**	**6**	**54.55**

Our rating system attempts to incorporate industry, company and/or overall market risk and volatility. Consequently, at any given point in time, our investment rating on a stock and its implied price movement may not correspond to the stated 12-month price target.

Ratings System Definitions - ROTH employs a rating system based on the following:

Buy: A rating, which at the time it is instituted and or reiterated, that indicates an expectation of a total return of at least 10% over the next 12 months.

Neutral: A rating, which at the time it is instituted and or reiterated, that indicates an expectation of a total return between negative 10% and 10% over the next 12 months.

Sell: A rating, which at the time it is instituted and or reiterated, that indicates an expectation that the price will depreciate by more than 10% over the next 12 months.

Under Review [UR]: A rating, which at the time it is instituted and or reiterated, indicates the temporary removal of the prior rating, price target and estimates for the security. Prior rating, price target and estimates should no longer be relied upon for UR-rated securities.

Not Covered [NC]: ROTH does not publish research or have an opinion about this security.

For important disclosure information regarding the companies in this summary report, please contact: The Director of Research at (800) 678-9147 or write to: ROTH Capital Partners, LLC, Attention: Director of Research, 888 San Clemente Drive, Newport Beach, CA 92660

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