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#### Reason for Report:

Company Update

| Changes                                      | Previous | Current    |
|--|----------|------------|
| Rating                                       | --       | Overweight |
| Price Tgt                                    | --       | \$11.00    |
| FY11E Rev (mil)                              | --       | \$15.5     |
| FY12E Rev (mil)                              | --       | \$32.9     |
| FY11E EPS                                    | --       | \$(2.51)   |
| FY12E EPS                                    | --       | \$(1.30)   |
| Price  |          | \$9.10     |
| 52 Week High                                 |          | \$15.34    |
| 52 Week Low                                  |          | \$6.16     |
| 12-Month Price Target                        |          | \$11.00    |
| 9x our 2014 EPS est. of \$1.41, disc. at 15% |          |            |
| Shares Out (mil)                             |          | 25.3       |
| Market Cap. (mil)                            |          | \$230.2    |
| Avg Daily Vol (000)                          |          | 291        |
| Book Value/Share                             |          | \$0.81     |
| Net Cash Per Share                           |          | \$2.24     |
| Debt to Total Capital                        |          | 37%        |
| Yield:                                       |          | NM         |
| Est LT EPS Growth                            |          | NA         |
| P/E to Est LT EPS Growth                     |          | NM         |
| Fiscal Year End:                             |          | Dec        |

| Rev (mil) | 2010A   | 2011E   | 2012E   |
|-----------|---------|---------|---------|
| Mar       | --      | \$3.9A  | \$3.7E  |
| Jun       | --      | \$3.6A  | \$6.3E  |
| Sep       | --      | \$4.0A  | \$9.3E  |
| Dec       | \$2.2A  | \$4.0E  | \$13.6E |
| FY        | \$14.6A | \$15.5E | \$32.9E |
| CY        | \$14.6A | \$15.5E | \$32.9E |
| FY RM     | 15.8x   | 14.9x   | 7.0x    |
| CY RM     | 15.8x   | 14.9x   | 7.0x    |

| EPS    | 2010A      | 2011E     | 2012E     |
|--------|------------|-----------|-----------|
| Mar    | --         | \$(0.98)A | \$(0.31)E |
| Jun    | --         | \$(0.51)A | \$(0.59)E |
| Sep    | --         | \$(0.55)A | \$(0.20)E |
| Dec    | \$(12.27)A | \$(0.47)E | \$(0.20)E |
| FY     | \$(47.29)A | \$(2.51)E | \$(1.30)E |
| CY     | \$(47.29)A | \$(2.51)E | \$(1.30)E |
| FY P/E | NM         | NM        | NM        |
| CY P/E | NM         | NM        | NM        |

For 2010, actuals are reported for 4Q10 and full year, however prior quarters were not broken out

## Pacira Pharmaceuticals Overweight

(PCRX – \$9.10)

### Bupivacaine Shortage Could Provide a Boost for Exparel

#### CONCLUSION:

The FDA has cited a shortage of bupivacaine hydrochloride injection on its website, potentially providing a boost to Pacira in its efforts to drive adoption of Exparel, the company's long-acting injectable version of bupivacaine that is set to launch in April 2012 (assuming of course that the shortages persist into the rollout period). Importantly, the shortage is not related to scarcity of active pharmaceutical ingredient (API), but rather related to manufacturing delays. We continue to believe that the idea of a long-acting locoregional anesthetic will be well-received by a broad physician audience. We believe that peak sales well in excess of \$200M are realistic, and with Exparel being a complicated product to manufacture, cash flows from the product should be sustainable over the long-term given the high barriers for potential generic entrants. We reiterate our Overweight rating and \$11 PT.

- **Shortage of injectible bupivacaine cited on FDA website.** The agency cited a shortage from two suppliers, APP and Hospira (the major U.S. bupivacaine suppliers to our knowledge). Details can be found at <http://www.fda.gov/Drugs/DrugSafety/DrugShortages/ucm050792.htm?source=govdelivery#bupivacaine>. Hospira's supply issues are related to its well-documented manufacturing problems. APP's shortage is a function of limited supply in the face of greater demand due to Hospira's manufacturing issues (APP has product on back order). Though Exparel will certainly be a good deal more expensive than conventional bupivacaine injection products, we believe the product fills a gap in the landscape for locoregional anesthesia for post-operative pain, so if anything, persistent shortages can make hospitals even more receptive to Exparel, provided that PCRX can establish itself as a reliable supplier.

- **Shortages are not a function of API scarcity, and therefore do not hurt Pacira.** The shortages are not related to difficulty procuring API, meaning that it will not have any bearing on Pacira's ability to manufacture Exparel in sufficient quantities. The supply constraints could make it difficult for users of elastomeric infusion pumps to gain access to bupivacaine, potentially making it easier for PCRX to drive switching away from these products to Exparel. Recall that the pumps are expensive, labor-intensive, catheter-based systems designed to deliver a local anesthetic (typically bupivacaine) over an extended period (Exparel can essentially replicate this with a simple, single injection). Hospitals could potentially use another sodium channel blocker like lidocaine with the pumps, but bupivacaine's longer half-life and duration of action (3-4 hour half-life with a duration of effect of 7-10 hours for the conventional version) makes it a more optimal locoregional anesthetic (and Exparel can extend that duration of action to 48-72 hours).

#### INVESTMENT RECOMMENDATION:

We believe the risk/reward profile for PCRX is favorable given Exparel's value proposition. We base our \$11 PT on our 2014 EPS of \$1.41, times a P/E of 9x discounted at 15%.

#### RISKS TO ACHIEVEMENT OF TARGET PRICE:

Risks include competitive and reimbursement risks associated with Exparel.

#### COMPANY DESCRIPTION:

Pacira is focused on hospital-based products for pain management.

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## Pacira - Quarterly and Annual Income Statement

Fiscal Year Ends December 31  
(\$ In millions, except for EPS)

|  | 2011E    |           |          |          |          |          |          | 2012E    |          |          |          |          |        |         |         |
|--|----------|-----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|--------|---------|---------|
| Fiscal Year Ends December 31<br>(\$ In millions, except for EPS) | 2009A    | 2010A     | 1QA      | 2QA      | 3QA      | 4QE      | 2011E    | 1QE      | 2QE      | 3QE      | 4QE      | 2012E    | 2013E  | 2014E   | 2015E   |
| Revenues   |          |           |          |          |          |          |          |          |          |          |          |          |        |         |         |
| Exparel U.S. sales   |          |           |          |          |          |          |          |          | \$2.5    | \$5.5    | \$9.7    | \$17.7   | \$67.8 | \$138.8 | \$215.5 |
| Exparel ex-U.S. revenue  |          |           |          |          |          |          |          |          |          |          |          | 0.0      | 0.0    | 0.0     | 0.0     |
| Other product revenue (DepoCyte) <sup>(1)</sup>                  | 10.4     | 11.3      | 2.9      | 2.8      | 2.6      | 3.1      | 11.4     | 3.2      | 3.3      | 3.3      | 3.4      | 13.2     | 13.9   | 14.6    | 15.3    |
| Milestone revenue/other <sup>(2)</sup>                           | 4.6      | 3.2       | 0.9      | 0.9      | 1.4      | 0.9      | 4.1      | 0.5      | 0.5      | 0.5      | 0.5      | 2.0      | 0.0    | 0.0     | 0.0     |
| Total revenue  | \$15.0   | \$14.6    | \$3.9    | \$3.6    | \$4.0    | \$4.0    | \$15.5   | \$3.7    | \$6.3    | \$9.3    | \$13.6   | \$32.9   | \$81.7 | \$153.4 | \$230.8 |
| Cost of sales <sup>(3)</sup>                                     | 12.3     | 12.3      | 3.7      | 3.1      | 3.4      | 3.5      | 13.7     | 3.3      | 14.2     | 6.0      | 8.8      | 32.3     | 32.7   | 41.4    | 53.1    |
| Gross Profit   | \$2.7    | \$2.3     | \$0.2    | \$0.5    | \$0.6    | \$0.5    | \$1.8    | \$0.4    | (\$7.9)  | \$3.3    | \$4.8    | \$0.6    | \$49.0 | \$112.0 | \$177.7 |
| Research & development   | 26.2     | 18.6      | 3.5      | 4.4      | 4.3      | 4.6      | 16.8     | 1.7      | 1.3      | 0.9      | 1.4      | 5.2      | 4.9    | 6.1     | 6.9     |
| Selling, general, and administrative                             | 5.0      | 6.0       | 3.8      | 4.7      | 5.0      | 6.8      | 20.3     | 7.0      | 7.6      | 8.4      | 9.5      | 32.5     | 40.8   | 47.6    | 53.1    |
| Total expenses   | \$43.6   | \$36.9    | \$11.0   | \$12.2   | \$12.7   | \$14.9   | \$50.8   | \$12.0   | \$23.0   | \$15.4   | \$19.7   | \$70.1   | \$78.4 | \$95.1  | \$113.1 |
| Operating Income   | (\$28.5) | (\$22.4)  | (\$7.1)  | (\$8.5)  | (\$8.7)  | (\$10.9) | (\$35.3) | (\$8.3)  | (\$16.7) | (\$6.1)  | (\$6.1)  | (\$37.1) | \$3.3  | \$58.3  | \$117.7 |
| Interest income  | 0.1      | 0.1       | 0.0      | 0.0      | 0.0      | 0.2      | 0.3      | 0.3      | 0.3      | 0.3      | 0.3      | 1.0      | 1.3    | 1.6     | 1.8     |
| Interest expense   | (3.6)    | (4.0)     | (2.5)    | (0.7)    | (0.9)    | (1.2)    | (5.3)    | (1.4)    | (1.4)    | (1.4)    | (1.4)    | (5.5)    | (3.0)  | (0.2)   | 0.0     |
| Other income (expense) <sup>(4)</sup>                            | 0.4      | (1.0)     | (0.2)    | 0.4      | 0.1      | 0.0      | 0.3      | 0.0      | 0.0      | 0.0      | 0.0      | 0.0      | 0.0    | 0.0     | 0.0     |
| Other income (expense), net                                      | (3.2)    | (4.8)     | (2.7)    | (0.2)    | (0.8)    | (1.1)    | (4.7)    | (1.1)    | (1.1)    | (1.1)    | (1.1)    | (4.5)    | (1.7)  | 1.4     | 1.8     |
| Income (loss) before taxes                                       | (\$31.7) | (\$27.1)  | (\$9.8)  | (\$8.8)  | (\$9.5)  | (\$12.0) | (\$40.1) | (\$9.4)  | (\$17.8) | (\$7.2)  | (\$7.3)  | (\$41.6) | \$1.6  | \$59.7  | \$119.5 |
| Income tax provision   | 0.0      | 0.0       | 0.0      | 0.0      | 0.0      | 0.0      | 0.0      | 0.0      | 0.0      | 0.0      | 0.0      | 0.0      | 0.0    | 0.0     | (6.0)   |
| Net income (loss)  | (\$31.7) | (\$27.1)  | (\$9.8)  | (\$8.8)  | (\$9.5)  | (\$12.0) | (\$40.1) | (\$9.4)  | (\$17.8) | (\$7.2)  | (\$7.3)  | (\$41.6) | \$1.6  | \$59.7  | \$113.5 |
| EPS, basic   | (\$3.60) | (\$47.29) | (\$0.98) | (\$0.51) | (\$0.55) | (\$0.47) | (\$2.51) | (\$0.31) | (\$0.59) | (\$0.20) | (\$0.20) | (\$1.30) | \$0.04 | \$1.61  | \$3.04  |
| EPS, diluted   | (\$3.60) | (\$47.29) | (\$0.98) | (\$0.51) | (\$0.55) | (\$0.47) | (\$2.51) | (\$0.31) | (\$0.59) | (\$0.20) | (\$0.20) | (\$1.30) | \$0.04 | \$1.41  | \$2.65  |
| Shares outstanding, basic <sup>(5)</sup>                         | 8.5      | 0.6       | 10.0     | 17.2     | 17.2     | 25.3     | 17.4     | 29.8     | 30.3     | 36.4     | 36.5     | 33.2     | 36.8   | 37.1    | 37.4    |
| Shares outstanding, diluted <sup>(5)</sup>                       | 8.5      | 0.6       | 10.0     | 17.2     | 17.2     | 25.3     | 17.4     | 29.8     | 30.3     | 36.4     | 36.5     | 33.2     | 41.8   | 42.3    | 42.8    |
| Expenses as % of sales:  |          |           |          |          |          |          |          |          |          |          |          |          |        |         |         |
| COGS   | 82.0%    | 84.3%     | 94.9%    | 85.7%    | 84.9%    | 88.0%    | 88.4%    | 88.0%    | 225.0%   | 65.0%    | 65.0%    | 98.2%    | 40.0%  | 27.0%   | 23.0%   |
| R&D  |          | 127.9%    | 90.9%    | 120.5%   | 109.8%   | 115.0%   | 108.9%   | 45.0%    | 20.0%    | 10.0%    | 10.0%    | 15.9%    | 6.0%   | 4.0%    | 3.0%    |
| SG&A   |          | 41.4%     | 98.5%    | 128.5%   | 126.1%   | 170.0%   | 131.1%   | 190.0%   | 120.0%   | 90.0%    | 70.0%    | 98.7%    | 50.0%  | 31.0%   | 23.0%   |
| Margins:   |          |           |          |          |          |          |          |          |          |          |          |          |        |         |         |
| Gross margin   |          |           |          |          |          |          |          | 12.0%    | NM       | 35.0%    | 35.0%    | 1.8%     | 60.0%  | 73.0%   | 77.0%   |
| Operating margin   |          |           |          |          |          |          |          |          |          |          |          |          | 4.0%   | 38.0%   | 51.0%   |
| Net income   |          |           |          |          |          |          |          |          |          |          |          |          | 1.9%   | 38.9%   | 49.2%   |
| Income Tax   |          |           |          |          |          |          |          |          |          |          |          |          | 0.0%   | 0.0%    | 5.0%    |
| Y-O-Y Growth rates:  |          |           |          |          |          |          |          |          |          |          |          |          |        |         |         |
| Exparel U.S. sales   |          |           |          |          |          |          |          |          |          |          |          |          | 283.0% | 104.8%  | 55.3%   |
| Total revenue  |          |           | -6.3%    | -11.8%   | -4.1%    | 82.6%    | 6.1%     | -4.2%    | 73.3%    | 135.1%   | 240.1%   | 112.9%   | 148.2% | 87.8%   | 50.5%   |
| R&D  |          |           | -29.5%   | -12.1%   | -12.9%   | 25.2%    | -9.6%    | -52.6%   | -71.2%   | -78.6%   | -70.4%   | -69.0%   | -6.0%  | 25.2%   | 12.9%   |
| Selling, general, and administrative                             |          |           | 189.6%   | 255.6%   | 279.7%   | 225.5%   | 236.1%   | 84.8%    | 61.8%    | 67.8%    | 40.0%    | 60.3%    | 25.7%  | 16.5%   | 11.7%   |
| Operating profit   |          |           |          |          |          |          |          |          |          |          |          |          |        | 1689.5% | 102.0%  |
| Net income   |          |           |          |          |          |          |          |          |          |          |          |          |        | 3733.7% | 90.3%   |

(1) Reflects manufacturing and supply revenue and royalties from third parties on DepoCyte and DepoDur; DepoDur had minimal contribution from 2011 and earlier

(2) Includes collaborative licensing and development revenue; 2011 and beyond reflects milestone payments from NovoNordisk related to DepoFoam partnership

(3) Includes \$10M milestone payment in 2Q12 to Skye Pharma related to the first commercial sale of Exparel

(4) Includes royalty interest obligation and loss on early extinguishment of debt

(5) Follow-on offering of 8.05M shares in November 2011

Proprietary to Piper Jaffray & Co. January 13, 2012

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Current disclosure information for this company can be found at

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

## Pacira - Annual Cash Flow Statement

(\$ in millions)

|   | 2008A           | 2009A           | 2010A           | 2011E           | 2012E           | 2013E          | 2014E          |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|----------------|
| <b>Beginning Cash &amp; Equivalents</b>   | <b>\$7.2</b>    | <b>\$12.4</b>   | <b>\$7.1</b>    | <b>\$26.1</b>   | <b>\$72.6</b>   | <b>\$59.4</b>  | <b>\$56.2</b>  |
| <b>Operating Activities</b>               |                 |                 |                 |                 |                 |                |                |
| Net Income (Loss)                         | (\$41.9)        | (\$31.7)        | (\$27.1)        | (\$40.1)        | (\$41.6)        | \$1.6          | \$59.7         |
| Depreciation & Amortization               | \$3.8           | \$4.4           | \$4.1           | \$4.0           | \$4.4           | \$4.8          | \$5.3          |
| Other                                     | (\$4.8)         | \$1.9           | (\$0.5)         | \$0.5           | \$0.5           | \$0.5          | \$0.5          |
| Stock-based Compensation                  | \$0.2           | \$0.5           | \$0.0           | \$0.6           | \$0.8           | \$1.1          | \$1.2          |
| Net Change in Assets and Liabilities      | \$13.4          | \$4.0           | (\$1.3)         | (\$0.6)         | (\$5.2)         | (\$2.4)        | (\$6.8)        |
| <b>Cash From Operations</b>               | <b>(\$29.2)</b> | <b>(\$20.8)</b> | <b>(\$24.9)</b> | <b>(\$35.6)</b> | <b>(\$41.1)</b> | <b>\$5.5</b>   | <b>\$59.9</b>  |
| <b>Investing Activities</b>               |                 |                 |                 |                 |                 |                |                |
| Capital Expenditures                      | (\$5.8)         | (\$5.5)         | (\$6.8)         | (\$5.0)         | (\$5.0)         | (\$3.0)        | (\$3.0)        |
| Short-Term Investments                    | \$0.0           | \$0.0           | \$0.0           | \$0.0           | \$0.0           | \$0.0          | \$0.0          |
| Acquisition of Tangible Assets            | \$0.0           | \$0.0           | \$0.0           | \$0.0           | \$0.0           | \$0.0          | \$0.0          |
| Acquisition of Intangibles                | \$0.0           | \$0.0           | \$0.0           | \$0.0           | \$0.0           | \$0.0          | \$0.0          |
| Other Investment <sup>(1)</sup>           | (\$0.0)         | \$0.0           | \$0.0           | \$0.0           | \$0.0           | \$0.0          | \$0.0          |
| <b>Cash From Investing Activities</b>     | <b>(\$5.9)</b>  | <b>(\$5.5)</b>  | <b>(\$6.8)</b>  | <b>(\$5.0)</b>  | <b>(\$5.0)</b>  | <b>(\$3.0)</b> | <b>(\$3.0)</b> |
| <b>Financing Activities</b>               |                 |                 |                 |                 |                 |                |                |
| Debt Issuance <sup>(1)</sup>              | \$0.0           | \$21.3          | \$63.8          | \$0.0           | \$5.0           | \$0.0          | \$0.0          |
| Debt Repayments <sup>(1)</sup>            | \$0.0           | \$0.0           | (\$11.3)        | \$0.0           | (\$15.0)        | (\$8.7)        | (\$7.0)        |
| Dividends                                 | \$0.0           | \$0.0           | \$0.0           | \$0.0           | \$0.0           | \$0.0          | \$0.0          |
| Share Repurchases                         | \$0.0           | \$0.0           | (\$0.0)         | \$0.0           | \$0.0           | \$0.0          | \$0.0          |
| Stock and Option Issuances <sup>(2)</sup> | \$40.2          | \$0.0           | \$0.0           | \$87.0          | \$43.0          | \$3.0          | \$3.0          |
| Other, Net                                | (\$0.0)         | (\$0.2)         | (\$1.8)         | \$0.0           | \$0.0           | \$0.0          | \$0.0          |
| <b>Cash From Financing Activities</b>     | <b>\$40.1</b>   | <b>\$21.0</b>   | <b>\$50.7</b>   | <b>\$87.0</b>   | <b>\$33.0</b>   | <b>(\$5.7)</b> | <b>(\$4.0)</b> |
| Net Change In Cash                        | \$5.1           | (\$5.3)         | \$19.1          | \$46.4          | (\$13.1)        | (\$3.2)        | \$52.9         |
| <b>Year End Cash &amp; Equivalents</b>    | <b>\$12.4</b>   | <b>\$7.1</b>    | <b>\$26.1</b>   | <b>\$72.6</b>   | <b>\$59.4</b>   | <b>\$56.2</b>  | <b>\$109.2</b> |

(1) Reflects the impact of \$26.25M of long-term debt borrowed under the Hercules Credit Facility, plus issuance of \$7.5M convertible note. Also includes repayment of \$11.25M under the GECC Credit Facility in 2010

(2) Reflects net proceeds of \$37M from February 2011 IPO and net proceeds of \$49M from November 2011 offering  
Also assumes an additional share offering in 2012 (estimated \$40M in proceeds)

Proprietary to Piper Jaffray & Co. January 13, 2012

PCR: David Amsellem 212.284.9455

# Pacira - Annual Balance Sheet

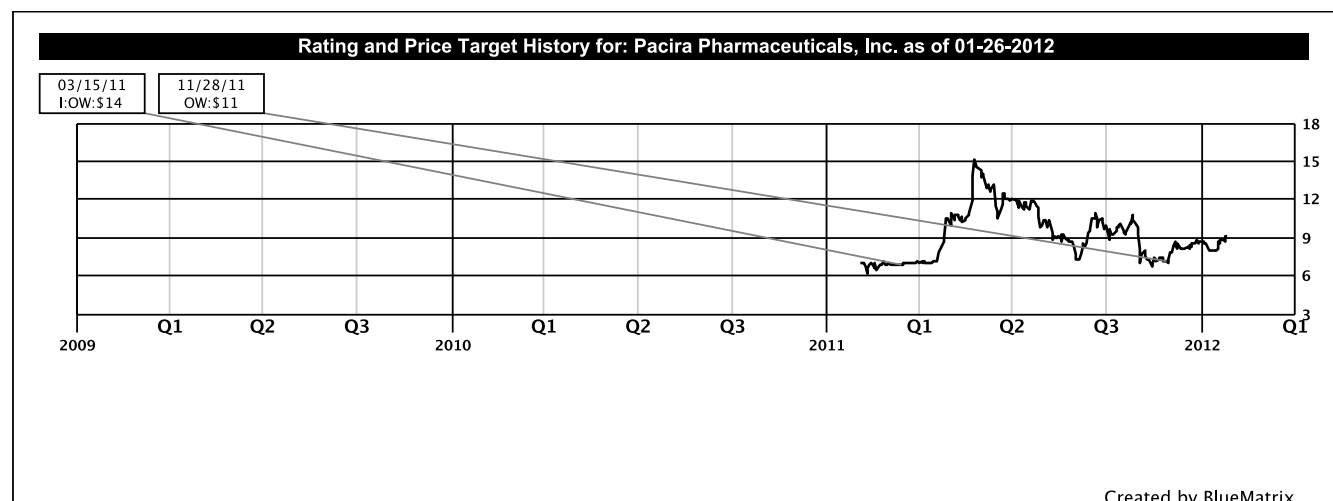
(\$ in millions)

|                                       | 2008A         | 2009A         | 2010A         | 2011E          | 2012E          | 2013E          | 2014E          |
|---------------------------------------|---------------|---------------|---------------|----------------|----------------|----------------|----------------|
| <b>Current Assets</b>                 |               |               |               |                |                |                |                |
| Cash & Equivalents                    | \$12.4        | \$7.1         | \$26.1        | \$72.6         | \$59.4         | \$56.2         | \$109.2        |
| Short-term invsetments                | \$0.0         | \$0.0         | \$0.0         | \$0.0          | \$0.0          | \$0.0          | \$0.0          |
| Accounts Receivable, net              | \$2.6         | \$1.5         | \$1.2         | \$2.5          | \$6.8          | \$10.1         | \$16.8         |
| Inventories                           | \$2.0         | \$1.7         | \$1.6         | \$1.7          | \$3.5          | \$3.6          | \$4.5          |
| Other Current Assets                  | \$2.4         | \$2.3         | \$2.1         | \$2.2          | \$2.3          | \$2.5          | \$2.6          |
| <b>Total Current Assets</b>           | <b>\$19.4</b> | <b>\$12.5</b> | <b>\$31.1</b> | <b>\$79.0</b>  | <b>\$72.1</b>  | <b>\$72.3</b>  | <b>\$133.1</b> |
| Property, Plant & Equipment, Net      | \$18.0        | \$19.6        | \$24.0        | \$25.0         | \$25.6         | \$23.7         | \$21.4         |
| Intangible Assets, Net                | \$13.1        | \$11.2        | \$8.9         | \$8.9          | \$8.9          | \$8.9          | \$8.9          |
| Other Assets                          | \$0.1         | \$0.7         | \$2.6         | \$2.6          | \$2.6          | \$2.6          | \$2.6          |
| <b>Total Assets</b>                   | <b>\$50.5</b> | <b>\$44.0</b> | <b>\$66.6</b> | <b>\$115.5</b> | <b>\$109.2</b> | <b>\$107.6</b> | <b>\$166.0</b> |
| <b>Liabilities &amp; Equity</b>       |               |               |               |                |                |                |                |
| Current Liabilities                   | \$17.0        | \$14.4        | \$16.3        | \$17.1         | \$18.0         | \$18.9         | \$19.8         |
| Total Debt                            | \$0.0         | \$22.2        | \$71.7        | \$71.7         | \$61.7         | \$53.0         | \$46.0         |
| Other Liabilities                     | \$26.0        | \$30.3        | \$27.0        | \$27.8         | \$28.6         | \$29.5         | \$30.3         |
| Equity (deficit)                      | \$7.5         | (\$22.9)      | (\$48.4)      | (\$1.0)        | \$0.9          | \$6.3          | \$69.9         |
| <b>Total Liabilities &amp; Equity</b> | <b>\$50.5</b> | <b>\$44.0</b> | <b>\$66.6</b> | <b>\$115.5</b> | <b>\$109.2</b> | <b>\$107.6</b> | <b>\$166.0</b> |

Proprietary to Piper Jaffray & Co. January 13, 2012

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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.

### Legend:

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

S: Sell

AL On/AL Off: Placed on/removed from the Alpha List maintained by Piper Jaffray (AL use discontinued March 2010)

NA: Not Available

UR: Under Review

| Distribution of Ratings/IB Services<br>Piper Jaffray |       |         |                       |         |
|--|-------|---------|-----------------------|---------|
| Rating   | Count | Percent | IB Serv./Past 12 Mos. |         |
|  |       |         | Count                 | Percent |
| BUY [OW]   | 338   | 53.70   | 60                    | 17.75   |
| HOLD [N]   | 257   | 40.80   | 23                    | 8.95    |
| SELL [UW]  | 35    | 5.60    | 0                     | 0.00    |

Note: Distribution of Ratings/IB Services shows the number of companies currently in each rating category from which Piper Jaffray and its affiliates received compensation for investment banking services within the past 12 months. FINRA rules require disclosure of which ratings most closely correspond with "buy," "hold," and "sell" recommendations. Piper Jaffray ratings are not the equivalent of buy, hold or sell, but instead represent recommended relative weightings. Nevertheless, Overweight corresponds most closely with buy, Neutral with hold and Underweight with sell. See Stock Rating definitions below.

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