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**Reason for Report:**

Company Update

| Changes         | Previous | Current    |
|-----------------|----------|------------|
| Rating          | --       | Overweight |
| Price Tgt       | --       | \$14.00    |
| FY11E Rev (mil) | --       | \$18.9     |
| FY12E Rev (mil) | --       | \$50.8     |
| FY11E EPS       | --       | (\$3.20)   |
| FY12E EPS       | --       | (\$1.12)   |

|                        |         |
|------------------------|---------|
| Price:                 | \$7.19  |
| 52 Week High:          | \$7.60  |
| 52 Week Low:           | \$6.16  |
| 12-Month Price Target: | \$14.00 |

9x our 2014 EPS est. of \$2.38, disc. at 25%

|                              |            |
|------------------------------|------------|
| Shares Out (mil):            | 17.2       |
| Market Cap. (mil):           | \$123.7    |
| Avg Daily Vol (000):         | NM         |
| Book Value/Share:            | \$2.23     |
| Net Cash Per Share:          | \$3.75     |
| Debt to Total Capital:       | 57%        |
| Est LT EPS Growth:           | NA         |
| P/E to LT EPS Growth (FY11): | NA         |
| Est Next Rep Date:           | 06/01/2011 |
| Fiscal Year End:             | Dec        |

| Rev (mil) | 2010A   | 2011E   | 2012E   |
|-----------|---------|---------|---------|
| Mar       | NA      | \$4.6E  | NA      |
| Jun       | NA      | \$3.1E  | NA      |
| Sep       | NA      | \$3.3E  | NA      |
| Dec       | \$2.2A  | \$7.9E  | NA      |
| FY        | \$14.6A | \$18.9E | \$50.8E |
| CY        | \$14.6A | \$18.9E | \$50.8E |

|       |      |      |      |
|-------|------|------|------|
| FY RM | 8.5x | 6.5x | 2.4x |
| CY RM | 8.5x | 6.5x | 2.4x |

| EPS | 2010A      | 2011E     | 2012E     |
|-----|------------|-----------|-----------|
| Mar | NA         | (\$0.61)E | NA        |
| Jun | NA         | (\$0.42)E | NA        |
| Sep | NA         | (\$0.49)E | NA        |
| Dec | (\$12.27)A | (\$1.68)E | NA        |
| FY  | (\$47.29)A | (\$3.20)E | (\$1.12)E |
| CY  | (\$47.29)A | (\$3.20)E | (\$1.12)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 - \$7.19)

### More Color on 2011 Cash Burn; Confident in Timely Approval of Exparel

**CONCLUSION:**

Earlier today, Pacira (PCRX) reported a net loss of \$27M for 2010, with \$15M in total revenue (mainly supply revenue related to DepoDur and DepoCytel). We believe that PCRX's key value driver Exparel, a long-acting formulation of the anesthetic bupivacaine for post-operative pain, will gain FDA approval around the FDA action of 7/28/11. Our confidence is based on positive data from two placebo-controlled studies in two surgical models, as well as a strong safety profile in multiple trials. As such, we believe PCRX has good visibility to cash generation. With a lengthy analgesic effect and the potential to reduce reliance on opioids post-surgery, we believe that Exparel sales of over \$200M by 2015 are achievable. We reiterate our Overweight rating and \$14 price target.

- **PCRX provides color on 2011 cash usage.** The company is guiding to 2011 revenue between \$14M to \$16M, which reflects supply revenue related to DepoDur and DepoCytel and potential royalties from partnerships. The guidance does not factor in sales from Exparel (our revenue estimate for 2011 includes \$2.5M in Exparel sales in 4Q11). Management is expecting cumulative cash burn of \$30M through 3Q11, and up to \$25M of cash burn in 4Q11 assuming approval of Exparel (includes launch costs and a \$10M milestone to Skye Pharma).
- **Confident in timely approval of Exparel.** Recall that the FDA action date on Exparel via wound infiltration is 7/28/11. As a reminder, the product was superior to placebo in reducing pain in two placebo-controlled Phase III studies (one in hemorrhoidectomy and one in bunionectomy). Further, the drug has a strong tolerability profile, and a safety database of over 1,300 patient exposures. We believe placebo-controlled studies will be sufficient for approval, bearing in mind that recent FDA approvals of non-opioid analgesics have been based on placebo-controlled trials (this includes Cadence's intravenous acetaminophen product Ofirmev, which was approved in November 2010, and Roxro's ketorolac nasal spray product Sprix, which was approved in May 2010).
- **Expansion opportunities for Exparel potential source of longer-term value creation.** The next step for the nerve block opportunity is a Phase II dose-ranging study and then Phase III trials. The company suggested that a filing would be around 18-24 months from the start of the next Phase II (assuming that additional funding is in place). PCRX noted that it will advance the epidural indication after it advances the nerve block indication.

**INVESTMENT RECOMMENDATION:**

We believe the risk/reward profile for PCRX shares is favorable given the value proposition associated with Exparel. We base our \$14.00 price target on our 2014 EPS estimate of \$2.38, times a P/E of 9x (a discount to the group but reflective of PCRX currently being a single product story), discounted at 25%.

**RISKS TO ACHIEVEMENT OF TARGET PRICE:**

Risks include regulatory and commercial risks associated with Exparel.

**COMPANY DESCRIPTION:**

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

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## Pacira - Upcoming Events

| Product/Program              | Event   | Expected Date |
|------------------------------|---|---------------|
| Exparel - wound infiltration | FDA action on filing for the management of post-surgical pain | 7/28/2011     |
| Exparel                      | U.S. commercial launch  | October 2011  |
| Exparel - nerve block        | Potential sNDA filing Phase II/III studies                    | 2013          |
| Exparel - epidural injection | Advancement into mid-stage clinical studies                   | 2013          |
| DepoMethotrexate             | Possible advancement into trials in rheumatoid arthritis      | 2013          |
| DepoNSAID                    | Possible advancement into trials for for pain                 | 2013          |

Abbreviations: NSAID non-steroidal anti-inflammatory drug

Source: Company reports and PJC estimates

# Pacira - Quarterly and Annual Income Statement

| Fiscal Year Ends December 31<br>(\$ In millions, except for EPS) | 2011E           |                  |                 |                 |                 |                 |                 |                 |                |                |                |
|--|-----------------|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|----------------|----------------|
|  | 2009A           | 2010A            | 1QE             | 2QE             | 3QE             | 4QE             | 2011E           | 2012E           | 2013E          | 2014E          | 2015E          |
| <b>Revenues</b>  |                 |                  |                 |                 |                 |                 |                 |                 |                |                |                |
| Exparel U.S. sales   |                 |                  |                 |                 |                 | \$2.5           | \$2.5           | \$35.4          | \$86.6         | \$142.5        | \$215.5        |
| Exparel ex-U.S. revenue  |                 |                  |                 |                 |                 |                 |                 | 0.0             | 0.0            | 0.0            | 0.0            |
| (DepoCyte/DepoDur) <sup>(1)</sup>                                | 10.4            | 11.3             | 3.1             | 3.1             | 3.3             | 3.4             | 12.9            | 13.4            | 14.1           | 14.8           | 15.5           |
| Milestone revenue/other <sup>(2)</sup>                           | 4.6             | 3.2              | 1.5             | 0.0             | 0.0             | 2.0             | 3.5             | 2.0             | 0.0            | 0.0            | 0.0            |
| <b>Total revenue</b>   | <b>\$15.0</b>   | <b>\$14.6</b>    | <b>\$4.6</b>    | <b>\$3.1</b>    | <b>\$3.3</b>    | <b>\$7.9</b>    | <b>\$18.9</b>   | <b>\$50.8</b>   | <b>\$100.7</b> | <b>\$157.3</b> | <b>\$231.1</b> |
| Cost of sales <sup>(3)</sup>                                     | 12.3            | 12.3             | 6.8             | 5.5             | 4.8             | 23.6            | 40.7            | 33.0            | 40.3           | 42.5           | 53.1           |
| <b>Gross Profit</b>  | <b>\$2.7</b>    | <b>\$2.3</b>     | <b>(\$2.2)</b>  | <b>(\$2.4)</b>  | <b>(\$1.5)</b>  | <b>(\$15.7)</b> | <b>(\$21.9)</b> | <b>\$17.8</b>   | <b>\$60.4</b>  | <b>\$114.8</b> | <b>\$177.9</b> |
| Research & development   | 26.2            | 18.6             | 0.3             | 0.2             | 1.0             | 3.9             | 5.4             | 3.0             | 6.0            | 6.3            | 6.9            |
| Selling, general, and administrative                             | 5.0             | 6.0              | 6.9             | 3.6             | 5.0             | 8.7             | 24.1            | 35.6            | 42.3           | 48.7           | 53.1           |
| <b>Total expenses</b>  | <b>\$43.6</b>   | <b>\$36.9</b>    | <b>\$14.0</b>   | <b>\$9.3</b>    | <b>\$10.7</b>   | <b>\$36.2</b>   | <b>\$70.3</b>   | <b>\$71.7</b>   | <b>\$88.6</b>  | <b>\$97.5</b>  | <b>\$113.2</b> |
| <b>Operating Income</b>  | <b>(\$28.5)</b> | <b>(\$22.4)</b>  | <b>(\$9.4)</b>  | <b>(\$6.2)</b>  | <b>(\$7.4)</b>  | <b>(\$28.4)</b> | <b>(\$51.4)</b> | <b>(\$20.8)</b> | <b>\$12.1</b>  | <b>\$59.7</b>  | <b>\$117.8</b> |
| Interest income  | 0.1             | 0.1              | 0.2             | 0.2             | 0.2             | 0.2             | 0.6             | 1.0             | 1.3            | 1.6            | 1.8            |
| Interest expense   | (3.6)           | (4.0)            | (1.2)           | (1.2)           | (1.2)           | (1.2)           | (4.8)           | (4.3)           | (3.0)          | (0.2)          | 0.0            |
| Other income (expense) <sup>(4)</sup>                            | 0.4             | (1.0)            | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0            | 0.0            | 0.0            |
| Other income (expense), net                                      | (3.2)           | (4.8)            | (1.1)           | (1.1)           | (1.1)           | (1.1)           | (4.2)           | (3.3)           | (1.7)          | 1.4            | 1.8            |
| <b>Income (loss) before taxes</b>                                | <b>(\$31.7)</b> | <b>(\$27.1)</b>  | <b>(\$10.5)</b> | <b>(\$7.3)</b>  | <b>(\$8.5)</b>  | <b>(\$29.4)</b> | <b>(\$55.6)</b> | <b>(\$24.2)</b> | <b>\$10.4</b>  | <b>\$61.1</b>  | <b>\$119.6</b> |
| Income tax provision   | 0.0             | 0.0              | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0             | 0.0            | 0.0            | (6.0)          |
| <b>Net income (loss)</b>   | <b>(\$31.7)</b> | <b>(\$27.1)</b>  | <b>(\$10.5)</b> | <b>(\$7.3)</b>  | <b>(\$8.5)</b>  | <b>(\$29.4)</b> | <b>(\$55.6)</b> | <b>(\$24.2)</b> | <b>\$10.4</b>  | <b>\$61.1</b>  | <b>\$113.7</b> |
| <b>EPS, basic</b>  | <b>(\$3.60)</b> | <b>(\$47.29)</b> | <b>(\$0.61)</b> | <b>(\$0.42)</b> | <b>(\$0.49)</b> | <b>(\$1.68)</b> | <b>(\$3.20)</b> | <b>(\$1.12)</b> | <b>\$0.47</b>  | <b>\$2.70</b>  | <b>\$4.91</b>  |
| <b>EPS, diluted</b>  | <b>(\$3.60)</b> | <b>(\$47.29)</b> | <b>(\$0.61)</b> | <b>(\$0.42)</b> | <b>(\$0.49)</b> | <b>(\$1.68)</b> | <b>(\$3.20)</b> | <b>(\$1.12)</b> | <b>\$0.41</b>  | <b>\$2.38</b>  | <b>\$4.35</b>  |
| Shares outstanding, basic <sup>(5)</sup>                         | 8.5             | 0.6              | 17.2            | 17.3            | 17.4            | 17.5            | 17.4            | 21.7            | 22.2           | 22.7           | 23.2           |
| Shares outstanding, diluted <sup>(5)</sup>                       | 8.5             | 0.6              | 17.2            | 17.3            | 17.4            | 17.5            | 17.4            | 21.7            | 25.2           | 25.7           | 26.2           |
| <b>Expenses as % of sales:</b>                                   |                 |                  |                 |                 |                 |                 |                 |                 |                |                |                |
| COGS   | 155.0%          | 84.3%            | 148.0%          | 179.0%          | 144.0%          | 300.0%          | 215.8%          | 65.0%           | 40.0%          | 27.0%          | 23.0%          |
| R&D  |                 | 127.9%           | 7.0%            | 6.0%            | 30.0%           | 50.0%           | 28.8%           | 6.0%            | 6.0%           | 4.0%           | 3.0%           |
| SG&A   |                 | 41.4%            | 150.0%          | 115.0%          | 150.0%          | 110.0%          | 127.6%          | 70.0%           | 42.0%          | 31.0%          | 23.0%          |
| <b>Margins:</b>  |                 |                  |                 |                 |                 |                 |                 |                 |                |                |                |
| Gross margin   |                 |                  |                 |                 |                 |                 |                 | 35.0%           | 60.0%          | 73.0%          | 77.0%          |
| Operating margin   |                 |                  |                 |                 |                 |                 |                 |                 | 12.0%          | 38.0%          | 51.0%          |
| Net income   |                 |                  |                 |                 |                 |                 |                 |                 | 10.3%          | 38.9%          | 49.2%          |
| Income Tax   |                 |                  |                 |                 |                 |                 |                 |                 | 0.0%           | 0.0%           | 5.0%           |
| <b>Y-O-Y Growth rates:</b>                                       |                 |                  |                 |                 |                 |                 |                 |                 |                |                |                |
| Exparel U.S. sales   |                 |                  |                 |                 |                 |                 |                 |                 | 144.6%         | 64.5%          | 51.3%          |
| <b>Total revenue</b>   |                 |                  | <b>11.6%</b>    | <b>-24.8%</b>   | <b>-20.0%</b>   | <b>259.3%</b>   | <b>29.6%</b>    | <b>169.3%</b>   | <b>98.1%</b>   | <b>56.2%</b>   | <b>46.9%</b>   |
| R&D  |                 |                  | -93.5%          | -96.3%          | -80.1%          | 7.1%            | -70.8%          | -43.9%          | 98.1%          | 4.1%           | 10.2%          |
| Selling, general, and administrative                             |                 |                  | 425.2%          | 171.4%          | 276.8%          | 314.5%          | 299.3%          | 47.8%           | 18.9%          | 15.3%          | 9.0%           |
| Operating profit   |                 |                  |                 |                 |                 |                 |                 |                 |                | 394.9%         | 97.2%          |
| Net income   |                 |                  |                 |                 |                 |                 |                 |                 |                | 489.5%         | 85.9%          |

(1) Reflects manufacturing and supply revenue and royalties from third parties on DepoCyte and DepoDur

(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 4Q11 to Skye Pharma related to the approval and launch of Exparel

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

(5) Assumes additional common share offering in 2012

Proprietary to Piper Jaffray & Co. March 31, 2011

PCR: David Amsellem 212.284.9455

Current disclosure information for this company can be found at

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

## Pacira - Annual Cash Flow Statement

(\$ in millions)

|   | 2008A           | 2009A           | 2010E           | 2011E           | 2012E           | 2013E          | 2014E          |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|----------------|
| <b>Beginning Cash &amp; Equivalents</b>   | <b>\$7.2</b>    | <b>\$12.4</b>   | <b>\$7.1</b>    | <b>\$28.9</b>   | <b>\$7.2</b>    | <b>\$17.0</b>  | <b>\$23.9</b>  |
| <b>Operating Activities</b>               |                 |                 |                 |                 |                 |                |                |
| Net Income (Loss)                         | (\$41.9)        | (\$31.7)        | (\$27.1)        | (\$55.6)        | (\$24.2)        | \$10.4         | \$61.1         |
| Depreciation & Amortization               | \$3.8           | \$4.4           | \$4.2           | \$5.2           | \$5.7           | \$6.3          | \$6.9          |
| Other                                     | (\$4.8)         | \$1.9           | \$0.5           | \$0.5           | \$0.5           | \$0.5          | \$0.5          |
| Stock-based Compensation                  | \$0.2           | \$0.5           | \$0.4           | \$0.6           | \$0.8           | \$1.1          | \$1.2          |
| Net Change in Assets and Liabilities      | \$13.4          | \$4.0           | \$1.9           | (\$2.4)         | (\$6.1)         | (\$2.6)        | (\$4.1)        |
| <b>Cash From Operations</b>               | <b>(\$29.2)</b> | <b>(\$20.8)</b> | <b>(\$20.2)</b> | <b>(\$51.7)</b> | <b>(\$23.2)</b> | <b>\$15.7</b>  | <b>\$65.7</b>  |
| <b>Investing Activities</b>               |                 |                 |                 |                 |                 |                |                |
| Capital Expenditures                      | (\$5.8)         | (\$5.5)         | (\$12.0)        | (\$8.0)         | (\$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>(\$12.0)</b> | <b>(\$8.0)</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          | \$67.0          | \$0.0           | \$5.0           | \$0.0          | \$0.0          |
| Debt Repayments <sup>(1)</sup>            | \$0.0           | \$0.0           | (\$15.0)        | \$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           | \$2.0           | \$38.0          | \$48.0          | \$3.0          | \$3.0          |
| Other, Net                                | (\$0.0)         | (\$0.2)         | \$0.0           | \$0.0           | \$0.0           | \$0.0          | \$0.0          |
| <b>Cash From Financing Activities</b>     | <b>\$40.1</b>   | <b>\$21.0</b>   | <b>\$54.0</b>   | <b>\$38.0</b>   | <b>\$38.0</b>   | <b>(\$5.7)</b> | <b>(\$4.0)</b> |
| Net Change In Cash                        | \$5.1           | (\$5.3)         | \$21.8          | (\$21.7)        | \$9.8           | \$7.0          | \$58.7         |
| <b>Year End Cash &amp; Equivalents</b>    | <b>\$12.4</b>   | <b>\$7.1</b>    | <b>\$28.9</b>   | <b>\$7.2</b>    | <b>\$17.0</b>   | <b>\$23.9</b>  | <b>\$82.6</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 \$41M from February 2011 IPO. Also assumes additional share offering in 2012.

Proprietary to Piper Jaffray & Co. March 31, 2011

PCR: David Amsellem 212.284.9455

# Pacira - Annual Balance Sheet

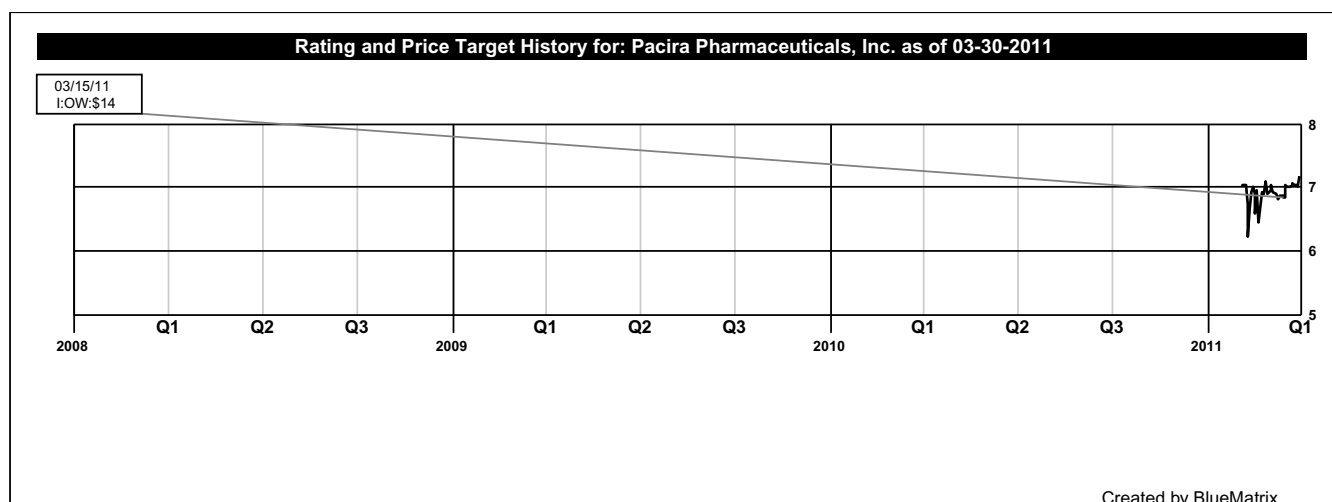
(\$ in millions)

|                                       | 2008A         | 2009A         | 2010A         | 2011E         | 2012E         | 2013E         | 2014E          |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| <b>Current Assets</b>                 |               |               |               |               |               |               |                |
| Cash & Equivalents                    | \$12.4        | \$7.1         | \$26.1        | \$7.2         | \$17.0        | \$23.9        | \$82.6         |
| Short-term investments                | \$0.0         | \$0.0         | \$0.0         | \$0.0         | \$0.0         | \$0.0         | \$0.0          |
| Accounts Receivable, net              | \$2.6         | \$1.5         | \$2.2         | \$3.1         | \$9.7         | \$12.4        | \$17.2         |
| Inventories                           | \$2.0         | \$1.7         | \$1.0         | \$3.3         | \$3.6         | \$4.4         | \$4.7          |
| Other Current Assets                  | \$2.4         | \$2.3         | \$1.7         | \$1.8         | \$1.9         | \$2.0         | \$2.1          |
| <b>Total Current Assets</b>           | <b>\$19.4</b> | <b>\$12.5</b> | <b>\$31.1</b> | <b>\$15.4</b> | <b>\$32.2</b> | <b>\$42.7</b> | <b>\$106.5</b> |
| Property, Plant & Equipment, Net      | \$18.0        | \$19.6        | \$23.3        | \$26.1        | \$25.4        | \$22.1        | \$18.1         |
| Intangible Assets, Net                | \$13.1        | \$11.2        | \$11.6        | \$11.6        | \$11.6        | \$11.6        | \$11.6         |
| Other Assets                          | \$0.1         | \$0.7         | \$0.7         | \$0.7         | \$0.7         | \$0.7         | \$0.7          |
| <b>Total Assets</b>                   | <b>\$50.5</b> | <b>\$44.0</b> | <b>\$66.6</b> | <b>\$53.7</b> | <b>\$69.8</b> | <b>\$77.0</b> | <b>\$136.9</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        | \$21.9        | \$11.9        | \$3.2         | (\$3.8)        |
| Other Liabilities                     | \$26.0        | \$30.3        | \$27.0        | \$27.8        | \$28.6        | \$29.5        | \$30.3         |
| Equity (deficit)                      | \$7.5         | (\$22.9)      | (\$48.4)      | (\$13.1)      | \$11.3        | \$25.5        | \$90.6         |
| <b>Total Liabilities &amp; Equity</b> | <b>\$50.5</b> | <b>\$44.0</b> | <b>\$66.6</b> | <b>\$53.7</b> | <b>\$69.8</b> | <b>\$77.0</b> | <b>\$136.9</b> |

Proprietary to Piper Jaffray & Co. March 31, 2011

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## 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.

## 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]   | 310   | 49.50   | 73                    | 23.55   |
| HOLD [N]   | 268   | 42.80   | 26                    | 9.70    |
| SELL [UW]  | 48    | 7.70    | 3                     | 6.25    |

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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### Analyst Certification — David Amsellem, Sr. Research Analyst

### — Michael Dinerman, M.D., Research Analyst

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