

July 8, 2014

## EQUITY RESEARCH MORNING RESEARCH SUMMARY

### What's Inside

#### Initiation

OPHT O Ophthotech Corporation

#### Rating Change

KPTI P ↓ Karyopharm Therapeutics

VRTX P ↓ Vertex Pharmaceuticals

VSTM P ↓ Verastem, Inc.

#### Estimates & PT Revisions

KMDA P ↓ Kamada Ltd.

YUM O ↑ Yum! Brands Inc.

#### Updates

ATML O Atmel Corp.

HON O Honeywell International Inc.

INVN P InvenSense

LEAP P Leap Wireless International, Inc.

ORBK O Orbotech

PHH P PHH Corporation

#### Estimates/Ratings/Price Target Updates

Company	Ticker	Annual Estimates				Ratings		Price Targets	
		Current FY		Next FY					
		Prev	Curr	Prev	Curr	Prev	Curr	Prev	Curr
Kamada Ltd.	KMDA (0.12)	(0.12)	0.15	0.15	P	P	NA	NA	
Karyopharm Therapeutics	KPTI (2.03)	(2.03)	(3.04)	(3.04)	P	P	NA	NA	
Verastem, Inc.	VSTM (2.33)	(2.33)	(2.19)	(2.19)	P	P	NA	NA	
Vertex Pharmaceuticals	VRTX (1.89)	(1.89)	0.82	0.82	P	P	NA	NA	
Yum! Brands Inc.	YUM	3.80	4.25	4.25	O	O	\$89.00	\$100.00	

### Focus Items

#### MAER

Andrew Burkly, CFA, CMT

[US MAER Best Ideas July 2014](#)

#### Yum! Brands Inc. (YUM)

Brian Bittner, CFA

[Yummy! Raise Price Target To \\$100](#)

#### Honeywell International Inc. (HON)

Christopher Glynn

[Top-Line Reflections; M&A Strategy Evolving](#)

#### ENERGY

Bernard Colson, CFA

[The Weekly Linefill](#)

#### Ophthotech Corporation (OPHT)

Yigal Nochomovitz, Ph.D.

[Compelling Retinal Disease Play; Initiating with Outperform](#)

### Other Headlines

#### Kamada Ltd. (KMDA)

Yigal Nochomovitz, Ph.D.

[Unclear Path Forward for Inhaled AAT; Assuming Coverage with Perform](#)

#### Karyopharm Therapeutics (KPTI)

Yigal Nochomovitz, Ph.D.

[Good Story. But Fully Valued; Assuming Coverage with Perform](#)

#### Verastem, Inc. (VSTM)

Yigal Nochomovitz, Ph.D.

[Valuation Implies Success in Mesothelioma; Assuming Coverage with Perform](#)

#### Vertex Pharmaceuticals (VRTX)

Yigal Nochomovitz, Ph.D.

[TRAFFIC Jam Clears, But Too Early to Call Heterozygotes; Perform](#)

#### Atmel Corp. (ATML)

Andrew Uerkwitz

[Atmel To Acquire Newport Media](#)

#### InvenSense (INVN)

Andrew Uerkwitz

[InvenSense To Acquire Movea and Trusted Positioning](#)

#### Orbotech (ORBK)

Andrew Uerkwitz

[Orbotech To Acquire SPTS Technologies](#)

#### TECHNOLOGY

Rick Schafer

[Daily Chip Clips](#)

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**COMMUNICATION AND CLOUD**

Timothy Horan, CFA

[Daily Datatimes July 8 , 2014](#)

**Leap Wireless International, Inc. (LEAP)**

Timothy Horan, CFA

[Dropping Coverage of LEAP; Acquisition by AT&T Complete](#)

**PHH Corporation (PHH)**

Ben Chittenden, CFA

[Quick Take: PHH Completes Divestiture of Leasing Business](#)

# Snap Commentaries - Equities Updates

PORTFOLIO STRATEGY

[Andrew Burkly](#)

212-667-7747

## [US MAER Best Ideas July 2014](#)

### CONSUMER & BUSINESS SERVICES

[Brian Bittner, CFA](#)

212-667-7127

#### Yum! Brands Inc. (YUM - \$82.29)

Restaurants

Rating	Market Cap	Price Target / Prior	Earnings Type	2013A	2014E	2015E
O	\$36,321.2M	\$100.00 / \$89.00	EPS	2.97	3.80	4.25

#### [Yummy! Raise Price Target To \\$100](#)

With the top risk/reward profile in our universe, we believe YUM is positioned to elevate to \$100+ as: 1) earnings upside catalysts for '14/'15 unload, 2) P/E closes its discount versus the group as appreciation for strengthening sales unfolds, and 3) valuation rolls to '15 estimates. The stock's downside appears limited to earnings downside (rather than valuation) which we believe carries low-risk given significant slack (and upside) in financial model. Reiterate Outperform and raise price target to \$100 from \$89.

### INDUSTRIAL/CAPITAL GOODS

[Christopher Glynn](#)

617 556-3711

#### Honeywell International Inc. (HON - \$94.38)

Industrial Multi-Industry

Rating	Market Cap	Price Target	Earnings Type	2013A	2014E	2015E
O	\$73,910.9M	\$110.00	EPS	4.97	5.50	6.10

#### [Top-Line Reflections; M&A Strategy Evolving](#)

We are publishing our model updated for realignment of Honeywell Process Solutions to the PMT segment from ACS. Our estimates are unchanged, merely reallocated under the segment headings. We continue to view shares as a top pick, as we believe execution sustainable (13 straight quarters of segment margin expansion; 18 of 19 dating to 3Q09) and a potential catalyst for gradual re-rating. We believe the case for gradual re-rating enhanced by a practical case for organic growth acceleration in 2015 and in 2016, based on sold-out growth capex at PMT, accelerating global Turbo penetration, and at Aero, Defense returning to growth in 2015, with Commercial OE platform mix driving expected 2016 pickup.

### ENERGY

[Bernard Colson, CFA](#)

816-932-8022

#### [The Weekly Linefill](#)

We are altering our top picks slightly this week to include EnLink Midstream Partners (ENLK) and exclude Seadrill Partners (SDLP). We became more constructive on ENLK after the MLP's analyst day in the middle of May. Our upgrade can be found [here](#). We continue to believe that

ENLK provides an attractive combination of current yield (at approximately 4.7%) and distribution growth. Our 2015 growth estimate is 12% and compares favorably to guidance of "high single digits" and consensus of 8%. We believe that the stock will perform well in the back half of 2014 as the market's perception of 2015 growth converges on ours. SDLP's removal from our top picks list does not alter our Outperform rating or price target. We remain bullish on the name, just not to the same extent as for other top picks ENLK, EQM and OKE.

[Yigal Nochomovitz, Ph.D.](#)

212 667-8163

## HEALTHCARE

### Ophthotech Corporation (OPHT - \$40.93)

#### Biotechnology

Rating	Market Cap	Price Target / Prior	Earnings Type	2013A / Prior	2014E / Prior	2015E / Prior
O	\$1,364.5M	\$95.00 /	EPS	(6.34) / --	(2.60) / --	0.84 / --

#### Compelling Retinal Disease Play; Initiating with Outperform

We are initiating coverage of Ophthotech with an Outperform rating and a \$95 price target. We expect Ophthotech's PDGF inhibitor Fovista being developed for wet AMD to succeed in an ongoing Phase 3 program (data 2016), with FDA approval to follow in 2017. Our view is based on solid proof-of-concept from randomized Phase 2 data that showed clear benefits in combination with an approved VEGF inhibitor (standard of care). Upon commercialization, we see Fovista eventually capturing ~25%/~10% share of US/EU wAMD patients on anti-VEGFs and generating peak US/EU sales of ~\$1.75B/\$500M. Indications for Fovista beyond wAMD (not modeled) and proof-of-concept for Phase 2 asset Zimura (we do not value) could generate additional upside.

[Yigal Nochomovitz, Ph.D.](#)

212 667-8163

## HEALTHCARE

### Kamada Ltd. (KMDA - \$7.22)

#### Biotechnology

Rating	Market Cap	Price Target	Earnings Type	2013A	2014E	2015E
P	\$259.6M	NA	EPS	0.01	(0.12)	0.15

#### Unclear Path Forward for Inhaled AAT; Assuming Coverage with Perform

We are assuming coverage of Kamada with a Perform rating without a price target. We see the value of Kamada's base business (Glassia + other proprietary + distribution) as sufficiently reflected in the stock. For the pipeline, a missed primary endpoint in the European AATD trial creates an unclear regulatory path forward in the EU for inhaled AAT (not in our valuation). Beyond AATD, development efforts for AAT in cystic fibrosis (CF) and pediatric Type 1 diabetes (T1D) appear to have interesting scientific rationale with some early (though indirect) clinical support. Either indication could offer substantial upside with success, but we need to see evidence of proof-of-concept (~1H16 for T1D and ~2017 for CF) before modeling.

[Yigal Nochomovitz, Ph.D.](#)

212 667-8163

**HEALTHCARE****Karyopharm Therapeutics (KPTI - \$42.99)****Biotechnology**

Rating	Market Cap	Price Target	Earnings Type	2013A	2014E	2015E
P	\$1,401.8M	NA	EPS	(5.59)	(2.03)	(3.04)

**Good Story, But Fully Valued; Assuming Coverage with Perform**

We are assuming coverage of Karyopharm with a Perform rating as we believe the shares are currently fairly valued (Oppenheimer's prior rating was Outperform). The emerging Phase 1 data for Karyopharm's lead drug Selinexor suggest to us fair-to-good chances of approval as a salvage therapy in several advanced cancers. We focus our work on myeloma, DLBCL, elderly AML and sarcoma, where we currently see the strongest efficacy data and where modest share/duration assumptions in the R/R setting support the valuation. We see room for upside if maturing Phase 1 data (and readouts from new Phase 2 trials) can support: **1)** increased duration of treatment in myeloma/DLBCL/AML/sarcoma; and **2)** better defined signals of activity in additional blood cancers and/or solid tumors.

[Yigal Nochomovitz, Ph.D.](#)

212 667-8163

**HEALTHCARE****Verastem, Inc. (VSTM - \$9.73)****Biotechnology**

Rating	Market Cap	Price Target	Earnings Type	2013A	2014E	2015E
P	\$251.4M	NA	EPS	(1.82)	(2.33)	(2.19)

**Valuation Implies Success in Mesothelioma; Assuming Coverage with Perform**

We are assuming coverage of Verastem with a Perform rating, as we currently see shares as fairly valued (prior Oppenheimer rating was Outperform). We see Verastem's lead asset VS-6063 (FAK inhibitor) as having reasonable chances for success in an ongoing pivotal trial as a maintenance regimen following first-line mesothelioma therapy (Alimta + platinum), where few treatment options exist. With success, we expect WW peak sales for VS-6063 of ~\$200M, which assumes ~75% peak share among the ~3,000/~7,000/~800 US/EU/Japan incident mesothelioma population. In addition, Verastem has two Phase 1 assets VS-4718 (next generation FAK) being developed for advanced cancers and VS-5584 (mTORC1/2 and pan-Pi3K inhibitor) for solid tumors and lymphomas, which are too early for us to value.

[Yigal Nochomovitz, Ph.D.](#)

212 667-8163

**HEALTHCARE****Vertex Pharmaceuticals (VRTX - \$98.80)****Biotechnology**

Rating	Market Cap	Price Target	Earnings Type	2013A	2014E	2015E
P	\$23,336.0M	NA	EPS	(0.90)	(1.89)	0.82

**TRAFFIC Jam Clears, But Too Early to Call Heterozygotes; Perform**

We are assuming coverage of Vertex with a Perform rating and no price target (Oppenheimer's prior rating was Outperform). With the lively debate over the outcomes of TRAFFIC/TRANSPORT now clarified, the focus shifts to **1)** potential in delf508 heterozygous patients, **2)** pricing strategies for Kalydeco/VX-809, and **3)** the Kalydeco/VX-809 launch. On **1)**, we and Vertex believe a triple combination may be required to achieve therapeutic objectives in heterozygotes. On **2)** and **3)**, we believe the valuation implies FDA approval, a price ~2/3 of Kalydeco's, and

~75% peak share of the US delF508 homozygous population. We see another ~\$15-20/share upside if Vertex can demonstrate clear Phase 2 proof-of-concept in delF508 heterozygotes.

[Andrew Uerkwitz](#)

212 667-5316

## TECHNOLOGY

### Atmel Corp. (ATML - \$9.29)

#### Emerging Technologies and Services

Rating	Market Cap	Price Target	Earnings Type	2013A	2014E	2015E
O	\$3,910.7M	\$9.00	EPS	0.27	0.50	0.68

#### [Atmel To Acquire Newport Media](#)

ATML announced that it has signed an agreement to acquire Newport Media, Inc. (NMI) for up to \$170M in cash (\$140M upon closing and up to \$30M in earn-outs). NMI is a US-based company that develops broadcast and high-performance low-power Wi-Fi and Bluetooth wireless connectivity and solutions. The deal is expected to close in 3Q14 and be accretive on a non-GAAP basis in 2H15. We believe the deal further completes ATML's product offerings for the Internet of Things (IoT) market opportunities. Reiterate Outperform.

[Andrew Uerkwitz](#)

212 667-5316

## TECHNOLOGY

### InvenSense (INVN - \$23.97)

#### Emerging Technologies and Services

Rating	Market Cap	Price Target	Earnings Type	2014A	2015E	2016E
P	\$2,113.8M	NA	EPS	0.58	0.78	0.94

#### [InvenSense To Acquire Movea and Trusted Positioning](#)

INVN announced that it has signed agreements to acquire Movea, a France-based company that develops motion sensing and data fusion software/algorithms, and Trusted Positioning, a Canada-based developer of indoor/outdoor positioning software that utilizes wireless connectivity and motion sensors. The two deals are priced at a combined \$81M, and no further financial terms were disclosed. The deals are expected to close in calendar 3Q14. We believe both deals can strengthen INVN's position as a total solution provider, allowing the company to offer better hardware-software integration and easier turn-key motion-sensing solutions to its OEM customers.

[Andrew Uerkwitz](#)

212 667-5316

## TECHNOLOGY

### Orbotech (ORBK - \$16.44)

#### Emerging Technologies and Services

Rating	Market Cap	Price Target	Earnings Type	2013A	2014E	2015E
O	\$686.6M	\$18.00	EPS	0.92	1.05	1.22

#### [Orbotech To Acquire SPTS Technologies](#)

ORBK announced that it has signed an agreement to acquire SPTS Technologies Group Limited (SPTS) for up to \$370M in cash (\$70M cash on hand + \$300M debt financing). SPTS is a UK-based company that develops etch, PVD, CVD, and thermal wafer processing tools for advanced packaging and MEMS markets. The deal is expected to be immediately accretive on a non-GAAP basis. We believe the acquisition is conducive

to diversifying ORBK's revenue sources, strengthening its recurring revenue base, and offering attractive long-term growth initiatives into the semiconductor industry. Additionally, it gives ORBK better access to developed markets given SPTS's major presence in Europe and the US. Maintain Outperform.

## TECHNOLOGY

[Rick Schafer](#)

720-554-1119

### [Daily Chip Clips](#)

- Atmel to Acquire Newport Media - Strengthening Its Leadership Position in the IoT Market (Company Release)
- Cisco, Dell may shift server ODM orders from Foxconn (Digitimes)
- Global TD-LTE users to reach 70.4 million at end of 2014 (Digitimes)

## COMMUNICATION AND CLOUD

[Timothy Horan, CFA](#)

212-667-8137

### [Daily Datatimes July 8 , 2014](#)

- Level 3 Expects to See Peering Progress Soon
- Verizon CDN Sees Traction in e-Commerce Space
- T-Mobile Responds to FTC Allegations of Fraudulent SMS Charges
- Complexity Is Key Hurdle for Amazon Web Services

## COMMUNICATION AND CLOUD

[Timothy Horan, CFA](#)

212-667-8137

### [Leap Wireless International, Inc. \(LEAP - NA\)](#)

#### Communication and Cloud

Rating	Market Cap	Price Target	Earnings Type			
P	NA	NA	EPS	--	--	--

### [Dropping Coverage of LEAP; Acquisition by AT&T Complete](#)

We are discontinuing research coverage of Leap Wireless, previously rated Perform, due to completion of its sale to AT&T. AT&T acquired all of the outstanding shares of LEAP for \$15/share, or an enterprise value of approximately \$4B. Leap shareholders will also receive a contingent right entitling them to the net proceeds received on the sale of Leap's 700 MHz "A Block" spectrum in Chicago, which Leap purchased for \$204M in August 2012.

**FINANCIAL INSTITUTIONS****PHH Corporation (PHH - \$23.28)****Specialty Finance**

Rating	Market Cap	Price Target	Earnings Type	2013A	2014E	2015E
P	\$1,335.9M	NA	EPS	2.12	(0.63)	1.52

**[Quick Take: PHH Completes Divestiture of Leasing Business](#)**

After the close PHH announced that it had completed the sale of its fleet management business to Element Financial. The net proceeds of \$821M were better than expected, and we view the announced uses positively. The stock is trading significantly below book value, so the \$450M buyback announcement (~33% of current market cap) should be very accretive. In addition, the company is taking steps to rationalize its infrastructure (\$200M to restructure its PLS business and invest in technology), invest in growth (\$150M to build out scale/revenue diversity) and pay down high-cost 9.25% debt. We are beginning to see the light at the end of the tunnel for PHH's mortgage business turnaround and expect the stock to react favorably.

**Oppenheimer Marketing Events**

August 12-13 - 17th Annual Technology, Internet & Communications Conference (Boston)

December 10-11 - 25th Annual Healthcare Conference (New York)



## Important Disclosures and Certifications

Other companies mentioned in this report: 005930-KR 2317.TAI 2356.TAI 2382.TAI 2383.TW 2454.TAI 3231.TAI 3706.TAI 4536-JP 4589-JP 7010.SAU 7020.SAU 9984.TKS AA AAPL AAPL ABBV ACMP ACTC AEP AGIO AGL AGN AHGP ALDW ALIM ALXN AMBI AMZN APA APC APL APU AR ARCX ARE ARLP ATLS ATML BAX BAYN.DE BBY BBEP BKEP BP BPL BPOP BRCM BWO BWP CA CAH CELG CEP CERN CHK CHKM CHL CHRW CLMT CMLP CMP CNP COH CPLP CQP CSCO CSL-ASX CTL CVX D DD DG DISCA DLR DMLP DPM DRI DVN EEP EMES ENB ENLC ENLK EPB EPD EPZM EQM EQT EROC ETE ETP ETR EVEP EW EXC EXLP FGP FISH FITB FMC FOSL GAS GEL GLP GLPY GMLP GOOG GOOG GRA GRFS GSJK GSK GSK HCLP HEP HNT HON HPQ ICE IHS INTC INTC IRM JBL JNJ KMI KMP KMX KPTI KR LB LEAP LGCY LGP LINE LNCO LNG LPTN LRE LUV LVL MCEP MEMP MEP MLM MLM-BIT MMLP MMP MOR.DE MPC MPC MPLX MRVL MTK MWE NBR NGL NGLS NKA NKTR NMM NRGY NRP NS NSH NSHJ NSLP NTI NVS NVS OHRP OILT OKE OKS OXF OXY PAA PAGP PANW PAY PDH PETM PFE PFE PNG PNRA PRGO PSE PSX PSXP PVH PXD QCOM QEP QEPM QRE RDS/A REGN REXX RGP RNF RNO ROG.VX ROST RRC RRMS SBH SDLP SDRL SE SEMG SEP SGU SMLP SNI SNSS SNY SO SPH SRE SRLP SSYS STM STON SUSP SUSS SWKS SXCP SXE SXL T T TCP TEP TGP TJX TK TLLP TLP TMUS TNH TOO TRGP TRP TSCO TSN TSO UAN UPL USAC VLO VLP VNR VZ WDR WES WFM WGP WHR WMB WNR WNRL WPX WPZ XOM XTEX XTXI

Important Disclosure Footnotes for Companies Mentioned in this Report that Are Covered by Oppenheimer & Co. Inc.:

### Stock Prices as of July 8, 2014

Apple Inc. (AAPL - NASDAQ, 95.97, PERFORM)  
 Apple Inc. (AAPL - NASDAQ, 95.97, PERFORM)  
 Atmel Corp. (ATML - NASDAQ, 9.29, OUTPERFORM)  
 Cisco Systems (CSCO - NASDAQ, 25.23, OUTPERFORM)  
 Google, Inc. (GOOG - NASDAQ, 582.25, PERFORM)  
 Intel Corp. (INTC - NASDAQ, 31.03, PERFORM)  
 Marvell Technology Group (MRVL - NASDAQ, 14.54, PERFORM)  
 QUALCOMM Incorporated (QCOM - NASDAQ, 80.82, OUTPERFORM)  
 Alexion Pharmaceuticals (ALXN - NASDAQ, 164.21, OUTPERFORM)  
 Regeneron Pharmaceuticals (REGN - NASDAQ, 311.16, PERFORM)  
 Apache Corporation (APA - NYSE, 99.05, OUTPERFORM)  
 Bed Bath & Beyond Inc. (BBY - NASDAQ, 59.26, OUTPERFORM)  
 Broadcom Corporation (BRCM - NASDAQ, 37.60, PERFORM)  
 CA Inc. (CA - NASDAQ, 29.39, PERFORM)  
 Cerner Corporation (CERN - NASDAQ, 51.97, UNDERPERFORM)  
 C.H. Robinson Worldwide (CHRW - NASDAQ, 64.11, PERFORM)  
 Compass Minerals (CMP - NYSE, 96.79, PERFORM)  
 E.I. DuPont de Nemours (DD - NYSE, 65.64, PERFORM)  
 Darden Restaurants Inc. (DRI - NYSE, 46.11, PERFORM)  
 Fifth Third Bancorp (FITB - NASDAQ, 21.57, PERFORM)  
 FOSSIL, Inc. (FOSL - NASDAQ, 106.06, PERFORM)  
 Intel Corp. (INTC - NASDAQ, 31.03, PERFORM)  
 Iron Mountain Incorporated (IRM - NYSE, 35.30, PERFORM)  
 CarMax (KMX - NYSE, 52.55, OUTPERFORM)  
 The Kroger Co. (KR - NYSE, 49.47, OUTPERFORM)

L Brands, Inc. (LB - NYSE, 61.30, PERFORM)  
 Marathon Petroleum Corp. (MPC - NYSE, 79.47, PERFORM)  
 Palo Alto Networks Inc. (PANW - NYSE, 79.57, OUTPERFORM)  
 PetSmart, Inc. (PETM - NASDAQ, 68.95, PERFORM)  
 Panera Bread Co. (PNRA - NASDAQ, 149.46, OUTPERFORM)  
 Sally Beauty Holdings (SBH - NYSE, 26.14, PERFORM)  
 Skyworks Solutions, Inc. (SWKS - NASDAQ, 47.39, OUTPERFORM)  
 Tractor Supply Company (TSCO - NASDAQ, 61.54, PERFORM)  
 Whole Foods Market, Inc. (WFM - NASDAQ, 38.76, OUTPERFORM)  
 Anadarko Petroleum (APC - NYSE, 106.79, OUTPERFORM)  
 BreitBurn Energy Partners (BBEP - NASDAQ, 22.30, PERFORM)  
 BP plc (BP - NYSE, 52.62, OUTPERFORM)  
 Chesapeake Energy (CHK - NYSE, 28.14, OUTPERFORM)  
 Chevron Corporation (CVX - NYSE, 130.47, OUTPERFORM)  
 Devon Energy Corporation (DVN - NYSE, 78.28, OUTPERFORM)  
 Enbridge Energy Partners (EEP - NYSE, 34.84, PERFORM)  
 EnLink Midstream Partners, L.P. (ENLK - NASDAQ, 30.81, OUTPERFORM)  
 Enterprise Products Partners (EPD - NYSE, 76.67, OUTPERFORM)  
 EQT Midstream Partners LP (EQM - NYSE, 92.41, OUTPERFORM)  
 Energy Transfer Partners (ETP - NYSE, 57.04, PERFORM)  
 EV Energy Partners (EVEP - NASDAQ, 39.91, PERFORM)  
 Marlin Midstream Partners, LP (FISH - NASDAQ, 21.02, PERFORM)  
 Genesis Energy L.P. (GEL - NYSE, 54.69, PERFORM)  
 Legacy Reserves L.P. (LGCY - NASDAQ, 30.94, OUTPERFORM)  
 Lehigh Gas Partners LP (LGP - NYSE, 26.88, OUTPERFORM)  
 Linn Energy (LINE - NASDAQ, 32.50, UNDERPERFORM)  
 LRR Energy LP (LRE - NYSE, 17.89, OUTPERFORM)  
 Mid-Con Energy Partners LP (MCEP - NASDAQ, 23.27, OUTPERFORM)  
 Memorial Production Partners L.P. (MEMP - NYSE, 23.87, OUTPERFORM)  
 Marathon Petroleum Corp. (MPC - NYSE, 79.47, PERFORM)  
 New Source Energy Partners LP (NSLP - NYSE, 24.25, PERFORM)  
 ONEOK Inc. (OKE - NYSE, 66.33, OUTPERFORM)  
 ONEOK Partners L.P. (OKS - NYSE, 56.66, PERFORM)  
 Occidental Petroleum (OXY - NYSE, 101.59, OUTPERFORM)  
 Plains All American Pipeline (PAA - NYSE, 58.12, OUTPERFORM)  
 Plains GP Holdings, L.P. (PAGP - NYSE, 30.49, OUTPERFORM)  
 Phillips 66 (PSX - NYSE, 80.50, PERFORM)  
 Pioneer Natural Resources (PXD - NYSE, 223.13, PERFORM)  
 QR Energy (QRE - NYSE, 18.63, PERFORM)  
 Royal Dutch Shell plc (RDSA - NYSE, 82.12, PERFORM)  
 Regency Energy Partners (RGP - NASDAQ, 31.36, OUTPERFORM)  
 Range Resources (RRC - NYSE, 84.03, PERFORM)  
 Seadrill Partners LLC (SDLP - NYSE, 32.26, OUTPERFORM)  
 Tesoro Logistics LP (TLLP - NYSE, 71.36, OUTPERFORM)  
 Tesoro Corporation (TSO - NYSE, 60.04, PERFORM)  
 Valero (VLO - NYSE, 50.27, OUTPERFORM)  
 Vanguard Natural Resources (VNR - NYSE, 31.67, PERFORM)  
 Western Gas Partners LP (WES - NYSE, 74.05, OUTPERFORM)  
 Western Gas Equity Partners LP (WGP - NYSE, 60.01, OUTPERFORM)  
 ExxonMobil Corporation (XOM - NYSE, 102.65, PERFORM)

Celgene Corporation (CELG - NASDAQ, 90.19, PERFORM)  
 Karyopharm Therapeutics (KPTI - NASDAQ, 42.99, PERFORM)  
 Amazon.Com, Inc. (AMZN - NASDAQ, 333.55, OUTPERFORM)  
 CenturyLink (CTL - NYSE, 36.12, PERFORM)  
 Google, Inc. (GOOG - NASDAQ, 582.25, PERFORM)  
 Level 3 Communications, Inc. (LVL3 - NASDAQ, 44.25, PERFORM)  
 AT&T, Inc. (T - NYSE, 36.02, OUTPERFORM)  
 T-Mobile (TMUS - NYSE, 32.99, OUTPERFORM)  
 Verizon (VZ - NYSE, 49.75, OUTPERFORM)  
 Honeywell International Inc. (HON - NYSE, 94.38, OUTPERFORM)  
 Leap Wireless International, Inc. (LEAP - NASDAQ, NA, PERFORM)  
 AT&T, Inc. (T - NYSE, 35.84, OUTPERFORM)

All price targets displayed in the chart above are for a 12- to 18-month period. Prior to March 30, 2004, Oppenheimer & Co. Inc. used 6-, 12-, 12- to 18-, and 12- to 24-month price targets and ranges. For more information about target price histories, please write to Oppenheimer & Co. Inc., 85 Broad Street, New York, NY 10004, Attention: Equity Research Department, Business Manager.

#### Oppenheimer & Co. Inc. Rating System as of January 14th, 2008:

**Outperform(O)** - Stock expected to outperform the S&P 500 within the next 12-18 months.

**Perform (P)** - Stock expected to perform in line with the S&P 500 within the next 12-18 months.

**Underperform (U)** - Stock expected to underperform the S&P 500 within the next 12-18 months.

**Not Rated (NR)** - Oppenheimer & Co. Inc. does not maintain coverage of the stock or is restricted from doing so due to a potential conflict of interest.

#### Oppenheimer & Co. Inc. Rating System prior to January 14th, 2008:

**Buy** - anticipates appreciation of 10% or more within the next 12 months, and/or a total return of 10% including dividend payments, and/or the ability of the shares to perform better than the leading stock market averages or stocks within its particular industry sector.

**Neutral** - anticipates that the shares will trade at or near their current price and generally in line with the leading market averages due to a perceived absence of strong dynamics that would cause volatility either to the upside or downside, and/or will perform less well than higher rated companies within its peer group. Our readers should be aware that when a rating change occurs to Neutral from Buy, aggressive trading accounts might decide to liquidate their positions to employ the funds elsewhere.

**Sell** - anticipates that the shares will depreciate 10% or more in price within the next 12 months, due to fundamental weakness perceived in the company or for valuation reasons, or are expected to perform significantly worse than equities within the peer group.

#### Distribution of Ratings/IB Services Oppenheimer & Co. Inc.

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [O/B/OP]	307	51.34	145	47.23
HOLD [N/P/SP]	283	47.32	100	35.34
SELL [UP/S/U]	8	1.34	2	25.00

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