Receptos (RCPT)

2013 Financials In-Line and On-Track for Mid-Year Data Releases. Reiterate OUTPERFORM and Converting to a 12-Month Price Target of $59.

- **Q4 financials were in-line**. Receptos reported about $0.8 million in Q4 collaborative revenue (presumably from Ono) which was in-line with our $1.1 million estimate. Operating expenses were also in-line with our estimates (R&D $12.6 MM vs. our $14.2 MM; G&A $3.2 MM vs. our $3,2MM estimate). EPS (loss) was $(0.86) (share count 17.8 million) vs. our $(0.88) (share count 18.3 million).
- **With year-end cash of $69.5 million and the recent $110 million net financing, we project runway until mid:2017--covering major clinical and potentially business catalysts in 2014.** In addition to release of top-line results from RADIUS mid-year, we also anticipate release of results from TOUCHSTONE in Q3. We believe TOUCHSTONE is also likely to be positive due to Novartis previously validating S1PR in Phase 2 for UC with a follow-on to Gilenya and preclinical / Phase 1 clinical results for RPC1063 showing a reduction in peripheral lymphocyte count and beneficial preclinical histology changes. With success in the RADIANCE Phase 2 mid-year, the company may pursue additional indications such as primary progressive MS and with success in TOUCHSTONE, they may pursue Crohn's. Other indications showing preclinical promise include RA, psoriasis, and lupus.
- **Presuming a commercial partner, we project full-year profitability in 2019 after launching RPC1063 in RMS/IBD in Q4:18/Q1:19, respectively.** However, if RPC1063 has positive results in both Phase 2s mid-year, we anticipate a potential acquisition could occur in H2 2015.
- **We reiterate our OUTPERFORM rating and are converting to a 12-month price target of $59.** Due to the exceptional management team delivering positive futility results in the Q4:13 interim analysis of the Phase 2 trial testing RPC-1063 in RMS as well as maintaining the timelines to releasing results for RADIANCE and TOUCHSTONE, we believe the stock deserves a higher premium than where it is currently trading. We calculate RCPT's 12-month price target using a 365 day projection of our current fair value based on the sum of a 30% annual discount and a 1x-10x premium range on our net peak annual sales estimate for each product and indication in the clinic to reflect risk. Due to our 30% annual discount, our 12-month price target is higher than our current fair value.

March 5, 2014

Price
$46.49

Rating
OUTPERFORM

12-Month Price Target
$59 **(from $44)**

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Company Information	
Shares Outst (M)	21.6
Market Cap (M)	$1005
52-Wk Range	$13.00 - $50.48
Book Value/sh	$6.69
Cash/sh	$7.50
Enterprise Value (M)	$843
LT Debt/Cap %	3.00

Company Description

Receptos is developing first- and best-in-class treatments for immune disorders. The lead candidate, RPC1063, is being developed as a safer S1P1 modulator versus GILENYA(TM) for multiple sclerosis as well as for IBD.

FYE Dec	2012A	2013E			2014E		
REV (M)	ACTUAL	CURR.	PREV.	CONS.	CURR.	PREV.	CONS.
Q1 Mar	$1.3A	$1.5A		$0.4A	$0.7E	$1.0E	N/AE
Q2 Jun	1.7A	1.2A		0.4A	0.6E	0.9E	N/AE
Q3 Sep	1.8A	1.1A		0.7A	0.6E	0.8E	N/AE
Q4 Dec	2.2A	0.8E	1.1E	1.0E	0.5E	0.7E	N/AE
Year*	**$7.0A**	**$4.6E**	**$5.0E**	**$4.9E**	**$2.4E**	**$3.4E**	**$8.5E**
Change	--	--			--		
	2012A	**2013E**			**2014E**		
EPS	**ACTUAL**	**CURR.**	**PREV.**	**CONS.**	**CURR.**	**PREV.**	**CONS.**
Q1 Mar	($3.53)A	($5.46)A		($0.62)A	($0.76)E	($0.80)E	N/AE
Q2 Jun	(2.67)A	(0.98)A		(0.56)A	(0.79)E	(0.84)E	N/AE
Q3 Sep	(4.44)A	(0.88)A		(0.61)A	(0.83)E	(0.88)E	N/AE
Q4 Dec	(0.53)A	(0.86)E	(0.88)E	(0.86)E	(0.84)E	(0.89)E	N/AE
Year*	**($5.86)A**	**($4.23)E**	**($4.28)E**	**($6.82)E**	**($3.22)E**	**($3.41)E**	**($3.34)E**
P/E	NMx	NMx			NMx		
Change	--	--			--		

Consensus estimates are from Thomson First Call.
** Numbers may not add up due to rounding.*

Source: Thomson Reuters

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INVESTMENT THESIS: *Receptos, located in San Diego, CA, is an emerging biopharmaceutical company developing first-in-class and best-in-class drug candidates for large market opportunities and rare diseases. The company's lead product, RPC1063, is a sphingosine 1-phosphate (S1P1R) receptor modulator being developed as an orally-dosed treatment candidate being tested in a Phase 2/3 clinical trial for relapsing multiple sclerosis (RMS) and in a Phase 2 trial for inflammatory bowel disease (IBD). The second treatment candidate, RPC4046, is an anti-IL13 monoclonal antibody being developed as a potential treatment for an allergic/immune orphan disease called Eosinophilic Esophagitis (EoE). We believe clinical risk is lower than normal as RPC1063 has the same disease target as Novartis's approved RMS treatment Gilenya, but has a better safety profile and best-in-class potential. RPC4046 offers an orphan drug opportunity for Receptos to develop its own sales force. We believe execution risk is lower than normal as we consider management to have higher-than-normal knowledge and experience in the pharmaceutical industry—especially in multiple sclerosis. The CEO was successful at not only developing daclizumab, but also increasing value for FACET and making it an acquisition target for ABT. In addition, we view the rest of the management team as being top tier. Receptos ended 2013 with about $69.5 million in cash and raised about $110 million net in a follow-on offering in January 2014. We project runway into mid-2017 which includes top-line results from the ongoing Phase 2 trial testing RPC1063 treatment of RMS as well as IBD/UC in mid-2014. We anticipate RPC1063 is likely to achieve clinical success and regulatory approval and could reach gross peak annual worldwide sales of over $4 billion for RMS and over $950 million for IBD/UC. We also project RPC4046 treatment of EOE could reach over $1 billion in gross peak annual worldwide sales with premium orphan drug pricing and the oral GLP-1 candidate could reach gross peak WW sales of over $5 billion. If successful in Phase 2, we believe any of these candidates are likely to attract a partner and could trigger RCPT's acquisition.*

Figure 1: MODEL UPDATE

Receptos, Inc. (NASDAQ: RCPT)
Historical and Projected Income Statement
(In thousands except per share data)

Wedbush Pac Grow Life Sciences
Liana Moussatos, Ph.D.
Richard Lau

	2012A	2013A					2014E	2015E	2016E	2017E	2018E	2019E
	FY:12A	Q1A	Q2A	Q3A	Q4A	FY:13A	FY:14E	FY:15E	FY:16E	FY:17E	FY:18E	FY:19E
Gross Sales												
RPC1063	-	-	-	-	-	-	-	-	-	$ -	$ 9,222	$ 360,468
RMS	-	-	-	-	-	-	-	-	-	-	9,222	224,248
IBD/UC	-	-	-	-	-	-	-	-	-	-	-	136,220
Total Gross Sales	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,222	$ 360,468
Revenues:												
Net Product Sales	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,565	$ 177,562
RPC1063	-	-	-	-	-	-	-	-	-	$ -	$ 4,565	$ 177,562
RMS	-	-	-	-	-	-	-	-	-	-	4,565	110,133
IBD/UC	-	-	-	-	-	-	-	-	-	-	-	67,429
Collaborative Revenue	8,647	1,488	1,238	1,142	773	4,641	2,393	1,570	1,463	1,209	1,378	1,350
Ono Pharmaceutical	4,372	1,488	1,238	1,142	773	4,641	2,393	1,570	1,463	1,209	1,378	1,350
Eli Lilly	2,500	-	-	-	-	-	-	-	-	-	-	-
Ortho-McNeil-Janssen	99	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Revenues	$ 6,971	$ 1,488	$ 1,238	$ 1,142	$ 773	$ 4,641	$ 2,393	$ 1,570	$ 1,463	$ 1,209	$ 5,943	$ 178,912
Cost and Expenses:												
Cost of Goods	-	-	-	-	-	-	-	-	-	-	-	10,380
R&D	22,927	8,020	9,441	13,500	12,624	43,585	59,240	34,643	40,527	47,411	55,464	64,886
(S)G&A	3,430	1,062	1,589	3,050	3,248	8,949	13,320	13,861	14,424	15,009	62,611	94,952
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	$ 24,650	$ 9,082	$ 11,030	$ 16,550	$ 15,872	$ 52,534	$ 72,560	$ 48,504	$ 54,951	$ 62,421	$ 118,075	$ 170,217
Operating Income (Loss)	(17,680)	(7,594)	(9,792)	(15,408)	(15,099)	(47,893)	(70,167)	(46,934)	(53,488)	(61,212)	(112,132)	8,694
Net Interest Income (Expense)/Other Income	16	1	(126)	(157)	(145)	(427)	370	327	194	20	(184)	(370)
Other Income (Expense)	(21)	(2,056)	-	-	-	(2,056)	-	-	-	-	-	-
Income Before Income Taxes	$ (17,685)	$ (9,649)	$ (9,918)	$ (15,565)	$ (15,244)	$ (50,376)	$ (69,798)	$ (46,608)	$ (53,294)	$ (61,191)	$ (112,317)	$ 8,324
Provision (Benefit) for Income Taxes	-	-	-	-	-	-	-	-	-	-	-	-
Net Income (Loss)	$ (17,685)	$ (9,649)	$ (9,918)	$ (15,565)	$ (15,244)	$ (50,376)	$ (69,798)	$ (46,608)	$ (53,294)	$ (61,191)	$ (112,317)	$ 8,324
EPS (GAAP,Taxed,Diluted)	($5.86)	($5.46)	($0.98)	($0.88)	($0.86)	($4.23)	($3.22)	($2.14)	($2.44)	($2.79)	($5.09)	$0.38
Weighted Shares Outstanding (Basic and Diluted)	3,020	1,767	10,151	17,715	17,806	11,916	21,662	21,762	21,862	21,962	22,062	22,162
Total Shares Outstanding (Diluted)	8,367	2,299	10,151	17,715	17,806	11,993	21,662	21,762	21,862	21,962	22,062	22,162
Cash	*$5,427*	*$18,312*	*$91,146*	*$80,781*	*$69,490*	*$69,490*	*$147,495*	*$112,724*	*$38,042*	*($23,149)*	*($135,841)*	*($135,181)*
Net Cash per share	*$1.80*	*$10.36*	*$8.50*	*$4.29*	*$3.63*	*$5.42*	*$5.56*	*$4.20*	*$1.74*	*($1.05)*	*($6.16)*	*($6.10)*
Annual (Burn)/Generation	*($5,909)*					*$64,063*	*$78,005*	*($34,772)*	*($74,681)*	*($61,191)*	*($112,692)*	*$660*

Source: Company data, Wedbush Securities, Inc.

Q4 financials were in-line. Receptos reported about $0.8 million in Q4 collaborative revenue (presumably from Ono) which was in-line with our $1.1 million estimate. Operating expenses were also in-line with our estimates (R&D $12.6 MM vs. our $14.2 MM; G&A $3.2 MM vs. our $3,2MM estimate). EPS (loss) was $(0.86) (share count 17.8 million) vs. our $(0.88) (share count 18.3 million). With year-end cash of $69.5 million and the recent $110 million net financing, we project runway until mid:2017--covering major clinical and potentially business catalysts in 2014 and 2015.

We believe clinical risk was reduced in Q4:13 following a successful interim analysis of the Phase 2 portion of the Phase 2/3 RADIANCE trial testing RPC1063 in relapsing multiple sclerosis (RMS). The pre-specified analyses included futility as well as safety--

with RPC1063 passing both. The full top-line Phase 2 data is expected to be released mid-year; however, given that RPC1063 already passed the interim look, we believe there is a very high probability for success. Additionally, the company announced the initiation of the Phase 3 portion of the RADIANCE trial, which we estimate the company will fund from a recent financing. We project RPC1063 could be launched in Q4 2018 and achieve gross peak annual sales for RMS could reach over $4 billion. Recall Gilenya achieved over $1 billion in annual sales in 2012 after being launched in Q4 2010—despite serious toxicities.

Figure 2: ANTICIPATED MILESTONES (*our estimates)

Timing	Milestone	Estimated Probability	Estimated Upside/Downside
H1:14	RPC 4046 EOE File IND for Ph2 initiation in 2014	--	--
Mid:14	RPC 1063 RMS Ph2 RADIANCE data release	80:20	+5-25%/-10-35%
Mid:14	RPC 1063 UC Ph2 TOUCHSTONE data release	75:20	+5-25%/-5-25%
H2:15	RPC 4046 EOE Topline Ph2 data release	50:50	+10-25%/-5-25%

Source: Company data, Wedbush Securities, Inc.

In addition to release of top-line results from RADIUS mid-year, we also anticipate release of results from TOUCHSTONE in Q3. We believe TOUCHSTONE is also likely to be positive due to Novartis previously' validating S1PR in Phase 2 for UC with a follow-on to Gilenya and preclinical / Phase 1 clinical results for RPC1063 showing a reduction in peripheral lymphocyte count and beneficial preclinical histology changes presented in three posters (search http://ddw.scientificposters.com/epsSearchDDW.cfm for #TU1616, #SA1221, #SA122) during Digestive Disease Week (DDW May 18-21, 2013 Orlando).

With success in the RADIANCE Phase 2 mid-year, the company may pursue additional indications such as primary progressive MS and with success in TOUCHSTONE; they may pursue Crohn's. Other indications showing preclinical promise include RA, psoriasis, and lupus.

Presuming a commercial partner, we project full-year profitability in 2019 after launching RPC1063 in RMS/IBD in Q4:18/Q1:19, respectively. However, if RPC1063 has positive results in both Phase 2s mid-year, we anticipate a potential acquisition could occur in H2 2015.

Figure 3: VALUATION

RCPT Product Pipeline Valuation		Eligible # Patients	Pricing $ / Patient / Year	Gross Peak Sales WW ($000)	Net Peak Revs ($000)	Revs Year	Blended Peak Penetration	Multiple	Launch	Discount Rate	MktCap Fair Value ($000)	Stock Fair Value
Product	Indication											
RPC1063	RMS	857,143	$51,260	$4,433,490	$1,789,380	2023	8%	6	12/18/2018	30%	$1,101,739	$49.73
RPC1063	IBD/UC	450,000	$52,189	$950,488	$350,842	2023	8%	5	1/15/2019	30%	$208,304	$9.40
RPC4046	EoE	257,250	$46,866	$1,255,042	$75,202	2023	12%	4	6/15/2019	30%	$25,934	$1.17
Oral GLP-1	T2D	23,000,000	10,000	5,750,000	$2,869,250	2025	2%	2	6/30/2020	30%	$374,790	$16.92
We use multiples to account for clinical and regulatory risk at various stages of development.			Total Peak Revs:	$6,639,020	$2,215,424							
1x: in preclinical testing	6x: passed Phase 2 / in Phase 3							3/5/15				
2x: passed preclinical	7: positive Phase 3								Stock	MktCap	Upside Potential	
3x: IND filing accepted	8: regulatory review							12-Month Price Target:	$59.13	$1,310,043	27%	
4x: In Phase 1	9: approved							Current Quarter's Est Net Cash (000):	$3.45	$63,351		
5x: In Phase 2	10: launched							Total Technology Value	$77.22	$1,710,766	66%	
								Total RCPT Value:	$80.67	$1,774,117	72%	
								Current RCPT Value:	$46.49	$1,029,907		

Source: Company data, Wedbush Securities, Inc.

We reiterate our OUTPERFORM rating and are converting to a 12-month price target of $59. Due to the exceptional management team delivering positive futility results in the Q4:13 interim analysis of the Phase 2 RADIANCE trial testing RPC-1063 in RMS as well as maintaining the timelines to releasing results for RADIANCE and TOUCHSTONE—AND—the potential for RPC-1063 to treat follow-on indications such as PPMS, RA, lupus, and Crohn's which could significantly add to RPC-1063's market potential, we believe the stock deserves a higher premium than where it is currently trading. We calculate RCPT's 12-month price target using a 365 day projection of our current fair value based on the sum of a 30% annual discount and a 1x-10x premium range on our net peak annual sales estimate for each product and indication in the clinic to reflect risk. Due to our 30% annual discount, our 12-month price target is higher than our current fair value.

RISKS TO THE ATTAINMENT OF OUR FAIR VALUE

Clinical Risk: We believe clinical risk is likely to increase in 2014 with release of Phase 2 clinical results. Receptos is a developmental stage emerging pharmaceutical company which has completed Phase 1 and is conducting a Phase 2 trial for their lead product candidate, RPC1063 for the treatment of relapsing multiple sclerosis (RMS) with top-line results expected in mid-2014. As will all clinical candidates, RPC1063 is susceptible to inherent risks of failure at any stage of drug development, which may include unexpected adverse events; however, the S1P1 target has been validated by Novartis' GILENYA™ and RPC1063 appears to have a better safety profile. The company is also developing RPC1063 as a treatment candidate for inflammatory bowel disease (IBD) which is currently in a Phase 2 clinical trial with initial results expected in mid-2014. A second clinical candidate, RPC4046 is being developed as a treatment candidate for Eosinophilic Esophagitis (EOE) and is expected to initiate clinical testing in 2014.

Regulatory Risk: We consider regulatory risk to be low in 2014; however; in general, we believe if RPC1063 successfully completes clinical development, we believe regulatory risk is likely to be lower than average. That the FDA approved Novartis' GILENYA™ in 2011 despite safety issues including potential mortality upon initial dosing due to cardiovascular adverse events, suggests to us that a safer drug candidate with a similar efficacy profile is also likely to obtain approval. Receptos has never obtained marketing approval for a drug candidate and we do not anticipate NDA filing for the lead drug candidate (RPC1063) until 2017. Upon completion of regulatory review, if the FDA requires additional studies or data, the resulting increased costs and delays in the marketing approval would likely increase financing risk. Even after conducting such trials and submitting new data, the FDA may find these to be insufficient or may not agree with the analysis and still may not approve the NDA. Any delay in obtaining, or an inability to obtain, marketing approvals would increase financing risk by delaying commercialization as well as potential profitability. Regulatory risk can involve turnover in regulatory decision-makers, which can change policy and approval criteria after the trial is conducted. Agency statisticians may choose a different analytical process than was conducted in the NDA and conclude that the trials failed to achieve statistical efficacy. Changes in standard-of-care occurring while the trial is ongoing may also result in the design being found to be obsolete during regulatory review.

Even if a product is approved, the designated patient population may be much smaller than expected, which could limit sales potential. Post-approval clinical studies may be required as well as limits on sales and marketing practices and materials. If unexpected adverse effects emerge the drug can be withdrawn from the market. Regulatory requirements also vary among different countries and may result in requirements for additional clinical trials.

Manufacturing Risk: We consider manufacturing risk to be low in 2014, but higher than normal for the future as Receptos lacks manufacturing capability and plans to continue relying on third parties to supply its product candidates. In addition, the company does not have any executed agreements for long-term commercial supply for any of its drug candidates, but plan to do so for RPC1063 prior to commercial launch. For RPC4046, AbbVie has agreed to manufacture enough for preclinical and clinical trials and may continue to or may choose to engage a third party following the planned Phase 2 results in EoE, after which, AbbVie may choose to execute an option to collaborate with Receptos for RPC4046 development and commercialization. Multiple improvements to the manufacturing process for RPC4046 have been made and a comparability assessment of the material used in the completed Phase 1 study versus the new process must be filed prior to the initiation of the Phase 2 in EoE.

Commercialization Risk: We consider commercialization risk to be low in 2014, but higher than average in general due to Receptos' small size and development stage. Receptos' business model is to develop and commercialize clinical candidates; however, for small development-stage companies, we view commercialization risk in general as higher than normal until/unless the company partners commercialization with an appropriate larger pharmaceutical company—especially for large indications such as multiple sclerosis. We anticipate Receptos is likely to partner commercial activities for large markets globally. For rare diseases such as EoE, the company may hire a small specialty sales force for the US, but we anticipate the company will partner commercialization for primary care globally as well as for all physicians outside the US. We consider this commercial plan to be optimal for leveraging potential profits from sales for a small company.

Competition Risk: We view competition risk as low in 2014 but, in general, higher than average unless Receptos partners with an appropriate global pharmaceutical company for commercialization. In general, we believe a small development-stage emerging pharmaceutical company with limited resources has higher-than-average competition risk. In the situation with RPC1063, while we believe large pharmaceutical companies with large marketing budgets, such as Novartis and Biogen-Idec may counter-detail RPC1063 after potential launch in late 2018, if its emerging profile of equal efficacy to GILENYA™, but improved safety while maintaining once-daily oral dosing is maintained through clinical development, we believe physicians treating MS patients are likely to prefer it over the currently approved oral therapies. In addition, physicians treating MS have commented that twice-daily dosing such as for Biogen-Idec's Tecfidera™ may have reduced real-world efficacy as their patients may forget to take the evening dose.

Intellectual Property Risk: We consider intellectual property risk to be low in general, as the company has an exclusive license for the RPC1063 composition of matter patent which expires in May 2029 and could be extended into 2032. In addition, intellectual property protection for RPC4046 also has a long runway with expiration in 2028 and may be extended up to 5 years.

Financing Risk: Receptos ended 2013 with $69.5 million in cash and raised about $102.1 million on January 9, 2014 and exercised overallotments on January 14, 2014 raising gross proceeds of about $110 million. With this financing we project cash runway (with a partner for the RMS & UC Phase 3 programs) into mid-2017 (not including the $25MM remainder in MidCap Financial venture debt). Since Receptos just conducted a financing, we consider financing risk to be low in 2014.

Analyst Biography

Liana Moussatos joined Wedbush from Pacific Growth Equities where she was a Senior Research Analyst. Prior to that she came from UBS Global Asset Management where she was Director and portfolio manager of the UBS Global Biotech Funds for five years. Previously, Liana was with Bristol-Meyers Squibb where she was a manager in University and Government Licensing, External Science and Technology and she also worked with Sloan-Kettering Cancer Institute in the Office of Industrial Affairs and the National Cancer Institute in the Office of Technology Development. Liana received a BS in Entomology and a MS in Zoology and Biochemistry from Clemson University. She also earned a Ph.D. in Plant Pathology from the University of California, Davis and completed a postdoctoral research fellowship in Cellular and Molecular Physiology at the Yale School of Medicine.

Analyst Certification
I, Liana Moussatos, Ph.D., certify that the views expressed in this report accurately reflect my personal opinion and that I have not and will not, directly or indirectly, receive compensation or other payments in connection with my specific recommendations or views contained in this report.

Disclosure information regarding historical ratings and price targets is available at http://www.wedbush.com/ResearchDisclosure/DisclosureQ413.pdf

Investment Rating System:
Outperform: Expect the total return of the stock to outperform relative to the median total return of the analyst's (or the analyst's team) coverage universe over the next 6-12 months.
Neutral: Expect the total return of the stock to perform in-line with the median total return of the analyst's (or the analyst's team) coverage universe over the next 6-12 months.
Underperform: Expect the total return of the stock to underperform relative to the median total return of the analyst's (or the analyst's team) coverage universe over the next 6-12 months.

The Investment Ratings are based on the expected performance of a stock (based on anticipated total return to price target) relative to the other stocks in the analyst's coverage universe (or the analyst's team coverage).*

Rating Distribution (as of December 31, 2013)	**Investment Banking Relationships (as of December 31, 2013)**
Outperform:54% Neutral: 43% Underperform: 3%	Outperform:18% Neutral: 2% Underperform: 0%

The Distribution of Ratings is required by FINRA rules; however, WS' stock ratings of Outperform, Neutral, and Underperform most closely conform to Buy, Hold, and Sell, respectively. Please note, however, the definitions are not the same as WS' stock ratings are on a relative basis.

The analysts responsible for preparing research reports do not receive compensation based on specific investment banking activity. The analysts receive compensation that is based upon various factors including WS' total revenues, a portion of which are generated by WS' investment banking activities.

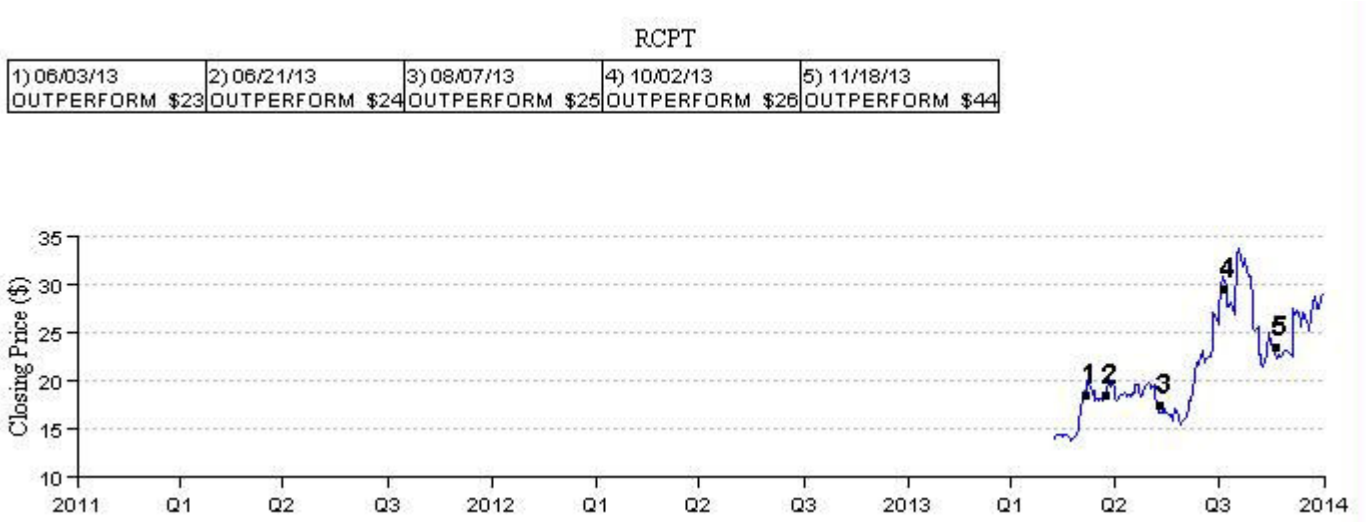
Wedbush Equity Research Disclosures as of March 5, 2014

Company	Disclosure
Receptos	1,3,4,5,7

Research Disclosure Legend
1. WS makes a market in the securities of the subject company.
2. WS managed a public offering of securities within the last 12 months.
3. WS co-managed a public offering of securities within the last 12 months.
4. WS has received compensation for investment banking services within the last 12 months.
5. WS provided investment banking services within the last 12 months.
6. WS is acting as financial advisor.
7. WS expects to receive compensation for investment banking services within the next 3 months.
8. WS provided non-investment banking securities-related services within the past 12 months.
9. WS has received compensation for products and services other than investment banking services within the past 12 months.
10. The research analyst, a member of the research analyst's household, any associate of the research analyst, or any individual directly involved in the preparation of this report has a long position in the common stocks.
11. WS or one of its affiliates beneficially own 1% or more of the common equity securities.
12. The analyst maintains Contingent Value Rights that enables him/her to receive payments of cash upon the company's meeting certain clinical and regulatory milestones.

Price Charts

Wedbush disclosure price charts are updated within the first fifteen days of each new calendar quarter per FINRA regulations. Price charts for companies initiated upon in the current quarter, and rating and target price changes occurring in the current quarter, will not be displayed until the following quarter. Additional information on recommended securities is available on request.



* WS changed its rating system from (Strong Buy/Buy/Hold/Sell) to (Outperform/ Neutral/Underperform) on July 14, 2009.
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