MORNING INSIGHT

August 5, 2010

BREAN MURRAY CARRET & CO.

This Morning's Highlights

Computer Hardware: Remain Cautious on Near-term Drive Industry Fundamentals Following Preliminary July Checks

WTR: Reports 2Q10 Results; Reiterate Buy Rating and $26 Target Price

NU: Reports 2Q10 EPS; Additional Rate Relief and Faster Transmission Spending Prime Catalysts; Raising Forward Estimates and Target Price to $31

ANR: Impressive Met Coal Shipments and New (Eastern Thermal & Met) Contracts Should Lead to a Strong 2010-11 - Reiterating Buy

SINA: Strong Ad Revenue Momentum and Impressive Leverage Drive 2Q Upside

IMGN: Reports 4QFY10 Results; Reiterate Buy

NPSP: Reports 2Q10 Results – Phase 3 STEPS Data in Early 2011; Reiterate Buy Rating

Computer Hardware

STX, WDC

Remain Cautious on Near-term Drive Industry Fundamentals Following Preliminary July Checks

Ananda Baruah, 212-702-6615
Ananda.Baruah@bmur.com

Company	Ticker	Rating	Price	Target	10A EPS / (P/E)	11E EPS / (P/E)
Seagate Technology	STX	Hold	$12.55	NA	$3.35 (3.7x)	NA
Western Digital Corp.	WDC	Buy	$27.09	$37.00	$6.05 (4.5x)	NA

Investment Summary

We maintain our cautious stance on near-term drive industry fundamentals following preliminary July drive checks as <u>1) checks indicate additional PC order reductions could soon follow those of the last couple of weeks</u>, 2) consistent with our publishing over the last month, <u>we believe the drive industry could be predisposed to another round of incremental near-term ASP reductions</u> (perhaps across desktop, notebook, and enterprise), and 3) <u>while we don't believe drive builds have yet been reduced</u>, given that PC ships currently feel softer than originally anticipated, <u>without a pick-up in PC orders, Sep Q drive builds may need to be reduced at some point</u>.

While this note is a bit more anecdotal and subjective in nature, we look to have more "quantifiable" takes published next week. This note is intended to capture the "spirit" of our ongoing checks.

While we believe STX and WDC potentially factored in additional ASP reductions into their Sep Q guidance, our sense is these may not yet be filtered through into Street estimates; <u>therefore, while we believe it remains entirely possible / likely the drive sector can position for material 2H appreciation, we believe it remains a bit too early to point to stable fundamentals as the basis of such a call</u>; particularly if the environment could continue to soften before stabilizing and if Street EPS needs to be adjusted downward as a result.

Our thinking is based on our bottoms-up detailed models (in which we forecast by ASP / units by capacity point) where we factored in the same kind of aggressive pricing through the Sep Q that we saw exiting the June Q (which we believed to be incremental and introduced the last week of the Q.) For STX we're at $0.45 for the Sep Q and $0.47 for the Dec Q ($2.65 for CY10) with Q/Q ASP declines 7% and 3% on unit ships of 51M and 53M, while the Street is at $0.52 / $0.67 / $2.92; for WDC we're at $0.80 for the Sep Q and $0.85 for the Dec Q ($4.60 for CY10) with Q/Q ASP declines 5% and 2% on unit ships of 51M and 53M, while the Street is at $0.85 / $1.08 / $4.87.

We're getting signals suggesting <u>additional</u> PC OEM order reductions <u>could soon follow those of the last couple of weeks</u> (not yet clear on magnitude.) Regarding recent Taiwanese PC ODM's PC motherboard / notebook reductions, we agree it's worth noting the significant negative shift in tone; that said, it's perhaps equally important to note that while ODM ships ultimately correlate quite well to PC ships, ODM shipment *forecasts* do tend to move around quite a bit monthly; we can remember countless times when they quickly reversed back both upward and downward opposite of prior forecast changes.

We don't believe drive production build plans have yet been reduced; but if PC builds softening ultimately is material, our overriding concern would be with an "amply" filled channel and perhaps "true" drive demand of ~150M TAM in the Jun Q (vs. 155M shipped), muted true "demand seasonality" in the Sep Q could leave the drive industry significantly pre-disposed to another quarter of material shipment reductions and additional material ASP reductions.

Entering July our OEM checks suggested OEM's expected Sep Q "true drive demand" of ~6% q/q (or a drive TAM of 160M – 165M). Currently it feels to us like the drive industry is focusing on monthly volumes of 40M+, 40M+, and 85M for July / Aug / Sep (~165 – 170 TAM). If PC seasonality ends up softer than expected (the likelihood of which could be suggested as PC cuts come to fruition), we'd suggest the chances that a Sep Q TAM of 165M -170M done in a healthy way seems creaky.

Aqua America, Inc.

WTR $19.87
Buy/Target Price: $26

Reports 2Q10 Results; Reiterate Buy Rating and $26 Target Price

Michael Gaugler, 212-702-6539
gauglerm@bmur.com

Christopher Noon, 212-702-6623
noonc@bmur.com

EPS	Mar	Jun	Sep	Dec	FY	P/E	FY Rev. (mm)
FY09	$0.14	$0.19	$0.25	$0.20	$0.77	25.9x	$670.54
Prior	-	-	-	-	-	-	-
FY10	$0.16A	$0.22A	$0.28	$0.22	$0.87	22.8x	$715.71
Prior	-	-	-	*$0.24*	*$0.89*	-	-
FY11	$0.19	$0.24	$0.29	$0.24	$0.96	20.6x	$772.96
Prior	*$0.20*	-	-	*$0.25*	*$0.98*	-	-

Price	$19.87
52-Week High/Low	$20.08 - 15.39
Shares Outstanding (mm)	136.96
Market Cap. (mm)	$2,721.30
Average Daily Volume (mm)	0.89

Investment Summary

Aqua America reported 2Q10 results that essentially matched our expectations. Revenue in the quarter of $178.4 million (a 6.6% YoY increase) slightly beat our $177 million estimate, and EPS of $0.22 met our Street-high estimate. Net income of $29.9 million increased 15.5% YoY. Contributing to the strong performance was the company's ability to earn a fair return on capital investments as well as management's ability to control costs, as operating and maintenance expenses increased only 1.1% YoY. As an added bonus, the Board of Directors announced a dividend increase, the 20th in 19 years. We reiterate our Buy rating and $26 target price, based on the shares attaining a level of 27x our 2011 EPS estimate of $0.96.

Discussion

- **A great quarter, as expected.** Aqua America posted 2Q10 revenue of $178.4 million, which was up 6.6% from the same quarter last year, and came in ahead of our $177 million estimate. EPS in the quarter of $0.22 met our Street-high expectations, as net income for the quarter increased 15.5% to a record $29.9 million. Again, perhaps the most impressive factor in the quarter was management's ability to control costs, as operations and maintenance expenses grew only 1.1%, and the O&M to revenue ratio dropped to 38.8% from 41.0% in the same quarter last year.

- **Rate case update.** Thus far in 2010, WTR received rate awards in Pennsylvania, New Jersey, New York, North Carolina, Missouri, Ohio, Indiana, Maine, and Virginia, which combined increase the annualized revenue approximately $43.7 million. Further, another $13.7 million of rate cases is before four state regulatory bodies, and subsidiaries are expected to seek rate relief by filing more than $28.5 million later in 2010 that would positively impact 2011 and 2012 results.

- **More acquisition activity.** Last year, the company closed 18 acquisitions. This year the company is expecting to complete between 25 – 30 acquisitions, with 12 completed thus far in 2010. Opportunities are materializing throughout all of the company's service territories.

- **Dividend increase.** The Board of Directors announced a dividend increase of 6.9% to $0.155 per share for the December 1, 2010 quarterly dividend to all shareholders of record on November 17, 2010. This was the 20th increase in the last 19 years.

- **Adjusting estimates.** We have made the following changes to our forward estimates: our 2010 EPS estimate is now $0.87 from $0.89, and our 2011 EPS estimate is now $0.96 from $0.98. We consider our changes immaterial from a valuation perspective.

Northeast Utilities

NU $28.77
Buy/Target Price: $31 (from $29)

Reports 2Q10 EPS; Additional Rate Relief and Faster Transmission Spending Prime Catalysts; Raising Forward Estimates and Target Price to $31

Daniel Fidell, 212-702-6603
Daniel.Fidell@bmur.com

EPS	Mar	Jun	Sep	Dec	FY	P/E	FY Rev. (mm)
FY09	$0.60	$0.47	$0.37	$0.48	$1.91	15.1x	NA
Prior	-	-	-	-	-	-	-
FY10	$0.49A	$0.41	$0.54	$0.61	$2.05	14.1x	NA
Prior	-	*$0.48*	*$0.48*	*$0.60*	-	-	-
FY11	$0.57	$0.44	$0.56	$0.63	$2.20	13.1x	NA
Prior	*$0.61*	*$0.51*	*$0.47*	*$0.56*	*$2.15*	-	-

Price	$28.77
52-Week High/Low	$29.03 - 22.20
Shares Outstanding (mm)	175.96
Market Cap. (mm)	$5,062.34
Average Daily Volume (mm)	1.29

Investment Summary

- NU posted 2Q10 EPS of $0.41 versus $0.47 last year, modestly below our and consensus expectations. The $0.06 decrease in quarterly results largely reflects lower distribution and generation results (-$0.06) largely driven by CL&P underperformance, with transmission and non-regulated contributions essentially flat. Despite the 2Q10 EPS shortfall, management raised the FY10 EPS guidance range to $1.95-$2.05 from $1.80-$2.00 per share, given positive rate relief recently implemented in Connecticut and New Hampshire and accelerated transmission (NEEWS) spending on the Greater Springfield reliability project set to begin in earnest later this year. Accordingly, we feel comfortable affirming our FY10 EPS estimate of $2.05 at this time. In addition, based largely on management's recent/pending requests for additional rate relief in Massachusetts (WMECO) and Connecticut (Yankee), we are raising our FY11 EPS estimate to $2.20 from $2.15 at this time. Based on our new cash flow and earnings estimates, our target price is increased to $31 from $29. We continue to view NU as a premier name among the wires and pipes sector, with a highly visible, higher-return infrastructure growth strategy that should allow the company to achieve its 6% to 9% annual EPS growth goal over the next several years. Given our fair value estimates, we continue to recommend NU shares for purchase at the current price (please refer to our valuation discussion section later in this report for details).

Discussion

- **NU posted 2Q10 EPS of $0.41 versus $0.47 last year.** Reported results were below our $0.48 estimate and the consensus estimate of $0.43. The $0.06 decrease in quarterly results largely reflects lower distribution and generation results (-$0.06) largely driven by CL&P underperformance with transmission and non-regulated contributions essentially flat. For the six months YTD, NU posted EPS of $0.90 versus $1.07 last year (see detailed EPS by segment table below).

Alpha Natural Resources, Inc.

ANR $41.74
Buy/Target Price: $60 (from $57)

Impressive Met Coal Shipments and New (Eastern Thermal & Met) Contracts Should Lead to a Strong 2010-11 - Reiterating Buy

Jeremy Sussman, 212-702-6606
Jeremy.Sussman@bmur.com

Lucas Pipes, 212-702-6636
Lucas.Pipes@bmur.com

EPS	Mar	Jun	Sep	Dec	FY	P/E	FY Rev. (mm)
FY09	$0.66	$0.24	$0.47	$0.51	$1.98	21.1x	$3,000.61
Prior	-	-	-	-	-	-	-
FY10	$0.69A	$0.62A	$0.78	$0.99	$3.07	13.6x	$3,549.45
Prior	-	*$0.66*	*$0.71*	*$0.76*	*$2.81*	-	-
FY11	-	-	-	-	$5.14	8.1x	$4,198.53
Prior	-	-	-	-	*$5.01*	-	-

Price	$41.74
52-Week High/Low	$55.70 - 30.67
Shares Outstanding (mm)	121.07
Market Cap. (mm)	$5,053.34
Average Daily Volume (mm)	3.18

Investment Summary

Overall, Alpha posted a slight 2Q10 miss on higher-than-expected costs. Importantly, the company reiterated its full-year cost guidance, as a large part of the 2Q10 cost increase was driven by fixed cost absorption (on the back of a monthlong move of the Cumberland longwall). In addition, Alpha signed extremely strong contracts in the East on both the met and the thermal side. Alpha priced roughly 1.1 million tons of met coal for delivery in 2010 at roughly $147/short ton at the mine (excluding a small amount of low-priced crossover tonnage to China, this would have been $163/ton). For 2011, Alpha priced 2.3 million tons of Eastern thermal coal at $73/ton. Both levels are higher than we are modeling. As a result of Alpha maintaining its cost and volume guidance, but having signed new contracts at higher levels than we had been expecting, we are raising our earnings estimates and target price. We believe that Alpha has come out of 2Q10 earnings better than any of its CAPP and NAPP peers, both in terms of cost, as well as met coal pricing/guidance. As such, we would expect Alpha to continue yesterday's outperformance for the foreseeable future, and would be buyers at current levels.

Discussion

- **Slight 2Q10 Miss, but Reiteration of 2010 Guidance:** Alpha reported 2Q10 adjusted EPS of $0.62 from continuing operations, versus consensus of $0.69. Importantly, despite a tough quarter on the cost front, full year cost guidance remained at $54-57/ton in the East. Mostly offsetting the higher 2Q10 costs, met coal volumes were much stronger than expected, coming in at 3.3 million tons, up roughly 25% from 1Q10. Clearly, Alpha picked up some market share here, benefitting from some high-profile production outages (such as Massey Energy's Upper Big Branch mine and Patriot Coal's Harris mine). Management reiterated its met coal shipment guidance of 11-13 million tons for 2010, and 11-14 million tons for 2011. Based on the 2Q10 run rate of 3.3 million tons per quarter, we believe this is conservative, especially relative to the guidance of its closest CAPP met coal peer.

- **New 2010 Contracts – Strong in the East for Both Met and Thermal, but Not in the West:** During 2Q10, Alpha priced 1.1 million tons of met coal at extremely strong prices (equivalent to $225/metric ton fob port), but has seen demand pull back a bit recently (especially on the lower quality side). On the thermal coal front, for 2011, Alpha priced 2.3 million tons of Appalachian coal at $73/ton, a very strong price in our opinion. In the West, prices were not as good. Alpha priced 5.5 million tons of PRB coal at an average price of $11.20/ton, significantly below the current futures curve. On the call, management said that the futures curve is currently above demand of the physical market, which is something we also believe.

- **Valuation:** We are maintaining our Buy rating and are increasing our target price to $60 from $57. Our $60 target price is based on a detailed DCF model and a 5.5x estimated 2011 EV/EBITDA. Based largely on Alpha's new higher-than-expected met coal contracts, we are also increasing our 2010 and 2011 EPS estimates.

Sina Corp.

SINA $42.82
Buy/Target Price: $50 (from $46)

Strong Ad Revenue Momentum and Impressive Leverage Drive 2Q Upside

Andrey Glukhov, CFA, 212-702-6602
glukhova@bmur.com

EPS	Mar	Jun	Sep	Dec	FY	P/E	FY Rev. (mm)
FY09	$0.23	$0.29	$0.34	$0.31	$1.18	36.3x	$328.18
Prior	-	-	-	-	-	-	-
FY10	$0.34A	$0.42A	$0.45	$0.45	$1.65	25.9x	$384.63
Prior	-	*$0.34*	*$0.41*	*$0.44*	*$1.53*	-	-
FY11	$0.35	$0.45	$0.54	$0.58	$1.92	22.3x	$450.56
Prior	*$0.37*	*$0.43*	*$0.50*	*$0.53*	*$1.84*	-	-

Price	$42.82
52-Week High/Low	$47.95 - 28.91
Shares Outstanding (mm)	61.16
Market Cap. (mm)	$2,618.83
Average Daily Volume (mm)	0.82

Investment Summary

Sina reported a solid 2Q10, slightly exceeding revenue and EPS expectations. The upside was driven by strong 52% YoY growth in advertising revenue, benefitting from the World Cup. The company showed stellar operating margin expansion, as pro forma operating margin expanded to an impressive 26.4% from 15.4% in 2Q09, highlighting the company's strong expense management despite the ramp in the online video business. Sina also provided a solid 3Q10 revenue outlook, a touch ahead of consensus expectations, and suggested that margin improvement is defensible. We are raising our FY10 and FY11 expectations, our target price to $50 and reiterating our Buy rating.

Discussion

- **Strong 2Q10.** 2Q10 revenue was slightly above expectations, as the company reported non-GAAP revenue of $95 million, a touch above the consensus of $93 million. The growth was driven by the stellar 52% YoY pro forma ad revenue growth, which was tempered by a slowdown in MVAS again for this quarter. Operating margin was stellar at 26.4% and thus pro forma EPS of $0.42 showed a significant beat vs. the $0.35 consensus. Adjusted for lower taxes and bad debt allowance reversal, Sina beat by $0.02. Cash remained flat at $729 million ($11 per share).

- **Advertising growth balanced between customers and spending.** Sina evidenced 14% YoY growth in the number of brand advertisers, implying 410 advertisers. Spending per advertising customer grew 33% YoY to $178K per quarter. Spending also grew 21% per customer per quarter on a sequential basis. We are encouraged by the balanced growth trend and believe in 2H10 we will see continued growth in both metrics, especially as the company increases its advertising rate card in the fall. Sales and marketing per ad customer as a percentage of revenue per ad customer remained stable at 21%, suggesting no changes in ad customer acquisition costs.

- **Sports continued to be area of strength.** Both video and Sina's mini-blog reportedly helped Sina grab significant share in World Cup advertising-related revenue. We continue to expect Sina to leverage its strong presence in entertainment content stemming from celebrity blogs, the mini-blog platform and significant online video traffic to gain market share in online advertising.

- **Stellar operating margin.** Pro forma operating margin of 26.4% was excellent and translated to a 570 basis point sequential improvement. The margin benefitted from a $1.6 million bad debt allowance reversal; even adjusted for that reversal, we evidenced significant upside to our operating margin forecast.

- **Strong outlook.** Sina gave solid 3Q10 revenue guidance of $101-$104 million, a touch ahead of the consensus of $101 million. The company expects another strong quarter of contribution from World Cup related advertising. In addition, management maintained that its operating margin expansion is defensible and margins going forward should be at least stable.

ImmunoGen, Inc.

IMGN $9.77
Buy/Target Price: $14

Reports 4QFY10 Results; Reiterate Buy

Ling Wang, CFA, 212-702-6680
ling.wang@bmur.com

EPS	Sep	Dec	Mar	Jun	FY	P/E	FY Rev. (mm)
FY09	$(0.19)	$(0.14)	$(0.09)	$(0.21)	$(0.63)	NM	$27.99
Prior	-	-	-	-	-	-	-
FY10	$(0.22)	$(0.23)	$(0.21)	$(0.21)	$(0.87)	NM	$13.94
Prior	-	-	-	*$(0.27)*	*$(0.93)*	-	-
FY11	$(0.21)	$(0.21)	$(0.20)	$(0.20)	$(0.81)	NM	$10.30
Prior	-	-	-	-	-	-	-

Price	$9.77
52-Week High/Low	$10.90 - 6.25
Shares Outstanding (mm)	66.41
Market Cap. (mm)	$648.86
Average Daily Volume (mm)	0.55

Investment Summary

ImmunoGen reported 4QFY10 EPS of $(0.21) vs. the consensus estimate of $(0.27), primarily due to higher-than-expected revenues. The company ended 4QFY10 with ~$110.3 million in cash & equivalents, boosted by net proceeds of $77.5 million from an equity raise completed in May 2010. During the 4QFY10 conference call, management provided FY11 financial guidance: net loss of $50-53 million, cash used in operations of $34-37 million, capital expenditures of $2-3 million and cash & equivalents at FY11 year end of $74-77 million. We are introducing our FY11 EPS estimate of $(0.81). During 4QFY10, ImmunoGen made impressive progress on both partnered and internal programs. Going forward, there should be meaningful near-term catalysts to drive shareholder value, including multiple data presentations at several upcoming medical conferences in 2H10 and potential regulatory approval of T-DM1 in 3rd-line advanced breast cancer in early 2011. Additionally, the company expects to initiate a randomized Phase 2 trial of lorvotuzumab in 2H10 and make a go-no-go decision in MCC by the end of 2010. Management expects to advance 4 additional compounds to the clinic in 2011, including 2 or 3 partnered compounds and one ImmunoGen fully owned compound.

Valuation – We use a sum-of-the-parts analysis to value ImmunoGen shares. Our 12-month target price of $14 is derived by summing up the following components of ImmunoGen's development programs: the leading product candidate T-DM1 at $350 million, the rest of the pipeline of five eight clinical-stage products (both fully owned and partnered) at $150 million, and its antibody-based platform technologies at $200 million.

Risks – Risks to the achievement of our target price include 1) clinical risks associated with T-DM1 and other pipeline products; 2) regulatory risk; 3) commercialization risk; and 4) high stock price volatility.

Discussion

A BLA was filed for T-DM1 in 3rd-line advanced breast cancer – Partner Roche/Genentech submitted a Biologics License Application (BLA) to the FDA for T-DM1 in treating 3rd-line advanced HER2-positive breast cancer patients in early July. We continue to believe the data package is robust enough to potentially obtain accelerated approval in early 2011, based on what we view as a robust efficacy and safety profile that T-DM1 demonstrated in a patient population with a significant unmet medical need and no approved or effective treatment option. In July, Roche also initiated a Phase 3 trial (MARIANNE) of T-DM1 in front-line advanced HER2+ breast cancer patients. Going forward, we expect preliminary data presentation from a Phase 2 trial of T-DM1 in 1st-line advanced HER2+ breast cancer at the ESMO conference in October 2010 and data from a Phase 1 trial of T-DM1 in combination with pertuzumab at SABCS in December 2010. We also expect Roche to provide clarification on the development plan of T-DM1 in the breast cancer adjuvant setting in 2010. Additionally, T-DM1 continues to be evaluated in a registrational Phase 3 trial in 2nd-line advanced Her2+ breast cancer, with a potential NDA and MAA filing in this patient setting in 2012.

NPS Pharmaceuticals, Inc.

NPSP $7.29
Buy/Target Price: $10

Reports 2Q10 Results – Phase 3 STEPS Data in Early 2011; Reiterate Buy Rating

Ling Wang, CFA, 212-702-6680
ling.wang@bmur.com

EPS	Mar	Jun	Sep	Dec	FY	P/E	FY Rev. (mm)
FY09	$(0.22)	$0.06	$(0.16)	$(0.04)	$(0.37)	NM	$84.15
Prior	-	-	-	-	-	-	-
FY10	$(0.06)A	$(0.11)A	$(0.21)	$(0.26)	$(0.72)	NM	$89.67
Prior	-	*$(0.18)*	-	*$(0.22)*	*$(0.75)*	-	-
FY11	-	-	-	-	$(0.41)	-	$102.17
Prior	-	-	-	-	-	-	-

Price	$7.29
52-Week High/Low	$7.75 - 2.84
Shares Outstanding (mm)	58.91
Market Cap. (mm)	$429.43
Average Daily Volume (mm)	0.32

Investment Summary

NPS Pharmaceutical reported 2Q10 EPS of $(0.11) vs. our estimate of $(0.18), primarily due to higher-than-projected revenues. NPS ended 2Q10 with cash & equivalents of $133 million. With a guided cash burn of $75 to $90 million for 2010, we expect the cash position to fund operations into at least 2H11, likely beyond the company's key value inflection point of two Phase 3 data reportings. The company recently achieved a key milestone – completing the randomization of 86 patients in the ongoing Phase 3 STEPS trial evaluating Gattex in patients with short bowel syndrome (SBS). The trial is on track to report top-line data in early 2011. The Phase 3 REPLACE trial of NPSP558 in hypoparathyroidism has achieved ~70% of the enrollment target, with the potential to complete enrollment in 2H10 and report top-line data in 2011, consistent with prior guidance. For 2Q10, partner Amgen still did not withhold any Sensipar-related royalties. Management guided to fully retire its Sensipar royalties-backed A notes in 2H10 or early 2011. We continue to view NPS Pharmaceuticals as significantly undervalued with two promising Phase 3 trials with the potential to report top-line data in 4Q10/early 2011 and mid-2011, respectively.

Valuation. We reiterate our Buy rating and target price of $10. Our $10 target price is derived by summing up Gattex at $140 million, NPSP558 at $90 million, Sensipar royalties from Amgen to NPS at $175 million, and the rest of the company's pipeline at $60 million.

Risks. Risks to the achievement of our target price include clinical risks, regulatory risk, commercialization risk, high stock price volatility.

Discussion

Sensipar update – 2Q10 Sensipar sales grew 3% YoY, with U.S. sales declining by 1% due to lower inventory partially offset by demand, and growth of 11% internationally driven by demand. For 2Q10, Amgen still did not withhold any Sensipar royalties associated with the lawsuit on Sensipar with Teva. Additionally, the CMS bundling rule on dialysis-based products was recently released and the inclusion of oral-only drugs, including Sensipar, is delayed until 2014, which is obviously a positive development for NPS.

Phase 3 STEPS trial on track to report data in early 2011 – NPS recently completed the randomization of 86 patients in the Phase 3 STEPS trial. Management expects to report top-line data from the trial in early 2011, which should form the basis for an NDA filing in SBS in the U.S. During 2010, the company will also focus on manufacturing and CMC activities for Gattex in order to secure the timing for the NDA filing for Gattex in SBS in 2011. In addition, patient enrollment is ongoing in the open-label, follow-on STEPS II trial, which offers patients treated in the Phase 3 STEPS trial an option to receive Gattex for up to two years and will also provide important long-term safety and efficacy data in SBS patients. Management indicated a pre-randomization dropout rate of ~27%, which is a significant improvement over the 40% pre-randomization dropout rate observed in the first Phase 3 trial of Gattex. The company is also ramping up manufacturing and CMC-related activities to ensure a regulatory filing of Gattex in SBS in 2011.

Important Disclosures

Ratings and Target Price History

For historical rating and target price information please use the following links:

ANR: http://www2.investars.com/cgi-bin/charts/_nasdaq.exe?f=1&s=ANR&analystid=93&re=1&width=500&height=350&wmf=1

IMGN: http://www2.investars.com/cgi-bin/charts/_nasdaq.exe?f=1&s=IMGN&analystid=93&re=1&width=500&height=350&wmf=1

NPSP: http://www2.investars.com/cgi-bin/charts/_nasdaq.exe?f=1&s=NPSP&analystid=93&re=1&width=500&height=350&wmf=1

NU: http://www2.investars.com/cgi-bin/charts/_nasdaq.exe?f=1&s=NU&analystid=93&re=1&width=500&height=350&wmf=1

SINA: http://www2.investars.com/cgi-bin/charts/_nasdaq.exe?f=1&s=SINA&analystid=93&re=1&width=500&height=350&wmf=1

STX: http://www2.investars.com/cgi-bin/charts/_nasdaq.exe?f=1&s=STX&analystid=93&re=1&width=500&height=350&wmf=1

WDC: http://www2.investars.com/cgi-bin/charts/_nasdaq.exe?f=1&s=WDC&analystid=93&re=1&width=500&height=350&wmf=1

WTR: http://www2.investars.com/cgi-bin/charts/_nasdaq.exe?f=1&s=WTR&analystid=93&re=1&width=500&height=350&wmf=1

All prices are as of the market close on 8/4/2010.

At the time this report was published, Brean Murray, Carret & Co., LLC made a market in the securities of NPS Pharmaceuticals, Inc., ImmunoGen, Inc. and Sina Corp.

In the normal course of its business, Brean Murray, Carret & Co., LLC does and intends to seek compensation for investment banking and/or non-investment banking services from the companies in its coverage universe. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decisions. Non-U.S. research analysts that may have contributed to this report are not registered/qualified as research analysts with the FINRA.

The research analyst(s) or research associate(s) principally responsible for the preparation of this research report has received compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors and firm revenues. The compensation is determined exclusively by research management and senior management (not including investment banking).

Brean Murray, Carret & Co. Stock Rating System

Buy - Expected to appreciate by at least 10% within the next 12 months.
Hold - Fully valued, not expected to appreciate or decline materially within the next 12 months.
Sell - Expected to decline by at least 10% within the next 12 months.

	# of Securities	% of Total Securities	# of IB-Related Securities in Past 12 mos.	% of Total Securities
BUY	136	68.69%	19	13.97%
HOLD	53	26.77%	1	1.89%
SELL	5	2.53%	0	0%
NOT RATED	4	2.02%	0	0%
TOTAL	**198**			

Note : Stock price volatility may cause temporary non-alignment of some ratings with some target prices.

Valuation Methodology and Risks

Xyratex Ltd. (XRTX): Our $24 target price is 5-6x our CY10 EPS estimate of $4.28. Risks to the achievement of our target price include softer Seagate and Western Digital capex and slowing demand.

Western Digital Corp. (WDC): Our $37 target price is 5x our CY10 EPS forecast excluding our CY10 $12 net cash estimate. Risks to the achievement of our target price include weaker-than-expected demand, pricing instability and substrate supply constraints.

Northeast Utilities (NU): We value utility stocks through a combination of techniques, including *relative* (Total Enterprise Value-to-EBITDA, Relative Price-to-Earnings) and *absolute* (Discounted Cash Flow) measures. We believe it is important to look at both types of valuation methods in order to get a full understanding of a stock's trading dynamics. Our fair value estimate (i.e., target prices for Buy-rated stocks) is based on an average of the two techniques. The average of relative and absolute valuation methods is $31 per share. Among the risks to our fair value estimate, we note the potential for a change in general market conditions, interest rate fluctuations, uncertain regulatory climate and rate case outcomes, potentially limited access to capital markets for needed financing, less than full recovery of costs and potential underperformance from regulated and non-regulated activities.

Sina Corp. (SINA): Our $50 target price is based on the shares trading at roughly 25x our FY11 pro forma EPS estimate, a slight premium to what we believe to be SINA's multi-year EPS growth rate of 20%. Risks to the achievement of our target price include regulatory risk inherent to any content related business in China, ongoing changes in the SP business, potential disruption from attempts at inorganic growth, possible margin drag from the online video initiative, disruption in search-related revenue given its dependence on Google, and competition with Tencent, which has been growing market share in the portal space.

Aqua America (WTR): Our target price of $26 is based on the shares attaining a P/E multiple of 26x our 2011 EPS estimate. Risks to the achievement of our target price include weather, acquisitions, interest rates, environmental / public health responsibilities and regulatory climate.

ImmunoGen (IMGN): Our 12-month target price of $14 is derived by summing up the following components of ImmunoGen's development programs: the leading product candidate T-DM1 at $350 million, the rest of the pipeline of eight clinical-stage products at $150 million, and its antibody-based platform technologies at $200 million. Risks to the achievement of our target price include (1) clinical risks associated with T-DM1 and other pipeline products; (2) regulatory risk; (3) commercialization risk; and (4) high stock price volatility.

NPS Pharmaceuticals, Inc. (NPSP): Our $10 target price is derived by summing up Gattex at $140 million, NPSP558 at $90 million, Sensipar royalties from Amgen to NPS at $175 million, and the rest of the company's pipeline at $60 million. Risks to the achievement of our target price include clinical risks, regulatory risk, commercialization risk and high stock price volatility.

Analyst Certification

We, Ananda Baruah, Michael Gaugler, Christopher Noon, Daniel Fidell, Jeremy Sussman, Lucas Pipes, Andrey Glukhov, CFA and Ling Wang, CFA, hereby certify that the views expressed in this research report accurately reflect our personal views about any and all of the subject securities or issuers referred to in this document. The analyst and associate analyst further certify that they have not received and will not be receiving direct or indirect compensation in exchange for expressing the recommendation contained in this publication.

Disclaimers