

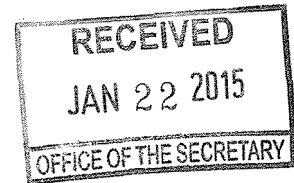
**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-16178**

**In the Matter of**

**Gregory T. Bolan, Jr. and**  
**Joseph C. Ruggieri,**

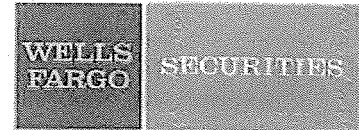
**Respondents.**



**DIVISION OF ENFORCEMENT'S EXHIBITS IN SUPPORT OF THE**  
**OPPOSITION TO RESPONDENTS' SUMMARY DISPOSITION MOTION**

July 6, 2010

2/27/13 Exhibit 1M  
3  
WJ-8432



## Equity Research

### Albany Molecular Research, Inc.

AMRI: Upgrade Rtg & Raise Est on Three Recent Developments  
Upgrading to Outperform

Outperform / V

Sector: Pharma Services  
Market Weight

#### Rating Change

- Summary.** We are raising our rating on AMRI to Outperform, increasing our 2010 and 2011 EPS estimates, while maintaining our valuation range of \$7-9 per share. We believe AMRI's core business services are stabilizing and, with shares of AMRI currently trading at a 40% discount to tangible book value, we believe the stock represents a compelling risk-reward. We are increasing our 2010 and 2011 royalty revenue estimates by \$2.2MM and \$6.2MM, respectively. In addition, we are raising our 2010 and 2011 contract services revenue estimates to \$178.5MM and \$208.7MM from \$171.0MM and \$191.4MM, respectively. For 2010 and 2011, our consolidated revenue EPS ests increase to (\$0.02) and \$0.19 from (\$0.07) and \$0.01, respectively. Our consolidated EBITDA ests for 2010 and 2011 now stand at \$15.9MM and \$25.3MM.
- Cost Savings Initiative.** On May 25th, AMRI announced actions to reduce its cost structure by \$7MM in 2010 and \$10MM in 2011. AMRI expects to record a severance charge of \$1MM and a lease termination/asset charge of \$3-5MM in Q2 2010.
- Preliminary Injunction Granted.** On June 14th, the US District Court issued a preliminary injunction that blocks Dr. Reddy's from selling a generic version of the allergy drug Allegra-D 24 Hour. This is a positive for AMRI and we are raising our 2010 royalty revenue estimate by \$2.2MM to \$31.2MM from \$29MM. In addition, we are raising our 2011 royalty revenue estimate by \$6.2MM to \$26.5MM from \$20.3MM.
- Hyaluron Acquisition.** On June 15th, AMRI announced the acquisition of Hyaluron, a contract manufacturing company specializing in sterile syringe and vial filling. We estimate Hyaluron will contribute \$7.5MM in revenue to AMRI in 2010 and be neutral to our 2010 and 2011 EPS estimates. We like this deal as it gives AMRI exposure to a faster growing segment of contract manufacturing. Further, we believe there is an opportunity for cross-selling as AMRI does not currently have a relationship with 90% of Hyaluron's client base.

EPS	2009A	2010E		2011E	
		Curr.	Prior	Curr.	Prior
Q1 (Mar.)	\$0.06	\$0.02 A	NC	\$0.06	0.02
Q2 (June)	0.05	(0.04)	NC	0.04	0.00
Q3 (Sep.)	(0.02)	0.00	(0.03)	0.04	(0.01)
Q4 (Dec.)	(0.06)	(0.01)	(0.03)	0.05	0.00
FY	\$0.03	(\$0.02)	(0.07)	\$0.19	0.01
CY	\$0.03	(\$0.02)		\$0.19	
FY P/E	180.3x	NM		28.5x	
Rev.(MM)	\$196	\$210		\$235	

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters  
NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful  
V = Volatile, \* = Company is on the Priority Stock List

#### Valuation Range: \$7.00 to \$9.00

Our valuation range is based on 10.5x our 2011 EBITDA est for the Contract Services business, plus \$1.45 net cash/share, plus \$0.86/share for our est of the NPV of the Allegra royalty stream. Risks include (1) significant customer concentration, (2) large exposure to small biotech co's, and (3) reliance on Allegra royalty stream for the majority of its cashflow.

#### Investment Thesis:

While AMRI's core business services are highly exposed to development activity by small-to-mid size biopharma sponsors, we believe continued improvement in late-stage activity and an eventual resurgence in early development activity will drive greater profitability for AMRI. As such, we rate AMRI shares Outperform.

Ticker	AMRI
Price (07/02/2010)	\$5.41
52-Week Range:	\$5-11
Shares Outstanding: (MM)	31.8
Market Cap.: (MM)	\$172.0
S&P 500:	1,022.58
Avg. Daily Vol.:	169,265
Dividend/Yield:	\$0.00/0.0%
LT Debt: (MM)	\$13.2
LT Debt/Total Cap.:	3.4%
ROE:	1.0%
3-5 Yr. Est. Growth Rate:	10.0%
CY 2010 Est. P/E-to-Growth:	NM
Last Reporting Date:	05/05/2010
	Before Open

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters

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Please see page 6 for rating definitions, important disclosures and required analyst certifications

Wells Fargo Securities, LLC does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of the report and investors should consider this report as only a single factor in making their investment decision.

Together we'll go far



Pharma Services

**Company Description:**

Founded in 1991, Albany Molecular Research, Inc. provides scientific services, products and technologies focused on improving the quality of life. AMRI works on drug discovery and development projects and conducts manufacturing of active ingredients and pharmaceutical intermediates for many of the world's leading healthcare companies. As an additional value added service to its customers, the company is also investing in R&D in order to expand its contract services and to identify novel early stage drug candidates with the goal to out-license to a strategic partner. With locations in the U.S., Europe, and Asia, AMRI provides customers with a wide range of services, technologies and cost models.

**Discussion**

Cost Saving Initiative

On May 25th, AMRI announced actions to reduce its cost structure by \$7MM in 2010 and \$10MM in 2011. As part of the cost savings plan, AMRI will reduce its workforce by approximately 10%, or 80 jobs, mostly in the Albany, NY area, and close a lab facility (a shared space for Discovery and Development/Small Scale Manufacturing). AMRI expects to record a severance charge of \$1MM and a lease termination/leased asset charge of \$3-5MM in Q2 2010.

According to the company, these actions were anticipated while forming 2010 guidance, which was most recently updated on May 25<sup>th</sup>. For 2010, we are slightly tweaking our EPS estimate up by \$0.01. However, we are modeling an incremental \$3MM in cost savings, or \$0.07, in our 2011 EPS estimate.

After speaking with the company, we understand that the cost-saving actions taken were motivated by two factors. First, a large pharma Discovery customer is shifting its outsourced work from AMRI's Albany, NY location to AMRI's Asia and Europe locations. Initially, the contract will assume the same number of FTE's, but it is management's expectation that this client will grow the number of FTE's over time. In general, we expect this trend to continue as biopharma sponsors continue to look to outsource chemistry development work to lower cost regions of the world. Second, the Development/Small Scale Manufacturing segment has simply not recovered as quickly as the company had expected. Recall, small biotech and spec pharma clients comprise about 65% of the revenue in this segment (\$38MM in 2009, or 24% of total contract revenue). While resurgence in biotech funding in 2009 has mitigated further deterioration in AMRI's Development/Small Scale business, we believe a large proportion of improved biotech funding was focused on in-licensing PIIb-III ready compounds, which has little effect on the earlier development disposition of AMRI's Dev/Small Scale business. We do, however, foresee a recovery in Preclinical-PIIa activity as biopharma sponsors begin to refocus energy on their anemic early development pipelines. While this "refocus" may take some time to form, we absolutely believe that late-stage compound pipelines will begin to show exhaustion and, as such, large pharma will begin to devote greater dollars towards compounds exhibiting healthy early efficacy/safety signals. Should we see an improvement in Preclinical-PIIa activity within CROs, we believe the lag to an improvement in AMRI's Dev/Small Scale business would be about 6 months.

Preliminary Injunction Granted

On June 14th, the US District Court issued a preliminary injunction that blocks Dr. Reddy's from selling a generic version of the allergy drug Allegra-D 24 Hour. Dr. Reddy's is a generic drug manufacturer based in India. AMRI went to court in September 2009 to stop Dr. Reddy's from selling its own version of the extended-release drug, claiming Dr. Reddy's infringed on patents.

We highlight three positives from this announcement:

- 1) AMRI's royalty revenue guidance in 2010 assumed Dr. Reddy's would launch the generic D24. Since this will no longer be the case, we are raising our 2010 royalty revenue estimate by \$2.2MM to \$31.2MM from \$29MM. Recall that mgmt's guidance for Allegra royalties was \$28-30MM IN 2010.

Albany Molecular Research, Inc.

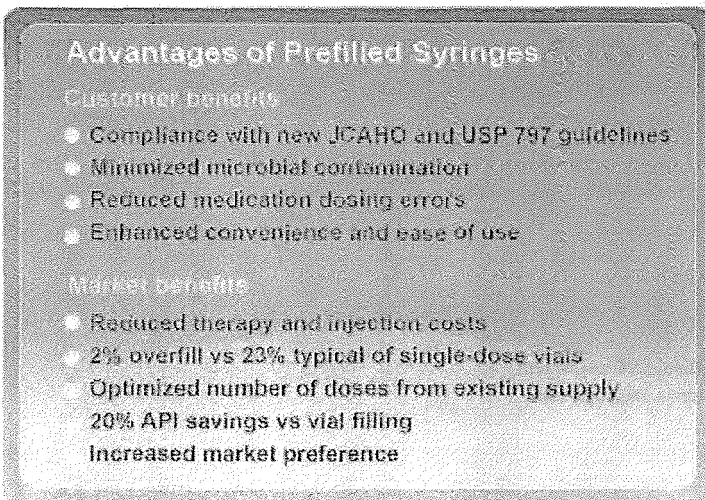
- 2) The preliminary injunction affirms the merits of AMRI's case from a patent validity infringement standpoint. In our view, this strengthens the company's case against Dr. Reddy's in the upcoming trial. In the event that Dr. Reddy's decides to settle outside of court, we believe the terms of the settlement would be at least as favorable as those received by AMRI in their settlement with Teva back in November 2008.
- 3) If the case goes to trial, Dr. Reddy's will not be able to launch until after the trial is over, so this prevents a drop off in 2011 on the D24 royalties that AMRI currently receives. In addition, we believe it is now unlikely that Dr. Reddy's will launch a D12 product at risk. The generic D12 product is currently marketed by only two manufacturers, so the absence of a third manufacturer in the market prevents further price erosion of the product. As such, we are raising our 2011 royalty revenue estimate by \$6.2MM to \$26.5 MM from \$20.3MM.

Hyaluron Acquisition

On June 15<sup>th</sup>, AMRI announced the acquisition of Hyaluron, a Massachusetts-based provider of contract manufacturing services that specializes in sterile syringe and vial filling. The purchase price was approximately \$27MM. Hyaluron generated \$13MM in revenue in 2009 and is forecasting \$15-17MM for 2010, representing growth of 15-30% yr/yr. Hyaluron is profitable with operating margin around 10% and capacity utilization in the 20-25% range. Using the midpoint of \$16MM, AMRI paid about 1.7x Hyaluron's 2010 revenue estimate, a slight premium to the 1.3x they paid for Excelsyn back in February. We estimate Hyaluron will contribute \$7.5MM in revenue to AMRI in 2010 and be neutral to EPS.

We like the deal for two reasons. First, it gives AMRI exposure to a faster growing segment of contract manufacturing. AMRI estimates the size of the prefilled syringe and vial filling market to be about \$250MM and growing at roughly 20-25% yr/yr. Prefilled syringes are one of the fastest-growing choices for unit dose medication, driven in part by the increase in the number of oncologic drugs in development. According to Icon plc (ICLR, 1, \$27.15), about 35% of all drugs in development are in the oncology therapeutic area. In addition, we highlight other scientific and financial advantages of prefilled syringes below.

**Exhibit 1: Advantages of Prefilled Syringes**



Source: Baxter BioPharma Solutions

Second, AMRI does not have a relationship with 90% of Hyaluron's clients, which we believe could drive significant revenue synergies for AMRI. AMRI can offer formulation and analytical development, a key part of designing the final formulation, which Hyaluron currently does not offer. For clients, the combination of AMRI and Hyaluron reduces many of the challenges around the technology transfer process. In addition, by having one company provide both the API and the development of the final formulation, there is no need for redundant analytical development.

**Exhibit 2: Summary of Estimate Changes**

	2010E	2011E
Wells Fargo Securities, LLC previous EPS est	(\$0.07)	\$0.01
+ Cost Saving Initiative	\$0.01	\$0.07
+ Preliminary Injunction Granted	\$0.04	\$0.11
+ Hyaluron acquisition	\$0.00	\$0.00
= Wells Fargo Securities, LLC new EPS est	<b>(\$0.02)</b>	<b>\$0.19</b>

Source: Wells Fargo Securities, LLC estimates

**Exhibit 3: AMRI Sum-of-the-Parts Valuation Analysis**

Value of Allegra Royalty Stream (in millions)	
Net Present Value	\$ 26,906
Shares Outstanding	31,335
Value per share	\$ 0.86

Net Cash on Balance Sheet (in millions)	
Total Cash	\$ 58,952
Current portion, L-T debt	270
L-T debt	13,212
Total Debt	\$ 13,482
Net Cash	\$ 45,470
Shares Outstanding	31,335
Net Cash per share	\$ 1.45

Contract Services (in millions)	
2011 EBITDA est.	\$ 15,193
EBITDA multiple	10.5x
Shares Outstanding	31,335
Value per share	\$ 5.09

Sum of Parts	\$ 7.40
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Source: Company data and Wells Fargo Securities, LLC estimates

Note: Valuation excludes all potential future milestones and royalties from internal pipeline & outlicensed compounds

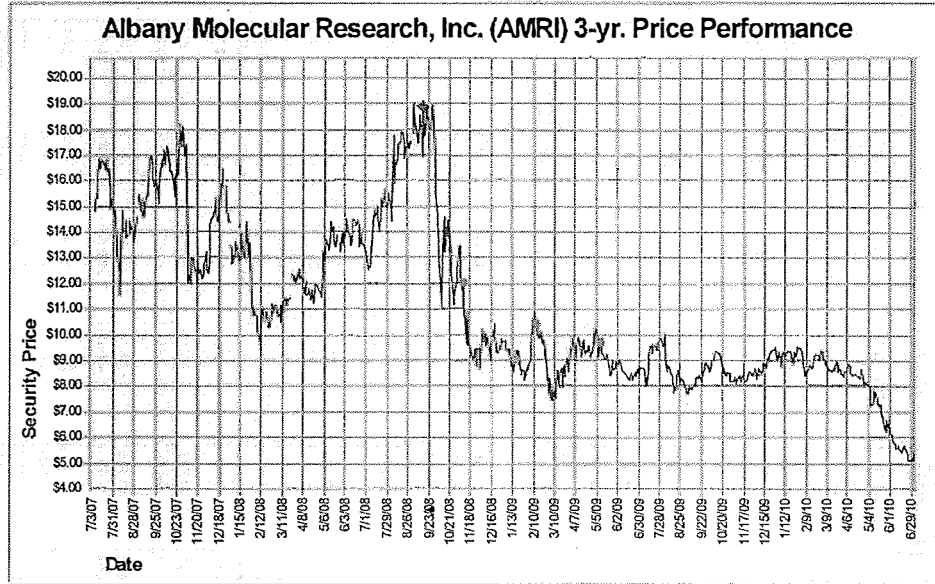
FY December In thousands, except EPS	2010					2011					
	2009	Q1	Q2E	Q3E	Q4E	2010E	Q1E	Q2E	Q3E	Q4E	2011E
DDS	85,793	21,040	20,832	23,082	24,181	89,134	23,526	23,957	25,851	26,549	99,683
LSM	71,007	17,852	20,225	25,821	25,509	69,407	25,337	26,748	27,370	29,335	108,791
Royalties	34,867	10,439	7,672	6,660	6,408	31,178	8,873	6,521	5,661	5,446	26,502
Milestones	4,750	-	-	-	-	-	-	-	-	-	-
<b>Total Net Revenue</b>	<b>\$ 196,417</b>	<b>\$ 49,331</b>	<b>\$ 48,729</b>	<b>\$ 55,563</b>	<b>\$ 56,097</b>	<b>\$ 209,720</b>	<b>\$ 57,736</b>	<b>\$ 57,226</b>	<b>\$ 58,883</b>	<b>\$ 61,331</b>	<b>\$ 235,176</b>
Cost of contract revenue	136,839	34,761	36,119	40,787	41,403	153,069	40,258	40,352	41,946	43,527	166,083
Technology incentive award	3,594	1,043	767	666	641	3,117	887	652	566	545	2,650
<b>Gross profit</b>	<b>55,984</b>	<b>13,527</b>	<b>11,843</b>	<b>14,110</b>	<b>14,053</b>	<b>53,534</b>	<b>16,591</b>	<b>16,221</b>	<b>16,371</b>	<b>17,259</b>	<b>66,443</b>
R&D	14,547	2,763	4,045	3,500	3,478	13,786	3,349	3,376	3,415	3,557	13,697
SG&A	38,191	9,782	9,453	10,668	10,827	40,730	10,681	10,873	11,129	11,408	44,091
<b>EBIT</b>	<b>3,246</b>	<b>982</b>	<b>(1,654)</b>	<b>(58)</b>	<b>(252)</b>	<b>(982)</b>	<b>2,561</b>	<b>1,972</b>	<b>1,827</b>	<b>2,295</b>	<b>8,655</b>
Interest income (expense), net	376	43	22	10	8	82	8	11	13	13	45
Other income (expense)	(545)	(88)	-	-	-	(88)	-	-	-	-	-
Charges	1,880	-	-	-	-	-	-	-	-	-	-
<b>Pretax income</b>	<b>3,077</b>	<b>937</b>	<b>(1,633)</b>	<b>(49)</b>	<b>(244)</b>	<b>(988)</b>	<b>2,570</b>	<b>1,983</b>	<b>1,839</b>	<b>2,308</b>	<b>8,699</b>
Taxes	857	296	(490)	(15)	(73)	(282)	771	595	552	692	2,610
<b>Net income</b>	<b>1,096</b>	<b>641</b>	<b>(1,143)</b>	<b>(34)</b>	<b>(171)</b>	<b>(707)</b>	<b>1,799</b>	<b>1,388</b>	<b>1,287</b>	<b>1,616</b>	<b>6,090</b>
EPS	\$ 0.03	\$ 0.02	\$ (0.04)	\$ (0.00)	\$ (0.01)	\$ (0.02)	\$ 0.06	\$ 0.04	\$ 0.04	\$ 0.05	\$ 0.19
Diluted shares outstanding	31,293	31,335	31,385	31,435	31,485	31,410	31,535	31,585	31,635	31,685	31,610
<b>EBITDA</b>	<b>20,070</b>	<b>5,131</b>	<b>2,616</b>	<b>4,184</b>	<b>3,976</b>	<b>15,907</b>	<b>6,774</b>	<b>6,158</b>	<b>5,986</b>	<b>6,429</b>	<b>25,348</b>
<b>Common Size - Assumptions</b>											
<b>Net Revenue</b>											
DDS	43.7%	42.7%	42.8%	41.5%	43.1%	42.5%	40.7%	41.9%	43.9%	43.3%	42.5%
LSM	36.2%	36.2%	41.5%	46.5%	45.5%	42.6%	43.9%	46.7%	46.5%	47.8%	46.3%
Royalties	17.8%	21.2%	15.7%	12.0%	11.4%	14.9%	15.4%	11.4%	9.6%	8.9%	11.3%
Milestones	2.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total Net Revenue</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Gross Profit</b>											
DDS gross profit	12,926	3,059	2,917	4,501	4,715	15,192	5,058	5,271	6,075	6,637	23,041
DDS gross margin	15.1%	14.5%	14.0%	19.5%	19.5%	17.0%	21.5%	22.0%	23.5%	25.0%	23.1%
LSM gross profit	7,035	1,072	2,023	3,615	3,571	10,281	3,547	5,082	5,200	5,720	19,550
LSM gross margin	9.9%	6.0%	10.0%	14.0%	14.0%	11.5%	14.0%	19.0%	19.0%	19.5%	18.0%
Contract Services Gross Profit	19,961	4,131	4,939	8,116	8,286	25,472	8,605	10,353	11,275	12,358	42,591
Contract Gross Margin	12.7%	10.6%	12.0%	16.6%	16.7%	14.3%	17.6%	20.4%	21.2%	22.1%	20.4%
Technology incentive	36,023	9,396	6,904	5,994	5,767	28,062	7,986	5,869	5,095	4,902	23,852
Gross Margin	90.9%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
<b>Total Gross Profit</b>	<b>55,984</b>	<b>13,527</b>	<b>11,843</b>	<b>14,110</b>	<b>14,053</b>	<b>53,534</b>	<b>16,591</b>	<b>16,221</b>	<b>16,371</b>	<b>17,259</b>	<b>66,443</b>
<b>Total Gross Margin</b>	<b>28.5%</b>	<b>27.4%</b>	<b>24.3%</b>	<b>25.4%</b>	<b>25.1%</b>	<b>25.5%</b>	<b>28.7%</b>	<b>28.3%</b>	<b>27.8%</b>	<b>28.1%</b>	<b>28.3%</b>
R&D	7.4%	5.6%	8.3%	6.3%	6.2%	6.6%	5.8%	5.9%	5.8%	5.8%	5.8%
SG&A	19.4%	19.8%	19.4%	19.2%	19.3%	19.4%	18.5%	19.0%	18.9%	18.6%	18.7%
EBITDA	10.2%	10.4%	5.4%	7.5%	7.1%	7.6%	11.7%	10.8%	10.2%	10.5%	10.8%
EBIT	1.7%	2.0%	-3.4%	-0.1%	-0.4%	-0.5%	4.4%	3.4%	3.1%	3.7%	3.7%
Pretax income	1.6%	1.9%	-3.4%	-0.1%	-0.4%	-0.5%	4.5%	3.5%	3.1%	3.8%	3.7%
Tax rate	27.9%	31.6%	30.0%	30.0%	30.0%	28.5%	30.0%	30.0%	30.0%	30.0%	30.0%
GAAP Net income	-8.5%	0.1%	-2.3%	-0.1%	-0.3%	-0.6%	3.1%	2.4%	2.2%	2.6%	2.6%
<b>Net income</b>	<b>0.6%</b>	<b>1.3%</b>	<b>-2.3%</b>	<b>-0.1%</b>	<b>-0.3%</b>	<b>-0.3%</b>	<b>3.1%</b>	<b>2.4%</b>	<b>2.2%</b>	<b>2.6%</b>	<b>2.6%</b>

Source: Company data and Wells Fargo Securities, LLC estimates

Albany Molecular Research, Inc.

WELLS FARGO SECURITIES, LLC  
EQUITY RESEARCH DEPARTMENT

### Required Disclosures



	Date	Publication Price (\$)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price (\$)
	9/16/2008		Bolan			
◆	9/16/2008	18.90	2	15.00	17.00	18.90
▲	11/7/2008	11.75	2	12.00	14.00	12.03
●	1/15/2009	8.55	2	7.00	9.00	9.07
●	2/12/2009	10.90	2	8.50	10.50	10.42
●	5/8/2009	9.15	2	7.00	9.00	9.73

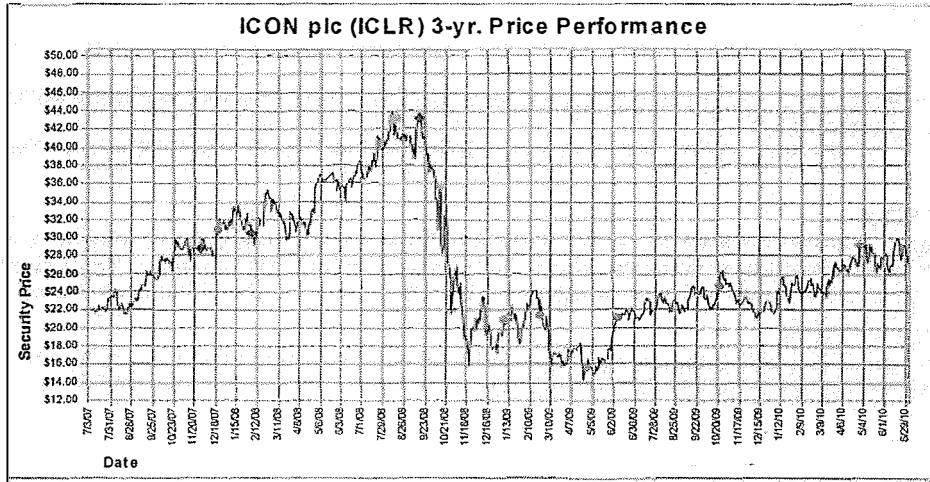
Source: Wells Fargo Securities, LLC estimates and Reuters data

**Symbol Key**

- ◆ Rating Downgrade
- ▲ Rating Upgrade
- Valuation Range Change
- ◆ Initiation, Resumption, Drop or Suspend
- Analyst Change
- Split Adjustment

**Rating Code Key**

- 1 Outperform/Buy
- 2 Market Perform/Hold
- 3 Underperform/Sell
- SR Suspended
- NR Not Rated
- NE No Estimate



Date	Publication Price (\$)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price (\$)
11/27/2007		Fugere			
◆ 11/27/2007	28.87	1	32.00	35.00	28.86
⊙ 12/20/2007	30.93	1	34.00	37.00	30.93
2/4/2008		Hausner			
◆ 2/4/2008	30.67	SR	NE	NE	30.67
7/13/2008		2-for-1 stock split			
9/16/2008		Bolan			
◆ 9/16/2008	43.30	2	37.00	39.00	43.29
▲ 10/13/2008	31.02	1	37.00	39.00	35.90
⊙ 1/8/2009	NA	1	27.00	29.00	20.94
⊙ 1/12/2009	21.64	1	27.00	28.00	21.22
⊙ 2/23/2009	21.70	1	26.00	28.00	21.42
⊙ 4/28/2009	15.64	1	21.00	23.00	15.63
⊙ 6/8/2009	20.66	1	25.00	26.00	21.10
⊙ 10/21/2009	24.67	1	27.00	28.00	24.67
⊙ 4/28/2010	28.87	1	31.00	32.00	29.34

Source: Wells Fargo Securities, LLC estimates and Reuters data

Symbol Key

- ▼ Rating Downgrade
- ▲ Rating Upgrade
- ⊙ Valuation Range Change
- ◆ Initiation, Resumption, Drop or Suspend
- Analyst Change
- Split Adjustment

Rating Code Key

- 1 Outperform/Buy
- 2 Market Perform/Hold
- 3 Underperform/Sell
- SR Suspended
- NR Not Rated
- NE No Estimate

Additional Information Available Upon Request

I certify that:

- 1) All views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers discussed; and
- 2) No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by me in this research report.

- Wells Fargo Securities, LLC maintains a market in the common stock of Albany Molecular Research, Inc., ICON plc.

**AMRI:** Risks include (1) significant customer concentration, (2) large exposure to small biotech co's, and (3) reliance on Allegra royalty stream for the majority of its cashflow.

**ICLR:** Risks to our valuation range include: (1) project delays and/or cancellations, (2) market share loss resulting from FDA warning letter, and (3) increasing revenue concentration as a result of strategic partnership agreements.

Wells Fargo Securities, LLC does not compensate its research analysts based on specific investment banking transactions. Wells Fargo Securities, LLC's research analysts receive compensation that is based upon and impacted by the overall profitability and revenue of the firm, which includes, but is not limited to investment banking revenue.



**STOCK RATING**

**1=Outperform:** The stock appears attractively valued, and we believe the stock's total return will exceed that of the market over the next 12 months. BUY

**2=Market Perform:** The stock appears appropriately valued, and we believe the stock's total return will be in line with the market over the next 12 months. HOLD

**3=Underperform:** The stock appears overvalued, and we believe the stock's total return will be below the market over the next 12 months. SELL

**SECTOR RATING**

**O=Overweight:** Industry expected to outperform the relevant broad market benchmark over the next 12 months.

**M=Market Weight:** Industry expected to perform in-line with the relevant broad market benchmark over the next 12 months.

**U=Underweight:** Industry expected to underperform the relevant broad market benchmark over the next 12 months.

**VOLATILITY RATING**

**V = A stock is defined as volatile if the stock price has fluctuated by +/-20% or greater in at least 8 of the past 24 months or if the analyst expects significant volatility. All IPO stocks are automatically rated volatile within the first 24 months of trading.**

As of: July 6, 2010

47% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Outperform.

Wells Fargo Securities, LLC has provided investment banking services for 40% of its Equity Research Outperform-rated companies.

49% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Market Perform.

Wells Fargo Securities, LLC has provided investment banking services for 44% of its Equity Research Market Perform-rated companies.

4% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Underperform.

Wells Fargo Securities, LLC has provided investment banking services for 48% of its Equity Research Underperform-rated companies.

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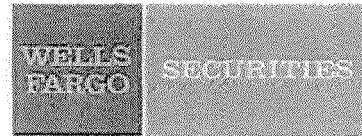
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SECURITIES: NOT FDIC-INSURED/NOT BANK-GUARANTEED/MAY LOSE VALUE



# Annual Compliance Training 2010

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December 2010

Together we'll go far



FOIA CONFIDENTIAL TREATMENT REQUESTED

3/28/13 Exhibit 1/21  
5  
NJ-8432

WF-002847687



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# Rules, Regs, Policies and Procedures

WELLS FARGO SECURITIES

## Reasons To Notify Compliance

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- Have (or change) any outside brokerage accounts;
- Have any "outside business activity";
- Become a director, controlling stockholder, partner, officer of any financial company;
- Want to invest in any "private" securities transaction;
- Are named as a defendant in any securities related litigation/arbitration;
- Are indicted, plead guilty to or no contest to any criminal offense (other than traffic violations);
- Receive a complaint from a customer or client, or are contacted by a regulator or legal authority;
- Are associated financially or in any business with any person that has been "statutorily disqualified";
- Hire someone new or transfer to a different business unit;
- You are unsure if an action would violate procedures, industry regulations, or ethical standards.
- You become aware of business conduct that violate procedures, industry regulations, or ethical standards.
- Have a change of address or name change.

## General Rules & Regulations Applicable To All Licensed Individuals

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- Political Contributions
- Due Diligence
- Conflicts of Interest
- Fair Dealing
- Gifts and Entertainment
- Anti-Money Laundering
- Suitability
- Communication
- Advertisements & Pitchbooks
- Customer Complaints
- Insider Trading
- Information Barriers / Confidentiality
- Personal Investment Policy
- Anti-Tying
- The Federal Reserve Act: Sections 23A & 23B
- Fax Guidelines
- Record Retention
- New Businesses / New Products / New Securities
- Licensing & Continuing Education
- International Business Dealings
- Guarantees
- Loan Arrangements
- Rebates & Compensation
- Research
- Outside Business Activities
- Outsourcing
- Risk Mitigation
- Government Sponsored Enterprises
- Reporting
- Circulation of Rumors
- 1933 Act Reform
- SEC Registration
- Complex Structured Products
- Mark Up/Down & Best Execution
- External Pricing
- Record Keeping
- Extension of Settlement

## SUITABILITY – Very Important

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### KNOW YOUR CUSTOMER

- Complete POQ's are critical.
  - Customer account changes will require both sales person and supervisory principal approval and need to be approved in a timely manor. Such changes include Name, Address, TIN# and Investment Objective changes
  - Salesperson will be required to document the reason for the change (i.e. customer request, W-9, address change, etc.) on POQ. Note: NYSE rule is applicable to WFS however, WBNA implemented identical procedures. See NYSE 342, 401, 408 & 410
- Accurate leveling of accounts is necessary.
- Compliance with AML is mandatory.
- Know your product.

## Customer Complaints

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- Any written statement from a customer or their representative, which alleges the mishandling of an account or transaction, or improper conduct on behalf of a Company employee, is considered a complaint.
  - All customer complaints, whether written or oral must be brought to the attention of the Supervisory Principal ("SP") or Manager and be forwarded to the Compliance Department.
    - Neither the salesperson nor the SP or Manager should attempt to settle complaints or disputes. Compliance will keep you updated on the status of the complaint.
- NYSE Rule 401A - requires member firms to acknowledge a customer complaint within 15 days of receipt.
  - Written complaints must receive a written response.
  - Verbal complaints may receive either a written or verbal response. Verbal responses must be logged.
  - All responses and logs must be retained for a period of 6 years, 2 years easily accessible.
- NYSE Rule 351 - requires member firms to aggregate and report customer complaint statistics on a quarterly basis.
- Not sure? Call Compliance



## Anti-Money Laundering / Know Your Customer

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### **You are our first line of defense:**

- Verify a customer's identity
- Assess the customer's source of funds
- Determine the customer's normal and expected transactions
- Assess the customer's character or reputation

Relationship Managers and all SIG, IBCM and Corporate Banking team members must understand their customer's business (type, ownership, source of revenue, supply chain, etc.) and be able to identify red flags.

## Anti-Money Laundering / Patriot Act

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### ▪ **USA Patriot Act**

- Requires all financial institutions establish AML programs that include:
  - Policies & procedures, a designated compliance officer, training, and audit.

### ▪ **Section 326**

- Requires financial institutions to create a minimum 3-point Customer Identification program (CIP).
  - Identification verification procedures
  - Information record keeping
  - Government-list comparison

- **Customers must be provided a notice of their duty to comply with the new identification provisions. This notice must be provided before a financial commitment is made to the customer.**

### ▪ **Must collect the following information on all new customers:**

- Legal Name, Physical Address, Tax ID or foreign country designation
  - This info must be entered by the BU into the appropriate system (CIBOS, POQ, Portal, LTAM, etc.) prior to execution.
  - Must use correct legal name and ID of the issuer/borrower, not their parent or affiliate.

## High Risk Customers

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- High Risk customers must be identified in the customer build process as it is the responsibility of the relationship manager to accurately categorize their customers.
  - For EDD, bankers must contact Compliance to initiate process and collect information.
  
- Please Note - "High Risk" Customers:
  - May warrant obtaining additional customer information
  - Timing delays may result
  - Business may be declined
    - Reputation Risk v. Regulatory Prohibition
  
- EDD simply means Compliance will require additional customer information and may include some investigative work by our Corporate AML group.

## What To Do If You Suspect Money Laundering

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### Do Not:

- Tip the customer to your suspicions.
- Open an account or execute further transactions until legitimacy is established.
- Provide access to Wells Fargo letterhead and business cards.

### Do:

- Collect as much information and facts about the customer to aid in the investigation.
- Contact Your:
  - Industry Group Head or Manager, **and**
  - Compliance Officer **and/or**
  - WFS AML Contact
    - Gary Rudolph 704-374-6169
    - Jeremy Blevins 704-715-1425

## Office Of Foreign Asset Control

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### What is OFAC?

- The Office of Foreign Assets Control ("OFAC") of the US Department of the Treasury administers and enforces economic and trade sanctions based on US foreign policy and national security goals against targeted foreign countries, terrorists, international narcotics traffickers, and those engaged in activities related to the proliferation of weapons of mass destruction.

Sanctioned Countries (as of 11Oct10); updated list available at  
<http://cerm.homestead.wellsfargo.com/sites/CERM/bsa/ofac/default.aspx>:

- |                               |               |
|-------------------------------|---------------|
| ▪ Balkans                     | ▪ Iraq        |
| ▪ Belarus                     | ▪ Lebanon     |
| ▪ Burma                       | ▪ Liberia     |
| ▪ Cote d'Ivoire (Ivory Coast) | ▪ North Korea |
| ▪ Cuba                        | ▪ Somalia     |
| ▪ Congo                       | ▪ Sudan       |
| ▪ Iran                        | ▪ Syria       |
|                               | ▪ Zimbabwe    |

WELLS FARGO SECURITIES

## International Business

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- If you are doing business in a foreign country contact Legal or Compliance to make sure that activities are permitted within that country.
- Compliance reviews most international airline reservations to countries of interest and will send an email requesting pre-approval from the Supervisory Principal.

## NYSE Rule 352 & 353

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- Rule 352 - Guarantees, Sharing in Accounts and Loan Arrangements
  - WFS cannot represent to any client that we will guarantee against a loss on any transaction nor directly or indirectly agree to share in the profits/losses in a transaction effected for a client.
  - WFS personnel cannot borrow from or lend to a client unless it is our normal course of business, or it meets one of the conditions set out in the rule (e.g. family member).
  
- Rule 353 - Rebates & Compensation
  - WFS representatives cannot rebate any compensation paid for doing business or pay compensation as a referral fee. WFS may have referral fee arrangements with foreign entities and member firms.

**Any of the above actions may also trigger implicit recourse –  
please contact Legal or Compliance prior to engaging in any  
of these activities**





## Communications With The Public

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- Communications must be supervised by a Principal in writing and maintained by the Firm.
- Web Correspondence must include disclosures and represent legal entities appropriately
- "INTERNAL USE ONLY" means DO NOT DISTRIBUTE TO THE PUBLIC
- Employees MAY NOT speak to the media without pre-clearance from Legal, Compliance or Corporate Communications.
  - Respond by saying "No Comment" and refer to Corporate Communications.
    - Elise Wilkinson [REDACTED]
- Employees should not speak with regulators. Please forward all inquiries to Compliance.

## Circulation Of Rumors

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NYSE Rule 435 prohibits the circulation of "rumors of a sensational character which might reasonably be expected to affect market conditions on the Exchange."

Particular caution should be exercised if the rumor comes from a source that may constitute inside information. However, discussion of unsubstantiated information published by a widely circulated public media is not prohibited as long as the source and unsubstantiated nature of the information are disclosed.

# Secondary Market Topics

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WELLS FARGO SECURITIES

FOIA CONFIDENTIAL TREATMENT REQUESTED

WF-002847703

## Frontrunning

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- “Front-running” involves the practice of knowingly trading ahead of customer interest to buy or sell a security or related instrument.
  - Includes Options, Futures, CDS, Bonds, and Equities.
  - Proprietary and Personal Trading (any account you have discretion over).
  
- It is the responsibility of each employee and Supervisory Principal of each trading desk to ensure that WFS trading team members do not buy or sell positions in anticipation of the dissemination of written research (e.g. Trading as principal in size following a morning call but prior to the issuance of a written report).

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CONTROL GROUP  
FUNCTIONS  
Information Barriers,  
Personal Trading,  
Conflicts of Interest

WELLS FARGO SECURITIES

19

## Insider Trading

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**Trading when AWARE of material nonpublic information (or tipping) may subject you to civil and criminal penalties & firm disciplinary action:**

- Prison
- Injunctions
- Bars or suspensions
- Disgorgement to the tipper/tippee
  - *3 times* profit made or loss avoided

Firm and Controlling Person (Principals) = greater of **3 times** profit made or loss avoided OR \$1 million

### **How are “Rogue” traders caught?**

- Surveillance (internal and external)
- Review of trading records:
  - Proprietary / institutional trading
  - Employee trading
- Regulatory inquiries
- Cross reference
- Testimony

## WFS' Information Barriers

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### Private Nonpublic

- **Investment Banking**
  - Industry Coverage Groups
  - Financial Sponsors Group (FSG) and M&A
  - US Corporate Banking
  - Eastdil
  - Capital Partners
- **Global Capital Markets**
  - Equity Capital Markets
  - Debt Capital Markets
  - Par Loan Trading
  - Portfolio Management
- **Risk Management/Credit**

### Above the Wall "On Top of the Wall"

- Executive / Senior Mgmt
- Compliance
- Legal

### Public

- Trading
- Sales
- Research

# WFS' Temporary Information Barriers

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**Private  
Nonpublic**

**Above the Wall  
"On Top of the  
Wall"**

**Public**

**Investment Banking / USCB**

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**Global Capital Markets**

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**Risk Management / Credit**

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- Executive / Senior Mgmt
- Compliance
- Legal

- Trading
- Sales
- Research
- Brokerage (Financial Advisors)
- Proprietary securities trading/investing

**Recognize that a "soft" wall exists between and among these groups and information should only be shared on a "need to know" basis**



## “Need To Know” Standard

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- As a general rule, DO NOT share nonpublic or material inside information.
- A “**need to know**” exists if access to information is vital to providing the **INVESTMENT BANKING CLIENT** with the **product** or **service** it has requested from our firm.
- Material nonpublic information (“MNPI”) should be shared only to those who have a “**need to know**” for the purpose of:
  - Executing the client’s strategy or business purpose
  - Managing the client’s relationship
  - Complying with credit, legal or compliance requirements
- Usually the only people who “need to know” nonpublic information about a client are:
  - Members of the deal team assisting that client
  - Legal, Compliance, or Senior Management personnel for internal control, credit or conflict assessment purposes.
- Ensure you are NOT inappropriately sharing with other members of your group who are not also on the client’s deal team.
- Ensure you are **NOT** inappropriately sharing with trading, sales or research.

## Maintaining Confidentiality

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- Must secure all nonpublic information
  - Project names
  - Email / Blackberry
  - Traveling
  - Faxes
  - Copiers
  - Desk tops
  - Login screens
  - Public communications
  - Trash / shredding
  - Elevators / hallways / bathrooms

## Conflicts of Interest (Private Side)

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- Given industry focus, inevitably we will be involved in transactions where we have a relationship with:
  - Both the potential buyer and seller
  - Multiple potential buyers for the same property being sold
  - The client, looking to represent the management team or an individual shareholder
  
- Sometimes conflicts are of such a nature that they can not be resolved. Ethical, reputation or litigation risks are too high:
  - Advising both a buyer and seller on same transaction
  - Issuing a fairness opinion when Wells Fargo owns equity in a party to the transaction

## Personal Investment Policy Requirements

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### **Personal Investment Policy ("PIP")**

- Transactions must be executed in-house at Wells Fargo Advisors, LLC or Wells Fargo Investments, LLC
  - Exceptions: managed accounts, 529, mutual funds, and 401(k)'s
- Prior approval required for all personal trades (PASS).
  - Exceptions: closed end funds & ETF's
- 30-day Holding period
- Additional client and conflict restrictions

### **Research**

- All requests for trade approvals MUST be submitted to the Supervisory Analyst ("SA") via email
- All SA approvals MUST be documented via email

Please refer to the Personal Investment Policy chapter of the supervisory procedures and compliance guidelines for your business line or call the control group at 877-238-7577.

### **Other Regulatory Requirements - Must be pre-approved in writing by WFS Compliance.**

- Private Security Transactions
- Outside Business Activities

WELLS FARGO SECURITIES

# Gifts & Entertainment Policy

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## Gifts

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- **No gifts** to clients by persons associated with or employed by WFS will be permitted.
  - "Gift" = anything of value, including gratuities.
- Exceptions may be granted but require pre-approval and are subject to the \$100 FINRA limit
  - Limited exceptions may only be made by:
    - Head of Division, or
    - His or her assigned delegate
- To secure an exception, the requestor shall:
  - Request approval for the exception utilizing the Gift Exception Approval Form (contact Beth Pickler of the Transaction Logistics Team at (704) 715-6153 for assistance).
  - Ensure that the Gift Exception Approval Form is provided to the Transaction Logistics Team for review and approval (transmittal instructions can be found on the Gift Exception Approval Form).
- Procure Gift (s) as follows:
  - If Requestor intends to seek reimbursement – submit payment documentation to the Transaction Logistics Team
  - If Requestor does not seek reimbursement than ensure all pertinent information is reported to the Transaction Logistics Team for tracking purposes

## Gifts (Continued)

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### ▪ **Exclusions from Gift Prohibition – Pre-Approval Not Required**

- Promotional items with Wells Fargo logo (limited to \$75, except for stage coaches)
- Gifts with a value under \$10 given infrequently
  - e.g. Pens, notepads, desk ornaments, etc.
- Deal closing mementos without any utility
  - Lucite cubes, etc.
  - Wine bottles NOT allowed since it has utility
- Personal Gifts (paid for by team member)
  - e.g. Wedding gifts, congratulatory gifts for birth of a child, etc.
  - If personal gift is reimbursed by the firm, it is subject to the exception process to the no gift requirement of the policy

### ▪ **Other Provisions**

- Team members should conduct business development activities consistent with the gift policies of their clients
- Team members should abide by the policies of regulatory organizations regarding gifts, gratuities and entertainment to their employees

## Entertainment

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- **“Entertainment”** means any event where a person associated with WFS is present. This includes, but is not limited to:
  - Dining
  - Sporting events
  - Theatrical/musical performances
  - Educational events
  - Travel
  
- Entertainment not meeting this definition is considered a gift
  - Purchases of items other than food or drink given to a client during an entertainment event shall be considered a gift, unless it meets one of the gift exceptions (e.g. items with a Wells Fargo logo, etc.).
  
- A recipient is ineligible for further invitations once they appear on a published exception report. (See chart on next page.)
  
- Industry rules do not limit ordinary and usual business entertainment, provided that it is not so frequent or extensive as to raise any question of impropriety.



## Entertainment Guidelines

### Entertainment Limits

Entertainment Limits		
< \$350	\$350 or >	> \$1000 per recipient OR \$10,000 per event
Be reasonable – not so frequent as to raise the question of impropriety	No more than 4x per calendar year	Prior approval of division head of the team member

### Travel and Accommodations

- As a general rule Wells Fargo will not pay for cost of travel in connection with entertainment unless client reimburses Wells Fargo for the fair market value of such travel.
- Use of the Wells Fargo jet to transport clients to an entertainment event is permissible if the client reimburses Wells Fargo the value of the transportation or a Wells Fargo employee is on the plane with the client. When accompanying a customer on the jet, the event is subject to the entertainment limits above.
- Use of the corporate jet for purely business reasons does not need to be treated as a gift or entertainment.

## Entertainment Guidelines (Continued)

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### ■ Other

- Deal Closing events are to be considered entertainment and need to comply with entertainment limits above.
- Receipt of Gifts from customers/vendors – Should be consistent with Wells Fargo’s policy on receiving gifts/entertainment. See Wells Fargo’s Code of Ethics and Business Conduct.
- All business entertainment is tracked in XMS by Wells – East, and via SalesLogix or the Business Gifts and Entertainment Log (“G&E log”) by Wells - West. Until these systems are integrated, these items will be manually combined to create a comprehensive view by client.

### ■ Bank Bribery Act

- **Do not accept or solicit any gift from anyone to influence or reward you in connection with any Wells Fargo business**
- Limited exceptions that do not do not create a risk of conflict of interest apply, including:
  - Certain ordinary (not lavish or extravagant) courtesies and entertainment in connection with business meetings
  - Certain expressions of courtesy and appreciation such as gifts of fruits, flowers, food, wine or candy given with monetary value of \$200 or less and other very limited exceptions
- Failure to comply may be a violation of the Bank Bribery Act, resulting in up to 30 years imprisonment and \$1,000,000 fine

## Code of Ethics & Business Conduct

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### ■ **Code of Ethics & Business Conduct**

- Wells Fargo business opportunities may never be offered, either directly or by suggestions, to any customer, vendor or other business contact in exchange for their charitable donation or participation in a charity event. A customer's or vendor's choice to participate (or not participate) in a charity event or donation drive can have no effect, positive or negative, on the business relationship with Wells Fargo.
- Under no circumstance may you pay or offer anything of value, directly or indirectly, to a government official, including foreign officials, political parties and party officials and candidates for the purpose of improperly influencing an official act of decision, securing an improper advantage, or assisting in obtaining or retaining business or directing business to anyone. In countries in which there is government involvement in business enterprises, such officials may include employees and managers of local enterprises.

## Labor Union Gifts & Entertainment

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### **LABOR UNIONS**

- Wells Fargo & Company is subject to the Labor Management Reporting Disclosure Act (LMRDA) to report annually to the Department of Labor regarding gifts and entertainment that employees have provided to labor unions or representatives.
  
- Labor Union Representatives include
  - National Labor Unions/Organizations
  - Union Locals
  - Any officer, agent shop steward or other rep
  - Any pension plan, welfare plan or other trust affiliated with a Labor Union
  - Any business owned or controlled by a Labor Union/Organization including a credit union, bank or building corporation
  
- **WFS HAS PROHIBITED GIFTS & ENTERTAINMENT TO LABOR UNION OFFICIALS.**
  - Exceptions may be made to this policy if line of business manager and IBCM Compliance have pre-approved the exception.

## Foreign Officials Gifts & Entertainment

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### **FOREIGN OFFICIALS**

- All WFS employees must comply with Wells Fargo & Company's Foreign Corrupt Practices Act "FCPA" guidelines which confer benefits to non-US Government Officials.
  
- Written pre-approval is required before paying the expense of any event that is for the benefit of a Foreign Official:
  - ✦ If the amount expended for the benefit of the Foreign Official is greater than \$250 (US);
  - ✦ For any amount if there have been four prior Events in the same calendar year benefiting the same Foreign Official; OR
  - ✦ For any amount for the benefit of a Foreign Official from a Special Jurisdiction.
  
- Even when pre-approval isn't needed the event should be infrequent and legal under both US and local law, within norms and consistent with all applicable company and jurisdiction policies.

## Policy Violation Sanctions

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Team members who fail to comply with these policies may be subject to disciplinary actions including suspension or termination of employment at the discretion of Compliance, Human Resources, and the team member's manager.



WACHOVIA  
SECURITIES

# COMPLIANCE BULLETIN

## CORPORATE & INVESTMENT BANKING

### CORPORATE AND INVESTMENT BANKING

Bulletin 09-08

April 2009

#### TRADING AHEAD OF RESEARCH REPORTS - FINRA Rule 5280

This compliance bulletin is being issued in response to recent a SEC order approving amendments to FINRA Rule 5280 (Trading Ahead of Research Reports) and outlines Wachovia Capital Market's LLC's ("WCM"), current policies and procedures designed to prevent the front-running of research by the firm's trading desks.

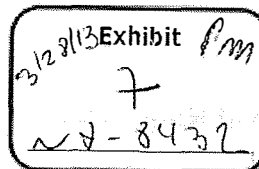
These amendments:

- Extend the application of the rule to cover inventory positions with respect to **any security**, including debt or a derivative thereof, irrespective of whether the security is exchange-listed.
- Apply the rule to circumstances where a member establishes or adjusts its inventory based on **non-public** advance knowledge of the content or timing of a research report in that security. As such, it would not be a violation of the rule for a member to increase or decrease inventory of a security based on publicly available information regarding the likely timing of a research report (*i.e. during earnings announcements*).
- Require that firms maintain internal controls to manage the flow of information between the research and trading departments and mandates that firms establish policies and procedures reasonably designed to restrict or limit the flow of information between research department personnel, or other persons with the knowledge of the content or timing of a research report and trading department personnel.

Wachovia Capital Markets, LLC, maintains Information Barriers to prohibit the flow of information about pending research reports outside of the Global Research Department so as to prevent WCM's Trading Departments from front-running the publication of a research report for the benefit of the firm or its clients.

Personnel of the Global Research Department are reminded of the following policies and procedures relating to the publication of research:

Confidential Treatment Requested



WF-002848283



# COMPLIANCE BULLETIN

## CORPORATE & INVESTMENT BANKING

- You **MAY NOT** preview changes in research opinions or estimates, or contradicting or signaling a change from your published views. **All communications, whether verbal or in writing must be consistent with your current published views.**
- You **MAY NOT** preview initiations of research coverage.
- You **MAY NOT** speak on the morning call without **PRIOR** approval of a Supervisory Analyst
- You **MUST** publish a note in instances where there is a change in rating or a material change to estimates
- All research **MUST** be adequately disseminated on a contemporaneous basis to all customers who having a perceived interest in the report.

Additional information pertaining to these and other requirements may be found in the Equity Research Procedures, Equity Analyst Independence Procedures or Fixed Income Research Procedures.

For more information or clarification on any of the material contained in this bulletin, please contact your designated compliance officer.

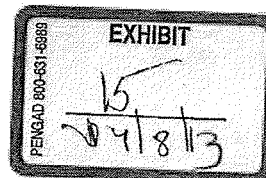


DRAFT Attorney – Client Work Product and Privileged Communication

Greg Bolan and Joe Ruggieri: Chronology of Events and Preliminary Analysis surrounding Channel Check Research Communications (3/31 and 4/1)

Thursday, March 31, 2011

- Greg Bolan speaks with WIL (private company) (“a top 5 preclinical CRO in the U.S.”) regarding the first of two channel checks on revenue, growth and general activity.
- Still must review all Ruggieri/Bolan communications (YI, FOREBACK, FRIEDMAN, and HAUSNER), related to incident, and based on preliminary review, a broader sampling of communication flow will be necessary. Yi and Foreback to review Ruggieri communications with clients. (Note- during compliance interview with Bolan, he stated that “he [Bolan] had spoken over the phone a few times with Ruggieri on both 3/31 and 4/1, but could not recall conversation specifics.”)
- 11:37am – Bolan states to Ruggieri on IM: “if that doesn’t get traction I don’t know what will”. Ruggieri responds: “BOOM” Ruggieri further states: “trying to take the I out”, “protecting you”. Bolan responds: “ahh”, “ty”. (See attachment #1)
  - This strongly indicates that Bolan and Ruggieri were coordinating efforts to distribute Bolan’s work (removing Bolan\_as author) and that they both believed that it would have a positive affect on the market.
  - This further undermines Bolan’s claim of immateriality and shows a knowledge of and coordinated effort to circumvent the rules regarding selective dissemination and possibly frontrunning.
- 11:45 – Bolan ghost writes a communication for Ruggieri regarding CVD and market chatter (see #2). Ruggieri forwards this, verbatim, to his clients (see #3), plus Ruggieri adds “Additionally, we’re currently doing our first quarter channel checks and will be out with details/findings asap.”
  - A potential issue is that Ruggieri blasts out a “Bolan authored” equity research report under his name. He is not registered as a research analyst. Our investigation may uncover similar incidents.
  - A potential issue is the materiality of the “ghost-written” communication, and if determined that it was material, it raises issues of previewing research, front-running, previewing the timing of a research report, and selective dissemination. During compliance interview, Bolan claimed this was not material.
- Approximately 12:30pm-1pm – Bolan starts sending communication on the first of two channel check’s via email to approximately 35-45 clients (see #4 for communication and #5 for the list of clients). The channel check communication states that it “is an incredibly important read-thru for CVD and CRL.” Bolan does not squawk or publish any note on this on 3/31. In reference to this communication, Bolan, during compliance interview, again states that “his comments were not material.”
  - One potential issue raised here is whether Bolan’s claim of non-materiality is reasonable. We believe that it is not, and further, in later communication, it is apparent that he does not either.
  - Bolan should not be “ghost writing” sales material.



- 2:06pm – Bolan’s assistant Effie Filipidis sends, at the direction of Bolan, an email to Jim Patricelli and John Utterman at Lomardodier describing the channel check.
- 5:00pm – Patricelli responds with: “Time to wade into CRL?”
- 6:02pm – Bolan responds to Jim Patricelli, Johan Utterman, cc: Ruggieri and Brendan Toulouse, “YESSSSSSSSSSSSSSSSSS! High Conviction”, and then proceeds to discuss the channel check he (Bolan) will be conducting the next day. Specifically Bolan states, “I think Street doesn’t see this coming – hell, I didn’t see this coming.” (See #6)
  - This exchange further emphasizes that this was material information and that Bolan was aware that it was.
- There was no proprietary trading activity in CVD or CRL on March 31<sup>st</sup> or April 1<sup>st</sup>. There were two sellers, TRowe and Mason Street, on the desk prior to any communications regarding the second channel check being disseminated on April 1<sup>st</sup>. After the channel check note was distributed, WFS received a buy order in CRL from Plural Capital and 1798 and a buy order in CVD from Fidelity. We do not know if other accounts placed orders away from WFS.

Friday, April 1, 2011

- Bolan speaks with MPI Research (private company) (“a top 5 preclinical CRO”) regarding the second of two channel checks on general tox activity and resurgence in proposal activity.
- 11:32am - sends IM to Joe Ruggieri describing conversation with MPI. Referred to previous day’s call with WIL and described the discussion with MPI as a “HUGELY positive channel check” among other information. (See #7.)
  - Bolan reveals to Ruggieri that he has a strong, positive opinion on the channel check. In addition to Bolan’s improper, unpublished, material preview, all Ruggieri actions must be measured against the fact that he has this information.
- During same IM exchange, Bolan asks Ruggieri to “give us 30 min”. During compliance interview, when asked about what this reference meant, Bolan explained that he “asked for 30 minutes to get together his thoughts, in writing, to send them to clients.”
  - Unclear if Ruggieri expressly knew any upcoming research note from email trail.
- 11:55am – Ruggieri sends two IM’s to SAC Capital (and at least 10 other additional accounts) describing his conversations with Bolan regarding channel checks (see #8). This communication took place before note to select clients and squawk.
  - Ruggieri may know that Bolan is preparing a note, and that the note has not been distributed at the time of the SAC+10 communication (front-running).
- 1:35pm (approximately) – Bolan sends emails to about 35-45 clients (see again attachment #5 for client list and attachment #9 for the communication) summarizing the second channel check and stating, “Coupled with our channel check yesterday with a top-5 preclinical CRO largely exposed to big pharma, we have the highest confidence in nearly 3 years that a recovery in preclinical study activity is underway and that upside to early development results out of CVD, and specifically CRL, will occur in Q1/Q2.” During compliance interview, Bolan claimed that the communication to select clients did not contain anything “material” but acknowledged that the subsequent squawk (a little

over an hour later) undermined his "immateriality" claim. Additionally, Bolan went off on a tangent during the compliance meeting about his commitment to ethics and professionalism, but never answered the question posed, which was how "he [Bolan] could reconcile his advance communication to a select group of clients approximately one hour before his broadly disseminated squawk that contained nearly the same information." (Compare communication sent to select Bolan clients in #9 to the disseminated squawk #10.)

- o Based on evidence and statements made by Bolan regarding this second channel check, it does not seem credible to conclude that his communication to clients in advance of the soon to be released squawk could be seen as immaterial.
- o As a material communication in advance of a research report, some of the following issues become apparent: previewing research, front-running, previewing the timing of a research report, and selective dissemination
- 2:34pm – Bolan submits squawk to SA's on channel checks. The squawk is substantially similar to the email Bolan sends to the select group of clients and contains material analysis and conclusions. (Compare #9 to #10).
- 2:52pm – SA's approve squawk and it is publicly disseminated.
- 3:02pm – Ruggieri has IM correspondance with client about Bolan's squawk that was released at 2:52pm. (See #11). Client states that it is odd that Bolan came out with the squawk at 3pm on Friday. Ruggieri responds that Bolan is marketing on Monday in New York and just wanted to get it out before the meetings.
- 3:39pm – Bolan, in separate communication to client who (mistakenly) did not receive Bolan's 1:35pm e-mail, writes that the information was "Super duper mega bullish." (See #12). (Goes to Bolan's own state of mind regarding how material he believes the information to be.)
- 3:47pm – Research Compliance mailbox receives an email from Jun Chin, Compliance Officer at SAC Capital Advisors, excerpting IM's sent to SAC traders by Ruggieri and attached Bolan's squawk at 2:52pm) and asked us "if SAC received advance notice of [WFS Research]." (See #13).
  - o Through the writing of this chronology, we have not communicated anything to SAC Capital with regard to their query.
- Still investigating trading pattern and order flow for suspicious activity, though trades could have been done away, thus we would not necessarily know about it. (Yi & Foreback.

#### Monday, April 4, 2011

- Research Compliance starts to review events and communications and informs various constituents regarding these matters including Scott Yi and Dave Foreback of equity sales and trading compliance, and Todd Wickwire, Sam Pearlstein, Lisa Hausner of Equity Research Management and Supervision.
- Research Compliance requests that Todd discuss situation with Bolan and to inform Diane Schumaker-Krieg.

Tuesday, April 5, 2011

- Todd Wickwire discusses incident with Bolan:

"I called Greg Bolan the morning of Tuesday, April 5<sup>th</sup> to discuss the issue compliance brought to my attention the prior day. I informed Greg that we had seen some communication with trading relating to certain research information (channel checks with private companies) and that that communication had preceded a squawk regarding the same research information. On its face, I told Greg that it looked like a preview of research and informed him that was against our policies and industry regulations. Greg informed me that he talks to trading on a regular basis and that a number of items/issues are often discussed but his intent was not to preview his research. Greg was very concerned and apologized that this had happened. He indicated that at the time he spoke with trading he had not contemplated doing a squawk given the nature of the material (channel checks with private companies). Greg indicated that a smaller group of clients are interested in this information but did not view it as material requiring a note/squawk. He said later he decided to disseminate a squawk given the information but had not thought about the prior conversation he had with trading and clients. When then discussed the situation further and I told Greg that any material piece of research needs to be put in writing via a squawk and/or a note before he can discuss it with anyone – including both trading and clients. Greg and I then discussed the concept of materiality and how that was a factor in the decision to publish or not. I then informed Greg that compliance would follow-up with him as they are reviewing the matter. Greg was very concerned about the situation and apologized for what occurred"

- Todd Wickwire informs research compliance as to his conversation with Bolan.
- Pat Hays, research compliance, arranges for a call with Bolan for the next day.

Wednesday, April 6, 2011

- At 2:30pm, research compliance conducted an interview with Bolan. Pat Hays and Scott Friedman lead the questioning. Scott Yi and Dave Foreback were unannounced, but were in Scott Friedman's office to listen to the entire interview. Pursuant to the interview, the following questions and answers are part of our notes:
  - Did you communicate the 4/1 channel check information to anyone other than Joe Ruggieri prior to the squawk?
    - Didn't directly answer the question other to say that he had talked to Joe a couple of times (between 10-11am, around 2pm and once again later in the day, but the last call was about personal issues).
  - Do you typically provide information to anyone prior to publication?
    - "God no" – Greg then argued that the analysis he sent out was not material and that he had been doing these channel checks for 2.5 years and had never seen the market act positively to them and stated that he has been wrong with his conclusions as much as he has been right.
    - Greg also stated that he had no intention of sending out a squawk at the time of his correspondence with Ruggieri on 4/1. The only reason he did send out the squawk on Friday (4/1) was that he was heading on the road

- the next week and knew clients would have questions so he wanted to get them the information ahead of time.
- We directly explained that what he did gives the appearance to compliance and potentially to regulators that he gave advance notice of pending research and asked Greg if he understood that.
    - He responded yes, but quickly changed the conversation to talk about his high moral standards and ethics and that he has built his entire career around doing the right thing and has certainly built his platform at WFS on the same principals.
  - Compliance made several more attempts to get him to state that he understood what the problem was, especially when the correspondence he sent stated that the channel check was "HUGELY positive". Each time Greg responded that the information was immaterial and about his ethics. He did concede the fact that he understood that his claim about the immateriality of his pre-published communications was undermined by his issuance of a squawk, post select dissemination. He acknowledged that "it looked bad".
  - We asked about several emails sent to several clients on 4/1 about the MPI Research channel check. Do you normally do that?
    - Greg stated that he always does that and believed that based on information that he received from Mike Madsen (equity research Supervisory Analyst) that if he sent it to less than 20 accounts it would not be deemed research. (This is absolutely incorrect and Compliance has subsequently discovered that his emails have gone to significantly more than 20 accts. Also, if Greg felt that this was immaterial why did it matter how many accounts it was sent to?) Mike Madsen denies to research compliance that he ever issued such advice and we believe Mike's statement.
  - When we asked Greg if he understood that his actions undermined his claim that the emails and IM's were immaterial, he became irritated and never did directly answer the question.
  - At the end of the call, we explained that the review into this matter was ongoing and we would let him know when the review was complete, but to refrain from continuing with the conduct that he detailed for us and that we reviewed during the call. He confirmed that he would.
  - After the compliance interview, Bolan calls Todd Wickwire. He expresses concern with his current situation and is agitated at the pace of the compliance review.

Thursday, April 7, 2011

- It is discovered that a Bolan channel check in January bears an identical pattern to the March/April incident. Bolan discusses with Ruggieri and select clients about his channel check observations on January 10 and 11. Bolan then publishes a channel check squawk on January 12. (Documentation to come from Lisa Hausner.)

- o Issues of materiality, front-running, preview of research, selective dissemination, etc must all be examined, as will trading patterns related to these days. (Yi, Foreback & Friedman).
- Bolan's assistant (Tim Evans) calls Todd Wickwire, unsolicited. While it was not clear exactly how Evans may have known that we were reviewing the Bolan matter, Evans states that he's been progressively uncomfortable with Bolan's communications, particularly his communications with clients in the absence of, or just prior to, a squawk/note. He further states that he's expressly confronted Bolan with his concerns (which Bolan ignored and rejected.)

Friday, April 8, 2011

- Bolan emails Todd Wickwire requesting a return call. After 15 minutes, Ruggieri emails Todd Wickwire asking that "he [Todd] call Bolan." (See #14). During this call with Bolan, Bolan expresses his concern (again) noting that he's always held himself to the highest level of ethics and professionalism. Bolan states to Todd, in reference to the question as to why Ruggieri was asking Todd to call him that "I told him [Ruggieri] that I was very upset about something, but I did not tell him what it was."

Tuesday, April 12, 2011

- Scott Yi apprises Chris Bartlett of the situation.
- Pursuant to a wider review of Bolan's communications, a potential issue was detected regarding recent the Initiation of coverage Research Reports for BRKR. Officially, this note was disseminated on March 29, 2011, at approximately 4:22pm. However, there is a concern about a position being built in BRKR by Ruggieri during the 5 days prior to the issue of the Initiation of Coverage Report, culminating with a sale of the entire position the day after these reports were released to the public. The pattern seems to be 5,000 shares per day, for five days, with a sale of 25,000 shares at the open on the first trade day after the launch. (See #15). Yi and Foreback are continuing with their review of trading activity, but have not yet interviewed Ruggieri. Research compliance checked e-mails between Bolan and Ruggieri during this period, and just before, and found no express email or IM alert or tip during this time. However, as Bolan and Ruggieri frequently spoke over the phone, the written record may be inconclusive on this point. Finally, since this discovery came after the Bolan interview with Todd Wickwire and Research Compliance, he was not specifically asked about this matter.
- Todd Wickwire updates Diane Schumaker-Krieg

Thursday, April 14

- Research Compliance (Pat Hays, Scott Friedman) meet with Equity Research Management (Pearlstein, Wickwire, Schumaker-Krieg)

Miscellaneous

- See #16 for certain WFS Research Policies governing this situation.
- See #17 for excerpt from Annual Compliance Training presentation (which Bolan formally acknowledges attending) for matters related to this situation.

1

AIM:uncjoewfc - IM Conversation [REDACTED] with \$participantID

Date : March 31, 2011, 11:37:47 am EDT

Size : 9.2 KB

From : A791296

To : a669795

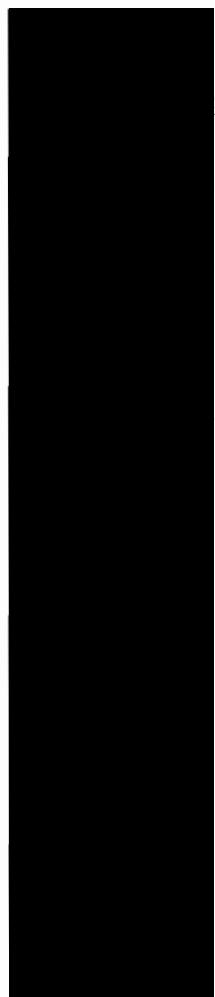
ZL Id : G2IQEUYDPKRCZPSURJFEKIDEUKJI1PIPA

Type : IM

[REDACTED]	has entered	03.31.2011 11:37:47 AM EDT
[REDACTED]	IM Disclaimer	03.31.2011 11:37:47 AM EDT
[REDACTED]	<a href="https://www.wellsfargo.com/com/disclaimer/re">https://www.wellsfargo.com/com/disclaimer/re</a>	EDT
[REDACTED]	d	
[REDACTED]	nice!	03.31.2011 11:37:47 AM EDT
[REDACTED]	if that doesnt get traction I dont know what	03.31.2011 11:51:43 AM EDT
[REDACTED]	will	
[REDACTED]	BOOM	03.31.2011 11:51:51 AM EDT
[REDACTED]	u send yet?	03.31.2011 11:52:00 AM EDT
[REDACTED]	doing now	03.31.2011 11:52:07 AM EDT
[REDACTED]	cool	03.31.2011 11:52:10 AM EDT
[REDACTED]	trying to take the I out	03.31.2011 11:52:36 AM EDT
[REDACTED]	protecting u	03.31.2011 11:52:38 AM EDT
[REDACTED]	ahh	03.31.2011 11:52:42 AM EDT
[REDACTED]	ty	03.31.2011 11:52:43 AM EDT
[REDACTED]	boom	03.31.2011 11:53:42 AM EDT
[REDACTED]	all yeah!	03.31.2011 11:53:49 AM

\*  
\*  
\*

①



let's do this!!!!!!!	FDI 03.31.2011 11:53:54 AM
LETS GO	FDI 03.31.2011 11:59:42 AM
u getting pinged?	FDI 03.31.2011 11:59:51 AM
philipkimsc [11:57:13 AM]: ahh thanks [11:57:15 AM]: that's why i wanted to talk to greg	FDI 03.31.2011 12:00:22 PM
new analyst at surveyor	FDI 03.31.2011 12:00:26 PM
good dude	FDI 03.31.2011 12:00:27 PM
froom oracle	FDI 03.31.2011 12:00:29 PM
know him	FDI 03.31.2011 12:00:34 PM
yep	FDI 03.31.2011 12:00:37 PM
known him for 5 yrs	FDI 03.31.2011 12:00:42 PM
ahhh nice	FDI 03.31.2011 12:01:03 PM
has left	





**CVD weakness thoughts**

(2)

**Date :** March 31, 2011, 11:53:05 am EDT

**Size :** 51.6 KB

**From :** Ruggieri, Joseph

**Env Rcpts :** 'Brett Hawkins', [REDACTED],  
'Roger Porter', Aaron Garcia,  
Adam Cohen, Adam Galeon bbrg,  
Almea Figueiredo, Alex Abularach',  
'Barry Anten', Billy Fitzpatrick

*more clients  
than listed here  
approx 35-45*

**ZL Id :** K0KUBZRQ5DEIVJMQMLJHVIVGPZVHPR3A

**Type :** Exchange ExchangeJournal

We've been getting questions on the CVD weakness/lag for the past week and some thoughts from conversations with clients and Bolan below.

Over the past 2 months, we've spoken to numerous clients about our meeting with Quintiles' mgmt. We did get the strong sense that one of Quintiles' primary initiatives is to build a stronger Central Lab presence. In fact, we think Quintiles' CL revenues increased in the low double digits in 2010, while CVD, ICLR, and we think PPDI experienced flat to down 10% CL sales growth.

*re: WAT*

Beyond Quintiles, we have heard that Eurofins and Clearstone (old MDS CL) are having some success within the CL market. Now, given the fact that essentially 100% of Central Lab work is outsourced, the CL market has always been competitive; price and logistical know-how are the top competitive advantages.

All this being said, CVD's share of the CL market is 50% and essentially larger than the next 3-4 competitors (DGX, PPDI, ICLR, Eurofins, Clearstone). Given the level of automation within CVD's Labs and their massive global logistical network, we think the company can offer lower prices and higher quality services (high percentage of intact kit returns) to clients.

With all this said, we had a chance to speak extensively with CVD CEO Joe Herring at SOT about the Central Lab environment. In response to our questions around Central Lab competition, we did NOT get the sense that they are seeing heightened competition.

At this point, we are modeling for CL revenues to grow 1% in 2011, which would compare to (2.1%) decline in 2010. We have no reason to believe this forecast is at risk at this point.

Additionally we're currently doing our first quarter channel checks and will be out with details/findings asap.

Joe Ruggieri

Institutional Equity Trading

Wells Fargo Securities, LLC

[REDACTED]  
[REDACTED]  
[REDACTED]



Hi Andy, here is our 1st Q1 Preclinical channel check - neutral to positive

Date : March 31, 2011, 2:14:54 pm EDT

Size : 22.6 KB

From : Bolan, Greg

To : [Redacted] + 3-4.5 other clients

4

Env Repts : Ruggieri, Joseph, Weingart, Craig, Proietti, David

ZL Id : AIWCTEWQXO5BS3DHSYAPAAHXS2SPBI3LB

Type : Exchange ExchangeJournal

We spoke to a high-ranking executive at a top-5 preclinical CRO in the U.S. About 50% of their backlog is composed of longer duration, specialty toxicology and the remainder is shorter duration, IND-enabling general tox work. The CRO derives the majority of its revenues from mid-to-large U.S. pharma.

- The CRO posted a trailing three month b2b of about 1.2. Proposal activity has dropped off a bit (could be seasonal), but the win rate continues to be high. Cancellations have been normal.
- Pricing pressure continues, but it is not as severe as the last two years. Some clients are less price-sensitive than others.
- Capacity utilization has improved in the last few months from 65% in January to above 70% in March, but it is still not quite as high as it was in the summer of 2010 (high-70%-80% range).
- The CRO saw 2010 EBITDA growth of ~15% in 2010 on revenue growth in the low-to-mid single digits. EBITDA margin improved, but is still ~500 bps below peak margin levels. Net orders in 2010 were up 18-19%. EBITDA contribution margin was essentially 60%+ in 2010 given that headcount was held flat and volumes recovered.
- EBITDA growth in 2011 is expected to be ~15% on revenue growth in the high-single digits. The company expects to increase staff levels in 2011 if recent order trends persist. EBITDA contribution margin should be around 40-50% as the company adds headcount. These 2011 goals are solely based on volume improvement, with no assumption for better pricing. The biggest source of better order flow is general toxicology, which we think is an incredibly important read-thru for CVD and CRL.

Greg T. Bolan | Director | Pharmaceutical Services and HCIT Equity Research

[http://mailreview.wellsfargo.com/ps/PmApp/trac\\_dumony?uc=&NextPage=/zlu/app/7Comp...](http://mailreview.wellsfargo.com/ps/PmApp/trac_dumony?uc=&NextPage=/zlu/app/7Comp...) 4/6/2011

	Fund	Name	Sales
1	Capital World	Rich Wolf Brianna Gerber	Weingart, Proietti
2	Cap Re	Alex Nicolaou	Weingart, Proietti
3	Columbus Circle	Oliver Marti Katerina Wasserman	Foertsch; LeStrange
	Fidelity	Anna Mullen	Puleo, Spear
4	Fidelity	Edward Yoon	Puleo, Spear
	Fidelity	Laurie Bertner	Puleo, Spear
5	T. Rowe Price	Taymour Tamaddon	Jarrett, Murphy, D'Aliso
6	JW Seligman	Jesse Hsu	Lyons; McCaffrey
7	Decade	Rob Gilliam	Skapper; Snyder
8	Oppenheimer	Misha Lozovik	D'Aliso; Jarrett; Murphy
9	SAC	Ian Dalinka	Kucich; Volley
	CR Intrinsic	Richard Adams	Kucich; Volley
10	CR Intrinsic	Darryl Pardi	Kucich; Volley
11	Blackrock	Rajiv Lapasia	D'Aliso; Jarrett; Murphy
	Blackrock	Joanne Sayers	laFrance; Puleo; Spear
		Deepak Khanna Tom Maher	
12	Lord Abbett	Matthew DeCicco Craig Leighton Lavina Talukdar Aubrey Sanders	Skapper; Snyder
13	Neuberger Berman	Terri Towers Jolie Chaikin	Skapper; Snyder
14	George Weiss	Heidi Lawrence	Volley; Foertsch; Caruana; LeStrange
15	Boston Company Asset Mgmt	David Khlikian	Puleo; Spear
16	Goldman Sachs	Timothy Leahy	Skapper; Snyder
17	Thrivent	James King	Mulholland; Rowean; Link
18	Times Square	Kwesi Smith	Skapper; Snyder
19	Prespoint Capital	Brendan Hutchinson	Lyons; McCaffrey
20	Brookside Capital Partners Fund	Owen Hughes	laFrance; Puleo; Spear
21	Wellington	Ann Gallo	laFrance; Puleo; Spear
22	Waddell	Adi Kapoor	Mulholland; Rowean; Link
23	Alyeska	Kori Skiba	Mulholland; Rowean; Link
24	Pyramis	Ryan Salomone	Puleo; Vaughn; Spear
25	Citadel	Amy Mulderry	Mulholland; Rowean; Link
26	Zweig Dimenna	Tom Keyes	Lyons; McCaffrey
27	Samlyn Capital	Rob Ristau	Foertsch; LeStrange
		Frank Sustersic Heather McMeekin	
28	Turner Investments	Vijay Shankaran Theresa Hoang Joe Krocheski	D'Aliso; Murphy; Jarrett
		Kevin Han	
29	Visium	Ted Silver	Toulouse
30	1798 Partners	Jim Patricelli Johan Utterman	Toulouse
31	Friess	David Haley Peter Diamond	D'Aliso; Jarrett; Murphy
32	Point State (Duq)	Kenan Jing Ge	Volley; LeStrange
33	Janus	Andy Summers	Pinksa
34	JANA	Scott Ostfeld	Toulouse
35	Jennison	Sheetal Prasad	Lyons; McCaffrey
36		Jay Kimi Sue Lee	
	Moore Capital		Toulouse
37	Credit Suisse AG	Thomas Amrein	Lobo and Lobo
38	Alger	Peter Pirsch	Volley; LeStrange

5

Aljeska group

Alger

Credit - Suisse

MooreCap

Jennisen

Janus

Point state

Friess

Visium funds

Turner Investments

Samlyn Capital

Zweig - Dimenna

Citadlegroup

Pyramis

Waddell

Wellington

Brookside fund

Prespoint Capital

Green Arrow

TSCM LLC

Thrivent

Goldman Sachs

TB Com

Schweiss

@nb.com -> Newbergr/Bairman?

Lord Abbott

Black rock

Crimtronic

Oppenheimer Funds

Ampf

FMR -> Fidelity?

Jana partners

Columbus

Capgroup  
Decade-Llc  
-> Teymour Tamaddon  
~~Prespoint~~



(6)

-----Original Message -----

From: Patricelli, Jim [REDACTED]  
Sent: Thursday, March 31, 2011 5:00 PM  
To: Bolan, Greg; Utterman, Johan  
Subject: Re: Hi Jim and Johan here is our 1st Q1 Preclinical channel check - neutral to positive



Time to wade into CRI?

Jim Patricelli  
Lombard Odier Asset Mgmt  
[REDACTED]

Bolan  
asst.

----- Original Message -----

From: Filipidis, Effie [REDACTED]  
To: Patricelli, Jim; Utterman, Johan  
Sent: Thu Mar 31 14:06:57 2011  
Subject: Hi Jim and Johan here is our 1st Q1 Preclinical channel check - neutral to positive

We spoke to a high-ranking executive at a top-5 preclinical CRO in the U.S. About 50% of their backlog is composed of longer duration, specialty toxicology and the remainder is shorter duration IND-enabling general tox work. The CRO derives the majority of its revenues from mid-to-large U.S. pharma.

- \* The CRO posted a trailing three month b2b of about 1.2. Proposal activity has dropped off a bit (could be seasonal), but the win rate continues to be high. Cancellations have been normal.
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- \* EBITDA growth in 2011 is expected to be ~15% on revenue growth in the high-single digits. The company expects to increase staff levels in 2011 if recent order trends persist. EBITDA contribution margin should be around 40-50% as the company adds headcount. These 2011 goals are solely based on volume improvement with no assumption for better pricing. The biggest source of better order flow is general toxicology, which we think is an incredibly important read-thru for CVD and CRI.

(b)

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Greg T. Bolan | Director | Pharmaceutical Services and HCIT Equity Research

Wells Fargo Securities LLC | 230 4th Ave North - 7TH Floor, Nashville, TN, 37219

[REDACTED]

Wells Fargo Securities Healthcare Traders

Joe Ruggieri - [REDACTED]

[REDACTED]

Chip Short [REDACTED]

[REDACTED]

This information is for your use only and may not be forwarded or distributed.  
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I certify that

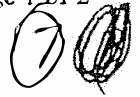
1) All views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers discussed and

2) No part of my compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed by me in this research report.

1798 Global Partners (USA) Corp is now known as Lombard Odier Asset Management (USA) Corp and 1798 Global Partners (Switzerland) SA is now known as Lombard Odier Asset Management (Switzerland) SA.

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Yi, Scott

From: Foreback, Dave  
Sent: Tuesday, April 05, 2011 1:56 PM  
To: Yi, Scott  
Fyi

AIM:uncjoewfc - IM Conversation #2572798 with \$participantID

Date : April 1, 2011, 11:32:28 am EDT

Size : 8.9 KB

From : A791296

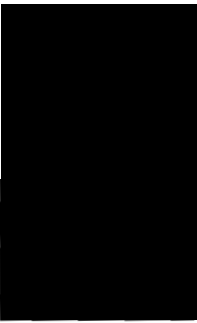
To : a669795

ZL Id : DLOWNSCKMNLVHLYIASAQAEMISGEL43C1RA

Type : IM

	has entered	04.01.2011 11:32:28 AM I
	IM Disclaimer	04.01.2011 11:32:28 AM I
	<a href="https://www.wellsfargo.com/com/disclaimer/red">https://www.wellsfargo.com/com/disclaimer/red</a>	
	yo	04.01.2011 11:32:28 AM I
	HUGELY positive channel check	04.01.2011 11:32:36 AM I
	on preclinical	04.01.2011 11:32:39 AM I
	Wow	04.01.2011 11:32:57 AM I
	w/ who?	04.01.2011 11:32:59 AM I
	MPI research	04.01.2011 11:32:55 AM I
	3rd largest	04.01.2011 11:32:57 AM I
	70% of revenues from small to mid size biotech	04.01.2011 11:33:06 AM I
	which is really compelling	04.01.2011 11:33:12 AM I
	b/c that end mkt has been dead for yrs	04.01.2011 11:33:21 AM I
	give us 30 min	04.01.2011 11:33:25 AM I
	what u sent around yest right?	04.01.2011 11:33:38 AM I
	no	04.01.2011 11:33:44 AM I
	this is a new one	04.01.2011 11:33:47 AM I
	we just got off of the phone	04.01.2011 11:33:53 AM I
	with MPI	04.01.2011 11:33:57 AM I
	yesterday was WIL	04.01.2011 11:34:02 AM I
	ahh k	04.01.2011 11:34:05 AM I
	nice	04.01.2011 11:34:07 AM I

4/5/2011



back selling CRL for t rowe  
lets find buyer CRL- selling for mason street  
now too  
can sell some stock  
has left

04/01/2011 11:34:11 AM EDT  
04/01/2011 11:43:50 AM EDT  
04/01/2011 11:43:53 AM EDT



David A. Foreback  
Director of Cash Trading Compliance  
Wells Fargo Securities, LLC



4/5/2011

8

Friedman, Scott A.

From: Chin, Jun [REDACTED]  
Sent: Friday, April 01, 2011 3:47 PM  
To: Friedman, Scott A.  
Subject: Compliance issue

Attachments: A Comment On Q1 2011 Preclinical Activity--Vastly Positive For CVD, And More Specifically CRL  
Hi Scott

Hope all is well. Today we noticed that one of your sales guys with the screen name "uncjoewfc" sent around two IM to our traders (see below). We then noticed later today our analyst published a note.

Would you be able to review the messages and let us know if we received any advance notice of our research.

~~\*~~ Uncjoewfc [11:55:55 AM]: had call w/ WIL research yest, MPI research today-- both private companies. MPI is 3rd largest and 70% of their revs are from sm-to mid cap biotech companies which is compelling cause that end mkt has been dead for years

~~\*~~ Uncjoewfc [11:55:53 AM]: bolan had another positive pre-clinical channel check today -- this one w/ MPI research, 3rd largest (they're private)-- will get more details but had one w/ WIL yesterday and another pos today. these guys get most of their revs from smid cap biotech companies which has been dead end mkt for years--

Published note:

Jun Chin  
Compliance Officer  
S | A | C Capital Advisors, LP

[REDACTED]

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4/11/2011



Hi Jim and Johan, here is our 2nd Q1 Preclinical channel check - VERY positive

Date : April 1, 2011, 2:01:05 pm EDT

Size : 21.4 KB

From : Bolan, Greg

To : Patricelli, Jim, Utterman, Johan

Env Repts : Ruggieri, Joseph, Toulouse, Brendan

ZL Id : BHHRV0GSHCC50IMXCIRIZUOX●REY2UIBA

Type : Exchange ExchangeJournal

E-mail's content on  
First

We recently spoke to an executive at a top-5 preclinical CRO. This CRO derives about 70% of revenues from the small-to-mid size biotech end market. We would say that this executive's commentary was extremely bullish on current general tox activity and resurgence in proposal activity from the smaller biotech end market. Coupled with our channel check yesterday with a top-5 preclinical CRO largely exposed to big pharma, we have the highest confidence in nearly 3 years that a recovery in preclinical study activity is underway and that upside to early development results out of CVD, and specifically CRL, will occur in Q1/Q2.

- Proposal and order progression since the beginning of the year have been encouraging. January authorizations were up 60% over December, driven primarily by small-to-mid size biotechs. Proposals in February were slower than January but still up 20% yr/yr. March improved substantially from February. Current order activity is strongest since Oct 2008. Management is still cautious about a "headfake" recovery but notes that this trend seems more sustainable than past upticks.
- Study starts follow the same progression as proposals with January strong, February weaker, and March strong again. Proposals as of February were up 25% yr/yr, which gives executive strong feeling that orders over the next few months will be strong.
- Cancellations have normalized, though cancellations in January and February are usually lower given the need to clean backlog in Q4.
- The company is targeting single-digit revenue growth, but that would generate a one-time EBITDA growth rate of 40-50%.
- General toxicology work is up for the first time in a long time. The company is also having success in Discovery work with record orders in March. Discovery is 15-20% of revenue.
- The company had closed 15-20% of rooms and may to re-open some and to add staff if order trends continue. The CRO is scrambling to find rooms to facilitate current order flow.

---

Greg T. Bolan | Director | Pharmaceutical Services and HCIT Equity Research

[http://mailreview.wellsfargo.com/ps/PmApp/trac\\_dummy?uc=&NextPage=/zlui/app/zComp...](http://mailreview.wellsfargo.com/ps/PmApp/trac_dummy?uc=&NextPage=/zlui/app/zComp...) 4/7/2011

A Comment On Q1 2011 Preclinical Activity--Vastly Positive For CVD, And More Specifically CRL

Date : April 1, 2011, 2:55:46 pm EDT

10

Size : 40.2 KB

\* From : Bolan, Greg

Squawk Content on!  
After Email

To : Bolan, Greg

Cc : Ruggieri, Joseph, Short, Chip,  
Mackle, Bruce

Env Repts : [Redacted]

ZL Id : GQYSMDIQVYMRFPQFVELUW0UIRTQYFVMNB

Type : Exchange ExchangeJournal

*Pharma Services*

Greg T. Bolan, Senior Analyst [Redacted]

**Covance Inc. (CVD-NYSE)--Outperform (1)**

Price as of 4/1/2011: \$55.35  
FY 11 EPS: \$2.78  
FY 12 EPS: \$3.20  
Shares Out.: 62.7 MM  
Market Cap.: \$3,470.45 MM

**Charles River Laboratories International, Inc. (CRL-NYSE)--Outperform (1)**

Price as of 4/1/2011: \$38.80  
FY 11 EPS: \$2.35  
FY 12 EPS: \$2.68  
Shares Out.: 57.4 MM  
Market Cap.: \$2,227.01 MM

Sector Rating: Pharma Services. Market Weight

As we typically do each quarter, we are currently conducting Q1 2011 channel checks within the preclinical space. We would say that commentary thus far has been extremely bullish on current general tox activity and resurgence in proposal activity from the small-to-midsize biotech end market. We would also say that preclinical activity coming out of large pharma is also picking up.

We have been conducting these quarterly preclinical channel checks for several years and, by far, we have the highest confidence in nearly 3 years that a recovery in preclinical study activity is under way and that potential upside to early development results out of CVD, and specifically CRL, will likely occur in Q1/Q2. (Over the years, we have not felt that our checks were material enough for us to call an inflection point in general tox activity. However, our checks YTD absolutely give us strong conviction that a more meaningful and faster recovery is)



under way; a pick-up in demand for IND-enabling studies from small-to-midsize biotechs comes as a big surprise to us.

Specifically on CRL, our checks would suggest CRL's guidance for PCS revenues to decline 3-5% in 2011 is very conservative. Recall that CRL's 2011 EPS guidance is for \$2.20-2.40. We are currently modeling for PCS constant dollar revenues to decline 4% yr/yr in 2011; our current EPS estimate is \$2.35 and consensus is \$2.33. Given the idea that incremental PCS revenues could yield 60%+ incremental EBITDA margins at this point in the recovery and if we assume PCS revenues are flat yr/yr (we think this is still very conservative), we believe EPS could be boosted by \$0.15, all else being equal.

I certify that:

All views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers discussed; and

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CVD - Rating and Valuation Range Changes

Date	Publication Price	Rating	Valuation Range	Closing Price
03/26/08	NA	Suspended	NE	82.78
09/16/08	95.17	MARKET PERFORM	\$87-\$90	95.17
10/24/08	52.45	MARKET PERFORM	\$58-\$60	49.93
11/12/08	43.20	MARKET PERFORM	\$48-\$50	43.02
12/19/08	41.16	MARKET PERFORM	\$43-\$45	41.00
01/29/09	39.72	MARKET PERFORM	\$39-\$41	39.72
07/30/09	53.99	MARKET PERFORM	\$50-\$52	54.17
10/14/09	54.77	MARKET PERFORM	\$54-\$56	54.77
10/21/09	54.65	MARKET PERFORM	\$53-\$55	54.65
01/20/10	58.49	MARKET PERFORM	\$59-\$61	56.86
01/29/10	58.37	MARKET PERFORM	\$58-\$60	58.11
04/30/10	58.43	MARKET PERFORM	\$58-\$59	57.14
06/15/10	54.25	OUTPERFORM	\$62-\$64	54.59
07/30/10	39.65	OUTPERFORM	\$48-\$50	38.76
09/30/10	NA	OUTPERFORM	\$53-\$54	46.79
01/07/11	50.69	OUTPERFORM	\$58-\$59	50.33
01/27/11	58.30	OUTPERFORM	\$65-\$66	57.22

CRL - Rating and Valuation Range Changes

Date	Publication Price	Rating	Valuation Range	Closing Price
03/26/08	NA	Suspended	NE	58.48
09/16/08	63.06	OUTPERFORM	\$77-\$79	63.06
11/07/08	26.87	OUTPERFORM	\$31-\$33	27.00
02/05/09	26.52	OUTPERFORM	\$29-\$31	26.69
02/11/09	27.90	OUTPERFORM	\$31-\$33	27.19
05/04/09	27.34	OUTPERFORM	\$32-\$34	28.03
08/06/09	31.34	OUTPERFORM	\$35-\$37	31.68
10/14/09	38.74	OUTPERFORM	\$45-\$47	38.74
11/05/09	34.07	OUTPERFORM	\$42-\$44	34.53
02/10/10	36.16	OUTPERFORM	\$44-\$46	35.82
08/04/10	30.06	OUTPERFORM	\$36-\$37	30.96
12/15/10	34.61	OUTPERFORM	\$39-\$40	34.90
01/07/11	36.66	OUTPERFORM	\$42-\$43	36.58

(11)

AIM:uncjoewfc - IM Conversation # [REDACTED] with \$participantID

Date : April 1, 2011, 3:02:03 pm EDT

Size : 5.4 KB

From : A791296

To : [REDACTED]

ZL Id : CEZ1BMGFAMZA2244DKY5KGV4XETUVXAPB

Type : IM

[REDACTED]

has entered

CRL/CVD note in your inbox-- positive from channel checks-- Bolan on the hoot now

IM Disclaimer

<https://www.wellsfargo.com/com/disclaimer/eqm>

+

hi joe. any idea why is cvd up more than crl on greg's call?

shorts getting carried out

vanillas squeezed

was his call that more upside to crl numbers than cvd?

giving conservative guidance?

no but short interest higher CVD cause of strategic situation in crl

and guys revisited the short this week with chart breaking down and competitive pressure in central lab from Quintiles and others

odd for him to come out with this on friday at 3

he's out monday- mktg in ny-- did the channel check today and think just wanted to get it out

\*  
\*

RE: A Comment On Q1 2011 Preclinical Activity--Vastly Positive For CVD, And More Specifically CRL



Date : April 1, 2011, 3:41:16 pm EDT

Size : 85.5 KB

From : Bolan, Greg

To : Harrington, Sean

ZL Id : PELDLVVHCVGMWEVZVHYBCSQTXBCLY10GB

Type : Exchange ExchangeJournal

Omg - I am so sorry - here are the notes:

- Proposal and order progression since the beginning of the year have been encouraging. January authorizations were up 60% over December, driven primarily by small-to-mid size biotechs. Proposals in February were slower than January but still up 20% yr/yr. March improved substantially from February. Current order activity is strongest since Oct 2008. Management is still cautious about a "headfake" recovery but notes that this trend seems more sustainable than past upticks.
- Study starts follow the same progression as proposals with January strong, February weaker, and March strong again. Proposals as of Febuary were up 25% yr/yr, which gives executive strong feeling that orders over the next few months will be strong.
- Cancellations have normalized, though cancellations in January and February are usually lower given the need to clean backlog in Q4.
- The company is targeting single-digit revenue growth, but that would generate a one-time EBITDA growth rate of 40-50%.
- General toxicology work is up for the first time in a long time. The company is also having success in Discovery work with record orders in March. Discovery is 15-20% of revenue.
- The company had closed 15-20% of rooms and may to re-open some and to add staff if order trends continue. The CRO is scrambling to find rooms to facilitate current order flow.

---

**Greg T. Bolan | Director | Pharmaceutical Services and HCIT Equity Research**

Wells Fargo Securities LLC | 230 4<sup>th</sup> Ave North -- 7<sup>th</sup> Floor, Nashville, TN, 37219



[http://mailreview.wellsfargo.com/ps/PmAdd/trac\\_dummv?uc=&NextPage=/zlui/app/zComp...](http://mailreview.wellsfargo.com/ps/PmAdd/trac_dummv?uc=&NextPage=/zlui/app/zComp...) 4/7/2011



12

Wells Fargo Securities Healthcare Traders:

Joe Ruggieri - [REDACTED]

[REDACTED]

Chip Short - [REDACTED]

[REDACTED]

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---

**From:** Harrington, Sean [mailto:[REDACTED]]  
**Sent:** Friday, April 01, 2011 2:40 PM  
**To:** Bolan, Greg  
**Subject:** RE: A Comment On Q1 2011 Preclinical Activity--Vastly Positive For CVD, And More Specifically CRL

I did not. First saw these comments at 3pm.

---

**From:** Bolan, Greg [mailto:[REDACTED]]  
**Sent:** Friday, April 01, 2011 3:39 PM  
**To:** Harrington, Sean  
**Subject:** RE: A Comment On Q1 2011 Preclinical Activity--Vastly Positive For CVD, And More Specifically CRL

Super duper ultra mega bullish - did you get my channel check notes this morning?

12

**Greg T. Bolan | Director | Pharmaceutical Services and HCIT Equity Research**

Wells Fargo Securities LLC | 230 4<sup>th</sup> Ave North - 7<sup>th</sup> Floor, Nashville, TN, 37219

[REDACTED]

Wells Fargo Securities Healthcare Traders:

Joe Ruggieri - [REDACTED]

IM: [REDACTED]

[REDACTED] Short - [REDACTED]

[REDACTED]

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**From:** Harrington, Sean [mailto:[REDACTED]]  
**Sent:** Friday, April 01, 2011 2:38 PM  
**To:** Bolan, Greg  
**Subject:** RE: A Comment On Q1 2011 Preclinical Activity--Vastly Positive For CVD, And More Specifically CRL

They are always bullish. Was this normal MPI bullish, or were they super mega awesome bullish now?

12

**From:** Bolan, Greg [REDACTED]  
**Sent:** Friday, April 01, 2011  
**To:** Harrington, Sean  
**Subject:** RE: A Comment On Q1 2011 Preclinical Activity--Vastly Positive For CVD, And More Specifically CRL

Si senior

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**Greg T. Bolan | Director | Pharmaceutical Services and HCIT Equity Research**

Wells Fargo Securities LLC | 230 4<sup>th</sup> Ave North - 7<sup>th</sup> Floor, Nashville, TN, 37219

[REDACTED]

Wells Fargo Securities Healthcare Traders:

Joe Ruggieri - [REDACTED]

[REDACTED]

Chip Short - [REDACTED]

[REDACTED]

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12

**From:** Harrington, Sean [mailto: [REDACTED]]  
**Sent:** Friday, April 01, 2011 2:31  
**To:** Bolan, Greg  
**Subject:** RE: A Comment On Q1 2011 Preclinical Activity--Vastly Positive For CVD, And More Specifically CRL

Was this MPI?

**From:** Evans, Tim [ [REDACTED] ] **On Behalf Of** Bolan, Greg  
**Sent:** Friday, April 01, 2011 2:56 PM  
**To:** Bolan, Greg  
**Cc:** Ruggieri, Joseph; Short, Chip; Mackle, Bruce  
**Subject:** A Comment On Q1 2011 Preclinical Activity--Vastly Positive For CVD, And More Specifically CRL

*Pharma Services*

Greg T. Bolan, Senior Analyst [REDACTED]

**Covance Inc. (CVD-NYSE)--Outperform (1)**

Price as of 4/1/2011: \$55.35  
 FY 11 EPS: \$2.78  
 FY 12 EPS: \$3.20  
 Shares Out.: 62.7 MM  
 Market Cap.: \$3,470.45 MM

**Charles River Laboratories International, Inc. (CRL-NYSE)--Outperform (1)**

Price as of 4/1/2011: \$38.80  
 FY 11 EPS: \$2.35  
 FY 12 EPS: \$2.68  
 Shares Out.: 57.4 MM  
 Market Cap.: \$2,227.01 MM

Sector Rating: Pharma Services, Market Weight

As we typically do each quarter, we are currently conducting Q1 2011 channel checks within the preclinical space. We would say that commentary thus far has been extremely bullish on current general tox activity and resurgence in proposal activity from the small-to-midsize biotech end market. We would also say that preclinical activity coming out of

12

large pharma is also picking up.

We have been conducting these quarterly preclinical channel checks for several years and, by far, we have the highest confidence in nearly 3 years that a recovery in preclinical study activity is under way and that potential upside to early development results out of CVD, and specifically CRL, will likely occur in Q1/Q2. Over the years, we have not felt that our checks were material enough for us to call an inflection point in general tox activity. However, our checks YTD absolutely give us strong conviction that a more meaningful and faster recovery is under way; a pick-up in demand for IND-enabling studies from small-to-midsize biotechs comes as a big surprise to us.

Specifically on CRL, our checks would suggest CRL's guidance for PCS revenues to decline 3-5% in 2011 is very conservative. Recall that CRL's 2011 EPS guidance is for \$2.20-2.40. We are currently modeling for PCS constant dollar revenues to decline 4% yr/yr in 2011; our current EPS estimate is \$2.35 and consensus is \$2.33. Given the idea that incremental PCS revenues could yield 60%+ incremental EBITDA margins at this point in the recovery and if we assume PCS revenues are flat yr/yr (we think this is still very conservative), we believe EPS could be boosted by \$0.15, all else being equal.

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#### CVD - Rating and Valuation Range Changes

Date	Publication Price	Rating	Valuation Range	Closing Price
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07/30/09	53.99	MARKET PERFORM	\$50-\$52	54.17
10/14/09	54.77	MARKET PERFORM	\$54-\$56	54.77
10/21/09	54.65	MARKET PERFORM	\$53-\$55	54.65
01/20/10	58.49	MARKET PERFORM	\$59-\$61	56.86
01/29/10	58.37	MARKET PERFORM	\$58-\$60	58.11
04/30/10	58.43	MARKET PERFORM	\$58-\$59	57.14
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07/30/10	39.65	OUTPERFORM	\$48-\$50	38.76
09/30/10	NA	OUTPERFORM	\$53-\$54	46.79
01/07/11	50.69	OUTPERFORM	\$58-\$59	50.33
01/27/11	58.30	OUTPERFORM	\$65-\$66	57.22

#### CRL - Rating and Valuation Range Changes

Date	Publication Price	Rating	Valuation Range	Closing Price
03/26/08	NA	Suspended	NE	58.48
09/16/08	63.06	OUTPERFORM	\$77-\$79	63.06
11/07/08	26.87	OUTPERFORM	\$31-\$33	27.00
02/05/09	26.52	OUTPERFORM	\$29-\$31	26.69

Friedman, Scott A.

From: Chin, Jun [REDACTED]  
Sent: Friday, April 01, 2011 3:47 PM  
To: Friedman, Scott A.  
Subject: Compliance issue

(B)

Attachments: A Comment On Q1 2011 Preclinical Activity--Vastly Positive For CVD, And More Specifically CRL  
Hi Scott

Hope all is well. Today we noticed that one of your sales guys with the screen name "uncjoewfc" sent around two IM to our traders (see below). We then noticed later today our analyst published a note.

Would you be able to review the messages and let us know if we received any advance notice of our research.

\* Uncjoewfc [11:55:55 AM]: had call w/ WIL research yest, MPI research today-- both private companies. MPI is 3rd largest and 70% of their revs are from sm-to mid cap biotech companies which is compelling cause that end mkt has been dead for years

\* Uncjoewfc [11:55:53 AM]: bolan had another positive pre-clinical channel check today -- this one w/ MPI research, 3rd largest (they're private)-- will get more details but had one w/ WIL yesterday and another pos today. these guys get most of their revs from smid cap biotech companies which has been dead end mkt for years--

Published note:

Jun Chin  
Compliance Officer  
S | A | C Capital Advisors, LP  
540 Madison Avenue, New York, NY 10022

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[REDACTED]

4/11/2011

14

Have you talked to Bolan today?

Date : April 8, 2011, 1:01:01 pm EDT

Size : 3.3 KB

From : Ruggieri, Joseph

To : Wickwire, Todd

ZL Id : BTBE4PMV4AYH4HE1TOQFABXWZOQMVPPXA

Type : Exchange ExchangeJournal

Joe Ruggieri

Institutional Equity Trading

Wells Fargo Securities, LLC

[REDACTED]

IM: [REDACTED]

[REDACTED]

14

Please call him

Date : April 8, 2011, 1:01:12 pm EDT

Size : 3.3 KB

From : Ruggieri, Joseph

To : Wickwire, Todd

ZL Id : JOPT52DNH1SPTQDB5IRDVWMKLOGGYKPLA

Type : Exchange ExchangeJournal

Joe Ruggieri

Institutional Equity Trading

Wells Fargo Securities, LLC

[REDACTED]

[REDACTED]

[REDACTED]



15

Opening and Closing Positions

	TD	T-3		T-2		T-1		TD		T+1		T+2		T+3	
		Open	Close	Open	Close	Open	Close	Open	Close	Open	Close	Open	Close	Open	Close
CVD	6/15/2010	flat	flat	flat	flat	flat	40,000L	40,000L	10,000L	10,000L	flat	flat	flat	flat	flat
AMRI	7/6/2010	flat	flat	flat	flat	flat	35,050L	35,050L	15,267L	15,267L	15,267L	15,267L	10,000L	10,000L	5,000L
EM	8/16/2010	flat	flat	flat	flat	flat	10,000L	10,000L	flat	flat	flat	flat	flat	flat	flat
BRKR	3/29/2011	5,000L	10,000L	10,000L	15,000L	15,000L	20,000L	20,000L	25,000L	25,000L	flat	flat	flat	flat	flat
ATHN	2/8/2011	flat	flat	flat	flat	flat	10,000L	10,000L	flat	flat	flat	flat	flat	flat	flat

# Equity Research Supervisory Procedures and Compliance Guidelines

09-30-10

## II. Team Member Conduct

### A. Summary of General Standards

Regulations require that individuals associated with the securities industry observe high standards of commercial honor and just and equitable principles of trade. In addition, it is unlawful for individuals associated with the securities industry to use or employ a manipulative, deceptive or other fraudulent device or contrivance in their business dealings.

### B. Description of Principles

The following Principles of Conduct generally apply to WFS activities and team members.

1. Team members must act with integrity in carrying out their job function.
2. Team members must conduct business in compliance with all applicable regulations and the Company's policies.
3. Team members must act with due skill, care and diligence in carrying out their job function.
4. Team members must observe proper standards of market conduct in carrying out their job function.
5. Team members must deal with regulators in an open and cooperative way, and must disclose appropriately any information of which the regulators would reasonably expect notice.
6. Principals and/or Managers must take reasonable steps to ensure that the business of the Company for which they are responsible is organized so that it can be controlled effectively.
7. Principals and/or Managers must exercise due skill, care and diligence in managing the business of the Company for which they are responsible.
8. Principals and/or Managers must take reasonable steps to ensure that the business of the Company for which they are responsible complies with the relevant regulatory requirements and standards of the regulatory system.

### C. The Wells Fargo Code of Ethics and Business Conduct

The Code of Ethics and Business Conduct (the "Code of Conduct") outlines the Company's expectations regarding business, personal, and ethical conduct for its team members. All new team members are expected to acknowledge that they have read and will follow the policies outlined in the Code of Conduct. All team members are also asked to re-acknowledge compliance with the Code of Conduct on an annual basis. Compliance with the Code of Conduct is a condition of employment for every Company team member. Those who violate the Code of Conduct will be subject to corrective action possibly including termination of employment or criminal prosecution. Questions about the Code of Conduct should be addressed to Human Resources or Legal. The WFS Team Member Conduct policy is supplementary to the Code of Conduct.

## **XII. Research and Economic Activities**

### **A. General Supervision**

### **B. Communication with the Public Specific to Research Activities**

#### **Adequate Dissemination**

Written research products should be contemporaneously distributed to all customers having a perceived interest in the report in order to provide equal opportunity to act on the recommendation given. To the extent practicable, changes in recommendations should be forwarded to all current customers who received the initial recommendation. This is accomplished through the proper entry and approval of research in the publication system that subsequently distributes the research contemporaneously through various sources.

### **B. Equity Research and Analyst Independence Procedures**

#### **6. Front-Running/Trading Ahead of Research Reports**

WFS LLC team members may not front-run research in violation of FINRA, NYSE or SEC rules. WFS LLC maintains information barriers to prohibit the flow of information about pending research reports outside of the Global Research Department so as to prevent WFS LLC Trading Departments from front-running/trading ahead on the advance knowledge of the publication of a research report. WFS LLC's restricted list procedures, including supervision thereof, also limit potential violations of this policy, as described in Section III(C) above. For further information on the Front-Running of research please refer to Compliance Bulletin 09-08: Trading Ahead of Research Reports (available on the Compliance Website).

(16)

## CORPORATE AND INVESTMENT BANKING

Bulletin 09-08

April 2009

### TRADING AHEAD OF RESEARCH REPORTS - FINRA Rule 5280

This compliance bulletin is being issued in response to recent a SEC order approving amendments to FINRA Rule 5280 (Trading Ahead of Research Reports) and outlines Wachovia Capital Market's LLC's ("WCM"), current policies and procedures designed to prevent the front-running of research by the firm's trading desks.

These amendments:

- Extend the application of the rule to cover inventory positions with respect to **any security**, including debt or a derivative thereof, irrespective of whether the security is exchange-listed.
- Apply the rule to circumstances where a member establishes or adjusts its inventory based on **non-public** advance knowledge of the content or timing of a research report in that security. As such, it would not be a violation of the rule for a member to increase or decrease inventory of a security based on publicly available information regarding the likely timing of a research report (*i.e. during earnings announcements*).
- Require that firms maintain internal controls to manage the flow of information between the research and trading departments and mandates that firms establish policies and procedures reasonably designed to restrict or limit the flow of information between research department personnel, or other persons with the knowledge of the content or timing of a research report and trading department personnel.

Wachovia Capital Markets, LLC, maintains Information Barriers to prohibit the flow of information about pending research reports outside of the Global Research Department so as to prevent WCM's Trading Departments from front-running the publication of a research report for the benefit of the firm or its clients.

Personnel of the Global Research Department are reminded of the following policies and procedures relating to the publication of research:

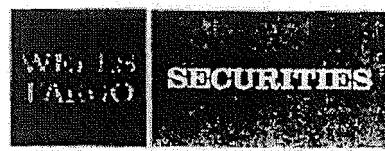
- You MAY NOT preview changes in research opinions or estimates, or contradicting or signaling a change from your published views. **All communications, whether verbal or in writing must be consistent with your current published views.**
- You MAY NOT preview initiations of research coverage.
- You MAY NOT speak on the morning call without PRIOR approval of a Supervisory Analyst

- You MUST publish a note in instances where there is a change in rating or a material change to estimates
- All research MUST be adequately disseminated on a contemporaneous basis to all customers who having a perceived interest in the report.

Additional information pertaining to these and other requirements may be found in the Equity Research Procedures, Equity Analyst Independence Procedures or Fixed Income Research Procedures.

For more information or clarification on any of the material contained in this bulletin, please contact your designated compliance officer.

(17)



WF-002848181

# Annual Compliance Meeting 2010

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Equity Research  
December 14, 2010

Together we'll go far



FOIA CONFIDENTIAL TREATMENT REQUESTED

## Front-running

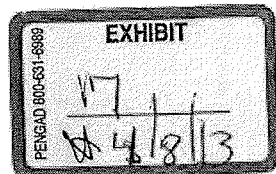
---

- No previewing research/opinions/estimates
- No contradictions or signals indicating a change to published views
- If views have changed, issue a research report
- Do not communicate short-term views unless they are published



SIG, IBCM & Corporate Banking  
Information Barriers and Client Management Policy

10-31-09





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## D. Information Barriers and Client Management

Wells Fargo has long enjoyed a reputation for excellence and an ability to instill trust in its clients and customers. To ensure the Company carries on this tradition all WFS/WFIS team members must adhere to the fundamental principles stated in the Company's Code of Ethics and Business Conduct and WFS/WFIS's Personal Investment Policy, which require the highest ethical standards in their personal and business affairs.

The Information Barrier and Client Management Policy governs the handling of confidential information entrusted to WFS/WFIS by its clients and from sources within the Company. This policy is designed to guide WFS/WFIS team members in handling information in the utmost professional manner and to protect WFS/WFIS and its team members from civil or criminal prosecution as a result of misuse of confidential information.

This policy is not intended to govern permissible communications between Investment Bankers and equity Research Analysts. Team members should refer to the Firm's policies regarding research analyst independence. For all permissible communications, the research analyst independence policies must be used in conjunction with this policy.

As legal requirements and prevailing industry standards evolve, these policies and procedures may be updated as necessary. Moreover, this policy cannot possibly be written broadly enough to cover all potential situations involving the proper flow of information. In this regard, team members are expected to adhere to not only the letter, but also the spirit, of the policy. In the event a team member is unsure whether a contemplated action conforms to the policy, consult with:

Control Group  
Toll Free  
Fax  
Michael Sullivan  
Xavier Vanhoy  
Steve Shook  
Tim Haselhorst  
Caroline Merrell

Phone



Cellular



### A. Protecting Confidentiality

#### 1. Disclosure Only on a "Need To Know" Basis

In the course of performing daily responsibilities, it is normal for team members in certain areas of SIG, IBCM & Corporate Banking to obtain confidential information concerning clients and potential clients. In addition, many times WFS is asked by its clients to sign confidentiality agreements relating to client information whereby WFS agrees to keep such information confidential and only use such information in connection with WFS's business relationship with such client. In order to maintain client confidence and trust and to avoid breaching the provisions of any confidentiality agreement entered into by WFS, this information must be handled with integrity, discretion and treated in accordance with the terms of any applicable confidentiality agreement.

As a general rule, confidential information, whether or not pertaining to a client or WFS/WFIS, should never be communicated to anyone other than team members of the Company who "need to know," and where appropriate, to the participants involved with a specific transaction. In addition, such information should only be communicated within the Company and to its advisors, such as its outside lawyers and accountants, if the recipient has a legitimate "need to know", and such communication is permitted under the terms of any applicable confidentiality agreement.

Judgments as to who "needs to know" about a particular project or information about a client will depend on the facts and circumstances and in most cases will be made by the Relationship Manager or Senior Banker assigned to the project or client. Justification for communicating inside information DOES NOT exist simply because the information is helpful to another department in activities which are unrelated to the transaction for which the information was obtained.

Examples of others within the Company who may have a legitimate need to know include senior management, members of the commitment committees, credit team members, finance, compliance, and legal counsel.

In the event that confidential information is communicated, the recipient of such information should be advised of its confidential nature, that it is given solely for the purpose of fulfilling his or her responsibilities in connection with the proposed transaction, and that it is not to be disclosed in any form to any other person. Subsequently, that person should be reported as a member of the deal team to the Control Group as described below in the Watch List – Deal Teams section of this policy.

## **2. Definition of Confidential Information**

It is impossible to define precisely what information must be kept confidential. Therefore, all of the following information should be presumed to be confidential unless the contrary is clear:

- Information about any client or trading customer,
- Information received from any client, or
- Information involving competitive matters and/or nonpublic information concerning the Company or its subsidiaries.

Confidential information may include not only information received from a client or trading customer such as financial reports or projections, or information about a client's business plans, customers, suppliers or creditors, or information regarding a financing or strategic transaction, but also may include information about a client's account, borrowing or other activities at the Company, and any internal assessment of the creditworthiness of the client (whether or not such internal assessment is based on confidential information).

## **3. Maintaining Confidentiality**

Team members are responsible for maintaining the integrity of confidential information learned during the course of employment with WFS/WFIS regardless of where the information originates, such as from clients, consultants, attorneys or other third party sources. A team member's commitment to maintaining the confidentiality of this information continues even after the team member is no longer employed with WFS/WFIS. In order to maintain the confidentiality of information, certain general procedures governing business and personal conduct must be observed:

- All material, nonpublic information and confidential information obtained by a team member during the course of employment with WFS/WFIS must remain confidential and should be used only for the business purpose it was communicated.
- No team member should approach another with the intent of acquiring confidential information about a client for purposes other than to serve such client's needs.
- Any team member who believes that he or she has been improperly exposed to confidential information must avoid communicating that information to anyone and report the incident immediately to the Control Group.
- After termination, team members are required to maintain the confidentiality of all confidential information learned and acquired during the course of employment with WFS/WFIS. All confidential materials in physical form must be returned to WFS/WFIS.
- Meetings and discussions regarding confidential information should be conducted in a secure physical setting such as a conference room or private office.
- Care should be taken to avoid discussing confidential projects, transactions, customers or any other confidential information in public places, including elevators, trains, taxis, airplanes, clubs, restaurants, hallways, or restrooms. In the event that a customer controls the location of a meeting, or when business entertaining is conducted in a public place, team members should use discretion in discussing confidential matters. It is corporate policy that team members refrain from relating confidential information on public phones, cellular or mobile phones, and speakerphones in unsecured areas. In addition, team members should use discretion when communicating confidential information via electronic mail.
- Team members must conduct their personal and business activities in such a way that the risk of exposing confidential information is minimized. No transaction, project, or client should be discussed with relatives, friends or anyone else who does not have a legitimate "need to know."

- Conference rooms and other Corporate facilities should be cleared of written or other confidential materials relating to projects, transactions or customers before and after any meetings with customers.
- Paper or printed copies of confidential information should be marked "confidential" and distributed within the Company in sealed envelopes marked "confidential."
- Confidential documents should not be copied unnecessarily.
- Special precautions should be taken to secure electronic communications of confidential information. These include project names, passwords and access codes for systems that contain nonpublic information and for faxes or electronic mail printed in any area with unrestricted access.
- Confidential information stored on computers or computer disks should be secured with password protection to prevent access by unauthorized persons.
- When a team member leaves the Company or transfers from one part of the Company to another, precautionary measures should be taken to protect against disclosure or misuse of any confidential information that the team member may possess.
- Access to documents, books and records regarding a deal or project must be limited to those team members who are on the deal team. Except in limited cases in which a Public side team member is brought "over the barrier," Public side team members should not have access to credit files, confidential libraries or documents maintained by Private side team members.
- When not in use, confidential documents should be stored in a safe and secure area such as a locked office, desk or file cabinet.
- In order to avoid the inadvertent receipt of confidential or inside information, persons on the Public side should clearly identify their roles when meeting with a client, other Corporate team members or representatives of other companies.
- Particular care should be exercised to minimize the exposure of non-Corporate team members (such as temporary workers) to confidential information. Temporary workers, such as administrative assistants, outside consultants, etc., who may work on or have access to material, nonpublic information, should be required to sign a confidentiality agreement. Forms of confidentiality agreements for this purpose are available from the Legal Division.
- Outside legal counsel and other outside advisors, even if retained by WFS/WFIS or the Company on a regular basis, should be treated as outsiders and Corporate commitments and projects should not be discussed with them unless they are being consulted in connection with the project.

#### **4. Project Names**

In order to maintain the confidential nature of unannounced transactions, it is important to utilize project names. Please remember that when creating a project name it should be unique and not a term that is commonly associated with the client or a related party or that is a thinly veiled reference to its products. For example, transactions with IBM should not be called "Project Big Blue" and transactions with McDonald's should not be called "Project Golden Arches."

Also, a new project name must be created for each separate transaction. Once a project name has been used, it should not continue to be used for subsequent deals for the same client. Do not merely use a number to differentiate the new transaction from the prior one (e.g., "Project Green" 1, 2, 3). In addition, project names must not have negative or disparaging connotations towards the client, its team members or investors or Wells Fargo. For example, if the customer is experiencing financial distress, you should not use a project name such as "Project Pain."

Teams should always consider whether the project name could have multiple meanings. Remember that any project name could be made public at some time in the future, and a negative or humorous name could subject Well Fargo and its customers to embarrassment or legal action. It is best to imagine your transaction project name being highlighted on the front page of the Wall Street Journal; if the public would be able to discern the issuer's name without more information or the project name would embarrass any of the parties involved, the project name should not be used.

#### **5. Client Information**

Information received from a client, or client information from sources within the Company – such as credit information, loans and other account information, financial performance, and strategic initiatives – should be disclosed only to those

within the Company who need the information to serve that particular client and whose possession of such information will not give rise to potential or actual misuse of this information or violate the terms of any confidentiality agreement that WFS or its affiliates may have signed with such client. Confidential borrower information should not be furnished to WFS/WFIS for use in WFS/WFIS's securities business without the client's implicit or explicit consent.

It is the Company's policy to treat customer records and information as confidential. In most instances, customer records and client information may not be disclosed to any outside source without client authorization unless such disclosure is in response to a subpoena, summons, search warrant, court order, regulatory request, or any other circumstances the Legal Division deems appropriate. All subpoenas, court orders and other requests for information concerning a client, other than routine credit inquiries, MUST BE promptly reported to Compliance and the Legal Division.

## **6. Public Communications**

The Corporate Communications Department is responsible for the Company's relationship with the press and the public. All inquiries from the media, regardless of the topic, should be responded to in accordance with the policies of the Corporate Communications Department. Corporate Communications should be promptly advised of the inquiry.

### ***B. Preventing Misuse of Inside Information***

#### **1. Misuse of Material, Nonpublic Information ("MNPI")**

The misuse of material, nonpublic information, or inside information in the purchase or sale of securities can constitute fraud under the securities laws of the United States and many other countries. Fraudulent misuse of inside information includes buying or selling securities while aware of material, nonpublic information for a team member or a team member-related account, for a Company or WFS/WFIS proprietary account, or for the account of any customer. Fraudulent misuse of inside information also includes disclosing or tipping such information to someone else who then trades on it, or using such information as a basis for recommending the purchase or sale of a security.

Information is considered "material information" as defined by U.S. securities laws if:

- there is a "substantial likelihood" that a "reasonable investor" would consider the information important in making an investment decision; or
- the disclosure of the information would be "viewed by the reasonable investor as having significantly altered the 'total mix' of information made available;" or
- the disclosure of the information is "reasonably certain to have a substantial effect on the market price of the security." Inside information would probably affect the market price of a company's securities if that information were disseminated to the public.

Note that certain information may have a greater effect on one class of an issuer's securities than on others.

Information is nonpublic if it has not been broadly disseminated. In the U.S., broad dissemination means filing with the SEC or making public disclosure over a national news wire or in a newspaper of general circulation in a large U.S. city. Limited disclosure is not sufficient. For example, the issuance of a press release by an issuer in and of itself is not necessarily enough if the release is not picked up by a national wire service or published in a national newspaper. Nonpublic information that could be deemed material for the Company or its customers includes, but is not limited to:

- The fact that the Company or its customer in undertaking a securities Offering – public and private, or the terms of such offering
- The fact that the Company or its customer is considering any merger, acquisition, business combination or asset sale, or the terms of any such transaction
- Financial statements/projections
- Potential bankruptcy filings/restructurings
- Failure to pay
- Request for grace period/extension
- Obligation default

- Obligation acceleration
- Large or unusual drawdowns on credit facilities

This list is not exhaustive. Any team member who is in doubt concerning the propriety of trading at a particular time due to possession of confidential information, of which the materiality is not clear, should contact the Control Group.

## **2. WFS/WFIS Policies**

In no event may any team member who receives inside information use that information to trade or recommend securities affected by such inside information for personal benefit, the benefit of the Company, WFS/WFIS, any customer of the Company or WFS/WFIS or any other third party. For further information regarding personal trading, see the Personal Investment Policy.

## **3. Corporate Policies**

The Company's Code of Ethics and Business Conduct is incorporated by reference into this Policy. These policies are intended to provide guidance to WFS/WFIS team members relating to transactions involving Wells Fargo & Company securities and the securities of its clients. When making personal investment decisions, each individual is guided by these policies, by a sense of fairness to the investing public, and by the restrictions imposed by securities laws.

Every team member must comply with the provisions of these policies, regardless of their position, group or division. Anyone seeking clarification of these policies should contact the Legal Division, Compliance Department, or their Code Administrator.

## ***C. The Information Barrier***

Because the Company is a multi-service financial institution, banking and securities laws, as well as good business practice, require the Company to have procedures designed to prevent the misuse of confidential information. To do so, WFS/WFIS has created an Information Barrier program which consists of policies and procedures to maintain, safeguard, and potentially restrict the flow of any confidential information between areas engaged in investment banking activities on behalf of clients (the "Private" side of the Information Barrier) and any areas that might trade or recommend those customers' securities, including Trading, Sales, Brokerage and Research areas (the "Public" side of the Information Barrier). Those team members on the Private side of the Barrier routinely have inside information about WFS and its customers. These team members have an obligation to protect the confidentiality of the inside information with which they have been entrusted – not only from outsiders, but also from those in other areas of the Company who should not have access to that information.

The Control Group is responsible for reviewing and monitoring the flow of material, nonpublic information and maintaining the Information Barrier in compliance with federal and state securities laws as well as WFS/WFIS's policies and procedures. The Control Group maintains the Conflict, Watch and Restricted Lists and enforces policies and procedures regarding WFS/WFIS proprietary, customer and team member trading to achieve this goal.

Examples of areas on the "Private" side of the Information Barrier include:

- Corporate Finance Industry Groups
- Mergers & Acquisitions and Equity Private Placements Groups
- Middle Markets Groups
- Financial Sponsors Group
- Product Groups (Origination & Syndication)
- Corporate Banking
- Global Rates Marketing

Examples of areas on the "Public" side of the Information Barrier include:

- Trading

- Sales
- Research
- Brokerage
- Investment Advisory

Note: This list includes functional areas of the Company and is in no way intended to be a comprehensive list of departments, divisions or subsidiaries of the Company.

Effective Information Barrier policies and procedures will usually allow team members on the Public side of the barrier to continue unrestricted activities in the securities of an issuer while team members on the Private side of the barrier are aware of nonpublic, market sensitive inside information relating to the security and/or its issuer.

In addition to the primary Information Barrier, "temporary barriers" are sometimes needed to insulate confidential information from team members on the same side of the Barrier from each other. For example, a situation may arise when WFS is aware of nonpublic information about two or more companies that are competing for the same target company in a takeover, or when WFS has confidential credit information about a client and the client has not consented to sharing its confidential financial records with other areas of the Company. See Rider 81-B.

It is important to note that certain team members in areas such as executive management, senior management, Compliance (including the Control Group) and the Legal Division are "above the Barrier" and may have access to information on both sides of the Information Barrier.

As a general rule, inside information must not flow from the Private side of the Barrier to the Public ("Trading and Sales") side of the Barrier. There are very few exceptions to this general rule, and consultation with the Control Group and/or the Legal Division is required to determine whether, in specific situations, certain information may be allowed to flow across the Information Barrier.

All communications between Public team members, Private team members and team members "above the barrier" involving issues of material, nonpublic information must comply with these policies and procedures.

### **1. Need-To-Know**

As stated in the "Protecting Confidentiality" section of this policy – it is imperative that team members possessing nonpublic information refrain from disclosing that information, except in furtherance of his or her duties to those who "need to know."

### **2. Investment Banking Pitches**

No Research Analyst is permitted to participate in efforts to solicit investment banking business. See Rider 80-A.

### **3. Barrier Crossing**

Any time team members on the Private side of the Information Barrier want to solicit the expertise and advice of team members on the Public side of the Information Barrier, strict procedures must be followed regarding such communications.

When information flows across the Information Barrier in the permissible direction ("Public" to "Private"), there is a risk of an unintended "backflow" of information in the prohibited direction. Therefore, Private side team members should generally attempt to elicit the needed public information from the Public side without disclosing the purpose of the request for information. In some situations, however, the request itself may effectively "tip" the confidential information to the Public side.

Team members on the Private side may not disclose material, nonpublic information to anyone on the Public side unless approval is granted as outlined in the procedures below. It must be established that the Public team member has a "need to know" the information to achieve a stated business goal and can add value to a deal team in the form of expertise or advice without compromising that team member's professional duties for an extended period of time.

#### **4. Barrier Crossing Procedures**

Communications between Private side team members and Public side team members fall into two types:

##### **Routine Communication**

A "routine communication" occurs when a Private side team member communicates with a Public side team member regarding issues not related to a specific transaction and NOT involving material, nonpublic information. Routine communications occur to obtain general public information. Considerable attention NOT to "tip" a Public side team member of a possible or proposed transaction is required. No Control Group approval is required.

##### **Barrier Cross**

A "barrier cross" occurs when material, nonpublic information regarding a transaction is communicated from a Private side team member to a Public side team member. A Public side team member exposed to material, nonpublic information is known as a "barrier crosser" and is considered a temporary insider until the proposed transaction is completed or abandoned, or when it is determined that the material, nonpublic information that the barrier crosser has been exposed to is no longer material and/or nonpublic.

All "barrier cross" requests must originate from the Private side Relationship Manager, Senior Banker or Senior Management and first be approved by the Control Group. The Control Group will coordinate with the Public side team member's appropriate supervisor. All relevant securities of a company or issuer must be on the Watch List or the Restricted List, or added to such list, prior to the approval of a barrier cross. All barrier crosses will be chaperoned by the Control Group and documented.

If the barrier cross is approved, Private side team members should only communicate what is absolutely essential to obtain the information or assistance from the Public side team member. Although information regarding a deal may become public, some information possessed by the Private side, such as long term projections, may not be released to the public. Exposing a Public side team member to such material, nonpublic information may prevent that team member from engaging in their normal trading, sales or research activities in the respective issuer for a longer time than necessary.

When Public side team members are brought "over the barrier" and receive confidential information, special restrictions are placed on their normal business activities such as sales, trading and research until the confidential information is publicly disseminated or no longer material and/or nonpublic. Other than with respect to the securities involved in the particular transaction, Public side team members may continue to work in their normal area of operation, subject to the restrictions described herein.

A Public side team member exposed to material, nonpublic information must maintain the confidentiality of such information and may use it only for the business purpose for which it was communicated.

If Public side team members are inadvertently brought "over the barrier" by someone in WFS or by a consultant, lawyer, accountant or another third party source, the Public side team members must immediately contact their manager and the Control Group without disclosing the information to anyone else.

Relationship Managers and Senior Bankers are responsible for informing the Control Group when they believe that material, nonpublic information communicated to the barrier crosser is no longer material or nonpublic. If the Control Group concurs that the information is no longer material or nonpublic, the barrier crosser may resume their normal trading, sales or research activities.

#### **5. Additional "Barriers"**

In addition to the Information Barrier described above, other barriers – some temporary and some permanent – may be needed to insulate confidential information in the possession of certain WFS/WFIS team members from other Corporate or WFS/WFIS team members who should not have access to that information. See Rider 81-B.



## **6. Rumors**

Circulating sensational rumors, or making recommendations based on such rumors, which might reasonably be expected to affect market conditions, is prohibited. Due to the potential impact on market conditions that rumors may have, rumors could be used to manipulate the market. The prohibition with respect to rumors applies to discussions concerning world events, securities markets in general, or particular industries or companies. Among other things, discussion of unsubstantiated information published by a widely circulated public media is not prohibited when its source and unsubstantiated nature are also disclosed.

A rumor may originate with someone who is aware of nonpublic, material information concerning a company. In such a case, it is unlawful to use that inside information to execute a personal trade or to pass on ("tip") the rumor to another person. Team members are prohibited from soliciting customer transactions solely on the basis of unsubstantiated rumors as set forth in this section and are strongly discouraged from trading for their own account or a team member-related account on the basis of rumors.

Team members should promptly report to their Supervisory Principal and the Control Group any circumstances where there is reason to believe that a rumor has been originated or circulated with the specific intent of influencing the market. A decision will then be made as to whether the company or the appropriate regulatory body should be contacted to request a public clarification. Under no circumstances should a team member communicate this information further, nor act on it, without the approval of the Control Group.

## **7. Physical Information Barriers**

Physical separation between public side groups and private side groups, and at times further separation within these public and private side groups for client confidentiality purposes, are other key components of WFS/WFIS's Information Barrier. To this end, the Corporate Real Estate group will consult with the Control Group on matters pertaining to physical separation and facilities issues. Corporate Real Estate must receive the approval of the Control Group prior to implementing any changes or modifications to existing physical space or facilities, implementing team members moves, or executing new floor plans.

To restrict the flow of confidential information, departments responsible for sales, trading and research (public side team members) are physically separated from those responsible for investment banking (private side team members), which are more often aware of confidential information. Public side team members may not have physical access to private side team member's office space (restricted areas). The Physical Security and Security Groups should consult with the Control Group if questions arise about the appropriateness of public side team member's access to restricted areas.

### ***D. "The Lists" – Conflict List, Watch List and Restricted List***

In order to comply with federal securities laws, manage potential conflicts of interest which may arise in the course of providing a variety of financial services, support the Information Barrier program, and prevent the appearance of impropriety in connection with trading decisions or recommendations, WFS/WFIS maintains three confidential lists of companies – the Conflict List, the Watch List and the Restricted List.

The Conflict and Watch Lists, which are not distributed or communicated, are used to monitor and manage the Information Barrier, any temporary information barriers and potential conflicts of interest that may arise in the course of WFS/WFIS's business. Companies on the Conflict and Watch List may also be subject to limited trading restrictions. The Restricted List identifies companies in which WFS/WFIS and its team members are restricted in both trading and in giving recommendations. More specific information about these lists, who they affect, and how they are used, appears on the following pages.

#### **1. Conflict List**

The Conflict List is generally used by the Control Group to monitor any conflicts that may arise from other WFS/WFIS or Company relationships and to maintain and monitor temporary information barriers between multiple Private side deal teams.

Due to the nature of some bank relationships, Private side team members will routinely have access to nonpublic information on their public clients. At times, this information may become material and warrant special monitoring and surveillance. If there are questions as to whether a security or issuer warrants listing on the Conflict List, the Relationship Manager or Senior Banker should consult with the Control Group. If WFS is asked by a client to sign a confidentiality agreement, the Relationship Manager or Senior Banker working with the client must notify the Control Group. The client will be added to and tracked on the Conflict List until such time that the confidentiality agreement expires.

## **2. Watch List**

The Watch List is a confidential list of securities and issuers of securities maintained by the Control Group for the purpose of monitoring the possession of material, nonpublic information obtained by WFS/WFIS during its normal course of business, usually when it has been retained to advise a client regarding a transaction, to underwrite an offering, or to provide debt financing. The contents of the Watch List are highly confidential and access to the Watch List is limited to the Control Group and persons granted access by the Control Group. No person may discuss the contents of the Watch List or any of its information with anyone outside of the immediate deal team and senior Managing Directors in the respective business unit, where appropriate, without permission of the Control Group.

The Watch List is used to review the sales, trading and research activities of WFS/WFIS and the personal trading activities of team members without restricting such activities. The Watch List helps to ensure the integrity of the Information Barrier and is used to support and monitor compliance of these policies and procedures. For these reasons, the Control Group is authorized to break trades in proprietary or team member accounts, restrict trading and research, and prohibit other activities relating to securities or issuers included on the Watch List.

### **Additions to the Watch List**

- Notification
  - Relationship Managers and Senior Bankers are responsible for PROMPTLY informing the Control Group when WFS is reasonably likely to be engaged by a client or they obtain information that is substantially material to the client and/or WFS/WFIS. Examples include:
    - Obtaining material, nonpublic information from a client in preparation for a pitch
    - M&A advisory or fairness opinion
    - Underwriting or placement agent
    - Acquisition finance involving public companies
    - Conflict clearance when both the acquirer and target are clients
    - Auctions
    - Hostile situations
- Investment Banking Commitment Committee
  - The Relationship Managers or Senior Bankers are responsible for notifying the Control Group prior to going to the Investment Banking Commitment Committee when WFS is reasonably likely to be engaged as buy-side or sell-side advisor for a private or a public company, as financial or general advisor, as advisor in a go private transaction, to explore strategic alternatives, to place private equity, to provide a fairness opinion or to act in any other similar advisory capacity.
  - The Control Group will place the name of the issuer(s) or companies involved in such transactions on the Watch List and conduct a Corporate-wide review to identify and, if necessary, manage and resolve potential conflicts of interest arising from WFS/WFIS's or its affiliates' participation (this review would include checking the Conflict List to see if we have an active confidentiality agreement in place with any of the parties to the transaction). The Control Group will complete a compliance conflict certification, with assistance from the Relationship Manager or Senior Banker, and then forward it to the Relationship Manager or Senior Banker for review. Once the certification is approved, the Control Group will send the information to the Investment Banking Commitment Committee organizer.
- Deal Teams
  - At the time the Relationship Managers or Senior Bankers are reporting a project for Watch List addition, they should also communicate to the Control Group a proposed deal team(s) and a project name to control the flow of information and ensure confidential execution for our client. The deal team should include team members representing a cross-section of business units and product expertise

relevant to the transaction. The Control Group will assist with managing situations involving multiple competing deal teams and requests for resource persons.

- A typical deal team consists of team members in:
  - IBCM
  - USCB
  - Relevant WFS Product Specialists

Note: Those “above the barrier” as previously discussed in the “Information Barrier” section of this policy are not added to a deal team

- The deal team is required to use the project name in all communications relating to the transaction to insure security.
- Conflicts may arise when WFS is considering providing debt financing to multiple clients’ bids in an auction situation. To avoid unnecessarily conflicting team members when staffing Loan Syndications or non-Investment Grade Origination & Execution (“O&E”) and Syndicate professionals, certain procedures must be followed. Please reference the Origination and Syndication Supervisory Procedures and Compliance Guidelines for further details.

#### **Updates to the Watch List**

- The Relationship Manager or Senior Banker is responsible for informing the Control Group of all material events regarding the transaction. Examples include:
  - the approved additions and deletions of team members to and from deal teams (team members should not be removed from a deal team if they are in possession of material, nonpublic information)
  - the execution of any engagement letter and/or confidentiality agreement
  - timing and launching of transactions
  - notification prior to a public announcement for an M&A transaction or rendering a fairness opinion
  - notification after a shareholder vote is complete or a tender offer expires

#### **Deletions from the Watch List**

- The Relationship Manager or Senior Banker who added the security or issuer to the Watch List is responsible for PROMPTLY informing the Control Group when a security or issuer should be removed from the Watch List. Generally, the removal of a security or issuer from the Watch List is warranted when the information possessed by WFS is no longer deemed material or nonpublic in nature or when it has aged to the point where it is no longer relevant. Removal of a security or issuer from the Watch List is also warranted when the project has been abandoned or when the probability of a project occurring is no longer great enough to continue to monitor the sales, trading and research activities of WFS/WFIS and the activities of team member accounts; provided that WFS/WFIS is not still in possession of material, nonpublic information on that issuer.

### **3. Desk Restricted Lists**

To bolster the informational barrier, the Control Group will distribute a separate Desk Restricted List to specific trading desks, which will restrict trading activity in the names of specific issuers. The only exception to this “no trading” restriction is executing unsolicited client orders. The Control Group will also notify the appropriate desk when the issuer is no longer restricted.

Names are generally added to the Desk Restricted List as a mitigant to reputation risk.

### **4. Restricted List**

The Restricted List is a confidential list of securities and issuers in which certain restrictions apply in handling customer orders, trading for proprietary accounts, trading for team member accounts, and other activities. The Restricted List is generated, maintained and distributed by the Control Group for the exclusive use of WFS/WFIS, and its contents should be kept confidential.

### Communication to All Team Members

The Restricted List is communicated to the Company's team members through the WFS/WFIS intranet and is located on the Compliance website.

### Communication to Sales & Trading Team Members

The Restricted List is primarily distributed to trading and sales team members via the Restricted List application. The Restricted List is segregated by trading desk/business unit and uses restriction Categories to define restrictions and permitted transactions. There are multiple restriction Categories used to address the variance in restrictions which are applied by the Control Group. The variance in restriction includes legal restrictions (Reg M, 14e-5, etc.) and policy restrictions (no proprietary trades until closing of an M&A transaction in which WFS is serving as a financial advisor) and are assessed and applied by the Control Group as required.

### Prohibitions and Effects of the Restricted List

The Restricted List is most often used in the following situations to restrict the appropriate sales, trading and research activities in the applicable securities of a client:

- When WFS has been retained as a financial advisor in a material public transaction,
- When WFS is a participant in a publicly announced offering of securities,
- When WFS, in some cases, is a provider of debt financing,
- In situations where a research analyst, salesperson, or trader is brought "over-the-barrier",
- Prior to dissemination of a research report with a material change, and
- Restrictions may also be placed on those securities of an issuer that are on the opposite side of a material, public transaction with a WFS/WFIS client.

The Restricted List generally will not indicate why a particular security or issuer is restricted but will identify what activities are restricted and, conversely, permitted.

Team members may not trade in any security of an issuer appearing on the Restricted List as outlined below unless an exception is granted by the Control Group. Accounts that are affected, depending on the restriction, are team member accounts, proprietary and flow accounts, and any account over which a team member exercises discretion or has a beneficial interest. The Control Group may allow certain trading activities to occur in restricted issues after consultation with the Relationship Manager or Senior Banker on the deal team.

- Restrictions
  - Implications
    - Transactions in issuers appearing on the Restricted List are separated into various categories which may change depending on the life cycle of the transaction.
      - With respect to institutional trading:
        - Transactions may not be solicited. This restriction may apply to purchases and/or sales (as indicated on the Restricted List). Clients holding positions in the issuer's securities may be advised of public events regarding the issuer without soliciting transactions; however, the fact that an issuer appears on a Restricted List is not a public event and may not be disclosed to any customer or client.
      - With respect to team member accounts:
        - Team members may not purchase or create new positions
        - For a period of 24 hours after the issuer is placed on the Restricted List, no sell transactions may be effected. After the first 24 hours, only liquidations of existing positions may be accepted for team member accounts.
        - Short selling by team member accounts in any securities of an issuer on the Restricted List is prohibited under all circumstances.
      - Other restrictions that apply:
        - No trading for any WFS/WFIS proprietary account
        - No solicitation of customer/investor orders
        - No trading by WFS/WFIS team members that have trading authorizations in customer accounts (e.g. discretionary)

- No research report, whether prepared by a research department or by a salesperson, may be distributed for internal or external use without the Control Group's review and approval
- When WFS/WFIS is deemed to be an affiliate of a public company, the following restrictions may apply:
  - All trades must be executed on an unsolicited basis
  - All tickets must be marked unsolicited
  - For NYSE listed stocks:
    - All trades must be executed on an agency basis
    - All trades must be executed at the NYSE
  - No trading in ERISA accounts
  - No team member or team member-related trading
- Under no circumstances may any transaction otherwise permitted by the Personal Investment Policy be effected if the team member is aware of material, nonpublic information regarding the issuer.
- Additions to the Restricted List
  - Relationship Managers and Senior Bankers are responsible for informing the Control Group prior to announcement of a merger or acquisition where WFS is serving as a financial advisor.
  - Depending on the nature of the transaction and where applicable, the securities of an issuer on the opposite side of the transaction with WFS's client may also be placed on the Restricted List.
  - The Control Group will also add issuers to the list as appropriate where trading and sales activities need to be restricted relating to rumors, the Company's own acquisitions, 4(k)4h, and Regulation K, among others.
- Deletions from the Restricted List
  - The Relationship Manager or Senior Banker who added the security or issuer to the Restricted List is responsible for PROMPTLY informing the Control Group when a transaction is completed, when a transaction is abandoned by one or both sides, or when WFS's involvement has ended.
  - For mergers or acquisitions where WFS is an advisor, the Control Group will normally impose restrictions following the public announcement of the transaction until the closing of the transaction. Team member trading will remain restricted until the transaction closes.
  - The Control Group will remove issuers from the Restricted List when the reason(s) for addition to the list are no longer relevant or applicable.
  - Any team member who becomes aware of a violation of the Restricted List procedures should notify the Control Group immediately. Corrective action should not be taken without the approval of the Control Group.
- Confidentiality of the Restricted List
  - It is the responsibility of all team members to be well informed of which companies are found on the Restricted List, especially due to the various restrictions placed on WFS/WFIS and team member trades. The identity of the companies on the Restricted List (as well as the Conflict and Watch List discussed above) are highly confidential and must not be communicated, directly or indirectly, to anyone outside of the Company.
  - Customers may not be told that a particular company is on the Restricted List unless the reason for the restriction has been released to the public (i.e., the company has filed a registration statement in which WFS will be a participant). Occasions may arise, however, when a customer realizes that WFS/WFIS is no longer taking a position in the securities of a particular company, although the reason for the company's presence on the Restricted List is not publicly known. In response to inquiries under these circumstances, Research, Sales, and Trading team members should simply reply that, "WFS/WFIS is not able to take a position in the particular security at this time." All comments should be neutral and noncommittal. Where appropriate, the customer may be directed to WFS's most recently published research opinion, provided the customer is made aware that WFS is not offering a current opinion on the security.
  - No team member should ever comment, in any way or to anyone outside of the Company, on the status of a company on any of these lists.

### ***E. Confidentiality Agreements***

Before entering into any confidentiality agreement, the WFS deal team and the Legal Division must carefully review and analyze such agreement. The Legal Division has developed a standard confidentiality agreement that should be used when practical. The Legal Division should review any deviations from or comments from the counterparty regarding the standard confidentiality agreement.

Confidentiality agreements are often necessary in order for WFS to receive nonpublic information from a client in connection with a proposed transaction. Confidentiality agreements define what nonpublic information will be delivered, limit the scope of permitted use of such information and restrict the disclosure of the information to third parties. It is very important that, when WFS is agreeing to keep information confidential, the agreement be as non-restrictive as possible. Confidentiality agreements will occasionally contain provisions that attempt to limit WFS' ability to work with other similarly situated clients. Because the Company typically has relationships with a number of clients in the same industry, it is imperative that such exclusivity provisions be excluded from any agreement unless Senior Management of the affected business line approves any such exclusivity provision. The Legal Division must review any exclusivity provision before inclusion in a confidentiality agreement.

### ***F. Conclusion***

Any violation of the policies and procedures set forth herein will be grounds for immediate dismissal or other disciplinary action and could result in civil or criminal penalties for insider trading, including fines or imprisonment. Depending upon the circumstances, the Company may contact securities regulators concerning actions taken by a team member and may cooperate in legal proceedings.

## **II). Appendix**

### **A. Rider 80-A**

No reference to Wells Fargo Research is permitted in any pitchbook or client solicitation materials. All materials sent to clients will be deemed to be a "solicitation" unless (i) clearly post-mandate, and (ii) in relation to the mandated transaction. A Wells Fargo Research model may be used in such solicitation materials, but it cannot be sourced as such (including in any footnotes). Certain references to non-Wells Fargo Research are permitted in such solicitation materials. In post-mandate communications to clients (e.g. board presentation), certain references to Wells Fargo Research are permitted, as long as (i) there is a fair and balanced presentation, and (ii) the presentation does not include any solicitation of any other business.

Previously published Wells Fargo Research reports may not be attached to any pitchbook or client solicitation materials. Previously published Wells Fargo Research reports may only be given to a client if (i) such client requested such reports, (ii) multiple reports are given and the selection is fair and balanced, and (iii) the Research reports provided are no more than 12-months old.

In no event may any WFS team member directly or indirectly offer favorable research, a specific rating or a specific price target, or threaten to change research, a rating or a price target, to obtain investment banking services. Please see – Restriction on the Relationship between Research and Investment Banking – section of the Firm's Research Supervisory Procedures and Compliance Guidelines for more information.

## ***B. Rider 81-B***

Relationship Managers, Senior Bankers or Senior Management are responsible for notifying the Control Room any time a situation arises that would require temporary information barriers to be erected on the Private side (such as when WFS is providing financing to more than one buyer in an auction process, or when WFS is acting as a financial advisor to a seller and also providing financing to a buyer). The Control Room will work with the Relationship Managers, Senior Bankers and/or Senior Management and Legal, as necessary, to set up and manage all temporary information barriers, and the Control Room will document all temporary information barriers. [If the Control Room deems it advisable in a particular situation, the Control Room will distribute wall memos to all team members on both sides of the temporary information barrier.]

Since such temporary information barriers are put in place for the express purpose of preventing the flow of information between certain WFS personnel who may otherwise be part of the same business group (e.g. setting up multiple deal teams within the Leveraged Finance Group or assigning bankers within the same industry coverage group to separate deal teams), extreme caution should be taken by the Senior Bankers for such groups and the members of each separate deal team to insure that the confidential information of each client is kept solely within the confines of the deal team representing such client and that no confidential information regarding one client is shared with any WFS personnel who are not either on the deal team representing such client or "above the wall". Senior Bankers and deal team members should contact the Control Room or Legal immediately if they become aware of any confidential information of a client being shared with WFS personnel who are not on such client's deal team or "above the wall" personnel.

"In certain circumstances, one or more employees of WFS may need to be identified as "resource persons" for consultation by multiple deal teams. Such "resource persons" will not be assigned to any one deal team, but will be documented by the Control Room, and designated on the Watch List, as "resource persons". Such persons will be limited in the information they may receive about a client involved in the transaction. The Senior Bankers or the Control Room is responsible for notifying all deal teams of the identity of the "resource person" and his or her designation as "resource person", and not as a deal team member. The Control Room will work with the deal teams to manage the deal teams' access to the "resource person."





# 2009 Director Nomination Form

## Section I: Candidate Profile – Please complete all sections of this nomination form.

Candidate Name: Greg Bolan

Current Corp Title: Vice President

Direct Manager: Todd Wickwire / Sam Pearlstein

Group: IBCM

Candidate's LOB : Equity Research

Location: Nashville

Job Title/Role: Senior Equity Analyst

2010 Mid-year Rating: 4

2009 Year-end Rating: 4

2008 Year-end Rating: 4

Years of Industry Experience: 5

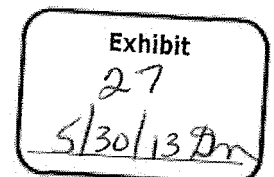
Date of Hire: 7/1/08

Years of VP-level Experience: 3

# of Direct Reports: 1

**3-4 MD-level references (at least 1 of the references must be outside of the candidate's LOB) who support this nomination:**

- 1) Name: Beau Volley, Equity Institutional Sales
- 2) Name: Mike Micciche, Equity Product Marketing
- 3) Name: Gary Lieberman, Equity Research
- 4) Name: Peter Costa, Equity Research



# 2009 Director Nomination Form



## SECTION II: SUPPORTING EVIDENCE

### ROLE & SCOPE OF INFLUENCE / PERFORMANCE / FUTURE POTENTIAL

#### 1: ROLE / SCOPE OF INFLUENCE

##### Leadership / Teamwork / Client Impact

(Please answer the following questions in the space provided.)

- 1a. Describe the candidate's role within your LOB. How many people does the candidate lead/manage? If not direct reports, describe how the candidate leads in other ways?
- 1b. Who are the candidate's clients? Who does he/she interact with on a daily or consistent basis?
- 1c. Describe the impact and scope of influence of the candidate within his/her LOB?

#### Answers:

Greg is a senior equity analyst covering the health care services space. Greg currently has one direct report and will likely hire a second associate in 2011. Greg's leadership comes through his work ethic (leading by example) and his positive, winning attitude. He is always ready to embrace a project and his work is of the highest quality in the department.

Greg's clients are major institutional investors, including large mutual funds and hedge funds. On a daily basis, Greg interacts directly with the portfolio managers and analysts at these accounts.

Greg is viewed by most within the department as a rising star. His work ethic, client votes, trader dialogue and sales support are recognized by many as being among the best in the department, with a more upside likely in future years. His efforts lift the entire group and his best practices lead others to follow his example.



## 2009 Director Nomination Form

### 2: PERFORMANCE

Economic Impact / Accomplishments / Strengths / Areas for Development

(Please answer the following questions in the space provided.)

- 2a. What has this person accomplished in 2010 to demonstrate they can operate as a Director?  
Please list 2-3 key 2010 accomplishments for this candidate.
- 2b. How much revenue and net income did the candidate generate for 2009 and YTD 2010?
- 2c. If the candidate does not directly generate revenue, what other key accomplishments can be attributed to his/her performance (e.g., mitigating risk, minimizing expenses, etc.). Please be specific.
- 2d. What are the candidate's strengths?
- 2e. What are the candidate's areas for development?

#### Answers:

Greg's sales rank (#8) and Impact rank (#14) are very impressive and have improved each year since his hire. Greg's other successes in 2010 include:

- 1) Helping spearhead our successful health care conference
- 2) Rolling out the HIT sector within the timeframe expected
- 3) Recruited a very strong associate to his team days after his former associate resigned – his work product did not suffer at all

Greg is among the best analysts in the department in terms of his dialogue with trading. We consistently hear from trading that Greg provides great information flow to the desk and they are able to monetize his efforts. They often hold him out as the standard.

Greg's strengths include:

- work ethic
- a positive attitude
- people skills
- strong collaborator
- great communicator
- desire to succeed
- team player

Areas of improvement include:

- increased direct fact-to-face marketing
- stock picking

## 2009 Director Nomination Form



### 3: FUTURE POTENTIAL

(Please answer the following questions in the space provided.)

- 3a. How do you intend to utilize this person if he/she is promoted to Director? Please comment on the business' action plan to increase this person's responsibilities over the next 1-2 years.
- 3b. Describe the future potential for this candidate, including what additional contributions you expect to see with this person as a Director.

#### Answers:

Greg will continue to add various coverage areas. In 2011, Greg is on schedule to launch coverage on the tools space.

In addition, with the Director title, Greg will be better positioned to have even more influence on the health care team's collaborative work product and the health care conference.

Greg definitely has the ability and desire to make it to Managing Director over time. We expect Greg to continue to take leadership roles within the department. We expect that over time Greg will move into being a top 5 analyst within equity research.

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**From:** Hughes, Dan (Compliance) [REDACTED]  
**Sent:** Thursday, December 17, 2009 5:31 PM  
**To:** Equity Research All  
**Cc:** Wickwire, Todd; Pearlstein, Sam; Hays, Patrick; Oppold, Paul; Johnson, Lori J. (Compliance); Hughes, Dan (Compliance); Hamilton, Gloria  
**Subject:** Materials for Annual Compliance Meeting  
**Attachments:** 2009 Equity Annual Training121809.ppt

Attached you will find the slide deck for tomorrow's Annual Compliance meeting.

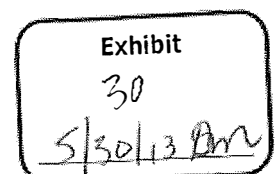
For those attending at 375 Park you will not need to print a copy, we will have handouts available in the Westchester Room.

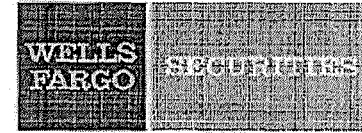
For those dialing in from remote offices, please use the following Dial-in:

**Dial-in Number:** ([REDACTED])  
**Conference ID #** [REDACTED]

Thank you!  
Dan

Dan Hughes  
Wells Fargo Securities, LLC  
Research Compliance  
[REDACTED]





# Annual Compliance Meeting 2009

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December 18, 2009

Dan Hughes

Together we'll go far



## Why Are We Here?

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- It's Required

NASD Rule 3010(a)(7) requires all broker-dealers to establish a formal training program to keep employees up to date on job- and product-related subjects.

- Fines and censures are increasing at an alarming rate

- Regulatory environment changes quickly and we are allowed less time to comply

## Objectives Of Training

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- To review all rules and regulations highlighting new rules and interpretations that pertain to your activities as licensed individuals.
- To review policies and procedures established for Compliance with applicable rules and regulations.
- To answer questions.

### FAIR PRACTICE

Deal fairly with all persons in accordance with the highest standards of professional ethics in the securities industry.

All personnel will conduct business in compliance with all the applicable regulations.



# Research Analyst Procedures and Independence

## What is a research report?

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- A research report is defined as a communication which includes an analysis of a security and provides information sufficient upon which to base an investment decision
- All research must be approved by an SA
- Must include appropriate disclosures
- No sharing of pre-published research
- Should not provide analysis of a fixed income security

## Public Appearances

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- Includes:
  - Radio, TV, print media interview
  - Public speaking
  - Public conference calls
  - Seminars
  - Writing print media article or book
- Must be approved by an SA

## Prohibitions on Publication of Research and Public Appearances

An analyst is prohibited from publishing research or conducting a public appearance on a company if:

WFS is in a Quiet Period following an offering for that company

- 40 days for IPO
- 10 days for secondary
- 30 days surrounding Lock-up Expiration Date

Exceptions: If analyst has a safe harbor (Rule 139), analyst may continue to publish throughout the quiet period or offering. A safe harbor exists if:

- ✓ the analyst has written on the name previously in the normal course of business;
  - ✓ the company has a float of greater than \$75 million;
  - ✓ the company is an S-3 eligible filer and is current on all of its required SEC filings
- 
- Research analyst is Over the Wall on a transaction (no exceptions to publication)
    - Analyst is generally back on the proper side of the wall once the deal has launched and all private information analyst received is made public
  - Suspension of Coverage if WFS is advisor in a publicly announced M&A Transaction with shareholder vote or tender/exchange offer
- 
- Additional restrictions on publishing may apply

## Electronic Communications

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### Use CAUTION

- Wall Street Journal Test
  - If you don't think it would be appropriate to appear in the Wall Street Journal, don't write it
- Watch your choice of words
  - Don't be inflammatory
  - What is funny today may not be so funny tomorrow
  - Use appropriate professional decorum
    - No bashing of your colleagues, seniors, management, etc
- **Frequently subpoenaed & requested**
  - Always requested during regulatory inquiries and subpoenas
  - Reviewed during routine regulatory exams
- **Required to be retained for a minimum of 3 years**
- **Subject to regular supervisory review**
- **NEVER contradict your published research views**
  - Don't use such phrases as "dead money" when you have an OUTPERFORM RATING
  - NEVER make negative comments about a management team when you have an OUTPERFORM or MARKET PERFORM RATING
- **Only Use Approved E-Mail/IM Systems**

- It is WFS' policy that research analyst may NOT share models with the issuer unless they have current coverage and it has been SA approved
- Research analysts may have oral discussions with management relating to their model for verification of FACTUAL information only

### Research Analysts' Independence must be Protected

- No employee may retaliate or threaten to retaliate against a research analyst for views in a report or public appearance.
- No employee may coerce or pressure a research analyst into change views or timing of report
- If a research analyst believes there has been coercion, the research analyst should contact Legal or Compliance immediately

## Analyst Compensation

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- IB personnel may have **no** input into evaluation or compensation
- All compensation will be approved annually by committee
- IB revenue may **not** be considered when determining compensation
- Some factors that must be considered:
  - performance, to include productivity & quality of work
  - recommendations in relation to performance of stock
  - ratings of clients, sales force, peers, and independent rating services



- A research analyst **MAY NOT** participate in pitches, discuss firm's IB capabilities, attend closing dinners, or have any other communications with companies for the purpose of soliciting banking business
- Does not apply to due diligence during which the sole purpose is to analyze the financial condition and business operations of a company for a transaction

## Due Diligence

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- Co-Head of Equity Research will ask you to conduct analyst due diligence of issuers not currently under coverage. You will be considered Over-the-Wall.
- Research due diligence should be INDEPENDENT OF INVESTMENT BANKING
- Research analysts should not “pitch” or engage in any discussions with the issuer for the purpose of soliciting investment banking business
- A research analyst may not promise research coverage or a particular rating to an issuer
- Findings may be shared with Co-Heads of Equity Research or the Equity Commitment Committee
- Views on an issuer may be shared with Investment Banking via a Monitored Call
- Monitored Discussions with Investment Banking may not include ratings or proposed ratings

## Communication with Investment Banking

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- Prohibited unless expressly permitted
- Must be consistent with type of communications would have with an investor
- Must be consistent with published research views
- Research analysts MAY NOT
  - identify investment banking transactions or potential candidates for transactions
  - discuss pending research reports or coverage
- Require Research Management approval
- Require a Compliance Monitor

**Market or Industry Trends, Conditions, or Developments**

- Must be monitored
- Most often occur via weekly monitored calls
- If a topic you wish to discuss, you may request
- Requests must be approved by Research Management

**Potential Transactions/Candidates for Transactions**

- Must be pre-approved by Research Management
- Must be monitored
- MAY NOT include discussions around ratings or proposed ratings
- May include discussions about comps
- May share modeling data
- If announced, may include feedback from accounts regarding pricing and structure

## Analyst Participation in the Roadshow

- May NOT review or provide materials for roadshow
- May NOT attend roadshow in person
- May listen to webcast or call-in from separate location
- If call-in should NOT announce your participation in the call
- May NOT ask questions of management

## Interaction with Institutional Sales

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- May conduct teach-in to educate the sales force
- May discuss views on issuer and transaction with members of institutional sales
- Discussions with sales should NOT preview your research
- Discussions with sales should be consistent with your published research if issuer currently under coverage
- May make joint calls with sales to potential institutional investors

## Teach-In Materials

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- Must be approved by a Supervisory Analyst
- Must be marked FOR INTERNAL USE ONLY
- For IPO materials may NOT contain estimates
- For Follow-on MAY contain current published estimates or First Call Consensus
- Should NOT preview research
- May contain comparable valuation table/discussions
- Should include risk factors
- May NOT be sent outside of WFS

## Interaction with Buy-Side Clients

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- Role of the analyst is to EDUCATE investors as to the merits of the proposed transaction, but not to solicit
- Interaction with clients should be oral and NOT via email
- May make outgoing calls to clients if have a “reasonable basis”
- Institutional Sales may request that you contact a client
- NO MEMBER OF INVESTMENT BANKING, INCLUDING EQUITY ORIGINATION, MAY REQUEST THAT YOU CONTACT A BUY-SIDE CLIENT
- May discuss factual information regarding the transaction with investors and discuss comps
- May answer permitted questions posed to you by clients
- All discussions should be consistent with your published views and should in no way preview your research



- Should be similar to interactions with other Buy-side Clients
- Must be consistent with current published views
- May NOT provide any Investment Banking Advice
- May NOT identify potential investments in private entities

## Front-running

---

- No previewing research/opinions/estimates
- No contradictions or signals indicating a change to published views
- If views have changed, issue a research report
- Do not communicate short-term views unless they are published

- Ultimate decisions must be made by Research Management
- Research Management may consider input from Sales, Trading and IB Managers, including their thoughts on strategic direction of firm
- No discussions on timing and views of reports with anyone outside Research

## Disclosure Requirements

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- Designed to ensure investor is aware of potential conflicts of interest
- Will be asked to “attest” via the RIDS System
- Required on all research reports and in all public appearances
- If you are aware of any potential conflict that is not disclosed you MUST immediately notify an SA
- Quarterly Reviews to check for additions/deletions

## Overview of Disclosures

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- Receipt of Compensation
  - Are you aware of an Affiliate receiving compensation other than IB?
  - Has analyst received compensation?
  - Has WFS received compensation? What type?
  - Is issuer a client?
- Analyst Ownership
  - Does analyst or member of his/her household own shares?
- Firm Ownership
  - WFS have position that is 1% or greater
- Board of Directors
  - Does WFS serve on board? Analyst? Member of analyst's household?
- Meanings and Distributions of Ratings
- Regulation AC
- ANY OTHER MATERIAL CONFLICTS OF INTEREST

## Regulations FD & AC

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- Regulation Fair Disclosure
  - Prohibits issuers from selectively disclosing material, nonpublic information
  - Must be disclosed publicly whether it was intentional or not
  - If you receive any such information, contact Compliance
- Regulation Analyst Certification
  - Views in the report / public appearance are the analyst's own views
  - Analyst was not paid for the recommendation in the report / public appearance
  - Author primarily responsible for content must certify

## Information Pertaining to Wells Fargo

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- Use of information pertaining to Wells Fargo and its subsidiaries should be limited to fact
- Any mentions of Wells Fargo and its subsidiaries requires review by a Research Management PRIOR to publication
- Use of information contained in Employee Memos/Emails or other Internal Use Only documents must be approved by Compliance and Research Management PRIOR to use

## Rumors

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- NYSE Rule 435 and FINRA Rule 6140 prohibit the circulation of rumors of a sensational character that might reasonably be expected to affect market conditions
- Particular caution should be exercised if the rumor comes from a source that may constitute inside information
- Discussions of unsubstantiated information published by a widely circulated public media is not prohibited as long as the source and unsubstantiated nature of the information are disclosed
  - MUST DISCLOSE SOURCE
  - MUST PUBLISH IN A NOTE
  - MUST STATE THAT INFORMATION HAS NOT BEEN SUBSTANTIATED BY THE COMPANY



## International Research Issues

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- Qualified clients may obtain research if located in “approved jurisdictions”
- Travel logs are no longer needed. (Bulletin 07-16) Compliance will review reservations to countries of interest and email the pre-approval form to the Supervisory Principal for approval.
- Refer to International Distribution Grid on Compliance Website and Bulletin 06-07
- Contact Compliance for latest updates

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# CONTROL GROUP FUNCTIONS Information Barriers, Personal Trading, Conflicts of Interest

## Insider Trading

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**Trading when AWARE of material nonpublic information (or tipping) may subject you to civil and criminal penalties & firm disciplinary action:**

- Prison
- Injunctions
- Bars or suspensions
- Disgorgement to the tipper/tippee
  - *3 times* profit made or loss avoided

Firm and Controlling Person (Principals) = greater of **3 times** profit made or loss avoided OR \$1 million

**How are “Rogue” traders caught?**

- Surveillance (internal and external)
- Review of trading records:
  - Proprietary / institutional trading
  - Employee trading
- Regulatory inquiries
- Cross reference
- Testimony

## WELLS FARGO'S PERSONAL INVESTMENT POLICY

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### Personal Investment Policy ("PIP")

- All requests for trade approvals MUST be submitted to the Supervisory Analyst via email
- All SA approvals MUST be documented via email
- Transactions must be executed in-house at Wells Fargo Securities, LLC.
  - Exceptions: managed accounts, 529, money markets, mutual funds, and 401(k)'s.
- Prior approval required for all personal trades (PASS).
  - Exceptions: closed end funds & ETF's
- 30-day Holding period
- May not own names that are covered or are in your sector

Please refer to the Personal Investment policy on the Compliance website or call the Control Group at 877-238-7577.

- [http://infodesk.wachovia.net/Compliance/pdf\\_documents/PIPRetail2004June.pdf](http://infodesk.wachovia.net/Compliance/pdf_documents/PIPRetail2004June.pdf)

**Regulations and Firm policy require you, in writing, to:**

- Seek Pre-approval of your Outside Business Activities (for example, rental properties, partial ownership in restaurants and retail stores).
- Seek written Pre-Approval of any Private Securities Transactions (investments in private companies, partnerships, not just private placements).

Call the control group for approval at 877-238-7577

# WFS' Information Barriers

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**Private  
Nonpublic**

- **Investment Banking**
  - Industry Coverage Groups
  - Financial Sponsors Group (FSG) and M&A
  - US Corporate Banking
  - Estdil
  - Capital Partners
- **Global Capital Markets**
  - Equity Capital Markets
  - Debt Capital Markets
  - Par Loan Trading
  - Portfolio Management
- **Risk Management/Credit**

**Above the Wall  
"On Top of the Wall"**

- Executive / Senior Mgmt
- Compliance
- Legal

**Public**

- Trading
- Sales
- Research

## “Need To Know” Standard

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- As a general rule, DO NOT share nonpublic or material inside information.
- A “**need to know**” exists if access to information is vital to providing the **INVESTMENT BANKING CLIENT** with the **product** or **service** it has requested from our firm.
- Material nonpublic information (“MNPI”) should be shared only to those who have a “**need to know**” for the purpose of:
  - Executing the client’s strategy or business purpose
  - Managing the client’s relationship
  - Complying with credit, legal or compliance requirements
- Usually the only people who “need to know” nonpublic information about a client are:
  - Members of the deal team assisting that client
  - Legal, Compliance, or Senior Management personnel for internal control, credit or conflict assessment purposes.
- Ensure you are NOT inappropriately sharing with other members of your group who are not also on the client’s deal team.
- Ensure you are **NOT** inappropriately sharing with trading, sales or research.

## Maintaining Confidentiality

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- Must secure all nonpublic information
  - Project names
  - Email / Blackberry
  - Traveling
  - Faxes
  - Copiers
  - Desk tops
  - Login screens
  - Public communications
  - Trash / shredding
  - Elevators / hallways / bathrooms



# Rules, Regs, Policies and Procedures

## Licensing and Registrations

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- Series 7, 63, 86 and 87 required
- Must be registered in all 50 states
- Firm element module required annually
- Face-to-face training each year
- Regulatory Continuing Education every 2-3 years

## Gifts

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- **No gifts** to clients by persons associated with or employed by WFS will be permitted.
  - “Gift” = anything of value, including gratuities.
- Exceptions may be granted but require pre-approval and are subject to the \$100 FINRA limit
  - Limited exceptions may only be made by:
    - Head of Division, or
    - His or her assigned delegate
- To secure an exception, the requestor shall:
  - Request approval for the exception utilizing the Gift Exception Approval Form (contact Beth Pickler of the Transaction Logistics Team at (704) 715-6153 for assistance).
  - Ensure that the Gift Exception Approval Form is provided to the Transaction Logistics Team for review and approval (transmittal instructions can be found on the Gift Exception Approval Form).
- Procure Gift (s) as follows:
  - If Requestor intends to seek reimbursement – submit payment documentation to the Transaction Logistics Team
  - If Requestor does not seek reimbursement than ensure all pertinent information is reported to the Transaction Logistics Team for tracking purposes

## Gifts (Continued)

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- **Exclusions from Gift Prohibition – Pre-Approval Not Required**
  - Promotional items with Wells Fargo logo (limited to \$75, except for stage coaches)
  - Gifts with a value under \$10 given infrequently
    - e.g. Pens, notepads, desk ornaments, etc.
  - Deal closing mementos without any utility
    - Lucite cubes, etc.
    - Wine bottles NOT allowed since it has utility
  - Personal Gifts (paid for by team member)
    - e.g. Wedding gifts, congratulatory gifts for birth of a child, etc.
    - If personal gift is reimbursed by the firm, it is subject to the exception process to the no gift requirement of the policy
- **Other Provisions**
  - Team members should conduct business development activities consistent with the gift policies of their clients
  - Team members should abide by the policies of regulatory organizations regarding gifts, gratuities and entertainment to their employees

## Entertainment

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- **“Entertainment”** means any event where a person associated with WFS is present. This includes, but is not limited to:
  - Dining
  - Sporting events
  - Theatrical/musical performances
  - Educational events
  - Travel
  
- Entertainment not meeting this definition is considered a gift
  - Purchases of items other than food or drink given to a client during an entertainment event shall be considered a gift, unless it meets one of the gift exceptions (e.g. items with a Wells Fargo logo, etc.).
  
- A recipient is ineligible for further invitations once they appear on a published exception report. (See chart on next page.)
  
- Industry rules do not limit ordinary and usual business entertainment, provided that it is not so frequent or extensive as to raise any question of impropriety.

## Entertainment Guidelines

### Entertainment Limits

Entertainment Limits		
<b>&lt; \$350</b>	<b>\$350 or &gt;</b>	<b>&gt; \$1000 per recipient OR \$10,000 per event</b>
<b>Be reasonable – not so frequent as to raise the question of impropriety</b>	<b>No more than 4x per calendar year</b>	<b>Prior approval of division head of the team member</b>

### Travel and Accommodations

- As a general rule Wells Fargo will not pay for cost of travel in connection with entertainment unless client reimburses Wells Fargo for the fair market value of such travel.
- Use of the Wells Fargo jet to transport clients to an entertainment event is permissible if the client reimburses Wells Fargo the value of the transportation or a Wells Fargo employee is on the plane with the client. When accompanying a customer on the jet, the event is subject to the entertainment limits above.
- Use of the corporate jet for purely business reasons does not need to be treated as a gift or entertainment.

## Entertainment Guidelines (Continued)

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### ▪ **Other**

- Deal Closing events are to be considered entertainment and need to comply with entertainment limits above.
- Receipt of Gifts from customers/vendors – Should be consistent with Wells Fargo’s policy on receiving gifts/entertainment. See Wells Fargo’s Code of Ethics and Business Conduct.
- All business entertainment is tracked in XMS by Wells – East, and via SalesLogix or the Business Gifts and Entertainment Log (“G&E log”) by Wells - West. Until these systems are integrated, these items will be manually combined to create a comprehensive view by client.

### ▪ **Bank Bribery Act**

- **Do not accept or solicit any gift from anyone to influence or reward you in connection with any Wells Fargo business**
- Limited exceptions that do not create a risk of conflict of interest apply, including:
  - Certain ordinary (not lavish or extravagant) courtesies and entertainment in connection with business meetings
  - Certain expressions of courtesy and appreciation such as gifts of fruits, flowers, food, wine or candy given with monetary value of \$200 or less and other very limited exceptions
- Failure to comply may be a violation of the Bank Bribery Act, resulting in up to 30 years imprisonment and \$1,000,000 fine

### ■ **Code of Ethics & Business Conduct**

- Wells Fargo business opportunities may never be offered, either directly or by suggestions, to any customer, vendor or other business contact in exchange for their charitable donation or participation in a charity event. A customer's or vendor's choice to participate (or not participate) in a charity event or donation drive can have no effect, positive or negative, on the business relationship with Wells Fargo.
- Under no circumstance may you pay or offer anything of value, directly or indirectly, to a government official, including foreign officials, political parties and party officials and candidates for the purpose of improperly influencing an official act of decision, securing an improper advantage, or assisting in obtaining or retaining business or directing business to anyone. In countries in which there is government involvement in business enterprises, such officials may include employees and managers of local enterprises.



## Labor Union Gifts & Entertainment

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### **LABOR UNIONS**

- Wells Fargo & Company is subject to the Labor Management Reporting Disclosure Act (LMRDA) to report annually to the Department of Labor regarding gifts and entertainment that employees have provided to labor unions or representatives.
  
- Labor Union Representatives include
  - National Labor Unions/Organizations
  - Union Locals
  - Any officer, agent shop steward or other rep
  - Any pension plan, welfare plan or other trust affiliated with a Labor Union
  - Any business owned or controlled by a Labor Union/Organization including a credit union, bank or building corporation
  
- **WFS HAS PROHIBITED GIFTS & ENTERTAINMENT TO LABOR UNION OFFICIALS.**
  - Exceptions may be made to this policy if line of business manager and IBCM Compliance have pre-approved the exception.

## Foreign Officials Gifts & Entertainment

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### **FOREIGN OFFICIALS**

- All WFS employees must comply with Wells Fargo & Company's Foreign Corrupt Practices Act "FCPA" guidelines which confer benefits to non-US Government Officials.
  
- Written pre-approval is required before paying the expense of any event that is for the benefit of a Foreign Official:
  - If the amount expended for the benefit of the Foreign Official is greater than \$250 (US);
  - For any amount if there have been four prior Events in the same calendar year benefiting the same Foreign Official; OR
  - For any amount for the benefit of a Foreign Official from a Special Jurisdiction.
  
- Even when pre-approval isn't needed the event should be infrequent and legal under both US and local law, within norms and consistent with all applicable company and jurisdiction policies.

### **You are our first line of defense:**

- Verify a customer's identity
- Assess the customer's source of funds
- Determine the customer's normal and expected transactions
- Assess the customer's character or reputation

Relationship Managers and all SIG, IBCM and Corporate Banking team members must understand their customer's business (type, ownership, source of revenue, supply chain, etc.) and be able to identify red flags.

## Anti-Money Laundering / Patriot Act

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### ▪ **USA Patriot Act**

- Requires all financial institutions establish AML programs that include:
  - Policies & procedures, a designated compliance officer, training, and audit.

### ▪ **Section 326**

- Requires financial institutions to create a minimum 3-point Customer Identification program (CIP).
  - Identification verification procedures
  - Information record keeping
  - Government-list comparison
- **Customers must be provided a notice of their duty to comply with the new identification provisions. This notice must be provided before a financial commitment is made to the customer.**
- **Must collect the following information on all new customers:**
  - Legal Name, Physical Address, Tax ID or foreign country designation
    - This info must be entered by the BU into the appropriate system (CIBOS, POQ, Portal, LTAM, etc.) prior to execution.
    - Must use correct legal name and ID of the issuer/borrower, not their parent or affiliate.

## High Risk Customers

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- High Risk customers must be identified in the customer build process as it is the responsibility of the relationship manager to accurately categorize their customers.
  - For EDD, bankers must contact Compliance to initiate process and collect information.
  
- Please Note - "High Risk" Customers:
  - May warrant obtaining additional customer information
  - Timing delays may result
  - Business may be declined
    - Reputation Risk v. Regulatory Prohibition
  
- EDD simply means Compliance will require additional customer information and may include some investigative work by our Corporate AML group.

## What To Do If You Suspect Money Laundering

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### **Do Not:**

- Tip the customer to your suspicions.
- Open an account or execute further transactions until legitimacy is established.
- Provide access to Wells Fargo letterhead and business cards.

### **Do:**

- Collect as much information and facts about the customer to aid in the investigation.
- Contact Your:
  - Industry Group Head or Manager, **and**
  - Compliance Officer **and/or**
  - WFS AML Contact
    - Gary Rudolph 704-374-6169
    - Jeremy Blevins 704-715-1425

## What is OFAC?

The Office of Foreign Assets Control ("OFAC") of the US Department of the Treasury administers and enforces economic and trade sanctions based on US foreign policy and national security goals against targeted foreign countries, terrorists, international narcotics traffickers, and those engaged in activities related to the proliferation of weapons of mass destruction.

- Balkans
- Belarus
- Burma (Myanmar)
- Cote d'Ivoire (Ivory Coast)
- Cuba
- Congo
- Iran
- Iraq
- Liberia
- North Korea
- Sudan
- Syria
- Zimbabwe

## Customer Complaints

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- Any written statement from a customer or their representative, which alleges the mishandling of an account or transaction, or improper conduct on behalf of a Company employee, is considered a complaint.
  - All customer complaints, whether written or oral must be brought to the attention of the Supervisory Principal ("SP") or Manager and be forwarded to the Compliance Department.
    - Neither the salesperson nor the SP or Manager should attempt to settle complaints or disputes. Compliance will keep you updated on the status of the complaint.
- NYSE Rule 401A - requires member firms to acknowledge a customer complaint within 15 days of receipt.
  - Written complaints must receive a written response.
  - Verbal complaints may receive either a written or verbal response. Verbal responses must be logged.
  - All responses and logs must be retained for a period of 6 years, 2 years easily accessible.
- NYSE Rule 351 - requires member firms to aggregate and report customer complaint statistics on a quarterly basis.
- Not sure? Call Compliance



## General Rules & Regulations Applicable To All Licensed Individuals

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- Political Contributions
- Due Diligence
- Conflicts of Interest
- Fair Dealing
- Gifts and Entertainment
- Anti-Money Laundering
- Suitability
- Communication
- Advertisements & Pitchbooks
- Customer Complaints
- Insider Trading
- Information Barriers / Confidentiality
- Personal Investment Policy
- Anti-Tying
- The Federal Reserve Act: Sections 23A & 23B
- Fax Guidelines
- Record Retention
- New Businesses / New Products / New Securities
- Licensing & Continuing Education
- International Business Dealings
- Guarantees
- Loan Arrangements
- Rebates & Compensation
- Research
- Outside Business Activities
- Outsourcing
- Risk Mitigation
- Government Sponsored Enterprises
- Reporting
- Circulation of Rumors
- 1933 Act Reform
- SEC Registration
- Complex Structured Products
- Mark Up/Down & Best Execution
- External Pricing
- Record Keeping
- Extension of Settlement

## Reasons To Notify Compliance

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- Have (or change) any outside brokerage accounts;
- Have any “outside business activity”;
- Become a director, controlling stockholder, partner, officer of any financial company;
- Want to invest in any “private” securities transaction;
- Are named as a defendant in any securities related litigation/arbitration;
- Are indicted, plead guilty to or no contest to any criminal offense (other than traffic violations);
- Receive a complaint from a customer or client, or are contacted by a regulator or legal authority;
- Are associated financially or in any business with any person that has been “statutorily disqualified”;
- Hire someone new or transfer to a different business unit;
- You are unsure if an action would violate procedures, industry regulations, or ethical standards.
- You become aware of business conduct that violate procedures, industry regulations, or ethical standards.
- Have a change of address or name change.

## Important Compliance Websites

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You are all responsible for being familiar with, and complying with these policies, among others:

- Supervisory Procedures and Compliance Guidelines
- Applicable Compliance Bulletins
- SIG, IBCM & Corporate Banking Principles of Conduct
- Auction Rate Securities Procedures
- Anti-Money Laundering (AML)
- Personal Investment Policy
- Information Barrier Policy
- Wells Fargo Code of Ethics and Business Conduct

<https://infodesk.wachovia.net/Compliance/>

## Policy Violation Sanctions

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Team members who fail to comply with these policies may be subject to disciplinary actions including suspension or termination of employment at the discretion of Compliance, Human Resources, and the team member's manager.

## Research Compliance Officers

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- Scott Yi
  - Work—212-214-6234
  - Cell—917-207-0610
- Patrick Hays
  - Work—616-897-6920
  - Cell—616-304-9337
- Paul R. Oppold
  - Work—704-383-6571
  - Cell—704-995-5794
- Dan Hughes
  - Work—410-625-6336
  - Cell—410-241-6846
- Lori Johnson
  - Work—402-315-2192
  - Cell—646-460-6545
- Control Room—877-238-7577



# Annual Compliance Meeting 2009

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December 18, 2009

Dan Hughes

Together we'll go far



Why Are We Here?

- It's Required

NASD Rule 3010(a)(7) requires all broker-dealers to establish a formal training program to keep employees up to date on job- and product-related subjects.

- Fines and censures are increasing at an alarming rate

- Regulatory environment changes quickly and we are allowed less time to comply

## Objectives Of Training

- To review all rules and regulations highlighting new rules and interpretations that pertain to your activities as licensed individuals.
- To review policies and procedures established for Compliance with applicable rules and regulations.
- To answer questions.

### FAIR PRACTICE

Deal fairly with all persons in accordance with the highest standards of professional ethics in the securities industry.

All personnel will conduct business in compliance with all the applicable regulations.



Research Analyst Procedures and Independence

WELLS FARGO SECURITIES 4

What is a research report?

- A research report is defined as a communication which includes an analysis of a security and provides information sufficient upon which to base an investment decision
- All research must be approved by an SA
- Must include appropriate disclosures
- No sharing of pre-published research
- Should not provide analysis of a fixed income security

WELLSFARGO SECURITIES

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#### Public Appearances

- Includes:
  - Radio, TV, print media interview
  - Public speaking
  - Public conference calls
  - Seminars
  - Writing print media article or book
- Must be approved by an SA

## Prohibitions on Publication of Research and Public Appearances

An analyst is prohibited from publishing research or conducting a public appearance on a company if:

WFS is in a Quiet Period following an offering for that company

- 40 days for IPO
- 10 days for secondary
- 30 days surrounding Lock-up Expiration Date

Exceptions: If analyst has a safe harbor (Rule 139), analyst may continue to publish throughout the quiet period or offering. A safe harbor exists if:

- ✓ the analyst has written on the name previously in the normal course of business;
  - ✓ the company has a float of greater than \$75 million;
  - ✓ the company is an S-3 eligible filer and is current on all of its required SEC filings
- Research analyst is Over the Wall on a transaction (no exceptions to publication)
    - Analyst is generally back on the proper side of the wall once the deal has launched and all private information analyst received is made public
  - Suspension of Coverage if WFS is advisor in a publicly announced M&A Transaction with shareholder vote or tender/exchange offer
  - Additional restrictions on publishing may apply

## Electronic Communications

### Use CAUTION

- Wall Street Journal Test
  - If you don't think it would be appropriate to appear in the Wall Street Journal, don't write it
- Watch your choice of words
  - Don't be inflammatory
  - What is funny today may not be so funny tomorrow
  - Use appropriate professional decorum
    - No bashing of your colleagues, seniors, management, etc
- **Frequently subpoenaed & requested**
  - Always requested during regulatory inquiries and subpoenas
  - Reviewed during routine regulatory exams
- **Required to be retained for a minimum of 3 years**
- **Subject to regular supervisory review**
- **NEVER contradict your published research views**
  - Don't use such phrases as "dead money" when you have an OUTPERFORM RATING
  - NEVER make negative comments about a management team when you have an OUTPERFORM or MARKET PERFORM RATING
- **Only Use Approved E-Mail/IM Systems**

WELLS FARGO SECURITIES

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Models

- It is WFS' policy that research analyst may NOT share models with the issuer unless they have current coverage and it has been SA approved
- Research analysts may have oral discussions with management relating to their model for verification of FACTUAL information only

#### Coercion and Retaliation

##### Research Analysts' Independence must be Protected

- No employee may retaliate or threaten to retaliate against a research analyst for views in a report or public appearance.
- No employee may coerce or pressure a research analyst into change views or timing of report
- If a research analyst believes there has been coercion, the research analyst should contact Legal or Compliance immediately

#### Analyst Compensation

- IB personnel may have **no** input into evaluation or compensation
- All compensation will be approved annually by committee
- IB revenue may **not** be considered when determining compensation
- Some factors that must be considered:
  - performance, to include productivity & quality of work
  - recommendations in relation to performance of stock
  - ratings of clients, sales force, peers, and independent rating services



Prohibition on Efforts to Solicit IB Business

- A research analyst **MAY NOT** participate in pitches, discuss firm's IB capabilities, attend closing dinners, or have any other communications with companies for the purpose of soliciting banking business
  
- Does not apply to due diligence during which the sole purpose is to analyze the financial condition and business operations of a company for a transaction

## Due Diligence

- Co-Head of Equity Research will ask you to conduct analyst due diligence of issuers not currently under coverage. You will be considered Over-the-Wall.
- Research due diligence should be INDEPENDENT OF INVESTMENT BANKING
- Research analysts should not "pitch" or engage in any discussions with the issuer for the purpose of soliciting investment banking business
- A research analyst may not promise research coverage or a particular rating to an Issuer
- Findings may be shared with Co-Heads of Equity Research or the Equity Commitment Committee
- Views on an issuer may be shared with Investment Banking via a Monitored Call
- Monitored Discussions with Investment Banking may not include ratings or proposed ratings

Communication with Investment Banking

- Prohibited unless expressly permitted
- Must be consistent with type of communications would have with an investor
- Must be consistent with published research views
- Research analysts MAY NOT
  - identify investment banking transactions or potential candidates for transactions
  - discuss pending research reports or coverage
- Require Research Management approval
- Require a Compliance Monitor

Permitted Communications

**Market or Industry Trends, Conditions, or Developments**

- Must be monitored
- Most often occur via weekly monitored calls
- If a topic you wish to discuss, you may request
- Requests must be approved by Research Management

**Potential Transactions/Candidates for Transactions**

- Must be pre-approved by Research Management
- Must be monitored
- MAY NOT include discussions around ratings or proposed ratings
- May include discussions about comps
- May share modeling data
- If announced, may include feedback from accounts regarding pricing and structure

**Analyst Participation in the Roadshow**

- May NOT review or provide materials for roadshow
- May NOT attend roadshow in person
- May listen to webcast or call-in from separate location
- If call-in should NOT announce your participation in the call
- May NOT ask questions of management

Interaction with Institutional Sales

- May conduct teach-in to educate the sales force
- May discuss views on issuer and transaction with members of institutional sales
- Discussions with sales should NOT preview your research
- Discussions with sales should be consistent with your published research if issuer currently under coverage
- May make joint calls with sales to potential institutional investors

#### Teach-In Materials

- Must be approved by a Supervisory Analyst
- Must be marked FOR INTERNAL USE ONLY
- For IPO materials may NOT contain estimates
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- May answer permitted questions posed to you by clients
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Interaction with PEGs/VCs

- Should be similar to interactions with other Buy-side Clients
- Must be consistent with current published views
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- May NOT identify potential investments in private entities

WELLS FARGO SECURITIES

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Front-running

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- Designed to ensure investor is aware of potential conflicts of interest
- Will be asked to "attest" via the RIDS System
- Required on all research reports and in all public appearances
- If you are aware of any potential conflict that is not disclosed you MUST immediately notify an SA
- Quarterly Reviews to check for additions/deletions

## Overview of Disclosures

- Receipt of Compensation
  - Are you aware of an Affiliate receiving compensation other than IB?
  - Has analyst received compensation?
  - Has WFS received compensation? What type?
  - Is issuer a client?
- Analyst Ownership
  - Does analyst or member of his/her household own shares?
- Firm Ownership
  - WFS have position that is 1% or greater
- Board of Directors
  - Does WFS serve on board? Analyst? Member of analyst's household?
- Meanings and Distributions of Ratings
- Regulation AC
- ANY OTHER MATERIAL CONFLICTS OF INTEREST

## Regulations FD & AC

- Regulation Fair Disclosure
  - Prohibits issuers from selectively disclosing material, nonpublic information
  - Must be disclosed publicly whether it was intentional or not
  - If you receive any such information, contact Compliance
- Regulation Analyst Certification
  - Views in the report / public appearance are the analyst's own views
  - Analyst was not paid for the recommendation in the report / public appearance
  - Author primarily responsible for content must certify

Information Pertaining to Wells Fargo

- Use of information pertaining to Wells Fargo and its subsidiaries should be limited to fact
- Any mentions of Wells Fargo and its subsidiaries requires review by a Research Management PRIOR to publication
- Use of information contained in Employee Memos/Emails or other Internal Use Only documents must be approved by Compliance and Research Management PRIOR to use

WELLS FARGO SECURITIES

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## Rumors

- NYSE Rule 435 and FINRA Rule 6140 prohibit the circulation of rumors of a sensational character that might reasonably be expected to affect market conditions
- Particular caution should be exercised if the rumor comes from a source that may constitute inside information
- Discussions of unsubstantiated information published by a widely circulated public media is not prohibited as long as the source and unsubstantiated nature of the information are disclosed
  - MUST DISCLOSE SOURCE
  - MUST PUBLISH IN A NOTE
  - MUST STATE THAT INFORMATION HAS NOT BEEN SUBSTANTIATED BY THE COMPANY



## International Research Issues

- Qualified clients may obtain research if located in "approved jurisdictions"
- Travel logs are no longer needed. (Bulletin 07-16) Compliance will review reservations to countries of interest and email the pre-approval form to the Supervisory Principal for approval.
- Refer to International Distribution Grid on Compliance Website and Bulletin 06-07
- Contact Compliance for latest updates

**CONTROL GROUP  
FUNCTIONS**  
Information Barriers,  
Personal Trading,  
Conflicts of Interest

WELLS FARGO SECURITIES

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## Insider Trading

**Trading when AWARE of material nonpublic information (or tipping) may subject you to civil and criminal penalties & firm disciplinary action:**

- Prison
- Injunctions
- Bars or suspensions
- Disgorgement to the tipper/tippee
  - *3 times* profit made or loss avoided

Firm and Controlling Person (Principals) = greater of *3 times* profit made or loss avoided OR \$1 million

**How are "Rogue" traders caught?**

- Surveillance (internal and external)
- Review of trading records:
  - Proprietary / institutional trading
  - Employee trading
- Regulatory inquiries
- Cross reference
- Testimony

## WELLS FARGO'S PERSONAL INVESTMENT POLICY

### Personal Investment Policy ("PIP")

- All requests for trade approvals MUST be submitted to the Supervisory Analyst via email
- All SA approvals MUST be documented via email
- Transactions must be executed in-house at Wells Fargo Securities, LLC.
  - Exceptions: managed accounts, 529, money markets, mutual funds, and 401(k)'s.
- Prior approval required for all personal trades (PASS).
  - Exceptions: closed end funds & TF's
- 30-day Holding period
- May not own names that are covered or are in your sector

Please refer to the Personal Investment policy on the Compliance website or call the Control Group at 877-238-7577.

- [http://infodesk.wachovia.net/Compliance/pdf\\_documents/PIPRetail2004June.pdf](http://infodesk.wachovia.net/Compliance/pdf_documents/PIPRetail2004June.pdf)

PRIVATE SECURITIES TRANSACTIONS/OUTSIDE BUSINESS ACTIVITIES

**Regulations and Firm policy require you, in writing, to:**

- Seek Pre-approval of your Outside Business Activities (for example, rental properties, partial ownership in restaurants and retail stores).
- Seek written Pre-Approval of any Private Securities Transactions (investments in private companies, partnerships, not just private placements).

Call the control group for approval at 877-238-7577

**WFS' Information Barriers**

<b>Private Nonpublic</b>	<b>Above the Wall "On Top of the Wall"</b>	<b>Public</b>
<ul style="list-style-type: none"><li>▪ <b>Investment Banking</b><ul style="list-style-type: none"><li>▪ Industry Coverage Groups</li><li>▪ Financial Sponsors Group (FSG) and M&amp;A</li><li>▪ US Corporate Banking</li><li>▪ Eastdil</li><li>▪ Capital Partners</li></ul></li><li>▪ <b>Global Capital Markets</b><ul style="list-style-type: none"><li>▪ Equity Capital Markets</li><li>▪ Debt Capital Markets</li><li>▪ Par Loan Trading</li><li>▪ Portfolio Management</li></ul></li><li>▪ <b>Risk Management/Credit</b></li></ul>	<ul style="list-style-type: none"><li>▪ Executive / Senior Mgmt</li><li>▪ Compliance</li><li>▪ Legal</li></ul>	<ul style="list-style-type: none"><li>▪ Trading</li><li>▪ Sales</li><li>▪ Research</li></ul>

WELLS FARGO SECURITIES

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#### "Need To Know" Standard

- As a general rule, DO NOT share nonpublic or material inside information.
- A "need to know" exists if access to information is vital to providing the **INVESTMENT BANKING CLIENT** with the **product** or **service** it has requested from our firm.
- Material nonpublic information ("MNPI") should be shared only to those who have a "need to know" for the purpose of:
  - Executing the client's strategy or business purpose
  - Managing the client's relationship
  - Complying with credit, legal or compliance requirements
- Usually the only people who "need to know" nonpublic information about a client are:
  - Members of the deal team assisting that client
  - Legal, Compliance, or Senior Management personnel for internal control, credit or conflict assessment purposes.
  - Ensure you are NOT inappropriately sharing with other members of your group who are not also on the client's deal team.
  - Ensure you are NOT inappropriately sharing with trading, sales or research.

## Maintaining Confidentiality

- Must secure all nonpublic information
  - Project names
  - Email / Blackberry
  - Traveling
  - Faxes
  - Copiers
  - Desk tops
  - Login screens
  - Public communications
  - Trash / shredding
  - Elevators / hallways / bathrooms

WELLS FARGO SECURITIES

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# Rules, Regs, Policies and Procedures

WELLS FARGO SECURITIES

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#### Licensing and Registrations

- Series 7, 63, 86 and 87 required
- Must be registered in all 50 states
- Firm element module required annually
- Face-to-face training each year
- Regulatory Continuing Education every 2-3 years

## Gifts

- **No gifts** to clients by persons associated with or employed by WFS will be permitted.
  - "Gift" = anything of value, including gratuities.
- Exceptions may be granted but require pre-approval and are subject to the \$100 FINRA limit
  - Limited exceptions may only be made by:
    - Head of Division, or
    - His or her assigned delegate
- To secure an exception, the requestor shall:
  - Request approval for the exception utilizing the Gift Exception Approval Form (contact Beth Pickler of the Transaction Logistics Team at (704) 715-6153 for assistance).
  - Ensure that the Gift Exception Approval Form is provided to the Transaction Logistics Team for review and approval (transmittal instructions can be found on the Gift Exception Approval Form).
- Procure Gift (s) as follows:
  - If Requestor intends to seek reimbursement – submit payment documentation to the Transaction Logistics Team
  - If Requestor does not seek reimbursement than ensure all pertinent information is reported to the Transaction Logistics Team for tracking purposes

Gifts (Continued)

▪ **Exclusions from Gift Prohibition – Pre-Approval Not Required**

- Promotional items with Wells Fargo logo (limited to \$75, except for stage coaches)
- Gifts with a value under \$10 given infrequently
  - e.g. Pens, notepads, desk ornaments, etc.
- Deal closing mementos without any utility
  - Lucite cubes, etc.
  - Wine bottles NOT allowed since it has utility
- Personal Gifts (paid for by team member)
  - e.g. Wedding gifts, congratulatory gifts for birth of a child, etc.
  - If personal gift is reimbursed by the firm, it is subject to the exception process to the no gift requirement of the policy

▪ **Other Provisions**

- Team members should conduct business development activities consistent with the gift policies of their clients
- Team members should abide by the policies of regulatory organizations regarding gifts, gratuities and entertainment to their employees

WELLS FARGO SECURITIES

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## Entertainment

- **“Entertainment”** means any event where a person associated with WFS is present. This includes, but is not limited to:
  - Dining
  - Sporting events
  - Theatrical/musical performances
  - Educational events
  - Travel
- Entertainment not meeting this definition is considered a gift
  - Purchases of items other than food or drink given to a client during an entertainment event shall be considered a gift, unless it meets one of the gift exceptions (e.g. items with a Wells Fargo logo, etc.).
- A recipient is ineligible for further invitations once they appear on a published exception report. (See chart on next page.)
- Industry rules do not limit ordinary and usual business entertainment, provided that it is not so frequent or extensive as to raise any question of impropriety.

Entertainment Guidelines		
Entertainment Limits		
Entertainment Limits		
< \$350	\$350 or >	> \$1000 per recipient OR \$10,000 per event
Be reasonable – not so frequent as to raise the question of impropriety	No more than 4x per calendar year	Prior approval of division head of the team member
<b>Travel and Accommodations</b> <ul style="list-style-type: none"> <li>▪ As a general rule Wells Fargo will not pay for cost of travel in connection with entertainment unless client reimburses Wells Fargo for the fair market value of such travel.</li> <li>▪ Use of the Wells Fargo jet to transport clients to an entertainment event is permissible if the client reimburses Wells Fargo the value of the transportation or a Wells Fargo employee is on the plane with the client. When accompanying a customer on the jet, the event is subject to the entertainment limits above.</li> <li>▪ Use of the corporate jet for purely business reasons does not need to be treated as a gift or entertainment.</li> </ul>		
WELLS FARGO SECURITIES		41

#### Entertainment Guidelines (Continued)

- **Other**
  - Deal Closing events are to be considered entertainment and need to comply with entertainment limits above.
  - Receipt of Gifts from customers/vendors – Should be consistent with Wells Fargo's policy on receiving gifts/entertainment. See Wells Fargo's Code of Ethics and Business Conduct.
  - All business entertainment is tracked in XMS by Wells – East, and via SalesLogix or the Business Gifts and Entertainment Log ("G&E log") by Wells - West. Until these systems are integrated, these items will be manually combined to create a comprehensive view by client.
- **Bank Bribery Act**
  - **Do not accept or solicit any gift from anyone to influence or reward you in connection with any Wells Fargo business**
  - Limited exceptions that do not do not create a risk of conflict of interest apply, including:
    - Certain ordinary (not lavish or extravagant) courtesies and entertainment in connection with business meetings
    - Certain expressions of courtesy and appreciation such as gifts of fruits, flowers, food, wine or candy given with monetary value of \$200 or less and other very limited exceptions
  - Failure to comply may be a violation of the Bank Bribery Act, resulting in up to 30 years imprisonment and \$1,000,000 fine

## Code of Ethics & Business Conduct

### ▪ Code of Ethics & Business Conduct

- Wells Fargo business opportunities may never be offered, either directly or by suggestions, to any customer, vendor or other business contact in exchange for their charitable donation or participation in a charity event. A customer's or vendor's choice to participate (or not participate) in a charity event or donation drive can have no effect, positive or negative, on the business relationship with Wells Fargo.
- Under no circumstance may you pay or offer anything of value, directly or indirectly, to a government official, including foreign officials, political parties and party officials and candidates for the purpose of improperly influencing an official act of decision, securing an improper advantage, or assisting in obtaining or retaining business or directing business to anyone. In countries in which there is government involvement in business enterprises, such officials may include employees and managers of local enterprises.



## Labor Union Gifts & Entertainment

### **LABOR UNIONS**

- Wells Fargo & Company is subject to the Labor Management Reporting Disclosure Act (LMRDA) to report annually to the Department of Labor regarding gifts and entertainment that employees have provided to labor unions or representatives.
  
- Labor Union Representatives include
  - National Labor Unions/Organizations
  - Union Locals
  - Any officer, agent shop steward or other rep
  - Any pension plan, welfare plan or other trust affiliated with a Labor Union
  - Any business owned or controlled by a Labor Union/Organization including a credit union, bank or building corporation
  
- **WFS HAS PROHIBITED GIFTS & ENTERTAINMENT TO LABOR UNION OFFICIALS.**
  - Exceptions may be made to this policy if line of business manager and IBCM Compliance have pre-approved the exception.

## Foreign Officials Gifts & Entertainment

### **FOREIGN OFFICIALS**

- All WFS employees must comply with Wells Fargo & Company's Foreign Corrupt Practices Act "FCPA" guidelines which confer benefits to non-US Government Officials.
  
- Written pre-approval is required before paying the expense of any event that is for the benefit of a Foreign Official:
  - If the amount expended for the benefit of the Foreign Official is greater than \$250 (US);
  - For any amount if there have been four prior Events in the same calendar year benefiting the same Foreign Official; OR
  - For any amount for the benefit of a Foreign Official from a Special Jurisdiction.
  
- Even when pre-approval isn't needed the event should be infrequent and legal under both US and local law, within norms and consistent with all applicable company and jurisdiction policies.

Anti-Money Laundering / Know Your Customer

**You are our first line of defense:**

- Verify a customer's identity
- Assess the customer's source of funds
- Determine the customer's normal and expected transactions
- Assess the customer's character or reputation

Relationship Managers and all SIG, IBCM and Corporate Banking team members must understand their customer's business (type, ownership, source of revenue, supply chain, etc.) and be able to identify red flags.

## Anti-Money Laundering / Patriot Act

- **USA Patriot Act**

- Requires all financial institutions establish AML programs that include:
  - Policies & procedures, a designated compliance officer, training, and audit.

- **Section 326**

- Requires financial institutions to create a minimum 3-point Customer Identification program (CIP).
  - Identification verification procedures
  - Information record keeping
  - Government-list comparison
- **Customers must be provided a notice of their duty to comply with the new identification provisions. This notice must be provided before a financial commitment is made to the customer.**
- **Must collect the following information on all new customers:**
  - Legal Name, Physical Address, Tax ID or foreign country designation
    - This info must be entered by the BU into the appropriate system (CIBOS, POQ, Portal, LTAM, etc.) prior to execution.
    - Must use correct legal name and ID of the issuer/borrower, not their parent or affiliate.

WELLS FARGO SECURITIES

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### High Risk Customers

- High Risk customers must be identified in the customer build process as it is the responsibility of the relationship manager to accurately categorize their customers.
  - For EDD, bankers must contact Compliance to initiate process and collect information.
  
- Please Note - "High Risk" Customers:
  - May warrant obtaining additional customer information
  - Timing delays may result
  - Business may be declined
    - Reputation Risk v. Regulatory Prohibition
  
- EDD simply means Compliance will require additional customer information and may include some investigative work by our Corporate AML group.

### What To Do If You Suspect Money Laundering

**Do Not:**

- Tip the customer to your suspicions.
- Open an account or execute further transactions until legitimacy is established.
- Provide access to Wells Fargo letterhead and business cards.

**Do:**

- Collect as much information and facts about the customer to aid in the investigation.
- Contact Your:
  - Industry Group Head or Manager, **and**
  - Compliance Officer **and/or**
  - WFS AML Contact
    - Gary Rudolph 704-374-6169
    - Jeremy Blevins 704-715-1425

## Office of Foreign Asset Control

### What is OFAC?

The Office of Foreign Assets Control ("OFAC") of the US Department of the Treasury administers and enforces economic and trade sanctions based on US foreign policy and national security goals against targeted foreign countries, terrorists, international narcotics traffickers, and those engaged in activities related to the proliferation of weapons of mass destruction.

- Balkans
- Belarus
- Burma (Myanmar)
- Cote d'Ivoire (Ivory Coast)
- Cuba
- Congo
- Iran
- Iraq
- Liberia
- North Korea
- Sudan
- Syria
- Zimbabwe

### Customer Complaints

- Any written statement from a customer or their representative, which alleges the mishandling of an account or transaction, or improper conduct on behalf of a Company employee, is considered a complaint.
- All customer complaints, whether written or oral must be brought to the attention of the Supervisory Principal ("SP") or Manager and be forwarded to the Compliance Department.
  - Neither the salesperson nor the SP or Manager should attempt to settle complaints or disputes. Compliance will keep you updated on the status of the complaint.
- NYSE Rule 401A - requires member firms to acknowledge a customer complaint within 15 days of receipt.
  - Written complaints must receive a written response.
  - Verbal complaints may receive either a written or verbal response: Verbal responses must be logged.
  - All responses and logs must be retained for a period of 6 years, 2 years easily accessible.
- NYSE Rule 351 - requires member firms to aggregate and report customer complaint statistics on a quarterly basis.
- Not sure? Call Compliance

WELLS FARGO SECURITIES

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•Please do not assume that notification to Legal constitutes notification to Compliance. While Legal may or may not be involved in the resolution, Compliance fulfills certain obligations for the firm as it relates to requirements in documenting resolution and appropriate reporting under NYSE regulations.

Customer complaints **may** include:

- Firm related sales practice/operational issues that prompt a defense by our firm.
- The customer is electing to involve a Regulatory Agency or counsel.
- The customer has stated that they are no longer going to do business with us due to an error/issue.
- Investor claims that prompt Wachovia to "rework", "restructure" or "re-document" a transaction subsequent to the transaction closing. This may be due to perceived error in structuring or otherwise.

•Customer Issues **may** include:

- Errors/issues that require a negotiation with the customer and we are able to reach an agreement.
- A clearance and settlement issue that results in a compensation claim.

•Certain types of complaints must be reported in their entirety rather than under the firm's aggregated complaint statistics.



### General Rules & Regulations Applicable To All Licensed Individuals

- Political Contributions
- Due Diligence
- Conflicts of Interest
- Fair Dealing
- Gifts and Entertainment
- Anti-Money Laundering
- Suitability
- Communication
- Advertisements & Pitchbooks
- Customer Complaints
- Insider Trading
- Information Barriers / Confidentiality
- Personal Investment Policy
- Anti-Tying
- The Federal Reserve Act: Sections 23A & 23B
- Fax Guidelines
- Record Retention
- New Businesses / New Products / New Securities
- Licensing & Continuing Education
- International Business Dealings
- Guarantees
- Loan Arrangements
- Rebates & Compensation
- Research
- Outside Business Activities
- Outsourcing
- Risk Mitigation
- Government Sponsored Enterprises
- Reporting
- Circulation of Rumors
- 1933 Act Reform
- SEC Registration
- Complex Structured Products
- Mark Up/Down & Best Execution
- External Pricing
- Record Keeping
- Extension of Settlement

WELLS FARGO SECURITIES

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#### Reasons To Notify Compliance

- Have (or change) any outside brokerage accounts;
- Have any "outside business activity";
- Become a director, controlling stockholder, partner, officer of any financial company;
- Want to invest in any "private" securities transaction;
- Are named as a defendant in any securities related litigation/arbitration;
- Are indicted, plead guilty to or no contest to any criminal offense (other than traffic violations);
- Receive a complaint from a customer or client, or are contacted by a regulator or legal authority;
- Are associated financially or in any business with any person that has been "statutorily disqualified";
- Hire someone new or transfer to a different business unit;
- You are unsure if an action would violate procedures, industry regulations, or ethical standards.
- You become aware of business conduct that violate procedures, industry regulations, or ethical standards.
- Have a change of address or name change.

WELLS FARGO SECURITIES

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### Important Compliance Websites

You are all responsible for being familiar with, and complying with these policies, among others:

- Supervisory Procedures and Compliance Guidelines
- Applicable Compliance Bulletins
- SIG, IBCM & Corporate Banking Principles of Conduct
- Auction Rate Securities Procedures
- Anti-Money Laundering (AML)
- Personal Investment Policy
- Information Barrier Policy
- Wells Fargo Code of Ethics and Business Conduct

<https://infodesk.wachovia.net/Compliance/>

Policy Violation Sanctions

Team members who fail to comply with these policies may be subject to disciplinary actions including suspension or termination of employment at the discretion of Compliance, Human Resources, and the team member's manager.

Research Compliance Officers

- Scott Yi
  - Work [REDACTED]
  - Cell [REDACTED]
- Patrick Hays
  - Work [REDACTED]
  - [REDACTED]
- Paul R. Oppold
  - Work [REDACTED] 1
  - Cell [REDACTED]
- Dan Hughes
  - Work [REDACTED]
  - [REDACTED]
- Lori Johnson
  - Work [REDACTED]
  - Cell [REDACTED]
- Control Room [REDACTED]

Conference Participant Report  
Conference Date: 12/18/2009  
Conference Time: 10:00 am ET

Company: Wachovia Corporation  
Leader: Dan Hughes  
Conference ID#: [REDACTED]

Start Time	End Time	Name
09:45:45	10:27:29	SPK DAN HUGHES
09:45:41	10:27:29	RICH QWEST
09:46:01	10:27:21	MINA PARK
09:46:21	10:27:23	DAVID LIM
09:46:57	10:27:22	RYAN MEEHAN
09:48:05	10:27:29	MARY LEGALL
09:48:52	10:27:18	SUMAN KABA
09:50:48	10:27:19	TODD SPENDER
09:53:57	10:27:26	LILLIAN CALCATERRA
09:54:07	10:27:22	HUDSON BOYER
09:54:11	10:27:29	GARY LIEBOWITZ
09:54:18	10:27:29	PHILLIP RUPPLE
09:54:31	10:27:25	TIM SCHLOCK
09:54:46	10:27:23	PAUL OPPOLD
09:54:55	10:27:21	STEPHAN BISSON
09:54:57	10:27:20	CHRIS WICKLAND
09:54:59	10:27:18	NO RESPONSE
09:55:05	10:27:29	SARA MAGERS
09:55:50	10:27:27	NATHAN BRUK
09:56:07	10:27:25	EDWARD KAYSELL
09:56:19	10:27:27	DEENIE MORRIS
09:56:32	10:27:27	MICHAEL TONG
09:56:50	10:27:19	ERIC HEBERT
09:56:51	10:27:23	MATT PERRY
09:56:54	10:01:18	NO RESPONSE
09:56:59	10:27:23	JEFF OMOHUNDRO
09:57:03	10:27:24	RON LONDE
09:57:10	10:27:19	EILEEN SLAVIN
09:57:24	10:27:21	KATIE WILLETT
09:57:28	10:27:29	JIM SHANAHAN
09:57:37	10:27:29	TIM WILLI
09:57:38	10:27:29	JUSTIN WARD
09:57:42	10:27:25	ERIC BOYER
09:57:47	10:27:19	CHRIS HARRIS
09:57:53	10:27:25	DORI KESTEN
09:58:14	10:27:20	NO RESPONSE
09:58:15	10:27:19	MICHAEL BUSHEY
09:58:20	10:27:29	JULIE SOSIAK
09:58:44	10:27:22	BRENDAN MAIORANA
09:58:55	10:27:29	RACHEL LERNER
09:59:03	10:27:29	ROBERT HAMMEL
09:59:09	10:27:29	ANDREW SPINOLA
09:59:09	10:27:19	NO RESPONSE
09:59:16	10:27:18	CARL REICHARDT
09:59:25	10:27:18	TODD WOODQUIRE
09:59:49	10:27:29	VINCENT REACHY
10:00:07	10:27:22	GORDON DOUTHAT
10:00:10	10:27:24	NO RESPONSE
10:00:37	10:27:22	MATTHEW ANDERWS
10:01:00	10:27:29	PAUL JEANNE

Exhibit  
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5/30/13 DM

Conference Participant Report  
Conference Date: 12/18/2009  
Conference Time: 10:00 am ET

Company: Wachovia Corporation  
Leader: Dan Hughes  
Conference ID#: 47496026

Start Time	End Time	Name
10:01:09	10:27:29	AARON REAMES
10:01:16	10:27:22	NO RESPONSE
10:01:16	10:27:20	LISA HAUSNER
10:01:19	10:27:22	NO RESPONSE
10:01:29	10:27:25	DAVID TAMERON
10:01:33	10:27:29	MATT KAMER
10:01:43	10:27:27	TRISHA DILL
10:02:29	10:27:29	MICHAEL KEARLAN
10:03:05	10:10:25	NO RESPONSE
10:03:28	10:27:29	GREG BOYLAND
10:05:29	10:27:25	NO RESPONSE
10:06:15	10:27:25	ANDY CASEY
10:07:19	10:27:29	JEFF LUBERT
10:09:37	10:27:29	ANTHONY GALLOY
10:11:17	10:27:29	JEFF DONNELLY
10:12:39	10:27:29	MARCY RADIKER
10:22:54	10:27:29	JENNIFER FRITZSCHE

**BACKGROUND QUESTIONNAIRE**

Please respond to the following questions in the space provided. If you need additional space for any response, you may attach additional pieces of paper.

Today's date: 04/24/2013

1. What is your full name? Greg Thomas Bolan Jr

2. Have you ever been known by any other name? Yes  No

If yes, list each such name and the period(s) in which you were known by that name.

\_\_\_\_\_  
\_\_\_\_\_

3. Social Security Number? Redacted 4517

4. Date and Place of Birth? Redacted /77 Redacted

5. Country of Citizenship? USA

6. Marital Status? Married  Divorced  Single

If you have ever been married, state for each marriage: (i) the date(s) of the marriage; (ii) the name of your spouse; and (iii) your spouse's maiden name, if any.

Married Redacted  
Jennifer Bolan  
Maiden Redacted

7. List the names, ages and occupations of your children, if any.

NA  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Exhibit  
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6/6/13 DM

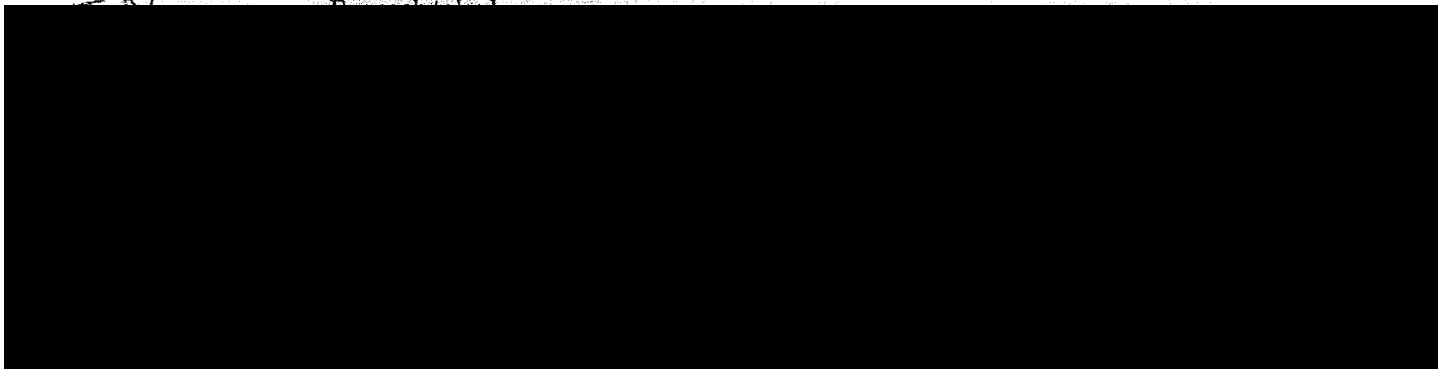


Background Questionnaire  
Page 2

- 8. List all residences you occupied at any time during the last three years, including vacation homes, beginning with your current residence. For each residence, state the address, dates of residence, and all telephone numbers (including facsimile numbers) listed at that address.

5/10 - present  
 Redacted Franklin, TN 37069

- 9. List all telephone numbers, telephone credit card numbers, email addresses, instant message addresses, and Skype addresses that were in your name or that you regularly used at any time during the last five years. Include all residential, business, car, credit card and cellular telephone numbers, including those listed in your response to question



your positions and the dates you

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

- 11. Are you now, or have you ever been, a beneficial owner, directly or indirectly, of five per cent or more of any class of equity securities of any publicly held company?

Yes \_\_\_ No

If yes, identify each such company, and state the amount, percentage, and dates of your ownership.

\_\_\_\_\_

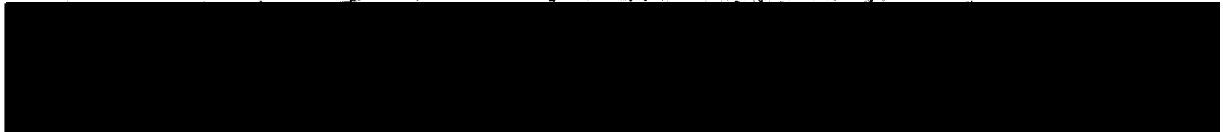
\_\_\_\_\_

\_\_\_\_\_

Background Questionnaire  
Page 3

SECURITIES ACCOUNTS

- 12. List all securities or brokerage accounts that you have held in your name, individually or jointly, at any time during the last three years. Include all foreign accounts. For each such account, identify: (i) the brokerage firm; (ii) the location of the branch where your account is or was held; (iii) your broker; (iv) the type of account (i.e., cash, margin or IRA); and (v) whether any person has ever held discretionary authority or power of over the so, name such person(s).



- 13. List all securities or brokerage accounts (including foreign accounts), other than those listed in your answer to question 12, in which you had any direct or indirect beneficial interest at any time during the last three years. For each such account, provide the information requested by question 12.

\_\_\_\_\_  
 \_\_\_\_\_ NA \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

- 14. List all securities or brokerage accounts (including foreign accounts), other than those listed in your answer to question 12 or 13, over which you had any control at any time during the last three years. For each such account, provide the information requested by question 12.

\_\_\_\_\_  
 \_\_\_\_\_ NA \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_



Background Questionnaire  
Page 5

PRIOR PROCEEDINGS

- 18. Have you ever testified in any proceeding conducted by the staff of the Securities and Exchange Commission, a federal or state agency, a federal or state court, a stock exchange, the National Association of Securities Dealers ("NASD") or any other self-regulatory organization ("SRO"), or in any arbitration proceeding related to securities transactions? Yes  No

If yes, for each such proceeding, identify: (i) the title of the proceeding; (ii) the organization or agency; and (iii) the date(s) on which you testified.

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- 19. Have you ever been deposed in connection with any court proceeding? Yes  No

If yes, for each such proceeding, identify: (i) the title of the proceeding, and (ii) the date(s) on which you were deposed.

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- 20. Have you ever been named as a defendant or respondent in any action or proceeding brought by the SEC, any other federal agency, a state securities agency, the NASD or any stock exchange? Yes  No

If yes, for each such proceeding, identify: (i) the title of the proceeding; (ii) the agency or tribunal; (iii) the substance of the allegations; (iv) the outcome of the proceeding; and (v) the date of the outcome.

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Background Questionnaire  
Page 6

21. Have you ever been a defendant in any action (other than those listed in response to question 20) alleging violations of the federal securities laws? Yes  No

If yes, for each such proceeding, identify: (i) the title of the proceeding; (ii) the court or tribunal; (iii) the outcome of the proceeding; and (iv) the date of the outcome.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

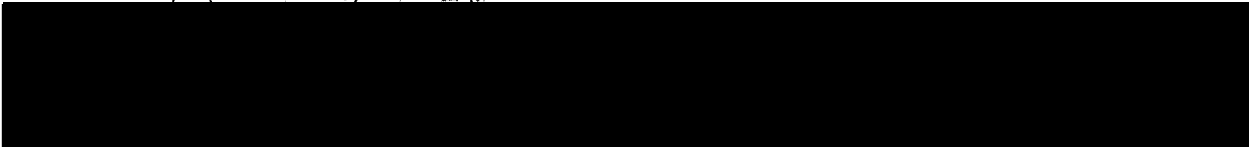
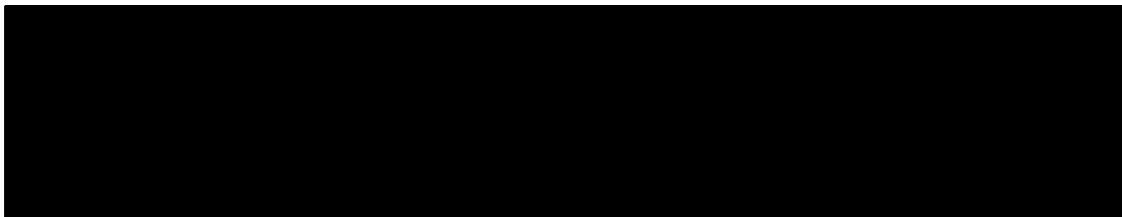
22. Have you ever been a defendant in any criminal proceeding other than one involving a minor traffic offense? Yes  No

If yes, for each such proceeding, identify: (i) the title of the proceeding; (ii) the court or tribunal; (iii) the outcome of the proceeding; and (iv) the date of the outcome.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

EDUCATIONAL HISTORY

23. Provide the requested information about each educational institution that you have attended beyond junior high school, beginning with the most recent and working backward to the date that you completed high school.



Background Questionnaire  
Page 7

City					
Dates of Attendance: Month/Year		Month/Year	Degree/Major	Month/Year of Degree	
Name of School					
City	State	Country	Zip Code		
Dates of Attendance: Month/Year to Month/Year			Degree/Major	Month/Year of Degree	

24. Other than courses taken in connection with institutions listed in response to question 23, list any securities or business related courses taken since high school. For each such course, identify the date that the course was completed and the name of the institution or organization that offered the course.

NA

PROFESSIONAL LICENSES/CLUBS

25. Do you hold, or have you ever held, any professional license? Yes  No

If yes, for each such license, identify: (i) the license; (ii) the licensing organization; (iii) the date the license was awarded; (iv) the date such license terminated, if applicable; (v) the date(s) of any disciplinary proceeding(s) against you; and (vi) the outcome of any disciplinary proceeding (e.g., reprimand, revocation).

26. or organization? Yes  No  or or

Background Questionnaire  
Page 8

If yes, list for each: (i) the name of the club or organization; (ii) its address; and (iii) the date(s) of your membership.

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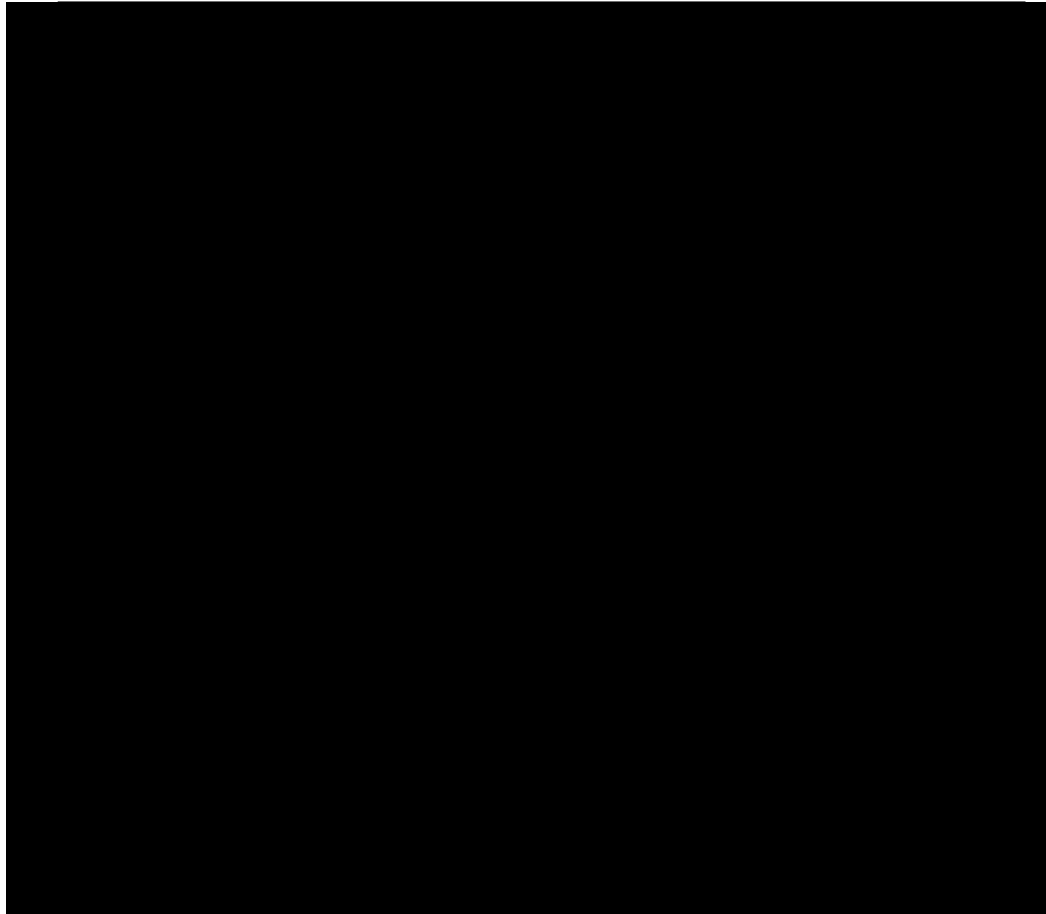
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EMPLOYMENT HISTORY

27. State your employment activities, beginning with the present and working backward to the date that you completed high school.



Background Questionnaire  
Page 9



CONTINUE ON ADDITIONAL SHEETS IF NECESSARY



---

**From:** Bolan, Greg [REDACTED]  
**Sent:** Tuesday, October 12, 2010 5:53 PM  
**To:** Ruggieri, Joseph  
**Subject:** RE: 2010 Institutional Investor All-America Votes are Out - Thank You So Much!

Dude, I am like counting the minutes at this point - may just go home a drink!!!

---

Greg T. Bolan | Vice President | Pharmaceutical Services and HCIT Equity Research  
Wells Fargo Securities LLC | 230 4th Ave North - 7TH Floor, Nashville, TN, 37219

[REDACTED] [REDACTED]

Wells Fargo Securities Healthcare Traders:

Joe Ruggieri - [REDACTED]  
[REDACTED]

Chip Short - [REDACTED]  
[REDACTED]

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---

From: Ruggieri, Joseph  
Sent: Tuesday, October 12, 2010 4:39 PM

Exhibit  
40  
- 10/6/13 DM

To: Bolan, Greg  
Subject: Re: 2010 Institutional Investor All-America Votes are Out - Thank You So Much!

Yeah biotch!! Is it thursday yet??

---

From: Bolan, Greg  
To: 'Matt Tyrmand' [REDACTED]  
Sent: Tue Oct 12 16:40:26 2010  
Subject: RE: 2010 Institutional Investor All-America Votes are Out - Thank You So Much!

Ty sir!

---

Greg T. Bolan | Vice President | Pharmaceutical Services and HCIT Equity Research  
Wells Fargo Securities LLC | 230 4th Ave North - 7TH Floor, Nashville, TN, 37219

[REDACTED] [REDACTED]

Wells Fargo Securities Healthcare Traders:

Joe Ruggieri - [REDACTED]  
[REDACTED]

Chip Short - [REDACTED]  
[REDACTED]

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---

From: Matt Tyrmand [REDACTED]  
Sent: Tuesday, October 12, 2010 3:02 PM  
To: Bolan, Greg  
Subject: RE: 2010 Institutional Investor All-America Votes are Out - Thank You So Much!

No brainer on best up and comer fella!

And #1 in CRO's in my book.

---

From: Bolan, Greg [REDACTED]  
Sent: Tuesday, October 12, 2010 4:00 PM  
Cc: Schumaker, Diane; Wickwire, Todd; Pearlstein, Sam; Jeanne, Paul; Institutional Sales All; ED - Sales and Trading  
Subject: 2010 Institutional Investor All-America Votes are Out - Thank You So Much!

To All:

Thank you so much for your support. I am truly grateful to work with high-caliber clients, an extremely capable salesforce, and a very supportive Equity Research management team. Congratulations to my colleagues and competitors who placed on this very prestigious list.

The Best Up and Comer award is bestowed on those senior analysts who have published for less than 3 years. Over the coming years, I hope to earn your support/vote to climb towards a top-3 slot.

Respectfully,

Greg

We would like to congratulate the following analysts and their teams for their rankings in the recently released 2010 Institutional Investor All-America Survey of U.S. Equity Research analysts:

Analyst (Team)

Industry

Rank

Tim Conder

(Joe Lachky, Michael Walsh)

Leisure

3

Carl Reichardt

(Adam Rudiger, Mina Park)

Homebuilders & Building Products

Runner Up

Greg Bolan

(Tim Evans)

Health Care Technology & Distribution

Best Up and Comer

On an overall basis, Wells Fargo had 31 ranked\* equity research teams plus another 50 analysts who received honorable mentions. This is well ahead of the 22 total ranked positions and 39 honorable mentions posted in 2009. We are delighted with the year-over-year gains, and expect further improvement in the coming year driven by a combination of better execution and the impact of recent key additions (nine analysts hired in 2010, most of whom initiated coverage after voting had concluded). We will forward additional rankings detail as soon as Institutional Investor makes the data available.

\* All analysts receiving 5 or more votes are ranked. "II All-Americans" are analysts that rank 1st , 2nd , 3rd or Runner-up in their sectors.

Diane Schumaker-Krieg  
Paul Jeanne

Sam Pearlstein

Todd Wickwire

---

Greg T. Bolan | Vice President | Pharmaceutical Services and HCIT Equity Research  
Wells Fargo Securities LLC | 230 4th Ave North - 7TH Floor, Nashville, TN, 37219

Wells Fargo Securities Healthcare Traders:

Joe Ruggieri - [REDACTED]  
[REDACTED]

Chip Short - [REDACTED]  
[REDACTED]

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**From:** Bolan, Greg [REDACTED]  
**Sent:** Tuesday, February 08, 2011 7:10 AM  
**To:** [REDACTED]  
**Subject:** Re: Bolan/Wells Fargo: (ATHN) ATHN: Soaring Into The Clouds--Upgrading To Outperform: Significantly Lifting Estimates And Valuation Range

Man I hope so - gonna be some unhappy folks today (aka shorties)

Yo, u wanta just head straight to bar/dinner at 5.30? Some of the corp access girls are going to Nobu 57 and invited us. I will ditch sales guy so he's not following us.

Greg Bolan  
Wells Fargo Securities, LLC  
[REDACTED]  
[REDACTED]

---

**From:** Gilliam, Robert (Decade Capital) [REDACTED]  
**To:** Bolan, Greg  
**Sent:** Tue Feb 08 07:05:49 2011  
**Subject:** Re: Bolan/Wells Fargo: (ATHN) ATHN: Soaring Into The Clouds--Upgrading To Outperform: Significantly Lifting Estimates And Valuation Range

Wow this is going to squeeze

---

**From:** Evans, Tim [REDACTED]  
**Cc:** Ruggieri, Joseph [REDACTED]  
**Sent:** Tue Feb 08 07:02:06 2011  
**Subject:** Bolan/Wells Fargo: (ATHN) ATHN: Soaring Into The Clouds--Upgrading To Outperform: Significantly Lifting Estimates And Valuation Range

Health Care IT

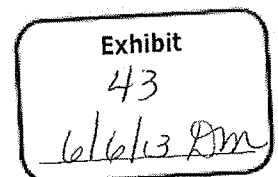
Greg T. Bolan, Senior Analyst [REDACTED] Tim Evans, Associate Analyst [REDACTED]

athenahealth, Inc. (ATHN-NASDAQ)--Outperform (1) / V

Price as of 2/8/2011: \$46.13  
FY 10 EPS: \$0.56  
FY 11 EPS: \$0.81  
Shares Out.: 35.2 MM  
Market Cap.: \$1,623.78 MM

Sector Rating: Health Care IT, Overweight

1



## Keypoints

\* Summary. In conjunction with our upgrade of ATHN shares to Outperform from Market Perform, we are materially raising our forward estimates and valuation range. The impetus for these actions is our belief that ATHN may be on the cusp of adding a growing number of large group practices to the athenahealth network. We are raising our CY2011 EPS estimate to \$0.81 from \$0.71 (above guidance of \$0.68-0.78), introducing our CY2012 EPS est of \$1.24 (consensus: \$1.05), and raising our assumed 5-yr EBITDA CAGR to 34% from 27%. As such, our DCF valuation range moves to \$62-63 from \$37-38.

\* Changing Our Tune. Previously, we had assumed that ATHN would be unsuccessful in its attempt to penetrate hospital-owned and large independent physician practices. However, our checks indicate that ATHN's sales pipeline of enterprise-size practices (corporate owned; 150+ docs) has increased significantly on a yr/yr basis. We believe several factors have led to this improvement: 1) growing number of athenahealth practice-clients being consumed by hospitals, which gives ATHN a "red carpet" introduction to hospital executives; 2) growing reception to the athenaCommunity concept, which creates a "confederated" medical chart that lowers the cost (~50%) of patient-related orders and communication between hospitals and independent practices; and 3) greater ATHN C-suite involvement in large group practice sales pitches. Overall, we believe these factors will contribute to growing brand awareness for athenahealth service offerings within the large practice segment.

\* We Think Premium Valuation is Justified. We view ATHN's cloud-based business services to be both disruptive and nascent within the world of healthcare IT client-server applications. Ultimately, we believe the fact that athenahealth is essentially selling physicians' "business results," as opposed to pre-packaged, "do-it-yourself" software, should bolster adoption of the company's service offerings. With our renewed sense of optimism towards ATHN's ability to penetrate the enterprise segment of ambulatory care, we believe the addressable market for ATHN will expand. Our 5-yr estimate for active physicians on the athenahealth network increases 35% to 81k, which propels our long-term revenue and EPS growth estimates to substantially higher levels. With that in mind, we believe ATHN shares should trade towards the high-end of the historical relative valuation to the HCIT peer group. On an EV/NTM EBITDA basis, ATHN shares have traded at a 150%-350% premium to the peer group; the stock currently trades at the low-end of this range (Exhibit 1).

See attached PDF for additional information, current pricing and disclosures

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**From:** Bolan, Greg [REDACTED]  
**Sent:** Thursday, August 12, 2010 9:57 AM  
**To:** Ruggieri, Joseph  
**Subject:** RE: Welcoming a New Cub to the Den

Totally bro - we can DEFINITELY make this work - I think we need to chat about a presentation to the analysts - get Diane and Chris behind it, so that these guys actually listen and follow through. I just got in the office - exhausted!

---

Greg T. Bolan | Vice President | Pharmaceutical Services and HCIT Equity Research  
Wells Fargo Securities LLC | 230 4th Ave North - 7TH Floor, Nashville, TN, 37219

[REDACTED]

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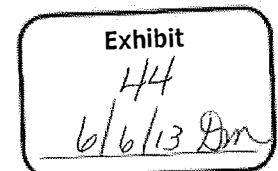
---

**From:** Ruggieri, Joseph  
**Sent:** Wednesday, August 11, 2010 6:46 PM  
**To:** Bolan, Greg  
**Subject:** Re: Welcoming a New Cub to the Den

Bro Fk it- Were partners. Together, we can lift this sector team and crush it. We have A LOT of work to do with others to get there but can do it. Biotch.

---

**From:** Bolan, Greg  
**To:** Ruggieri, Joseph



Sent: Wed Aug 11 19:30:21 2010  
Subject: Re: Welcoming a New Cub to the Den

Many props bro - it's all good in the hood biatchhhhhh

Greg Bolan  
Wells Fargo Securities, LLC  
[REDACTED]  
[REDACTED]

---

From: Ruggieri, Joseph  
To: Bolan, Greg  
Sent: Wed Aug 11 19:22:17 2010  
Subject: Re: Welcoming a New Cub to the Den

You are the man- thanks bro. Not necessary but always appreciate. Feel exactly the same likewise. Mutual love!!!

---

From: Bolan, Greg  
To: Ruggieri, Joseph  
Sent: Wed Aug 11 19:14:36 2010  
Subject: Fw: Welcoming a New Cub to the Den

What I was talking about earlier

Greg Bolan  
Wells Fargo Securities, LLC  
[REDACTED]  
[REDACTED]

---

From: Bolan, Greg  
To: Brown, Matthew  
Sent: Fri Aug 06 09:06:17 2010  
Subject: RE: Welcoming a New Cub to the Den

I've gotta tell you Matt, I have been around for about 9 years - on both the buy and sell-side - I have never such a motivated and talented trader like Joe.

Best

Greg



Tim will officially start tomorrow. His contact information will be [REDACTED]

Best,

Greg

---

Greg T. Bolan | Vice President | Pharmaceutical Services and HCIT Equity Research

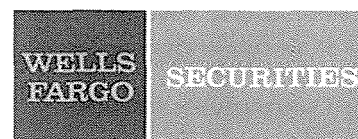
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April 7, 2010



## Equity Research

### PAREXEL International Corporation

**PRXL: Downgrading To Market Perform  
Optimism Running High And Valuation Running Even Higher**

**Market Perform / V**

Sector: Pharma Services  
Market Weight

#### Rating Change

- Summary.** We are downgrading shares of PRXL to Market Perform. The stock is up significantly YTD on the heels of an impressive FQ2 net book-to-bill of 1.4x, an upward guidance revision, and mgmt's constructive tone towards FQ3 bookings. The crux of our downgrade is predicated on three points: 1) we expect a strong net book-to-bill in FQ3 (our est is 1.3x) but we believe expectations for strong bookings is already baked into the current share price. More importantly, we think such strong performance is unsustainable throughout CY10 as continued compound pipeline restructuring is likely to continue, causing wide variation in subsequent quarterly book-to-bills, 2) the strengthening USD vs. EUR and GBP should limit potential upside to PRXL's CY10 revenue and EPS guidance, and 3) in our view, current valuation presents a more balanced near-term risk/reward scenario. We are lowering our CY10 EPS estimate to \$1.12 from \$1.14 but maintaining our CY11 EPS estimate of \$1.31. Our valuation range is unchanged at \$23-24 per share.

- CY10 Net Book-to-Bills Likely to be Choppy.** PRXL posted a very impressive net b2b of 1.4x in FQ2 and mgmt has telegraphed impressive FQ3 bookings. The company is winning business from several strategic partnerships secured over the past few quarters. While we commend PRXL mgmt for strong sales execution in a difficult environment, we are concerned that biopharma sponsors will continue purging seemingly nonviable PIIb-III compound programs throughout CY10 and, thus, create unevenness in demand for PRXL's services. Over the long run, we believe PRXL's broad global footprint and comprehensive therapeutic expertise will enable the company to benefit from an increasing outsourcing penetration rate and the globalization of clinical trials.

- FX Strikes Again.** Since PRXL updated CY10 guidance on 1/26, the USD has appreciated 5% vs. the EUR and 7% vs. the GBP. This creates a headwind for PRXL, which derives approximately 67% of revenue from operations outside of the U.S. All else equal, according to our model, this appreciation will cost PRXL about \$40-50MM in revenue and \$0.07 in EPS in CY10.

- Current Valuation Presents Balanced Risk/Reward.** PRXL is currently trading at 21.3x consensus CY10 estimates, a healthy premium to late stage peers ICLR (17.4x) and PPDI (16.4x Development EPS, ex-cash). Similarly, PRXL is trading above its 3-year historical average NTM P/E of 19.6x. With PRXL shares now trading above our valuation range, we are moving to the sidelines and will await a better entry point to initiate a new position.

EPS	2009A		2010E		2011E	
			Curr.	Prior	Curr.	Prior
Q1 (Sep.)	\$0.23	\$0.21 A	NC	NC	\$0.27	NC
Q2 (Dec.)	0.09	0.26 A	NC	NC	0.30	NC
Q3 (Mar.)	0.25	0.27	NC	NC	0.32	NC
Q4 (June)	0.27	0.29	NC	NC	0.34	NC
FY	\$0.84	\$1.03	1.04	\$1.22	1.24	
CY	\$0.99	\$1.12		\$1.31		
FY P/E	29.4x	24.0x		20.2x		
Rev.(MM)	\$1,072	\$1,122		\$1,224		

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters  
NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful

Ticker	PRXL
Price (04/06/2010)	\$24.68
52-Week Range:	\$7-25
Shares Outstanding: (MM)	58.1
Market Cap.: (MM)	\$1,433.9
S&P 500:	1,189.44
Avg. Daily Vol.:	763,624
Dividend/Yield:	\$0.00/0.0%
LT Debt: (MM)	\$220.3
LT Debt/Total Cap.:	33.0%
ROE:	13.0%
3-5 Yr. Est. Growth Rate:	15.0%
CY 2010 Est. P/E-to-Growth:	1.5x
Last Reporting Date:	01/25/2010
	After Close

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters

#### Valuation Range: \$23.00 to \$24.00

Our 12-month valuation range is based on a mix of 17x our CY11 EPS estimate and 9x our CY11 EBITDA estimate. Risks to our valuation range include: (1) cancellations due to exposure from small biopharma clients, and (2) pharma M&A.

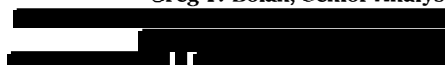
#### Investment Thesis:

While we believe PRXL is well positioned to benefit from increased outsourcing trends, our Market Perform rating reflects current valuation and near-term headwinds caused by unfavorable FX movement.

**Please see page 5 for rating definitions, important disclosures and required analyst certifications**

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Greg T. Bolan, Senior Analyst



Together we'll go far



**Company Description:**

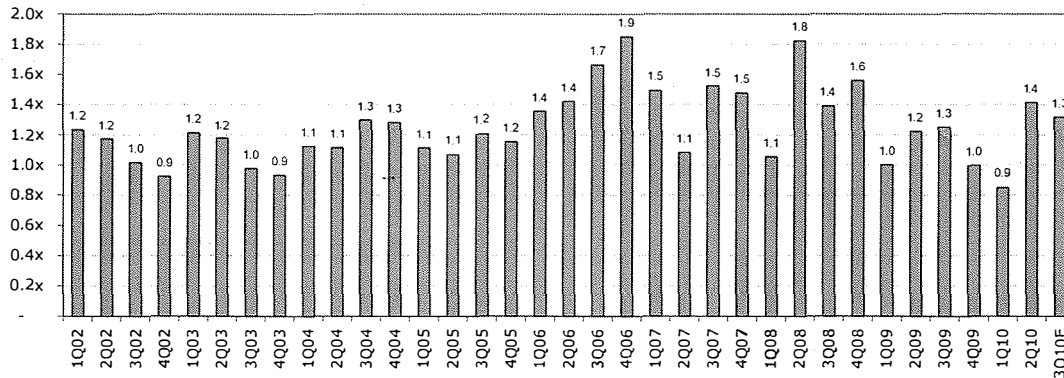
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**Exhibit 1: Summary of Estimate Changes**

Previous Estimates				New Estimates			
	CY2009A	CY2010E	CY2011E		CY2009A	CY2010E	CY2011E
<b>Total Net Revenue</b>	\$ 1,077,357	\$ 1,201,525	\$ 1,303,302	<b>Total Net Revenue</b>	\$ 1,077,357	\$ 1,168,802	\$ 1,288,344
% change yr/yr	2.0%	11.5%	8.5%	% change yr/yr	2.0%	8.5%	10.2%
% change: acq	3.4%	0.0%	0.0%	% change: acq	3.4%	0.0%	0.0%
% change: organic	5.3%	7.7%	8.9%	% change: organic	5.3%	9.4%	10.7%
% change: FX	-6.7%	3.8%	0.0%	% change: FX	-6.7%	-0.9%	-0.5%
<b>Gross Margin</b>				<b>Gross Margin</b>			
Clinical Research Services	301,320	349,334	381,432	Clinical Research Services	301,320	339,510	382,166
gross margin	36.6%	37.3%	37.3%	gross margin	36.6%	37.4%	37.9%
PCMS	43,589	44,975	47,223	PCMS	43,589	43,560	45,492
gross margin	36.8%	36.2%	36.4%	gross margin	36.8%	36.3%	36.5%
Perceptive Informatics	55,878	54,832	60,043	Perceptive Informatics	55,878	56,881	62,820
gross margin	41.5%	39.1%	39.5%	gross margin	41.5%	40.0%	40.5%
Total Gross Profit	400,787	449,142	488,698	Total Gross Profit	400,787	439,951	490,478
Total Gross Margin	37.2%	37.4%	37.5%	Total Gross Margin	37.2%	37.6%	38.1%
Wells Fargo Securities, LLC EPS	\$ 0.99	\$ 1.14	\$ 1.31	Wells Fargo Securities, LLC EPS	\$ 0.99	\$ 1.12	\$ 1.31
				Consensus EPS	\$ 1.16	\$ 1.39	

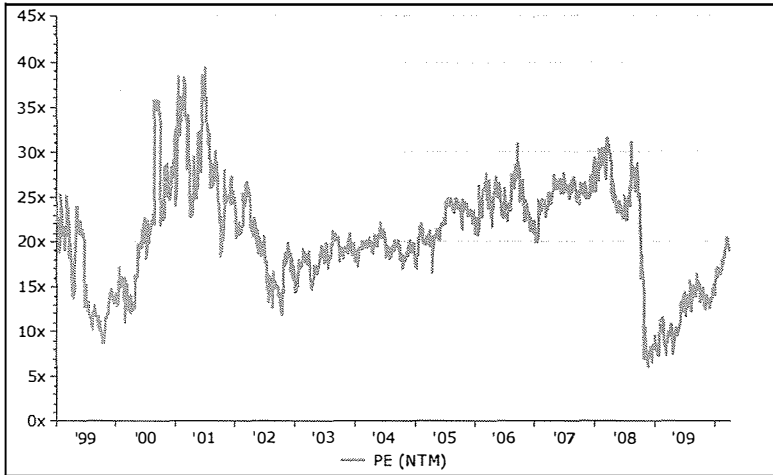
Source: Company data, First Call, and Wells Fargo Securities, LLC estimates

**Exhibit 2: PRXL Historical Net Book-to-Bill**



Source: Company data, and Wells Fargo Securities, LLC estimates

**Exhibit 3: PRXL Historical PE (NTM)**



	PE (NTM)
Current	21.3x
3-year average	19.6x

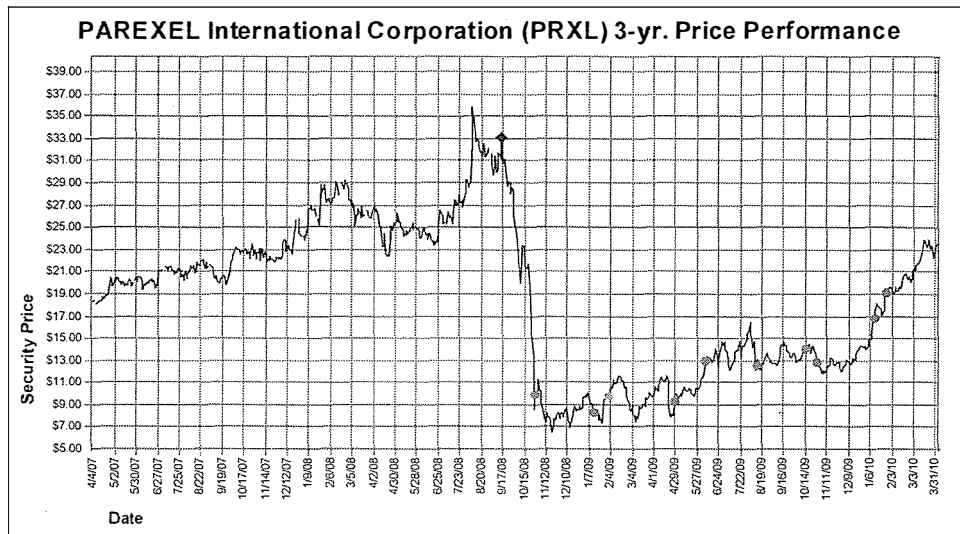
Source: Factset and Wells Fargo Securities, LLC estimates



FY June	2009				2009	2010				2010E	2011				2011E
	Q1	Q2	Q3	Q4		Q1	Q2	Q3E	Q4E		Q1E	Q2E	Q3E	Q4E	
In thousands, except EPS															
Net Revenue	\$ 263,046	\$ 275,846	\$ 264,457	\$ 268,406	\$ 1,071,755	\$ 259,763	\$ 284,731	\$ 286,832	\$ 290,839	\$ 1,122,165	\$ 289,171	\$ 301,960	\$ 310,675	\$ 321,865	\$ 1,223,672
Direct costs	171,364	192,295	165,781	165,723	695,163	166,829	178,237	178,554	180,518	704,138	181,371	188,408	192,347	197,949	760,075
SG&A	57,725	62,062	59,998	53,368	232,153	60,353	64,498	64,537	64,566	253,955	63,618	66,733	68,970	72,098	271,419
D&A	11,964	13,779	13,259	13,926	52,928	14,105	15,084	15,376	15,720	60,284	15,948	16,116	16,454	16,771	65,287
Total expenses	241,053	268,136	238,038	233,017	980,244	241,287	257,819	258,467	260,804	1,018,377	260,937	271,257	277,770	286,818	1,096,781
EBIT	21,993	7,710	26,419	35,389	91,511	18,476	26,912	28,366	30,035	103,788	28,235	30,703	32,905	35,047	126,890
Interest expense (income)	223	(3,188)	4,716	9,176	10,927	780	3,802	3,901	3,907	12,389	3,733	3,547	3,543	3,412	14,234
FX loss/(benefit)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pretax income	21,770	10,898	21,703	26,213	80,584	17,696	23,110	24,465	26,128	91,399	24,502	27,156	29,362	31,636	112,656
Minority interest	455	546	99	(221)	879	-	-	-	-	-	-	-	-	-	-
Taxes	7,696	5,144	7,400	10,800	31,140	5,255	7,984	8,807	9,406	31,452	8,821	9,776	10,570	11,388	40,556
Net income	13,619	5,208	14,204	15,534	48,565	12,441	15,126	15,658	16,722	59,946	15,681	17,380	18,792	20,247	72,100
Adjustments	-	-	-	-	-	-	(11,676)	-	-	(11,676)	-	-	-	-	-
Adj net income	13,619	5,208	14,204	15,534	48,565	12,441	3,450	15,658	16,722	48,270	15,681	17,380	18,792	20,247	72,100
GAAP EPS	0.23	0.09	0.25	0.27	0.84	0.21	0.06	0.27	0.29	0.83	0.27	0.30	0.32	0.34	1.22
Pro forma EPS	0.23	0.09	0.25	0.27	0.84	0.21	0.26	0.27	0.29	1.03	0.27	0.30	0.32	0.34	1.22
Diluted shares outstanding	58,164	57,634	57,556	57,662	57,754	58,135	58,073	58,273	58,473	58,239	58,673	58,873	59,073	59,273	58,973
EBITDA	33,957	21,489	38,678	49,315	144,439	32,581	41,996	43,741	45,754	164,072	44,182	46,819	49,359	51,818	192,178
<b>Common Size - Assumptions</b>															
Clinical Research Services	202,823	200,934	199,662	200,818	804,237	202,324	221,570	222,716	224,117	870,727	225,288	234,481	242,501	251,011	953,281
PCMS	30,111	31,931	29,176	30,567	121,785	28,821	29,731	29,981	30,125	118,657	29,205	30,687	31,188	31,329	122,409
Perceptive Informatics	30,112	42,981	35,619	37,021	145,733	28,618	33,430	34,135	36,597	132,780	34,679	36,791	36,987	39,525	147,981
Total Net Revenue	263,046	275,846	264,457	268,406	1,071,755	259,763	284,731	286,832	290,839	1,122,165	289,171	301,960	310,675	321,865	1,223,672
Clinical Research Services	70,921	70,207	71,800	74,059	286,987	73,042	82,419	83,741	84,716	323,919	83,356	87,696	92,150	96,639	359,842
gross margin	35.0%	34.9%	36.0%	36.9%	35.7%	36.1%	37.2%	37.6%	37.8%	37.2%	37.0%	37.4%	38.0%	38.5%	37.7%
PCMS	9,948	11,164	11,336	11,114	43,562	10,390	10,749	10,883	10,965	42,987	10,572	11,139	11,384	11,466	44,562
gross margin	33.0%	35.0%	38.9%	36.4%	35.8%	36.1%	36.2%	36.3%	36.4%	36.2%	36.2%	36.3%	36.5%	36.6%	36.4%
Perceptive Informatics	10,813	17,180	15,540	17,510	61,043	9,502	13,326	13,654	14,639	51,121	13,871	14,716	14,795	15,810	59,193
gross margin	35.9%	40.0%	43.6%	47.3%	41.9%	33.2%	39.9%	40.0%	40.0%	38.5%	40.0%	40.0%	40.0%	40.0%	40.0%
Total Gross Profit	91,682	98,551	98,676	102,683	391,592	92,934	105,494	108,278	110,321	418,027	107,800	113,552	118,329	123,918	463,596
Total Gross Margin	34.8%	30.3%	37.3%	38.3%	35.1%	35.8%	37.4%	37.7%	37.9%	37.3%	37.3%	37.6%	38.1%	38.5%	37.9%
SG&A	21.9%	22.5%	22.3%	19.9%	21.7%	23.2%	22.7%	22.5%	22.2%	22.6%	22.0%	22.1%	22.2%	22.4%	22.2%
EBITDA	12.9%	7.8%	15.0%	18.4%	13.5%	12.5%	14.7%	15.2%	15.7%	14.6%	15.3%	15.5%	15.9%	16.1%	15.7%
D&A	4.5%	5.0%	5.0%	5.2%	4.9%	5.4%	5.3%	5.4%	5.4%	5.4%	5.5%	5.3%	5.3%	5.2%	5.3%
Consolidated EBIT margin	8.4%	2.8%	10.0%	13.2%	8.5%	7.1%	9.5%	9.9%	10.3%	9.2%	9.8%	10.2%	10.6%	10.9%	10.4%
Interest expense (income)	0.1%	-1.2%	1.8%	3.4%	1.0%	0.3%	1.3%	1.4%	1.3%	1.1%	1.3%	1.2%	1.1%	1.1%	1.2%
FX loss/(benefit)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Pretax income	8.3%	4.0%	8.2%	9.8%	7.5%	6.8%	8.1%	8.5%	9.0%	8.1%	8.5%	9.0%	9.5%	9.8%	9.2%
Tax rate	35.4%	47.2%	34.1%	41.6%	38.6%	28.7%	34.5%	36.0%	36.0%	34.4%	36.0%	36.0%	36.0%	36.0%	36.0%
Net income	5.2%	1.9%	5.4%	5.8%	4.5%	4.8%	5.3%	5.5%	5.7%	5.3%	5.4%	5.8%	6.0%	6.3%	5.9%
Adjusted net income	5.2%	1.9%	5.4%	5.8%	4.5%	4.8%	1.2%	5.5%	5.7%	4.3%	5.4%	5.8%	6.0%	6.3%	5.9%

Source: Company data and Wells Fargo Securities, LLC estimates

## Required Disclosures



	Date	Publication Price (\$)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price (\$)
	9/16/2008		Bolan			
◆	9/16/2008	33.18	2	32.00	34.00	33.18
●	10/29/2008	9.08	2	11.00	13.00	9.89
●	1/14/2009	8.83	2	10.00	12.00	8.23
▲ ●	2/2/2009	9.90	1	14.00	16.00	9.99
●	4/28/2009	8.08	1	12.00	14.00	9.23
●	6/8/2009	12.90	1	15.00	17.00	13.02
●	8/12/2009	12.14	1	14.00	15.00	12.57
●	10/14/2009	14.09	1	15.00	16.00	14.09
●	10/29/2009	12.48	1	14.50	15.50	12.85
●	1/12/2010	16.97	1	18.00	19.00	16.76
●	1/27/2010	19.43	1	23.00	24.00	19.18

Source: Wells Fargo Securities, LLC estimates and Reuters data

**Symbol Key**

- ▼ Rating Downgrade
- ▲ Rating Upgrade
- Valuation Range Change

- ◆ Initiation, Resumption, Drop or Suspend
- Analyst Change
- Split Adjustment

**Rating Code Key**

- 1 Outperform/Buy
- 2 Market Perform/Hold
- 3 Underperform/Sell
- SR Suspended
- NR Not Rated
- NE No Estimate

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- 2) No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by me in this research report.

- Wells Fargo Securities, LLC maintains a market in the common stock of PAREXEL International Corporation.

**PRXL:** Risks to our valuation range include: (1) cancellations due to exposure from small biopharma clients, and (2) pharma M&A.

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**1=Outperform:** The stock appears attractively valued, and we believe the stock's total return will exceed that of the market over the next 12 months. BUY

**2=Market Perform:** The stock appears appropriately valued, and we believe the stock's total return will be in line with the market over the next 12 months. HOLD

**3=Underperform:** The stock appears overvalued, and we believe the stock's total return will be below the market over the next 12 months. SELL

**SECTOR RATING**

**O=Overweight:** Industry expected to outperform the relevant broad market benchmark over the next 12 months.

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As of: April 7, 2010

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**Sent:** Tuesday, April 06, 2010 7:39 PM  
**To:** [REDACTED]  
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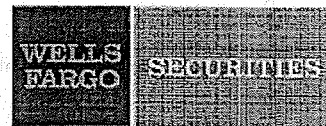
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Exhibit  
47  
6/6/13 Am

March 29, 2010



## Equity Research

### PAREXEL International Corporation

**PRXL: Optimism Running High, and Valuation Running Even Higher  
Downgrading to Market Perform**

**Outperform / V**

Sector: Pharma Services  
Market Weight

- Summary.** We are downgrading shares of PRXL to Market Perform. The stock is up 75% YTD on the heels of an impressive FQ2 net book-to-bill of 1.4x, an upward guidance revision, and mgmt's constructive tone towards FQ3 bookings. The crux of our downgrade is predicated on three points: 1) we expect a strong net book-to-bill in FQ3 (our est is 1.3x) but we believe expectations for strong bookings is already baked into the current share price. More importantly, we think such strong performance is unsustainable throughout CY10 as continued compound pipeline restructuring is likely to continue, causing wide variation in subsequent quarterly book-to-bills, 2) the strengthening USD vs. EUR and GBP should limit potential upside to PRXL's CY10 revenue and EPS guidance, and 3) current valuation presents a more balanced near-term risk/reward scenario. We are lowering our CY10 EPS estimate to \$1.12 from \$1.14 but maintaining our CY11 EPS estimate of \$1.31. Our valuation range is unchanged at \$23-24 per share.

- CY10 Net Book-to-Bills Likely to be Choppy.** PRXL posted a very impressive net b2b of 1.4x in FQ2 and mgmt has telegraphed impressive FQ3 bookings. The company is winning business from several strategic partnerships secured over the past few quarters. While we commend PRXL mgmt for strong sales execution in a difficult environment, we are concerned that biopharma sponsors will continue purging seemingly nonviable PIIB-III compound programs throughout CY10 and, thus, create unevenness in demand for PRXL's services. Over the long run, we believe PRXL's broad global footprint and comprehensive therapeutic expertise will enable the company to benefit from an increasing outsourcing penetration rate and the globalization of clinical trials.

- FX Strikes Again.** Since PRXL updated CY10 guidance on 1/26, the USD has appreciated 5% vs. the EUR and 7% vs. the GBP. This creates a headwind for PRXL, which derives approximately 67% of revenue from operations outside of the U.S. All else equal, according to our model, this appreciation will cost PRXL about \$40-50MM in revenue and \$0.07 in EPS in CY10.

- Current Valuation Presents Balanced Risk/Reward.** PRXL is currently trading at 21.3x consensus CY10 estimates, a healthy premium to late stage peers ICLR (17.4x) and PPDI (16.4x Development EPS, ex-cash). Similarly, PRXL is trading above its 3-year historical average NTM PE of 19.6x. With PRXL shares now trading above our valuation range, we are moving to the sidelines and will await a better entry point to initiate a new position.

#### Valuation Range: \$23.00 to \$24.00

Our 12-month valuation range is based on a mix of 17x our CY11 EPS estimate and 9x our CY11 EBITDA estimate. Risks to our valuation range include: (1) cancellations due to exposure from small biopharma clients, and (2) pharma M&A.

#### Investment Thesis:

While we believe PRXL is well positioned to benefit from increased outsourcing trends, our Market Perform rating reflects current valuation and near-term headwinds caused by unfavorable FX movement.

Please see page 4 for rating definitions, important disclosures and required analyst certifications

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#### Earnings Estimate Revised Down

EPS	2009A		2010E		2011E	
			Curr.	Prior	Curr.	Prior
Q1 (Sep.)	\$0.23	\$0.21A	NC	NC	\$0.27	NC
Q2 (Dec.)	0.09	0.26A	NC	NC	0.30	NC
Q3 (Mar.)	0.25	0.27	NC	NC	0.32	NC
Q4 (June)	0.27	0.29	NC	NC	0.34	NC
FY	\$0.84	\$1.03	1.04	\$1.22	1.24	
CY	\$0.99	\$1.12		\$1.31		
FXP/E	29.3x	23.9x		20.2x		
Rev(MM)	\$1,072	\$1,122		\$1,224		

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters  
NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful

Ticker	PRXL
Price (04/06/2010)	\$24.65
52-Week Range:	\$7-25
Shares Outstanding: (MM)	58.1
Market Cap.: (MM)	\$1,431.9
S&P 500:	1,190.55
Avg. Daily Vol.:	763,624
Dividend/Yield:	\$0.00/0.0%
LT Debt: (MM)	\$220.3
LT Debt/Total Cap.:	33.0%
ROE:	13.0%
3-5 Yr. Est. Growth Rate:	15.0%
CY 2010 Est. P/E-to-Growth:	1.5x
Last Reporting Date:	01/25/2010
	After Close

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters

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Together we'll go far

**Company Description:**

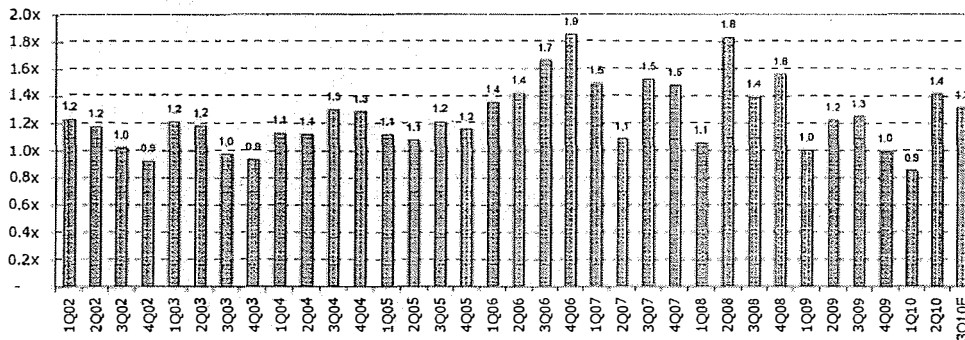
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**Exhibit 1: Summary of Estimate Changes**

	Previous Estimates			New Estimates		
	CY2009A	CY2010E	CY2011E	CY2009A	CY2010E	CY2011E
Total Net Revenue	\$ 1,077,357	\$ 1,201,525	\$ 1,303,302	\$ 1,077,357	\$ 1,168,802	\$ 1,288,314
% change yr/r	2.0%	11.5%	8.3%	2.0%	8.5%	10.2%
% change: acq	3.4%	0.0%	0.0%	3.4%	0.0%	0.0%
% change: organic	5.3%	7.7%	8.5%	5.3%	9.4%	10.7%
% change: FX	-6.7%	3.8%	0.0%	-6.7%	-0.9%	-0.5%
Gross Margin						
Clinical Research Services	301,320	349,334	381,432	301,320	335,510	362,105
gross margin	36.8%	37.3%	37.3%	36.8%	37.4%	37.9%
PCMS	43,589	44,975	47,223	43,589	43,560	45,492
gross margin	38.0%	36.2%	36.4%	38.0%	36.3%	36.5%
Perceptive Informatics	55,878	54,832	60,043	55,878	56,881	62,620
gross margin	41.5%	39.1%	39.5%	41.5%	40.0%	40.5%
Total Gross Profit	400,787	449,142	488,688	400,787	438,551	460,478
Total Gross Margin	37.2%	37.4%	37.5%	37.2%	37.6%	38.1%
Wells Fargo Securities, LLC EPS	\$ 0.99	\$ 1.14	\$ 1.31	\$ 0.99	\$ 1.12	\$ 1.31
Consensus EPS				\$ 1.18	\$ 1.39	

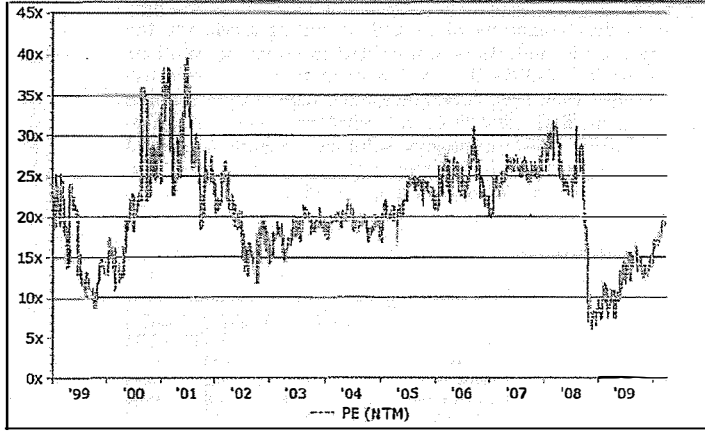
Source: Company data, First Call, and Wells Fargo Securities, LLC estimates

**Exhibit 2: PRXL Historical Net Book-to-Bill**



Source: Company data, and Wells Fargo Securities, LLC estimates

**Exhibit 3: PRXL Historical PE (NTM)**

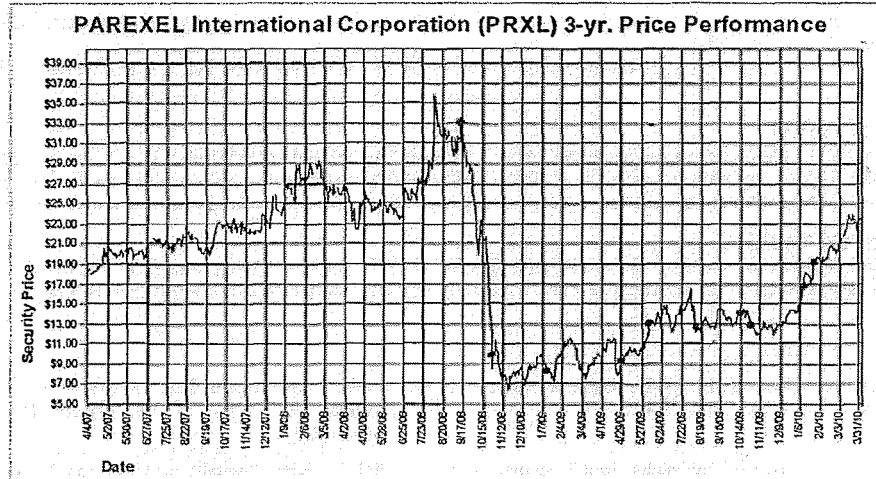


PE (NTM)	
Current	21.3x
3-year average	19.6x

Source: Factset and Wells Fargo Securities, LLC estimates



## Required Disclosures



	Date	Publication Price (\$)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price (\$)
	9/16/2008		Solart			
◆	9/16/2008	33.18	2	32.00	34.00	33.18
●	10/29/2008	9.06	2	11.00	13.00	9.89
▲	1/14/2009	8.83	2	10.00	12.00	8.23
▲ ●	2/2/2009	9.90	1	14.00	16.00	9.99
■	4/28/2009	8.08	1	12.00	14.00	9.23
■	6/8/2009	12.90	1	15.00	17.00	13.02
■	8/12/2009	12.14	1	14.00	15.00	12.57
■	10/14/2009	14.09	1	15.00	16.00	14.09
■	10/29/2009	12.48	1	14.50	15.50	12.85
■	1/12/2010	16.97	1	18.00	19.00	16.76
■	1/27/2010	19.43	1	23.00	24.00	19.18

Source: Wells Fargo Securities, LLC estimates and Reuters data

## Symbol Key

- ▼ Rating Downgrade
- ▲ Rating Upgrade
- Valuation Range Change

- ◆ Initiation, Resumption, Drop or Suspend
- Analyst Change
- Split Adjustment

## Rating Code Key

- 1 Outperform/Buy
- 2 Market Perform/Hold
- 3 Underperform/Sell
- SR Suspende
- NR Not Rated
- NE No Estimate

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- 1) All views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers discussed; and
- 2) No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by me in this research report.

- Wells Fargo Securities, LLC maintains a market in the common stock of PAREXEL International Corporation.

**PRXL:** Risks to our valuation range include: (1) cancellations due to exposure from small biopharma clients, and (2) pharma M&A.

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**PAREXEL International Corporation**

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**1=Outperform:** The stock appears attractively valued, and we believe the stock's total return will exceed that of the market over the next 12 months. BUY

**2=Market Perform:** The stock appears appropriately valued, and we believe the stock's total return will be in line with the market over the next 12 months. HOLD

**3=Underperform:** The stock appears overvalued, and we believe the stock's total return will be below the market over the next 12 months. SELL

**SECTOR RATING**

**O=Overweight:** Industry expected to outperform the relevant broad market benchmark over the next 12 months.

**M=Market Weight:** Industry expected to perform in-line with the relevant broad market benchmark over the next 12 months.

**U=Underweight:** Industry expected to underperform the relevant broad market benchmark over the next 12 months.

**VOLATILITY RATING**

**V =** A stock is defined as volatile if the stock price has fluctuated by +/-20% or greater in at least 8 of the past 24 months or if the analyst expects significant volatility. All IPO stocks are automatically rated volatile within the first 24 months of trading.

As of: March 29, 2010

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Wells Fargo Securities, LLC has provided investment banking services for 39% of its Equity Research Outperform-rated companies.

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Wells Fargo Securities, LLC has provided investment banking services for 42% of its Equity Research Underperform-rated companies.

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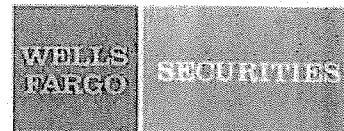
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June 15, 2010



## Equity Research

### Covance Inc.

**CVD: Opportunities Multiply As CVD Seizes Them--Upgrading Rating Revising Estimates--Increasing Valuation Range**

**Outperform**

Sector: Pharma Services  
Market Weight

**Rating Change**

- Summary.** We are upgrading shares of Covance to Outperform and raising our valuation range to \$62-64 per share from \$58-59. Given the fact that CVD is highly levered to the preclinical sub-segment of compound development, we believe this upgrade parlays well with our thesis that IND-enabling activity will improve over the foreseeable future. We believe Covance is a best-of-breed operator that carries significant market share within the outsourced Early and Late-stage (ED and LD) sub-segments of drug development. In our view, the breadth and depth of Covance's service offerings, coupled with its flush balance sheet, positions the company as a strategic partner of choice for large biopharma sponsors seeking to rationalize inefficient resources. All in, we believe Covance will achieve superior growth in backlog, sales, and earnings to that of most its peers. As such, we believe Covance's historical premium valuation is warranted and we feel quite comfortable advising investors to actively accumulate shares of CVD at these price levels. We are slightly adjusting our 2010/2011 EPS ests to \$2.50 and \$3.08 from \$2.52 and \$3.06, respectively. We are also introducing our 2012 EPS est of \$3.54.

- Our Segment Projections Over the Next Several Years.** For 2010, we are modeling for consolidated, constant dollar revenue growth of 6.6% yr/yr; this is comprised of 6.3% growth from ED and 6.9% from Late-Stage Dev'p. For 2011, we are modeling for consolidated, constant dollar revenue growth of 11.6% yr/yr; this is comprised of 7.6% growth from ED and 14.5% from Late-Stage Dev'p.

- Why Upgrade Now?** We have spoken to multiple contacts within the preclinical industry and, unlike similar conversations 3-6 months ago, we have come up with consistently positive indications that demand for outsourced preclinical services is on the rise. While the most optimistic data-points relate to demand for specialty toxicology studies, we have picked up solid evidence that general tox study volumes are slowly picking up. All this said, we are fully aware that false starts can occur and that a recovery in outsourced preclinical activity may be quite bumpy, but we are taking the stance that, over the next 12-24 months, CVD's Early Dev'p revenues pick up considerably. Given our belief that an incremental dollar flowing through CVD's Early Dev'p P&L contributes substantially to the company's consolidated results, we believe our 2011/2012 EPS ests may prove to be conservative.

**Valuation Range: \$62.00 to \$64.00 from \$58.00 to \$59.00**

Our valuation range represents a weighted 20.2x P/E and 10.1x EV/EBITDA on our 2011 EPS and EBITDA estimates, respectively. This represents a 12% premium to our peer group target multiples, which is consistent with the 10-yr avg. Risks to our valuation range include: 1) intense competition and excess capacity in the preclinical market, and 2) late-stage cancellations.

**Investment Thesis:**

We believe Covance is well diversified across all sub-segments of drug development and ideally positioned for above-industry growth over the foreseeable future; hence, our Outperform rating.

Please see page 7 for rating definitions, important disclosures and required analyst certifications

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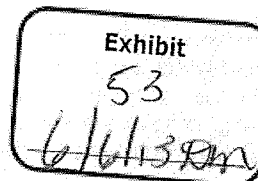
EPS	2009A		2010E		2011E	
			Curr.	Prior	Curr.	Prior
Q1 (Mar.)	\$0.63	\$0.60A		NC	\$0.70	0.69
Q2 (June)	0.66	0.50		NC	0.74	NC
Q3 (Sep.)	0.67	0.64		0.65	0.79	NC
Q4 (Dec.)	0.64	0.75		0.76	0.85	0.84
FY	\$2.60	\$2.50	2.52		\$3.08	3.06
CY	\$2.60	\$2.50			\$3.08	
FYP/E	20.9x	21.7x			17.6x	
Rev.(MM)	\$1,868	\$1,956			\$2,155	

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters  
NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful

Ticker	CVD
Price (06/14/2010)	\$54.25
52-Week Range:	\$43-64
Shares Outstanding: (MM)	64.9
Market Cap.: (MM)	\$3,520.8
S&P 500:	1,095.47
Avg. Daily Vol.:	713,382
Dividend/Yield:	\$0.00/0.0%
LT Debt: (MM)	\$0.0
LT Debt/Total Cap.:	0.0%
ROE:	12.0%
3-5 Yr. Est. Growth Rate:	12.0%
CY 2010 Est. P/E-to-Growth:	1.8x
Last Reporting Date:	04/28/2010
	After Close

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters

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Together we'll go far



**Pharma Services**

**Company Description:**

Covance, Inc., a drug development services company with global operations in more than 20 countries and more than 9,000 employees worldwide, provides early-stage and late-stage product development services primarily to the pharmaceutical, biotechnology, and medical device industries worldwide. The company also offers laboratory testing services to the chemical, agrochemical, and food industries. The company was founded in 1987 and is based in Princeton, New Jersey.

**Opportunities Multiply as Covance Seizes Them**

As we think about Covance's opportunity to seize transformational R&D partnerships with biopharma sponsors, we thought it befitting to borrow a quote from Sun Tzu's historic treatise, the Art of War: "opportunities multiply as they are seized."

In our view, Covance is creating opportunities to bend the curve of spending on drug/biologic development. While sponsors know they have to approach the entire R&D process differently, we're not convinced they know exactly how to change processes that have been in place for decades. Some of sponsors' willingness to change the R&D paradigm is due to processes that have now proven ineffective (90% of big pharma's revenues derived from medicines that have been on the market for >5 years) and some of it may be generational change within the executive ranks of big pharma. Regardless of the reasons, in our view, change is needed...change is happening. Of course, there is a substantial difference between wanting to change and actually knowing what to do in order to change.

Over the past several decades, Covance has established an infrastructure - facilities, scientific talent, and leadership - that looks and feels very similar to a large pharma's R&D platform. The major difference between the two platforms, in our view, is that Covance is keenly focused on the "operational" piece of R&D. We feel that a key flaw that has hampered large pharma's ability to successfully progress compounds from the discovery labs through full-ledged human trials is the failure of R&D managers to recognize or admit that they are unable to master both the "cognitive" and the "operational" pieces of drug development. We define the cognitive piece of R&D to be target identification through lead optimization ("R"), while the operational side of R&D starts with preclinical studies and progresses through PIII clinical trials ("D"). In our view, a scientist, or team of scientists, who have birthed a new molecular entity feels an unrelenting desire to champion the protocol and trial design for the molecule's development pathway. There are multiple issues with this desire, but just to call out one: this approach creates a bias towards keeping the molecule "alive" even after go/no-go studies suggest the compound program should be "killed." While the principal purpose of using a CRO is to progress a compound through the stages of dev'p faster and, at times, cheaper than could be done in-house, full service CROs like Covance can present an objective evaluation of a compound's viability; and now that CROs, like Covance, offer late-discovery efficacy studies (arguably "cognitive"), R&D managers might gain greater conviction in compounds that are pushed into IND-enabling studies.

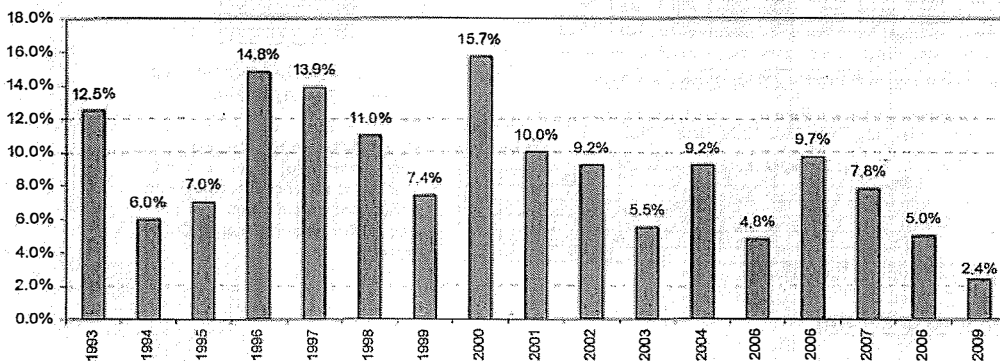
As large pharma sponsors increasingly look for ways to bring more compounds to market faster and cheaper, we believe they will look to partner with CROs with high-throughput capabilities across the full spectrum of drug/biologic development. We believe Covance's service offerings are well aligned with large pharma sponsors and, to that end, we think the company will continue to negotiate novel, long-term strategic partnerships, like those inked with Eli Lilly, Merck, and Otsuka.

**Tides Will Rise Again - Buoyancy is Key**

In our view, we are still in the early stages of a fundamental shift in the outsourced drug dev'p paradigm, and while it may be a bumpy road, we believe the breadth and depth of Covance's service offerings, coupled with its flush balance sheet, positions the company as a strategic partner of choice for large biopharma sponsors seeking to rationalize inefficient resources. All in, we believe Covance will achieve superior growth in backlog, sales, and earnings to that of most its peers.

Without question, we believe biopharma R&D growth is slowing and will remain depressed off of historical levels. According to the latest report from PhRMA, R&D expenditures by member companies increased 2.4% in 2009. This is the lowest growth rate since PhRMA began reporting the data in 1970, and a significant deceleration compared to the 9% average over the last decade. We do not think biopharma R&D growth will rebound to this high single digit average, but rather vacillate around an average of 1-2% per year over the next three to five years. Despite our assumption for such anemic growth, we believe the CRO industry can grow constant currency revenue around 6-8% as the percent of outsourced R&D (a/k/a penetration rate) accelerates.

#### Exhibit 1: Year-over-Year Growth in R&D for PhRMA Member Companies

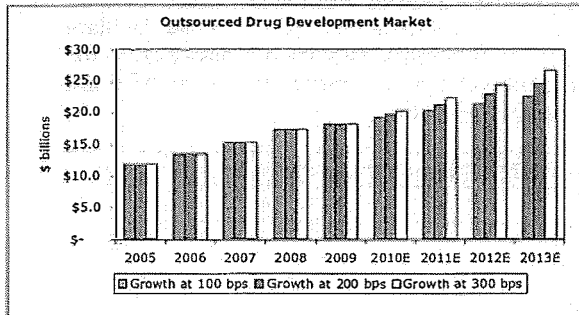


Source: PhRMA and Wells Fargo Securities, LLC estimates

We believe the primary driver of an accelerating penetration rate will be a growing number of strategic partnerships/alliances between large biopharma sponsors and dominant, multi-national CROs, like Covance; this should create a global shift away from smaller CROs with niche geographic and/or therapeutic expertise.

As a point of reference, Covance projects the CRO industry will expand by a 6.2% CAGR over the next five years, while development spending should grow at a 3.1% CAGR. Moreover, the company believes it will grow sales by 10-12% yr/yr over the next 5 years; we fully support this projection. Through 2012, we currently project Covance to grow backlog 10% yr/yr, constant dollar sales to grow 11% yr/yr, and EPS to grow 19% yr/yr. Looking beyond 2012, we believe Covance's top-line should grow at a low-double digit rate, while EPS should grow in the mid-teens.

**Exhibit 2: Our Outsourced Drug Development Market Growth Estimates**



Average Outsourced Drug Development Market Growth CAGR '09 - '13E

2%	5%
1%	6%
0%	7%
1%	8%
2%	8%
3%	9%
4%	10%
5%	11%
6%	12%
7%	13%
8%	14%

	2005	2006	2007	2008	2009	2010E	2011E	2012E	2013E	CAGR '10E-'13E
Penetration In billions	\$ 11.9	\$ 13.6	\$ 15.3	\$ 17.4	\$ 18.3	\$ 19.3	\$ 20.3	\$ 21.4	\$ 22.6	
Growth at 100 bps		14.2%	12.8%	13.9%	5.1%	5.3%	5.4%	5.4%	5.5%	5%
Growth at 200 bps	\$ 11.9	\$ 13.6	\$ 15.3	\$ 17.4	\$ 18.3	\$ 19.8	\$ 21.3	\$ 22.9	\$ 24.6	
Growth at 300 bps		14.2%	12.8%	13.9%	5.1%	8.0%	7.8%	7.6%	7.4%	8%
Average						10.7%	10.1%	9.6%	9.1%	10%

Source: PhRMA and Wells Fargo Securities, LLC estimates

• We estimate Biopharma R&D will grow 1% yr/yr through 2013

• Sensitivity analysis shows outsourced drug development market is far more sensitive to penetration rate than underlying Biopharma R&D growth

**Lots of Leverage in the Model**

With nearly 75% of revenues derived from lab-based businesses, we believe Covance is highly levered to a pick-up in outsourced preclinical-PIV dev'p work. More specifically, we think the majority of potential upside to our forward estimates is a resurgence in preclinical activity. Nearly 20% of CVD's revenues are derived from both general and specialty toxicology services, and as capacity utilization has dropped from the peak mid-80% level in early 2008 to our anecdotal estimate of around mid-60's for the outsourced preclinical industry (we think CVD's utilization is probably higher), the impact on CVD's Early Dev'p margins has proven devastating. However, we believe the preclinical industry is on the cusp of a moderate recovery as biopharma sponsors refocus energy on early-stage compounds, largely in-licensed, that could replenish exhausted late-stage pipelines over the next several years.

For 2011, we are modeling for consolidated, constant dollar revenue growth of 11.6% yr/yr; this is comprised of 7.6% growth from ED and 14.5% from Late-Stage Dev'p.

We are modeling for ED margins to expand from 13.6% in 2010 to 15.9% in 2011. Given our estimate that ED sales growth will expand by 170 bps in 2011, or \$58MM, we believe our assumption for ED margin expansion is quite achievable. Our conviction comes from the idea that incremental operating margins on CVD's ED segment revenues are probably around 50%. We should note that for every 100 bp improvement in our 2011 ED revenue growth projection, CVD's EPS increases by \$0.06, assuming that the corresponding increase in ED op margin is 50 bps.

For LD, we are modeling for op margins to increase from 22.2% in 2010 to 22.5% in 2011. This expansion is largely due to improved FTE utilization within the clinical segment.

As for unallocated corporate overhead expense, we are modeling for 7.4%, which would be essentially in line with our 2010 forecast; we should note that management's guidance for 2010 calls for corporate overhead to be "approximately 7%." We have assumed tax rate remains flat yr/yr, or about 25%.

As for the impact of FX on CVD's EPS, we have modeled in a headwind of \$0.10 in 2010, relative to CVD's most recent guidance update in April, and \$0.05 in 2011. Our 2010 EPS estimate drops by only \$0.02 (\$2.50) and our 2011 EPS estimate rises by \$0.02 (\$3.08) due to our assumption of a higher rate of revenue growth and corresponding margin expansion in CVD's ED segment. Covance

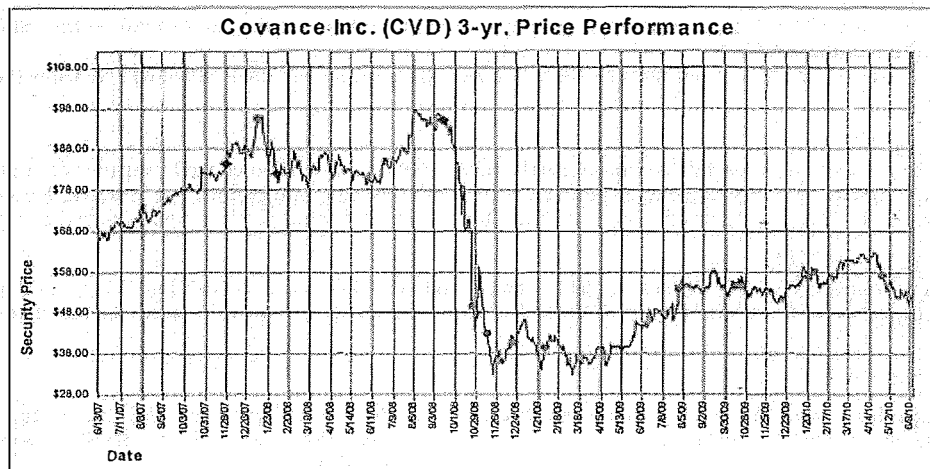
management is currently guiding to EPS of \$2.40-2.65 on 5-8% yr/yr growth in net revenues; recall that EPS guidance includes \$0.09 of expense in 2Q related to recent layoffs and a \$0.03 benefit in 4Q from the associated cost savings.



FY December	2009				2010				2011				2012			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1E	Q2E	Q3E	Q4E	2011E	2012E		
Numerical disposition: 000's																
Net revenue	441,236	466,04	476,284	485,063	\$1,887,634	481,924	480,856	491,189	502,327	\$1,956,335	\$19,515	\$28,810	549,962	\$56,854	\$2,155,152	\$2,381,567
Direct costs	301,725	313,210	324,311	337,896	1,277,142	332,516	333,261	339,411	339,071	1,344,259	348,075	354,303	366,474	373,099	1,443,952	1,583,742
SG&A	63,054	69,56	69,526	67,544	270,593	71,800	79,717	71,186	72,171	284,884	84,585	83,347	84,762	81,311	334,014	369,233
D&A	19,614	23,273	23,649	24,753	91,289	24,744	24,964	25,637	26,108	101,353	26,600	27,283	27,800	28,422	110,264	119,431
Total expenses	385,293	406,052	417,486	430,193	1,639,024	429,050	437,942	436,145	437,349	1,730,496	459,359	464,932	481,096	487,832	1,888,220	2,072,406
EBIT	55,943	59,997	57,798	54,872	228,610	52,864	42,854	55,044	64,978	215,839	60,155	63,878	68,866	74,033	286,932	309,161
Interest expense (income)	(83)	160	181	(57)	201	(65)	(172)	(180)	(192)	(609)	(204)	(216)	(229)	(246)	(654)	(1,158)
FX (gain)/Loss - other	(448)	1,241	(803)	353	245	1,153	-	-	-	1,153	-	-	-	-	-	-
Charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pretax income	56,472	58,598	58,520	54,576	228,164	51,776	43,125	55,224	65,170	215,295	60,360	64,094	69,095	74,278	257,826	310,317
Taxes	16,349	15,822	15,563	13,820	61,554	13,054	10,873	13,923	16,431	54,281	15,218	16,160	17,420	18,727	67,526	78,38
Equity investee	172	(210)	106	779	507	410	418	427	(37)	1,701	482	460	478	484	1,874	2,071
Net income	40,295	42,564	43,123	41,515	167,517	39,141	32,670	41,728	49,176	162,715	45,593	48,394	52,152	56,035	202,174	234,149
Adj net income	40,295	42,564	51,062	41,535	175,456	39,141	32,670	41,728	49,176	162,715	45,593	48,394	52,152	58,035	202,174	234,149
GAAP EPS	\$ 0.63	\$ 0.66	\$ 0.79	\$ 0.64	\$ 2.73	\$ 0.60	\$ 0.50	\$ 0.64	\$ 0.75	\$ 2.50	\$ 0.70	\$ 0.74	\$ 0.79	\$ 0.85	\$ 3.08	\$ 3.54
Proforma EPS	\$ 0.63	\$ 0.68	\$ 0.67	\$ 0.64	\$ 2.60	\$ 0.60	\$ 0.50	\$ 0.64	\$ 0.76	\$ 2.50	\$ 0.70	\$ 0.74	\$ 0.79	\$ 0.85	\$ 3.08	\$ 3.64
Diluted shares outstanding	63,941	64,194	64,473	64,541	64,341	64,933	65,033	65,183	65,333	65,121	65,433	65,533	65,683	65,833	65,621	66,121
EBITDA	76,587	83,270	81,447	79,825	319,899	77,608	67,918	80,591	81,088	317,182	86,845	91,161	96,725	102,455	377,188	428,682
Common Size - Assumptions																
Net Revenue																
Early Development	192,505	199,767	196,409	203,120	791,801	205,049	205,560	207,015	215,307	832,932	215,505	219,333	223,162	232,532	890,533	957,598
Late-stage Dev	248,731	269,269	278,875	281,945	1,075,833	276,875	275,336	284,172	287,000	1,123,404	304,000	309,477	325,800	324,333	1,264,618	1,423,969
Total	441,236	468,049	475,284	485,065	1,867,634	481,924	480,896	491,189	502,327	1,956,335	519,515	528,810	549,962	556,864	2,155,152	2,381,567
Direct costs	68.4%	67.2%	68.2%	69.7%	68.4%	69.0%	69.3%	69.1%	67.5%	67.0%	67.0%	67.0%	67.0%	67.0%	66.5%	66.5%
SG&A	14.5%	14.5%	14.5%	13.9%	14.5%	14.9%	16.6%	14.5%	14.4%	15.1%	16.3%	16.6%	15.4%	14.6%	15.5%	15.5%
D&A	4.4%	5.0%	5.0%	5.1%	4.9%	5.1%	5.2%	5.2%	5.1%	5.2%	5.1%	5.2%	5.1%	5.1%	5.1%	5.0%
Operating profit																
Early Development	27,160	27,083	22,434	23,051	99,728	22,901	20,723	29,500	33,911	113,034	32,757	33,897	35,708	39,530	141,990	165,045
operating margin	14.1%	13.6%	11.4%	11.3%	12.8%	11.2%	10.0%	14.3%	15.3%	13.6%	15.2%	15.5%	16.0%	17.0%	15.9%	17.2%
Late-stage Development	56,328	65,521	69,875	63,785	254,509	66,216	57,580	59,436	65,728	249,968	66,862	69,013	73,857	74,597	284,349	320,237
operating margin	22.6%	24.6%	24.7%	22.6%	23.7%	3.9%	21.5%	20.9%	22.5%	22.2%	22.6%	22.3%	22.6%	23.0%	22.5%	22.5%
Corporate Admin	(27,545)	(32,607)	(33,511)	(31,964)	(125,627)	(36,263)	(41,357)	(33,892)	(34,561)	(146,163)	(39,483)	(39,132)	(40,697)	(40,094)	(159,407)	(176,121)
operating margin	6.2%	7.0%	7.1%	6.6%	6.7%	7.5%	8.6%	8.0%	8.2%	7.5%	7.5%	7.4%	7.4%	7.2%	7.4%	7.4%
Total EBIT	55,943	59,997	57,798	54,872	228,610	52,864	42,854	55,044	64,978	215,839	60,155	63,878	68,866	74,033	286,932	309,161
EBIT margin	12.7%	12.9%	12.1%	11.3%	12.2%	11.0%	8.9%	11.2%	12.9%	11.0%	11.6%	12.1%	12.5%	13.3%	13.3%	13.0%
Interest expense (income)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FX (gain)/Loss - other	-0.1%	0.3%	-0.2%	0.1%	0.0%	0.2%	0.3%	0.3%	0.3%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Pretax income	12.3%	12.6%	12.3%	11.3%	12.2%	10.7%	9.0%	11.2%	13.0%	11.0%	11.6%	12.1%	12.6%	13.3%	13.0%	13.0%
Tax rate	29.0%	27.0%	26.6%	25.3%	27.0%	25.2%	25.2%	25.2%	25.2%	25.2%	25.2%	25.2%	25.2%	25.2%	25.2%	25.2%
Equity investee	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Net income	8.1%	8.1%	9.1%	8.6%	9.0%	8.1%	6.8%	8.5%	9.8%	8.3%	8.8%	9.2%	9.5%	10.1%	9.4%	9.8%
Adjusted net income	9.1%	9.1%	10.7%	8.6%	9.4%	8.1%	6.8%	8.5%	9.8%	8.3%	8.8%	9.2%	9.5%	10.1%	9.4%	9.8%

Source: Company reports and Wells Fargo Securities, LLC estimates

## Required Disclosures



	Date	Publication Price (\$)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price (\$)
	11/27/2007		Fugere			
◆	11/27/2007	84.65	1	87.00	95.00	84.65
○	1/9/2008	95.61	1	99.00	105.00	95.61
	2/4/2008		Hausner			
◆	2/4/2008	82.17	SR	NE	NE	82.17
	9/16/2008		Bolan			
◆	9/16/2008	95.17	2	87.00	90.00	95.17
▼	10/24/2008	52.45	2	58.00	60.00	49.93
○	11/12/2008	43.20	2	48.00	50.00	43.02
○	12/19/2008	41.16	2	43.00	45.00	41.00
○	1/29/2009	39.72	2	39.00	41.00	39.72
○	7/30/2009	53.99	2	50.00	52.00	54.17
○	10/14/2009	54.77	2	54.00	56.00	54.77
○	10/21/2009	54.65	2	53.00	55.00	54.65
○	1/20/2010	56.49	2	59.00	61.00	56.86
○	1/29/2010	56.37	2	58.00	60.00	56.11
○	4/30/2010	56.43	2	58.00	59.00	57.14

Source: Wells Fargo Securities, LLC estimates and Reuters data

▼	Rating Downgrade	◆	Initiation, Resumption, Drop or Suspend	1	Outperform/Buy	SR	Suspended
▲	Rating Upgrade	■	Analyst Change	2	Market Perform/Hold	NR	Not Rated
○	Valuation Range Change	□	Split Adjustment	3	Underperform/Sell	NE	No Estimate

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**From:** Bolan, Greg [REDACTED]  
**Sent:** Sunday, June 13, 2010 6:44 PM  
**To:** Pearlstein, Sam  
**Cc:** Hebert, Eric  
**Subject:** Re: request to upgrade CVD

Ty sir. Hope you are having a nice w/e.

Greg

Greg Bolan  
Wells Fargo Securities, LLC  
[REDACTED]  
[REDACTED]

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**From:** Pearlstein, Sam  
**To:** Bolan, Greg  
**Sent:** Sun Jun 13 17:54:36 2010  
**Subject:** Re: request to upgrade CVD

Ok with me.

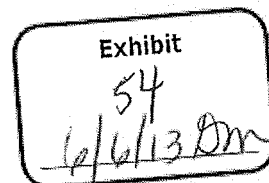
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**From:** Bolan, Greg  
**To:** Pearlstein, Sam  
**Sent:** Sun Jun 13 16:53:23 2010  
**Subject:** request to upgrade CVD

Hey Sam, we would like to upgrade CVD shares to Outperform from Market Perform. This rating change is primarily driven by our proprietary checks, which suggest that demand for outsourced early-stage drug development services is on the cusp of recovery. Given the fact that about 50% of CVD's revenues are derived from early-stage dev'p services and our belief that an incremental dollar of revenue in CVD's early stage segment yields ~50% incremental operating margins, we believe there could be significant upside to our 2011 and 2012 EPS ests.

Fairly straight forward upgrade - stock has pulled back due to particular weakness in small-to-mid cap stocks, yet we are coming up with consistently positive data-points within the early stage dev'p arena.

Greg



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**From:** Bolan, Greg [REDACTED]  
**Sent:** Thursday, July 01, 2010 2:20 PM  
**To:** [REDACTED]  
**Subject:** AMRI  
**Attachments:** AMRI-20100505-1310127-R.pdf

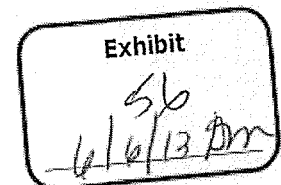
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**Greg T. Bolan | Vice President | Pharmaceutical Services and HCIT Equity Research**  
Wells Fargo Securities LLC | 230 4<sup>th</sup> Ave North - 7<sup>th</sup> Floor, Nashville, TN, 37219  
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**Albany Molecular Research,  
Inc.**  
Company▲

AMRI  
Ticker▲

Q1 2010 Earnings Call  
Event Type▲

May 5, 2010  
Date▲

## PARTICIPANTS

Thomas E. D'Ambra – Chairman, CEO and President  
Mark T. Frost – SVP, Administration, CFO and Treasurer

## MANAGEMENT DISCUSSION SECTION

Thomas E. D'Ambra, Ph.D., Chairman, CEO and President

### Overview

- AMRI's financial results for Q1 2010 demonstrate that we continue to navigate through a challenging business climate
- While some of this is economic cycle-driven, there also is evidence that the biopharmaceutical industry is changing
- AMRI continues to maintain an unwavering strategic focus to:
  - Expand global presence and market share
  - Add additional complementary technologies and services
  - Seek more collaborative relationships
  - And balance the structure of our business to support both the current need to tightly manage cost while managing the infrastructure to support future growth and development

### Long-Term Growth Outlook for CRO Industry

- We, along with many who follow the biopharmaceutical market, continue to believe in the long-term growth outlook for the CRO industry, particularly for those companies with a broad reach in terms of location, services, market visibility and ability to provide significant added value to their customers' cost structure and pipeline activity
- With the biotech industry slowly, slowly showing evidence of a return to funding and large pharmaceutical companies further consolidating and carving out costs, AMRI continues to pursue activities that position our resources to be a solution of choice
  - We continue to remain cautiously optimistic in regards to AMRI's business performance and outlook for the future

Mark T. Frost, SVP, Administration, CFO and Treasurer

### Operating Highlights

- I'd like to underscore some operating highlights and key metrics on a y-over-y basis
- These include Discovery Services revenue increased 7% for the quarter
- We announced 2 strategically important customer relationships during the quarter, both of which utilize our integrated Discovery Services platform including both chemistry and biology services
- Our quarter one results include the results of our recently acquired U.K
- Development Manufacturing operation from the acquisition date February 17 forward

**Financial Results****Contract Revenue**

- Turning to the financial results for Q1 2010, all comparisons are on a y-over-y basis
- Total revenue was 49.3mm, a decrease of 9% compared to 54mm in 2009
- Total contract revenue was 38.9mm, a decrease of 10% compared to 43.2mm in 2009
- Total contract revenue encompasses:
  - Revenue from AMRI's Discovery Services
  - Development Small Scale Manufacturing
  - And Large Scale Manufacturing business components

**Discovery Services and Small Scale Manufacturing**

- Contract revenue from Discovery Services was 12.3mm, an increase of 7% from 11.6mm in 2009
  - The increase was attributable to increased demand at our Singapore facility and for our ADMET services in the United States
- Contract revenue from Development and Small Scale Manufacturing was 8.7mm, a decrease of 21% compared to 10.9mm in 2009
  - This decrease was primarily due to continued soft demand from our U.S. specialty pharma biotech customers

**Large Scale Manufacturing**

- Contract revenue for Large Scale Manufacturing was 17.9mm, a decrease of 14% compared to 20.7mm in 2009
  - This decrease was primarily attributable to lower demand for clinical trial materials as well as we shipped pre-launch inventory for a customer product in quarter one last year
- Unfortunately the FDA required another Phase III clinical trial which resulted in no further shipments of that customer product

**Recurring Royalties**

- Recurring royalties from Allegra were 10.4mm, a decrease of 3% from 10.8mm in 2009
- AMRI earns royalties from worldwide sales of the non-sedating antihistamine, Allegra, as well as certain generic forms of Allegra for patents relating to the active ingredient
  - The decrease in royalties is attributable to a weak allergy season in Japan
- Adjusted net income in Q1 2010 was 0.6mm, or \$0.02 per diluted share, compared to net income for Q1 in 2009 of 1.9mm, or \$0.06 per diluted share

**Gross Margin**

- A few words on margins
- Overall gross margin was 11% compared to 15% in quarter one 2009
- DDS margins decreased to 15% from 18% and Large Scale margins decreased to 6% from 12%
- The margin decrease in Large Scale was driven primarily by decreased plant utilization on lower revenue and less favorable product mix



- Gross margins in our Discovery and Development segment were impacted by lower utilization in our U.S. Development Small Scale labs as well as continued competitive pricing pressure in this area

#### Cash for Operations and CapEx

- A few points on cash
- During Q1, we used approximately 6.2mm in cash for operations primarily related to increased working capital balances
- We used 19.4mm for the acquisition of Excelsyn in the U.K
- Our CapEx was 1.9mm, down from 8.7mm in quarter one 2009, primarily due to the completion of our lab expansions in 2009

#### FY2010 Guidance

##### Contract Revenue

- I will now provide an update on our full year 2010 guidance as well as financial guidance for quarter 2, 2010
- Looking at our guidance, for the full year 2010, we're increasing our estimated contract revenue to range from 167 to 177mm, an increase of up to 13% from 2009
- To get to the range of 167 to 177mm, we project Discovery Services revenue to range from 48 to 51mm, an increase of up to 7% over 2009's level
- We have lowered our estimate range in this component due to a shift in location mix of FTEs from the U.S. to Asia resulting from the renewal and extension of one of our large pharma relationships

##### Development Small Scale

- Turning to Development Small Scale, we anticipate revenue to range from 38 to 42mm, an increase of up to 10% from 2009
- We have lowered our estimates in this component based on our view that the U.S. chemistry development outsourcing market will not rebound robustly as expected in 2010
- We are seeing encouraging signs from pre-clinical CROs, but we tend to lag their results by 3 to 6 months
- Lower expected U.S. revenues were offset in part from incremental revenue from our U.K. operation

##### Large Scale Revenue

- We project Large Scale revenue to range from 81 to 84mm, an increase of up to 18% from last year
- We have increased our estimates in this component, primarily due to the incremental revenues from our U.K. operations
- An update on our pipeline of customer compounds in clinical trials
- We continue to have 45 customer compounds in Phase I and Phase II clinical trials and an additional 18 compounds in Phase III clinical trials
- A further point on our contract revenue guidance is that it excludes any potential milestone revenues from AMRI's biogenic amines collaboration with Bristol-Myers Squibb or any other project

**Royalty Revenues**

- Moving from contract revenue, we expect royalty revenues to range from 28mm to 30mm for the full year 2010
- We revised this downward slightly due to the weaker sales in Japan
- Turning to contract revenue cost, because of the shift in location mix and the slower than anticipated rebound from our U.S. Development Small Scale customers, we are aggressively managing our contract business cost structure and will continue to do so throughout 2010

**Gross Margins and SG&A Perspective**

- We are forecasting full year gross margins from our DDS segment to approximate the quarter one 2010 margins, which were 15%
- For our Large Scale segment, we expect margins to slightly increase from full year 2009 levels, which were 7%
- From a cost standpoint, we continue to project R&D to be flat from 2009 levels
- From an SG&A perspective, we expect these costs to be up approximately 1.6mm from 2009 levels due to the incremental SG&A costs from our new U.K. operations
- We're estimating EPS for 2010 to range from negative \$0.06 to flat for the year

**Q2 Outlook****Contract Revenue**

- Turning to our financial guidance for quarter 2, in Q2 we expect contract revenue to range from 39 to 43mm, an increase of up to 11% from last year
- To get to the range of 39 to 43mm, we project Discovery Services revenue to range from 11 to 12mm, essentially flat with 2009's level
- We anticipate Development Small Scale revenue to range from 9 to 10mm, which will be up 17% from 2009 levels
- Growth is coming from both our India and U.K. operations
- We project Large Scale revenue to range from 19 to 21mm, an increase of up to 10% over last year
- The increase is attributable in large part to a pre-launch order for a customer's product that is currently under FDA review for approval, as well as incremental revenues from our new U.K. operations

**Royalty Revenues, R&D and SG&A**

- We expect royalty revenues to decrease by up to 22% from quarter 2 2009 due to the weak allergy season in Japan and the potential for an at-risk launch of a generic D 24 product
- We expect gross margins to range from 12 to 14%
- From a cost standpoint, we project R&D to decrease from 10 to 15% from second quarter 2009 and SG&A to be up approximately 5 to 10% for Q2 2009
  - We're estimating EPS for quarter 2 to range from negative \$0.03 to negative \$0.07 per share

Thomas E. D'Ambra, Ph.D., Chairman, CEO and President

### Segments Performance

#### Contract Services Business

- Starting with the individual segments of our Contract Services business, demand for discovery chemistry continues to increase overall with growth being led predominantly but not completely in our overseas locations
- Singapore in particular has been experiencing an immediate and strong growth surge, based on both contract renewals and new customer projects
  - This level of demand is expected to remain constant throughout 2010
- Besides an increase in synthetic and medicinal chemistry work, the site has just completed an expansion of its in vitro biology laboratories

#### ADMET Capabilities in Singapore

- We've also recently added ADMET capabilities in Singapore as a satellite of our U.S. offering, making the continuum of early integrated Drug Discovery Service possibilities that AMRI can offer our customers in Asia largely complete
- The outlook in Hungary is also positive due to expansions and/or renewals of agreements with current customers, as well as new work for both specialty pharma and foundations

#### Discovery Chemistry Business

- Our U.S.-based discovery chemistry business is experiencing a deceleration as demand from some existing customers shifts towards our locations in Singapore and Hungary
- I will speak more about this in a moment
- As part of our strategy to help offset the slowdown in U.S. discovery chemistry, we are aggressively marketing our integrated Drugs Discovery Services offering, a blend of biology and chemistry services, typically supported by multiple AMRI sites around the globe
  - The structure of this service offering combines our more cost-competitive resources in Singapore and Hungary with the project management and significant span of expertise residing predominantly in the U.S

#### Research Collaborations with Navigen and CHDI Foundation

- We are pleased to report a positive demand for this service platform, as is demonstrated by our recent announcements of initiated and/or expanded funded research collaborations with both Navigen and the CHDI Foundation
- In my remarks during Q4 and full year 2009 earnings call, I mentioned briefly that AMRI had exposure to a significant contract with a big pharma company that was involved in one of the mega mergers last year
  - That contract, scheduled for renewal or termination on March 31, involved over 60 U.S.-based FTEs supporting multiple discovery projects for that client

#### Expanding and Modifying Relationship

- Going back to nearly a year ago, we have been in discussions with the acquiring company about renewing, expanding and modifying the relationship
- We are pleased to report that the agreement has been renewed

**Albany Molecular Research,  
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Q1 2010 Earnings Call  
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May 5, 2010  
Date▲

- Importantly, the relationship has the potential for significant head count increases in the future
- Challenging for the short term, however, is that a significant part of the resource into the project has been moved to our overseas locations, predominantly Singapore at this time

#### Resourcing from US Labs

- The renewal also calls for us to maintain significant resourcing from our U.S. labs, but we are also absorbing a short-term reduction of the U.S. resource into the client as some resources are shifted to Singapore
- This means that while we are aggressively expanding into our existing Singapore lab space, we are also experiencing a short-term surplus of excess capacity in our U.S. Discovery lab operations
  - We expect to announce further terms of this deal in the future
  - It is also worth adding that more companies are looking at this global option and we expect to see the potential for more of these types of deals in the future

#### Commodity Pricing and Cheapest Cost

- The evolving relationship just described illustrates a trend that we are seeing more of in the marketplace
- While there is a growing focus in demand for productivity and quality in Discovery projects away from just a focus on commodity pricing and cheapest cost, it is clear that budgets remain tight
- And many customers are seeking a blend of U.S.-based resources to lead problem-solving, project management and staff more difficult aspects of certain projects, while complemented with a team comprised of AMRI resources from our Singapore, India and Hungary sites
  - This provides an optimum blend of capabilities, resources, expertise and budget
- AMRI is uniquely qualified and positioned to meet the needs of our customers as they consider accelerating their use of outsourcing in all aspects of their R&D operations

#### Development and Small Scale Manufacturing

- Turning to Development and Small Scale Manufacturing, this segment of our business has traditionally lagged the general CRO sector
- With the improved visibility reported by several CROs and the improvements in financing being seen in the biotech industry, we remain cautiously optimistic for this segment

#### Acquisition of Excelsyn Ltd

- Our most significant news for this quarter was our acquisition of Excelsyn Ltd. in H2 February
- This 60-person, 14-acre site is located approximately 60 miles outside of Manchester, England, and contains Kilo lab, pilot plant and large-scale manufacturing capabilities
- Besides being additive to our facilities and technologies, benefits include the absorption of a number of well developed European customer relationships as well as geographic proximity to what has been for AMRI a relatively untapped market to date.
- Our formal integration efforts are significantly underway
- We expect to recognize a number of business synergies going forward, strengthening our position in this segment of our business

GLP Bioanalytical Services

- Another addition to our Development Small Scale segment is the very recent introduction of GLP bioanalytical services
- Although only recently introduced, we believe this product offering has significant potential
- GLP bioanalytical services further expands the offerings available to current and potential customers with compounds in pre-clinical and clinical testing
  - It also complements non-GLP bioanalytical services which are already being provided to current discovery projects for a few customers

Large Scale Manufacturing

- Regarding U.S. Large Scale Manufacturing, orders from our largest commercial customer, GE Healthcare, have returned to historic levels
- Production of the active ingredient for Vyvanse is also an important component of Large Scale's projections
- In addition, we are also anticipating a launch of a commercial campaign to make API for another customer's program that had been scheduled for 2009 but delayed last year
- As Mark mentioned, our pipeline for Phase III products in which we are the manufacturer of the API for different customers is holding steady at 18 and bookings for commercial orders are on track to meet our forecast for the year
  - Business in India continues to experience substantial growth as well

Revenue

- Revenue was up 17% from first quarter and we are seeing a steady increase in bookings for customer work and are responding proactively
- Besides a significant push to recruit scientific staff at our Hyderabad location, we have completed the fit-out of 7,000 square feet of leased lab space nearby to AMRI's own facility
  - This is in part to tide us over as we move forward on a 50,000 square foot expansion to our own existing lab building in Hyderabad in which construction is scheduled to begin later this year
- In addition to the customer business booked directly to India, another reason for the surge in demand stems from operating synergies that have begun to materialize between our manufacturing businesses in the U.S. and India
- For example, material needed to support a GMP campaign in the U.S. can be manufactured in the Kilo lab in Hyderabad, allowing AMRI to contribute further into the supply chain

R&D

- Switching to the R&D portion of our business, we remain on track in all of our active research programs
- Our Phase I clinical valuation for our tubulin anticancer compound is proceeding according to plan and we expect to provide an interim update on its progress later this month or in early June
  - We also expect to submit an application to commence Phase I testing for our obesity compound by the end of Q2
- And we are optimistic that we will also identify a candidate for advanced pre-clinical studies as a precursor to an IND filing for our IBS irritable bowel program before year end
- We expect to partner all of these programs at the appropriate time

**Concluding Comments**

- In wrapping up my remarks, as AMRI continues to navigate changes associated with the pharmaceutical biotech industries due to M&A, consolidation, biotech funding, global pricing pressures and continued regulatory scrutiny, we will remain diligent in our efforts to both increase operating efficiencies and maintain tight control of our cost structure
- Entering into Q2 2010, we recognize the challenges to our business and the greater biopharmaceutical industry still lie ahead
- We understand that the field of customers is not only diminishing, but also becoming more discerning in terms of budget, quality, time and value

**Competitive Environment**

- In the highly competitive environment we are in, we recognize that customers are likely to retain those providers that can offer solutions that are integrated across technologies and service offerings, tightly managed, honor their budget constraints and goals and can most rapidly advance their ability to fill their pipelines
- We are continuing to respond to changes in the marketplace through a series of strategic investments in locations, technology, services and staffing to meet these goals
- I'd like to conclude my remarks by thanking the employees and my colleagues at AMRI
  - Their dedication and contributions are the reason that we remain a successful organization today and are positioned to have a bright future

## QUESTION AND ANSWER SECTION

Analyst: *Eric Hebert – Wells Fargo Securities*

**Question – Eric Hebert:** Just a couple of questions for you here. First, can you break out how much revenue Excelsyn contributed in the quarter? And then if so, which segment does that fall into, the Development Small Scale or the Large Scale Manufacturing?

**Answer – Mark Frost:** Sure. For quarter one, it was minimal, less than a couple percent of overall - actually less than 1% of revenue. The business is split between Small Scale and Large Scale, roughly 25% Small Scale, 75% Large Scale. And as we said in earlier release, when we announced it, the acquisition should be about 10 to 12mm of revenue for us in 2010 for the full year.

**Question – Eric Hebert:** Okay. Perfect. Your EPS guidance for the full year, a loss of \$0.06 to break even. Does that incorporate your GAAP or non-GAAP EPS in Q1?

**Answer – Mark Frost:** That was a non-GAAP number. So it doesn't incorporate the \$0.02 charge we took for the Excelsyn transaction.

**Question – Eric Hebert:** Okay. And then you talk about that you're cautiously optimistic about the Discovery segment going forward. I just wanted to dig a little further here. Are you seeing more interest from the large pharma and biotech customer segment or the smaller biotech segment? And then a follow-up to that, are these new clients to AMRI or mostly clients that you guys have worked with in the past?

**Answer – Thomas D'Ambra:** Eric, the answer to your question is yes. Both in terms of interest for Discovery, it's a mix of Big Pharmas as well as some of the smaller companies and foundations. For example, we announced the Navigen relationship and the expansion of the CHDI. Those are Discovery focused and those are actually involved – integrated programs that involve in vitro biology in our U.S. location, ADMET U.S. as well as chemistry, and in one of those 2 also some computational chemistry as well. So a broadly integrated program, primarily conducted in the U.S. for both of those announcements. We're also seeing from Big Pharmas, who had taken a respite in terms of their outsource in the U.S. and many of them had pushed all their outsourcing to low-cost markets, starting to refocus some of that outsourcing on higher value relationships. At the same time, they have budget constraints. And as the example I mentioned in my remarks, we were able to retain the relationship we had with one of the companies involved in a merger, but it also involved a reshuffle of resources where some of the staffing continues to be done in the U.S. The project management and problem solving will be driven by our U.S. resources, but also staffed at multiple international sites. And in addition to that renewal of that Big Pharma relationship, we're having discussions with a number of other large pharmas about similar types of programs. So we're optimistic that there's sort of a refocus on outcomes of this outsourcing and productivity and getting compounds in the pipeline. As an example of that, our U.S. Discovery and municipal chemistry group, we've looked at the metrics and on one customer, about 43% of the programs we worked on, we got them IND candidates that have moved into IND-enabling studies or moved into the clinic. And that's a very strong metric relative to what these companies have been finding in the lower-cost markets. And I think that's driving a return to focus on productivity and value for the dollar spent, not just the lowest price.

**Question – Eric Hebert:** Great. Okay. Appreciate that. And then my last question here is, we saw a deal last week, of course, where Charles River announced it would acquire WuXi. I was hoping you would weigh in with your thoughts on the Chinese market as it pertains to both Discovery and Manufacturing. Is this an attractive market? And why or why not? And if so, might we see AMRI expand your footprint to the country in the near future?

**Answer – Thomas D'Ambra:** That's a lot of questions. I think it's an interesting market. It's - clearly a lot of companies have gone over there in part to take advantage of the resources, the cost structure, but also as an entry to be able to sell their products and services into the Chinese market. A lot of the drug companies to sell their products there need to have a presence and I think that's driving a lot of it. We have and we continue to follow the Chinese market. We, as you'll recall, we had looked in the past at India vs. China and initially made a choice on India for our initial entry. We continue to monitor China and we think it's long term, it's something that we continue to look at. I think in the near term we're continuing to expand out both – all of our international locations. We

won't rule out China, but right now we're seeing significant growth at our other locations and are focused on that.

**Answer – Mark Frost:** Just to build on it a little bit because we've talked a little bit about this. I think when we look at China, you have a building customer group there. And what we've said in the past is, if we were going to go into China, probably more for that reason, to support Chinese customers. To support the rest of the world, there are some challenges which have continued to accelerate over there, namely workforce switching and high levels of wage inflation, which is causing big turnover issues. And when you try to do higher-level chemistry activities, a key aspect is having a continuum of the right employees working on your project. So if you have a lot of turnover, that creates issues in servicing a project. And I think what we've shown in China is the lower-end chemistry has been an ideal place to do that, and most of the low-end chemistry – a lot of the low-end chemistry has already moved to China. So the question is, will you have more high-end chemistry done in China in the future? And that's something we continue to evaluate. I think the other thing we look at China for is, from a biology standpoint, they seem to be more advanced in moving the outsourcing point on the biology side. So that's something definitely we are paying attention to.

**Analyst: Dave Windley – Jefferies & Company**

**Question – Dave Windley:** Mark, on that last answer, so when you're commenting regarding biology and moving that fast, or are you talking about China moving to be able to service outsourced biology? Work faster than some of the other low-cost regions? Is that the right interpretation of that last comment?

**Answer – Thomas D'Ambra:** Dave, this is Tom. I'll jump in on it. I think if you look at some of the other low-cost regions, there are – barriers to working with animals, for example, China doesn't have. So there may be advantages in that regard in China. It's something that we continue to look at, and as we also look at expanding the continuum of our Discovery Services. What's the next step? And having some really in vivo efficacy support of our Discovery projects is a logical step. And the next question is how do you do that? And following up on the previous question, clearly, I think some of the analysts that looked at the deal that was announced questioned it, and it's perplexing to us as well. Clearly, if you look at the multiples in China, they're prohibitive, I think both with PPD's acquisitions there as well as the recent one, which makes it challenging beyond the integration aspects of doing something in China.

**Question – Dave Windley:** Right. Okay. Let me pull back and just ask a couple of broader questions. I was hoping you could quantify, I don't think I heard you quantify yet, the revenue mix between domestic U.S. and international.

**Answer – Mark Frost:** That's a big change that's going on in our business. If you looked at our numbers last year, we roughly had 30% – a little more than 30% of our employees and 10% of our revenue outside the United States. Right now in our current plan, and we didn't give this number but I'll give it now, we're looking at probably 25% of our revenue, and over 40% towards maybe even 45% of our employees outside the United States. So this is a definite trend which is accelerating based on customer demand. We had always assumed we would globalize. I'd say that pace of globalization – and clearly the Excelsyn acquisition pushes that further as well. But definitely the pace of globalization is accelerating for us.

**Question – Dave Windley:** And Mark, in terms of the timeframe that you're quantifying there, is last year – is that all of 2009, or was that first quarter to first quarter?

**Answer – Mark Frost:** Those are full-year comparisons I just provided.

**Question – Dave Windley:** So you're looking at 10% for full year 2009 and 25% of revenue is what you're now expecting for full year 2010?

**Answer – Mark Frost:** Close to that number, yes.

**Question – Dave Windley:** Yeah. Okay. And then there was – in Eric's questions, you responded on some of the Big Pharma vs. smaller biopharma academic foundation type stuff, Tom. And I was wondering if we could put a finer point on that answer as well. Quantify the revenue mix between –



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**From:** Bolan, Greg [REDACTED]  
**Sent:** Thursday, July 01, 2010 6:18 PM  
**To:** Ruggieri, Joseph  
**Subject:** Re: You heard anything on KNDL?

Cool - call my home - [REDACTED]  
Greg Bolan  
Wells Fargo Securities, LLC  
[REDACTED]

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**From:** Ruggieri, Joseph  
**To:** Bolan, Greg  
**Sent:** Thu Jul 01 18:16:00 2010  
**Subject:** Re: You heard anything on KNDL?

Call u right back

---

**From:** Bolan, Greg  
**To:** [REDACTED]  
**Sent:** Thu Jul 01 18:14:08 2010  
**Subject:** Re: You heard anything on KNDL?

Nada on prxl - with euro and pound bouncing I am shocked it has done a rounf trip.

It's a good question you have - this is very current view based on my conversations - in ranked order, with most "longs" to least owned by hedgies

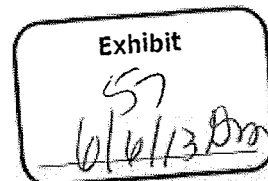
CRL  
PRXL  
PPDI  
ICLR  
CVD  
KNDL

Greg Bolan  
Wells Fargo Securities, LLC  
[REDACTED]  
[REDACTED]

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**From:** Gilliam, Robert (Decade Capital) [REDACTED]  
**To:** Bolan, Greg  
**Sent:** Thu Jul 01 18:08:43 2010  
**Subject:** RE: You heard anything on KNDL?

nada. u hearing anything on ppdi or prxl? both have been pigs the past few days....question for you: can you rank the CROs in order from those that have the most hedge long to the least hedge long....



**From:** Bolan, Greg [REDACTED]  
**Sent:** Thursday, July 01, 2010 6:07 PM  
**To:** Gilliam, Robert (Decade Capital)  
**Subject:** You heard anything on KNDL?

Greg Bolan  
Wells Fargo Securities, LLC  
[REDACTED]  
[REDACTED]

This email is subject to a disclaimer, please click on the following link or cut and paste the link into the address bar of your browser.

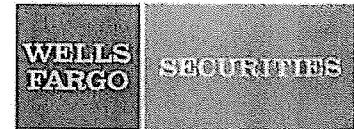
<https://www.wellsfargo.com/com/disclaimer/rfidd>

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February 8, 2011



## Equity Research

### athenahealth, Inc.

**ATHN: Soaring Into The Clouds--Upgrading To Outperform  
Significantly Lifting Estimates And Valuation Range**

**Outperform / V**

Sector: Health Care IT  
Overweight

#### Rating Change

• **Summary.** In conjunction with our upgrade of ATHN shares to Outperform from Market Perform, we are materially raising our forward estimates and valuation range. The impetus for these actions is our belief that ATHN may be on the cusp of adding a growing number of large group practices to the athenahealth network. We are raising our CY2011 EPS estimate to \$0.81 from \$0.71 (above guidance of \$0.68-0.78), introducing our CY2012 EPS est of \$1.24 (consensus: \$1.05), and raising our assumed 5-yr EBITDA CAGR to 34% from 27%. As such, our DCF valuation range moves to \$62-63 from \$37-38.

• **Changing Our Tune.** Previously, we had assumed that ATHN would be unsuccessful in its attempt to penetrate hospital-owned and large independent physician practices. However, our checks indicate that ATHN's sales pipeline of enterprise-size practices (corporate owned; 150+ docs) has increased significantly on a yr/yr basis. We believe several factors have led to this improvement: 1) growing number of athenahealth practice-clients being consumed by hospitals, which gives ATHN a "red carpet" introduction to hospital executives; 2) growing reception to the athenaCommunity concept, which creates a "confederated" medical chart that lowers the cost (~50%) of patient-related orders and communication between hospitals and independent practices; and 3) greater ATHN C-suite involvement in large group practice sales pitches. Overall, we believe these factors will contribute to growing brand awareness for athenahealth service offerings within the large practice segment.

• **We Think Premium Valuation is Justified.** We view ATHN's cloud-based business services to be both disruptive and nascent within the world of healthcare IT client-server applications. Ultimately, we believe the fact that athenahealth is essentially selling physicians "business results," as opposed to pre-packaged, "do-it-yourself" software, should bolster adoption of the company's service offerings. With our renewed sense of optimism towards ATHN's ability to penetrate the enterprise segment of ambulatory care, we believe the addressable market for ATHN will expand. Our 5-yr estimate for active physicians on the athenahealth network increases 35% to 81k, which propels our long-term revenue and EPS growth estimates to substantially higher levels. With that in mind, we believe ATHN shares should trade towards the high-end of the historical relative valuation to the HCIT peer group. On an EV/NTM EBITDA basis, ATHN shares have traded at a 150%-350% premium to the peer group; the stock currently trades at the low-end of this range (Exhibit 1).

EPS	2009A		2010E		2011E	
			Curr.	Prior	Curr.	Prior
Q1 (Mar.)	\$0.08	\$0.06 A	NC	\$0.14	NC	
Q2 (June)	0.10	0.12 A	NC	0.18	0.17	
Q3 (Sep.)	0.09	0.18 A	NC	0.23	0.20	
Q4 (Dec.)	0.17	0.20	NC	0.27	0.20	
FY	\$0.43	\$0.56	NC	\$0.81	0.71	
CY	\$0.43	\$0.56		\$0.81		
FY P/E	108.2x	83.1x		57.4x		
Rev.(MM)	\$189	\$243		\$321		

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters  
NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful  
V = Volatile, \* = Company is on the Priority Stock List

Ticker	ATHN
Price (02/07/2011)	\$46.52
52-Week Range:	\$21-50
Shares Outstanding: (MM)	35.2
Market Cap.: (MM)	\$1,637.5
S&P 500:	1,318.44
Avg. Daily Vol.:	363,233
Dividend/Yield:	\$0.00/0.0%
LT Debt: (MM)	\$6.9
LT Debt/Total Cap.:	4.3%
ROE:	14.0%
3-5 Yr. Est. Growth Rate:	30.0%
CY 2011 Est. P/E-to-Growth:	1.9x
Last Reporting Date:	10/21/2010
	After Close

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters

#### Valuation Range: \$62.00 to \$63.00 from \$37.00 to \$38.00

Our DCF valuation range of \$62-63 per share implies 50x our CY2012 EPS estimate of \$1.24 and 21.7x our CY2012 EBITDA estimate. Risks to our range include 1) lack of alignment with hospital IT vendor, 2) lack of sufficient sales productivity for recent hires, and 3) limited visibility on near-term doc adds.

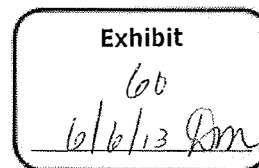
#### Investment Thesis:

We believe ATHN's unique business model, coupled with increasing sales & marketing investments, should drive greater mind share among mid-to-large physician practices. As such, we believe profitability will grow materially faster than current Street estimates suggest. Hence, our Outperform rating on ATHN.

Please see page 7 for rating definitions, important disclosures and required analyst certifications

Wells Fargo Securities, LLC does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of the report and investors should consider this report as only a single factor in making their investment decision.

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Together we'll go far

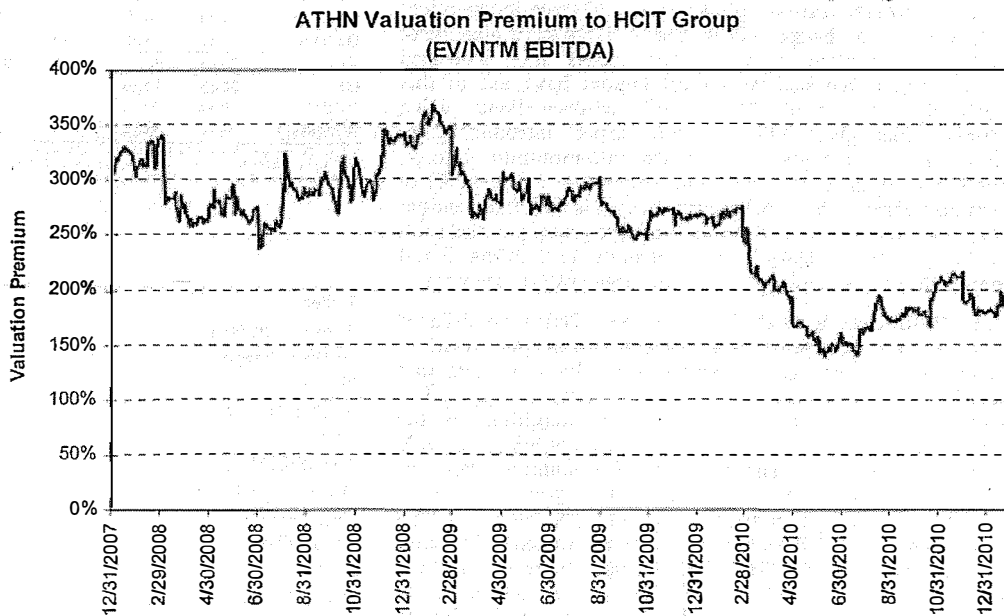


Health Care IT

Company Description:

athenahealth, Inc. is a provider of web-based healthcare information services related to claims processing, practice management and electronic health records (EHRs) for physician practices. The services offered by the company are based on four integrated components: 1) athenaNet - proprietary Internet-based software; 2) athenaRules - continually updated patented database of payer reimbursement process rules; 3) athenahealth Service Operations - back-office service operations that perform administrative aspects of billing and clinical data management; and 4) automated and live patient communication services. athenahealth's offerings reduce physicians' administrative burden of billing, reimbursement and data handling and also helps them to increase collections, lower operating costs, and improve patient satisfaction. The company is based in Watertown, Massachusetts, with its operational sites in Belfast, Maine, Rome, Georgia, and Chennai, India. As of Q1 2010, 25,845 medical providers, including more than 17,600 physicians, across 40 states and 60 medical specialties were live on athenaNet.

Exhibit 1: Relative NTM EV/EBITDA of ATHN vs. HCIT Peer Group



Source: FactSet  
Note: HCIT peer group: CERN, CPSI, MDAS, MDRX, QSII

Exhibit 2: DCF Valuation Analysis for ATHN

Equity Value (in thousands, except per share data)			
Equity cost of capital	9.0%	10.0%	11.0%
NPV of cash flows: 2011-2015	196,826	190,506	184,468
NPV of terminal value	2,696,850	1,932,356	1,477,493
Less net (debt)/cash	87,555	87,555	87,555
Equity Value	2,981,230	2,210,416	1,749,517
# shares outstanding	35,156	35,156	35,156
Value per share	\$ 84.80	\$ 62.87	\$ 49.76

Cost of Capital	
Beta	1.20
Equity risk premium	5.5%
Risk-free rate	3.4%
Equity cost of capital	10.0%
Debt cost of capital	3.9%
Target debt to capitalization	0%
Tax rate	45.0%
WACC	10.0%
Terminal Growth Rate	6.0%

Source: Wells Fargo Securities, LLC estimates

## Brief Discussion

So why are we changing our tune now? One of the major hang-ups for us on the athenahealth story has been our lack of conviction towards the company's ability to penetrate the enterprise-practice segment, which would be those practices with 150+ physicians. Given the very low upfront costs for physicians to use ATHN's cloud-based business services, the company has typically operated in the 5 to 25 doc practices. The problem with this segment of market is that we see an undeniable trend in which hospitals, which typically prefer software licenses, are increasingly purchasing or partnering with small-to-medium sized physician practices. There are many factors driving this trend. In general, small physician practices have little or no clout to leverage better payments with insurers; they have no economies of scale, which makes their overhead more burdensome. Our thesis has been that if this trend accelerates, which we think is likely, the pool of physician practices that ATHN targets may shrink, thus making it more difficult for ATHN to grow its installed base of physician practices.

With all that said, our checks indicate that ATHN's sales pipeline of enterprise-size practices has increased significantly yr/yr. We believe several factors have led to this improvement: #1) a growing number of ATHN's practice-clients being consumed by hospitals, which gives the company a "red carpet" introduction to hospital executives; #2) growing reception to the athenaCommunity concept, which creates a "confederated" medical chart that lowers the cost of patient-related orders and communication between hospitals and independent practices; and #3) greater ATHN C-suite involvement in large group practice sales pitches. Overall, we believe these factors will contribute to growing brand awareness for athenahealth service offerings within the large practice segment.

### We See Growing Number of Enterprise Deals

Since 2009, the company has won 5 enterprise deals, 4 in 2009 and 1 in 2010, with about an average of 340 physicians per practice.

- 1/22/09 – University Hospitals – 450 providers/~300 physicians
- 5/1/09 – Caritas Christi – 500 providers/~350 physicians
- 7/13/09 – Cook Children's - 350 providers/~250 physicians
- 10/12/09 – Danbury Office of Physician Services – 250 providers/~175 physicians
- 11/18/10 – West Penn Allegheny Health System – 900 providers/600 physicians (not yet live)

We think 2011 and 2012 could be an inflection point for ATHN and that the number of these deals could double or triple. Looking out 5 years, we have increased our assumption for total installed physicians from 60k to 81k by 2016. Bottom-line: our 5-year CAGR assumption for revenue rises from 22% to 28%, for EBITDA growth our assumption goes to 34% from 28%, and the EPS CAGR goes to 38% from 30%.

### Sales & Marketing Investments a Continuing Drag on Margins

During ATHN's investor day in December, management outlined plans to add 28 new quota-carrying reps in 2011 after adding 33 in 2010, which will likely bring the company's total to 111 at the end of 2011. ATHN's sales organization will likely move toward a two-pronged approach, allowing management to devote more attention to the enterprise market--a source of disappointment for ATHN and investors during 2010. Key to that strategy is some management re-shuffling to allow for the recruitment of a dedicated SVP of enterprise sales. We think ATHN is currently courting a highly experienced healthcare executive for this important role.

While R&D is expected to grow faster than revenue in 2011, slowing G&A expense should provide a slight offset. Overall, though, we believe continued sales and marketing (S&M) investments will be a drag on future profitability. We are modeling for S&M to be 21% of total 2011 and 2012 sales, which is well above the 15-17% range from 2007 to 2009. Relative to assumed revenue growth, we are modeling for S&M expense to grow 40% yr/yr in 2011 (vs. 33% business services revenue growth) and 34% in 2012 (vs. 35% business services revenue growth).

Exhibit 3: Estimate Changes for 2011/12

Previous Estimates				New Estimates			
<i>in thousands</i>	CY2010E	CY2011E	CY2012E	<i>in thousands</i>	CY2010E	CY2011E	CY2012E
<b>Total Revenue</b>	\$ 243,263	\$ 316,884	\$ 404,071	<b>Total Revenue</b>	\$ 243,263	\$ 321,463	\$ 430,668
% change yr/yr	29.0%	30.3%	27.5%	% change yr/yr	29.0%	32.1%	34.0%
% change: acq	0.0%	0.0%	0.0%	% change: acq	0.0%	0.0%	0.0%
<b>Segment Revenues</b>				<b>Segment Revenues</b>			
Business Services	235,073	308,477	395,435	Business Services	235,073	313,056	422,032
% chg yr/yr	28.3%	31.2%	28.2%	% chg yr/yr	28.3%	33.2%	34.8%
Implementation and other	8,189	8,407	8,636	Implementation and other	8,189	8,407	8,636
% chg yr/yr	54.6%	2.7%	2.7%	% chg yr/yr	54.6%	2.7%	2.7%
<b>Key Metrics</b>				<b>Key Metrics</b>			
Active MD's	19.6	23.6	28.3	Active MD's	19.6	25.5	34.5
% chg yr/yr	25.0%	20.0%	20.0%	% chg yr/yr	25.0%	30.0%	35.0%
Sequential doc adds	3.9	3.9	4.7	Sequential doc adds	3.9	5.9	8.9
% chg yr/yr	25.5%	0.0%	20.5%	% chg yr/yr	25.5%	51.2%	50.8%
Cash collections	5,891,529	7,391,752	9,017,938	Cash collections	5,891,529	7,496,327	9,868,994
% chg yr/yr	20.9%	25.5%	22.0%	% chg yr/yr	20.9%	27.2%	31.7%
Cash collection/avg. Active MD	328.6	341.7	347.4	Cash collection/avg. Active MD	328.6	327.5	328.1
% chg yr/yr	-3.4%	4.0%	1.7%	% chg yr/yr	-3.4%	-0.3%	0.2%
Business Service revenues/Cash Collections	4.0%	4.2%	4.4%	Business Service revenues/Cash Collections	4.0%	4.2%	4.4%
<b>Gross margin</b>	<b>61.3%</b>	<b>62.3%</b>	<b>63.1%</b>	<b>Gross margin</b>	<b>61.3%</b>	<b>62.3%</b>	<b>63.0%</b>
<b>Common Size %</b>				<b>Common Size %</b>			
Selling and marketing	19.8%	22.0%	20.9%	Selling and marketing	19.8%	21.0%	21.0%
Research and development	6.9%	7.3%	6.9%	Research and development	6.9%	7.3%	6.9%
General and administrative	15.6%	12.8%	12.7%	General and administrative	15.6%	13.0%	12.6%
<b>Adjusted EBITDA margin</b>	<b>19.1%</b>	<b>20.2%</b>	<b>22.5%</b>	<b>Adjusted EBITDA margin</b>	<b>19.1%</b>	<b>21.1%</b>	<b>22.6%</b>
Wells Fargo Securities, LLC EPS	\$ 0.56	\$ 0.75	\$ 1.14	Wells Fargo Securities, LLC EPS	\$ 0.56	\$ 0.81	\$ 1.24
				Consensus	0.56	0.75	1.05

Source: First Call and Wells Fargo Securities, LLC estimates

ATHN 2011 Guidance

	1Q	2Q	3Q	4Q	2011
<b>Revenue (MM)</b> 12/16/2010					\$300-\$315
<b>Adj. Gross Margin</b> 12/16/2010					62%-63%
<b>Adj. EPS</b> 12/16/2010					\$0.68-\$0.78
<b>Adj. EBITDA (MM)</b> 12/16/2010					\$58-\$65
<b>Stock Option Exp (MM)</b> 12/16/2010					~\$20
<b>Other Expense (MM)</b> 12/16/2010					\$0.3
<b>D&amp;A (other than acq) (MM)</b> 12/16/2010					\$15.0 - \$15.8
<b>Amort of int. (MM)</b> 12/16/2010					\$1.8
<b>GAAP Tax Rate</b> 12/16/2010					46%-47%

Source: Company presentations and transcripts

**WELLS FARGO SECURITIES, LLC**  
EQUITY RESEARCH DEPARTMENT

**Health Care IT**

FY December in thousands, except EPS	restated 2009	2010					2011					2012				
		Q1	Q2	Q3	Q4E	2010E	Q1E	Q2E	Q3E	Q4E	2011E	Q1E	Q2E	Q3E	Q4E	2012E
Revenue	\$ 183,200	\$ 52,565	\$ 56,399	\$ 61,087	\$ 65,022	\$ 225,073	\$ 65,706	\$ 73,219	\$ 84,300	\$ 89,731	\$ 313,059	\$ 85,418	\$ 89,890	\$ 113,905	\$ 120,829	\$ 422,032
Business services	\$ 5,297	\$ 1,912	\$ 2,153	\$ 2,059	\$ 2,059	\$ 8,189	\$ 2,049	\$ 2,198	\$ 2,077	\$ 2,059	\$ 8,407	\$ 2,189	\$ 2,240	\$ 2,097	\$ 2,110	\$ 8,536
Implementation and other	\$ 180,823	\$ 84,977	\$ 88,682	\$ 93,143	\$ 97,091	\$ 215,591	\$ 87,852	\$ 94,819	\$ 103,377	\$ 109,229	\$ 321,433	\$ 87,539	\$ 91,220	\$ 118,902	\$ 125,238	\$ 429,514
Total revenues																
Direct operating expenses	78,792	22,991	22,889	23,462	25,025	64,057	28,055	28,696	32,391	33,873	121,143	32,853	37,451	42,684	45,987	159,166
Gross profit	111,758	31,898	36,883	39,611	42,998	149,178	41,888	48,819	53,388	57,958	200,318	64,784	63,749	73,919	78,971	271,613
Selling and marketing	31,946	11,370	11,505	12,271	12,747	48,193	14,505	16,462	17,669	18,190	67,514	18,806	20,760	24,919	25,817	93,322
Research and development	10,333	3,730	4,145	4,121	4,050	10,712	5,014	5,437	6,219	6,705	23,464	8,046	7,288	7,765	8,650	29,785
General and administrative	31,778	10,375	9,712	8,716	9,027	37,580	9,147	9,817	11,229	11,477	41,670	11,299	12,663	14,488	15,742	54,222
Depreciation and amortization	7,037	2,450	2,697	2,659	2,612	10,558	3,981	3,792	3,907	4,067	15,297	4,107	4,359	4,502	4,532	17,529
Operating income	24,313	3,771	7,244	11,834	12,880	34,968	8,621	11,341	14,684	17,547	62,333	14,299	13,721	21,344	25,698	76,412
Interest income	1,018	78	68	75	77	298	80	63	65	61	339	66	101	107	114	417
Interest expense	(928)	(217)	(119)	(102)	(99)	(530)	(119)	(119)	(110)	(110)	(473)	(118)	(114)	(110)	(119)	(473)
Other	259	33	33	33	33	96	36	36	36	36	146	47	47	47	47	173
Pretax income	27,718	3,962	7,256	11,930	12,883	36,248	8,980	11,316	14,682	17,350	62,349	14,288	13,704	21,333	25,888	78,287
Taxes	12,173	1,033	3,123	3,265	3,544	15,335	4,042	5,022	5,554	5,724	23,512	6,877	6,220	9,385	11,037	34,929
Net income	\$ 15,545	\$ 2,929	\$ 4,133	\$ 8,665	\$ 9,339	\$ 20,913	\$ 4,938	\$ 6,294	\$ 9,128	\$ 11,626	\$ 38,837	\$ 7,411	\$ 7,484	\$ 11,948	\$ 14,851	\$ 43,358
EPS	\$ 0.43	\$ 0.06	\$ 0.12	\$ 0.18	\$ 0.22	\$ 0.88	\$ 0.14	\$ 0.18	\$ 0.23	\$ 0.27	\$ 0.81	\$ 0.22	\$ 0.23	\$ 0.31	\$ 0.38	\$ 1.24
Diluted shares outstanding	34,917	35,201	35,178	35,156	35,200	35,105	33,300	35,400	35,586	35,606	35,450	35,706	35,600	35,200	35,200	35,565
Adj. EBITDA	34,890	8,231	9,951	14,653	18,819	48,410	12,402	18,109	18,871	21,334	67,870	18,488	23,078	29,848	27,721	97,131
<b>COMMON SIZE</b>																
Revenue	97.2%	96.5%	98.3%	96.7%	94.9%	98.6%	97.0%	97.1%	97.6%	97.7%	97.4%	97.5%	97.8%	98.2%	99.3%	98.0%
Business services	2.9%	3.6%	3.7%	3.3%	3.1%	3.4%	3.0%	2.9%	2.4%	2.3%	2.9%	2.5%	2.2%	1.6%	1.7%	2.0%
Implementation and other	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Gross margin	63.3%	68.8%	65.0%	64.8%	66.2%	67.2%	63.8%	66.5%	62.2%	64.5%	63.7%	62.3%	63.0%	63.0%	63.0%	63.0%
Selling and marketing	18.0%	20.9%	20.2%	19.4%	19.0%	19.6%	22.0%	23.0%	20.8%	18.8%	21.0%	20.9%	20.5%	21.5%	20.3%	21.0%
Research and development	7.1%	8.9%	7.1%	6.8%	7.0%	6.0%	7.4%	7.2%	7.2%	7.4%	7.3%	8.0%	7.2%	8.7%	8.0%	
General and administrative	16.9%	19.0%	16.6%	13.8%	13.5%	15.0%	13.5%	13.0%	12.5%	12.5%	13.0%	13.0%	12.5%	12.5%	12.5%	
Adjusted EBITDA margin	18.4%	11.7%	18.3%	23.0%	23.2%	18.1%	13.8%	28.0%	21.8%	23.3%	21.1%	21.1%	22.8%	22.3%	23.8%	
Depreciation and amortization	4.1%	4.4%	4.5%	4.5%	4.5%	4.5%	6.0%	5.0%	4.5%	4.4%	4.8%	4.6%	4.3%	3.6%	3.7%	
Operating margin	14.3%	7.3%	12.4%	18.8%	18.7%	14.8%	13.4%	18.0%	17.0%	18.9%	18.3%	18.3%	18.8%	18.4%	18.3%	
Pretax income	14.4%	7.1%	12.3%	18.8%	18.7%	14.8%	13.4%	18.0%	17.0%	18.9%	18.3%	18.3%	18.8%	18.4%	18.3%	
Effective tax rate	44.7%	41.5%	43.2%	45.0%	43.0%	44.3%	45.0%	45.0%	45.0%	45.0%	45.0%	44.0%	44.0%	44.0%	44.0%	
Net income	8.0%	4.1%	7.0%	10.2%	10.3%	8.1%	7.3%	8.2%	8.3%	10.4%	8.5%	8.1%	10.3%	10.9%	11.2%	

Source: Company reports and Wells Fargo Securities, LLC estimates

Revenue (Mill)	2009	2010				2011				2012						
	Q1	Q2	Q3	Q4E	2010E	Q1E	Q2E	Q3E	Q4E	2011E	Q1E	Q2E	Q3E	Q4E	2012E	
Business Services (\$000)	183,200	82,668	68,339	81,087	88,223	238,273	68,708	73,219	84,300	89,731	313,059	85,418	90,890	113,905	120,829	
% chg yoy	38.2%	31.8%	28.3%	33.3%	22.9%	28.2%	30.9%	38.0%	38.0%	33.2%	32.0%	35.0%	38.0%	38.2%	34.8%	
Active MDs	15,719	16,369	17,139	18,573	19,849	19,849	20,461	21,420	24,145	25,643	25,643	26,000	27,645	31,333	34,464	
% chg yoy	3.0%	6.0%	7.0%	14.0%	10.0%	0.0%	3.0%	4.0%	11.0%	5.0%	0.0%	1.0%	6.0%	11.0%	9.0%	
Sequential doc adds	3,100	650	797	1,457	1,078	5,900	813	609	2,725	1,308	5,895	1,050	1,240	1,542	3,095	
% chg yoy	24.0%	26.0%	28.1%	28.2%	24.0%	23.0%	25.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	
Business services revenue/Active MD	\$ 12,782	\$ 3,276	\$ 3,367	\$ 3,421	\$ 3,402	\$ 13,100	\$ 3,278	\$ 3,501	\$ 3,700	\$ 3,812	\$ 13,075	\$ 3,276	\$ 3,630	\$ 3,643	\$ 3,700	
% chg yoy	8.4%	5.9%	7.9%	6.8%	-2.9%	2.6%	0.0%	4.0%	8.1%	8.2%	-4.3%	0.0%	3.0%	3.6%	4.1%	
Implementation and other (\$000)	6,227	1,612	2,163	2,080	2,089	8,189	2,048	2,198	2,077	2,083	5,407	2,183	2,240	2,697	2,919	
% chg yoy	20.3%	68.6%	78.8%	14.6%	80.9%	64.8%	7.0%	2.0%	1.9%	1.9%	2.7%	7.8%	2.0%	1.6%	1.9%	
Total Revenues (\$000)	189,427	84,477	69,662	83,143	87,911	346,273	87,862	94,819	86,377	81,820	324,463	87,601	92,130	116,602	123,118	
% chg yoy	28.3%	32.6%	28.3%	33.2%	23.3%	28.2%	24.4%	23.0%	18.8%	24.9%	32.1%	28.5%	24.0%	34.2%	31.2%	
Cash collections (\$000)	\$ 4,873,220	\$ 1,312,821	\$ 1,421,348	\$ 1,517,054	\$ 1,640,296	\$ 5,891,529	\$ 1,690,411	\$ 1,790,868	\$ 1,641,842	\$ 2,053,178	\$ 7,499,327	\$ 2,104,534	\$ 2,282,350	\$ 2,621,497	\$ 2,770,824	
% chg yoy	22.1%	20.5%	17.6%	24.0%	21.0%	27.2%	28.0%	26.0%	28.0%	27.0%	27.2%	28.0%	27.0%	30.0%	33.0%	
Cash collections/Active MD (\$000)	\$ 309.95	\$ 81.83	\$ 84.64	\$ 84.97	\$ 83.63	\$ 328.55	\$ 83.70	\$ 86.52	\$ 67.23	\$ 83.25	\$ 367.40	\$ 83.70	\$ 84.21	\$ 83.51	\$ 84.12	
% chg yoy	3.7%	-2.6%	-0.0%	-1.3%	-3.3%	-3.4%	2.4%	0.8%	-6.2%	-2.3%	-0.3%	0.0%	-1.5%	3.8%	0.2%	
Business Services Revenue/Cash Collections	3.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.1%	4.1%	4.2%	4.3%	4.2%	4.3%	4.3%	4.6%	4.4%	
Revenue Growth	183,200	52,565	56,399	61,087	65,012	225,073	65,706	73,219	84,300	89,731	313,059	85,418	89,890	113,905	120,829	
up/down/flat - in thousands					589	589	589	2,350	1,787	1,907	1,754	609	5,817	4,020	5,473	2,755

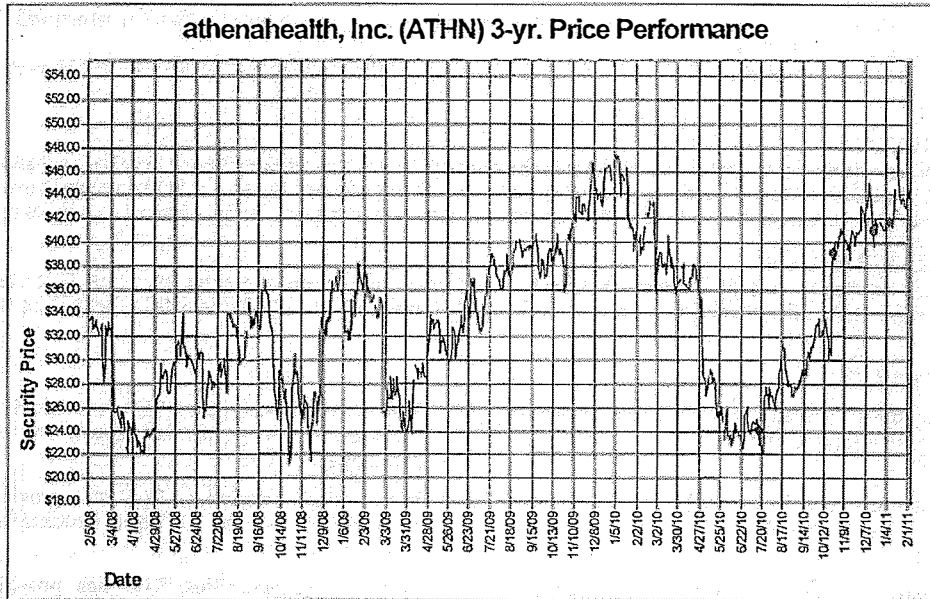
Source: Company reports and Wells Fargo Securities, LLC estimates

% Change - Analysis	2009	Q1	Q2	Q3	Q4E	2010E	Q1E	Q2E	Q3E	Q4E	2011E	Q1E	Q2E	Q3E	Q4E	2012E
Gross profit	44.6%	33.1%	33.0%	41.3%	23.2%	33.8%	35.7%	31.7%	34.1%	37.8%	34.3%	31.4%	34.2%	34.3%	36.2%	34.6%
Selling and marketing	49.0%	75.3%	41.2%	45.6%	47.0%	50.9%	31.1%	39.5%	45.4%	42.6%	40.1%	26.4%	28.0%	38.7%	42.0%	33.8%
Research and development	40.1%	27.8%	30.0%	18.8%	28.4%	25.3%	33.7%	31.2%	50.9%	44.7%	40.4%	20.6%	34.0%	24.9%	27.9%	28.8%
General and administrative	17.2%	39.9%	29.5%	7.0%	4.0%	19.1%	-11.8%	1.1%	28.8%	26.7%	10.1%	24.5%	29.8%	29.0%	37.2%	30.2%
Adjusted EBITDA	60.3%	5.1%	28.6%	54.6%	19.4%	33.0%	97.2%	52.5%	27.0%	37.4%	45.8%	46.7%	48.8%	39.2%	33.9%	43.5%
Depreciation and amortization	29.6%	47.7%	47.8%	35.7%	35.0%	41.1%	48.8%	41.2%	36.2%	34.3%	39.5%	17.2%	18.1%	15.2%	14.5%	15.7%
Operating income	103.2%	-10.6%	23.0%	102.3%	18.2%	31.7%	127.2%	56.7%	25.8%	39.7%	47.6%	58.4%	64.9%	45.0%	44.8%	51.7%
Pretax income	92.2%	-18.0%	20.3%	100.9%	17.3%	29.7%	132.6%	56.6%	25.2%	39.2%	46.0%	58.6%	65.3%	45.9%	44.6%	51.9%
Net income	5.4%	-13.9%	22.3%	99.9%	12.7%	30.8%	118.7%	51.7%	25.3%	33.3%	48.1%	61.7%	68.3%	48.4%	47.5%	54.7%
EPS	5.0%	-14.7%	21.1%	98.5%	17.4%	20.8%	118.1%	50.7%	24.0%	36.7%	45.0%	59.9%	60.4%	46.0%	45.9%	53.0%

Source: Company reports and Wells Fargo Securities, LLC estimates



### Required Disclosures



	Date	Publication Price (\$)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price (\$)
	7/15/2010		Bolan			
◆	7/15/2010	24.00	2	26.00	30.00	24.06
⊙	10/26/2010	37.42	2	36.00	37.00	39.09
⊙	12/17/2010	39.29	2	35.00	36.00	40.99
⊙	1/11/2011	41.31	2	37.00	38.00	41.68

Source: Wells Fargo Securities, LLC estimates and Reuters data

<b>Symbol Key</b>		<b>Rating Code Key</b>	
▼ Rating Downgrade	◆ Initiation, Resumption, Drop or Suspend	1 Outperform/Buy	SR Suspended
▲ Rating Upgrade	⊠ Analyst Change	2 Market Perform/Hold	NR Not Rated
⊙ Valuation Range Change	□ Split Adjustment	3 Underperform/Sell	NE No Estimate

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- 2) No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by me in this research report.

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**O=Overweight:** Industry expected to outperform the relevant broad market benchmark over the next 12 months.

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As of: February 8, 2011

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**From:** Wickwire, Todd [REDACTED]  
**Sent:** Friday, February 04, 2011 11:42 AM  
**To:** Bolan, Greg  
**Subject:** RE: request to change rating on ATHN

De nada

Todd M. Wickwire  
Managing Director  
Equity Research  
Wells Fargo Securities  
[REDACTED]

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**From:** Bolan, Greg  
**Sent:** Friday, February 04, 2011 11:42 AM  
**To:** Wickwire, Todd  
**Subject:** RE: request to change rating on ATHN

Danka

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Greg T. Bolan | Vice President | Pharmaceutical Services and HCIT Equity Research  
Wells Fargo Securities LLC | 230 4th Ave North - 7TH Floor, Nashville, TN, 37219

Wells Fargo Securities Healthcare Traders:

Joe Ruggieri - [REDACTED]  
[REDACTED]

Chip Short - [REDACTED]

Exhibit  
61  
6/6/13 Dm

[REDACTED]

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- 2) No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by me in this research report.

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From: Wickwire, Todd  
Sent: Friday, February 04, 2011 10:42 AM  
To: Bolan, Greg  
Subject: RE: request to change rating on ATHN

Yessar.

Todd M. Wickwire  
Managing Director  
Equity Research  
Wells Fargo Securities  
[REDACTED]

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From: Bolan, Greg  
Sent: Friday, February 04, 2011 11:42 AM  
To: Wickwire, Todd  
Subject: RE: request to change rating on ATHN

I'm assuming that's a yes, Mr Tyson? hahaha

---

Greg T. Bolan | Vice President | Pharmaceutical Services and HCIT Equity Research  
Wells Fargo Securities LLC | 230 4th Ave North - 7TH Floor, Nashville, TN, 37219

[REDACTED] | [REDACTED] | [REDACTED]

Wells Fargo Securities Healthcare Traders:

Joe Ruggieri - [REDACTED]  
[REDACTED]

Chip Short - [REDACTED]  
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From: Wickwire, Todd  
Sent: Friday, February 04, 2011 10:41 AM  
To: Bolan, Greg  
Subject: RE: request to change rating on ATHN

ko

Todd M. Wickwire  
Managing Director  
Equity Research  
Wells Fargo Securities  
[REDACTED] : [REDACTED]  
[REDACTED] : [REDACTED]

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From: Bolan, Greg  
Sent: Friday, February 04, 2011 11:33 AM  
To: Pearlstein, Sam; Wickwire, Todd

Subject: request to change rating on ATHN

Hey guys, I would like to upgrade shares of ATHN to OP from MP. We have kept a MP rating on the stock due to our belief that the company would be unable to penetrate large group practices (150+ docs) with their service offerings. Based on our channel checks, we believe the company is experiencing massive success now within the large hospital-owned and independent physician practice arena. Taking this new data-point into account, our forward sales, ebitda, and eps assumptions increase substantially. Based on our revised DCF assumptions, we now believe the stock could double in value.

Best

Greg

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Greg T. Bolan | Vice President | Pharmaceutical Services and HCIT Equity Research  
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Wells Fargo Securities Healthcare Traders:

Joe Ruggieri - [REDACTED]  
[REDACTED]

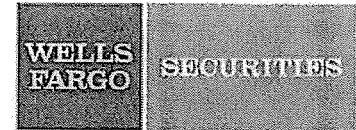
Chip Short - [REDACTED]  
[REDACTED]

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I certify that:

- 1) All views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers discussed; and
- 2) No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by me in this research report.

August 16, 2010



## Equity Research

### Emdeon, Inc.

EM: Valuation, Sentiment At Depressed Levels--Upgrading To ●P  
Sell-Off Unwarranted--Upgrading To Outperform

Outperform / V

Sector: Health Care IT  
Overweight

Rating Change

• **Summary.** Year-to-date, EM is now down 30%, massively underperforming a 3% decline in the S&P. We believe the underperformance has been a function of 1) the well documented trend of lower healthcare utilization and 2) confusion and concern with EM's 2010 guidance. While lower utilization is a valid concern for investors, we believe EM's guidance does not assume a pick up in the level of patient visits/procedures in H2 2010. Even still, both our estimates and consensus imply Emdeon will post 2010 results at the low-end of guidance. With a robust acquisition pipeline, growing revenue synergies from acquired businesses, and a high recurring revenue stream, we see limited downside to the low-end of guidance and, thus, view our estimates as a highly plausible hurdle. As such, we believe the deterioration of EM's valuation has become irrational and view the risk/reward to be quite attractive. Upgrading EM to Outperform from Market Perform. Lowering our 2010-11E EPS to \$0.90/\$1.04 from \$0.93/\$1.06; valuation range drops from \$18-19 to \$15-16 due to our assumption of slower, long-term organic sales growth.

• **Changes To Our Estimates.** EM reported Q2 2010 cash EPS of \$0.22 on revenues of \$243.3MM, which compared to our \$0.22 on \$249.8MM and consensus of \$0.22 on \$248.2MM. Management reaffirmed 2010 guidance of cash EPS to be \$0.90-0.94, adjusted EBITDA to range \$266-278MM, and revenues to be \$1.0-1.06 billion. Reflecting our assumption of lower revenues from claims management and patient statement businesses due to tepid utilization, we are lowering our 2010E cash EPS of \$0.90 from \$0.93, adjusted EBITDA to \$263MM from \$270MM, and revenues to \$999.5MM from \$1.015 billion. Consensus currently stands at EPS of \$0.91, adjusted EBITDA: \$265MM, revenues: \$992MM.

• **So Why Upgrade Now?** We view Emdeon as an attractive "cashflow" story. With incremental margins running over 40% and very low working capital and capex requirements, the company should continue to generate a high level of free cash flow. Currently, EM trades at a 10% FCF yield, which compares to about 5% subsequent to the IPO. On the basis of forward EV/EBITDA, EM currently trades at 6x our estimates, which compares to slightly over 10x this time last year. While our upgrade is based primarily on valuation, we believe demand for Emdeon's data and analytics services will proliferate as payers and providers look to make more informed and timely business decisions in the face of an ever-changing and increasingly complex reimbursement system.

#### Valuation Range: \$15.00 to \$16.00 from \$18.00 to \$19.00

Our valuation range of \$15-16 is derived from DCF valuation, and implies 8.5x our 2011 adj EBITDA estimate. We believe the key risk for Emdeon is the potential for payors and providers to connect directly, thus reducing the need for the company's products and services. Additionally, we highlight consolidation among health insurers, as well as the integration of acquisitions.

#### Investment Thesis:

We view Emdeon's services to be ubiquitous within the U.S. healthcare transactions network. We believe Emdeon can grow cash EPS at a 13% CAGR through 2012 via acquisitions, cross-sell, and conversion from paper-based payments to electronic.

Please see page 4 for rating definitions, important disclosures and required analyst certifications

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CASHEPS	2009A	2010E		2011E	
		Curr.	Prior	Curr.	Prior
Q1 (Mar.)	\$0.21	\$0.21 A	NC	\$0.24	NC
Q2 (June)	0.24	0.22 A	0.22	0.25	0.26
Q3 (Sep.)	0.21	0.22	0.24	0.27	NC
Q4 (Dec.)	0.20	0.24	0.26	0.28	0.29
FY	\$0.87	\$0.90	0.93	\$1.04	1.06
CY	\$0.87	\$0.90		\$1.04	
FYP/E	12.5x	12.1x		10.5x	
Rev.(MM)	\$918	\$999		\$1,072	

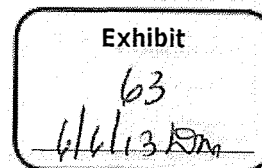
Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters  
NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful  
V = Volatile, \* = Company is on the Priority Stock List

Pro forma fully taxed EPS refers to GAAP EPS plus tax-adjusted stock compensation expense, other nonrecurring, amortization of intangibles and noncash interest expense interest expense

Ticker	EM
Price (08/13/2010)	\$10.89
52-Week Range	\$10-19
Shares Outstanding: (MM)	122.0
Market Cap.: (MM)	\$1,328.6
S&P 500:	1,079.25
Avg. Daily Vol.:	184,344
Dividend/Yield:	\$0.00/0.0%
LT Debt: (MM)	\$838.5
LT Debt/Total Cap.:	46.7%
ROE:	2.0%
3-5 Yr. Est. Growth Rate:	13.0%
CY 2010 Est. P/CASH EPS-to-Growth:	0.9x
Last Reporting Date:	08/05/2010
	After Close

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters

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Together we'll go far





**Company Description:**

Emdeon is a leading provider of revenue and payment cycle management solutions, connecting payers, providers and patients in the U.S. healthcare system. Emdeon's product and service offerings integrate and automate key business and administrative functions of its payer and provider customers throughout the patient encounter. Through the use of Emdeon's comprehensive suite of products and services, which are designed to easily integrate with existing technology infrastructures, customers are able to improve efficiency, reduce costs, increase cash flow and more efficiently manage the complex revenue and payment cycle process.

**Emdeon  
2Q10 Variance Table**

FY December	Q2-09A	Q1-10A	Q2-10E	Q2-10A	Yr/Yr % change	Sequential % change
In thousands, except per share amounts						
<b>Revenue</b>						
Payer services	\$ 98,998	\$ 102,298	\$ 106,122	\$ 106,680	7.8%	4.3%
Provider services	\$ 114,781	\$ 115,287	\$ 120,732	\$ 116,682	1.7%	1.2%
Pharmacy services	\$ 10,762	\$ 19,896	\$ 22,953	\$ 19,927	85.2%	1.2%
<b>Total revenues</b>	<b>\$ 224,541</b>	<b>\$ 237,279</b>	<b>\$ 249,807</b>	<b>\$ 243,289</b>	<b>8.3%</b>	<b>2.5%</b>
<b>Cost of operations</b>	<b>137,009</b>	<b>143,988</b>	<b>151,383</b>	<b>148,444</b>	<b>8.3%</b>	<b>3.1%</b>
<b>Gross profit</b>	<b>87,532</b>	<b>93,293</b>	<b>98,424</b>	<b>94,845</b>	<b>8.4%</b>	<b>1.7%</b>
Development and engineering	7,169	8,554	8,993	8,695	21.3%	1.6%
Sales, marketing, and general and admin	27,247	26,119	27,479	26,243	-3.7%	0.5%
D&A	25,286	27,775	28,789	29,278	15.8%	5.4%
Other expense, net	175	290	-	(2,060)	-1277.1%	-810.3%
<b>Operating income</b>	<b>27,656</b>	<b>30,555</b>	<b>33,183</b>	<b>32,689</b>	<b>18.2%</b>	<b>7.0%</b>
Interest (income)	(32)	(3)	(3)	(5)	-84.4%	88.7%
Interest expense	17,169	15,095	15,833	15,919	-7.3%	1.6%
<b>Pretax income</b>	<b>10,521</b>	<b>14,893</b>	<b>17,534</b>	<b>16,775</b>	<b>59.4%</b>	<b>12.6%</b>
Taxes	(3,992)	10,830	7,278	9,520	-340.3%	-10.4%
<b>Net income</b>	<b>14,483</b>	<b>4,263</b>	<b>10,257</b>	<b>7,255</b>	<b>-49.8%</b>	<b>70.2%</b>
Net income (loss) attributable to non-controlling interest	2,044	2,374	2,564	3,023	-48.0%	27.5%
<b>Net income attributable to Emdeon</b>	<b>12,439</b>	<b>1,889</b>	<b>7,693</b>	<b>4,232</b>	<b>-66.0%</b>	<b>123.9%</b>
<b>GAAP EPS</b>	<b>\$ 0.12</b>	<b>\$ 0.02</b>	<b>\$ 0.06</b>	<b>\$ 0.05</b>	<b>-60.0%</b>	<b>123.2%</b>
<b>Cash EPS Calculation</b>						
GAAP pretax income	10,521	14,893	17,534	16,775		
Stock compensation	6,367	3,675	3,700	4,172		
Other	1,127	355	-	(983)		
Non-cash interest expense	4,800	4,588	4,500	4,630		
D&A resulting from acq method adjustments	18,758	19,176	19,200	19,965		
Non-GAAP pretax income	41,581	42,887	44,934	44,558		
Taxes	(16,424)	(16,881)	(17,748)	(17,801)		
Normalized tax rate	39.5%	39.5%	39.5%	39.5%		
<b>Cash Net Income</b>	<b>25,157</b>	<b>25,826</b>	<b>27,185</b>	<b>26,958</b>	<b>7.2%</b>	<b>4.4%</b>
<b>Cash EPS</b>	<b>\$ 0.24</b>	<b>\$ 0.21</b>	<b>\$ 0.22</b>	<b>\$ 0.22</b>	<b>-6.5%</b>	<b>3.3%</b>
# of shares outstanding (diluted)	100,900	121,295	121,985	122,569	14.7%	1.1%
<b>Adjusted EBITDA Calculation</b>						
Net income	14,483	4,263	10,257	7,255		
Depreciation	10,080	11,367	12,198	29,278		
Amortization of intangibles	15,206	16,408	16,591	-		
Interest expense (income), net	17,137	15,662	15,629	15,914		
Taxes	(3,992)	10,630	7,276	9,520		
Stock compensation	6,367	3,675	3,700	4,172		
Other	1,127	355	-	(983)		
<b>Adjusted EBITDA</b>	<b>50,438</b>	<b>62,360</b>	<b>65,082</b>	<b>65,159</b>	<b>7.8%</b>	<b>-4.9%</b>
<b>Common Size - Assumptions</b>						
<b>Revenue</b>						
Payer services	44.1%	43.1%	42.5%	43.8%		
Provider services	51.1%	48.6%	49.3%	48.0%		
Pharmacy services	4.8%	8.3%	9.2%	8.2%		
<b>Total revenues</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>		
<b>Gross margin</b>	<b>39.0%</b>	<b>39.3%</b>	<b>39.4%</b>	<b>39.0%</b>		
Development and engineering	3.2%	3.6%	3.6%	3.6%		
Sales, marketing, and general and admin	12.1%	11.0%	11.0%	10.8%		
D&A	11.3%	11.7%	11.5%	12.0%		
<b>Adjusted EBITDA margin</b>	<b>26.9%</b>	<b>26.3%</b>	<b>28.3%</b>	<b>26.8%</b>		
<b>Operating margin</b>	<b>12.3%</b>	<b>12.9%</b>	<b>13.3%</b>	<b>13.4%</b>		
Pretax income	4.7%	6.3%	7.0%	6.9%		
Tax rate	-37.7%	71.4%	-11.5%	56.8%		
Net income (loss) attributable to non-controlling interest	14.1%	55.7%	25.0%	41.7%		
<b>Net income attributable to Emdeon</b>	<b>5.5%</b>	<b>0.8%</b>	<b>3.1%</b>	<b>1.7%</b>		

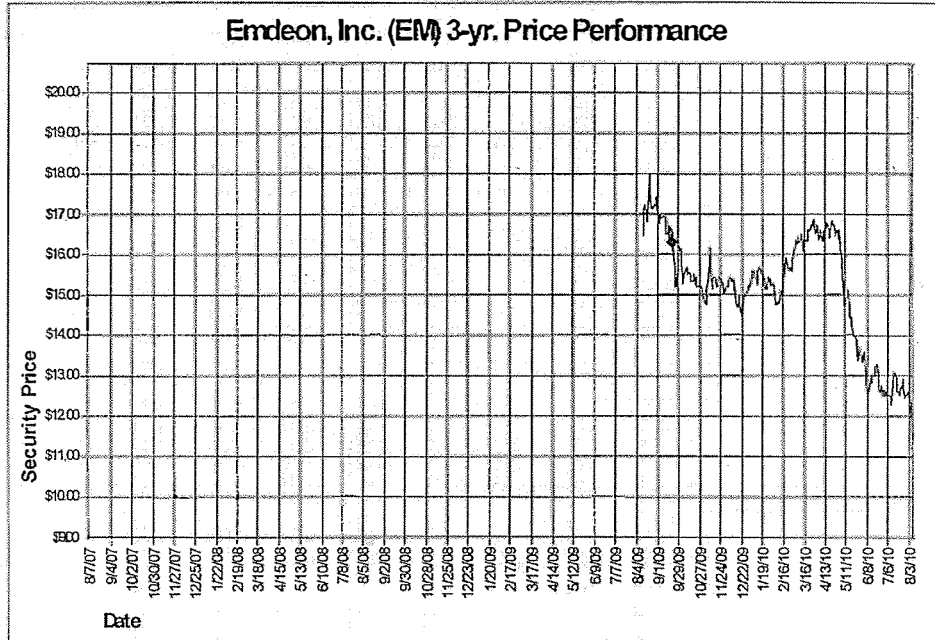
Source: Company reports and Wells Fargo Securities, LLC estimates

FY December In thousands, except per share amounts	2009	2010 Q1	2010 Q2	2010 Q3E	2010 Q4E	2010E	2011 Q1E	2011 Q2E	2011 Q3E	2011 Q4E	2011E
<b>Revenue</b>											
Payer services	\$ 396,590	\$ 102,298	\$ 106,890	\$ 109,340	\$ 109,216	\$ 426,532	\$ 112,752	\$ 112,893	\$ 114,371	\$ 115,528	\$ 455,544
Provider services	\$ 481,014	\$ 115,287	\$ 118,882	\$ 124,002	\$ 125,980	\$ 481,951	\$ 121,785	\$ 123,728	\$ 133,015	\$ 134,087	\$ 512,615
Pharmacy services	\$ 90,844	\$ 19,090	\$ 19,927	\$ 24,942	\$ 26,428	\$ 90,993	\$ 22,453	\$ 22,717	\$ 28,434	\$ 30,128	\$ 103,732
<b>Total revenues</b>	<b>\$ 918,448</b>	<b>\$ 237,279</b>	<b>\$ 245,299</b>	<b>\$ 257,284</b>	<b>\$ 261,624</b>	<b>\$ 999,476</b>	<b>\$ 256,991</b>	<b>\$ 259,338</b>	<b>\$ 275,819</b>	<b>\$ 275,743</b>	<b>\$ 1,071,991</b>
<b>Cost of operations</b>	<b>562,866</b>	<b>143,986</b>	<b>148,444</b>	<b>156,883</b>	<b>157,015</b>	<b>606,428</b>	<b>153,938</b>	<b>154,824</b>	<b>163,836</b>	<b>165,500</b>	<b>638,205</b>
<b>Gross profit</b>	<b>355,582</b>	<b>93,293</b>	<b>94,855</b>	<b>100,301</b>	<b>104,609</b>	<b>393,048</b>	<b>103,053</b>	<b>104,513</b>	<b>111,982</b>	<b>110,138</b>	<b>433,644</b>
Development and engineering	33,920	8,554	8,695	10,334	9,880	38,983	9,252	8,855	10,757	11,150	41,053
Sales, marketing, and general and admin	113,700	26,119	28,243	28,559	28,517	109,438	27,755	28,268	30,340	30,772	117,135
D&A	105,321	27,775	29,278	29,729	29,586	116,388	29,070	28,882	28,708	28,544	115,204
Other expense, net	1,158	290	(2,050)		(1,770)						
Operating income	101,476	30,568	32,689	31,979	36,828	132,049	36,977	37,608	42,178	43,829	160,292
Interest (income)	(80)	(3)	(5)	(3)	(3)	(15)	(4)	(4)	(4)	(5)	(17)
Interest expense	70,291	15,565	15,919	15,600	15,568	62,752	15,536	15,505	15,473	15,462	61,596
Pretax income	31,304	14,983	16,775	16,383	21,262	69,312	21,444	22,007	26,709	28,192	98,353
Taxes	17,301	10,630	9,500	9,799	8,824	35,772	8,859	9,133	11,084	11,700	40,619
<b>Net income</b>	<b>14,003</b>	<b>4,283</b>	<b>7,255</b>	<b>6,584</b>	<b>12,438</b>	<b>33,540</b>	<b>12,545</b>	<b>12,874</b>	<b>15,625</b>	<b>16,493</b>	<b>57,536</b>
Net income (loss) attributable to non-controlling interest	4,422	2,374	3,026	3,997	5,189	14,585	3,138	3,219	3,905	4,123	14,384
Net income attributable to Emdeon	9,581	1,909	4,229	2,587	7,249	18,955	9,407	9,655	11,719	12,369	43,152
<b>GAAP EPS</b>	<b>\$ 0.12</b>	<b>\$ 0.02</b>	<b>\$ 0.08</b>	<b>\$ 0.06</b>	<b>\$ 0.06</b>	<b>\$ 0.16</b>	<b>\$ 0.08</b>	<b>\$ 0.08</b>	<b>\$ 0.10</b>	<b>\$ 0.10</b>	<b>\$ 0.35</b>
<b>Cash EPS Calculation</b>											
GAAP Pretax income	31,304	14,893	16,775	16,383	21,262	69,312	21,444	22,007	26,709	28,192	98,353
Stock compensation	25,414	3,675	4,172	3,700	3,700	15,247	3,750	3,750	3,750	3,750	15,000
Other	8,073	355	(983)			(28)	-	-	-	-	
Non-cash interest expense	19,741	4,588	4,830	4,500	4,500	18,218	4,500	4,500	4,500	4,500	18,000
D&A resulting from acq method adjustments	78,444	10,178	10,355	10,955	10,955	70,071	19,500	19,500	15,500	15,500	78,000
Non-GAAP pretax income	160,978	42,687	44,559	44,648	49,427	181,200	49,194	49,757	64,459	66,842	205,363
Taxes	(63,588)	(18,601)	(17,801)	(17,598)	(18,523)	(71,591)	(18,432)	(18,554)	(21,511)	(22,097)	(82,694)
Normalized tax rate	39.5%	39.5%	39.5%	39.5%	39.5%	39.5%	39.5%	39.5%	39.5%	39.5%	39.5%
Cash net income	\$ 97,498	\$ 29,086	\$ 26,828	\$ 27,050	\$ 30,904	\$ 29,789	\$ 30,743	\$ 32,945	\$ 32,846	\$ 33,846	\$ 127,658
Cash EPS	\$ 0.87	\$ 0.21	\$ 0.22	\$ 0.24	\$ 0.24	\$ 0.50	\$ 0.24	\$ 0.28	\$ 0.27	\$ 0.28	\$ 1.04
# of shares outstanding (#)uted	112,911	121,295	121,995	122,265	122,295	121,955	122,365	122,055	122,485	122,155	122,280
<b>Adjusted EBITDA Calculation</b>											
Net income	14,003	4,283	7,255	6,584	12,438	33,540	12,545	12,874	15,625	16,493	57,536
Depreciation	42,231	11,307	29,278	13,139	12,995	66,779	12,794	12,808	12,432	12,268	50,100
Amortization of intangibles	63,090	16,408	-	16,591	16,591	49,589	16,276	16,276	16,276	16,276	65,104
Interest expense (income), net	70,171	15,032	15,914	15,595	15,565	62,737	15,533	15,501	15,469	15,437	61,939
Taxes	17,301	10,630	9,500	9,799	8,824	35,772	8,859	9,133	11,084	11,700	40,619
Stock compensation	25,414	3,675	4,172	3,700	3,700	15,247	3,750	3,750	3,750	3,750	15,000
Other	8,073	355	(983)			(28)	-	-	-	-	
<b>Adjusted EBITDA</b>	<b>210,253</b>	<b>63,360</b>	<b>66,144</b>	<b>66,408</b>	<b>70,112</b>	<b>263,038</b>	<b>69,797</b>	<b>70,140</b>	<b>74,635</b>	<b>79,524</b>	<b>290,254</b>
Common Size - Assumptions											
<b>Revenue</b>											
Payer services	43.2%	43.1%	43.6%	42.1%	41.7%	42.7%	43.9%	43.5%	41.5%	41.3%	42.5%
Provider services	50.2%	48.8%	48.0%	48.2%	48.2%	48.2%	47.4%	47.7%	48.2%	47.8%	47.8%
Pharmacy services	8.6%	8.3%	8.2%	9.7%	10.1%	9.1%	8.7%	8.8%	10.3%	10.8%	9.7%
<b>Total revenues</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Gross margin</b>	<b>38.7%</b>	<b>39.3%</b>	<b>38.9%</b>	<b>39.0%</b>	<b>40.0%</b>	<b>39.3%</b>	<b>40.1%</b>	<b>40.3%</b>	<b>40.8%</b>	<b>40.8%</b>	<b>40.6%</b>
Development and engineering	3.7%	3.6%	3.6%	3.9%	3.7%	3.7%	3.6%	3.6%	3.9%	4.0%	3.8%
Sales, marketing, and general and admin	12.4%	11.0%	10.6%	11.1%	10.9%	10.9%	10.8%	10.9%	11.0%	11.0%	10.9%
D&A	11.5%	11.7%	12.0%	11.6%	11.3%	11.6%	11.3%	11.1%	10.4%	10.2%	10.7%
<b>Adjusted EBITDA margin</b>	<b>26.2%</b>	<b>26.3%</b>	<b>26.8%</b>	<b>25.4%</b>	<b>26.8%</b>	<b>26.3%</b>	<b>27.2%</b>	<b>27.0%</b>	<b>27.1%</b>	<b>27.1%</b>	<b>27.1%</b>
<b>Operating margin</b>	<b>11.0%</b>	<b>12.9%</b>	<b>13.4%</b>	<b>12.4%</b>	<b>14.1%</b>	<b>13.2%</b>	<b>14.4%</b>	<b>14.6%</b>	<b>15.3%</b>	<b>15.6%</b>	<b>15.0%</b>
Pretax income	3.4%	6.3%	6.9%	6.4%	8.1%	6.9%	8.3%	8.5%	9.7%	10.1%	8.2%
Tax rate	55.3%	71.4%	56.8%	41.5%	41.5%	51.6%	41.5%	41.5%	41.5%	41.5%	41.5%
Net income (loss) attributable to non-controlling interest	31.6%	55.7%	41.7%	41.7%	41.7%	43.5%	25.0%	25.0%	25.0%	25.0%	25.0%
Net income attributable to Emdeon	1.0%	0.8%	1.7%	2.2%	2.6%	1.9%	3.7%	3.7%	4.2%	4.4%	4.0%

Source: Company reports and Wells Fargo Securities, LLC estimates

Revenue Model	2009	2010 Q1	2010 Q2	2010 Q3E	2010 Q4E	2010E	2011 Q1E	2011 Q2E	2011 Q3E	2011 Q4E	2011E
<b>Claims management</b>	184,605	45,476	50,176	49,995	46,108	190,154	47,977	52,434	49,343	50,754	200,598
% change y/y	2.6%	0.8%	8.5%	2.0%	2.0%	3.3%	5.5%	4.5%	5.0%	5.9%	5.1%
<b>Payment services</b>	211,985	56,620	59,504	61,347	61,107	235,778	64,775	60,459	65,028	64,774	255,030
% change y/y	10.5%	12.9%	7.1%	15.0%	10.0%	11.2%	14.0%	7.0%	8.0%	6.0%	8.2%
<b>Payers services</b>	396,590	102,298	106,890	103,340	109,216	426,532	112,752	112,893	114,371	115,528	455,544
\$ change y/y	24,786	6,838	7,882	8,923	6,499	29,942	10,456	6,213	6,000	6,312	29,012
% change y/y	6.3%	7.2%	7.9%	9.0%	6.3%	7.5%	10.2%	6.8%	6.6%	6.8%	8.2%
\$ change y/y: acq	1,960	1,700	6,000	5,500	5,500	18,700	4,700	-	-	-	4,700
% change y/y: acq	0.5%	1.8%	6.1%	5.5%	5.4%	4.7%	4.8%	0.0%	0.0%	0.0%	1.1%
\$ change y/y: organic	22,817	5,138	1,682	3,423	999	11,242	5,756	6,213	6,000	6,312	24,312
% change y/y: organic	6.1%	5.4%	1.7%	3.4%	1.0%	2.8%	5.6%	5.9%	5.5%	5.8%	6.7%
<b>Patent statements</b>	274,390	69,676	65,705	70,888	71,111	274,390	70,010	69,890	78,204	79,089	291,293
% change y/y	3.1%	-2.9%	-4.5%	1.5%	0.0%	0.0%	5.0%	5.0%	7.5%	7.0%	6.2%
<b>Revenue cycle management</b>	155,111	40,974	40,030	44,897	46,733	175,334	43,521	46,472	48,264	49,537	187,795
% change y/y	7.0%	7.6%	13.1%	15.0%	16.0%	13.0%	8.0%	8.0%	6.5%	6.0%	7.1%
<b>Dental</b>	31,513	7,937	7,947	8,217	8,138	32,237	8,254	8,265	8,546	8,461	33,527
% change y/y	-0.2%	2.3%	-0.1%	3.0%	4.0%	2.3%	4.0%	4.0%	4.0%	4.0%	4.0%
<b>Provider services</b>	481,014	116,267	116,882	124,002	128,980	481,951	121,785	123,728	133,015	134,087	512,615
\$ change y/y	16,268	1,108	1,001	7,143	10,784	20,937	6,493	7,046	9,013	8,107	30,664
% change y/y	4.1%	1.0%	1.7%	6.1%	8.4%	4.6%	6.4%	6.0%	7.3%	6.4%	6.4%
\$ change y/y: acq	3,500	(2,500)	(500)	5,500	8,000	10,500	5,000	5,000	5,000	5,000	20,000
% change y/y: acq	0.8%	-2.2%	-0.4%	4.7%	6.9%	2.3%	4.3%	4.3%	4.0%	4.0%	4.1%
\$ change y/y: organic	14,768	3,609	2,401	1,643	2,784	10,437	1,493	2,046	4,013	3,107	10,664
% change y/y: organic	3.3%	3.2%	2.1%	1.4%	2.4%	2.3%	1.3%	1.6%	3.2%	2.5%	2.2%
<b>Pharmacy services</b>	90,844	19,090	19,927	24,942	26,428	90,993	22,453	22,717	28,434	30,128	103,732
\$ change y/y	21,777	9,447	9,105	5,756	5,781	30,149	2,757	2,790	3,492	3,700	12,738
% change y/y	58.7%	80.2%	82.0%	30.0%	28.0%	49.6%	14.0%	14.0%	14.0%	14.0%	14.0%
\$ change y/y: acq	17,700	8,400	9,500			17,900					
% change y/y: acq	45.3%										

### Required Disclosures



	Date	Publication Price (\$)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price (\$)
	9/21/2009		Buy			
◆	9/21/2009	16.60	2	18.00	19.00	16.34

Source: Wells Fargo Securities, LLC estimates and Reuters data

<b>Symbol Key</b>		<b>Rating Code Key</b>	
▼	Rating Downgrade	◆	Initiation, Resumption, Drop or Suspend
▲	Rating Upgrade	■	Analyst Change
●	Valuation Range Change	□	Split Adjustment
		1	Outperform/Buy
		2	Market Perform/Hold
		3	Underperform/Sell
		SR	Suspended
		NR	Not Rated
		NE	No Estimate

### Additional Information Available Upon Request

I certify that:

- 1) All views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers discussed; and
- 2) No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by me in this research report.

- Wells Fargo Securities, LLC maintains a market in the common stock of Emdeon, Inc.
- Wells Fargo Securities, LLC or its affiliates intends to seek or expects to receive compensation for investment banking services in the next three months from Emdeon, Inc.
- Wells Fargo Securities, LLC or its affiliates received compensation for investment banking services from Emdeon, Inc. in the past 12 months.
- Emdeon, Inc. currently is, or during the 12-month period preceding the date of distribution of the research report was, a client of Wells Fargo Securities, LLC. Wells Fargo Securities, LLC provided investment banking services to Emdeon, Inc.
- Wells Fargo Securities, LLC or its affiliates may have a significant financial interest in Emdeon, Inc.

**EM:** We believe the key risk for Emdeon is the potential for payors and providers to connect directly, thus reducing the need for the company's products and services. Additionally, we highlight consolidation among health insurers, as well as the integration of acquisitions.

Wells Fargo Securities, LLC does not compensate its research analysts based on specific investment banking transactions. Wells Fargo Securities, LLC's research analysts receive compensation that is based upon and impacted by the overall profitability and revenue of the firm, which includes, but is not limited to investment banking revenue.

### STOCK RATING

**1=Outperform:** The stock appears attractively valued, and we believe the stock's total return will exceed that of the market over the next 12 months. BUY

**2=Market Perform:** The stock appears appropriately valued, and we believe the stock's total return will be in line with the market over the next 12 months. HOLD

**3=Underperform:** The stock appears overvalued, and we believe the stock's total return will be below the market over the next 12 months. SELL

### SECTOR RATING

**O=Overweight:** Industry expected to outperform the relevant broad market benchmark over the next 12 months.

**M=Market Weight:** Industry expected to perform in-line with the relevant broad market benchmark over the next 12 months.

**U=Underweight:** Industry expected to underperform the relevant broad market benchmark over the next 12 months.

### VOLATILITY RATING

**V** = A stock is defined as volatile if the stock price has fluctuated by +/-20% or greater in at least 8 of the past 24 months or if the analyst expects significant volatility. All IPO stocks are automatically rated volatile within the first 24 months of trading.

As of: August 16, 2010

47% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Outperform.

Wells Fargo Securities, LLC has provided investment banking services for 41% of its Equity Research Outperform-rated companies.

50% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Market Perform.

Wells Fargo Securities, LLC has provided investment banking services for 45% of its Equity Research Market Perform-rated companies.

3% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Underperform.

Wells Fargo Securities, LLC has provided investment banking services for 38% of its Equity Research Underperform-rated companies.

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SECURITIES: NOT FDIC-INSURED/NOT BANK-GUARANTEED/MAY LOSE VALUE

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**From:** Bolan, Greg [REDACTED]  
**Sent:** Thursday, August 12, 2010 7:24 PM  
**To:** Pearlstein, Sam  
**Subject:** request to upgrade EM to Outperform from MP

Hey Sam, I want to upgrade EM. This is really a valuation call, as the stock's EV/EBITDA multiple has melted over the past 12 months; yet I do not feel the company's current business or prospects have really changed. I view Emdeon as an attractive "cashflow" story. With incremental margins running over 40% and very low working capital and cap ex requirements, the company should continue to generate a high level of free cash flow. Currently, EM trades at a 10% FCF yield, which compares to ~5% subsequent to the IPO. On the basis of forward EV/EBITDA, EM currently trades at 6x our ests, which compares to slightly over 10x this time last year.

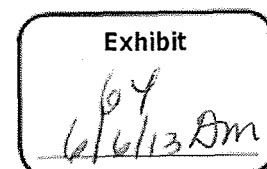
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**Greg T. Bolan | Vice President | Pharmaceutical Services and HCIT Equity Research**  
Wells Fargo Securities LLC | 230 4<sup>th</sup> Ave North - 7<sup>th</sup> Floor, Nashville, TN, 37219  
[REDACTED] [REDACTED]

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I certify that:

- 1) All views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers discussed; and
- 2) No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by me in this research report.



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**From:** Johnson, Lori J. (Compliance) [REDACTED]  
**Sent:** Monday, December 13, 2010 1:18 PM  
**To:** Equity Research All; Schumaker, Diane; Wickwire, Todd; Pearlstein, Sam; Compliance Research  
**Cc:** Tong, Michael; Wong, David; Kasper, Maren; Knybel, Kelly; Moisiso, Daniel; Chan, Herman; Dargan, Sean; Herzog, Bonnie; Mabry, Hays; Halsted, Ryan; Dolin, Joshua; Liebowitz, Gary; Chuy, Vilma; Bisson, Stephan; Lachky, Joe; Slavin, Eileen; Lim, David; Hall, Michael; Santarelli, Carlo; Lieberman, Gary; Gu, David (Xinyi); Eldridge, Stacey; Bolan, Greg; Gallo, Anthony; Schlock, Timothy; Oppold, Paul; Omohundro, Jeffrey; Friedman, Scott (Compliance); Costa, Peter; Lefebvre, Jonathan; Webber, Michael (Equity Research); Harris, Christopher; Kopelman, Evren; Conlan, Matthew; Hayashi, Nicole; Burk, Nathan; Eskelsen, Richard; Biegelsen, Larry; Powell, Gray; Conder, Tim; Ku, Young; Kwas, Rich; Poliniak, Allison; Donnelly, Jeff; Kerlan, Michael; Willi, Timothy; Nemer, Matt; Hughes, Dan (Compliance); Kalton, Neil; Calcaterra, Lillian; Ryvicker, Marci; Hansen, Colleen (Equity Research); Hall, John; Blum, Michael; Kaba, Suman; Magers, Sara; Conlon, Michael; Casey, Andrew; Rueppel, Phil; Walsh, Michael; Davis, Brian; Tameron, David; Curran, Tom; Sosiak, Julie; Reichardt, Carl; Park, Mina; Legall, Mary; Hausner, Lisa; Satish, Praneeth; Evans, Tim; Caso, Edward; Burnell, Matt; Parasuraman, Priya; Abrahams, Brian; Wicklund, Christopher; Andrews, Matthew; Londe, Ron; Laquaglia, Robert; Pietrowski, Julie  
**Subject:** Annual Compliance Meeting - Equity Research  
**Attachments:** 2010 Equity Annual Training.ppt

As a reminder, Research Compliance will be conducting Annual Compliance Training at 12 Noon EST on Tuesday, December 14, 2010. This training is Mandatory for all licensed individuals. The training will be Dial-in only:

**Toll-Free Dial-in #:** [REDACTED] **Conference ID** [REDACTED]

Please note for tracking purposes besides your name, you **MUST** give the operator your Wells ID#. This is **NOT** your A#. The Wells ID# can be found on the Teamwork's site: Pay: Pay Voucher – it is listed as EmplID.

The materials for the call are attached.

Thanks,  
Lori

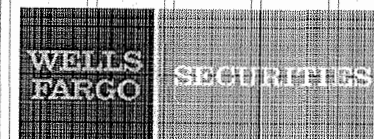
Lori J. Johnson  
Wells Fargo Securities

[REDACTED]  
[REDACTED]  
[REDACTED]

# Annual Compliance Meeting 2010

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Equity Research  
December 14, 2010





## Objectives Of Training

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- To review all rules and regulations highlighting new rules and interpretations that pertain to your activities as licensed individuals.
- To review policies and procedures established for Compliance with applicable rules and regulations.
- To answer questions.

### FAIR PRACTICE

Deal fairly with all persons in accordance with the highest standards of professional ethics in the securities industry.

All personnel will conduct business in compliance with all the applicable regulations.

WELLS FARGO SECURITIES

# Research Analyst Procedures

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## What is a research report?

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- A research report is defined as a communication which includes an analysis of a security and provides information sufficient upon which to base an investment decision
- All research must be approved by an SA
- Must include appropriate disclosures
- No sharing of pre-published research
- Should not provide analysis of a fixed income security

## Public Appearances

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- Includes:
  - Radio, TV, print media interview
  - Public speaking
  - Public conference calls
  - Seminars
  - Writing print media article or book
- Must be approved by an SA

## Prohibitions on Publication of Research and Public Appearances

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An analyst is prohibited from publishing research or conducting a public appearance on a company if:

WFS is in a Quiet Period following an offering for that company

- 40 days for IPO
- 10 days for secondary
- 30 days surrounding Lock-up Expiration Date

Exceptions: If analyst has a safe harbor (Rule 139), analyst may continue to publish throughout the quiet period or offering. A safe harbor exists if:

- ✓ the analyst has written on the name previously in the normal course of business;
  - ✓ the company has a float of greater than \$150 million;
  - ✓ the company is an S-3 eligible filer and is current on all of its required SEC filings
- Research analyst is Over the Wall on a transaction (no exceptions to publication)
    - Analyst is generally back on the proper side of the wall once the deal has launched and all private information analyst received is made public
  - Suspension of Coverage if WFS is advisor in a publicly announced M&A Transaction with shareholder vote or tender/exchange offer
  - Additional restrictions on publishing may apply

## In The News

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- In The News: November 10, 2010 General Motors Confirms Ill-Timed Analyst's Note Caused UBS to be Kicked Off IPO.
  - Prior to the effectiveness of Registration Statement
  - High Yield Desk Analyst
  - No Compliance Approval

## Copyright Policy

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- When using certain material from outside sources, you may need permission.
- NO Permission Needed
  - Underlying Data, Facts & Information is not protected by copyright
  - Materials from Federal Government
  - Materials from third-party information sources that Wells Fargo has contracts with; Bloomberg, FactSet, S&P, etc.
- Process
  - Review Terms of Use / Service Sections
  - Contact Copyright Owner
  - Determine if Third-Party Disclosures are needed
  - Forward permission and information to SAs for Approval
  - Retain permission in Analysts files
- For more information and access to Copyright Clearance Center:  
**<http://wfllegal.homestead.wellsfargo.com/sections/Isboreip/IssIntellectual/default.aspx>**

In The News:

- <http://www.bloomberg.com/apps/news?pid=newsarchive&sid=a.Jatik.iDbg>
- August 11, 2010: UBS UK unit sued for allegedly copying articles from oil and gas publications and reprinting them for distribution to their clients
- Single Unit Subscription
- Copying at least 10 times in 2006 and 2007
- The statutory damages for infringing on another person's copyright can be as high as \$150,000 for each "work" copied, modified or displayed without the copyright owner's prior consent.
- Websites have cookies that track your use.



## Disclosure Requirements

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- Designed to ensure investor is aware of potential conflicts of interest
- Will be asked to "attest" via the RIDS System
- Required on all research reports and in all public appearances
- If you are aware of any potential conflict that is not disclosed you MUST immediately notify an SA
- Quarterly Reviews to check for additions/deletions

## Overview of Disclosures

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- Receipt of Compensation
  - Are you aware of an Affiliate receiving compensation other than IB?
  - Has analyst received compensation?
  - Has WFS received compensation? What type?
  - Is issuer a client?
- Analyst Ownership
  - Does analyst or member of his/her household own shares?
- Firm Ownership
  - WFS have position that is 1% or greater
- Board of Directors
  - Does WFS serve on board? Analyst? Member of analyst's household?
- Meanings and Distributions of Ratings
- Regulation AC
- ANY OTHER MATERIAL CONFLICTS OF INTEREST

- Regulation Analyst Certification
  - Views in the report / public appearance are the analyst's own views
  - Analyst was not paid for the recommendation in the report / public appearance
  - Author primarily responsible for content must certify
- SEC Charges New York Firms For Inadequate Procedures to Protect Non-Public Information
  - November 17, 2010- SEC Order Against BCM, BRG and Karp
    - Analyst Certification – Not done according to Policy
      - Lacking
      - Incomplete
      - Late

## Communication During An Offering

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- Analyst's Role is to EDUCATE investors, but not to solicit
- Interaction with client should be oral and NOT via email
  - This includes responses to investor questions
- Institutional Sales may request that you reach out to a client but no member of IB or ECM may request that you contact any investor
- If the issuer is covered:
  - May distribute published research (including model) ONLY if SA approved and a Safe Harbor is available
  - Any comments/discussions must be consistent with your published views
- If the issue is NOT covered:
  - May discuss factual information regarding the transaction including discussions around potential comps and firstcall consensus data
  - MAY NOT offer any recommendation on the issuer and should in no way preview your research

## Analyst Participation in the Roadshow

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- May NOT review or provide materials for roadshow
- May NOT attend roadshow in person
- May listen to webcast or call-in from separate location
- If call-in should NOT announce your participation in the call
- May NOT ask questions of management

## Regulation FD

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- Regulation Fair Disclosure
  - Prohibits issuers from selectively disclosing material, nonpublic information
  - Must be disclosed publicly whether it was intentional or not
  - If you receive any such information, contact Compliance
  
- 2010 SEC Enforcement Action against Office Depot
  - Issuer communication with Analysts was not direct but **IMPLIED**
  - Private calls; Issuer with one Analyst – Higher FD Risk
  - Statements were made at the end of the quarter – implied they were based on Real Data vs. Forecasted
  - “Wink-wink”, “Nod-nod” types of communication are risky and illegal

## Information Pertaining to Wells Fargo

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- Use of information pertaining to Wells Fargo and its subsidiaries should be limited to fact
- Any mentions of Wells Fargo and its subsidiaries may require review by a Research Management PRIOR to publication
- Use of information contained in Employee Memos/Emails or other Internal Use Only documents must be approved by Compliance and Research Management PRIOR to use

## Rumors

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- NYSE Rule 435 and FINRA Rule 6140 prohibit the circulation of rumors of a sensational character that might reasonably be expected to affect market conditions
- Particular caution should be exercised if the rumor comes from a source that may constitute inside information
- Discussions of unsubstantiated information published by a widely circulated public media is not prohibited as long as the source and unsubstantiated nature of the information are disclosed
  - MUST DISCLOSE SOURCE
  - MUST PUBLISH IN A NOTE
  - MUST STATE THAT INFORMATION HAS NOT BEEN SUBSTANTIATED BY THE COMPANY
- M&A Policy



## Electronic Communications

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### Use **CAUTION**

- Wall Street Journal Test
  - If you don't think it would be appropriate to appear in the Wall Street Journal, don't write it
- Watch your choice of words
  - Don't be inflammatory
  - What is funny today may not be so funny tomorrow
  - Use appropriate professional decorum
    - No bashing of your colleagues, seniors, management, etc
- **Frequently subpoenaed & requested**
  - Always requested during regulatory inquiries and subpoenas
  - Reviewed during routine regulatory exams
- **Required to be retained for a minimum of 5 years**
- **Subject to regular supervisory review**
- **NEVER contradict your published research views**
  - Don't use such phrases as "dead money" when you have an OUTPERFORM RATING
  - NEVER make negative comments about a management team when you have an OUTPERFORM or MARKET PERFORM RATING
- **Only Use Approved E-Mail/IM Systems**

# Analyst Independence

## The Global Settlement

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- Global Settlement governs behavior of equity research analysts.
  - As New York State Attorney General Elliott Spitzer brought a law suit in 2002 against the Top 10 investment banks charging improper use of research to win investment banking business.
  - The defendant firms settled the litigation by signing an agreement with the SEC, NASD, and NYSE.
  - Known as the Global Settlement, the agreement dictates that there exist a separation between investment banking and equity research. The groups must be physically separate, cannot be part of the same department, may not have direct communication with one another or influence on one another's activities.
  - All communication between investment banking and equity research must be monitored by compliance personnel.
  - All published research must contain conflicts of interest disclosures regarding the company which is subject of the report and the publishing broker dealer.
- Bond Market Association (now part of SIFMA) governs activity of fixed income research analysts. The BMA Guidelines are based on the dictates of the Global Settlement.
- Primary distinction between activity of equity versus fixed income research analysts is that equity research analysts may never have a conversation with any employee in investment banking without the presence of a compliance monitor. Fixed income may have unmonitored conversations with investment banking.

## Analyst Compensation

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- IB personnel may have **no** input into evaluation or compensation
- All compensation will be approved annually by committee
- IB revenue may **not** be considered when determining compensation
- Some factors that must be considered:
  - performance, to include productivity & quality of work
  - recommendations in relation to performance of stock
  - ratings of clients, sales force, peers, and independent rating services

## Prohibition on Efforts to Solicit IB Business

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- A research analyst **MAY NOT** participate in pitches, discuss firm's IB capabilities, attend closing dinners, or have any other communications with companies for the purpose of soliciting banking business
- Does not apply to due diligence during which the sole purpose is to analyze the financial condition and business operations of a company for a transaction

## Due Diligence

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- Co-Head of Equity Research will ask you to conduct analyst due diligence of issuers not currently under coverage. You will be considered Over-the-Wall.
- Research due diligence should be INDEPENDENT OF INVESTMENT BANKING
- Research analysts should not “pitch” or engage in any discussions with the issuer for the purpose of soliciting investment banking business
- A research analyst may not promise research coverage or a particular rating to an issuer
- Findings may be shared with Co-Heads of Equity Research or the Equity Commitment Committee
- Views on an issuer may be shared with Investment Banking via a Monitored Call
- Monitored Discussions with Investment Banking may not include ratings or proposed ratings

- It is WFS' policy that research analyst may NOT share models with the issuer unless they have current coverage and it has been SA approved
- Research analysts may have oral discussions with management relating to their model for verification of FACTUAL information only

## Communication with Investment Banking

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- Prohibited unless expressly permitted
- Must be consistent with type of communications would have with an investor
- Must be consistent with published research views
- Research analysts MAY NOT
  - identify investment banking transactions or potential candidates for transactions
  - discuss pending research reports or coverage
- Require Research Management approval
- Require a Compliance Monitor



- **Guiding Principle:** *Regulations protect the objectivity and independence of research analysts and do not allow for them to be pressured or to be used to win business. Thus, even if a proposed interaction is permissible, it is at the sole discretion of Research as to whether to approve such interaction.*
- Discussions with Equity Analysts require approval from Research Management and require a compliance monitor.

**Permissible:**

- May have discussions in a purely social setting, regarding purely social matters
- May have discussions around industry trends and conditions consistent with the types of discussions an analyst would have with investors
- May participate in discussions with Investment banking around specific transactions provided that both the Commercial Banker AND the Research Analyst are "over-the-wall". (Any situation involving a potential wall cross **MUST** be vetted and recorded by the Control Group first.)

**Commercial Banking is Prohibited:**

- May NOT identify banking transactions or potential candidates for transactions or share any material non-public information
- May NOT focus on a specific client or issuer
- May NOT request research coverage on a specific company or sector
- May NOT identify client relationships or information on revenue generated from a sector
- May NOT attempt to pressure (broadly defined) a research analysts' views or opinions

### **Market or Industry Trends, Conditions, or Developments**

- Must be monitored
- Most often occur via weekly monitored calls
- If a topic you wish to discuss, you may request
- Requests must be approved by Research Management

### **Potential Transactions/Candidates for Transactions**

- Must be pre-approved by Research Management
- Must be monitored
- **MAY NOT** include discussions around ratings or proposed ratings
- May include discussions about comps
- May share modeling data
- If announced, may include feedback from accounts regarding pricing and structure

## Interaction with Institutional Sales

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- May conduct teach-in to educate the sales force
- May discuss views on issuer and transaction with members of institutional sales
- Discussions with sales should NOT preview your research
- Discussions with sales should be consistent with your published research if issuer currently under coverage
- May make joint calls with sales to potential institutional investors

## Teach-In Materials

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- Must be approved by a Supervisory Analyst
- Must be marked FOR INTERNAL USE ONLY
- IPOs: If Approved by Research Management may include analysts projections, models and estimates
- Follow-on under coverage: If Approved by Research Management may include Analysts projections
- For Follow-on MAY contain current published estimates or First Call Consensus
- Should NOT preview research
- May contain comparable valuation table/discussions
- Should include risk factors
- May NOT be sent outside of WFS

## Interaction with Buy-Side Clients

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- Role of the analyst is to EDUCATE investors as to the merits of the proposed transaction, but not to solicit
- Interaction with clients should be oral and NOT via email
- May make outgoing calls to clients if have a "reasonable basis"
- Institutional Sales may request that you contact a client
- NO MEMBER OF INVESTMENT BANKING, INCLUDING EQUITY ORIGINATION, MAY REQUEST THAT YOU CONTACT A BUY-SIDE CLIENT
- May discuss factual information regarding the transaction with investors and discuss comps
- May answer permitted questions posed to you by clients
- All discussions should be consistent with your published views and should in no way preview your research

## Interaction with PEGs/VCs

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- Should be similar to interactions with other Buy-side Clients
- Must be consistent with current published views
- May NOT provide any Investment Banking Advice
- May NOT identify potential investments in private entities

## Conference Guidelines

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- Communications during Wells Fargo Sponsored Conferences
  - Equit research and IB communications must be completely social in nature
  - Company specific discussions are prohibited unless expressly approved by Research Management and in the presence of a representative from Research Compliance
    - NOTE - Compliance attendance at the Conference does not offer any relief from the existing prohibitions on communications between IB and Research
  - “Three-way” communications between research, IB, and issuers are prohibited
- Name tags
  - Must be worn at all conference events, including dinners and cocktail receptions
  - Color-coded to assist in recognizing research (orange) and investment bankers (blue)
- IB Attendance is NOT permitted any of the following:
  - One-on-One Meetings
  - Company “Breakout” Sessions
  - Any dining or social event that is not open to all conference attendees



## Front-running

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- No previewing research/opinions/estimates
- No contradictions or signals indicating a change to published views
- If views have changed, issue a research report
- Do not communicate short-term views unless they are published

## Coverage Decisions

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- Ultimate decisions must be made by Research Management
- Research Management may consider input from Sales, Trading and IB Managers, including their thoughts on strategic direction of firm
- No discussions on timing and views of reports with anyone outside Research

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# CONTROL GROUP FUNCTIONS Information Barriers, Personal Trading, Conflicts of Interest

WELLS FARGO SECURITIES

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## Insider Trading

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**Trading when AWARE of material nonpublic information (or tipping) may subject you to civil and criminal penalties & firm disciplinary action:**

- Prison
- Injunctions
- Bars or suspensions
- Disgorgement to the tipper/tippee
  - *3 times* profit made or loss avoided

Firm and Controlling Person (Principals) = greater of **3 times** profit made or loss avoided OR \$1 million

### **How are "Rogue" trader caught?**

- Surveillance (internal and external)
- Review of trading records:
  - Proprietary / institutional trading
  - Employee trading
- Regulatory inquiries
- Cross reference
- Testimony

## WELLS FARGO'S PERSONAL INVESTMENT POLICY

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### **Personal Investment Policy ("PIP")**

- All requests for trade approvals **MUST** be submitted to the Supervisory Analyst via email
- All SA approvals **MUST** be documented via email
- Transactions must be executed in-house at Wells Fargo Securities, LLC.
  - Exceptions: managed accounts, 529, money markets, mutual funds, and 401(k)'s.
- Prior approval required for all personal trades (PASS).
  - Exceptions: closed end funds & ETF's
- 30-day Holding period
- May not own names that are covered or are in your sector

Please refer to the Personal Investment policy on the Compliance website or call the Control Group at 877-238-7577.

- [http://infodesk.wachovia.net/Compliance/pdf\\_documents/PIPRetail2004June.pdf](http://infodesk.wachovia.net/Compliance/pdf_documents/PIPRetail2004June.pdf)

- SEC Charges New York Firms For Inadequate Procedures to Protect Non-Public Information
  - November 17, 2010- SEC Order Against BCM, BRG and Karp
    - Misuse of Non-Public Information and Research Reports
    - Missing Pre-Approvals for Trading
    - Analyst Certification – Not done according to Policy
      - Lacking
      - Incomplete
      - Late

**Regulations and Firm policy require you, in writing, to:**

- Seek Pre-approval of your Outside Business Activities (for example, rental properties, partial ownership in restaurants and retail stores).
- Seek written Pre-Approval of any Private Securities Transactions (investments in private companies, partnerships, not just private placements).

Call the control group for approval at 877-238-7577

# WFS' Information Barriers

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**Private  
Nonpublic**

- **Investment Banking**
  - Industry Coverage Groups
  - Financial Sponsors Group (FSG) and M&A
  - US Corporate Banking
  - Eastdil
  - Capital Partners
- **Global Capital Markets**
  - Equity Capital Markets
  - Debt Capital Markets
  - Par Loan Trading
  - Portfolio Management
- **Risk Management/Credit**

**Above the Wall  
"On Top of the Wall"**

- Executive / Senior Mgmt
- Compliance
- Legal

**Public**

- Trading
- Sales
- Research



## “Need To Know” Standard

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- As a general rule, DO NOT share nonpublic or material inside information.
- A “**need to know**” exists if access to information is vital to providing the **INVESTMENT BANKING CLIENT** with the **product** or **service** it has requested from our firm.
- Material nonpublic information (“MNPI”) should be shared only to those who have a “**need to know**” for the purpose of:
  - Executing the client’s strategy or business purpose
  - Managing the client’s relationship
  - Complying with credit, legal or compliance requirements
- Usually the only people who “need to know” nonpublic information about a client are:
  - Members of the deal team assisting that client
  - Legal, Compliance, or Senior Management personnel for internal control, credit or conflict assessment purposes.
- Ensure you are NOT inappropriately sharing with other members of your group who are not also on the client’s deal team.
- Ensure you are **NOT** inappropriately sharing with trading, sales or research.

## Maintaining Confidentiality

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- Must secure all nonpublic information
  - Project names
  - Email / Blackberry
  - Traveling
  - Faxes
  - Copiers
  - Desk tops
  - Login screens
  - Public communications
  - Trash / shredding
  - Elevators / hallways / bathrooms

# Rules, Regs, Policies and Procedures

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# Gifts

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- **No gifts** to clients by persons associated with or employed by WFS will be permitted.
  - "Gift" = anything of value, including gratuities.
- Exceptions may be granted but require pre-approval and are subject to the \$100 FINRA limit
  - Limited exceptions may only be made by:
    - Head of Division, or
    - His or her assigned delegate
- To secure an exception, the requestor shall:
  - Request approval for the exception utilizing the Gift Exception Approval Form (contact Beth Pickler of the Transaction Logistics Team at (704) [REDACTED] for assistance).
  - Ensure that the Gift Exception Approval Form is provided to the Transaction Logistics Team for review and approval (transmittal instructions can be found on the Gift Exception Approval Form).
- Procure Gift (s) as follows:
  - If Requestor intends to seek reimbursement – submit payment documentation to the Transaction Logistics Team
  - If Requestor does not seek reimbursement than ensure all pertinent information is reported to the Transaction Logistics Team for tracking purposes

## Gifts (Continued)

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- **Exclusions from Gift Prohibition – Pre-Approval Not Required**
  - Promotional items with Wells Fargo logo (limited to \$75, except for stage coaches)
  - Gifts with a value under \$10 given infrequently
    - e.g. Pens, notepads, desk ornaments, etc.
  - Deal closing mementos without any utility
    - Lucite cubes, etc.
    - Wine bottles NOT allowed since it has utility
  - Personal Gifts (paid for by team member)
    - e.g. Wedding gifts, congratulatory gifts for birth of a child, etc.
    - If personal gift is reimbursed by the firm, it is subject to the exception process to the no gift requirement of the policy
  
- **Other Provisions**
  - Team members should conduct business development activities consistent with the gift policies of their clients
  - Team members should abide by the policies of regulatory organizations regarding gifts, gratuities and entertainment to their employees

## Entertainment

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- **“Entertainment”** means any event where a person associated with WFS is present. This includes, but is not limited to:
  - Dining
  - Sporting events
  - Theatrical/musical performances
  - Educational events
  - Travel
- Entertainment not meeting this definition is considered a gift
  - Purchases of items other than food or drink given to a client during an entertainment event shall be considered a gift, unless it meets one of the gift exceptions (e.g. items with a Wells Fargo logo, etc.).
- A recipient is ineligible for further invitations once they appear on a published exception report. (See chart on next page.)
- Industry rules do not limit ordinary and usual business entertainment, provided that it is not so frequent or extensive as to raise any question of impropriety.

# Entertainment Guidelines

## Entertainment Limits

Entertainment Limits		
<b>&lt; \$350</b>	<b>\$350 or &gt;</b>	<b>&gt; \$1000 per recipient OR \$10,000 per event</b>
<b>Be reasonable – not so frequent as to raise the question of impropriety</b>	<b>No more than 4x per calendar year</b>	<b>Prior approval of division head of the team member</b>

### Travel and Accommodations

- As a general rule Wells Fargo will not pay for cost of travel in connection with entertainment unless client reimburses Wells Fargo for the fair market value of such travel.
- Use of the Wells Fargo jet to transport clients to an entertainment event is permissible if the client reimburses Wells Fargo the value of the transportation or a Wells Fargo employee is on the plane with the client. When accompanying a customer on the jet, the event is subject to the entertainment limits above.
- Use of the corporate jet for purely business reasons does not need to be treated as a gift or entertainment.

## Entertainment Guidelines (Continued)

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- **Other**

- Deal Closing events are to be considered entertainment and need to comply with entertainment limits above.
- Receipt of Gifts from customers/vendors – Should be consistent with Wells Fargo’s policy on receiving gifts/entertainment. See Wells Fargo’s Code of Ethics and Business Conduct.
- All business entertainment is tracked in XMS by Wells – East, and via SalesLogix or the Business Gifts and Entertainment Log (“G&E log”) by Wells - West. Until these systems are integrated, these items will be manually combined to create a comprehensive view by client.

- **Bank Bribery Act**

- **Do not accept or solicit any gift from anyone to influence or reward you in connection with any Wells Fargo business**
- Limited exceptions that do not do not create a risk of conflict of interest apply, including:
  - Certain ordinary (not lavish or extravagant) courtesies and entertainment in connection with business meetings
  - Certain expressions of courtesy and appreciation such as gifts of fruits, flowers, food, wine or candy given with monetary value of \$200 or less and other very limited exceptions
- Failure to comply may be a violation of the Bank Bribery Act, resulting in up to 30 years imprisonment and \$1,000,000 fine



## Research Analyst Travel on Covered Companies' Corporate Jets or Chartered Planes

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Research Analysts are permitted to travel on covered companies' corporate jets in conjunction with non-deal roadshows (field trips, investor days, etc.) or other Research Department business, so long as they are accompanied by representatives of corporate management.

### Requirements prior to travel

- Travel plans must be pre-approved by Research Management, who is required to maintain a log of all approvals.
- To avoid any appearance of impropriety, Wells Fargo Securities, Inc. (WFS) must make payment arrangements for the value of the flight based on the cost of a comparable commercial flight booked in accordance with current WFS travel policy using a payment option listed below:
  1. *Send the payment directly to the covered company, or*
  2. *Send the payment to a charitable foundation as directed by the covered company.*
- **All payment arrangements (recipient, address, amount, etc.) must be arranged and documented prior to the flight.**

In the event that the covered company absolutely refuses any type of payment or to direct a payment to charity, please contact Research Management and Research Compliance to determine if any other option exists.

- **NOTE:** *If satisfactory payment cannot be arranged, the flight must be refused.*

Failure to comply with the aforementioned policy would be construed as having accepted a gift from a company under research coverage and thus raise a real conflict of interest issue for the Research Analyst and subsequently, WFS.

- **Code of Ethics & Business Conduct**

- Wells Fargo business opportunities may never be offered, either directly or by suggestions, to any customer, vendor or other business contact in exchange for their charitable donation or participation in a charity event. A customer's or vendor's choice to participate (or not participate) in a charity event or donation drive can have no effect, positive or negative, on the business relationship with Wells Fargo.
- Under no circumstance may you pay or offer anything of value, directly or indirectly, to a government official, including foreign officials, political parties and party officials and candidates for the purpose of improperly influencing an official act of decision, securing an improper advantage, or assisting in obtaining or retaining business or directing business to anyone. In countries in which there is government involvement in business enterprises, such officials may include employees and managers of local enterprises.

## Customer Complaints

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- Any written statement from a customer or their representative, which alleges the mishandling of an account or transaction, or improper conduct on behalf of a Company employee, is considered a complaint.
  - All customer complaints, whether written or oral must be brought to the attention of the Supervisory Principal ("SP") or Manager and be forwarded to the Compliance Department.
    - Neither the salesperson nor the SP or Manager should attempt to settle complaints or disputes. Compliance will keep you updated on the status of the complaint.
- NYSE Rule 401A - requires member firms to acknowledge a customer complaint within 15 days of receipt.
  - Written complaints must receive a written response.
  - Verbal complaints may receive either a written or verbal response. Verbal responses must be logged.
  - All responses and logs must be retained for a period of 6 years, 2 years easily accessible.
- NYSE Rule 351 - requires member firms to aggregate and report customer complaint statistics on a quarterly basis.
- Not sure? Call Compliance

## General Rules & Regulations Applicable To All Licensed Individuals

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- Political Contributions
- Due Diligence
- Conflicts of Interest
- Fair Dealing
- Gifts and Entertainment
- Anti-Money Laundering
- Suitability
- Communication
- Advertisements & Pitchbooks
- Customer Complaints
- Insider Trading
- Information Barriers / Confidentiality
- Personal Investment Policy
- Anti-Tying
- The Federal Reserve Act: Sections 23A & 23B
- Fax Guidelines
- Record Retention
- New Businesses / New Products / New Securities
- Licensing & Continuing Education
- International Business Dealings
- Guarantees
- Loan Arrangements
- Rebates & Compensation
- Research
- Outside Business Activities
- Outsourcing
- Risk Mitigation
- Government Sponsored Enterprises
- Reporting
- Circulation of Rumors
- 1933 Act Reform
- SEC Registration
- Complex Structured Products
- Mark Up/Down & Best Execution
- External Pricing
- Record Keeping
- Extension of Settlement

## Reasons To Notify Compliance

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- Have (or change) any outside brokerage accounts;
- Have any “outside business activity”;
- Become a director, controlling stockholder, partner, officer of any financial company;
- Want to invest in any “private” securities transaction;
- Are named as a defendant in any securities related litigation/arbitration;
- Are indicted, plead guilty to or no contest to any criminal offense (other than traffic violations);
- Receive a complaint from a customer or client, or are contacted by a regulator or legal authority;
- Are associated financially or in any business with any person that has been “statutorily disqualified”;
- Hire someone new or transfer to a different business unit;
- You are unsure if an action would violate procedures, industry regulations, or ethical standards.
- You become aware of business conduct that violate procedures, industry regulations, or ethical standards.
- Have a change of address or name change.

## Important Compliance Websites

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You are all responsible for being familiar with, and complying with these policies, among others:

- Supervisory Procedures and Compliance Guidelines
- Applicable Compliance Bulletins
- SIG, IBCM & Corporate Banking Principles of Conduct
- Auction Rate Securities Procedures
- Anti-Money Laundering (AML)
- Personal Investment Policy
- Information Barrier Policy
- Wells Fargo Code of Ethics and Business Conduct

: <http://sig.wellsfargo.com/section.aspx?sectionId=233>

## Policy Violation Sanctions

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Team members who fail to comply with these policies may be subject to disciplinary actions including suspension or termination of employment at the discretion of Compliance, Human Resources, and the team member's manager.

## Research Compliance Officers

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- Scott Friedman
  - Work— [REDACTED]
  - Cell— [REDACTED]
- Patrick Hays
  - Work— [REDACTED]
  - Cell— [REDACTED]
- Paul R. Oppold
  - Work— [REDACTED]
  - Cell— [REDACTED]
- Dan Hughes
  - Work— [REDACTED]
  - Cell— [REDACTED]
- Lori Johnson
  - Work— [REDACTED]
  - Cell— [REDACTED]
- Control Room—877-238-7577





# Annual Compliance Meeting 2010

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Equity Research  
December 14, 2010



## Objectives Of Training

- To review all rules and regulations highlighting new rules and interpretations that pertain to your activities as licensed individuals.
- To review policies and procedures established for Compliance with applicable rules and regulations.
- To answer questions.

### FAIR PRACTICE

Deal fairly with all persons in accordance with the highest standards of professional ethics in the securities industry.

All personnel will conduct business in compliance with all the applicable regulations.

# Research Analyst Procedures

WELLS FARGO SECURITIES

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What is a research report?

- A research report is defined as a communication which includes an analysis of a security and provides information sufficient upon which to base an investment decision
- All research must be approved by an SA
- Must include appropriate disclosures
- No sharing of pre-published research
- Should not provide analysis of a fixed income security

## Public Appearances

- Includes:
  - Radio, TV, print media interview
  - Public speaking
  - Public conference calls
  - Seminars
  - Writing print media article or book
- Must be approved by an SA

## Prohibitions on Publication of Research and Public Appearances

An analyst is prohibited from publishing research or conducting a public appearance on a company if:

WFS is in a Quiet Period following an offering for that company

- 40 days for IPO
- 10 days for secondary
- 30 days surrounding Lock-up Expiration Date

Exceptions: If analyst has a safe harbor (Rule 139), analyst may continue to publish throughout the quiet period or offering. A safe harbor exists if:

- ✓ the analyst has written on the name previously in the normal course of business;
- ✓ the company has a float of greater than \$150 million;
- ✓ the company is an S-3 eligible filer and is current on all of its required SEC filings

- Research analyst is Over the Wall on a transaction (no exceptions to publication)
  - Analyst is generally back on the proper side of the wall once the deal has launched and all private information analyst received is made public

- Suspension of Coverage if WFS is advisor in a publicly announced M&A Transaction with shareholder vote or tender/exchange offer

- Additional restrictions on publishing may apply

In The News

- In The News: November 10, 2010 General Motors Confirms Ill-Timed Analyst's Note Caused UBS to be Kicked Off IPO.
  - Prior to the effectiveness of Registration Statement
  - High Yield Desk Analyst
  - No Compliance Approval

Copyright Policy

- When using certain material from outside sources, you may need permission.
- NO Permission Needed
  - Underlying Data, Facts & Information is not protected by copyright
  - Materials from Federal Government
  - Materials from third-party information sources that Wells Fargo has contracts with; Bloomberg, FactSet, S&P, etc.
- Process
  - Review Terms of Use / Service Sections
  - Contact Copyright Owner
  - Determine if Third-Party Disclosures are needed
  - Forward permission and information to SAs for Approval
  - Retain permission in Analysts files
- For more information and access to Copyright Clearance Center:  
<http://wfllegal.homestead.welisfargo.com/sections/Isboreip/IssIntellectual/default.aspx>

WELLS FARGO SECURITIES

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Copyright Policy (Continued)

In The News:

- <http://www.bloomberg.com/apps/news?pid=newsarchive&sid=a.Jatik.iDbg>
- August 11, 2010: UBS UK unit sued for allegedly copying articles from oil and gas publications and reprinting them for distribution to their clients
- Single Unit Subscription
- Copying at least 10 times in 2006 and 2007
- The statutory damages for infringing on another person's copyright can be as high as \$150,000 for each "work" copied, modified or displayed without the copyright owner's prior consent.
- Websites have cookies that track your use.

## Disclosure Requirements

- Designed to ensure investor is aware of potential conflicts of interest
- Will be asked to "attest" via the RIDS System
- Required on all research reports and in all public appearances
- If you are aware of any potential conflict that is not disclosed you MUST immediately notify an SA
- Quarterly Reviews to check for additions/deletions

## Overview of Disclosures

- Receipt of Compensation
  - Are you aware of an Affiliate receiving compensation other than IB?
  - Has analyst received compensation?
  - Has WFS received compensation? What type?
  - Is issuer a client?
- Analyst Ownership
  - Does analyst or member of his/her household own shares?
- Firm Ownership
  - WFS have position that is 1% or greater
- Board of Directors
  - Does WFS serve on board? Analyst? Member of analyst's household?
- Meanings and Distributions of Ratings
- Regulation AC
- ANY OTHER MATERIAL CONFLICTS OF INTEREST

Regulation Analyst Certification

- Regulation Analyst Certification
  - Views in the report / public appearance are the analyst's own views
  - Analyst was not paid for the recommendation in the report / public appearance
  - Author primarily responsible for content must certify
- SEC Charges New York Firms For Inadequate Procedures to Protect Non-Public Information
  - November 17, 2010- SEC Order Against BCM, BRG and Karp
    - Analyst Certification -- Not done according to Policy
      - Lacking
      - Incomplete
      - Late

## Communication During An Offering

- Analyst's Role is to EDUCATE investors, but not to solicit
- Interaction with client should be oral and NOT via email
  - This includes responses to investor questions
- Institutional Sales may request that you reach out to a client but no member of IB or ECM may request that you contact any investor
- If the issuer is covered:
  - May distribute published research (including model) ONLY if SA approved and a Safe Harbor is available
  - Any comments/discussions must be consistent with your published views
- If the issue is NOT covered:
  - May discuss factual information regarding the transaction including discussions around potential comps and firstcall consensus data
  - MAY NOT offer any recommendation on the issuer and should in no way preview your research

#### Analyst Participation in the Roadshow

- May NOT review or provide materials for roadshow
- May NOT attend roadshow in person
- May listen to webcast or call-in from separate location
- If call-in should NOT announce your participation in the call
- May NOT ask questions of management

## Regulation FD

- Regulation Fair Disclosure
  - Prohibits issuers from selectively disclosing material, nonpublic information
  - Must be disclosed publicly whether it was intentional or not
  - If you receive any such information, contact Compliance
  
- 2010 SEC Enforcement Action against Office Depot
  - Issuer communication with Analysts was not direct but IMPLIED
  - Private calls; Issuer with one Analyst – Higher FD Risk
  - Statements were made at the end of the quarter – implied they were based on Real Data vs. Forecasted
  - “Wink-wink”, “Nod-nod” types of communication are risky and illegal

Information Pertaining to Wells Fargo

- Use of information pertaining to Wells Fargo and its subsidiaries should be limited to fact
- Any mentions of Wells Fargo and its subsidiaries may require review by a Research Management PRIOR to publication
- Use of information contained in Employee Memos/Emails or other Internal Use Only documents must be approved by Compliance and Research Management PRIOR to use

WELLS FARGO SECURITIES

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## Rumors

- NYSE Rule 435 and FINRA Rule 6140 prohibit the circulation of rumors of a sensational character that might reasonably be expected to affect market conditions
- Particular caution should be exercised if the rumor comes from a source that may constitute inside information
- Discussions of unsubstantiated information published by a widely circulated public media is not prohibited as long as the source and unsubstantiated nature of the information are disclosed
  - MUST DISCLOSE SOURCE
  - MUST PUBLISH IN A NOTE
  - MUST STATE THAT INFORMATION HAS NOT BEEN SUBSTANTIATED BY THE COMPANY
- M&A Policy

## Electronic Communications

### Use **CAUTION**

- Wall Street Journal Test
  - If you don't think it would be appropriate to appear in the Wall Street Journal, don't write it
- Watch your choice of words
  - Don't be inflammatory
  - What is funny today may not be so funny tomorrow
  - Use appropriate professional decorum
    - No bashing of your colleagues, seniors, management, etc
- **Frequently subpoenaed & requested**
  - Always requested during regulatory inquiries and subpoenas
  - Reviewed during routine regulatory exams
- **Required to be retained for a minimum of 5 years**
- **Subject to regular supervisory review**
- **NEVER contradict your published research views**
  - Don't use such phrases as "dead money" when you have an OUTPERFORM RATING
  - NEVER make negative comments about a management team when you have an OUTPERFORM or MARKET PERFORM RATING
- **Only Use Approved E-Mail/IM Systems**

# Analyst Independence

WELLS FARGO SECURITIES

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## The Global Settlement

- Global Settlement governs behavior of equity research analysts.
  - As New York State Attorney General Elliott Spitzer brought a law suit in 2002 against the Top 10 investment banks charging improper use of research to win investment banking business.
  - The defendant firms settled the litigation by signing an agreement with the SEC, NASD, and NYSE.
  - Known as the Global Settlement, the agreement dictates that there exist a separation between investment banking and equity research. The groups must be physically separate, cannot be part of the same department, may not have direct communication with one another or influence on one another's activities.
  - All communication between investment banking and equity research must be monitored by compliance personnel.
  - All published research must contain conflicts of interest disclosures regarding the company which is subject of the report and the publishing broker dealer.
- Bond Market Association (now part of SIFMA) governs activity of fixed income research analysts. The BMA Guidelines are based on the dictates of the Global Settlement.
- Primary distinction between activity of equity versus fixed income research analysts is that equity research analysts may never have a conversation with any employee in investment banking without the presence of a compliance monitor. Fixed income may have unmonitored conversations with investment banking.

#### Analyst Compensation

- IB personnel may have **no** input into evaluation or compensation
- All compensation will be approved annually by committee
- IB revenue may **not** be considered when determining compensation
- Some factors that must be considered:
  - performance, to include productivity & quality of work
  - recommendations in relation to performance of stock
  - ratings of clients, sales force, peers, and independent rating services

Prohibition on Efforts to Solicit IB Business

- A research analyst **MAY NOT** participate in pitches, discuss firm's IB capabilities, attend closing dinners, or have any other communications with companies for the purpose of soliciting banking business
- Does not apply to due diligence during which the sole purpose is to analyze the financial condition and business operations of a company for a transaction

## Due Diligence

- Co-Head of Equity Research will ask you to conduct analyst due diligence of issuers not currently under coverage. You will be considered Over-the-Wall.
- Research due diligence should be INDEPENDENT OF INVESTMENT BANKING
- Research analysts should not “pitch” or engage in any discussions with the issuer for the purpose of soliciting investment banking business
- A research analyst may not promise research coverage or a particular rating to an issuer
- Findings may be shared with Co-Heads of Equity Research or the Equity Commitment Committee
- Views on an issuer may be shared with Investment Banking via a Monitored Call
- Monitored Discussions with Investment Banking may not include ratings or proposed ratings

## Models

- It is WFS' policy that research analyst may NOT share models with the issuer unless they have current coverage and it has been SA approved
- Research analysts may have oral discussions with management relating to their model for verification of FACTUAL information only



Communication with Investment Banking

- Prohibited unless expressly permitted
- Must be consistent with type of communications would have with an investor
- Must be consistent with published research views
- Research analysts MAY NOT
  - identify investment banking transactions or potential candidates for transactions
  - discuss pending research reports or coverage
- Require Research Management approval
- Require a Compliance Monitor

Interaction with Commercial Banking

- **Guiding Principle:** *Regulations protect the objectivity and independence of research analysts and do not allow for them to be pressured or to be used to win business. Thus, even if a proposed interaction is permissible, it is at the sole discretion of Research as to whether to approve such interaction.*
- Discussions with Equity Analysts require approval from Research Management and require a compliance monitor.

**Permissible:**

- May have discussions in a purely social setting, regarding purely social matters
- May have discussions around industry trends and conditions consistent with the types of discussions an analyst would have with investors
- May participate in discussions with Investment banking around specific transactions provided that both the Commercial Banker AND the Research Analyst are "over-the-wall". (Any situation involving a potential wall cross MUST be vetted and recorded by the Control Group first.)

Interaction with Commercial Banking (Continued)

**Commercial Banking is Prohibited:**

- May NOT identify banking transactions or potential candidates for transactions or share any material non-public information
- May NOT focus on a specific client or issuer
- May NOT request research coverage on a specific company or sector
- May NOT identify client relationships or information on revenue generated from a sector
- May NOT attempt to pressure (broadly defined) a research analysts' views or opinions

Permitted Communications

**Market or Industry Trends, Conditions, or Developments**

- Must be monitored
- Most often occur via weekly monitored calls
- If a topic you wish to discuss, you may request
- Requests must be approved by Research Management

**Potential Transactions/Candidates for Transactions**

- Must be pre-approved by Research Management
- Must be monitored
- MAY NOT include discussions around ratings or proposed ratings
- May include discussions about comps
- May share modeling data
- If announced, may include feedback from accounts regarding pricing and structure

#### Interaction with Institutional Sales

- May conduct teach-in to educate the sales force
- May discuss views on issuer and transaction with members of institutional sales
- Discussions with sales should NOT preview your research
- Discussions with sales should be consistent with your published research if issuer currently under coverage
- May make joint calls with sales to potential institutional investors

#### Teach-In Materials

- Must be approved by a Supervisory Analyst
- Must be marked FOR INTERNAL USE ONLY
- IPOs: If Approved by Research Management may include analysts projections, models and estimates
- Follow-on under coverage: If Approved by Research Management may include Analysts projections
- For Follow-on MAY contain current published estimates or First Call Consensus
- Should NOT preview research
- May contain comparable valuation table/discussions
- Should include risk factors
- May NOT be sent outside of WFS

#### Interaction with Buy-Side Clients

- Role of the analyst is to EDUCATE investors as to the merits of the proposed transaction, but not to solicit
- Interaction with clients should be oral and NOT via email
- May make outgoing calls to clients if have a "reasonable basis"
- Institutional Sales may request that you contact a client
- NO MEMBER OF INVESTMENT BANKING, INCLUDING EQUITY ORIGINATION, MAY REQUEST THAT YOU CONTACT A BUY-SIDE CLIENT
- May discuss factual information regarding the transaction with investors and discuss comps
- May answer permitted questions posed to you by clients
- All discussions should be consistent with your published views and should in no way preview your research

Interaction with PEGs/VCs

- Should be similar to interactions with other Buy-side Clients
- Must be consistent with current published views
- May NOT provide any Investment Banking Advice
- May NOT identify potential investments in private entities



#### Conference Guidelines

- Communications during Wells Fargo Sponsored Conferences
  - Equity research and IB communications must be completely social in nature
  - Company specific discussions are prohibited unless expressly approved by Research Management and in the presence of a representative from Research Compliance
    - NOTE - Compliance attendance at the Conference does not offer any relief from the existing prohibitions on communications between IB and Research
  - "Three-way" communications between research, IB, and issuers are prohibited
- Name tags
  - Must be worn at all conference events, including dinners and cocktail receptions
  - Color-coded to assist in recognizing research (orange) and investment bankers (blue)
- IB Attendance is NOT permitted any of the following:
  - One-on-One Meetings
  - Company "Breakout" Sessions
  - Any dining or social event that is not open to all conference attendees

#### Front-running

- No previewing research/opinions/estimates
- No contradictions or signals indicating a change to published views
- If views have changed, issue a research report
- Do not communicate short-term views unless they are published

Coverage Decisions

- Ultimate decisions must be made by Research Management
- Research Management may consider input from Sales, Trading and IB Managers, including their thoughts on strategic direction of firm
- No discussions on timing and views of reports with anyone outside Research

**CONTROL GROUP  
FUNCTIONS**  
Information Barriers,  
Personal Trading,  
Conflicts of Interest

WELLS FARGO SECURITIES

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## Insider Trading

**Trading when AWARE of material nonpublic information (or tipping) may subject you to civil and criminal penalties & firm disciplinary action:**

- Prison
- Injunctions
- Bars or suspensions
- Disgorgement to the tipper/tippee
  - *3 times* profit made or loss avoided

Firm and Controlling Person (Principals) = greater of *3 times* profit made or loss avoided OR \$1 million

**How are "Rogue" traders caught?**

- Surveillance (internal and external)
- Review of trading records:
  - Proprietary / institutional trading
  - Employee trading
- Regulatory inquiries
- Cross reference
- Testimony

## WELLS FARGO'S PERSONAL INVESTMENT POLICY

### **Personal Investment Policy ("PIP")**

- All requests for trade approvals MUST be submitted to the Supervisory Analyst via email
- All SA approvals MUST be documented via email
- Transactions must be executed in-house at Wells Fargo Securities, LLC.
  - Exceptions: managed accounts, 529, money markets, mutual funds, and 401(k)'s.
- Prior approval required for all personal trades (PASS).
  - Exceptions: closed end funds & ETF's
- 30-day Holding period
- May not own names that are covered or are in your sector

Please refer to the Personal Investment policy on the Compliance website or call the Control Group at 877-238-7577.

- [http://infodesk.wachovia.net/Compliance/pdf\\_documents/PIPRetail2004June.pdf](http://infodesk.wachovia.net/Compliance/pdf_documents/PIPRetail2004June.pdf)

In The News

- SEC Charges New York Firms For Inadequate Procedures to Protect Non-Public Information
  - November 17, 2010- SEC Order Against BCM, BRG and Karp
    - Misuse of Non-Public Information and Research Reports
    - Missing Pre-Approvals for Trading
    - Analyst Certification – Not done according to Policy
      - Lacking
      - Incomplete
      - Late

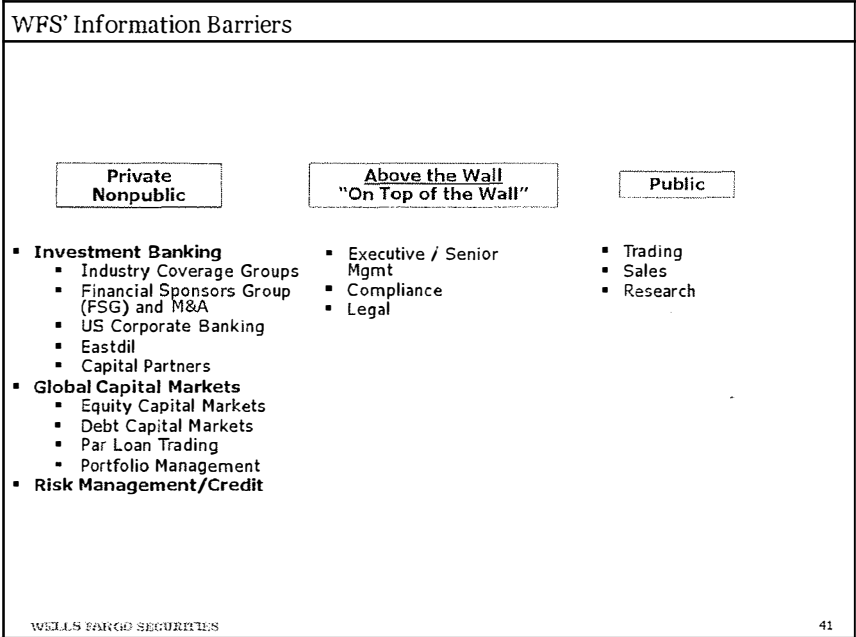
PRIVATE SECURITIES TRANSACTIONS/OUTSIDE BUSINESS ACTIVITIES

**Regulations and Firm policy require you, in writing, to:**

- Seek Pre-approval of your Outside Business Activities (for example, rental properties, partial ownership in restaurants and retail stores).
- Seek written Pre-Approval of any Private Securities Transactions (investments in private companies, partnerships, not just private placements).

Call the control group for approval at 877-238-7577





### "Need To Know" Standard

- As a general rule, DO NOT share nonpublic or material inside information.
- A "**need to know**" exists if access to information is vital to providing the **INVESTMENT BANKING CLIENT** with the **product** or **service** it has requested from our firm.
- Material nonpublic information ("MNPI") should be shared only to those who have a "**need to know**" for the purpose of:
  - Executing the client's strategy or business purpose
  - Managing the client's relationship
  - Complying with credit, legal or compliance requirements
- Usually the only people who "need to know" nonpublic information about a client are:
  - Members of the deal team assisting that client
  - Legal, Compliance, or Senior Management personnel for internal control, credit or conflict assessment purposes.
- Ensure you are NOT inappropriately sharing with other members of your group who are not also on the client's deal team.
- Ensure you are **NOT** inappropriately sharing with trading, sales or research.

## Maintaining Confidentiality

- Must secure all nonpublic information
  - Project names
  - Email / Blackberry
  - Traveling
  - Faxes
  - Copiers
  - Desk tops
  - Login screens
  - Public communications
  - Trash / shredding
  - Elevators / hallways / bathrooms

# Rules, Regs, Policies and Procedures

WELLS FARGO SECURITIES

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## Gifts

- **No gifts** to clients by persons associated with or employed by WFS will be permitted.
  - "Gift" = anything of value, including gratuities.
- Exceptions may be granted but require pre-approval and are subject to the \$100 FINRA limit
  - Limited exceptions may only be made by:
    - Head of Division, or
    - His or her assigned delegate
- To secure an exception, the requestor shall:
  - Request approval for the exception utilizing the Gift Exception Approval Form (contact Beth Pickler of the Transaction Logistics Team at [REDACTED] for assistance).
  - Ensure that the Gift Exception Approval Form is provided to the Transaction Logistics Team for review and approval (transmittal instructions can be found on the Gift Exception Approval Form).
- Procure Gift (s) as follows:
  - If Requestor intends to seek reimbursement – submit payment documentation to the Transaction Logistics Team
  - If Requestor does not seek reimbursement than ensure all pertinent information is reported to the Transaction Logistics Team for tracking purposes

Gifts (Continued)

▪ **Exclusions from Gift Prohibition – Pre-Approval Not Required**

- Promotional items with Wells Fargo logo (limited to \$75, except for stage coaches)
- Gifts with a value under \$10 given infrequently
  - e.g. Pens, notepads, desk ornaments, etc.
- Deal closing mementos without any utility
  - Lucite cubes, etc.
  - Wine bottles NOT allowed since it has utility
- Personal Gifts (paid for by team member)
  - e.g. Wedding gifts, congratulatory gifts for birth of a child, etc.
  - If personal gift is reimbursed by the firm, it is subject to the exception process to the no gift requirement of the policy

▪ **Other Provisions**

- Team members should conduct business development activities consistent with the gift policies of their clients
- Team members should abide by the policies of regulatory organizations regarding gifts, gratuities and entertainment to their employees

WELLS FARGO SECURITIES

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## Entertainment

- **“Entertainment”** means any event where a person associated with WFS is present. This includes, but is not limited to:
  - Dining
  - Sporting events
  - Theatrical/musical performances
  - Educational events
  - Travel
- Entertainment not meeting this definition is considered a gift
  - Purchases of items other than food or drink given to a client during an entertainment event shall be considered a gift, unless it meets one of the gift exceptions (e.g. items with a Wells Fargo logo, etc.).
- A recipient is ineligible for further invitations once they appear on a published exception report. (See chart on next page.)
- Industry rules do not limit ordinary and usual business entertainment, provided that it is not so frequent or extensive as to raise any question of impropriety.

Entertainment Guidelines

**Entertainment Limits**

Entertainment Limits		
< \$350	\$350 or >	> \$1000 per recipient OR \$10,000 per event
Be reasonable – not so frequent as to raise the question of impropriety	No more than 4x per calendar year	Prior approval of division head of the team member

**Travel and Accommodations**

- As a general rule Wells Fargo will not pay for cost of travel in connection with entertainment unless client reimburses Wells Fargo for the fair market value of such travel.
- Use of the Wells Fargo jet to transport clients to an entertainment event is permissible if the client reimburses Wells Fargo the value of the transportation or a Wells Fargo employee is on the plane with the client. When accompanying a customer on the jet, the event is subject to the entertainment limits above.
- Use of the corporate jet for purely business reasons does not need to be treated as a gift or entertainment.



#### Entertainment Guidelines (Continued)

- **Other**
  - Deal Closing events are to be considered entertainment and need to comply with entertainment limits above.
  - Receipt of Gifts from customers/vendors – Should be consistent with Wells Fargo’s policy on receiving gifts/entertainment. See Wells Fargo’s Code of Ethics and Business Conduct.
  - All business entertainment is tracked in XMS by Wells – East, and via SalesLogix or the Business Gifts and Entertainment Log (“G&E log”) by Wells - West. Until these systems are integrated, these items will be manually combined to create a comprehensive view by client.
- **Bank Bribery Act**
  - **Do not accept or solicit any gift from anyone to influence or reward you in connection with any Wells Fargo business**
  - Limited exceptions that do not do not create a risk of conflict of interest apply, including:
    - Certain ordinary (not lavish or extravagant) courtesies and entertainment in connection with business meetings
    - Certain expressions of courtesy and appreciation such as gifts of fruits, flowers, food, wine or candy given with monetary value of \$200 or less and other very limited exceptions
  - Failure to comply may be a violation of the Bank Bribery Act, resulting in up to 30 years imprisonment and \$1,000,000 fine

#### Research Analyst Travel on Covered Companies' Corporate Jets or Chartered Planes

Research Analysts are permitted to travel on covered companies' corporate jets in conjunction with non-deal roadshows (field trips, investor days, etc.) or other Research Department business, so long as they are accompanied by representatives of corporate management.

##### Requirements prior to travel

- Travel plans must be pre-approved by Research Management, who is required to maintain a log of all approvals.
- To avoid any appearance of impropriety, Wells Fargo Securities, Inc. (WFS) must make payment arrangements for the value of the flight based on the cost of a comparable commercial flight booked in accordance with current WFS travel policy using a payment option listed below:
  1. Send the payment directly to the covered company, or
  2. Send the payment to a charitable foundation as directed by the covered company.
- **All payment arrangements (recipient, address, amount, etc.) must be arranged and documented prior to the flight.**

In the event that the covered company absolutely refuses any type of payment or to direct a payment to charity, please contact Research Management and Research Compliance to determine if any other option exists.

- NOTE: *If satisfactory payment cannot be arranged, the flight must be refused.*

Failure to comply with the aforementioned policy would be construed as having accepted a gift from a company under research coverage and thus raise a real conflict of interest issue for the Research Analyst and subsequently, WFS.

Code of Ethics & Business Conduct

▪ **Code of Ethics & Business Conduct**

- Wells Fargo business opportunities may never be offered, either directly or by suggestions, to any customer, vendor or other business contact in exchange for their charitable donation or participation in a charity event. A customer's or vendor's choice to participate (or not participate) in a charity event or donation drive can have no effect, positive or negative, on the business relationship with Wells Fargo.
- Under no circumstance may you pay or offer anything of value, directly or indirectly, to a government official, including foreign officials, political parties and party officials and candidates for the purpose of improperly influencing an official act of decision, securing an improper advantage, or assisting in obtaining or retaining business or directing business to anyone. In countries in which there is government involvement in business enterprises, such officials may include employees and managers of local enterprises.

## Customer Complaints

- Any written statement from a customer or their representative, which alleges the mishandling of an account or transaction, or improper conduct on behalf of a Company employee, is considered a complaint.
- All customer complaints, whether written or oral must be brought to the attention of the Supervisory Principal ("SP") or Manager and be forwarded to the Compliance Department.
  - Neither the salesperson nor the SP or Manager should attempt to settle complaints or disputes. Compliance will keep you updated on the status of the complaint.
- NYSE Rule 401A - requires member firms to acknowledge a customer complaint within 15 days of receipt.
  - Written complaints must receive a written response.
  - Verbal complaints may receive either a written or verbal response. Verbal responses must be logged.
  - All responses and logs must be retained for a period of 6 years, 2 years easily accessible.
- NYSE Rule 351 - requires member firms to aggregate and report customer complaint statistics on a quarterly basis.
- Not sure? Call Compliance

WELLS FARGO SECURITIES

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•Please do not assume that notification to Legal constitutes notification to Compliance. While Legal may or may not be involved in the resolution, Compliance fulfills certain obligations for the firm as it relates to requirements in documenting resolution and appropriate reporting under NYSE regulations.

Customer complaints **may** include:

- Firm related sales practice/operational issues that prompt a defense by our firm.
- The customer is electing to involve a Regulatory Agency or counsel.
- The customer has stated that they are no longer going to do business with us due to an error/issue.
- Investor claims that prompt Wachovia to "rework", "restructure" or "re-document" a transaction subsequent to the transaction closing. This may be due to perceived error in structuring or otherwise.

•Customer Issues **may** include:

- Errors/issues that require a negotiation with the customer and we are able to reach an agreement.
- A clearance and settlement issue that results in a compensation claim.

•Certain types of complaints must be reported in their entirety rather than under the firm's aggregated complaint statistics.

### General Rules & Regulations Applicable To All Licensed Individuals

- Political Contributions
- Due Diligence
- Conflicts of Interest
- Fair Dealing
- Gifts and Entertainment
- Anti-Money Laundering
- Suitability
- Communication
- Advertisements & Pitchbooks
- Customer Complaints
- Insider Trading
- Information Barriers / Confidentiality
- Personal Investment Policy
- Anti-Tying
- The Federal Reserve Act: Sections 23A & 23B
- Fax Guidelines
- Record Retention
- New Businesses / New Products / New Securities
- Licensing & Continuing Education
- International Business Dealings
- Guarantees
- Loan Arrangements
- Rebates & Compensation
- Research
- Outside Business Activities
- Outsourcing
- Risk Mitigation
- Government Sponsored Enterprises
- Reporting
- Circulation of Rumors
- 1933 Act Reform
- SEC Registration
- Complex Structured Products
- Mark Up/Down & Best Execution
- External Pricing
- Record Keeping
- Extension of Settlement

WELLS FARGO SECURITIES

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#### Reasons To Notify Compliance

- Have (or change) any outside brokerage accounts;
- Have any "outside business activity";
- Become a director, controlling stockholder, partner, officer of any financial company;
- Want to invest in any "private" securities transaction;
- Are named as a defendant in any securities related litigation/arbitration;
- Are indicted, plead guilty to or no contest to any criminal offense (other than traffic violations);
- Receive a complaint from a customer or client, or are contacted by a regulator or legal authority;
- Are associated financially or in any business with any person that has been "statutorily disqualified";
- Hire someone new or transfer to a different business unit;
- You are unsure if an action would violate procedures, industry regulations, or ethical standards.
- You become aware of business conduct that violate procedures, industry regulations, or ethical standards.
- Have a change of address or name change.

WELLS FARGO SECURITIES

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#### Important Compliance Websites

You are all responsible for being familiar with, and complying with these policies, among others:

- Supervisory Procedures and Compliance Guidelines
- Applicable Compliance Bulletins
- SIG, IBCM & Corporate Banking Principles of Conduct
- Auction Rate Securities Procedures
- Anti-Money Laundering (AML)
- Personal Investment Policy
- Information Barrier Policy
- Wells Fargo Code of Ethics and Business Conduct

: <http://sig.wellsfargo.com/section.aspx?sectionId=233>

Policy Violation Sanctions

Team members who fail to comply with these policies may be subject to disciplinary actions including suspension or termination of employment at the discretion of Compliance, Human Resources, and the team member's manager.



Research Compliance Officers

- Scott Friedman
  - Work—[REDACTED]
  - Cell—[REDACTED]
- Patrick Hays
  - Work—[REDACTED]
  - Cell—[REDACTED]
- Paul R. Oppold
  - [REDACTED]
  - [REDACTED]
- Dan Hughes
  - Work—[REDACTED]
  - Cell—[REDACTED]
- Lorl Johnson
  - Work—[REDACTED]
  - Cell—[REDACTED]
- Control Room—877-238-7577

**BACKGROUND QUESTIONNAIRE**

Please respond to the following questions in the space provided. If you need additional space for any response, you may attach additional pieces of paper.

Today's date: 4/25/13

1. What is your full name?  
Joseph Clay Ruggieri

2. Have you ever been known by any other name? Yes  No

If yes, list each such name and the period(s) in which you were known by that name.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. Social Security Number? Redacted 8063

4. Date and Place of Birth?  
Redacted 28 Redacted

5. Country of Citizenship?  
USA

6. Marital Status?  Married  Divorced  Single

If you have ever been married, state for each marriage: (i) the date(s) of the marriage; (ii) the name of your spouse; and (iii) your spouse's maiden name, if any.

i) 10/18/08 ii) Kerry Ruggieri iii) Redacted

\_\_\_\_\_  
\_\_\_\_\_

7. List the names, ages and occupations of your children, if any.

Redacted

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Exhibit  
77  
6/7/13 DM

8. List all residences you occupied at any time during the last three years, including vacation homes, beginning with your current residence. For each residence, state the address, dates of residence, and all telephone numbers (including facsimile numbers) listed at that address.

Redacted  
Redacted

9. List all telephone numbers and telephone credit card numbers that were in your name or that you regularly used at any time during the last three years. Include all residential, business, car, credit card and cellular telephone numbers, including those listed in your response to question 8. For each telephone number, state the name(s) of the corresponding long distance carrier(s) (e.g., Sprint, MCI, AT&T), if any.

Redacted

PUBLICLY-HELD COMPANIES

10. Are you now, or have you ever been, an officer or director of any publicly-held company?  
Yes  No

If yes, identify each such company and state your positions and the dates you held each position.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

11. Are you now, or have you ever been, a beneficial owner, directly or indirectly, of five per cent or more of any class of equity securities of any publicly held company?  
Yes  No

If yes, identify each such company, and state the amount, percentage, and dates of your ownership.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



SECURITIES ACCOUNTS

12. List all securities or brokerage accounts that you have held in your name, individually or jointly, at any time during the last three years. Include all foreign accounts. For each such account, identify: (i) the brokerage firm; (ii) the location of the branch where your account is or was held; (iii) your broker; (iv) the type of account (i.e., cash, margin or IRA); and (v) whether any person has ever held discretionary authority or power of attorney over the account; if so, name such person(s).

Redacted

All brokerage accounts at UBS under Paul Vasady-Kovacs 1785 Avenue of the Americas



13. List all securities or brokerage accounts (including foreign accounts), other than those listed in your answer to question 12, in which \_\_\_\_\_ had any direct or indirect beneficial interest at any time during the last three years. For each such account, provide the information requested by question 12.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

14. List all securities or brokerage accounts (including foreign accounts), other than those listed in your answer to question 12 or 13, over which you had any control at any time during the last three years. For each such account, provide the information requested by question 12.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

BANK ACCOUNTS

15. List all accounts you have held in your name at any financial institution (i.e., bank, thrift, or credit union) at any time during the last three years. Include all foreign accounts. For each such account, identify: (i) the financial institution; (ii) the address of the branch at which your account is or was held; (iii) the type of account (i.e., checking, savings, money market or IRA); and (iv) whether any person has ever had discretionary authority or power of attorney over the account; if so, name such person(s).



16. List all accounts at financial institutions (including foreign accounts), other than those listed in your answer to question 15, in which you had any direct or indirect beneficial interest at any time during the last three years. For each such account, provide the information requested by question 15.

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17. List all accounts at financial institutions (including foreign accounts), other than those listed in your answer to question 15 or 16, over which you had any control at any time during the last three years. For each such account, provide the information requested by question 15.

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PRIOR PROCEEDINGS

18. Have you ever testified in any proceeding conducted by the staff of the Securities and Exchange Commission, a federal or state agency, a federal or state court, a stock exchange, the National Association of Securities Dealers ("NASD") or any other self-regulatory organization ("SRO"), or in any arbitration proceeding related to securities transactions? Yes  No

If yes, for each such proceeding, identify: (i) the title of the proceeding; (ii) the organization or agency; and (iii) the date(s) on which you testified.

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19. Have you ever been deposed in connection with any court proceeding? Yes  No

If yes, for each such proceeding, identify: (i) the title of the proceeding, and (ii) the date(s) on which you were deposed.

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20. Have you ever been named as a defendant or respondent in any action or proceeding brought by the SEC, any other federal agency, a state securities agency, the NASD or any stock exchange? Yes  No

If yes, for each such proceeding, identify: (i) the title of the proceeding; (ii) the agency or tribunal; (iii) the substance of the allegations; (iv) the outcome of the proceeding; and (v) the date of the outcome.

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21. Have you ever been a defendant in any action (other than those listed in response to question 20) alleging violations of the federal securities laws? Yes No

If yes, for each such proceeding, identify: (i) the title of the proceeding; (ii) the court or tribunal; (iii) the outcome of the proceeding; and (iv) the date of the outcome.

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22. Have you ever been a defendant in any criminal proceeding other than one involving a minor traffic offense? Yes No

If yes, for each such proceeding, identify: (i) the title of the proceeding; (ii) the court or tribunal; (iii) the outcome of the proceeding; and (iv) the date of the outcome.

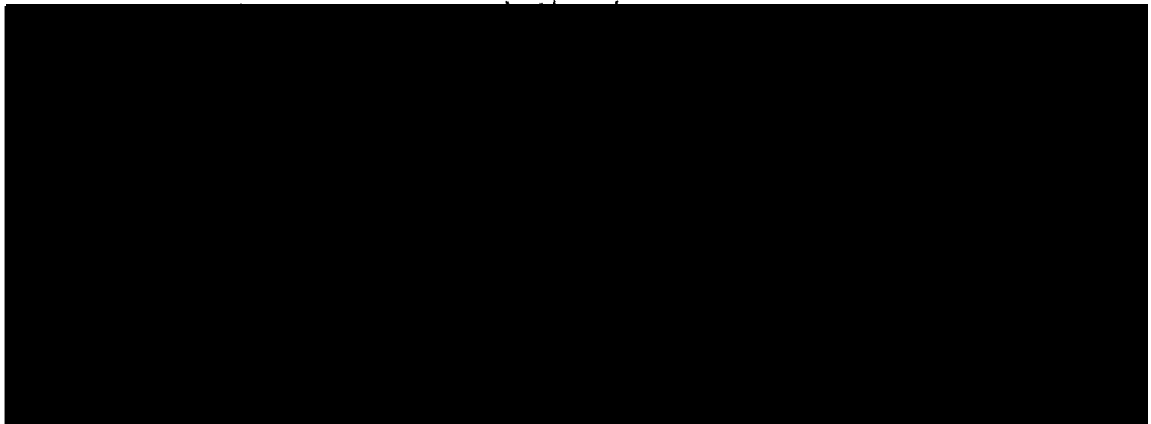
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EDUCATIONAL HISTORY

23. Provide the requested information about each educational institution that you have attended beyond junior high school, beginning with the most recent and working backward to the date that you completed high school.



Background Questionnaire  
Page 7

Name of School			
City	State	Country	Zip Code
Dates of Attendance: Month/Year to Month/Year		Degree/Major	Month/Year of Degree

Name of School			
City	State	Country	Zip Code
Dates of Attendance: Month/Year to Month/Year		Degree/Major	Month/Year of Degree

24. Other than courses taken in connection with institutions listed in response to question 23, list any securities or business related courses taken since high school. For each such course, identify the date that the course was completed and the name of the institution or organization that offered the course.

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PROFESSIONAL LICENSES/CLUBS

25. Do you hold, or have you ever held, any professional license?  Yes  No

If yes, for each such license, identify: (i) the license; (ii) the licensing organization; (iii) the date the license was awarded; (iv) the date such license terminated, if applicable; (v) the date(s) of any disciplinary proceeding(s) against you; and (vi) the outcome of any such disciplinary proceeding (e.g., reprimand, suspension, revocation).



26. Are you, or have you ever been, a member of any professional or business club or organization? Yes  No



If yes, list for each: (i) the name of the club or organization; (ii) its address; and (iii) the date(s) of your membership.

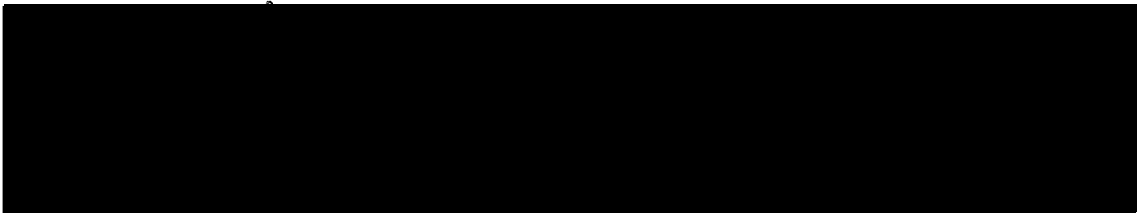
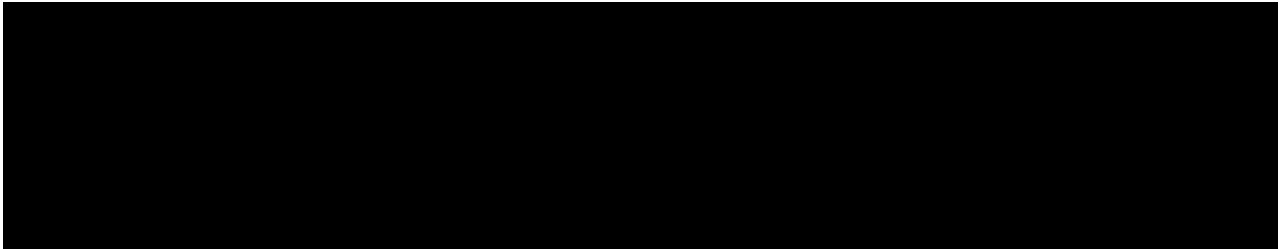
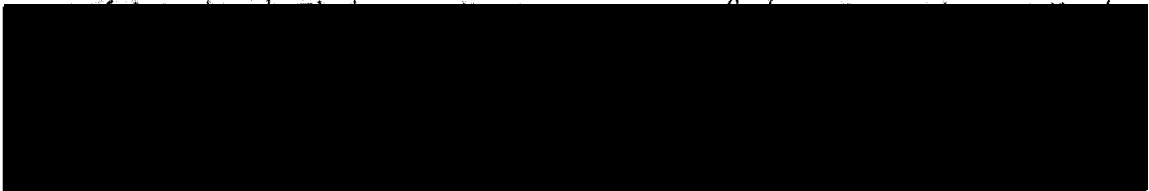
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EMPLOYMENT HISTORY

27. State your employment activities, beginning with the present and working backward to the date that you completed high school.



UBS Paine Webber  
Employer's Name/Self-Employment

Summer Analyst  
Your Title

Background Questionnaire  
Page 9



Employer's Name/Self-Employment			Your Title
Employer's Street Address			Telephone Number
City	State	Country	Zip Code
Dates of Employment: Month/Year To Month/Year			

Employer's Name/Self-Employment			Your Title
Employer's Street Address			Telephone Number
City	State	Country	Zip Code
Dates of Employment: Month/Year To Month/Year			

Employer's Name/Self-Employment			Your Title
Employer's Street Address			Telephone Number
City	State	Country	Zip Code
Dates of Employment: Month/Year To Month/Year			

CONTINUE ON ADDITIONAL SHEETS IF NECESSARY



Continuing Education Sign-In Sheet

Group Trained: Sales and Trading  
 Facilitator's Name/Instructor's Name: David Foreback  
 Date of Program: Dec. 16<sup>th</sup>, 2009  
 Location: 375 Park Ave 4<sup>th</sup> Floor  
 Subject of Training: Annual Compliance Training

Topics Covered in Training:	
<input type="checkbox"/> AML/KYC <input type="checkbox"/> Patriot Act <input type="checkbox"/> Electronic Communications <input type="checkbox"/> 23A & B <input type="checkbox"/> Anti-Tying <input type="checkbox"/> Chinese Walls <input type="checkbox"/> Insider Trading <input type="checkbox"/> Continuing Education <input type="checkbox"/> PIP/Pass <input type="checkbox"/> Licensing & Registration <input type="checkbox"/> Supervision	<input type="checkbox"/> Gifts and Gratuities <input type="checkbox"/> Outside Business Activities <input type="checkbox"/> Compliance Bulletin <input type="checkbox"/> Supervisory Principal Training <input type="checkbox"/> Other:

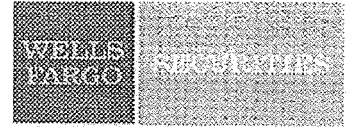
**Participant Information**

*Please write clearly and include you're A or X # or you may not get credit for this training.*

Printed Name	A or X Employee N	On-Site	Via Teleconference?	Signature
David Simone		✓		
Matthew Bowen		✓		
J. J. Connor		✓		
Peter Cox		✓		

March 15, 2011

Exhibit  
90  
12/4/13 Am



# Equity Research

## Bruker Corp.

**BRKR: Initiating Coverage With Outperform Rating**  
One of the BEST Ways to Harvest Value in a Growing Industry

**Outperform / V**

Sector: Life Science Tools  
N/A

### Initiation of Coverage

EPS	2010A	2011E		2012E	
		Curr.	Prior	Curr.	Prior
Q1 (Mar.)	\$0.10	\$0.15		\$0.19	
Q2 (June)	0.15	0.22		0.23	
Q3 (Sep.)	0.19	0.23		0.26	
Q4 (Dec.)	0.27	0.32		0.40	
FY	\$0.72	\$0.91		\$1.08	
CY	\$0.72	\$0.91		\$1.08	
FY P/E	26.2x	20.7x		17.4x	
Rev.	\$1,305	\$1,568		\$1,691	

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters  
NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful  
V = Volatile, \* = Company is on the Priority Stock List

- Summary.** We initiate coverage of BRKR with an Outperform rating and a valuation range of \$21-22 based on a sum-of-the parts analysis. We believe BRKR will achieve top line growth above the group average and will be able to gain significant operating leverage via margin expansion. Our 2011 non-GAAP EPS estimate of \$0.91 is in-line with consensus, but based on our belief that management's guidance tends to be conservative (particular the longer-term guidance), our 2012 estimate of \$1.08 is slightly above consensus (\$1.07).
- IPO of BEST Could Unlock Value.** The BEST segment currently generates no EBITDA and is a drag on EPS. As such, we believe the market places little value on the cutting-edge research being conducted within the BEST division. BRKR has filed a preliminary prospectus for a BEST IPO, which we think may attract investors with higher risk appetites that place a market value on this segment. Should an IPO occur, Bruker intends to maintain majority ownership. Our valuation uses a sum-of-the parts methodology to account for BEST.
- Leadership Position in High-End R&D.** We believe Bruker is an industry leader in cutting-edge innovation and will maintain that leadership through focused R&D efforts. Bruker launched a record number of new products in 2009 and has continued that pace in 2010 and 2011, which should drive organic revenue growth.
- Plenty of Room for Margin Expansion.** While maintaining its cutting-edge scientific leadership, the company has begun to focus on engineering products to gross margins exceeding 50%. We believe this initiative as well as better supply chain management and general operational maturity will drive significant margin expansion over coming years.
- Track Record of Conservative Guidance.** Bruker has a consistent track record of beating its own initial guidance as well as analyst expectations. We are particularly optimistic about margin expansion opportunities. Bruker expects to exceed its original long-term margin target for the BSI segment (>15%) one year earlier than anticipated and has issued new long-term guidance (>18% by 2014). We would not be surprised to see the company achieve that goal earlier than expected.

### Valuation Range: \$21.00 to \$22.00 from NA to NA

Our valuation range is based on a sum-of-the parts analysis using BRKR's historical average EV/EBITDA multiple to value the BSI segment and a discounted EV/Sales multiple on 2016 revenue to value the BEST segment. Risks include: 1) a double-dip recession impacting capital budgets, 2) negative impacts from biopharma headwinds, 3) government R&D budget cuts, 4) insiders own a majority of shares

### Investment Thesis:

We believe Bruker will drive top line growth via focused R&D allowing the company to maintain a leadership position in cutting-edge technologies for a wide range of product lines and end markets. Product development initiatives and operational maturity should drive margin expansion while geographic and platform diversification should create scale and stability. We also believe an IPO of the BEST segment could unlock shareholder value.

Please see page 41 for rating definitions, important disclosures and required analyst certifications

Wells Fargo Securities, LLC does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of the report and investors should consider this report as only a single factor in making their investment decision.

Ticker	BRKR
Price (03/15/2011)	\$18.83
52-Week Range:	\$10-20
Shares Outstanding:	164.8
Market Cap.:	\$3,103.2
S&P 500:	1,281.87
Avg. Daily Vol.:	548,295
Dividend/Yield:	\$0.00/0.0%
LT Debt:	\$301.0
LT Debt/Total Cap.:	36.3%
ROE:	25.0%
3-5 Yr. Est. Growth Rate:	30.0%
CY 2011 Est. P/E-to-Growth:	0.7x
Last Reporting Date:	02/23/2011
	Before Open

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters

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Together we'll go far



SEC-FINRAWF-E-0800771

**Company Description:**

Bruker Corporation (NASDAQ: BRKR) is a provider of high-performance scientific instruments for molecular and materials research and analysis in life science, industrial, and applied markets. Bruker receives a large amount of revenue from "big ticket" scientific instruments often purchased via customers' capital budgets. Bruker is also distinguished from peers by a high degree of revenue exposure to government and academic end markets as well high exposure to revenue outside the U.S. The company operates in two segments: Bruker Scientific Instruments (BSI) and Bruker Energy and Supercon Technologies (BEST). The BSI segment contains four divisions: 1) Bruker BioSpin focuses on magnetic resonance technologies, 2) Bruker Daltonics focuses on mass spectrometry, 3) Bruker MAT focuses on X-ray, Spark-OES, AFM, and SOM technologies and 4) Bruker Optics focuses on infrared and Raman molecular spectroscopy. The BEST segment provides superconducting materials and conducts research into new technologies primarily applicable to energy markets.

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## I. Executive Summary

We initiate coverage of Bruker Corporation (BRKR) with an Outperform rating and \$21-\$22 valuation range based on the following points:

- **Track Record of Conservative Guidance.** Bruker has a consistent track record of beating its own initial guidance as well as analyst expectations. We are particularly optimistic about margin expansion opportunities. Bruker expects to exceed its original long-term margin target for the BSI (>15%) one year earlier than anticipated in 2011 and thus has issued new long-term guidance (>18% by 2014). We would not be surprised to see the company achieve that goal earlier than expected.
- **IPO of BEST Segment Should Unlock Shareholder Value.** The BEST segment currently generates no EBITDA and is a drag on profitability. As such, we believe the market places little value on the cutting-edge research being conducted within the BEST division. We think an IPO of BEST will attract investors with higher risk appetites that place a market value on this segment. Bruker has filed a preliminary prospectus for this IPO and intends to maintain majority ownership. Our valuation uses a sum-of-the parts methodology to account for BEST.
- **Astute Product Development Should Drive Top Line Growth and Margin Expansion.** We believe Bruker is an industry leader in cutting-edge innovation and will maintain that leadership through focused R&D efforts. Bruker launched a record number of new products in 2009 and has continued that pace in 2010 and 2011 which should drive organic revenue growth. Moreover, the company is focused on engineering new products to gross margins exceeding 50%, which should continue to drive margin expansion.
- **Operational Maturity Should Improve Cash Flow.** Historically, working capital management has not been a high priority for Bruker, but this mentality has shifted over the last few years. The focus of this initiative is to drive working capital towards \$0.35 from historical levels around \$0.55, which should drive a \$100MM+ improvement in cash flow over time. Additional operational improvements are focused on decreasing the historical seasonality of revenue and on driving higher gross margins through more integrated product development. We think the market may be willing to give a slightly higher multiple to a more operationally mature company.
- **Customer, Product, and Geographic Diversification Should Increase Visibility.** We think a more balanced mix of revenue sources will increase visibility and could lead the market to ascribe a higher multiple to BRKR shares. Bruker currently derives 69% of revenue from academic, government, and non-profit organizations, and 48% of revenue from customers in Europe. We expect Bruker to move rapidly over the next two years toward a more diversified revenue mix in terms of geography and end markets. We also expect additional internal R&D and/or bolt-on acquisitions to further broaden the company's product lines, particularly in the Daltonics and MAT divisions.
- **Acquisitions Present Growth Opportunity.** In our view, Bruker has recently acquired technologies and product lines with robust growth characteristics. Management believes the Chemical and Applied Markets (CAM) division acquired in May 2010 can eventually provide annualized revenues of >\$100 million with operating margins eventually reaching 15% (currently operating at a loss). Based on CAM's recent performance, we think Bruker could end up meeting CAM goals by 2012, providing some upside to EPS. The Veeco acquisition (October 2010) is expected to contribute \$130 million in revenues in 2011 with non-GAAP operating margins exceeding 15% and \$0.06-\$0.08 of non-GAAP EPS accretion.

**Valuation.** Our valuation range of \$21-\$22 per share is based on a sum-of-the parts analysis using BRKR's historical average EV/EBITDA multiple to value the BSI segment and a discounted EV/Sales multiple on 2016 revenue to value the BEST segment.

### Key Risks.

- **Economically Sensitive Revenue.** Bruker receives a significant amount of revenue from capital budget outlays, which tends to be more economically sensitive than operating budgets.
- **Healthcare and Biopharma Pressures.** Companies in the for-profit healthcare sector, which comprise roughly 11% of Bruker's revenue, face ongoing pressures from multiple sources.
- **Government Budget Pressures.** Bruker receives a significant amount of revenue from government funding for scientific research, both in the U.S. and abroad. Ongoing austerity measures could cause governments to reduce research funding, with the most acute risks in Europe.
- **Majority Stockholders.** Five members of the Laukien family own a majority of Bruker shares and are able to exercise substantial influence over all matters requiring shareholder approval.
- **Rapidly Changing Technology.** Rapidly shifting technologies and frequent new product introductions by competitors increases the risk that existing product lines will become obsolete.

## II. Valuation and Thesis

We are initiating coverage of Bruker with an Outperform rating and a valuation range of \$21-\$22 per share. Our valuation range is driven by a sum-of-the-parts methodology, valuing Bruker's BSI segment using an EV/EBITDA multiple consistent with the company's long-term average and valuing Bruker's BEST segment using a discounted EV/Sales multiple on our 2016 revenue estimate.

The BEST segment is currently at approximately breakeven EBITDA levels and is a drag on profitability. As such, we believe the market ascribes little value to BEST. We believe an IPO of BEST will create shareholder value by attracting risk tolerant investors willing to place a market value on cutting-edge R&D being conducted within the BEST segment. Future margin levels and cash flow for BEST are difficult to predict because the company is trying to enter new markets. As such, we use a forward EV/Sales multiple on our 2016 revenue estimate and discount that value to arrive at a BEST enterprise value. Our 2016 revenue estimate is ~\$235 million, a 17% CAGR, which we believe is reasonable given BEST's high growth prospects. Our EV/Sales multiple is derived from a set of comps in markets similar to BEST's three main growth initiatives (discussed later in this report). We assume that Bruker retains 60% of BEST (the company has stated it intends to retain majority ownership) and that the 40% sold to the market are new shares. Thus, we estimate the value created for current Bruker shareholders from a BEST IPO to be ~\$100 million (see Exhibit 1).

**Exhibit 1: BEST Valuation Sensitivity Table**

ENTERPRISE VALUE					DISCOUNTED BEST VALUE										
Forward Multiple on 2016 sales					Forward Multiple on 2016 sales										
1.0x					1.5x					2.0x					
WACC	9.7%	\$	147.9	\$	221.9	\$	295.8	WACC	9.7%	\$	73.4	\$	117.8	\$	162.1
	10.7%	\$	141.4	\$	212.0	\$	282.7		10.7%	\$	69.5	\$	111.9	\$	154.3
	11.7%	\$	135.1	\$	202.7	\$	270.3		11.7%	\$	65.7	\$	106.3	\$	146.8

Source: Wells Fargo Securities, LLC estimates

Our 2012 EBITDA estimate for Bruker is derived almost entirely from the BSI segment (we ascribe ~\$8 million of EBITDA to BEST in 2012 and note that BEST was roughly EBITDA breakeven in 2010). We value the BSI segment using a 12.1x EBITDA multiple which is inline with BRKR's 2011 EV/EBITDA multiple (see Exhibit 2).

The company's reported EPS has been significantly more volatile than EBITDA from quarter to quarter due in part to a volatile tax rate as well as the company's tendency not to exclude one-time charges until very recently. Consequently, we view the EV/EBITDA multiple as a better indicator of the company's current valuation relative to its historical level. Bruker currently trades at approximately 12.1x FY 2011 EV/EBITDA multiple, which is a slight premium to Bruker's historical average of ~11.8x since 2003.

We also note that BRKR's EV/EBITDA multiple has closely tracked the Tools Index EV/EBITDA multiple since 2008 (Exhibit 3) and both now trade approximately inline with their historical average

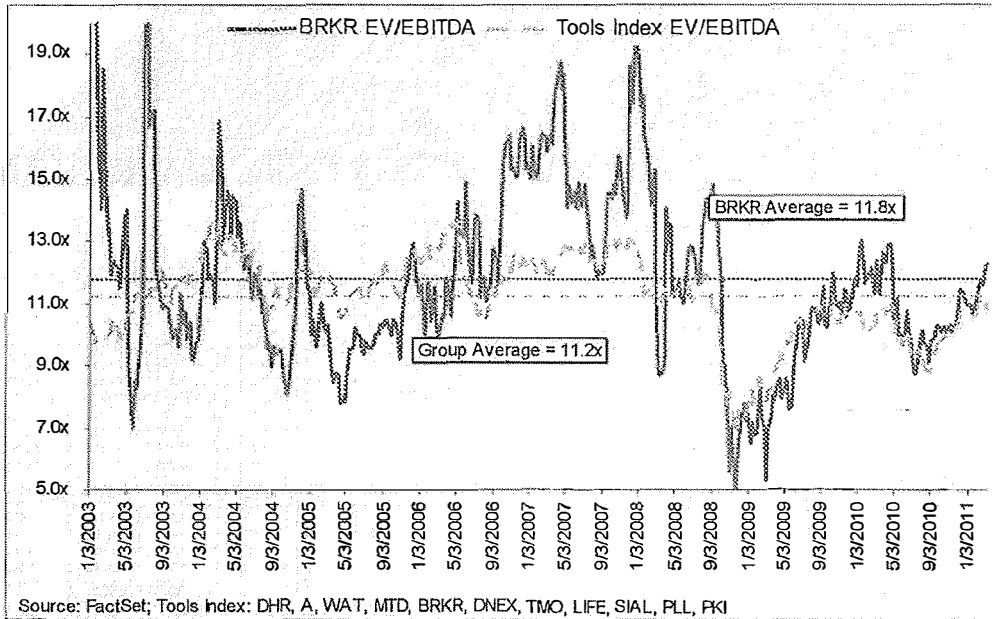


Exhibit 2: Valuation Table

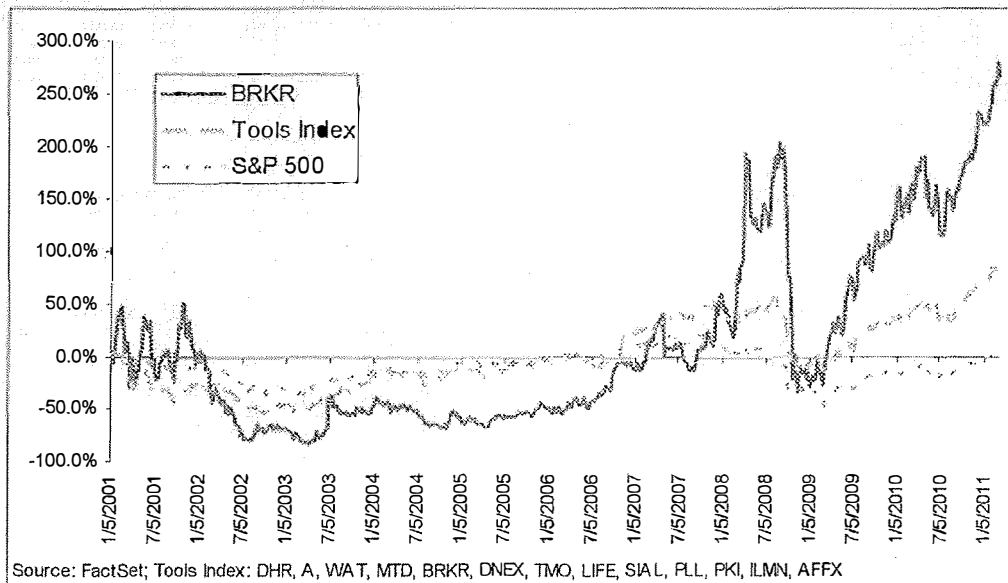
	2007	2008	2009	2010	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	TOTAL	
Rating	NC	NC	NC	NC	NC	NC	MP	NC	NC	NC	NC	NC	NC	NC		
Price	\$ 50.83	\$ 54.30	\$ 44.34	\$ 51.15	\$ 84.19	\$ 61.81	\$ 84.40	\$ 55.43	\$ 167.04	\$ 26.50	\$ 18.58	\$ 4.75	\$ 6.27			
Valuation Range	NC	NC	NC	NC	NC	NC	\$ 89.0	NC	NC	NC	\$ 23.0	NC	NC	NC		
FY Ending	Dec	Dec	Oct	Dec	Dec	Dec	Dec	Jul	Dec	Dec	Dec	Dec	Dec	Dec		
SHARES (MM)																
Shares Out	687.2	398.8	353.0	191.2	151.2	123.0	93.3	118.3	33.6	117.5	166.1	69.0	50.8			
Floaf	343.4	389.6	347.1	177.8	125.9	121.4	88.2	115.2	31.6	116.6	81.7	62.4	45.1			
Short % of Floaf	1.1%	0.8%	0.9%	2.2%	8.3%	3.6%	4.0%	1.4%	2.7%	1.4%	3.7%	16.0%	3.7%			
MKT VALUE (\$MM)																
Market Cap	\$ 34,792	\$ 21,655	\$ 15,741	\$ 9,781	\$ 9,704	\$ 7,603	\$ 7,876	\$ 6,665	\$ 5,613	\$ 3,113	\$ 3,088	\$ 328	\$ 317	\$ 57,427	\$ 58,739	\$ 126,166
Ent Value	\$ 35,984	\$ 22,888	\$ 15,215	\$ 12,002	\$ 9,199	\$ 7,557	\$ 7,748	\$ 6,777	\$ 5,847	\$ 3,120	\$ 3,154	\$ 320	\$ 282	\$ 58,237	\$ 61,840	\$ 130,078
REVENUE (\$MM)																
2008	\$ 12,697	\$ 10,498	\$ 5,774	\$ 1,620	\$ 573	\$ 2,201	\$ 1,575	\$ 2,572	\$ 1,973	\$ 1,337	\$ 1,107	\$ 320	\$ 134	\$ 23,281	\$ 19,722	\$ 42,993
2009	\$ 11,185	\$ 10,110	\$ 4,481	\$ 3,280	\$ 666	\$ 2,148	\$ 1,490	\$ 2,329	\$ 1,738	\$ 1,812	\$ 1,115	\$ 327	\$ 130	\$ 20,138	\$ 20,672	\$ 40,811
2010	\$ 13,203	\$ 10,769	\$ 5,463	\$ 3,588	\$ 903	\$ 2,271	\$ 1,643	\$ 2,402	\$ 1,990	\$ 1,704	\$ 1,305	\$ 311	\$ 130	\$ 23,712	\$ 21,968	\$ 45,680
2011E	\$ 14,207	\$ 11,390	\$ 6,413	\$ 3,824	\$ 1,113	\$ 2,409	\$ 1,793	\$ 2,631	\$ 2,110	\$ 1,827	\$ 1,568	\$ 312	\$ 141	\$ 26,232	\$ 23,506	\$ 49,738
2012E	\$ 15,112	\$ 12,018	\$ 6,843	\$ 4,055	\$ 1,333	\$ 2,542	\$ 1,925	\$ 2,810	\$ 2,243	\$ 1,932	\$ 1,681	\$ 319	\$ 156	\$ 27,970	\$ 25,009	\$ 52,979
EBITDA (\$MM)																
2008	\$ 2,260	\$ 2,109	\$ 1,158	\$ 466	\$ 153	\$ 609	\$ 454	\$ 501	\$ 332	\$ 269	\$ 146	\$ 24	\$ (8)	\$ 4,445	\$ 4,131	\$ 8,576
2009	\$ 2,090	\$ 1,020	\$ 556	\$ 958	\$ 180	\$ 804	\$ 461	\$ 428	\$ 323	\$ 264	\$ 160	\$ 38	\$ (2)	\$ 3,577	\$ 4,389	\$ 7,966
2010	\$ 2,632	\$ 2,124	\$ 1,141	\$ 1,191	\$ 254	\$ 678	\$ 517	\$ 490	\$ 377	\$ 202	\$ 200	\$ 32	\$ (2)	\$ 4,873	\$ 5,032	\$ 9,904
2011E	\$ 2,952	\$ 2,507	\$ 1,422	\$ 1,390	\$ 345	\$ 734	\$ 585	\$ 579	\$ 423	\$ 322	\$ 280	\$ 42	\$ 3	\$ 5,844	\$ 5,918	\$ 11,562
2012E	\$ 3,282	\$ 2,693	\$ 1,557	\$ 1,476	\$ 440	\$ 791	\$ 648	\$ 628	\$ 465	\$ 358	\$ 300	\$ 46	\$ 7	\$ 6,253	\$ 6,432	\$ 12,690
EBITDA MARGIN																
2008	18.6%	20.1%	20.9%	28.7%	26.6%	27.7%	28.8%	19.5%	17.1%	13.9%	13.2%	7.5%	6.3%	18.1%	20.9%	20.0%
2009	18.6%	19.0%	12.4%	29.2%	27.1%	28.1%	30.7%	18.4%	16.7%	14.0%	14.4%	11.0%	1.4%	17.0%	21.2%	19.5%
2010	19.9%	19.7%	20.9%	33.2%	28.1%	29.9%	31.5%	20.4%	19.2%	16.4%	15.9%	10.3%	1.4%	20.5%	22.9%	21.7%
2011E	20.8%	22.0%	22.2%	36.3%	31.0%	30.4%	32.6%	22.0%	20.1%	17.0%	16.8%	13.4%	1.8%	21.5%	25.2%	23.2%
2012E	21.7%	22.4%	22.8%	36.4%	33.0%	31.1%	33.7%	22.4%	20.7%	18.5%	17.7%	14.3%	1.7%	22.4%	25.7%	24.0%
EBIT MARGIN																
2008	15.8%	12.5%	16.9%	20.3%	21.6%	23.2%	25.3%	15.9%	15.1%	9.2%	13.7%	-0.5%	-1.5%	16.2%	14.4%	15.4%
2009	15.5%	11.2%	8.6%	15.7%	22.4%	23.6%	27.6%	14.5%	16.3%	9.3%	11.9%	-3.5%	-8.8%	14.6%	13.6%	14.1%
2010	16.8%	12.5%	17.2%	19.7%	23.6%	25.8%	28.6%	16.5%	16.9%	10.0%	12.6%	-5.0%	-6.8%	17.5%	15.5%	16.5%
2011E	18.1%	18.6%	18.6%	29.5%	28.6%	28.0%	29.5%	18.2%	17.7%	14.5%	14.3%	2.2%	-2.8%	19.5%	21.0%	18.8%
2012E	19.4%	19.2%	19.7%	30.3%	31.4%	28.7%	32.1%	18.8%	18.4%	15.3%	16.6%	4.8%	1.7%	19.5%	21.9%	20.8%
EPS																
2008	\$ 2.07	\$ 2.36	\$ 1.91	\$ 0.31	\$ 0.43	\$ 2.70	\$ 3.30	\$ 1.77	\$ 5.92	\$ 1.07	\$ 0.46	\$ (4.49)	\$ (1.42)			
2009	\$ 1.80	\$ 2.08	\$ (0.09)	\$ 0.82	\$ 0.59	\$ 2.84	\$ 3.45	\$ 1.85	\$ 5.12	\$ 0.80	\$ 0.48	\$ (0.35)	\$ (0.17)			
2010	\$ 2.74	\$ 2.58	\$ 1.07	\$ 2.06	\$ 1.01	\$ 3.17	\$ 4.10	\$ 2.05	\$ 6.95	\$ 1.16	\$ 0.72	\$ (0.15)	\$ (0.17)			
2011E	\$ 2.69	\$ 4.06	\$ 2.65	\$ 3.00	\$ 1.44	\$ 3.55	\$ 4.65	\$ 2.85	\$ 7.82	\$ 1.81	\$ 0.92	\$ 0.03	\$ (0.02)			
2012E	\$ 3.04	\$ 4.49	\$ 3.01	\$ 4.33	\$ 1.88	\$ 3.90	\$ 5.23	\$ 3.00	\$ 8.98	\$ 1.85	\$ 1.08	\$ 0.12	\$ 0.08			
P/E																
2009	28.2x	26.4x	NA	62.4x	108.8x	21.8x	24.5x	33.6x	32.6x	33.1x	39.0x	NA	NA	39.2x	34.9x	36.5x
2010	18.0x	21.2x	22.5x	24.8x	63.6x	19.5x	20.6x	27.0x	23.9x	22.8x	25.9x	NA	NA	20.4x	25.3x	22.4x
2011E	18.8x	15.4x	16.8x	13.2x	44.7x	17.4x	18.2x	20.9x	21.4x	18.5x	20.2x	174.2x	NA	18.5x	16.7x	17.8x
2012E	16.7x	12.1x	14.7x	11.8x	34.1x	15.9x	16.1x	18.5x	19.6x	14.3x	17.0x	38.7x	75.2x	16.3x	14.8x	15.6x
Valuation/ERS																
2012E	NC	NC	NC	NC	NC	NC	17.0x	NC	NC	NC	19.7x	NC	NC			
EV/EBITDA																
2009	17.3x	11.8x	27.4x	12.5x	51.0x	12.5x	16.8x	15.8x	18.1x	11.8x	19.7x	9.5x	NA	19.1x	14.1x	16.3x
2010E	13.7x	10.8x	13.3x	10.1x	36.2x	11.1x	15.0x	13.8x	15.5x	11.9x	15.2x	10.0x	NA	14.0x	12.3x	13.1x
2011E	12.2x	9.1x	10.7x	8.5x	26.6x	10.3x	13.2x	11.7x	13.9x	9.7x	12.1x	7.7x	111.4x	12.1x	10.4x	11.3x
2012E	11.0x	8.5x	9.0x	8.1x	20.9x	9.6x	12.0x	10.8x	12.5x	8.7x	10.5x	7.0x	38.5x	10.9x	9.6x	10.3x
EV/EBITDA																
2012E	NC	NC	NC	NC	NC	NC	12.6x	NC	NC	NC	12.1x	NC	NC			
OTHER																
Total Debt/Cap	18.8%	11.8%	37.7%	36.3%	0.0%	11.9%	43.3%	37.7%	46.1%	18.0%	36.3%	24.5%	11.1%			
FCF Yield (TTM)	5.2%	5.7%	4.3%	6.3%	2.3%	4.6%	5.1%	2.5%	3.5%	3.1%	4.7%	7.0%	0.0%			
Dividend Yield	0.2%	0.0%	0.0%	0.0%	0.0%	1.0%	0.0%	1.6%	0.0%	1.7%	0.0%	0.0%	0.0%			
BV/Share	\$ 29.89	\$ 39.25	\$ 9.86	\$ 24.33	\$ 9.46	\$ 16.20	\$ 10.77	\$ 11.74	\$ 23.80	\$ 16.64	\$ 3.18	\$ 4.15	\$ 1.90			
Tang. BV/Share	\$ (0.57)	\$ 0.13	\$ 4.11	\$ (10.85)	\$ 6.71	\$ 11.43	\$ 5.73	\$ 11.74	\$ 7.17	\$ (0.03)	\$ 1.76	\$ 3.61	\$ 0.69			
Headcount	48,200	37,200	18,500	11,000	2,100	7,890	5,216	10,400	11,200	6,200	4,500	989	401			

Source: FactSet, Company filings, and Wells Fargo Securities, LLC estimates. Shaded companies = Instruments subset, Unshaded = Consumables subset  
 OP = Outperform; MP = Marketperform; UP = Underperform; V = Volatile; NC = Not covered  
 Note: Pre-2009 financials for BRKR represent Wells Fargo's estimate of pro-forma non-GAAP financials on the same basis as BRKR's current non-GAAP financials

**Exhibit 3: Bruker Historical EV/EBITDA (NTM) Multiple**



**Exhibit 4: Bruker Price Performance vs. S&P 500 and Tools Index**



**Investment Thesis**

**Track Record of Conservative Guidance.** Bruker has a consistent track record of beating its own initial guidance as well as analyst expectations. We are currently modeling 7.2% organic, constant dollar revenue growth in 2011, which we believe is very achievable. We are particularly optimistic about the opportunity for margin expansion. Bruker expects to exceed the original long-term margin target for the BSI (>15%) one year earlier than anticipated and has issued new long-term guidance for roughly 75-100 bps of margin expansion between 2012-2014 to reach an adjusted operating margin of >18% by 2014. We would not be surprised to see the company achieve that goal earlier than expected. Margin expansion will depend on uptake of new product launches and the realization of SG&A synergies from recent acquisitions. We are optimistic on both fronts.

**IPO of BEST Segment Should Unlock Shareholder Value.** The BEST segment currently generates no EBITDA and is a drag on profitability. As such, we believe the market places little value on the cutting-edge research being conducted within the BEST division. We think an IPO of BEST will attract investors with higher risk appetites that will place a market value on this segment. Bruker has filed a preliminary prospectus for this IPO and intends to maintain majority ownership. Our valuation uses a sum-of-the parts methodology to account for BEST.

**Astute Product Development Should Drive Top Line Growth and Margin Expansion.** We believe Bruker is an industry leader in cutting-edge innovation and will maintain that leadership through focused R&D efforts. Bruker introduced 18 new products in 2009 across all divisions, which represents a record level of product introductions, and should drive future revenue growth. The company has not slowed its pace of product launches in 2010 and 2011. New products in the future should carry higher margins. The margin gains come partially from developing multiple products around the same basic platforms or shared modules, essentially reducing the number of separate parts the company needs to manufacture. The company's stated goal is to design and manufacture new products with a gross margin of 50% or greater, and we believe those efforts are starting to bear fruit. Improvement should come most quickly from bringing Daltonics and MAT up to corporate profitability goals (BioSpin and Optics currently meet corporate profitability goals). Also, the launch of new explosives detection products within Daltonics should be a growth opportunity for the CBRNE business as the explosives detection market is significantly larger than the chemical detection market, the main focus of Bruker's current products.

**Operational Maturity Should Improve Cash Flow.** Management readily admits that Bruker has historically not made working capital management a high priority. This mentality has changed over the last 3-4 years as the company now incentivizes operating managers to reduce working capital needs. The focus of this initiative is to drive working capital towards \$0.35 from historical levels around \$0.55, which should drive a \$100MM+ improvement in cash flow over time. Inventory reductions will make up a substantial amount of the working capital reduction. The company's DSOs are already in-line with the peer group. Additional operational improvements are focused on decreasing the historical seasonality of revenue and on driving higher gross margins through more integrated product development. We think the market may be willing to give a slightly higher multiple to a more operationally mature company.

**Customer, Product, and Geographic Diversification Should Increase Visibility.** We think a more balanced mix of revenue sources will increase visibility and could lead the market to ascribe a higher multiple to BRKR shares. Bruker currently derives 69% of revenue from academic, government, and non-profit organizations, and 48% of revenue from customers in Europe. While heavy exposure to academic and governmental customers has allowed Bruker to benefit disproportionately from global stimulus programs, it also leaves the company vulnerable to government austerity measures, the most severe of which come from Europe. We expect Bruker to move rapidly over the next two years toward a more diversified revenue mix in terms of geography and end markets. Specifically, recent acquisitions as well as internal efforts should drive growth in Asia and industrial end markets, two areas where Bruker lags competitors. Bruker's recent acquisitions also round out certain areas of its product portfolio, and we expect additional internal R&D and/or bolt-on acquisitions to further broaden the company's product lines, particularly in Daltonics and MAT.

**Acquisitions Present Growth Opportunity.** In our view, Bruker has recently acquired technologies and product lines with robust growth characteristics. Management believes the Chemical and Applied Markets (CAM) division acquired in May 2010 can eventually provide annualized revenues of >\$100 million with operating margins eventually reaching 15% (currently operating at a loss). Based on CAM's recent performance, we think Bruker could end up meeting CAM goals by 2012, providing some upside to EPS. This acquisition provides Bruker with a triple quad product line, a significant complement to Bruker's existing mass spec portfolio. Another positive aspect of the CAM acquisition is the extensive sales and service organization

accompanying CAM, 75% of which the company has retained despite the necessity of integrating offices. That sales force is focused on industrial, environmental, and applied markets which should create synergies with Daltonics existing life science sales force. The recent Veeco acquisition in October 2010 (now called Bruker Nano Surfaces or BNS) should also move Bruker toward a more balanced revenue mix. That acquisition is expected to contribute \$130 million in revenues in 2011 with non-GAAP operating margins exceeding 15% and \$0.06-\$0.08 of non-GAAP EPS accretion.

**Investment Risks**

**Economically Sensitive Revenues.** Due to its focus on high-end instruments, Bruker receives a significant amount of revenue from capital budget outlays, which tend to be more economically sensitive than operating budgets. Despite a heavy concentration in academic and government end-markets, Bruker suffered significantly from the recent global recession. We view a "double dip" recession as the primary risk to Bruker's business as we would expect Bruker's customers to delay or cancel capital spending under such a scenario.

**Healthcare and Biopharmaceutical Companies Face Ongoing Pressures.** Companies in the for-profit healthcare sector, which comprise roughly 11% of Bruker's revenue, face ongoing pressures from multiple sources. Healthcare reform is likely to impact the purchasing decisions of hospitals and other institutions that provide healthcare directly to patients. Small biopharmaceutical companies face difficulties raising capital, while large biopharmaceutical companies face difficulties achieving an adequate return on capital. These dynamics may cause biopharmaceutical companies to delay or cancel big-ticket capital equipment purchases. To streamline R&D efforts, many biopharmaceutical companies are increasingly using contract research organizations (CROs) to handle R&D projects. We believe CROs use capital equipment more efficiently than biopharmaceutical companies, which could impact biopharma's willingness to make large replacement purchases. Finally, regulations restricting research in genetic engineering may indirectly affect demand for Bruker's products.

**Government Spending Could Decline as Budgets are Cut.** Bruker receives a significant amount of revenue from government funding for scientific research, both in the U.S. and abroad. Pressures on government budgets from a period of low economic growth could cause governments to reduce research funding. The most near-term risks of such cuts are in Europe, in our view.

**Exchange Rate Risk and Other Risks of a Global Platform.** The majority of Bruker's facilities are located outside of the U.S.; moreover, Bruker's sales are derived predominantly from customers outside of the U.S. As such, Bruker is exposed to a variety of risks related to international operations, among which we view exchange rate risk as the most pervasive. While Bruker's operating margin tends to be naturally hedged, revenue and gross margin can be materially impacted by FX movements. Additionally, particularly volatile FX rate swings as seen in recent years could negate the effectiveness of natural or financial hedges. Other risks of operating in international jurisdictions include terrorism, economic instability, changing regulatory environments, tariffs, government controls, inflation, intellectual property theft, labor regulations, and taxes.

**Majority Stockholders.** Five members of the Laukien family own a majority of Bruker shares and are able to exercise substantial influence over all matters requiring shareholder approval.

**Rapidly Changing Technologies.** Rapidly shifting technologies and frequent new product introductions by competitors increases the risk that existing product lines will become obsolete. Such competitive dynamics require Bruker to invest heavily in R&D, which may not provide an adequate return on investment. Finally, new products may not be able to be manufactured to meet profitability targets of ~50% gross margins.

**Integration Risks.** Historically, Bruker has been less acquisitive than peers; however, the company has taken advantage of two recent acquisition opportunities that present integration risk. The company may not realize synergies, may not be able to retain key employees, and may experience disruption to ongoing business processes due to integration activities. Any future M&A activity may also carry these risks.

**Sourcing Risks.** For several product lines, Bruker sources components and raw materials from a limited number of suppliers and in some cases a single supplier (for instance, Bruker sole-sources certain optical detectors from PerkinElmer, certain focal plane array detectors from Lockheed Martin, and niobium titanium from ATI Wah Chang). Inability to obtain adequate supply as well as reduced control over the pricing, quality, and time of delivery, present risks. Prices of raw materials, particularly copper, could also adversely affect profitability; other important raw materials include steel, niobium titanium, and liquid helium.

**Liability and Intellectual Property Risks.** Bruker could be exposed to liability claims if products fail to perform. This risk is particularly relevant to a malfunction of CBRNE detection products. The use of high magnet fields and cryogenics in NMR, MRI, and mass spectrometry applications create an inherent risk of product liability due to the hazards of these technologies. Additionally, the potential or perceived infringement of other parties' intellectual property could create liability risks. Finally, inability to successfully protect patents and trade secrets could adversely affect Bruker's commercialization of products.

III. Competitive Positioning

For more information on the Life Sciences Tools industry, please see our industry initiation report.

As shown in Exhibit 5, within the Life Science Tools sector, Bruker has the heaviest exposure to high-end analytical instruments (Mass Spec, NMR, X-Ray, etc.). The company also has a high level of exposure to government and academic funding for Life Science research, as shown in Exhibit 6.

Exhibit 5: Detailed Competitive Positioning by Product Type

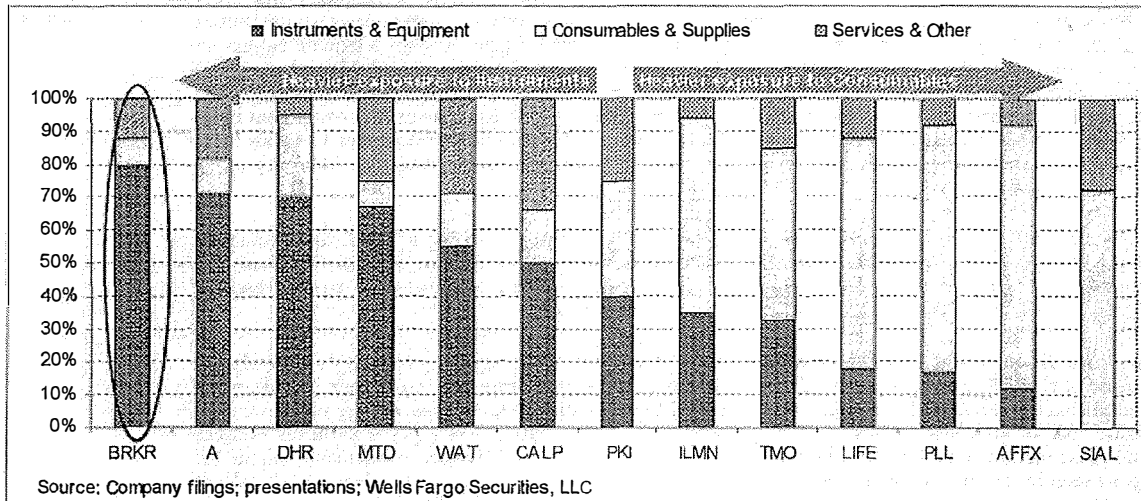
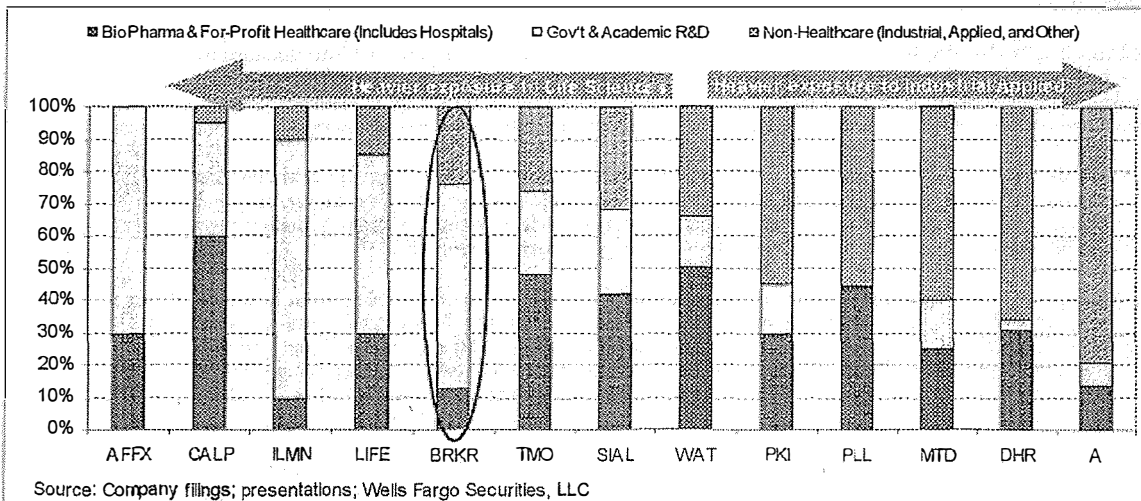


Exhibit 6: Detailed Positioning by End Market



Because companies in the Life Science Tools sector offer a diverse range of products and services, we think a market share analysis is most informative when examined on the micro level. We discuss Bruker's market share for each of its product categories in the Business Segment Detail section of this report.

#### IV. Company Overview

As shown in Exhibit 7, we analyze Bruker's revenue by 1) product type, 2) customer type, 3) geography, and 4) segment. We discuss the implications of each classification below.

##### Exhibit 7: Bruker Revenue Classification

Revenue by product type				Revenue by customer location			
	2008	2009	2010		2008	2009	2010
Systems	77%	75%	74%	U.S.	21%	19%	20%
Services/consumables/software	19%	20%	20%	Germany	21%	17%	14%
Superconducting Wires & Devices	4%	5%	6%	Rest of Europe	29%	29%	28%
Total	100%	100%	100%	APAC	21%	27%	29%
				Other	9%	9%	8%
				Total	100%	100%	100%

Revenue by customer type				Revenue by Segment			
	2008	2009	2010		2008	2009	2010
Academia, Med Schools, & Non-Profit	57%	58%	52%	BioSpin	NA	42%	39%
Industrial research QA/QC	17%	16%	20%	AXS	NA	23%	23%
Government	11%	11%	12%	Daltonics	NA	20%	21%
Biopharma, IVD, and Medtech	12%	11%	13%	Optics	NA	10%	11%
Applied markets	3%	4%	5%	BSI Segment	97%	95%	94%
Total	100%	100%	100%	BEST Segment	4%	5%	7%
				Eliminations	(1%)	(1%)	(1%)
				Total	100%	100%	100%

Source: company filings, presentations, and conference call transcripts

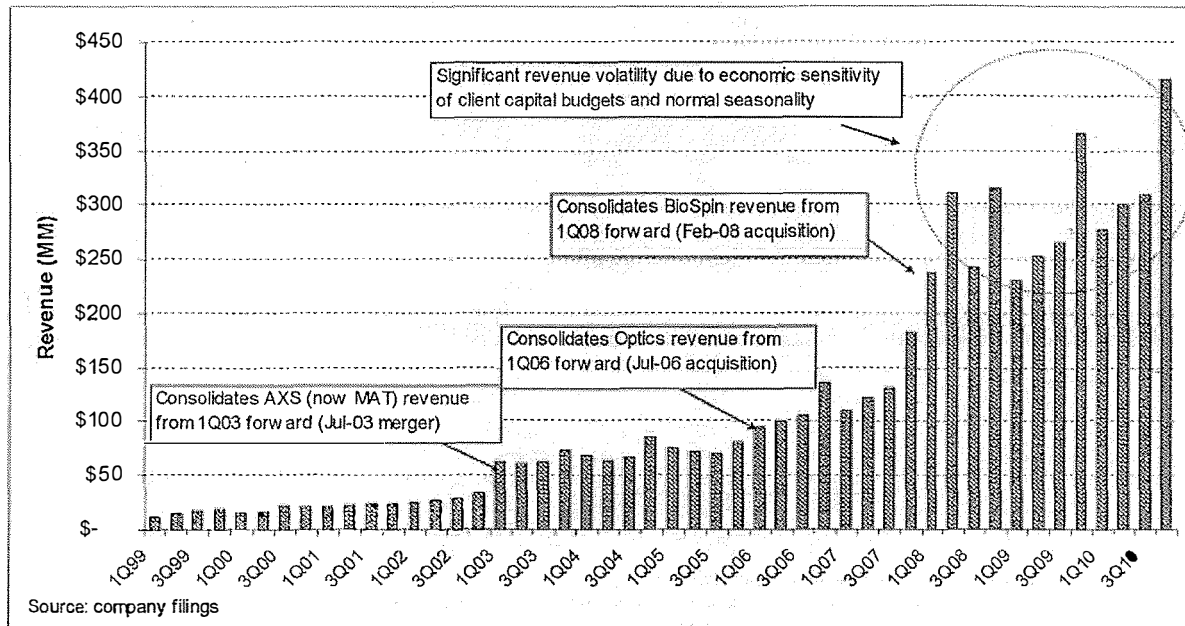
Note: 2008, 2009, and 2010 consolidated revenue = \$1,107MM, \$1,115MM, and \$1,305MM respectively

**Product type.** Bruker has the highest exposure in the Tools sector to revenue from "big ticket" scientific instruments (see Exhibit 5), which Bruker terms "Systems" revenue. In many cases, the selling price for such systems ranges from \$500,000 to \$1 million. As such, Bruker derives its revenue primarily from its customers' capital budgets, which tend to be more economically sensitive than operating budgets. Bruker's heavy exposure to academic and government customers, which tend to have less economically sensitive capital budgets, partially offsets the risk of high exposure to capital budgets, but Bruker's revenue continues to exhibit significant volatility (Exhibit 8). The company expects the percentage of services and consumables or "aftermarket" revenue to increase in coming years to ~25% and possibly to 30% over time due to the growth in applied and industrial markets, which tend to produce higher aftermarket revenues.

**Customer type.** The company's heavy exposure to the academic, non-profit, and government markets (~64%) has positioned Bruker to benefit from global stimulus programs and has partially insulated the company from the worst effects of the recent recession as capital budget spending by this end-market tends to be less volatile than the commercial sector. Such concentration in government funded end markets, however, exposes the company to the risk of government budget cuts. We expect the company to migrate over the next 2-3 years to a 50/50 balance of commercial versus academic, non-profit and government, primarily by building its exposure to industrial, applied, and commercial biopharma customers. We note that BRKR made progress toward this goal in 2010 by moving academic and government exposure to 64% versus 69%.

Bruker has received well over \$100 million in global stimulus-related orders since the middle of 2009, with the bulk (>\$70 million) received in H2 2009. Bruker received \$50-\$60 million in stimulus orders in 2010 and expects slightly lower than that in 2011. Management notes that it is becoming increasingly difficult to differentiate stimulus orders from non-stimulus orders as funds become commingled. Stimulus orders are typically for high-end products (NMR, preclinical MRI, mass spec, X-Ray), with average selling prices of ~\$500,000 that carry healthy margins, albeit with protracted sales and manufacturing lead times. Management notes that the company is typically able to recognize revenue from a stimulus-related order approximately 6 months after being booked. European and Asian stimulus-related orders were received primarily in 2009 and are generating revenue in 2010. U.S. stimulus orders have been received primarily in 2010 and should generate revenue in 2011. Management expects to offset the decline in stimulus-related revenue with new product lines, particularly those focused on industrial and applied markets. Recent acquisitions will help the company diversify its revenue mix as they have higher exposure to commercial customers.

## Exhibit 8: Bruker Quarterly Revenue



The sustainability of non-stimulus government research funding, particularly in Europe, has been a recent concern of investors given ongoing austerity measures. We are generally confident about the sustainability of research spending as governments seem to acknowledge that today's research spending drives future economic growth. Bruker management believes key European markets will continue to be healthy and stable with the possible exception of defense spending which impacts the CBRNE business (~3% of total revenues). Management believes that European budget cuts will be focused on non-research expenditures such as pensions, public works projects, social services, government payroll, and extended retirement ages. As an example of government research funding trends, management noted the following on the 3Q and 4Q 2010 earnings call:

- The U.K. budget for academic research is now expected to remain constant despite recent fears of large reductions in academic funding. Bruker derives ~5% of revenue from the U.K. Among European countries, the U.K. is the weakest for Bruker.
- Germany announced the intention to increase the Federal Ministry of Education and Research budget by 7% and the German research Foundation budget by 5% in 2011. Budgets for the Max Planck Society and the Hermann von Helmholtz Association will also increase. Finally, Germany will put R&D tax incentives in place for businesses.
- Spain is expected to increase the Ministry of Science and Innovation budget by 1.2% in 2011. Management noted that 2010 saw record bookings from Spain, which was an unexpected positive.
- The European Union announced an increase in the Seventh Framework Programme budget (the largest single research program in the world) by 12% for 2011. That press release noted the key role of research and innovation in Europe's political agenda for sustainable growth.
- France announced €11 billion in research stimulus and €8 billion in additional university funding.
- Scandinavia, Switzerland, Austria, BENELUX, Denmark, and Eastern Europe are performing well.
- Russia recovered somewhat in 2010 after being virtually absent from the market in 2009.
- Growth from countries new to the market, such as Turkey, are making up for declines in Portugal and Greece.

Given the pressures facing biopharmaceutical companies and the ever-present uncertainty around how biopharma will address its R&D problems, we view the for-profit healthcare end-market to be somewhat of a wildcard for Bruker. The current environment seems benign. Management has recently characterized the buying patterns of Big Pharma as "quite selective" but open to purchasing new tools offering heightened



reliability and/or specificity. Management also indicated that pharma M&A has not created capital expenditure freezes to the same extent as mergers in prior years. Management has not witnessed an increase in biotech capex spending, though the increasing prevalence of large molecules in the biopharma development pipeline will require a shift in technology. In the mass spec market, for instance, triple quads have strong representation in small molecule research, but large molecules require more high precision, high resolution instruments, particularly those using non-destructive ionization techniques such as MALDI and electron spray. Thus, the growing presence of biologics in the drug development pipeline should benefit Bruker.

Bruker is well diversified from a concentration standpoint. No single customer accounted for more than 10% of revenue in any of the last three years.

**Geography.** Bruker manufactures 80% of its products outside the U.S., which can be seen by the location of Bruker's principal facilities (Exhibit 9). Most of Bruker's operations continue to be situated in Europe, consistent with the company's history. While much of Bruker's manufacturing requires highly skilled labor, we expect Bruker to make increasing use of outsourcing as the company seeks to expand margins. Management indicates that certain non-core functions, such as circuit boards and cabling assembly, could potentially be outsourced and/or offshored.

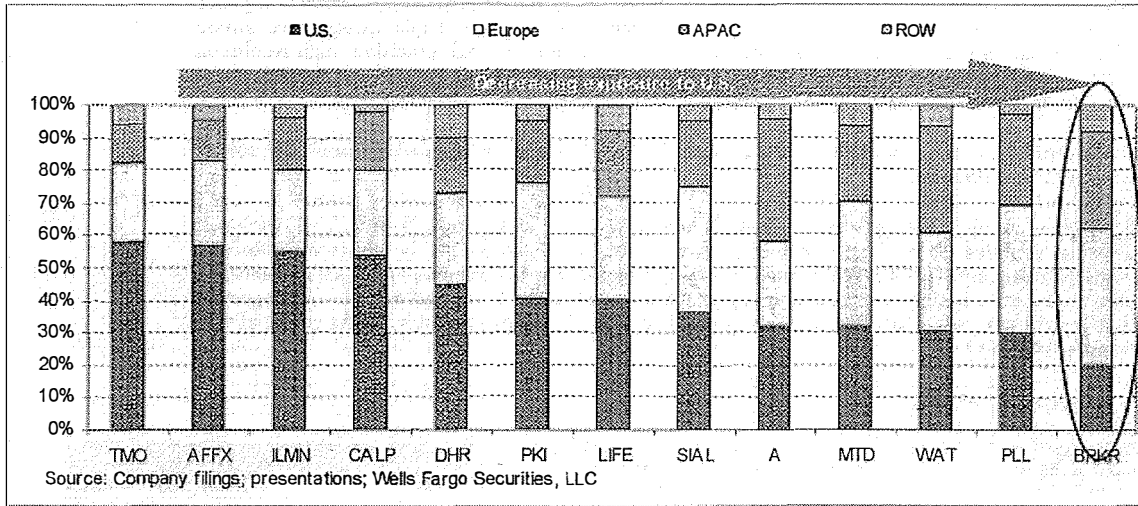
#### Exhibit 9: Principal Facilities

City	Sq. Ft.	Own/Lease	Division	By Geography		
Karlsruhe, Germany	97,000	Own	MAT	Europe	2,497,000	88%
Madison, WI	43,000	Own	MAT	U.S.	353,200	12%
Kalkar, Germany	25,000	Own	MAT	Asia Pacific	-	0%
Santa Barbara, CA	100,000	Own	MAT	<b>Total</b>	<b>2,850,200</b>	<b>100%</b>
Rheinstetten, Germany	475,000	Own	BioSpin	<b>By Division</b>		
Ettlingen, Germany	360,000	Own	BioSpin	MAT	265,000	9%
Karlsruhe, Germany	345,000	Own	BioSpin	BioSpin	1,748,000	61%
Faellanden, Switzerland	260,000	Own	BioSpin	Daltonics	374,500	13%
Faellanden, Switzerland	55,000	Lease	BioSpin	Optics	212,700	7%
Wissembourg, France	120,000	Own	BioSpin	BEST	250,000	9%
Wissembourg, France	65,000	Lease	BioSpin	<b>Total</b>	<b>2,850,200</b>	<b>100%</b>
Wissembourg, France	18,000	Lease	BioSpin			
Billerica, MA	50,000	Lease	BioSpin			
Bremen, Germany	180,000	Own	Daltonics			
Billerica, MA	90,000	Own	HQ, Daltonics			
Leipzig, Germany	60,000	Own	Daltonics			
Fremont, California	22,500	Lease	Daltonics			
Goer, Netherlands	22,000	Lease	Daltonics			
Ettlingen, Germany	165,000	Own	Optics			
Billerica, MA	25,000	Lease	HQ, Optics			
The Woodlands, TX	22,700	Lease	Optics			
Perth, Scotland	47,000	Own	BEST			
Hanau, Germany	113,000	Lease	BEST			
Bergisch Gladbach, Germany	66,000	Lease	BEST			
Alzenau, Germany	24,000	Lease	BEST			
<b>Total</b>	<b>2,850,200</b>					

Source: company filings

Bruker has the highest ex-U.S. exposure in the Tools group (Exhibit 10) due to the company's beginnings in Europe and continuing strong presence in those nations. The company's Asian exposure is roughly in the middle of the group. We expect Bruker to grow its presence in Asia over the coming years as the company makes increasing use of outsourcing and offshoring. Acquisitions could also diversify Bruker's global exposure. As an example, the May 2010 Chemical Analysis acquisition included a small purchasing group in Singapore which we expect Bruker to expand. Over time, we expect the company's exposure to Europe to decrease to the mid-30% range, APAC to increase to the mid-30% range, and the U.S. to grow slightly as a percentage of revenue.

Exhibit 10: Geographic Distribution of Revenue Compared to Competitors



Because of its heavy ex-U.S. exposure, Bruker's revenue is subject to fluctuation in exchange rates, with the EUR/USD rate having the largest impact. Foreign exchange impact on revenue and gross margin are inversely related (i.e. a negative impact on revenue due to a stronger U.S. Dollar will help the gross margin and vice versa). However, the operating margin tends to be naturally hedged due to the location of R&D and SG&A activities, which are also primarily located outside the U.S.

**Segments.** Bruker has changed its segment reporting structure twice since 2006 due to the acquisitions of Bruker Optics in 2006 and Bruker BioSpin in 2008, both of which were majority owned by six affiliated stockholders prior to the acquisition. The company currently reports results in two segments: Bruker Scientific Instruments (BSI) and Bruker Energy and Supercon Technologies, Inc. (BEST).

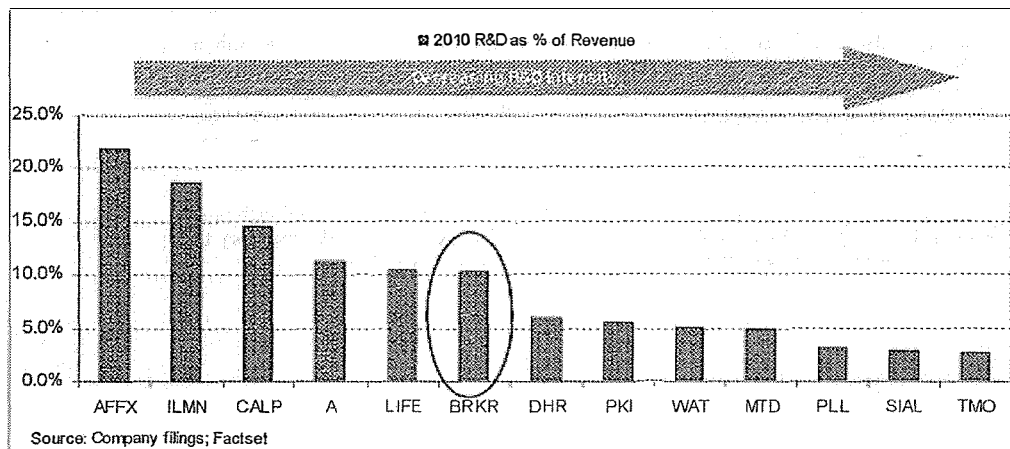
The BSI segment is essentially a roll-up of Bruker's prior reporting segments: 1) Bruker BioSpin, 2) Bruker Optics, 3) Bruker MAT, and 4) Bruker Daltonics, each of which is built around core platform technologies discussed below. Within BSI, BioSpin and Optics are the most mature divisions, each with established, market leading portfolios and significant market share. BioSpin and Optics currently exceed consolidated corporate profitability goals. Daltonics and MAT are newer divisions with less mature technology portfolios. Management estimates Daltonics and MAT will require 3-4 years of additional investments for the divisions to mature and reach corporate targets. Daltonics and MAT should also be the fastest growing divisions in 2011.

The BEST segment took its current form following the acquisition of the ACCEL Research Instruments assets in 2009. Bruker combined ACCEL with its existing Supercon business called Bruker Advanced Supercon, Inc., which was originally part of BioSpin, to form the BEST division.

**Operations**

**R&D.** R&D is conducted globally at many of the facilities listed in Exhibit 9. Bruker generally has higher R&D intensity relative to its peers (see Exhibit 11) due in part to the diversity of its product offerings. Management has targeted to bring R&D expenditures below 10% of revenue, which we think is an achievable target by 2012. While Bruker's R&D expenditures dilute its operating margin, we view these expenditures as critically important to maintaining the company's leading position in several markets and gaining market share in other markets. As of December 31, 2010, Bruker had approximately 920 full and part-time employees in R&D, 19% of its operating employees.

**Exhibit 11: R&D Intensity Among Life Science Tools Peers**



**Manufacturing.** Bruker's primary locations are in Europe, with scattered facilities throughout the U.S. (see Exhibit 9). The facilities in Exhibit 9 typically incorporate manufacturing, R&D, as well as sales and marketing functions. The manufacturing facilities in Germany typically conduct all phases of manufacturing such as machining, fabrication, subassembly, system assembly, and final testing. Other facilities outside of Germany typically perform high-level assembly, system integration, and final testing. Bruker has traditionally insourced most of its manufacturing to ensure quality; however, with the high level of competence of many outsourcers, we expect Bruker may selectively outsource some non-core components. Key supply agreements include Bruker MAT's ongoing collaboration with Siemens Medical Solutions Vacuum Technology Division to supply X-ray tubes.

To create synergies from the CAM acquisition, Bruker moved the Lab gas chromatography (GC) business in the Netherlands into a modern, efficient factory in December 2010 and shipped the first GC instrument from the site in January 2011. Bruker intends to move CAM's GC triple quadrupole business to an expanded factory in Fremont, CA in the near future. Bruker will move the ICP-MS business currently located in Australia to the same Fremont factory in 2Q 2010.

**Sales & Distribution.** Bruker maintains a direct sales force in North America, Europe, Japan, Asia, and Australia. The CAM acquisition in May 2010 significantly augmented Bruker's sales and service organization in the Daltonics division. The CAM sales force is focused more on industrial, environmental, and applied markets which should complement Daltonics' existing life science sales force. Bruker augments its direct sales force with international distributors and independent sales representatives to coverage areas where the company does not have direct sales personnel. The company engages in strategic distribution alliances with other companies to address certain market segments. Bruker maintains demonstration facilities housed both in its production facilities as well as other key locations globally.

The sales cycles depends primarily on two factors: 1) the complexity of the system, and 2) the budgeting cycle of the customer. The sales cycle is typically 3-24 months for academic products and 1.5-12 months for industrial products. As of December 31, 2009, Bruker had approximately 1,280 full and part-time employees in sales & marketing, 26% of its operating employees. See Exhibit 12 for a breakdown of Bruker's employees.

**Exhibit 12: Bruker Employees**

	2009	2010	2011
Production & distribution (FTE & PTE)	2,250	2,280	2,690
Sales & marketing (FTE & PTE)	940	980	1,280
Research & development (FTE & PTE)	800	790	920
<b>Total operating FTEs &amp; PTEs</b>	<b>3,990</b>	<b>4,050</b>	<b>4,890</b>
U.S. FTEs	550	560	1,050
Ex-U.S. FTEs	3,850	3,940	4,350
<b>Total FTEs</b>	<b>4,400</b>	<b>4,500</b>	<b>5,400</b>

Source: Company filings

**Seasonality.** The business typically experiences fluctuating revenue in the first three quarters with a significantly stronger fourth quarter (see Exhibit 8). The company is attempting to reduce the seasonal volatility by focusing on operational improvements. In particular, the company will attempt to better coordinate production and installation of large NMR systems in its BioSpin division. We continue to expect Q4 to be meaningfully stronger than the first three quarters, though 2011 should show less seasonality than 2009 and 2010.

From a cash flow standpoint, Q1 is typically weak due to tax payments and year-end commission/bonus payments with an improvement in Q2. Q3 is then usually a weak quarter as the company builds inventory to meet the demands of Q4, and Q4 typically provides 50% or more of annual operating cash flow.

**Business Division Detail**

The following table outlines summary information for each of Brucker's five divisions.

**Exhibit 13: Division Summary Information**

	EPR			XRD						Mass spec		FT-IR		NIR		Raman	Superconducting Wire & Devices
Platforms	NMR	MRI	EPR	XRD	XRF	SC-XRD	MA	AFM	Spark-OES	Mass spec	CBRNE	FT-IR	NIR	Raman			
% of BRKR Revenue	25%	15%	2%	10%	8%	<2%	<2%	<2%	<2%	17%	3%		10%			5%	
Primary Applications	Life science research	Life science research	Materials research, Quality control	Materials research, Quality control	Materials research, Quality control	Molecular analysis	Materials research, Nanotech, Quality control	Materials research	Metals analysis	Life science research	Security & Defense	Materials research, Quality control	Quality control	Life science research, Materials research		Energy applications, Medical technologies, Fundamental & applied research, Commercial & industrial equipment	
Primary Customers	BioPharma, Gov't, and Academic	BioPharma, Gov't, and Academic	Industrial & Applied	Industrial & Applied	Industrial & Applied	BioPharma, Gov't, and Academic	Industrial & Applied	Semis, data storage, electronics, solar	Foundries	BioPharma, Gov't, and Academic	Government	Industrial & Applied	BioPharma, Food, Chemical	BioPharma, Polymer, Metals, Electronics, Semis		Academic/Gov't, Industrial	
Profile	Mature business; significant market share			More cyclical; Less mature business still developing IP portfolio							Less mature, still developing IP portfolio, Mass spec is most competitive market.		More cyclical; Mature business; Significant market share; Most diverse customer base			Unprofitable business focused on growth and requiring significant investment	
Operating margin		>15%								<15%	>18%			>15%		Unprofitable	
Normalized growth		5-7%								>10%	5-10%			5-10%		>10%	
Market Size		<\$1 billion		\$700-\$800MM	\$1-1.5 billion	unknown	\$200MM	unknown	\$200-\$250MM	~\$2 billion	Unknown			Unknown		Unknown	
Market Share (Position)		~80% (1st)		10-15%	~10%	Low	Low	Low	Low share	10-15% (4th/5th)	Fragmented			(2nd)		Unknown	
Significant Competitors	A (Varian acq), Oxford, JEOL			Rigaku, Oxford, TMI, Ametek, PANalytical (div of Spectris), Innov-X							DHR, TMO, WAT, A	Smith's Detection	TMO, PKI, A, Foss, ABB Bomem, Renishaw, Buchi, Shimadzu, Jasco			Zanon, Mitsubishi Electric, AES, Thales, Toshiba, CPI Int'l, Oxford, Luvata, American Supercon, Superpoer, Fujikura	

Source: Company filings, Wells Fargo Securities LLC estimates

**Bruker BioSpin**

BioSpin has the longest history of any Bruker division as its first technologies were based on the research of the company's founder; however, BioSpin was not acquired by the public parent company until 2008.

**Exhibit 14: BioSpin Products and Markets**

Product	Platform	Healthcare			Industrial/Applied		
		Life Science	Pharma	Clinical Research	Quality Control	Materials Research	Food & Beverage
AVANCE III	NMR	X	X		X	X	X
AVANCE III NanoBay	NMR		X		X		X
AVANCE 1000	NMR	X	X		X	X	X
UltraShield UltraStabilized Magnet	NMR	X	X			X	
UltraShield Plus Magnet	NMR	X	X		X	X	X
Metabolic Profiler	NMR/MS	X		X			X
FOURIER 300	NMR	X	X		X	X	X
CryProbes	NMR/MRI	X	X	X	X		X
TopSpin Software	NMR	X	X			X	
JuiceScreener	NMR						X
Complete Molecular Confidence	NMR/MS						
ELEXSYS	EPR	X				X	
EMX	EPR	X	X			X	X
e-scan	EPR		X			X	X
BioSpec	MRI	X	X	X			
ClinScan	MRI	X	X	X			
PharmaScan	MRI	X	X				

Source: Company filings

Bruker BioSpin's products are based on magnetic resonance technology, which integrates a radio frequency (rf) source, a set of detectors, a powerful magnet, and software analysis to examine the rf signatures emitted when a molecule is placed in a magnetic field. These products are used to determine the structure, dynamics, and function of specific molecules, such as proteins, and to determine the composition of mixtures. Primary applications include structural proteomics, and drug discovery. Government and academic research labs are BioSpin's largest customers, but the division also sells to chemical, food and beverage, and polymer companies. Many of BioSpin's systems are built to customers' specifications. Bruker sells three main types of magnetic resonance products:

- **Nuclear Magnetic Resonance (NMR)** is a technique used to determine the molecular structure and purity of a sample. Molecules are placed in a magnetic field and give off a radio frequency signature that is recorded by a detector and analyzed with software. NMR is most commonly used in life sciences research. NMR accounts for greater than 50% of BioSpin revenues (~25% of BRKR consolidated revenues).
- **Magnetic Resonance Imaging (MRI)** is the process of creating an image from the manipulation of hydrogen atoms in a magnetic field. Bruker focuses on pre-clinical MRI applications in life sciences research. BioSpin also offers high-field OEM MRI magnets to medical device manufacturers. MRI accounts for roughly 30-40% of BioSpin revenues (~15% of BRKR consolidated revenues).
- **Electron Paramagnetic Resonance (EPR)** is sometimes called Electron Spin Resonance (ESR). It is a technique for studying samples that have one or more unpaired electrons. The basic concepts are similar to NMR, but instead of exciting atomic nuclei, EPR excites electron spins. Because most stable molecules have paired electrons, EPR is less widely used than NMR, but it is highly specific for samples where paramagnetic resonance is relevant. Bruker's EPR products have more of a presence in industrial applications such as materials research and quality control. For example, breweries use EPR to detect stale beer. EPR accounts for less than 5% of BioSpin revenues (~2% of BRKR consolidated revenues).

The market for magnetic resonance systems is slightly less than \$1B by our estimate. It is highly concentrated with two main players – Bruker and Agilent, which entered the business with the Varian, Inc. acquisition in May 2010. Other smaller players are JEOL and Oxford Instruments. Management believes Bruker now has 60% + market share and is a global leader in high-end field strength magnets both in NMR and MRI.

Management targets organic growth for BioSpin of 5-7%, with growth opportunities coming primarily from new addressable markets, particularly using magnet technologies for applications other than NMR as well as developing markets other than life science where lower field strengths can be cost competitive for analytical

work. We expect to see new product introductions that are more accessible and easier to use, as seen in recent launches:

- **The FOURIER 300** launched in March 2010 is an introductory-level teaching FT-NMR priced at ~\$150,000 which has high gross margins.
- **The Assure-RMS** introduced in March 2011 is a fully automated NMR solution for raw material screening (RMS) in pharmaceutical and chemical applications. This product enables detection of impurities in the starting materials for industrial, biotech, and pharmaceutical production.

Despite the push toward more turnkey applications, we expect the company to continue exploring the edges of technology and performance, maintaining its technological leadership in magnetic resonance. For instance, during 2009, Bruker BioSpin launched three ultra-high field NMR magnets (including the world's first 1GHz installation) and the first solid-state dynamic nuclear polarization NMR spectrometer. Management believes the company's solid-state NMR probes (allowing examination of solids and semi-solids in proteomics) represent innovative technology that will lead to expanded markets.

### **Bruker MAT**

The Bruker MAT division is built primarily on X-ray platform technologies used to characterize matter at very small levels (i.e. nanotech levels) and to determine the three-dimensional structure of molecules. Bruker's instruments use modular platforms to integrate X-ray sources with powerful detectors, computer positioning systems, sample handling, and software for data collection and analysis. Bruker MAT also sells thermal analyzers, which measure the physical characteristics of materials as a function of temperature and can be used in development, production, and characterization of materials in a variety of industries.

The MAT business has been built primarily through acquisitions with the recent Veeco acquisition (\$229 million) being the largest (management now calls the Veeco acquisition Bruker Nano Surfaces or BNS). Management believes this opportunistic acquisition will transform Bruker into a leader in materials research and nanotech instrumentation.

As shown in Exhibit 15, the MAT business is highly exposed to industrial markets, particularly industrial metals and cement, but also to biopharmaceutical companies, nanotechnology companies, semiconductor companies, raw material manufacturers, chemical companies, academic institutions, and governmental customers. The high industrial exposure creates a more cyclical business; however, management notes that MAT shrunk less than competitors in the recent recession due to the introduction of new products.

Recent MAT introductions include a faster, more powerful benchtop XRD system (the D2 PHASER), a simultaneous WD-XRF spectrometer (the S8 LION), a "plug-and-play" high-performance XRD system (the D8 ADVANCE) and an ultra-compact benchtop spark optical emission spectrometer (the Q2 ION) for metals analysis. The Q2 ION is a good example of a product introduction where the gross margin (now in the mid-40s) has been significantly improved over prior generations of the product (Q4/Q6) which carried gross margins in the low 30s. Management believes the gross margin for that product can be improved to over 50%. The BNS division (acquired from Veeco) made significant product introductions in 4Q 2010 allowing the company's AFM technology to be used in turnkey solutions for energy research.

## Exhibit 15: MAT Primary Products

Product	Platform	Healthcare			Industrial/Applied			
		Pharma	Pharma	Clinical Research	Biotech	Process Control	Materials Research	Environment
SMART X2S	SC-XRD		X				X	X
X8 Series	SC-XRD	X	X				X	X
APEX Series	SC-XRD		X				X	X
D2 CRYSO	XRD		X		X		X	X
D2 PHASER	XRD		X		X		X	X
D4 ENDEAVOR	XRD		X		X		X	X
D8 ADVANCE	XRD		X		X		X	X
D8 DISCOVER	XRD	X	X		X		X	X
D8 FABLINE	XRD				X		X	
NANOSTAR	SAXS			X			X	
TRACER III-V	Handheld XRF						X	
S1 Series	Handheld XRF				X		X	
S2 Series	ED-XRF		X		X		X	X
S4 Series	WD-XRF		X		X		X	X
S8 Series	WD-XRF		X		X		X	X
M1 MISTRAL	Micro-XRF						X	
M4 TORNADO	Micro-XRF						X	
ATRAX	Micro-XRF						X	
Q2 ION	OES				X		X	
Q4, Q6, Q8 Series	OES				X		X	
QUANTAX	MA	X	X		X		X	
N8 Series	AFM	X	X		X		X	X
Dimension Series	AFM	X	X		X		X	X
MultiMode 8 SPM	AFM	X	X		X		X	X
BioScope Catalyst	AFM	X	X		X		X	X
Innova	AFM	X	X		X		X	X
InSight 3D	AFM	X	X		X		X	X
G4 Series	Combustion						X	
G8 GALILEO	Combustion						X	

Source: Company filings

XRD and XRF are the core platform technologies of Bruker MAT and continue to provide the bulk of the division's revenues. Bruker's full suite of technologies in MAT include:

- **Polycrystalline X-ray Diffraction (XRD)**, often referred to as X-ray diffraction, is a technique used to investigate polycrystalline samples or thin films with single wavelength X-rays. The atoms in the polycrystalline sample scatter the X-rays to create a unique diffraction pattern recorded by a detector. After software processing, the pattern can provide information about stress, texture, phase composition, crystallite size, percent crystallinity, layer thickness, composition, defects, and density. XRD has broad applications in basic research and industrial process control but is also used in forensics, art, and archaeology.
- **X-ray Fluorescence (XRF)**, also called X-ray Spectrometry, is a technique used to determine the elemental composition of a material and to provide a full qualitative and quantitative analysis. Atoms in a sample absorb X-ray energy, and then the elements in the sample emit X-rays that are characteristic for each element. The XRF system collects the X-rays and software then analyzes the resulting data to determine the elements that are present. XRF systems use two basic methods, Wavelength Dispersive (WD-XRF) and Energy Dispersive (ED-XRF), each of which has various advantages and disadvantages (WD is generally higher resolution but less efficient). Bruker provides automated, turn-key solutions for the industrial marketplace designed to reduce product and process cost, increase industrial output, and improve product quality. Bruker's XRF systems cover nearly the entire periodic table and can analyze solid, powder, and liquid samples with minimal sample preparation. Bruker also provides handheld XRF systems, a business which it acquired in 2006. The handheld market is growing rapidly.
- **Single Crystal X-ray Diffraction (SC-XRD)**, also called X-ray Crystallography, is a technique used to determine the three-dimensional structure of molecules in chemical, mineral, or biological samples. SC-XRD directs X-rays at a solid, single crystal sample. The atoms in the sample scatter the X-rays to create precise diffraction patterns recorded by a detector. Software then reconstructs a model of the structure of the atoms in the sample. Information on the arrangement of atoms can provide insight into how proteins function and interact with other molecules. Bruker's SC-XRD systems combine high



sensitivity and rapid data collection and are used in the life sciences industry, academic research, industrial applications.

- **X-ray Microanalysis (MA)** is a technique used to analyze the chemical composition of materials using electron microscopes based on the fact that, when exposed to high energy electron beams, atoms of different chemical elements irradiate X-rays of different, characteristic energy. The analysis of the energy spectrum collected by a detector allows the determination of the qualitative and quantitative chemical sample composition. MA systems allow for the simultaneous analysis of all elements in the periodic table above number 4 (beryllium). MA systems are used in nanotechnology, advanced materials research, and quality control. Customers include industrial companies, academic institutions, and government research facilities.
- **Spark Optical Emission Spectroscopy (Spark-OES)** is a technique for analyzing metals by passing an electric spark onto a sample, which burns the surface of the sample, causing atoms to jump to a higher orbit. Detectors quantify the light emitted by these atoms to determine the elemental composition of the sample. This technique is widely used in foundries and steel mills.
- **Combustion Analysis** uses a furnace, infrared detection, and gas infusion to analyze inorganic and organic materials for the presence of carbon, sulfur, oxygen, nitrogen, and hydrogen (CS/ONH).
- **Atomic Force Microscopy (AFM)** is a well-established technique for ultra-high spatial resolution surface imaging and the characterization of surfaces down to atomic dimensions. Applications include materials research, particularly in the semiconductor, data storage, electronics, and solar industries.

Management believes MAT can be a high single-digit grower organically. Some businesses are above that growth target (such as handheld XRF) while some are below. The business currently has operating margins below the consolidated target (15%).

MAT competition includes Rigaku (private Japanese company), Oxford Instruments, Thermo Fisher (TMO), Ametek's Spectro division, PANalytical (a division of Spectris), and Innov-X.

#### **Bruker Daltonics**

Bruker Daltonics focuses on mass spectrometry instruments as well as products for Chemical, Biological, Radiological, Nuclear, and Explosive (CBRNE) detection. Mass spectrometers are analytical instruments that use various techniques to measure the mass of molecules. Mass spectrometers can provide information about the identity, quantity, structure, and sequence of molecules. Applications for mass spectrometry include food/beverage testing, environmental testing, forensics, industrial chemical analysis, and numerous life sciences applications such as drug discovery and development, proteomics, biomarker identification, and molecular diagnostic research. Customers include pharmaceutical, biotechnology, and diagnostics companies, academic and other non-profit research institutions, medical schools, forensics, food/beverage, environmental, and clinical microbiology laboratories, and government agencies. The average selling price (ASP) of a mass spec system is \$300,000 - \$400,000. Mass spec systems are typically sold with software. Bruker provides free software upgrades for one year after purchase, after which the customer must purchase additional upgrades.

Exhibit 16: Daltonics Products and Markets

Product	Platform	Healthcare			Industrial/Applied		
		Life Sciences	Pharmaceutical	Research	Quality Control	Water/Air	Food/Environmental
FLEX Series	MALDI-TOF	X		X	X	X	
PROTEINEER	MALDI-TOF	X		X			
MALDI Molecular Imager	MALDI-TOF	X	X	X			
ultrafleXtreme MA	MALDI-TOF	X	X	X			
MALDI Biotyper	MALDI-TOF	(Primarily used in hospitals)					
maXis UHR-TOF	TOF	X	X	X			
HCT Series	ITMS	X	X	X			
amaZon ion trap	ITMS	X	X	X			
micrOTOF(-Q)	ESI-TOF	X	X		X		X
apex ultra	FTMS	X	X		X		X
solariX	FTMS	X	X		X		X
810 and 820 Series	ICP	X	X		X	X	
EASY-nLC	Nano-HPLC	X	X	X			
400 Series	GC			X	X	X	X
300-MS & 320 MS	GC-MS		X	X	X	X	X
RAID Series	CBRNE						X
BioProfiler	CBRNE						X
RAPID	CBRNE						X
HAWK FR	CBRNE						X

Source: Company filings

Most samples to be analyzed using mass spec are complex mixtures which need to be reduced in complexity before mass spectrometry analysis. As such, mass spec systems often include sample preparation technologies. Liquid chromatography (LC) is among the most common sample preparation technologies. Bruker has announced the pending acquisition of Michrom Bioresources, which would give Bruker a foothold in the LC market. We expect Bruker may continue to develop its LC portfolio with further bolt-on acquisitions.

Following sample preparation, the mass spectrometer consists of three modules: an ionizer (to create charged particles), a mass analyzer (to separate the ions by mass using an electromagnetic field), and a detector (to measure the output).

- **Sample preparation techniques.** Common sample preparation techniques include Gas Chromatography (GC), Liquid Chromatography (LC), and Ion Mobility Spectrometry (IMS).
- **Ionization techniques.** Common ionization techniques include Chemical, Electrospray, Matrix-Assisted Laser Desorption Ionization (MALDI), and Inductively Coupled Plasma (ICP).
- **Mass analyzers.** There are numerous types of mass analyzers, each with strengths and weaknesses. Many mass spectrometers use two or more mass analyzers which is referred to as tandem mass spectrometry or MS/MS. Common types include Sector Field, Time-of-Flight (TOF), Quadrupole Mass Filter, Three-Dimensional Ion Trap, Linear Quadrupole Ion Trap, Fourier Transform Ion Cyclotron Resonance (FTICR), Orbitrap, and Toroidal Ion Trap.
- **Detectors.** Detectors generally record either the charge induced or the current produced when an ion passes by or hits a surface. The detector also usually incorporates amplification as the sample used for mass spec is small.

Mass spectrometers come in many forms, mixing various types of each of the above modules. The platform is usually named according to the type of mass analyzer, ionizer, and sample preparation used. Bruker's primary mass spec platforms are built around the following technologies:

- **MALDI-TOF.** Matrix-Assisted Laser Desorption Ionization Time-of-Flight mass spectrometry. Systems are also built with tandem Time-of-Flight sensors (MALDI-TOF/TOF). The distinguishing feature of MALDI systems is the use of a laser to ionize samples. The technique is useful for the analysis of proteins, peptides, and sugars, which are often too fragile for ionization with other mass spec techniques. Applications include proteomics, diagnostics, environmental research, and food/beverage testing. For

many years, MALDI was the core technology of the Daltonics division and remains the largest revenue and unit volume contributor to the Daltonics division.

- **ESI-TOF.** Electrospray Ionization Time-of-Flight mass spectrometry. Systems are also built with tandem quadrupole sensors (ESI-Q-q-TOF). The distinguishing feature is the use of an electrospray ionization process for liquid samples, allowing for analysis of large biological molecules and making ESI-TOF an effective technique for proteomics.
- **FTMS.** Fourier Transform Mass Spectrometry. Systems are also built with quadrupole front ends (Q-q-FTMS). The distinguishing feature of FTMS is the use of high-field superconducting magnets to offer extremely high resolution, selectivity, and mass accuracy. FTMS often reduces the need for time-consuming separation of complex mixtures. Bruker's expertise in superconducting magnet technology gives Bruker a competitive advantage in FTMS. The two drawbacks to FTMS are size (due to the magnets) and cost (>\$1 million).
- **ITMS.** Ion Trap Mass Spectrometry. The distinguishing feature of ion traps is the collection of all ions simultaneously, which improves sensitivity relative to previous quadrupole mass spectrometers.

Bruker's broad and growing portfolio of mass spec products compete in several sub-segments of the market from ion traps to high-end FTMS but with the noticeable absence of a triple quad, the largest segment of the mass spec market, until recently. The CAM acquisition in May 2010 gave Bruker access to triple quad technology (specifically a gas chromatography triple quad), though developing that product line into a competitive offering for the life sciences sector will take time and investment. Bruker particularly needs to develop a liquid chromatography interface for its triple quad to compete with Waters strong franchise of LC-MS instruments.

Bruker maintains a particularly strong presence in the high-end MALDI-TOF, MALDI-TOF/TOF and FTMS markets, which are used primarily for the analysis of biomolecules in life sciences research, particularly in proteomics. The integration of Bruker BioSpin has helped the company leverage its NMR expertise to gain traction in the mass spec market.

Recent product launches include:

- **The MALDI Biotyper** is used in a hospital environment to identify pathogens in minutes, where traditional chemistry may have taken 24-48 hours. The MALDI Biotyper is available in a clinical version with IVD-CE mark in Europe and is for research use only (RUO) in the United States, where Bruker intends to seek FDA clearance. In September 2010, Bruker and Becton Dickinson (BDX) signed an international co-development and co-marketing collaboration under which Bruker's MALDI Biotyper microbial identification system will be combined with antimicrobial susceptibility testing on the BD Phoenix Microbiology System and patient data from the BD EpiCenter Microbiology Data Management System. Management believes the company has sold roughly 250 units worldwide. The unit has an ASP of ~\$200,000.
- **The amaZon SL "SmartLine"** is a specific application of the ion trap which has a lower price tag but higher gross margins.
- **The maXis ultra-high resolution (UHR) TOF** was introduced in May 2010. Management notes this product has made strong inroads at almost all big pharmaceutical companies and is experiencing the highest growth rate among Daltonics' products.
- **The ultraflexXtreme MALDI TOF/TOF** is a high-end MALDI imaging tool, an area where Bruker has a solid reputation.
- **The solarix FTMS**, launched in May 2010, combines high-sensitivity, high-resolution FTMS with MALDI imaging.
- **The maXis 4G ultra-high resolution (UHR) Q-TOF** introduced in March 2011 offers high resolution without loss of sensitivity.
- **The aurora M90** introduced in March 2011 is an ICP-MS system designed for environmental, industrial, and applied markets.
- **The compassCDS** system is Bruker's new chromatography data system (CDS) for gas chromatography systems control, data processing, and report generation.

Of Bruker's five divisions, Daltonics participates in the most competitive market (mass spectrometry). However, management believes the mass spec business has been gaining market share. In 2009 and 1H 2010, life science mass spectrometry revenue and new order bookings experienced double-digit growth. Specifically, U.S. life-science MS orders grew >50% in 2009 (including some stimulus orders).

Life Science Tools

We estimate the mass spec market to be ~\$2 billion and breaks down into sub-segments as shown in Exhibit 17. The market is dominated by five players, listed here from highest to lowest market share: Danaher (DHR), Thermo Fisher (TMO), Waters (WAT), Agilent (A), and Bruker. Following the CAM acquisition, we estimate that Bruker has ~12%-14% of the overall \$2 billion market. Smaller players include Shimadzu, Hitachi, and JEOL. Bruker hopes to take market share as it enters new markets.

Exhibit 17: Mass Spec Market Overview

Market Size (MM)	\$900-\$1,000	\$500-\$600	\$200-\$300	\$100-\$200	\$200-\$300
LT Market Growth	Low double-digit growth	Low double-digit growth	Low double-digit growth	Flat to down	Mid-single digit growth
Common Use	Drug Dev, Metabolic Studies	Drug Discovery/Proteomics	Detector for high-end LC	Drug Discovery	Industrial (esp petrochem)
Competitors and leading products or brands	DHR: AB/SCIEX Brands WAT: Xevo TQ-S A: 300 Series/6400 Series TMO: TSQ Quantum/Vantage	TMO: Orbitrap (50% share) WAT: SYNAPT, Xevo QTOF BRKR: maXis TCF, solarX FTMS, FLEX MALDI-TOF	A: 8100 Series WAT: TQD, SQD	TMO: LCQ Fleet/Veos/Xt BRKR: amaZon A: 500 Series 6300 Series	A: 5975 Series BRKR: 3C0 Series TMO: DFS/ISO Shimadzu: QP2010

Source: Transcripts, company reports, Wells Fargo Securities, LLC estimates

As shown in Exhibit 17, Bruker's competitors in the mass spec market each tend to have specialties in one or more sub-segments of the mass spec market. Bruker competes primarily in high-end systems (MALDI-TOF and FTMS) in life sciences end markets, which we view as one of the highest growth end markets.

We expect the mass spec market to post healthy growth in coming years as technological improvements in high-end mass spec should drive increasing use of cutting-edge life sciences research in areas such as proteomics and biomarkers. In addition, the growing affordability and ease of use for low-end products are driving higher usage in applied markets, particularly in Asian geographies.

Bruker Daltonics also provides systems based on mass spectrometry, ion mobility spectrometry, infrared spectroscopy, and radiological/nuclear detectors for the detection of Chemical, Biological, Radiological, Nuclear, and Explosive (CBRNE) threats in emergency response, homeland security, and defense applications. The CBRNE business is roughly ~3% of Bruker's total revenue (~\$30 million for 2009) making the business roughly 15% of Daltonics revenue. Though lumpy, CBRNE tends to have the highest margin profile within the company's suite of product lines. The market for CBRNE products is dictated by government demand and is highly fragmented. Bruker's largest competitor is Smith's Detection.

The CBRNE business may come under pressure as European defense and security budgets are reduced. Currently, chemical detection is one of the CBRNE's strongest product lines; however, management expects no chemical detection budget growth over the next few years. That said, the company won a major award from the U.S. Navy in 4Q 2010 for gas detectors. The initial contract is over \$1 million for 10 production systems, but the company expects this could be expanded to 200 additional systems over the next five years or ~\$20 million of revenue.

The CBRNE business is currently expanding more aggressively into the explosive detection market, which is significantly larger than the chemical detection market due to the lack of chemical attacks in recent years. The recent PROTECT-US Radiation Detection acquisition also gives Bruker a foothold in the ~\$2 billion market for radiation detection. We are optimistic that these moves will accelerate growth in the CBRNE business in coming years.

Bruker Optics

Bruker Optics manufactures systems based on infrared (IR), near-infrared (NIR), Raman, and time-domain nuclear magnetic resonance (TD-NMR) spectroscopy technologies. Many of Bruker's instruments use Fourier Transform and dispersive Raman measurement techniques. These products are used throughout industrial, government, and academia markets for a wide range of applications in life sciences, pharmaceutical analysis, food and agricultural analysis, quality control, and process analysis applications. Infrared and Raman spectroscopy are widely used as simple, rapid, nondestructive, and reliable techniques for applications ranging from basic sample identification and quality control to advanced research. The Bruker Optics product line is complemented by sampling accessories, including microanalysis, high-throughput screening, and many others.

Exhibit 18: Optics Products and Markets

Product	Platform	Healthcare		Industrial/Applied		
		Life Sciences	Clinical Research	Quality Control	Materials Research	Food & Environment
ALPHA	FT-IR		X	X	X	X
Mobile-IR	FT-IR			X		X
EM27 Open Path	FT-IR					X
TENSOR	FT-IR	X	X	X	X	X
VERTEX	FT-IR	X	X		X	
MPA	NIR		X	X		X
MATRIX	NIR		X	X		X
SENTERRA	Raman	X	X		X	
MultiRam	Raman	X	X	X	X	X
minispec mq	TD-NMR		X	X	X	X
minispec LF	TD-NMR	X				
HyperQuant	TD-NMR	X				

Source: Company filings

Bruker's instruments fall under the following platform technologies:

- **Fourier Transform-Infrared Spectroscopy (FT-IR)** is a spectroscopic method using the mid and far-infrared regions of the electromagnetic spectrum. It is a very popular technique commonly used for quality control and materials research.
- **Near-Infrared Spectroscopy (NIR)** is a spectroscopic method using the near-infrared region of the electromagnetic spectrum. This method is used heavily in quality and process control applications. The pharmaceutical industry is the leading user of NIR instruments. The food and agriculture industry is the second largest user.
- **Raman Spectroscopy** is the measurement of the wavelength and intensity of scattered light. Raman scattered light occurs at wavelengths that are shifted from the incident light by the energies of molecular vibrations. Like infrared spectroscopy (IR), the Raman spectrum provides information on molecular structure. The mechanism of Raman scattering is different from that of infrared absorption in that Raman and IR spectra provide complementary information. Raman is useful for the identification of both organic and inorganic compounds and functional groups. It is a nondestructive technique that can be used for the analysis of both liquids and solids. Raman is well-suited for use in the polymer and biopharma industries and also has applications in the metals, electronics, and semiconductor industries as well as forensics and artwork authentications.
- **Time Domain Nuclear Magnetic Resonance (TD-NMR)**, also called Low-Resolution NMR, is a rapid, non-destructive technique operating at low fields. These instruments are often small, benchtop devices.

Management highlights the margin improvement at Bruker Optics from gross margins in the 42% - 44% range 4-5 years ago to gross margins significantly above 50% today. Historically, Optics used different platforms for its product lines but has recently moved to modular platforms to reduce the number of components, resulting in lower warranty costs, lower inventory costs, and more efficient production. Optics has experienced significant success making software easier to use, which was a demand of Optics customers in industrial/applied markets (as opposed to academic customers, which often prefer to tinker with software). Management views the improvement in operating performance at Optics as an example of best practices for the company.

Bruker Optics compete with various companies offering molecular spectrometry-based systems including Thermo Fisher (TMO), Perkin Elmer (PKI), Agilent (via the Varian acquisition), Foss, ABB Bomem, Renishaw, Buchi, Shimadzu, and Jasco. Optics has the most diverse end markets including life sciences companies, forensics, government, and industrial. Food, feed, and agricultural analysis is a particularly fast-growing end market.

**Bruker Energy & Supercon Technologies (BEST)**

Bruker Energy & Supercon Technologies develops and manufactures superconducting and normal conducting materials and devices for a variety of commercial and scientific applications. BEST products include

superconducting and normal conducting rf cavities, rf couplers, electron and ion sources, insertion devices, specialty magnets, turnkey linear and compact circular accelerators, vacuum systems, and X-ray and particle beamlines. In 2009, the majority of BEST revenue (60% or ~\$36 million) came from low-temperature superconducting (LTS) wire and devices. BEST sells over 20,000 miles of conventional low-temperature superconducting (LTS) wire annually for use primarily in MRI (75% of LTS sales) and NMR. The LTS market is mature and competitive.

Customers of the BEST division include healthcare and life sciences analytics institutions, power and energy companies, industrial manufacturers, private and public research facilities, and development laboratories in the fields of applied sciences, energy research, biotechnology and proteomics, and academic institutions and government agencies. Bruker uses BEST's low temperature wire in the production of its own magnets and also produces wire for outside vendors such as GE Healthcare, Siemens Medical, Phillips, and Agilent Technologies (formerly Varian, Inc.). Bruker purchased \$8.4 million of products from BEST in 2009. Key "Big Science" customers include the International Thermonuclear Experimental Reactor (ITER), Thomas Jefferson National Accelerator Facility (Jefferson Labs), Brookhaven National Laboratory, Deutsches Elektronen-Synchrotron (DESY), the Centre National de la Recherche Scientifique (CNRS), and SLAC National Accelerator Laboratory. In 2009, Bruker's three largest customers were Siemens Medical (29%), Bruker BioSpin (14%), and GE Healthcare (10%).

R&D priorities for BEST include superconducting fault current limiters (SFCL), crystal growth magnets (CGM), and high-temperature superconducting (HTS)-enabled devices.

- **Superconducting fault current limiters (SFCL)** are designed to enhance power grid reliability by protecting equipment from power surges. Conventional fault protection devices suffer disadvantages such as the need to replace or reset the device to restore normal operation. SFCLs have the advantage of not interrupting the flow of electricity in the grid following a transitory fault current. Currently, no superconducting fault limiters have reached commercial viability. Bruker estimates the potential market size could be ~\$2 billion. Bruker expects installation at a pilot operating site in 2013. Bruker has an informal collaboration with Areva Transmission & Distribution. In 4Q 2010, Bruker received a joint grant with Areva from the German Federal Ministry of Economics and Technology for a \$10 million cost share program covering the development of a shielded inductive superconducting FCL for the electric grid of the city of Augsburg.
- **Crystal growth magnets (CGM)** are used to improve the purity of the silicon ingots used to manufacture photovoltaic cells. Current photovoltaic cells are often degraded by too much oxygen in the crystal structure stemming from the Si-Oxide used in the growing furnace. The application of a magnetic field enables a more homogenous crystal lattice. CGM technology has the potential to increase electric power production by 5%, which is a substantial increase. Bruker is working with PVA TePla AG to develop and commercialize CGM products. Management anticipates having a commercial-scale prototype ready for process validation by PVA TePla during 2011. The prototype will require a three to six month evaluation process before the company can begin marketing to photovoltaic manufacturers. The company expects to begin marketing the products in 2H 2011 with commercial orders commencing in 2012.
- **High temperature superconducting (HTS)** ceramic materials are used primarily in energy applications. BEST manufactures both first-generation (1G) bismuth strontium calcium copper oxide (1G BSCCO) and second-generation (2G) yttrium barium copper oxide (2G YBCO) HTS materials and HTS-enabled devices. The 1G HTS was developed with Siemens for use in generators and motors. 2G HTS is ideal for wind turbines and motors/generators for ships. Superconducting generators produce the same amount of power as conventional generators but are approximately half the weight and size of conventional generators. BEST has a collaboration with the University of Houston for research in the area of high temperature superconductivity. BEST also has an informal collaboration with Oswald Elektromotoren to adapt 2G HTS to Oswald's large wind turbine generator designs.

BEST was established on April 1, 2009 with the acquisition of ACCEL Research Instruments. Bruker combined ACCEL with its existing Supercon business called Bruker Advanced Supercon, Inc., which was originally part of BioSpin.

BEST is a growth business but not a high margin business. BEST provides critical components for many Bruker systems, and management believes it is in the company's best interest to control the production flow and R&D related to these components. The company's goal is to invest aggressively in BEST, to grow rapidly, and to gain market share. Management expects this business to breakeven in 2Q12 and to be profitable in 2013. R&D expenses as a percentage of revenue are expected to be 7-10% over the next five years.

Bruker is seeking outside investment in BEST and has filed for an IPO (proposed ticker is NASDAQ: ESCT) to raise capital needed to scale up 2G HTS production among other development initiatives. Bruker intends to maintain a majority stake in BEST; thus, results will continue to be consolidated in Bruker's financial statements.

Competitors of BEST in several of its primary product lines include:

- **Accelerator Cavities.** Zanon (Italy), Mitsubishi Electric (Japan), and AES Corporation.
- **Rf Couplers.** Thales (France), Toshiba (Japan), and CPI International
- **Superconducting Accelerator Modules.** Mitsubishi Heavy Industries (Japan)
- **LTS wire.** Oxford Scientific Instruments and Luvata
- **1G HTS.** Sumitomo Electric Industries and Innost
- **2G HTS.** Expect competition to be American Superconductor, SuperPower, Sumitomo, and Fujikura
- **Customized Superconducting Magnets.** Babcock Noell and ASG Superconductors.
- **Synchrotron Beamlines.** FMB Oxford
- **CGM.** Expect competition to be Sumitomo and Alpha Magnetics.
- **SFCL.** Expect competition to be Zenenergy Power, Nexans, and Siemens.

BEST backlog for external customer has grown to \$152.2 million at the end of Q4 2010 from \$83.3 million at the end of Q4 2009 due in part to the large orders noted in Exhibit 19. We note that some of the backlog will take several years to convert into revenue as some contracts have delivery schedules stretching in 2013 and 2014.

#### Exhibit 19: BEST Major Orders

Date	Approx. Value (MM)	Buyer	Shipments
5/4/2009	\$ 4.0	Radboud University (The Netherlands)	
7/9/2009	\$ 6.0	U.S. Department of Energy	
9/8/2009	\$ 3.7	Three large contracts (USA, S. Korea, and Sweden)	
12/16/2009	\$ 36.0	ITER Fusion Energy Project	Start in 2H 2010 and last 30 months
3/17/2010	\$ 5.7	South Korea-based Pohang Accelerator Laboratory	
4/5/2010	\$ 2.4	Brazilian Synchrotron Facility	
4/21/2010	\$ 7.7	U.S. Department of Energy	
9/22/2010	\$ 33.0	European XFEL project	Early 2012 through 2014
9/27/2010	\$ 10.0	European XFEL project	Mid-2011 through mid-2013
11/16/2010	\$ 7.4	Lund University (Sweden)	

Source: company press releases

BEST has just over 300 employees with roughly 20% in R&D.

## Company History and Recent Acquisitions

Bruker celebrated its 50<sup>th</sup> anniversary in 2010, having been incorporated on September 7, 1960 as Bruker Physik-AG. The formation of the company is principally attributed to Günther Laukien (1924-1997) who had been appointed in 1960 as Professor for Experimental Physics at Karlsruhe University in Germany. The co-founder was Dr. Emil Bruker who provided his name to the company because university professors at the time were discouraged from commercializing research.

Prof. Laukien had published a pioneering paper on high-frequency nuclear magnetic resonance (NMR) in 1958 and his research provided the underpinnings of the NMR systems that were Bruker's first products. To this day, Bruker maintains the industry's most comprehensive range of magnetic resonance systems and commands dominant market share in magnetic resonance products through its BioSpin division. Bruker grew rapidly in its first few years and employed a staff of 30 by 1963 developing high-resolution NMR and EPR spectrometers. By the late 1960's the company had opened an office in France, had expanded to Switzerland, and had opened its first office in the U.S. In the late 1970s, Bruker added Magnetic Resonance Imaging (MRI) systems to its portfolio with a focus on preclinical applications. To capitalize on its market leading technology in magnetic resonance instrumentation and the growing use of that technology in biological applications, Bruker rolled its NMR, EPR, and MRI systems into the BioSpin Group in 2001 which is now one of the company's most mature and highest margin divisions.

The formations of the Bruker Optics division started with the internal development in the late 1960s - early 1970s of Fourier Transform-Infrared (FT-IR) Spectrometry systems. As the second oldest of the company's five divisions, Bruker Optics is also a relatively mature and high margin division with a #1 or #2 market position in many of its spectrometry systems.

In 1980, Bruker added mass spectrometry to its portfolio with the acquisition of a company it renamed Bruker-Franzen Analytik, which later became the Daltonics division. Bruker continues to build out its mass spec product portfolio in this division both via internal development and opportunistic acquisitions such as the May 2010 acquisition of three product lines from Agilent in conjunction with Agilent's purchase of Varian, Inc.

The Bruker MAT division dates back to the 1997 acquisition of the Siemens analytical X-ray business which itself dates back to the late 1800s as a pioneer in X-ray technology. Bruker has made the most bolt-on acquisitions in the MAT division (see Exhibit X). The recent Veeco acquisition, which closed in October, 2010, is the largest MAT acquisition, carrying a price tag of \$229 million.

Bruker's life as a public company began in 2000 with the listing of Bruker Daltonics on the NASDAQ, followed by Bruker MAT in 2001. The two companies were merged in 2003 to become Bruker BioSciences Corporation. The combined company then acquired Bruker Optics in 2006 and Bruker BioSpin in 2008 to form today's Bruker Corporation.

In 2009, Bruker acquired assets of ACCEL Research Instruments, which led to the formation of the Bruker Energy and Supercon Technologies (BEST) division. The BEST division manufactures superconducting materials and devices.

The Laukien family remains active in the company's leadership. Three of his sons, Frank, Dirk, and Joerg, have held executive leadership positions at the company with Frank Laukien serving as Chairman and CEO since 1991. The Laukien family continues to own a majority of Bruker shares. Bruker is now headquartered in Billerica, MA.

## Acquisition History

Until recently, Bruker's appetite for M&A had been limited to smaller bolt-on acquisitions, primarily in the MAT division, with the exception of the MAT/Daltonics merger in 2003 and the acquisitions of Optics (2006) and BioSpin (2008). The recent Veeco (now called BNS) and Chemical & Applied Markets (CAM) acquisitions have been more sizeable and are expected to contribute meaningfully to Bruker's financial performance in 2011 and beyond.



Exhibit 20: Acquisition History

Acquisition	Date	Value	Method	Company	Location	Description
Microm Bioresources - Acq	Pending	Not disclosed	Not disclosed	Daltonics	Auburn, CA	LC Instruments and Consumables. Recently launched UHPLC. 2010 revenue of \$3M
PROTECT-US - Acq	Jan-11	Not disclosed	Not disclosed	Daltonics	Champaign, IL	Radiation detection business, Homeland security products to detect radioactive material; No immediate material effect on financials
Sigma ElectroOptics - Acq	Dec-10	Not disclosed	Not disclosed	Optics	Hamburg, Germany	Gas sensing systems using dispersive and FT-IR spectroscopy. 2010 revenue of ~\$1.3MM
Veeco AFM & SOM (Bruker Nano Surfaces or BNS) - Acq	Oct-10	\$229.4	Cash	MAT	Santa Barbara, CA (AFM) Tucson, AZ (SOM)	Atomic Force Microscopy (AFM) and Stylus & Optical Metrology (SOM). 4Q10 rev of ~\$20MM and non-GAAP margin drag. 2011E contribution should be >\$130MM in revenue, >15% adj. CM, \$0.02-0.04 accretive to GAAP EPS and \$0.06- \$0.08 accretive to non-GAAP EPS
Three Varian product lines (Chemical & Applied Markets - CAM) - Acq	May-10	\$32.5	Cash	Daltonics	Preston, Australia The Netherlands Fremont, CA	ICPMS, Lab GC, and GC Triple-quad MS. Purchased from A so that A could clear regulatory approval for Varian purchase. Became BRKR's Chemical & Applied Markets (CAM) division. \$3.7MM rev in 2Q10 and \$2.4M op loss (\$0.01 dilutive). \$17.1MM rev in 3Q10. >\$15MM rev in 4Q10. \$80MM revenue in 2011E revenue and \$3-\$5MM in operating losses. >\$100MM revenue in 2012E.
Research Instruments portion of ACCEL Instruments GmbH (RI business) - Acq	Apr-09	\$0.4	Cash	BEST	Bergisch Gladbach, Germany	Electron and Ion linear accelerators, superconducting and normal conducting accelerator cavities, insertion devices, superconducting fault current limiters, other accelerator components and specialty superconducting magnets; Purchased from Varian Medical Systems; Expected to generate revenue of >\$25MM in year one, with near break-even results, and with significant growth potential in future years.
S.I.S. Surface Imaging Systems GmbH ("S.I.S.") - Acq	Aug-08	\$2.1	Cash	MAT	Meitzogenrath, Germany	Develops, manufactures and distributes advanced atomic force/scanning probe microscopy (AFM/SFM) for applications in materials research including semiconductors, data storage, electronic materials, solar cells, polymers and catalysis. Renamed Bruker Nano ULTRAOBJECTIVE is most widely distributed product.
Bruker BioSpin - Acq	Feb-08	\$914.0	\$388 - Cash \$528 - Stock (57.5M shares)	BioSpin		Majority owned by six affiliated stockholders prior to acquisition; Considered a combination of companies under common control so accounted for at historical carrying values.
JUWE Laborgeräte GmbH ("JUWE") - Acq	Feb-08	\$1.6	Cash & assumption of liabilities	MAT	Viersen, Germany	Combustion analysis (CA) systems for various carbon, hydrogen, nitrogen, oxygen and sulfur elemental applications; Focus on rapid growth in combustion analysis for metals analysis.
Micron Optical Systems, Inc. ("Micron") - Acq	Nov-07	\$0.8	Cash	Optics		
Analys-Konsult AB ("AKAB") - Acq	Jun-07	\$0.4	\$0.5 - Cash \$0.3 - Stock	MAT	Sweden	A distributor and service provider of scientific instrumentation.
Kece Metal Products, Ltd. ("Kece") - Acq	Jan-07	\$0.6	Cash	Optics	Spring, TX	
Quantron GmbH - Acq	Sep-06	\$6.5	\$5.2 - Cash \$1.3 - Stock	MAT	Kleve, Germany	Metals analysis; Includes high performance spark-OES technology. Strong distribution system in the metals industry, particularly in Asia. Complementary to BRKR's existing stationary XRF systems for metal foundries, as well as to the new handheld XRF product line. Annual revenue run rate >\$6MM.
KeyMaster Technologies, Inc. ("KeyMaster") - Acq	Jul-06	\$10.0	Cash	MAT	Kennewick, WA	Hand-held XRF systems for numerous industrial applications.
Bruker Optics - Acq	Jul-06	\$135.0	\$79.2 - Cash \$55.8 - Stock	Bruker Optics		Majority owned by five affiliated stockholders prior to acquisition; Considered a combination of companies under common control so accounted for at historical carrying values.
Socabim SAS ("Socabim") - Acq	Jan-06	\$8.6	\$7.3 - Cash \$1.3 - Stock	MAT	France	Advanced X-ray analysis software for materials research, XRD and XRF
Röntec AG ("Röntec") - Acq	Nov-05	\$4.4	\$0.9 - Stock \$3.5 - Cash	MAT	Berlin, Germany	X-ray microanalysis (instrumentation) company. Annual revenues of \$6-7MM
Princeton Gamma-Tech Instruments, Inc. (PGT) - Acq	Nov-05	\$2.0	Cash	MAT	Rocky Hill, NJ	X-ray microanalysis; Annual revenues of \$5-6MM
Bruker AXS & Bruker Daltonics - Merger	Jul-03	\$38.1	\$5.4 - Cash \$28.5 - Stock \$3.0 - Stock options \$1.2 - Deal costs			Majority owned by five affiliated stockholders prior to acquisition. That portion (69%) was accounted for in a manner similar to a pooling-of-interest, or at historical carrying value. The acquisition of the shares of the non-affiliated shareholders (approximately 31%, or \$38.1MM) was accounted for using the purchase method of accounting, or at fair value.
Baltic Scientific Instruments Ltd. ("BSI") - Acq	Apr-03	\$0.9	\$0.3 - Cash \$0.6 - Liabilities assumed	MAT	Riga, Latvia	BSI focuses on solid state X-ray detector technology for materials research and elemental composition and had been a supplier to Bruker AXS since 2001. Bruker AXS acquired 51% of BSI in April. In May 2003, BSI issued additional shares to Bruker which increased the Company's ownership to 75.5%.
MAC Science Ltd - Acq	May-02	\$3.4	\$0.3 - Cash \$3.1 - Liabilities	MAT	Yokohama, Japan	X-ray analysis instrumentation
Nonius Group ("Nonius") - Acq	Apr-01	\$12.3	\$6.1 Debt & liabilities assumed	MAT	The Netherlands	Single crystal X-ray diffraction equipment.

Source: Company filings and press releases

**Veeco AFM and SOM (now called Bruker Nano Surfaces or BNS).** The purchase of the Atomic Force Microscopy (AFM) business and the Stylus & Optical Metrology (SOM) business for \$229 million from Veeco Instruments, Inc. (NASDAQ: VECO) closed on October 7, 2010. The AFM and SOM businesses will become part of the Bruker Nano Division within Bruker MAT. The acquisition adds ~350 employees in eleven countries. This acquisition will help Bruker move toward a more balanced revenue mix both in terms of end market and geography. For 2009, 38% of revenues were derived from APAC, 31% from the Americas, and 31%

from Europe, which should bolster Bruker's presence in Asia and reduce the concentration of revenue in Europe. Applied/Industrial customers accounted for ~45% of revenue while academic/government customers largely accounted for the remaining 55%, increasing Bruker's mix of applied/industrial customers. Roughly 10%-20% of revenues from this acquisition are derived from the highly cyclical semiconductor data storage industry.

The BNS acquisition contributed Q4 2010 revenue of ~\$20 million, which was at the high end of original guidance. Implementation of Bruker's revenue recognition policy in which most systems are recognized as revenue upon signed customer acceptance caused a one-time 6-8 week delay in Q4 2010 revenues and caused a corresponding increase in year-end backlog. Revenue and margins should improve meaningfully after Q4 2010 due to the one-time change in revenue recognition policy. In 2011, the BNS acquisition is expected to contribute over \$130 million in revenue with non-GAAP operating margins greater than 15%. Bruker expects to incur \$1 million in acquisition-related charges and ~\$7 million in amortization related to the acquisition in 2011. The acquisition is expected to be \$0.06 - \$0.08 accretive to 2011 on a non-GAAP basis and \$0.02 - \$0.04 accretive on a GAAP basis.

**Chemical & Applied Markets (CAM).** The Chemical & Applied Markets (CAM) division was established on May 19, 2010 as part of Bruker Daltonics mass spectrometry business and consists of three former Varian product lines divested in conjunction with Agilent's purchase of Varian. Bruker paid ~\$32.5MM for these businesses (the original purchase price was \$37.5 million but was adjusted downward post-acquisition). The product lines include:

- Laboratory gas chromatography (Lab GC) located in Middelburg, The Netherlands.
- Gas chromatography triple-quad mass spectrometry (GC-QQQ-MS) located in Walnut Creek, CA. Prior to the CAM acquisition, Bruker did not offer a trip quad platform.
- Inductively coupled plasma mass spectrometry (ICP-MS systems) located in Melbourne, Australia.

The acquisition adds over 250 former Varian employees, including an extensive sales and service force. The CAM acquisition is really three product lines in three different geographies that require significant integration efforts. The company is currently in the process of consolidating the three Varian plant locations into two of Bruker's own facilities in The Netherlands and California. The Netherlands consolidation was completed in December 2010. The Walnut Creek facility will be moved to Bruker's Fremont, CA facility in 1Q 2011, and the Australian facility will be moved to Fremont in 2Q 2011. CAM's extensive sales and service organization, 75% of which the company has retained despite the necessity of integrating offices, is an important aspect of this acquisition. That sales force is focused more on industrial, environmental, and applied markets which should compliment and create synergies with Daltonics existing life science sales force.

CAM generated \$3.7 million in revenue in the last 5-6 weeks of Q2 2010, a non-GAAP operating loss of \$2.4 million, and was \$0.01 dilutive to Q2 2010 non-GAAP EPS. CAD generated \$17.1 million in revenue in Q3 2010, exceeding management's \$8 million goal. CAM revenue was greater than \$15 million in Q4, exceeding expectations. Financial performance for CAM should gradually improve as product lines and field staff are transferred and integrated into Bruker. Bruker's goal for CAM over the next few years is to return the business to pre-recession performance with annual revenues of \$80 - \$100 million and operating margins exceeding 10%. Management expects CAM to generate \$80 million in revenue in 2011 and to generate an operating loss of \$3-5 million with the division reaching adjusted operating breakeven by 4Q 2011. The company is targeting 2012 revenue of >\$100 million and operating margin of ~12% with the operating margin eventually reaching 15%.

**Other Recent Acquisitions.** Bruker recently announced three acquisitions that are more typical of the company's bolt-on acquisition strategy. The Michrom acquisition (still pending) should give Bruker a foothold in the liquid chromatography market, an area where Bruker has been noticeably absent. The acquisition of the radiation detection instruments business of PROTECT-US bolsters Bruker's products offerings in the CBRNE detection area within Daltonics. These radiation detection technologies are primarily used in Homeland Security applications for the detection of concealed radioactive material. Sigma ElectroOptics should expand Bruker's presence in industrial end markets.

**Management, Board, and Shareholders**

Bruker provides cash incentive compensation to its executive officers based on company-wide and individual performance goals with 70% of the goal being quantitative and 30% qualitative. We believe examining the quantitative goals offers insight to the company's priorities, which seem to be, in ranked order of importance: margin improvement, working capital reduction, revenue growth, and EPS. In 2009, management met the margin goal, the revenue growth goal, and the EPS goal, but not the working capital reduction goal.

**Exhibit 21: Incentive Compensation Targets**

Metric	2008-2009		2009	
	Percentage	Target	Actual	Performance
Currency-Adjusted Revenue	15%	15%	\$1,028	\$1,093
Gross Margin	10%	NA	NA	NA
Operating Margin	15%	25%	+130 bps	+170 bps
EPS	10%	10%	\$0.46	\$0.49
Working Capital Ratio Reduction	20%	20%	6% reduction	2% reduction

Source: proxy filings

**Executive Officers**

**Frank H. Laukien, Ph.D., Chairman, President, & CEO.** Dr. Laukien has been the Chairman, President, and CEO of the Company since the inception of its predecessor company in February 1991. Dr. Laukien also served as Co-CEO of Bruker BioSpin until February 2010. Dr. Laukien is the brother of Joerg Laukien, a Bruker director and an executive officer of Bruker BioSpin, and half-brother of Dirk Laukien, a Bruker director and a former Bruker executive officer. Dr. Laukien holds a B.S. degree from the Massachusetts Institute of Technology and a Ph.D. in chemical physics from Harvard University. Dr. Laukien is the Company's largest shareholder, holding roughly 24% of shares outstanding.

**William J. Knight, COO.** In November 2009, Mr. Knight was appointed COO of the Company effective February 1, 2010. Prior to assuming his current role, Mr. Knight served as the CFO from October 2004 until February 2010 and as Treasurer from October 2004 to March 2009. Before joining the Company, Mr. Knight served as CFO of Anika Therapeutics, Inc. from 2002 to 2004. He also served as CFO of Zycos, Inc., a developer of DNA-based therapeutic products, from 2000 to 2002, and as CFO of NMT Medical, Inc., a provider of cardiovascular and neurological medical devices, from 1998 to 2000. Mr. Knight is a Certified Public Accountant and holds a B.B.A in Accounting from the University of Wisconsin.

**Brian P. Monahan.** In November 2009, Mr. Monahan was appointed CFO of the Company effective February 1, 2010. Mr. Monahan joined the Company in April 2004 as Corporate Controller and was appointed Chief Accounting Officer and VP of Finance in March 2009. In addition to his corporate responsibilities, Mr. Monahan has served in various financial and operational roles at the Company's Bruker Daltonics division. Before joining the Company, Mr. Monahan served as Manager of Accounting and Financial Reporting at Fisher Scientific International, Inc. from December 2002 through April 2004 and as an audit manager for PricewaterhouseCoopers from July 1999 through December 2002. Mr. Monahan is a Certified Public Accountant and holds a B.S. in Accounting from the University of Massachusetts.

**Exhibit 22: Executive Officers**

Name	Position	Age	Year	Shares	%	Education	2008 Salary	2009 Salary	2010 Salary	Notes
Frank H. Laukien, Ph.D.	President & CEO	50	1991	38,824,445	24%	MIT - BS Harvard - PhD	\$ 318,750	\$ 459,048	\$ 31,950	Brother of Joerg Laukien and half-brother of Dirk Laukien, both directors
William J. Knight	COO	60	2004	228,350	<1%	U. of Wisc. - MBA	\$ 297,277	\$ 132,349	\$ 350,750	CFO of Anika Therapeutics (02-04); CFO of Zycos, Inc. (00-02); CFO of NMT Medical, Inc. (98-00)
Brian P. Monahan	CFO	38	2004	42,750	<1%	U. of Mass. - BS	\$ 193,154	\$ 168,818	\$ 694,750	Fisher Scientific (2002-2004); PWC (1999-2002)

Source: Company proxy filings

**Board of Directors**

Bruker currently has a staggered board of 12 directors, six of whom are independent and four of whom are employees of the company. The company is currently searching for another qualified independent director to replace Collin D'Silva, who resigned effective March 31, 2010 to become the President of Bruker's newly formed CAM division within Daltonics.

**Exhibit 23: Board of Directors**

Frank H. Laukien, Ph.D.	Chairman	No		50	1991	2013 Bruker	\$		38,824,445	24%
Wolf-Dieter Emmerlich, Ph.D.	Director	Yes	Compensation	70	2007	2013 Netzsch Instruments	\$	53,013	7,920	<1%
Brenda J. Furlong	Director	Yes	Audit	62	2007	2013 Formerly Columbia Management Group	\$	125,980	6,940	<1%
Richard A. Packer	Director	Yes	Audit	52	2007	2013 CEO of ZOLL Medical	\$	68,180	9,940	<1%
Tony W. Keller, Ph.D.	Director	No		73	2008	2012 Bruker	\$		33,340	<1%
Richard D. Kniss	Director	Yes	Compensation	69	2003	2012 AXS board since 2001 - Formerly Agilent	\$	57,513	54,716	<1%
Joerg C. Laukien	Director	No		56	2005	2012 Bruker	\$		20,490,930	12%
William A. Lipton	Lead Director	Yes		62	2000	2012 Chairman & CEO of Pionega Corporation	\$	83,180	55,190	<1%
Stephen W. Fesik, Ph.D.	Director	Yes	Compensation	56	2008	2011 Vanderbilt University	\$	58,180	3,960	<1%
Dirk D. Laukien, Ph.D.	Director	No		46	2008	2011 Bruker	\$		18,266,147	11%
Richard M. Stein	Secretary	No		58	2000	2011 Law firm Nixon Peabody LLP	\$	38,500	10,599	<1%
Bernhard Wangler	Director	No		59	2000	2011 German accounting firm Kanzlei Wangler	\$	51,680	38,190	<1%

Notes: Employee-directors receive no additional compensation for service as a director  
Source: Company proxy filings

**Insider Ownership**

The Laukien family retains ownership of the majority of Bruker shares. The trend over the last few years has been for the family to liquidate positions in Bruker stock. We believe that trend will continue over the next few years, though we do not expect Frank Laukien to reduce his stake in the near term.

**Exhibit 24: Primary Insider Ownership**

Frank H. Laukien, Ph.D.	Chairman, President & CEO	18%	23%	23%	24%
Dirk D. Laukien, Ph.D.	Director, Former Executive	11%	14%	12%	11%
Joerg C. Laukien	Director, COO of BioSpin	9%	13%	12%	12%
Isolde Laukien-Kleiner	NA	7%	10%	9%	6%
Mark Laukien	NA	7%	10%	3%	0%
<b>Total</b>		<b>52%</b>	<b>70%</b>	<b>59%</b>	<b>53%</b>
Net insider shares bought (sold)		(3,405)	1,348	(16,836)	(10,569)
Net market value of shares bought (sold) - MM		\$ (23.8)	\$ 6.4	\$ (164.4)	\$ (139.2)

Source: company presentations

**Exhibit 25: Top Institutional Holders**

Shares O/S	164,845,000
Short Interest Shares	3,014,439
Float (%)	49.6
Insider/Stake Ownership (%)	50.4
Institutional Ownership (%)	49.2

Rank	Holder	Shares	Change	O/S	Report Date
1	T. Rowe Price Associates, Inc.	10,735,120	3,508,570	6.51	12-31-10
2	Eagle Asset Management, Inc.	4,588,114	-119,547	2.78	12-31-10
3	Vanguard Group, Inc.	3,762,605	73,214	2.28	12-31-10
4	BlackRock Fund Advisors	3,630,683	171,305	2.20	12-31-10
5	Chartwell Investment Partners LP	3,136,247	316,898	1.90	12-31-10
6	Fidelity Management & Research Co.	2,842,400	1,452,500	1.72	12-31-10
7	Fred Alger Management, Inc.	2,799,699	-422,905	1.70	12-31-10
8	Century Capital Management LLC	2,737,522	-84,593	1.66	12-31-10
9	OppenheimerFunds, Inc.	2,721,834	37,010	1.65	12-31-10
10	Calamos Advisors LLC	2,699,086	-848,781	1.64	12-31-10
11	Wells Capital Management, Inc.	2,308,515	167,194	1.40	12-31-10
12	Jennison Associates LLC	2,303,453	110,477	1.40	12-31-10
13	Granahan Investment Management, Inc.	1,833,750	-10,200	1.11	12-31-10
14	TimesSquare Capital Management LLC	1,825,910	9,160	1.11	12-31-10
15	American Century Investment Management, Inc.	1,771,943	-258,788	1.08	12-31-10
16	State Street Global Advisors	1,657,602	31,942	1.01	12-31-10
17	Palisade Capital Management LLC	1,473,415	23,815	0.89	12-31-10
18	Brown Capital Management, Inc.	1,256,385	-19,907	0.76	12-31-10
19	Putnam Investment Management, Inc.	1,212,097	-135,858	0.74	12-31-10
20	Eaton Vance Management, Inc.	1,153,730	64,050	0.70	12-31-10

Source: FactSet

## V. Financials

As shown in Exhibit 26, Bruker has a history of beating analyst expectations.

## Exhibit 26: Earnings Surprise History – Bruker Tends to Beat Consensus

Year	Quarter	Report Date	Actual EPS	Consensus	Surprise
2010	4	02/23/2011	\$ 0.27	\$ 0.26	\$ 0.01
	3	10/28/2010	\$ 0.19	\$ 0.13	\$ 0.06
	2	07/28/2010	\$ 0.15	\$ 0.11	\$ 0.04
	1	04/29/2010	\$ 0.10	\$ 0.08	\$ 0.02
2009	4	02/25/2010	\$ 0.26	\$ 0.23	\$ 0.03
	3	10/29/2009	\$ 0.10	\$ 0.07	\$ 0.03
	2	07/29/2009	\$ 0.08	\$ 0.07	\$ 0.01
	1	04/30/2009	\$ 0.05	\$ 0.05	\$ (0.00)
2008	4	03/03/2009	\$ 0.18	\$ 0.12	\$ 0.06
	3	10/30/2008	\$ 0.11	\$ 0.12	\$ (0.01)
	2	07/31/2008	\$ 0.13	\$ 0.09	\$ 0.04
	1	05/05/2008	\$ 0.05	\$ 0.06	\$ (0.01)
2007	4	02/28/2008	\$ 0.17	\$ 0.11	\$ 0.06
	3	10/29/2007	\$ 0.06	\$ 0.05	\$ 0.01
	2	07/31/2007	\$ 0.05	\$ 0.05	\$ 0.00
	1	05/01/2007	\$ 0.04	\$ 0.05	\$ (0.01)
2006	4	02/22/2007	\$ 0.09	\$ 0.07	\$ 0.02
	3	11/02/2006	\$ 0.04	\$ 0.03	\$ 0.01
	2	08/02/2006	\$ 0.05	\$ 0.03	\$ 0.02
	1	05/03/2006	\$ 0.02	\$ 0.02	\$ 0.00

Source: FactSet

Bruker has also performed well when compared to its own revenue guidance, as shown in Exhibit 27.

## Exhibit 27: Historical Performance versus Guidance

Year	Report Date	Performance	Guidance
2010	2/25/2010	>5% CD	13%
2009	3/3/2009	(4%) - 0% CD	0%
2008	3/17/2008	>8%	7%
2007	2/22/2007	>10%	19%
2006	2/22/2006	~10%	~13%

Source: company filings

Bruker beat revenue and EPS consensus in 4Q 2010 due to organic, constant dollar revenue growth of ~6% and 150 bps of sequential EBIT margin expansion (see Exhibit 28). The CAM acquisition contributed revenue of \$15-\$20 million, higher than originally anticipated.

The company pointed to record bookings and record backlog in 4Q 2010, noting that backlog currently stands at more than 6 months. The company typically has roughly 4 months of visibility in backlog.

The consolidated gross margin in 4Q 2010 expanded 90 bps sequentially but declined 10 bps year-over-year. The consolidated EBIT margin expanded 160 bps sequentially but declined 370 bps year-over-year. Management noted that SG&A was higher as a percentage of revenue relative to the same period last year because recent acquisitions have a higher level of sales and marketing as a percentage of revenue. Management also noted that the company is continuing to make investments in sale and distribution, which it feels are appropriate and necessary to drive top line growth.

Exhibit 28: Q4 2010 Performance

Bruker Corporation  
Q4 2010 Variance Table

Date reported: 2/23/2011

	2010	2010	2010	2010	2010	2010
<b>NON-GAAP INCOME STATEMENT</b>						
Total revenues	\$ 388.4	\$ 310.2	\$ 416.1	\$ 386.8	13.6%	34.1%
Cost of revenues	187.8	181.8	213.5	187.8	13.0%	32.0%
Gross profit	178.8	148.4	202.6	178.8	13.3%	36.5%
Selling, general and administrative	73.2	72.2	95.4	73.2	30.3%	32.1%
Research and development	34.6	32.5	44.9	34.6	29.8%	38.2%
Other losses (gains)	-	-	(2.8)	-		
Operating income	71.0	43.7	65.1	71.0	-8.3%	49.0%
Interest and other income (expense), net	(3.0)	(1.1)	-	(3.0)	NA	NA
Pretax income	88.0	42.8	65.1	88.0	-4.3%	52.8%
Provision for income taxes	27.7	10.8	19.1	27.7	-31.0%	89.2%
Net income	40.3	32.0	46.0	40.3	14.1%	43.8%
Net income (loss) to noncontrolling interests	0.1	0.5	0.7	0.1	NA	NA
Net income to common from continuing ops	\$ 40.2	\$ 31.5	\$ 45.3	\$ 40.2	12.7%	43.8%
Non-GAAP EPS	\$ 0.24	\$ 0.19	\$ 0.27	\$ 0.24	12.1%	43.5%
Diluted shares outstanding	165.2	165.7	168.1	165.2	0.5%	0.2%
EBITDA	\$ 78.8	\$ 51.8	\$ 70.5	\$ 78.8	-11.7%	36.1%
<b>COMMON SIZE</b>						
Total revenue	100.0%	100.0%	100.0%	100.0%	0 bps	0 bps
Cost of products and services	51.2%	52.2%	51.3%	51.2%	10 bps	(90) bps
Gross margin	48.8%	47.8%	48.7%	48.8%	(10) bps	80 bps
Selling, general & administrative	20.0%	23.3%	22.9%	20.0%	29.0 bps	(30) bps
Research and development	8.9%	10.5%	10.8%	8.9%	130 bps	30 bps
Operating margin	18.4%	14.1%	15.6%	18.4%	(370) bps	160 bps
Interest income (expense), net	(0.8%)	(0.4%)	0.0%	(0.8%)	80 bps	40 bps
Pretax margin	19.6%	13.7%	15.6%	19.6%	(290) bps	180 bps
Tax rate	40.7%	24.9%	29.3%	40.7%	(1140) bps	450 bps
Net margin from continuing ops	11.0%	10.2%	10.9%	11.0%	(10) bps	70 bps
EBITDA margin	21.8%	16.7%	16.9%	21.8%	(490) bps	20 bps
<b>BRUKER SCIENTIFIC INSTRUMENTS NON-GAAP</b>						
Revenue	\$ 346.2	\$ 290.5	\$ 389.4	\$ 346.2	12.5%	34.0%
COGS	169.9	145.1	192.2	169.9	13.1%	32.5%
Gross profit	\$ 176.3	\$ 145.4	\$ 197.2	\$ 176.3	11.5%	35.6%
Operating income	\$ 72.2	\$ 44.7	\$ 65.5	\$ 72.2	-9.3%	48.5%
Revenue growth: organic, constant currency	3.2%	14.6%	5.4%	3.2%	(30) bps	60 bps
Revenue growth: FX	9.7%	(5.9%)	(2.6%)	9.7%	(400) bps	140 bps
Revenue growth: acquisitions	0.0%	6.5%	9.7%	0.0%		
Revenue growth: total	12.8%	15.5%	12.5%	12.8%		
Gross margin	50.9%	50.1%	50.6%	50.9%		
EBIT margin	20.9%	15.4%	16.8%	20.9%		
<b>BRUKER ENERGY &amp; SUPERCON TECHNOLOGIES NON-GAAP</b>						
Revenue	\$ 23.8	\$ 22.4	\$ 29.3	\$ 23.8	23.1%	30.8%
COGS	21.9	19.0	23.1	21.9	10.0%	21.6%
Gross profit	\$ 2.0	\$ 3.4	\$ 6.2	\$ 2.0	121.4%	82.4%
Operating income	\$ (1.1)	\$ (0.7)	\$ 0.4	\$ (1.1)	-156.4%	-157.1%
Revenue growth: organic, constant currency	19.3%	73.6%	33.2%	19.3%		
Revenue growth: FX	2.6%	(15.0%)	(10.1%)	2.6%		
Revenue growth: acquisitions	26.3%	0.0%	0.0%	26.3%		
Revenue growth: total	118.3%	57.7%	23.1%	118.3%		
Gross margin	11.8%	15.2%	21.2%	11.8%	940 bps	600 bps
EBIT margin	(4.6%)	(3.1%)	1.4%	(4.6%)	600 bps	450 bps
<b>CONSOLIDATED</b>						
Revenue eliminations	\$ (3.6)	\$ (2.7)	\$ (2.6)	\$ (3.6)		
Gross margin eliminations	\$ (0.3)	\$ (0.4)	\$ (0.8)	\$ (0.3)		
Operating income eliminations	\$ (0.1)	\$ (0.3)	\$ (0.8)	\$ (0.1)		
Consolidated revenue	\$ 388.4	\$ 310.2	\$ 416.1	\$ 388.4	13.6%	34.1%
COGS	187.8	181.8	213.5	187.8	13.0%	32.0%
Gross profit	\$ 178.8	\$ 148.4	\$ 202.6	\$ 178.8	13.3%	36.5%
Operating income	\$ 71.0	\$ 43.7	\$ 65.1	\$ 71.0	-8.3%	49.0%
Revenue growth: organic, constant currency	3.4%	17.0%	7.5%	3.4%		
Revenue growth: FX	9.5%	(6.5%)	(3.1%)	9.5%		
Revenue growth: acquisitions	3.3%	6.5%	9.1%	3.3%		
Revenue growth: total	16.2%	17.0%	13.6%	16.2%		
Gross margin	48.8%	47.8%	48.7%	48.8%	(10) bps	80 bps
EBIT margin	19.4%	14.1%	15.6%	19.4%	(370) bps	160 bps

Source: Company data & Wells Fargo Securities, LLC estimates.  
EPS and consolidated revenue consensus from First Call

Life Science Tools

Wells Fargo Estimates

Exhibit 29 shows Bruker's 2011 guidance and long-term targets. For 2011, management expects revenue of \$1.55-\$1.57 billion, which represents currency-adjusted growth of >18%. Management expects >75 bps of operating margin expansion in the BSI segment. Long-term the company expects to reach 2014 revenues of >\$2 billion with adjusted operating margins >18%. Long-term growth includes only a small amount of acquisitions. Consensus revenue for 2011 and 2012 currently stands at \$1.566 billion and \$1.685 billion respectively. Consensus non-GAAP EPS for 2011 and 2012 is currently \$0.91 and \$1.07 respectively.

Exhibit 29: 2011 Guidance and Medium-Term Goals

Bruker 2011 Guidance

Cons. revenue (B)	1Q	2Q	3Q	4Q	2011	Notes
10/28/2010					>\$1.45	
2/23/2011	45% in 1H		55% in 2H		\$1.55-\$1.57	Currency adjusted growth of >18%
BSI adj. op. margin	1Q	2Q	3Q	4Q	2011	Notes
10/28/2010					steady expansion	
2/23/2011					improve >75 bps	
Interest expense (MM)	1Q	2Q	3Q	4Q	2011	Notes
2/23/2011					increase \$2	may replace revolver with LTD
Tax rate	1Q	2Q	3Q	4Q	2011	Notes
2/23/2011					1%-2% lower	
BSI adj. EPS	1Q	2Q	3Q	4Q	2011	Notes
2/23/2011					\$0.90-\$0.93	
Shares outstanding (MM)	1Q	2Q	3Q	4Q	2011	Notes
2/23/2011					~166.1	
Capex (MM)	1Q	2Q	3Q	4Q	2011	Notes
2/23/2011					\$45-\$50	
Working capital/revenue	1Q	2Q	3Q	4Q	2011	Notes
2/23/2011					\$0.46	
EUR/USD as of						
2/23/2011		1.37				

Source: company filings; transcripts

Notes:

Veeco acquisition, now called Bruker Nano Surfaces (BNS) is forecasted to contribute revenue >\$130MM and adj. operating margin >15% in 2011. The Chemical & Applied Markets (CAM) division is forecasted to contribute \$80MM in revenue in 2011 and \$3-5MM in operating losses

Bruker Medium-Term Guidance (2012-2014)

Currency adjusted revenue CAGR	>10% from 2012-2014 to reach 2014 revenue of >\$2 billion (M&A component in very low single digits)
BSI adjusted operating margin	Expand by 75-100 bps from 2012-2014 to reach 2014 adjusted margin of >18%

Source: company filings

**Revenue.** We currently forecast 2011 revenue of \$1.568 billion, slightly higher than consensus. Based on our forecast of FX and acquisition-related revenue, our 2011 revenue estimate implies organic, constant dollar growth of 7.2%, which we believe is an achievable estimate based on strong new product uptake in the BSI segment and strong order growth in the BEST segment. We note that FX is a significant revenue swing factor for Bruker, though EBIT margins tend to be naturally hedged.

**Gross Margins.** Bruker targets a consolidated gross margin >50% in the BSI segment. The company achieved that goal in both 3Q and 4Q 2010, but we think the company received an unusually large amount of stimulus-related high-end which positively impacted gross margin. We expect the BSI gross margin to take a step back in early 2011 before increasing through the year. We think the company could post upside to our gross margin forecast if the current adoption pace of recently launched higher-margin products continues.

**Operating Margins.** Operating margin expansion will be driven by gross margin expansion but also by driving toward the long-term goals of decreasing R&D and SG&A spending below 10% and 21% respectively in the BSI segment. We expect SG&A spending to remain elevated at the beginning of 2011 due to increased SG&A from acquisitions. If Bruker is able to integrate acquisitions more quickly than currently anticipated, the company could post upside to our operating margin forecast.



**Tax Rate.** One of the attractive aspects of the Veeco/BNS acquisition is that Bruker was not profitable in the U.S. but Veeco generates most of its profitability in the U.S., which should have a positive impact on Bruker's tax rate for 2011 and beyond as it will allow the company to use NOLs. Management has indicated a desire to bring the tax rate down below 30%.

**EPS.** We forecast 2011 non-GAAP EPS of \$0.91 in line with consensus, though we are slightly above consensus for 2012. Our 1Q 2011 EPS estimate is \$0.15, in line with consensus.

**Balance Sheet/Cash Flow.** Bruker currently is attempting to bring down the inventory it carries on its balance sheet with the goal of freeing up \$100 million in capital over the next three years. Our estimates are more conservative than that, but we do expect an increase in free cash flow.

Exhibit 30 - Income Statement

FY ending December	2006				2007				2008				2009				2010				2011				2012	
(millions, except EPS)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	2012			
<b>NON-GAAP INCOME STATEMENT</b>																										
Net revenues	\$ 207.6	\$ 435.9	\$ 1,032.4	\$ 1,107.1	\$ 235.5	\$ 252.5	\$ 265.1	\$ 266.4	\$ 1,114.5	\$ 277.7	\$ 300.9	\$ 310.2	\$ 416.1	\$ 1,304.9	\$ 245.1	\$ 274.5	\$ 276.7	\$ 474.1	\$ 1,556.4	\$ 1,621.2	\$ 1,621.2	\$ 1,621.2				
Cost of revenues	171.8	326.5	558.9	602.1	102.3	111.3	115.2	107.8	602.7	151.4	165.0	161.8	213.5	531.7	102.0	103.0	102.0	182.9	372.3	372.3	372.3	372.3				
Operating income	35.8	109.4	473.5	505.0	133.2	141.2	149.9	158.6	511.8	126.3	135.9	148.4	202.6	173.2	171.5	174.7	191.2	191.2	191.2	191.2	191.2	191.2				
Interest and other income (expense), net	1.3	2.9	5.8	15.5	0.1	17.9	15.0	13.9	71.5	46.3	40.7	45.1	11.1	11.7	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0				
Provision for income taxes	12.5	41.3	157.3	103.5	15.2	16.9	14.5	18.0	138.0	27.6	30.9	43.0	63.1	17.7	23.2	24.7	24.7	24.7	24.7	24.7	24.7	24.7				
Net income	24.1	70.7	267.3	299.9	113.0	125.3	130.9	133.5	377.3	111.0	114.7	120.5	167.5	156.2	152.8	159.3	159.3	159.3	159.3	159.3	159.3	159.3				
Non-GAAP EPS	\$ 0.05	\$ 0.24	\$ 0.66	\$ 0.40	\$ 0.06	\$ 0.07	\$ 0.10	\$ 0.24	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.19	\$ 0.27	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15				
Diluted shares outstanding	69.8	102.4	104.3	105.9	163.3	164.1	165.0	155.2	154.2	165.8	165.8	165.1	165.1	165.7	165.7	165.7	165.7	165.7	165.7	165.7	165.7	165.7				
EBITDA	\$ 20.7	\$ 49.7	\$ 173.1	\$ 148.0	\$ 21.3	\$ 26.1	\$ 32.0	\$ 73.8	\$ 169.1	\$ 34.9	\$ 47.2	\$ 51.8	\$ 73.7	\$ 207.6	\$ 48.0	\$ 64.5	\$ 65.4	\$ 66.3	\$ 102.2	\$ 102.2	\$ 102.2	\$ 102.2				
<b>COMMON SIZE</b>																										
Total revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%				
Cost of products and services	82.7%	74.9%	53.7%	54.2%	43.5%	44.1%	43.8%	40.6%	53.6%	54.9%	53.0%	54.2%	51.2%	47.9%	46.5%	46.5%	42.2%	43.0%	47.2%	47.5%	47.5%	47.5%				
Gross margin	17.3%	25.1%	46.3%	45.8%	56.5%	55.9%	56.2%	59.4%	46.4%	45.1%	47.0%	45.8%	48.8%	52.1%	53.5%	53.5%	57.8%	57.0%	52.8%	52.5%	52.5%	52.5%				
Selling, general and administrative	24.5%	25.8%	21.2%	22.8%	25.4%	24.0%	23.1%	20.9%	22.7%	23.7%	21.3%	23.3%	22.9%	22.0%	21.4%	21.4%	21.0%	20.9%	22.6%	22.6%	22.6%	22.6%				
Research and development	31.8%	31.5%	10.2%	11.1%	12.0%	12.3%	14.8%	9.4%	31.3%	31.0%	30.5%	30.0%	30.0%	30.7%	30.6%	30.6%	30.7%	30.7%	30.7%	30.7%	30.7%	30.7%				
Operating margin	27.6%	25.6%	46.2%	45.1%	57.8%	57.8%	58.2%	58.2%	46.1%	45.9%	46.9%	46.9%	49.1%	46.3%	46.3%	46.3%	46.3%	46.3%	46.3%	46.3%	46.3%	46.3%				
Interest income (expense), net	0.6%	0.7%	0.6%	1.4%	0.0%	7.8%	5.6%	5.2%	6.4%	4.1%	3.7%	3.7%	2.7%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%				
Provision for income taxes	6.0%	9.4%	15.3%	9.3%	6.5%	6.7%	5.5%	6.8%	31.2%	12.5%	10.3%	13.8%	15.2%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%				
Net income	13.2%	14.5%	45.3%	44.2%	51.3%	51.1%	52.7%	51.4%	41.4%	41.2%	42.6%	43.1%	46.6%	34.2%	34.2%	34.2%	34.2%	34.2%	34.2%	34.2%	34.2%	34.2%				
Non-GAAP EPS	\$ 0.05	\$ 0.24	\$ 0.66	\$ 0.40	\$ 0.06	\$ 0.07	\$ 0.10	\$ 0.24	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.19	\$ 0.27	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15				
Diluted shares outstanding	69.8	102.4	104.3	105.9	163.3	164.1	165.0	155.2	154.2	165.8	165.8	165.1	165.1	165.7	165.7	165.7	165.7	165.7	165.7	165.7	165.7	165.7				
EBITDA	\$ 20.7	\$ 49.7	\$ 173.1	\$ 148.0	\$ 21.3	\$ 26.1	\$ 32.0	\$ 73.8	\$ 169.1	\$ 34.9	\$ 47.2	\$ 51.8	\$ 73.7	\$ 207.6	\$ 48.0	\$ 64.5	\$ 65.4	\$ 66.3	\$ 102.2	\$ 102.2	\$ 102.2	\$ 102.2				
<b>PERCENTAGE CHANGE, YOY</b>																										
Total revenues	42.5%	138.0%	7.2%	(3.3%)	(16.9%)	9.5%	16.2%	0.7%	20.3%	12.2%	17.0%	13.6%	13.0%	21.2%	24.2%	21.4%	13.6%	13.6%	20.2%	20.2%	20.2%	20.2%				
Cost of products and services	37.2%	63.4%	8.1%	2.0%	(22.2%)	11.4%	13.6%	0.1%	19.2%	16.0%	10.2%	13.0%	14.0%	19.7%	18.2%	19.9%	17.9%	17.9%	20.6%	20.6%	20.6%	20.6%				
Gross margin	5.3%	64.6%	1.1%	(5.3%)	(38.1%)	(2.9%)	(7.4%)	(0.1%)	(1.9%)	(1.8%)	(3.2%)	(2.4%)	(1.4%)	(3.7%)	(3.7%)	(3.7%)	(3.7%)	(3.7%)	(3.7%)	(3.7%)	(3.7%)	(3.7%)				
Selling, general and administrative	52.5%	65.0%	15.7%	(38.9%)	(58.9%)	(2.4%)	(1.9%)	0.2%	12.1%	6.0%	18.0%	40.3%	17.4%	37.4%	23.6%	14.6%	13.2%	16.7%	16.7%	16.7%	16.7%	16.7%				
Research and development	20.0%	17.7%	(18.1%)	(6.7%)	(2.2%)	(4.8%)	(4.6%)	(4.5%)	(2.2%)	(2.2%)	(2.0%)	(2.0%)	(1.0%)	(1.0%)	(1.0%)	(1.0%)	(1.0%)	(1.0%)	(1.0%)	(1.0%)	(1.0%)	(1.0%)				
Operating income	27.4%	203.7%	(18.1%)	(31.4%)	(32.3%)	73.2%	52.0%	11.0%	0.1%	10.6%	65.5%	(8.7%)	34.1%	33.0%	36.2%	33.0%	10.2%	10.2%	27.5%	27.5%	27.5%	27.5%				
Interest income	27.1%	303.4%	(19.9%)	15.1%	(4.9%)	52.9%	52.1%	10.4%	80.0%	17.2%	73.2%	(4.3%)	37.8%	37.8%	47.5%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%				
Provision for income taxes	42.5%	338.0%	(21.7%)	24.0%	(4.0%)	(7.0%)	34.4%	(3.7%)	13.1%	102.2%	87.5%	12.7%	51.7%	43.9%	48.0%	30.6%	30.6%	30.6%	30.6%	30.6%	30.6%	30.6%				
Non-GAAP EPS	42.5%	171.7%	(20.7%)	11.2%	(4.6%)	(7.3%)	34.0%	4.1%	62.2%	101.5%	65.7%	12.1%	50.5%	43.1%	49.4%	19.6%	19.6%	19.6%	19.6%	19.6%	19.6%	19.6%				
Diluted shares outstanding	14.0%	80.9%	0.0%	1.2%	(0.5%)	(0.5%)	0.4%	(0.4%)	0.0%	0.7%	0.4%	0.5%	0.5%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%				
EBITDA	145.2%	268.4%	(15.6%)	(26.6%)	(27.2%)	43.2%	37.1%	8.7%	63.8%	80.8%	57.4%	(7.6%)	20.7%	31.6%	36.0%	20.2%	17.2%	25.2%	25.2%	25.2%	25.2%	25.2%				
<b>BRIDGES SCIENTIFIC INSTRUMENTS NON-GAAP</b>																										
Revenue	\$ 1,074.1	\$ 1,211.5	\$ 1,413.5	\$ 1,516.2	\$ 1,211.5	\$ 1,413.5	\$ 1,516.2	\$ 1,618.9	\$ 2,011.5	\$ 2,114.5	\$ 2,217.5	\$ 2,320.5	\$ 2,423.5	\$ 2,526.5	\$ 2,629.5	\$ 2,732.5	\$ 2,835.5	\$ 2,938.5	\$ 3,041.5	\$ 3,144.5	\$ 3,247.5	\$ 3,350.5				
COGS	\$ 122.2	\$ 131.7	\$ 132.7	\$ 133.9	\$ 134.9	\$ 135.9	\$ 136.9	\$ 137.9	\$ 138.9	\$ 139.9	\$ 140.9	\$ 141.9	\$ 142.9	\$ 143.9	\$ 144.9	\$ 145.9	\$ 146.9	\$ 147.9	\$ 148.9	\$ 149.9	\$ 150.9	\$ 151.9				
Gross profit	\$ 951.9	\$ 1,079.8	\$ 1,280.8	\$ 1,382.3	\$ 1,076.6	\$ 1,277.6	\$ 1,379.3	\$ 1,481.0	\$ 1,872.6	\$ 1,974.6	\$ 2,076.6	\$ 2,178.6	\$ 2,280.6	\$ 2,382.6	\$ 2,484.6	\$ 2,586.6	\$ 2,688.6	\$ 2,790.6	\$ 2,892.6	\$ 2,994.6	\$ 3,096.6	\$ 3,198.6				
SG&A+R&D	\$ 180.0	\$ 200.0	\$ 220.0	\$ 240.0	\$ 260.0	\$ 280.0	\$ 300.0	\$ 320.0	\$ 340.0	\$ 360.0	\$ 380.0	\$ 400.0	\$ 420.0	\$ 440.0	\$ 460.0	\$ 480.0	\$ 500.0	\$ 520.0	\$ 540.0	\$ 560.0	\$ 580.0	\$ 600.0				
Operating income	\$ 771.9	\$ 879.8	\$ 1,060.8	\$ 1,142.3	\$ 816.6	\$ 997.6	\$ 1,079.3	\$ 1,161.0	\$ 1,532.6	\$ 1,614.6	\$ 1,696.6	\$ 1,778.6	\$ 1,860.6	\$ 1,942.6	\$ 2,024.6	\$ 2,106.6	\$ 2,188.6	\$ 2,270.6	\$ 2,352.6	\$ 2,434.6	\$ 2,516.6	\$ 2,598.6				
Revenue growth organic, constant currency	3.0%	(13.2%)	9.1%	3.2%	(0.0%)	0.0%	17.9%	14.0%	4.1%	10.7%	4.9%	2.9%	2.2%	3.0%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%				
Revenue growth FX	(7.2%)	(7.4%)	(7.5%)	9.7%	(1.2%)	(7.8%)	(6.9%)	(7.8%)	(0.9%)	(0.9%)	(0.9%)	(0.9%)	(0.9%)	(0.9%)	(0.9%)	(0.9%)	(0.9%)	(0.9%)	(0.9%)	(0.9%)	(0.9%)	(0.9%)				
Revenue growth acquisitions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%				
Revenue growth total	(3.8%)	(20.4%)	7.6%	12.8%	(1.1%)	16.4%	16.1%	15.9%	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%				
Gross margin	45.2%	45.4%	45.7%	45.9%	47.2%	47.1%	47.0%	50.1%	49.8%	49.8%	49.8%	49.8%	49.8%	49.8%	49.8%	49.8%	49.8%	49.8%	49.8%	49.8%	49.8%	49.8%				
SG&A + R&D	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%				
EBIT margin	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%				
<b>BRIDGES ENERGY &amp; SUPERCON TECHNOLOGIES NON-GAAP</b>																										
Revenue	\$ 43.5	\$ 51.2	\$ 58.9	\$ 66.6	\$ 74.3	\$ 82.0	\$ 89.7	\$ 97.4	\$ 105.1	\$ 112.8	\$ 120.5	\$ 128.2	\$ 135.9	\$ 143.6	\$ 151.3	\$ 159.0	\$ 166.7	\$ 174.4	\$ 182.1	\$ 189.8	\$ 197.5	\$ 205.2				
COGS	\$ 7.5	\$ 12.1	\$ 10.3	\$ 21.0	\$ 11.1	\$ 18.8	\$ 16.0	\$ 23.1	\$ 12.7	\$ 18.7	\$ 15.9	\$ 23.1	\$ 12.7	\$ 18.7	\$ 15.9	\$ 23.1	\$ 12.7	\$ 18.7	\$ 15.9	\$ 23.1	\$ 12.7	\$ 18.7				
Gross profit	\$ 36.0	\$ 39.1	\$ 48.6	\$ 45.6	\$ 63.2	\$ 63.2	\$ 73.7	\$ 74.3	\$ 92.4	\$ 94.1	\$ 104.6	\$ 115.1	\$ 123.2	\$ 124.9	\$ 135.4	\$ 145.9	\$ 156.4	\$ 166.9	\$ 177.4	\$ 187.9	\$ 198.4	\$ 208.9				
SG&A+R&D	\$ 15.0	\$ 16.0	\$ 17.0	\$ 18.0	\$ 19.0	\$ 20.0	\$ 21.0	\$ 22.0	\$ 23.0	\$ 24.0	\$ 25.0	\$ 26.0	\$ 27.0	\$ 28.0	\$ 29.0	\$ 30.0	\$ 31.0	\$ 32.0	\$ 33.0	\$ 34.0	\$ 35.0	\$ 36.0				
Operating income	\$ 21.0	\$ 23.1	\$ 31.6	\$ 27.6	\$ 44.2	\$ 43.2	\$ 52.7	\$ 52.3	\$ 69.4	\$ 70.1	\$ 79.6	\$ 89.1	\$ 98.2	\$ 96.9	\$ 106.4	\$ 115.9	\$ 125.4	\$ 134.9	\$ 144.4	\$ 153.9	\$ 163.4	\$ 172.9				
Revenue growth organic, constant currency	3.0%	(13.2%)	9.1%	3.2%	(0.0%)																					

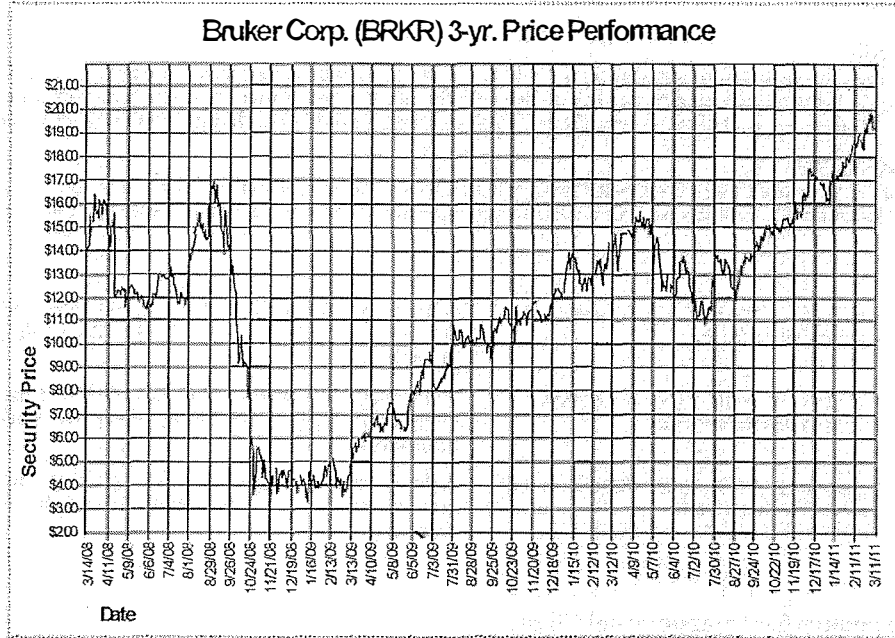


Exhibit 3a: Relevant Metrics

FY ending December in thousands, except per share and headcount	2008				2009				2010				2011			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1E	Q2E	Q3E	Q4E
<b>HEADCOUNT METRICS</b>																
Production & distribution (FTE & PTE)																
Sales & marketing (FTE & PTE)																
Research & development (FTE & PTE)																
Total	3,800				4,000				4,000				4,000			
U.S. FTEs	785				800				800				800			
Ex-U.S. FTEs	1,023				1,150				1,150				1,150			
Total FTEs	1,779				1,950				1,950				1,950			
Annualized revenue per employee (000s)	\$ 233				\$ 229				\$ 243				\$ 252			
Annualized operating assets per employee (000s)	\$ 234				\$ 209				\$ 203				\$ 223			
<b>BALANCE SHEET RATIOS</b>																
<b>Leverage</b>																
Cash, equivalents and marketable securities	\$ 69.8				\$ 53.3				\$ 34.4				\$ 107.7			
Total debt	(\$ 22.4)				(\$ 42.7)				(\$ 23.3)				(\$ 103.0)			
Net cash (\$/bill)	\$ 70.2				\$ 9.5				\$ 300.4				\$ 157.7			
Net cash/total debt	3.14x				0.22x				12.87x				1.51x			
Debt to capitalization	12.4%				10.9%				6.6%				12.0%			
Total debt/TTM EBITDA	1.4x				0.9x				1.5x				1.4x			
Other																
Books & shares	\$ 2.3				\$ 1.0				\$ 3.9				\$ 1.0			
Temporary books & shares	\$ 2.1				\$ 1.4				\$ 3.0				\$ 1.8			
Free cash flow	\$ 30.0				\$ 30.1				\$ 81.4				\$ 59.5			
Free cash flow per share	\$ 0.43				\$ 0.50				\$ 0.36				\$ 0.45			
Working capital/TTM revenue	\$ 0.46				\$ 0.44				\$ 0.56				\$ 0.50			
<b>Duplicate Analysis</b>																
Profit margin (net income/assets)	1.4%				3.7%				10.4%				6.9%			
Asset turnover (revenue/assets)	0.8				1.1				1.2				0.9			
Return on assets	1.1%				6.2%				12.6%				6.2%			
Leverage ratio (asset/liability)	1.7				2.0				2.1				2.8			
Return on equity	2.0%				12.4%				26.1%				15.0%			
<b>REVENUE BY GEOGRAPHY (from 10K)</b>																
U.S.	\$ 727.2				\$ 727.2				\$ 727.2				\$ 727.2			
Germany	192.2				192.2				192.2				192.2			
Rest of Europe	316.2				316.2				316.2				316.2			
APAC	237.8				237.8				237.8				237.8			
Other	39.8				39.8				39.8				39.8			
Total	\$ 1,107.1				\$ 1,107.1				\$ 1,107.1				\$ 1,107.1			
Growth																
U.S.	-8.9%				-8.9%				-8.9%				-8.9%			
Germany	-18.3%				-18.3%				-18.3%				-18.3%			
Europe	2.0%				2.0%				2.0%				2.0%			
APAC	28.8%				28.8%				28.8%				28.8%			
Other	-0.8%				-0.8%				-0.8%				-0.8%			
% of Total																
% U.S.	64.8%				64.8%				64.8%				64.8%			
% Germany	17.3%				17.3%				17.3%				17.3%			
% Rest of Europe	28.6%				28.6%				28.6%				28.6%			
% APAC	21.4%				21.4%				21.4%				21.4%			
% Other	3.5%				3.5%				3.5%				3.5%			
Total	100.0%				100.0%				100.0%				100.0%			
<b>PRODUCTS VERSUS SERVICES</b>																
Product revenue	\$ 113.2				\$ 97.9				\$ 102.2				\$ 222.9			
Service revenue	115.4				129.9				288.2				344.8			
Other revenue	3.8				5.3				1.6				1.3			
Total revenue	1,032.4				1,107.1				230.0				257.5			
Cost of product revenue	483.2				527.5				111.7				125.2			
Cost of service revenue	72.8				74.0				16.1				15.1			
Total cost of revenue	556.0				601.5				127.8				140.3			
Total gross profit	476.4				505.6				102.2				117.2			
<b>SYSTEM VERSUS AFTERMARKET</b>																
BEST system revenue	\$ 855.6				\$ 170.6				\$ 191.3				\$ 197.8			
BEST aftermarket revenue	292.2				292.2				292.2				292.2			
BEST revenue	\$ 1,074.1				\$ 223.0				\$ 243.3				\$ 251.0			
BEST system revenue	\$ 40.0				\$ 7.0				\$ 10.3				\$ 13.5			
BEST aftermarket revenue	3.5				9.5				0.4				0.7			
BEST revenue	\$ 43.5				\$ 16.5				\$ 10.7				\$ 14.2			
Total system revenue	\$ 893.0				\$ 184.2				\$ 204.6				\$ 211.1			
Total aftermarket revenue	223.0				223.0				223.0				223.0			
Consolidated revenue before eliminations	\$ 1,117.0				\$ 231.1				\$ 255.0				\$ 270.0			
% system revenue	80.0%				79.2%				80.2%				80.0%			
% aftermarket revenue	20.0%				20.8%				19.8%				20.0%			

Source: Company filings; Wells Fargo Securities, LLC estimates

Required Disclosures



Date	Publication Price (\$)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price (\$)

Source: Wells Fargo Securities, LLC estimates and Reuters data

- |                          |   |                        |
|--------------------------|---|------------------------|
| <b>Symbol Key</b>        |   | <b>Rating Code Key</b> |
| ▼ Rating Downgrade       | ◆ Initiation, Resurrection, Drop or Suspend | 1 Outperform/Buy       |
| ▲ Rating Upgrade         | ■ Analyst Change                            | 2 Market Perform/hold  |
| ● Valuation Range Change | □ Split Adjustment                          | 3 Underperform/Sell    |
|                          |   | SR Suspended           |
|                          |   | NR Not Rated           |
|                          |   | NE No Estimate         |

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As of: March 15, 2011

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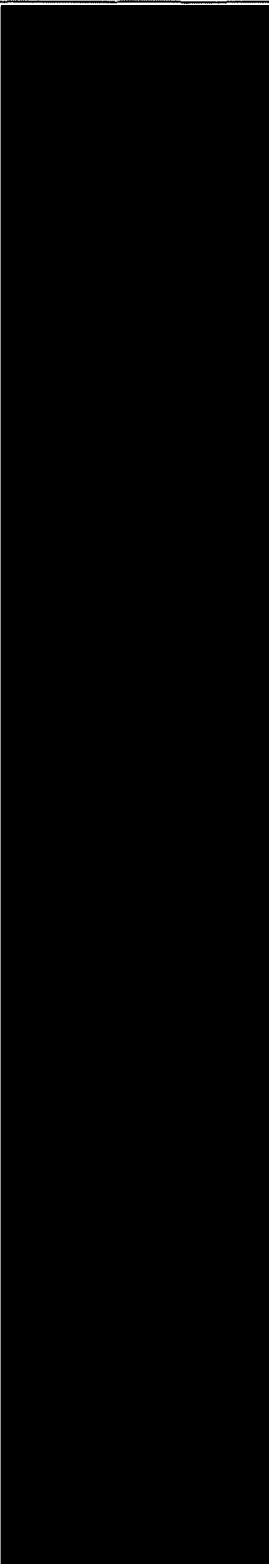
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Conference Participant Report  
Conf. Date: 12/14/2010  
Conf. Time: 12.00 ET

Company: Wells Fargo & Company  
Leader Name: Lori Johnson  
Conference ID: 30827914

Start Time	End Time	First and Last Name	Wells Fargo ID Number
11:58:00	12:37:32	SHIN KANG	
11:58:12	12:03:36	PAUL OPPOLD	
11:58:13	12:37:28	RONALD LONDE	
11:58:16	12:37:42	MIKE MADSEN	
11:58:18	12:37:55	ERIC BOYER	
11:58:24	12:37:29	TIM CONDER	
11:58:33	12:37:55	TRISHA DILL	
11:58:36	12:37:31	CARL REICHARDT	
11:58:38	12:37:55	BOB HAMMEL	
11:58:38	12:37:26	HERMAN CHAN	
11:58:40	12:37:35	ANDY CASEY	
11:58:42	12:37:40	EDWARD MABRY	
11:58:49	12:37:37	ROBIN DAVIS	
11:58:56	12:37:37	NICOLE HAYASHI	
11:59:24	12:37:19	ANDREW SPINOLA	
11:59:28	12:37:36	PAULINE JERRY	
11:59:44	12:37:30	CHRIS HARRIS	
11:59:50	12:37:30	JOE LACHKY	
11:59:58	12:37:32	GORDON DOUTHAT	
12:00:24	12:37:32	SHARON LUI	
12:00:31	12:37:29	BRENDAN MAIORANA	
12:00:36	12:37:55	JOHN HALL	
12:00:39	12:37:36	COLLEEN HANSEN	
12:00:41	12:37:12	CARLOS SANTARELLI	
12:00:49	12:37:33	ARON HONIG	
12:00:56	12:37:55	MICHAEL BOLTE	
12:00:59	12:37:31	TIM SCHLOCK	
12:01:00	12:37:29	DAVID GU	
12:01:05	12:37:30	CHRIS WICKLUND	
12:01:09	12:37:39	STEPHAN BISSON	
12:01:15	12:37:34	JOSH DOLIN	
12:01:16	12:12:47	GREG BOLAN	
12:01:20	12:37:55	JOEL HOUCK	
12:01:26	12:37:30	NATHAN BURK	
12:01:38	12:37:55	DENNIS GEIGER	
12:01:54	12:37:28	ALYSE GREENSPAN	
12:01:55	12:37:55	MICHAEL HALL	
12:02:18	12:37:55	PHILIP DEFELICE	
12:02:35	12:37:31	LEI HUANG	
12:02:44	12:37:35	SUSAN ROSS	
12:02:49	12:37:30	MICHAEL WEBBER	
12:02:59	12:37:30	MATTHEW ANDREWS	
12:03:03	12:37:55	DIANE SCHUMAKER	
12:03:34	12:37:55	TODD STENDER	
12:03:54	12:37:29	DANIEL MOISIO	
12:04:40	12:37:55	JEFF DONNELLY	
12:04:41	12:37:33	HOWARD PARK	
12:07:08	12:37:36	VILMA CHUY	
12:07:18	12:37:24	MICHAEL CONLON	
12:07:27	12:37:34	DAVID TAMERON	
12:08:21	12:37:55	BRENDAN METRANO	
12:24:45	12:37:32	DORI KESTEN	



Conference Participant Report  
Conf. Date: 12/14/2010  
Conf. Time: 12.00 ET

Company: Wells Fargo & Company  
Leader Name: Lori Johnson  
Conference ID: 30827914

S/S

*Annual Compliance Training*  
Wells Fargo ID Number

Start Time	End Time	First and Last Name
11:53:53	12:37:37	SPK LORI JOHNSON
11:58:12	12:37:29	SPK PAUL OPPOLD
11:58:20	12:37:36	SPK SCOTT FRIEDMAN
11:58:50	12:37:38	SPK PATRICK HAYS
11:59:46	12:37:30	SPK DANIEL HUGHES
11:45:17	12:37:55	YOUNG KU
11:46:30	12:37:29	MICHAEL BLUM
11:47:27	12:37:34	RYAN HALSTED
11:47:38	12:37:55	MARY LEGALL
11:48:45	12:37:55	PARKER PAULIN
11:48:52	12:37:28	MICHAEL TONG
11:49:18	12:37:35	JAMES SHANAHAN
11:49:59	12:37:35	PRANEETH SATISH
11:50:18	12:37:28	SEAN DARGAN
11:50:24	12:37:29	VINCENT CAINTIC
11:51:56	12:37:51	ERIC SHIU
11:52:00	12:37:40	ALLISON POLINIAK
11:52:24	12:37:23	DAVID WONG
11:52:26	12:37:31	DAVID LIM
11:52:44	12:37:32	MARCI RYVICKER
11:52:44	12:37:27	ROB LAQUAGLIA
11:53:13	12:37:35	EDWARD CASO
11:53:52	12:37:32	ADAM RUDIGER
11:54:07	12:37:37	RYAN MEEHAN
11:54:26	12:37:36	SUMAN KABA
11:54:30	12:37:39	JULIE SOSIAK
11:54:38	12:37:40	PETER COSTA
11:54:54	12:37:30	JONATHAN REEDER
11:55:07	12:37:30	JAY DONNELLY
11:55:12	12:37:32	RICHARD ESKELSEN
11:55:12	12:37:37	ROSS BRIGGS
11:55:14	12:37:37	MATT BURNELLA
11:55:15	12:37:27	SARAH AKERS
11:55:19	12:37:31	GRAY POWELL
11:55:20	12:37:35	MINA LEE
11:55:21	12:37:55	THOMAS CURAN
11:55:34	12:37:28	JEFF MORGAN
11:55:52	12:37:20	JEFF LUBERT
11:56:00	12:37:30	MAREN KASPER
11:56:08	12:37:30	TREVOR SEELYE
11:56:13	12:37:55	NEIL KALTON
11:56:14	12:37:38	BRIAN JEEP
11:56:30	12:37:55	MICHAEL KERLAN
11:56:45	12:37:28	BRIAN DAVIS
11:56:45	12:37:32	EVREN KOPELMAN
11:56:45	12:37:31	ILEEN SLAVIN
11:56:50	12:37:23	JUSTIN WARD
11:56:52	12:37:55	ANTHONY GALLO
11:56:52	12:37:21	KELLY KNYBELL
11:56:52	12:37:55	MICHAEL BUSCHE
11:56:52	12:37:39	TIM EVANS
11:56:58	12:37:45	TIM WILLI
11:57:05	12:29:44	SARA MAGERS
11:57:06	12:37:29	BRIAN KENNEDY
11:57:08	12:37:29	BRIAN ABRAHAMS
11:57:44	12:37:30	SAM DUBINSKY
11:57:46	12:37:28	MICHAEL WALSH
11:57:53	12:37:35	KAREN RUSSILLO



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**From:** Wickwire, Todd [REDACTED]  
**Sent:** Wednesday, October 07, 2009 4:27 PM  
**To:** Equity Research All  
**Cc:** Micciche, Mike; Pearlstein, Sam  
**Subject:** **\*\*IMPORTANT\*\*** Have you called your trader today?  
**Attachments:** Market Maker Map.pdf

Regarding Mike's email below, please make every effort to be in constant dialogue with your trading counterparts. Obviously if you are contemplating or in the process of changing your rating; valuation range and/or estimates, you are required to first publish a note before you can discuss those changes with anyone.

Thanks for focusing on this.

Sam & Todd

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**From:** Micciche, Mike  
**Sent:** Wednesday, October 07, 2009 1:12 PM  
**To:** Equity Research All  
**Cc:** ED - Sales and Trading; Snyder, Geoffrey; Brown, Matthew; Wickwire, Todd; Pearlstein, Sam; Ruggieri, Joseph  
**Subject:** **\*\*IMPORTANT\*\*** Have you called your trader today?

Gents and Ladies in Research,

Lately, the Product Marketing Desk has been getting a number of calls from the position trading desk in search of commentary from our analysts.

We realize that everyone is busy, that everyone has many constituents to serve, and that oftentimes it's easy to forget to make that call to the desk. However, given the number of new traders onboard now, it's important that you establish and maintain a good working relationship with them and keep the information flowing on a daily basis.

This is true when there are market-moving events and big news stories on the tape, as well as just for routine check-ins.

You should call your trader at least once a day to exchange information. Even if neither of you has anything pressing to offer the other, at least you have spoken. He knows where you are, and you know you will not get blindsided by something you missed.

Moreover, you never know what the trader may have for you that leads you to be more effective. Arming them with your thoughts will make them more effective. Every time.

Most importantly, and especially when your stocks are moving, **NOTHING ELSE** you can do will impact revenues more directly than providing the person who trades your stocks with timely opinions and answers to questions.

\* Make it your responsibility to call the desk every morning and

check in...whether you're on the 7:10 morning call or not, whether anything is going on or not. The position traders are all here by 7:00am. They're at their desks while the market is open. The number for position trading is [REDACTED]. This goes for associates, as well, since there is much to learn from dialog with market makers.

\* When news breaks, be certain to call right away. For example, if there is a news article on one of your stocks, if a competitor changes a rating, if a merger is announced, if the company files an 8-K, etc., etc., etc.), our clients are asking the trading desk what you think. The traders need to know what your position is right then, and they're unlikely to intuit that nothing has changed since your last squawk two and a half weeks ago, even in light of the unfolding event.

\* Sometimes you may be reconsidering your rating or estimates in reaction to an event -- thus, you must of course act within compliance guidelines. But do not get so caught up in writing your note/squawk that you fail to communicate with the trading desk in a timely manner. If you are able to provide your opinion, be sure to call the desk first thing.

\* Create, foster, enhance, and manage your relationship with your trader just as you would with any voting client. Walk up to the 4th floor trading desk after the morning call or stop by to say hello in person when you're in NYC.

\* Ask your trader questions. Some analysts have complained that the information flow is one-way. I challenge: Show me a trader not willing to offer up what he knows about a market and I'll show you a person who didn't ask him to. True, sometimes nothing's going on...but that's not very often.

Attached below is the most recent copy of our Trader Map of the 4th floor, which includes the names and industries of all the market makers (i.e., industry-specific position traders) as well the names of all NY-based sales traders, which are shown in the yellow blocks

<<Market Maker Map.pdf>>  
If you have any questions or if you need an introduction to your trader, please call me directly.

Best,

Mike

Michael Micciche  
Head of Institutional Equity Product Marketing  
Wells Fargo Securities, LLC

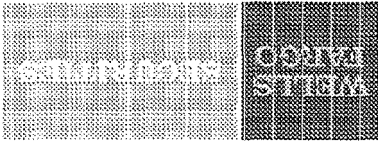
[REDACTED]  
[REDACTED]  
[REDACTED]



Date Presenting

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# Annual Compliance Meeting 2009

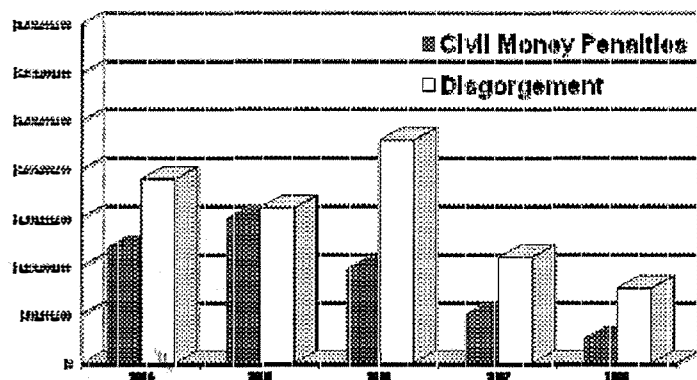


# Why Are We Here?

## #1 - It's Required!

- NASD Rule 1120 requires all broker-dealers to establish a formal training program to keep employees up to date on job- and product-related subjects.
- NASD Rule 3010 requires the participation of each registered representative and registered principal, either individually or collectively, no less than annually, in an interview or meeting at which compliance matters relevant to the activities of the representative(s) and principal(s) are discussed.

## #2 - Fines and censures remain prevalent.



Monetary Disgorgement & Penalties within SEC actions (2004 - 2008)

FINRA Fine Range	Number of Fines	Number of Censures
\$100,001 to \$250,000	45	15
\$250,001 to \$500,000	10	12
\$500,001 to \$750,000	4	3
\$750,001 to \$1,000,000	2	2
\$1,000,001 to \$1,500,000	2	2
\$1,500,001 or more	0	5

FINRA Fines  
January 2008 - June 2009

## #3 - Regulatory environment changes quickly and we are allowed less time to comply.

Source: Morgan Lewis

Source: Morgan Lewis

## Objectives Of Training

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- To review all rules and regulations highlighting new rules and interpretations that pertain to your activities as licensed individuals.
- To review policies and procedures established for Compliance with applicable rules and regulations.
- To answer questions.

### FAIR PRACTICE

Deal fairly with all persons in accordance with the highest standards of professional ethics in the securities industry.

All personnel will conduct business in compliance with all the applicable regulations

# Rules, Regs, Policies and Procedures

WELLS FARGO SECURITIES

CONFIDENTIAL TREATMENT REQUESTED

WF-000506244

## Important Compliance Websites

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You are all responsible for being familiar with, and complying with these policies, among others:

- Supervisory Procedures and Compliance Guidelines
- Applicable Compliance Bulletins
- Team Member Conduct Policy
- Auction Rate Securities Procedures
- Anti-Money Laundering and Anti-Terrorist Financing Policy
- Corporate Bank Secrecy Act Policies
- Personal Investment Policy
- Information Barrier & Client Management Policy
- Wells Fargo Code of Ethics and Business Conduct

<https://infodesk.wachovia.net/Compliance/>



## Reasons To Notify Compliance

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- Have (or change) any outside brokerage accounts;
- Have any "outside business activity";
- Become a director, controlling stockholder, partner, officer of any financial company;
- Want to invest in any "private" securities transaction;
- Are named as a defendant in any securities related litigation/arbitration;
- Are indicted, plead guilty to or no contest to any criminal offense (other than traffic violations);
- Receive a complaint from a customer or client, or are contacted by a regulator or legal authority;
- Are associated financially or in any business with any person that has been "statutorily disqualified";
- Hire someone new or transfer to a different business unit;
- You are unsure if an action would violate procedures, industry regulations, or ethical standards.
- You become aware of business conduct that violate procedures, industry regulations, or ethical standards.
- Have a change of address or name change.

## General Rules & Regulations Applicable To All Licensed Individuals

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- ⌘ Political Contributions
- ⌘ Due Diligence
- ⌘ Conflicts of Interest
- ⌘ Fair Dealing
- ⌘ Gifts and Entertainment
- ⌘ Anti-Money Laundering
- ⌘ Suitability
- ⌘ Communication
- ⌘ Advertisements & Pitchbooks
- ⌘ Customer Complaints
- ⌘ Insider Trading
- ⌘ Information Barriers / Confidentiality
- ⌘ Personal Investment Policy
- ⌘ Anti-Tying
- ⌘ The Federal Reserve Act: Sections 23A & 23B
- ⌘ Fax Guidelines
- ⌘ Record Retention
- ⌘ New Businesses / New Products / New Securities
- ⌘ Licensing & Continuing Education
- ⌘ International Business Dealings
- ⌘ Guarantees
- ⌘ Loan Arrangements
- ⌘ Rebates & Compensation
- ⌘ Research
- ⌘ Outside Business Activities
- ⌘ Outsourcing
- ⌘ Risk Mitigation
- ⌘ Government Sponsored Enterprises
- ⌘ Reporting
- ⌘ Circulation of Rumors
- ⌘ 1933 Act Reform
- ⌘ SEC Registration
- ⌘ Complex Structured Products
- ⌘ Mark Up/Down & Best Execution
- ⌘ External Pricing
- ⌘ Record Keeping
- ⌘ Extension of Settlement

## U.S. Licensing and Registrations

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### Who must be licensed?

- ※ Anyone that solicits, corresponds or has contact with a client or makes recommendations of Broker Dealer (WFS) products.
- ※ Must be registered in all states in which you **solicit** or **conduct** securities activities.
- ※ Must report to a 'Designated Principal' (Series 24).
- ※ Licensing Policy
  - ※ Deadlines for passing exams are **90 days** from the date of the relevant job assumption. (Note that if a new hire transfers a Series 7/79\* license over to WFS then that person has 30 days to pass the Series 63 from their start date.)
  - ※ Research Analyst = 7, 63                  Equity Research Analyst = 86, 87

### Continuing Education

- ※ Firm Element
  - ※ Computer Training and Compliance or Business training sessions
- ※ Regulatory Element
  - ※ Beginning on the 2nd anniversary of your license, and
  - ※ Every 3 years thereafter

Keep your address and other information on MSD-4 and U-4 Forms current by immediately notifying Compliance and your Supervisor of any changes.

\*The Series 79 license is available November 2009

## WFS Inactive FINRA License Holders

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- In limited circumstances, regulations and policy permits WFS to hold the FINRA licenses of a Wells Fargo employee who does not require a license to perform his/her job duties. These circumstances include employees of a non-US affiliate in the securities business who may require a FINRA license in the future to conduct Wells Fargo business.
- These license holders may not hold themselves out to the public in connection with WFS. This is a condition for WFS to continue holding the license.
- Such licensed employees must contact Compliance if their duties change so that a FINRA license may be a requirement.
- FINRA regulations still apply to certain general activities even though Broker-Dealer activity is performed in WFSIL.
- Bad conduct while in the service of WFSIL may be grounds for disciplinary action by FINRA and force regulatory filings by WFS. For example, a felony arrest, fraud, securities related complaints and allegations, failure to complete continuing education, outside business activities

## WFS Permissive Registrants

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- Permissive registrants are individuals who maintain securities licenses with WFS and perform legal, compliance, internal audit, back-office operations, and similar responsibilities for WFS.
- Permissive registrants may not engage in securities or investment banking business on behalf of WFS.
- Permissive registrants must notify compliance if their job function changes.

## SUITABILITY – Very Important

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### **KNOW YOUR CUSTOMER**

- Complete POQ's are critical.
  - Customer account changes will require both sales person and supervisory principal approval and need to be approved in a timely manor. Such changes include Name, Address, TIN# and Investment Objective changes
  - Salesperson will be required to document the reason for the change (i.e. customer request, W-9, address change, etc.) on POQ. Note: NYSE rule is applicable to WFS however, WBNA implemented identical procedures. See NYSE 342, 401, 408 & 410
- Accurate leveling of accounts is necessary.
- Compliance with AML is mandatory.
- Know your product.

## New Account Documentation

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- The account "Level" determines the new account documentation procedures for that customer. To ensure the proper documentation is sent to the customer, it is imperative that you work with Middle Office to assign the correct account level to the account when you open the account on the POQ system.
- The Account Documentation serves the purpose of documenting the account relationship, but it also enables us to comply with certain regulations, such as anti-money laundering due diligence.

## Account Documentation Unit

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- The New Account Documentation Unit will be responsible for mailing and tracking all documents.
- As long as the Registered Representative opening the account levels or categorizes the account properly, the documentation unit will process all paperwork without involving the Salesperson.
- If the Account Documentation Unit contacts you, please be responsive.



## Customer Complaints

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- ⌘ Any written statement from a customer or their representative, which alleges the mishandling of an account or transaction, or improper conduct on behalf of a Company employee, is considered a complaint.
  - ⌘ All customer complaints, whether written or oral must be brought to the attention of the Supervisory Principal ("SP") or Manager and be forwarded to the Compliance Department.
    - ⌘ Neither the salesperson nor the SP or Manager should attempt to settle complaints or disputes. Compliance will keep you updated on the status of the complaint.
  
- ⌘ NYSE Rule 401A - requires member firms to acknowledge a customer complaint within 15 days of receipt.
  - ⌘ Written complaints must receive a written response.
  - ⌘ Verbal complaints may receive either a written or verbal response. Verbal responses must be logged.
  - ⌘ All responses and logs must be retained for a period of 6 years, 2 years easily accessible.
  
- ⌘ NYSE Rule 351 - requires member firms to aggregate and report customer complaint statistics on a quarterly basis.
  
- ⌘ Not sure? Call Compliance

## Anti-Money Laundering / Know Your Customer

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### **You are our first line of defense:**

- Verify a customer's identity
- Assess the customer's source of funds
- Determine the customer's normal and expected transactions
- Assess the customer's character or reputation

Relationship Managers and all SIG, IBCM and Corporate Banking team members must understand their customer's business (type, ownership, source of revenue, supply chain, etc.) and be able to identify red flags.

## Anti-Money Laundering / Patriot Act

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### # **USA Patriot Act**

- # Requires all financial institutions establish AML programs that include:
  - # Policies & procedures, a designated compliance officer, training, and audit.

### # **Section 326**

- # Requires financial institutions to create a minimum 3-point Customer Identification program (CIP).
  - # Identification verification procedures
  - # Information record keeping
  - # Government-list comparison
- # **Customers must be provided a notice of their duty to comply with the new identification provisions. This notice must be provided before a financial commitment is made to the customer.**
- # **Must collect the following information on all new customers:**
  - # Legal Name, Physical Address, Tax ID or foreign country designation
    - # This info must be entered by the BU into the appropriate system (CIBOS, POQ, Portal, LTAM, etc.) prior to execution.
    - # Must use correct legal name and ID of the issuer/borrower, not their parent or affiliate.

## High Risk Customers

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- High Risk customers must be identified in the customer build process as it is the responsibility of the relationship manager to accurately categorize their customers.
  - For EDD, bankers must contact Compliance to initiate process and collect information.
  
- Please Note - "High Risk" Customers:
  - May warrant obtaining additional customer information
  - Timing delays may result
  - Business may be declined
    - Reputation Risk v. Regulatory Prohibition
  
- EDD simply means Compliance will require additional customer information and may include some investigative work by our Corporate AML group.

## What To Do If You Suspect Money Laundering

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### **Do Not:**

- Tip the customer to your suspicions.
- Open an account or execute further transactions until legitimacy is established.
- Provide access to Wells Fargo letterhead and business cards.

### **Do:**

- Collect as much information and facts about the customer to aid in the investigation.
- Contact Your:
  - Industry Group Head or Manager, **and**
  - Compliance Officer **and/or**
  - WFS AML Contact
    - Gary Rudolph [REDACTED]
    - Jeremy Blevins [REDACTED]

## Office of Foreign Asset Control

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### **What is OFAC?**

The Office of Foreign Assets Control ("OFAC") of the US Department of the Treasury administers and enforces economic and trade sanctions based on US foreign policy and national security goals against targeted foreign countries, terrorists, international narcotics traffickers, and those engaged in activities related to the proliferation of weapons of mass destruction.

- Balkans
- Belarus
- Burma (Myanmar)
- Cote d'Ivoire (Ivory Coast)
- Cuba
- Congo
- Iran
- Iraq
- Liberia
- North Korea
- Sudan
- Syria
- Zimbabwe

## International Business

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- If you are doing business in a foreign country contact Legal or Compliance to make sure that activities are permitted within that country.
- Compliance reviews most international airline reservations to countries of interest and will send an email requesting pre-approval from the Supervisory Principal.

## NYSE Rule 352 & 353

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- Rule 352 - Guarantees, Sharing in Accounts and Loan Arrangements
  - WFS cannot represent to any client that we will guarantee against a loss on any transaction nor directly or indirectly agree to share in the profits/losses in a transaction effected for a client.
  - WFS personnel cannot borrow from or lend to a client unless it is our normal course of business, or it meets one of the conditions set out in the rule (e.g. family member).
  
- Rule 353 - Rebates & Compensation
  - WFS representatives cannot rebate any compensation paid for doing business or pay compensation as a referral fee. WFS may have referral fee arrangements with foreign entities and member firms.

**Any of the above actions may also trigger implicit recourse --  
please contact Legal or Compliance prior to engaging in any  
of these activities**



## New Products and Initiatives

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### **All new products /initiatives must receive approval from the New Initiatives & Products Committee.**

A new product or activity may include products that:

- Require a change or new system / procedure because existing systems or procedures cannot process it.
- Necessitate a new pricing or risk measurement methodology
- Have unique regulatory, legal, reputation or credit risk characteristics
- Include transactions in new jurisdictions or customer types

If you have questions regarding the New Product Policy, contact your Compliance Officer for guidance.

# Equity Investing

WF-000506263

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## Equity Investing Overview

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### **The Federal Reserve Board's Bank Holding Company Act regulates the Equity Investing process and how the bank holding company conducts Merchant Banking activities.**

- Equity Investments are not eligible for purchase into the bank.
- However, the Federal Reserve Board does allow Equity Investing in the holding company.
  - This activity requires certain rules and regulations to be followed:
    - Y12 reporting data integrity/completeness
    - Firm wide governance over the equity investing process
    - Senior management involvement

**Any transaction that fits the definition of an Equity Investment should be discussed with Compliance and Legal to ensure the proper processes are in place and reg authority assigned.**

## Definition and Scope

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Equity investments are defined as:

- Equity stake in shares, assets, or ownership interest
- Purposes of appreciation and ultimate resale/disposition, strategic client relationship, or tax equity investments

Scope of equity investments (excludes such assets held by WFS as normal BD activity):

- Publicly traded securities
- Privately held equity interests (direct investment)
- Private equity fund (indirect investment)
- Securities that can convert into equities
- Funded equity bridge facilities
- Entities providing capital for RE development projects
- Preferred stock
- Partnership/LLC interests
- Equity ownership in energy/infrastructure projects

NOTE: Legal & Compliance will determine if an investment is considered an EI and thus, requiring a reg authority, on a case by case basis.

# Communications Topics



## Communications With The Public

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- ❖ Communications must be supervised by a Principal in writing and maintained by the Firm.
- ❖ Web Correspondence must include disclosures and represent legal entities appropriately
- ❖ "INTERNAL USE ONLY" means DO NOT DISTRIBUTE TO THE PUBLIC
- ❖ Employees MAY NOT speak to the media without pre-clearance from Legal, Compliance or Corporate Communications.
  - ❖ Respond by saying "No Comment" and refer to Corporate Communications.
    - ❖ Elise Wilkinson [REDACTED]
- ❖ Employees should not speak with regulators. Please forward all inquiries to Compliance.

## Communication Systems Approved and Prohibited

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### PROHIBITED:

- ※ SAMETIME IM
- ※ SMS through Blackberry
- ※ Chat Rooms
- ※ Web blogs
- ※ Podcast
- ※ Send as Rights for Public Folders, Shared Folders, Individuals or Distribution Lists
- ※ Blackberry Pin to Pin
- ※ Blackberry Messaging (IM)
- ※ Social Networking Sites (i.e. LinkedIn, Facebook, etc.)
- ※ Internet based email sites (i.e. Hotmail, Yahoo, AOL, etc.)
- ※ iPhone
- ※ Other systems not specifically approved

### APPROVED:

#### Instant Message Systems

- ※ Yahoo (must have FACETIME to access)
- ※ AOL (aka AIM) (must have FACETIME to access)
- ※ Reuters (must have FACETIME to access)
- ※ Bloomberg
- ※ UBS Chat
- ※ MindAlign (internal messages only)
- ※ Quickflash (internal messages only)
- ※ IM Trader (Equity Group only)
- ※ 2SMS (International Group only)
- ※ Microsoft Office Communicator (internal messages only)
- ※ NAPA (Municipal Group only)
- ※ Bloomberg Chat

#### Email Platforms

- ※ Outlook
- ※ Bloomberg
- ※ Lotus Notes

## Communication

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### **All written communication must be approved by a Supervisory Principal**

- Assentor provides a review, if kept current.
- Pitchbooks / RFP's
- Other Hard Copy Documents (excluding deal files, Offering Summaries, etc.)

In the event hard copy communication (fax or mail) is utilized, administrators should maintain a file and have a principal review periodically.

Supervisory principals attest quarterly for their review of correspondence.



## Circulation Of Rumors

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NYSE Rule 435 prohibits the circulation of "rumors of a sensational character which might reasonably be expected to affect market conditions on the Exchange."

Particular caution should be exercised if the rumor comes from a source that may constitute inside information. However, discussion of unsubstantiated information published by a widely circulated public media is not prohibited as long as the source and unsubstantiated nature of the information are disclosed.

## Pitchbook Requirements

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### **Definition of Approved Pitch Materials**

All Pitch Materials that adhere to the guidelines will be deemed APPROVED and will therefore not require Supervisory Principal pre-review. Questions on whether pitch content can be considered as "approved" should be brought to the attention of the appropriate Supervisory Principal or Compliance, PRIOR to first use. New slide templates should also be presented to the Pitch Review Committee prior to use.

### **Supervisory Responsibility**

- The Supervisory Principal is responsible for enforcing this policy.
- Periodic reviews are conducted of selected pitch materials to make sure approval guidelines are being followed and that any deviations from the approval guidelines are addressed with the appropriate bankers.

## Pitchbook Guidelines

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### **Pitch book Guidelines**

- ※ Municipal products services can only be pitched by properly licensed individuals (Series 7 or 52 and 63).
- ※ Presentation must be fair and balanced.
- ※ Information must be factual and correct to the best of the preparer's ability, and no confidential information should be shared inappropriately.
- ※ Appropriate legal entities are identified (Wells Fargo Securities, LLC, Wachovia Bank, National Association, etc.).
- ※ Appropriate trade name disclaimers are utilized. These can be found in the L:\Pitchbook & Presentation Materials\Templates and Libraries\2.) Libraries (Slide & Shape) folder.
- ※ Sources for all charts, graphs, etc. are cited (e.g. Bloomberg, FactSet, etc.).
- ※ If research or analyst commentary is included in the pitch material, it **MAY NOT** include Wells Fargo Research, and must be in one of the pre-approved formats, found at L:\Pitchbook & Presentation Materials\Templates and Libraries\2.) Libraries (Slide & Shape)\Layouts for presenting Other Firm's Research.ppt (see Attachments). Quotes must be complete and not out of context, and sources must be cited.
- ※ After use, each pitch must be saved for 3 years.

See "Important Documents Related to Pitchbooks" at the following website:

<http://cibteamsites.wachavio.net/sites/gmib/pb/Shared%20Documents/Forms/AllItems.aspx>

## Pitchbook Guidelines (Continued)

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### **Pitchbooks MAY NOT include:**

- Promises of specific results
- Exaggerated or unwarranted claims
- Misleading statements, unwarranted superlatives, or opinions for which there is no reasonable basis
- Forecasts of future events that are unwarranted or that are not clearly labeled as forecasts
- Offers for free services, unless they are actually free
- Any mention of tying or bundling traditional bank services/products with non-traditional bank services/products
- "Internal Use Only" documents

## Top Three Pitchbook Issues

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### **Inappropriate Use of Research**

- ⌘ WFS is prohibited from using its own equity or fixed income research commentary, Research Analyst's biographies or coverage universes, in Investment Banking pitches. This aspect of the policy is designed to ensure that we do not give the appearance that we are touting Wells Fargo's research capabilities (with the regulatory expectations that it will garner Investment Banking business for the firm).

### **Failure to Cite Sources of Charts and Graphs**

- ⌘ Must cite sources for all charts, graphs, etc. (e.g. Bloomberg, FactSet, etc.).

### **Failure to Note who prepared the Pitchbook**

- ⌘ All pitch books must list who prepared the document:
- ⌘ Preparation of materials coordinated by: [CF Associate, Analyst, etc.]
- ⌘ Additional materials provided by: [Business Unit(s) providing materials] (e.g. Investment Banking Capital Markets, Global Structured Originations, etc.)
- ⌘ Presentation of materials coordinated by: [CF Officer (VP/D/MD)]
- ⌘ Portions also presented by: [Business Unit(s) Presenting] (e.g. Investment Banking Capital Markets, Global Structured Originations, etc.)

## Advertisements

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All marketing and advertising pieces prepared by the Marketing Division must be pre-approved by Compliance. Please send the marketing/advertising piece to the distribution list, "Compliance Media Approval" for review.

## Fax Guidelines

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Recently enacted laws and regulations regarding the faxing of marketing materials have several implications:

### Prohibited

- Faxing of any marketing or advertising materials to customers or prospective customers.
  - Product sheets
  - Axe sheets
  - Inventory sheets
  - Rate sheets
  - Newsletters

### Not Prohibited

- Faxes related to a distinct transaction are not considered advertising material.
  - Indicative valuations
  - Documentation to confirm, complete, or expedite a transaction
  - Account forms

# Primary Market Topics



## Risk Disclosure

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When bringing a deal to the Commitment Committee the risk disclosure review with the Committee should fully and completely review all risks as they are in the offering memorandum or prospectus.

The Commitment Committee must be aware of the detailed risks and not just a high level overview.

## 1933 Act Reform

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- ※ Access Equals Delivery – Prospectus delivery requirements can be satisfied by access to filed prospectus at the SEC website.
- ※ Free Writing Prospectus (FWP) – Deal Announcements, Price Talk, Final Terms
  - ※ The Desk will provide approved FWP's to Sales to be distributed to prospective purchasers.
- ※ Internal Use Only – Syndicate Desk must mark it accordingly. If sent publicly, it becomes a FWP that may require SEC filing.
- ※ Price Talk
  - ※ Allowed only after distribution of deal announcement.
  - ※ Sales may update clients with factual information regarding the deal, including:
    - ※ price talk, book size, and basic information available in registration statement
    - ※ No subjective commentary, detailed descriptions, and opinions regarding the issuer or the offering in writing.
    - ※ Equities prohibit price talk in writing unless you use an approved template from the Syndicate Desk.
- ※ Electronic communications about offerings strictly limited to prevent inadvertently distributing FWP's that require filing. If it happens, the Desk and Compliance should be notified immediately.

## 1933 Act Reform - Final Terms

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- Prior to pricing, the Syndicate Desk must obtain a complete disclosure package from the Originations Deal Team.
  - Material changes:
    - ordinarily included in final disclosure package obtained by Syndicate from Originations Deal Team
    - for HY, generally must be communicated to prospective purchasers 48 hours prior to pricing.
- Under reforms, liability is based on information conveyed to investors at or prior to the time of the investment decision.
- Final terms conveyed after pricing, at or prior to confirmation of allocations.
- Origination Deal Team, with the approval from Legal, will determine whether final terms are to be conveyed verbally and/or in writing.
- The Syndicate Desk will provide instructions and/or the final disclosure package with final terms via email to Sales.
  - Sales cannot make changes to Final Term Sheet

## 1933 Act Reform - Summing Up The Steps

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### **Delivery of Preliminary Prospectus**

- ⌘ Via Sales using Bloomberg or Bookbuild system as determined by the BU.
- ⌘ Equities via Electronic Prospectus Manager (EPM).

### **Deal Announcement Provided by Syndicate Desk**

- ⌘ In some cases linked to filed prospectus.
- ⌘ Contains a required legend.

### **Price Talk**

- ⌘ Content limited. When in doubt, communicate by phone.
- ⌘ Avoid inadvertent FWP requiring filing. Notify Desk and Compliance if error.

### **Final Terms**

- ⌘ Communicated verbally or via Final Term Sheet (FWP) by Sales at or prior to allocation.

### **Final Prospectus Delivery**

- ⌘ ADP Mailings.
- ⌘ Ops is in the process of updating coding to allow for Access Equals Delivery. Electronic delivery of 144A in lieu of hard copy is only permitted through I-Deal at this time.
- ⌘ Equities utilize Access Equals Delivery and ADP Mailings.

## Sec Registration Exemptions

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### **Section 144A - new issue must be made to Qualified Institutional Buyers or "QIB"s**

- Documentation Unit monitors for required QIB docs and sends email notices.
  - A current signed QIB letter (non-expiring)
  - A "manager approved" QIB designation
  - Can also utilize the services of a QIB database such as Dealogic
  - The Equity Syndicate Desk utilizes Dealogic

### **Reg S - Offers and sales must be made in "offshore transactions" and no "directed selling efforts" may be made in the US for 40 days after the offering**

- If the offering is a 144A/Reg S offering , then sales may be made to QIBs using the 144A exemption during the 40 day Reg S restricted period.

## Internal Distribution Of New Securities

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- ※ When acting as an underwriter, WFS has an obligation to fully distribute the securities to investors and cannot hold back bonds for internal distribution to business groups.
- ※ Depending on the security offered, the type of offering and the firm's role in the underwriting, certain exceptions may apply that permit internal distribution. The Prop Book may be able to purchase in the transaction and in some cases the Broker Dealer may be able to sell directly to the Prop Book.
- ※ If distribution to the Prop book is an allowable activity under these guidelines, WFS and the allocation process must ensure that no favoritism was granted internally.
- ※ Internal Buying Centers are NOT permitted to purchase IPOs.
  
- ※ These policies apply to the following security types:
  - ※ Common Stock (excluding IPOs)
  - ※ Convertible Debt
  - ※ High Yield Debt
  - ※ Investment Grade Debt
  - ※ Preferred Stock (convertible and/or HY)
  - ※ Preferred Stock (non-convertible and Investment Grade)
  - ※ Securities exempt under Section 3(a)(2)

## Internal Distribution Of New Securities (Continued)

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### ※ **Fixed Price Registered Offering**

- ※ In a fully subscribed offering, securities **may not** be sold to an Internal Buying Center (IBC) if WFS is the bookrunning manager with 100% allocation control.
- ※ In a fully subscribed offering where WFS has no allocation control, an IBC may purchase from another syndicate member but **not** from WFS.
- ※ In a fully subscribed offering where WFS has allocation ability but not 100% control of the allocations, consult Compliance or Legal to determine if an IBC can receive an allocation from another syndicate member.
  - ※ If permitted, another syndicate member's decision to allocate to a WFS IBC cannot be directed by WFS
- ※ If an offering is undersubscribed, an IBC may purchase the security as long as the syndicate desk documents sufficient attempts to distribute the securities and the trade has been approved by Legal and Compliance.
- ※ WFS cannot receive selling concession on any sale to an IBC and a "carve-out" letter will be executed

### ※ **Variable Price Registered Offering**

- ※ WFS or other syndicate members may allocate to an IBC

### ※ **Fixed or Variable Price Private Placements**

- ※ WFS or other syndicate members may allocate to an IBC
- ※ Care should be taken to ensure the IBC is treated without favoritism and similarly to other investors

## Interagency Statement On Complex Structured Transactions

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### **Highlight of Statement:**

- ❖ The Agencies drafted this statement to address the reputational and legal risk assumed by a financial institution when entering into a complex structured product
- ❖ The statement requires that financial institutions should have effective policies and procedures in place to identify complex structured products to ensure that these transactions receive enhanced scrutiny

### **Deal teams are required to:**

- ❖ Complete the Structured Product Transaction Review Template via the automated SPTRT system.
  - ❖ Communicate details of transaction to control groups
  - ❖ Provide a process for control groups to review transactions and elevate to committees, as deemed necessary
- ❖ Inform Control Groups of material changes to products for further analysis
- ❖ Escalate any issues/concerns regarding transactions to Supervisory Principals and Control Groups



# Secondary Market Topics

WILLIS TOWERS WATSON

CONFIDENTIAL TREATMENT REQUESTED

WF-000506266

## Mark-Ups

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**FINRA adopted a general guideline that mark-ups >5% may violate SEC and FINRA Rules. However, the SEC and FINRA have both stated that fair mark-ups on debt securities should be much lower than 5%**

- ⊗ Generally, WFS will not charge a customer a mark-up of over 5%. A mark-up of 3% or even less may be considered unfair or unreasonable.
  - ⊗ QIBs are excluded from the definition of "customer" when transacting in Non-Investment Grade Debt Securities.
- ⊗ **The Trading Supervisory Principals must specifically approve and provide valid justifications to any mark-up in excess of:**
  - ⊗ **1.25% for government securities**
  - ⊗ **1.5% for MBS, ABS & CMOs**
  - ⊗ **1.5% for corporate**
  - ⊗ **2.5% for HY debt**
  - ⊗ **2.5% for municipals**
  - ⊗ **1% for money market securities**
  - ⊗ **4.5% for distressed securities (<80)**
  - ⊗ **2% for all other securities**
- ⊗ As a general guideline, mark-ups on riskless principal transactions should not exceed 1%.
- ⊗ Mark-ups may exceed these thresholds in order to generate a \$50 transaction charge.

## Best Execution

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- Must use reasonable diligence to find the best price for the customer, whether you are executing as principal or riskless.
  - If the security is quoted on multiple markets, OTC, ECN's, etc., then all accessible quotations must be checked.
  - If quotations are published, you must price the trade in line with or better than those quotations.
  - If you go through a broker's broker or other third party to fill a customer order, you must be able to prove that doing so improved the price to the customer.
  
- Must provide best execution to other broker-dealer's customers, if an order is being routed for order handling and execution. This does not apply if the broker-dealer is merely hitting your published quotation.
  - Be especially careful of orders routed from retail firms, such as Wells Fargo Advisors.

## Frontrunning

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- “Front-running” involves the practice of knowingly trading ahead of customer interest to buy or sell a security or related instrument.
  - Includes Options, Futures, CDS, Bonds, and Equities.
  - Proprietary and Personal Trading (any account you have discretion over).
  
- It is the responsibility of each employee and Supervisory Principal of each trading desk to ensure that WFS trading team members do not buy or sell positions in anticipation of the dissemination of written research (e.g. Trading as principal in size following a morning call but prior to the issuance of a written report).

## Fixed Income External Pricing

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Indicative valuations are estimates of fair value, not: quotes, indications, trading levels.

- ⌘ **ALL** client requests on cash bonds must be sent to [REDACTED], and must include: Client Legal Name, CUSIPs / ISINs, e-mail address(es) for report distribution, and timing (daily, weekly, month-end).
- ⌘ Currently extending the pricing system to include CDS and Loans.
- ⌘ Disclaimer is required and on pricing email.
- ⌘ Trading desk Supervisory Principal is responsible for supervision.

External Pricing requests should **ONLY** be sent from Client Pricing.

FID limits pricing to:

- ⌘ Bonds purchased from Wells Fargo
- ⌘ Deals where Wells Fargo was lead or co-lead
- ⌘ Bonds our trading desks own or actively trades
- ⌘ Bonds that a client holds in safekeeping with Wells Fargo
- ⌘ By RARE exception if agreed by Saleperson and Trader, for certain clients will mark specific bonds that do not meet the above criteria.

## TRACE

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Trade Reporting And Compliance Engine (TRACE) provides increased price transparency on an immediate basis to market participants in the US corporate debt market

- What is TRACE reportable?
  - Investment grade debt & High Yield debt, including 144a/DTC issue (144a is reported but NOT disseminated back out to the public. )
  - MTNs, Convertible debt, Capital Trust Securities, Equipment Trust Securities, Floating Rate Notes, Global Bonds issued by US companies and foreign private companies and risk linked debt.
  - March 2010: Agencies and all Corporate New Issues will need to be reported to TRACE.
  - End of 2010: We may need to submit Asset Backed Securities to TRACE.
- Trade details on each transaction that is TRACE reportable must be reported within 15 minutes of execution.
  - Cancel/Corrects done 15+ minutes after execution are considered late trades.
  - FINRA provides monthly reports to firms with reporting stats.

## TRACE Reporting

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- Why is TRACE reporting so important?
  - Data is used as an examining tool and is subject of regulatory sweeps.
  - Fines may be levied for failure to report and misreporting each month.
- Timely AND accurate trade entry is critical.
- WFS (WFBS/WFIS prior to the merger) tracks late reporting daily and reviews FINRA TRACE reports monthly.
- FINRA reviews Late TRACE reporting quarterly and firms reporting over 5% are at risk of being investigated.
- Late TRACE reporting percentage for September 2009:
  - WFS 2.76%
  - WFBS 2.72%
  - WFIS 1.34%

## Extension Of Settlement

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### **SEC Rule 11d-1**

- ❖ Can not extend credit if we participated in a registered offering as a member of a Syndicate or selling group within 30 days of the deal.
- ❖ No funding transaction in the new issue.
- ❖ Delay in settlement is an extension of credit.

### **Federal Reserve Regulation T**

- ❖ Regulates extensions of credit by Broker-Dealer's in secondary market transactions.
- ❖ Regular way settlement = 3 days.
- ❖ Only delay allowed must be due to the mechanics of the transaction, not the ability to pay.
- ❖ Up to 35 days to obtain payment.



# Bank Regulation Topics

WELLS FARGO SECURITIES

CONFIDENTIAL TREATMENT REQUESTED

WF-000508294

## The Federal Reserve Act: Sections 23A and 23B

**§23A and §23B - regulates transactions between banks and their non-bank affiliates. The primary purpose of these provisions is to protect the financial integrity of banks.**

- §23 A – Limits the overall dollar amount of certain transactions between Banks and non-bank affiliates (called “covered transactions”).
  - Includes security purchases by the bank from WFS that are deemed covered.
  
- §23 B – Requires that all transactions between Bank and non-bank affiliates be fair to the Bank. Must be well documented.

## Anti-Tying

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**The Bank may not condition the availability or price of a product or service upon the customer purchasing another non-traditional bank product from any Wells Fargo entity**

- Traditional bank products CAN be tied to each other:
  - Loans
  - Deposit products
  - Trust products

How do you avoid tying?

- Use non-bank product being offered in conjunction with the loan as the tying product
- Move loan outside the Bank (holding company)
- Can discuss the general profitability of the relationship

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# Training required for Sales and Trading of GSE (Government Sponsored Enterprises) Securities

## Government Sponsored Enterprises

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### **Government Sponsored Enterprises (GSEs) include the Farm Credit Bureau, Home Loan Bank, Freddie Mac, and Fannie Mae**

#### GSE/Agency Requirements

- Traders & Salespeople must read each GSE agreement (Farm Credit Bureau, Home Loan Bank, Freddie Mac and Fannie Mae).
- Trading & Sales must sign an agency attestation (annually) and forward it to Compliance.
- Trading & Sales must attend annual GSE compliance training.
- Compliance must provide to each GSE a current authorized signature and contact lists.
- Compliance will submit an annual certification to each GSE attesting to compliance with the agreement.

## GSE Offering and Reporting Requirements

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### Offering Procedures

- ※ All traders and salespeople in WFS, LLC must use reasonable efforts to support customer order flow in the secondary market.
- ※ Suitability – all transactions must be suitable for the customer.
- ※ An executed “Master Dealer Agreement” is required for all dealer purchases.
- ※ Affiliate Transactions – any bonds purchased in the primary offering can not be held in a proprietary account unless we receive prior approval from the agency; bonds purchased in the primary offering for a customer must be held in an inventory account.
- ※ Delivery of offering documents – are required to be delivered to each customer purchasing bonds in the primary distribution and for specified periods of time in the secondary market.

### WFS, LLC Reporting Requirements

- ※ Has reporting requirements for FFCB Designated Bonds.
- ※ Pre-Pricing Report (if applicable) and the Distribution Report (completed by Management/Regulatory Reporting Group) must be submitted within 10 business days after settlement date.
- ※ Period One reporting will include purchases and sales prior to and after the official sale announcement.
- ※ Period Two reporting is for the day’s activity after the new issue is free to trade.

*Note: This will be conducted by the Regulatory Reporting Group*

## GSE Recordkeeping & Audit

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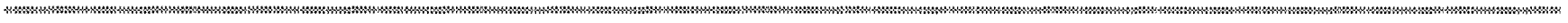
### **Recordkeeping – should be conducted by the traders**

- ❖ Deal information should be maintained in an individual deal file.
- ❖ Ensure that all applicable deal documentation is available in a timely manner to satisfy reporting requirements (eg. for FFCB Designated Bonds).
- ❖ Any records that support WFS, LLC's categorization of any customer on the distribution report must be maintained for three years.

### **Compliance & Independent Audit**

- ❖ Compliance and Internal Audit agency reviews will be conducted annually (Farm Credit, Home Loan Bank, Freddie Mac and Fannie Mae).
- ❖ FHLB's Compliance/Audit Director visits annually to conduct their audit.
- ❖ Audit findings will be reported to senior management.
- ❖ An annual certification must be submitted to each GSE during the first quarter of each calendar year.

CONTROL GROUP  
 FUNCTIONS  
 Information Barriers,  
 Personal Trading,  
 Conflicts of Interest





## Insider Trading

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**Trading when AWARE of material nonpublic information (or tipping) may subject you to civil and criminal penalties & firm disciplinary action:**

- Prison
- Injunctions
- Bars or suspensions
- Disgorgement to the tipper/tippee
  - *3 times* profit made or loss avoided

Firm and Controlling Person (Principals) = greater of **3 times** profit made or loss avoided OR \$1 million

### **How are "Rogue" traders caught?**

- Surveillance (internal and external)
- Review of trading records:
  - Proprietary / institutional trading
  - Employee trading
- Regulatory inquiries
- Cross reference
- Testimony

## WFS' Information Barriers

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### Private Nonpublic

- **Investment Banking**
  - Industry Coverage Groups
  - Financial Sponsors Group (FSG) and M&A
  - US Corporate Banking
  - Eastdil
  - Capital Partners
- **Global Capital Markets**
  - Equity Capital Markets
  - Debt Capital Markets
  - Par Loan Trading
  - Portfolio Management
- **Risk Management/Credit**

### Above the Wall "On Top of the Wall"

- Executive / Senior Mgmt
- Compliance
- Legal

### Public

- Trading
- Sales
- Research

# WFS' Temporary Information Barriers

**Private  
Nonpublic**

**Investment Banking / USCB**

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**Global Capital Markets**

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**Risk Management / Credit**

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**Above the Wall  
"On Top of the  
Wall"**

- Executive / Senior Mgmt
- Compliance
- Legal

**Public**

- Trading
- Sales
- Research
- Brokerage (Financial Advisors)
- Proprietary securities trading/investing

Recognize that a "soft" wall exists between and among these groups and information should only be shared on a "need to know" basis

## “Need To Know” Standard

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- As a general rule, DO NOT share nonpublic or material inside information.
- A “**need to know**” exists if access to information is vital to providing the **INVESTMENT BANKING CLIENT** with the **product** or **service** it has requested from our firm.
- Material nonpublic information (“MNPI”) should be shared only to those who have a “**need to know**” for the purpose of:
  - Executing the client’s strategy or business purpose
  - Managing the client’s relationship
  - Complying with credit, legal or compliance requirements
- Usually the only people who “need to know” nonpublic information about a client are:
  - Members of the deal team assisting that client
  - Legal, Compliance, or Senior Management personnel for internal control, credit or conflict assessment purposes.
- Ensure you are NOT inappropriately sharing with other members of your group who are not also on the client’s deal team.
- Ensure you are **NOT** inappropriately sharing with trading, sales or research.

## Maintaining Confidentiality

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- Must secure all nonpublic information
  - Project names
  - Email / Blackberry
  - Traveling
  - Faxes
  - Copiers
  - Desk tops
  - Login screens
  - Public communications
  - Trash / shredding
  - Elevators / hallways / bathrooms

## Over The Wall Process

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- ⌘ Access to Research, Trading or Sales may be necessary to support various IBCM efforts.
- ⌘ Should be done at the last possible moment in the deal process.
- ⌘ Investment Bankers **MUST** coordinate with their Product Partners, who will:
  - ⌘ Call the Control Group to preclear, allowing Sales, Trading or Fixed Income Research to have access to certain MNPI, referred to as bringing them “over the wall” (“OTW”)
  - ⌘ Call the Co-Heads of Equity Research, who will coordinate with the Control Group to bring an Equity Research Analyst OTW
- ⌘ The Control Group will coordinate with the appropriate Committee or Head of business unit to:
  - ⌘ Assess the timing
  - ⌘ Assess resources
  - ⌘ Determine who will be brought OTW
- ⌘ Share **ONLY** information that will become public. **DO NOT** share inside information that will not be made public upon the announcement or contained in the offering documents.
- ⌘ Wall crossings **RESTRICT**:
  - ⌘ Research coverage relating to the issuer’s securities
  - ⌘ Trading, including making a market, in the issuer’s securities
  - ⌘ Institutional sales from providing investors information regarding the issuer’s securities

## Watch List & Restricted List (Private Side)

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### **Watch List** – Unannounced transactions

- M&A, underwritings/placements, hostile, etc.
- Manage client conflicts and deal teams
- Monitor equity and fixed income research
- Monitor firm, customer & employee trading for indications of misuse of material, nonpublic information
- List NOT distributed outside of Compliance; not disclosed to research analysts, sales, traders or others
- Trading is NOT restricted
- Reconcile to pipeline information system (CIBOS)

### **Restricted List** – Announced transactions

- Restrict trading in announced transaction based on legal or policy requirements

### **Conflicts List**

- Used by the Control Group to monitor any conflicts that may arise from other Firm or corporate relationships and to manage multiple deal teams
- Lists companies with whom we have executed confidentiality agreements
- List NOT distributed outside of Compliance; not disclosed to research analysts, sales, traders or others
- Trading is NOT restricted

## Who, When & What to Communicate to the Control Group (Private Side)

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- **Responsibility of the Client Manager or Senior Banker to contact the Control Group when we are reasonably likely to be engaged, you execute a confidentiality agreement or you obtain information that may be material to the client and/or Wells Fargo [WATCH LIST and/or CONFLICT LIST]**
  - M&A advisory or fairness opinion
  - Underwriting or placement agent
  - Acquisition finance
  - Conflict clearance - both acquirer and target are clients
  - Auctions - multiple acquisition financing deal teams
  - Hostile situations
- **Need to set up Information Barriers between multiple deal teams [WATCH LIST]**
  - Contact the Control Group as soon as possible and prior to receiving confidential information from a client if possible.
- **Deal-related significant events - PRIOR to each event:**
  - Public buyer or target identified
  - Public announcements, including announcements disclosing our role [RESTRICTED LIST]
  - SEC Filings
  - Other material changes
- **Over the wall request and clearance [WATCH LIST]**
- **Engagement updates [WATCH and RESTRICTED LIST]**
  - when the engagement / transaction is complete
  - when the company is no longer actively pursuing the transaction
  - when it is clear that we will not be engaged



## Conflicts of Interest (Private Side)

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- Given industry focus, inevitably we will be involved in transactions where we have a relationship with:
  - Both the potential buyer and seller
  - Multiple potential buyers for the same property being sold
  - The client, looking to represent the management team or an individual shareholder
  
- Sometimes conflicts are of such a nature that they can not be resolved. Ethical, reputation or litigation risks are too high:
  - Advising both a buyer and seller on same transaction
  - Issuing a fairness opinion when Wells Fargo owns equity in a party to the transaction

## Equity and Fixed Income Research (Public Side)

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- Research, sales and trading are both on the Public side of the wall and may communicate freely.
- However, in the event that you obtain Material nonpublic information ("MNPI") in the context of your discussions with Research (front-running research), you MAY NOT discuss with anyone internally or externally or trade in the name.
- Further, if you learn of MNPI through discussions with another account i.e., Hedge Funds, Investment Banks etc. you are prohibited from discussing with anyone or trading in the name and must notify the Control Group immediately.

## Research Independence (Private Side)

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- ⌘ WFS cannot directly or indirectly offer the following in exchange for receiving investment banking business:
  - ⌘ favorable research coverage
  - ⌘ a specific rating or
  - ⌘ a specific price target
  
- ⌘ No communication is allowed between Investment Banking and Equity Research
- ⌘ Email is blocked between IB and Equity Research
  - ⌘ Exceptions are that Research may:
    - ⌘ include bankers on their public distribution list.
    - ⌘ may speak at the beginning of weekly industry meetings (monitored).
  
- ⌘ **No Wells Fargo employee may retaliate against a research analyst in any way for a negative or unfavorable research report or public appearance.**
  
- ⌘ Investment banking, trading, and sales may not request an analyst to write a research report or pick up coverage of an issuer.
  - ⌘ Suggestions may be funneled through IB management to research management for consideration.

## Personal Investment Policy Requirements

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### **Personal Investment Policy ("PIP")**

- Transactions must be executed in-house at Wells Fargo Advisors, LLC or Wells Fargo Investments, LLC
  - Exceptions: managed accounts, 529, mutual funds, and 401(k)'s
- Prior approval required for all personal trades (PASS).
  - Exceptions: closed end funds & ETF's
- 30-day Holding period
- Additional client and conflict restrictions

### **Research**

- All requests for trade approvals **MUST** be submitted to the Supervisory Analyst ("SA") via email
- All SA approvals **MUST** be documented via email

Please refer to the Personal Investment Policy chapter of the supervisory procedures and compliance guidelines for your business line or call the control group at 877-238-7577.

### **Other Regulatory Requirements - Must be pre-approved in writing by WFS Compliance.**

- Private Security Transactions
- Outside Business Activities

# Outsourcing & Offshoring

WELLS FARGO SECURITIES

CONFIDENTIAL TREATMENT REQUESTED

WF-000508314

## Outsourcing & Offshoring

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- Outsourcing & Offshoring (“O&O”)
  - Supervisory responsibilities and regulatory obligations do NOT change when an activity is outsourced
  - The Manager or Supervisory Principal is accountable for supervising the outsourced activity and remains ultimately responsible for its proper performance
  - Outsourcing of Licensed Activity is Prohibited
- O&O Supervisory Procedures
  - Part of Supervisory Procedures and Compliance Guidelines
  - Applicable when outsourced activity poses regulatory or compliance risk to Wells Fargo or otherwise requires supervisory control
  - Not applicable for services performed that do not fall within SIG/IBCM regulated activity (e.g., market data vendors, legal services, printing services, etc.)

## Due Diligence and Risk Mitigation

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- ❖ Supervisors are responsible for ensuring that due diligence of each O&O service provider is sufficient based on the activity that is being outsourced
  - ❖ Sufficient due diligence ensures the continued safety and soundness of the bank and/or adequate supervisory infrastructure for WFS activities
  - ❖ Due diligence on providers is coordinated centrally by the Outsourcing Strategy and Governance Group (OSG)
    - ❖ Certain relationships with O&O providers are entered into directly by the LOB and do not go through the OSG process
- ❖ Supervisors must also ensure that all risks related to an activity proposed for outsourcing have been analyzed and mitigated
- ❖ Supervisors must ensure that controls and mitigants are adequate, implemented, and operating
- ❖ Supervisors can consult:
  - ❖ Wholesale Banking O&O Program Management Office (Marc Pauls) to discuss due diligence and risk mitigation processes and documentation in relation to a specific O&O provider
  - ❖ Operational Risk to obtain additional information regarding risk mitigation requirements and controls

## Supervision Considerations

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- ❖ When designing and executing monitoring, surveillance and controls, Supervisors should generally follow their normal monitoring and surveillance protocols, with the following considerations for enhancements:
  - ❖ The O&O providers ongoing ability to support and enhance Wells Fargo's strategic plans and goals
  - ❖ Changes in key personnel at the O&O provider
  - ❖ Adequacy and performance of training
  - ❖ Customer complaint and customer satisfaction testing and resolution
  - ❖ Reports on work product versus contractual obligations (the supervisor must ensure that the O&O provider is not being asked to perform work outside of the scope spelled out in the contract)
- ❖ Supervisors are required to determine who at Wells Fargo is responsible for developing and enforcing contracts with their O&O providers
- ❖ Supervisors must ensure that regulatory obligations and appropriate risk mitigation are addressed in the Master Services Agreement, Statement of Work, Service Level Agreement, or other similar contract
- ❖ Supervisors must escalate issues and ensure that Senior Management in LOB are aware of and govern outsourced activities



# Gifts & Entertainment Policy

CONFIDENTIAL TREATMENT REQUESTED

WF-000508318

## Gifts

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- ※ **No gifts** to clients by persons associated with or employed by WFS will be permitted.
  - ※ "Gift" = anything of value, including gratuities.
- ※ Exceptions may be granted but require pre-approval and are subject to the \$100 FINRA limit
  - ※ Limited exceptions may only be made by:
    - ※ Head of Division, or
    - ※ His or her assigned delegate
- ※ To secure an exception, the requestor shall:
  - ※ Request approval for the exception utilizing the Gift Exception Approval Form (contact Beth Pickler of the Transaction Logistics Team at [REDACTED] [REDACTED] for assistance).
  - ※ Ensure that the Gift Exception Approval Form is provided to the Transaction Logistics Team for review and approval (transmittal instructions can be found on the Gift Exception Approval Form).
- ※ Procure Gift (s) as follows:
  - ※ If Requestor intends to seek reimbursement – submit payment documentation to the Transaction Logistics Team
  - ※ If Requestor does not seek reimbursement than ensure all pertinent information is reported to the Transaction Logistics Team for tracking purposes

## Gifts (Continued)

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- **Exclusions from Gift Prohibition -- Pre-Approval Not Required**
  - Promotional items with Wells Fargo logo (limited to \$75, except for stage coaches)
  - Gifts with a value under \$10 given infrequently
    - e.g. Pens, notepads, desk ornaments, etc.
  - Deal closing mementos without any utility
    - Lucite cubes, etc.
    - Wine bottles NOT allowed since it has utility
  - Personal Gifts (paid for by team member)
    - e.g. Wedding gifts, congratulatory gifts for birth of a child, etc.
    - If personal gift is reimbursed by the firm, it is subject to the exception process to the no gift requirement of the policy
  
- **Other Provisions**
  - Team members should conduct business development activities consistent with the gift policies of their clients
  - Team members should abide by the policies of regulatory organizations regarding gifts, gratuities and entertainment to their employees

## Entertainment

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- **“Entertainment”** means any event where a person associated with WFS is present. This includes, but is not limited to:
  - Dining
  - Sporting events
  - Theatrical/musical performances
  - Educational events
  - Travel
- Entertainment not meeting this definition is considered a gift
  - Purchases of items other than food or drink given to a client during an entertainment event shall be considered a gift, unless it meets one of the gift exceptions (e.g. items with a Wells Fargo logo, etc.).
- A recipient is ineligible for further invitations once they appear on a published exception report. (See chart on next page.)
- Industry rules do not limit ordinary and usual business entertainment, provided that it is not so frequent or extensive as to raise any question of impropriety.

## Entertainment Guidelines

### Entertainment Limits

Entertainment Limits		
< \$350	\$350 or >	> \$1,000 per recipient OR \$10,000 per event
So reasonable – not so frequent as to raise the question of impropriety	No more than 4x per calendar year	Prior approval of division head of the team member

### Travel and Accommodations

- As a general rule Wells Fargo will not pay for cost of travel in connection with entertainment unless client reimburses Wells Fargo for the fair market value of such travel.
- Use of the Wells Fargo jet to transport clients to an entertainment event is permissible if the client reimburses Wells Fargo the value of the transportation or a Wells Fargo employee is on the plane with the client. When accompanying a customer on the jet, the event is subject to the entertainment limits above.
- Use of the corporate jet for purely business reasons does not need to be treated as a gift or entertainment.

## Entertainment Guidelines (Continued)

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### • **Other**

- Deal Closing events are to be considered entertainment and need to comply with entertainment limits above.
- Receipt of Gifts from customers/vendors – Should be consistent with Wells Fargo’s policy on receiving gifts/entertainment. See Wells Fargo’s Code of Ethics and Business Conduct.
- All business entertainment is tracked in XMS by Wells – East, and via SalesLogix or the Business Gifts and Entertainment Log (“G&E log”) by Wells - West. Until these systems are integrated, these items will be manually combined to create a comprehensive view by client.

### • **Bank Bribery Act**

- **Do not accept or solicit any gift from anyone to influence or reward you in connection with any Wells Fargo business**
- Limited exceptions that do not do not create a risk of conflict of interest apply, including:
  - Certain ordinary (not lavish or extravagant) courtesies and entertainment in connection with business meetings
  - Certain expressions of courtesy and appreciation such as gifts of fruits, flowers, food, wine or candy given with monetary value of \$200 or less and other very limited exceptions
- Failure to comply may be a violation of the Bank Bribery Act, resulting in up to 30 years imprisonment and \$1,000,000 fine

## Code of Ethics & Business Conduct

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### ■ **Code of Ethics & Business Conduct**

- Wells Fargo business opportunities may never be offered, either directly or by suggestions, to any customer, vendor or other business contact in exchange for their charitable donation or participation in a charity event. A customer's or vendor's choice to participate (or not participate) in a charity event or donation drive can have no effect, positive or negative, on the business relationship with Wells Fargo.
- Under no circumstance may you pay or offer anything of value, directly or indirectly, to a government official, including foreign officials, political parties and party officials and candidates for the purpose of improperly influencing an official act of decision, securing an improper advantage, or assisting in obtaining or retaining business or directing business to anyone. In countries in which there is government involvement in business enterprises, such officials may include employees and managers of local enterprises.

## Labor Union Gifts & Entertainment

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### **LABOR UNIONS**

- ※ Wells Fargo & Company is subject to the Labor Management Reporting Disclosure Act (LMRDA) to report annually to the Department of Labor regarding gifts and entertainment that employees have provided to labor unions or representatives.
  
- ※ Labor Union Representatives include
  - ※ National Labor Unions/Organizations
  - ※ Union Locals
  - ※ Any officer, agent shop steward or other rep
  - ※ Any pension plan, welfare plan or other trust affiliated with a Labor Union
  - ※ Any business owned or controlled by a Labor Union/Organization including a credit union, bank or building corporation
  
- ※ **WFS HAS PROHIBITED GIFTS & ENTERTAINMENT TO LABOR UNION OFFICIALS.**
  - ※ Exceptions may be made to this policy if line of business manager and IBCM Compliance have pre-approved the exception.



## Foreign Officials Gifts & Entertainment

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### **FOREIGN OFFICIALS**

- All WFS employees must comply with Wells Fargo & Company's Foreign Corrupt Practices Act "FCPA" guidelines which confer benefits to non-US Government Officials.
  
- Written pre-approval is required before paying the expense of any event that is for the benefit of a Foreign Official:
  - If the amount expended for the benefit of the Foreign Official is greater than \$250 (US);
  - For any amount if there have been four prior Events in the same calendar year benefiting the same Foreign Official; OR
  - For any amount for the benefit of a Foreign Official from a Special Jurisdiction.
  
- Even when pre-approval isn't needed the event should be infrequent and legal under both US and local law, within norms and consistent with all applicable company and jurisdiction policies.

## Policy Violation Sanctions

Team members who fail to comply with these policies may be subject to disciplinary actions including suspension or termination of employment at the discretion of Compliance, Human Resources, and the team member's manager.

## Compliance & Legal Support

### **SIG, IBCM & Corporate Banking Chief Compliance Officer**

Renee Allen [REDACTED]

### **Registration**

Heather Dautel [REDACTED]

Monette Hamilton [REDACTED]

Judi Serrato [REDACTED]

### **Media Relations**

Ann McGarry [REDACTED]

### **Anti-Money Laundering/ Patriot Act Issues**

Gary Rudolph [REDACTED]

Jeremy Blevins [REDACTED]

### **Compliance Controls and Infrastructure**

Wesley Moore [REDACTED]

### **Equity & Fixed Income Research**

Dan Hughes [REDACTED]

Paul Oppold [REDACTED]

Patrick Hayes [REDACTED]

### **Legal**

Mary Lou Guttman [REDACTED]

Vince Altamura [REDACTED]

Laurie Watts [REDACTED]

Mark Reed [REDACTED]

Gerry Mayfield [REDACTED]

Ramey Barnett [REDACTED]

Jeff Blake [REDACTED]

Michael Golden [REDACTED]

James McMullin [REDACTED]

Megan Robson [REDACTED]

John Beer [REDACTED]

### **Information Barriers/ Watch List/ Restricted List Reporting: Control Group**

*Hot Line* [REDACTED]

### **Michael Sullivan**

M&A Advisors/Eastdil Compliance

[REDACTED]

Cell [REDACTED]

## Compliance & Legal Support (Continued)

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### Fixed Income Trading & Sales/ DCM / ECM Compliance

Jennifer DeRochi [REDACTED]  
Jackie Kogler [REDACTED]  
Corey Coggins [REDACTED]  
Kelly Grant [REDACTED]  
Michael Genay [REDACTED]  
Lori Johnson [REDACTED]  
Natlyn Murrain [REDACTED]

### Middle Markets Trading & Sales Compliance

Jo Zellmer [REDACTED]  
Kyle Salstrom [REDACTED]  
Deb Zaspel [REDACTED]

### Financial Products / Structured Origination

Scott Taylor [REDACTED]  
Tracy Braswell [REDACTED]  
Amy Jacobson [REDACTED]

### Equity Compliance/ Financial Products Trading

Scott Yi [REDACTED]  
Dave Foreback [REDACTED]  
David Maciorowski [REDACTED]  
Ellen Hermann [REDACTED]  
Eric Disoteo [REDACTED]  
Natlyn Murrain [REDACTED]  
Roland Reyes [REDACTED]

### Municipal Products/ Government & Inst Banking Compliance

Scot Martin [REDACTED]  
Patricia Bredenkoetter [REDACTED]  
Connie Edwards [REDACTED]  
Shannon Fanning [REDACTED]  
Ryan Hale [REDACTED]  
Ronald Jones [REDACTED]  
Jennifer Kendrick [REDACTED]  
Erin Pais [REDACTED]

Continuing Education Sign-In Sheet

Group Trained: Sales and Trading  
 Facilitator's Name/Instructor's Name: Dave Foreback  
 Date of Program: December 16<sup>th</sup>, 2010  
 Location:  
 Subject of Training: Annual Compliance Training

Topics Covered in Training	Communications with the Public
Compliance Considerations	Gifts/Entertainment Guidelines
Office Sharing Guidelines	
Communications with the Public	

**Participant Information**

*Please write clearly and include you're A or X# or you may not get credit for this training.*

Printed Name	A or X Employee Number	On-Site	Via Teleconference?	Signature
PETER BARRY				<i>[Signature]</i>
Pete Sincala		X		<i>[Signature]</i>
Brian Koble		X		<i>[Signature]</i>
Ross MACKLE		X		<i>[Signature]</i>
Brett Madrin		X		<i>[Signature]</i>
William Kault		✓		<i>[Signature]</i>
Joe Ruggie's		✓		<i>[Signature]</i>
Greg Kninob		✓		<i>[Signature]</i>
Mark Nowikowski		✓		<i>[Signature]</i>
AARON LEMPK		X		<i>[Signature]</i>
Paul [unclear]		✓		<i>[Signature]</i>
Chris Muller		X		<i>[Signature]</i>
Mike Lorraine		✓		<i>[Signature]</i>
David Simone		✓		<i>[Signature]</i>
DEAN [unclear]				<i>[Signature]</i>
Andrew Hester				<i>[Signature]</i>

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:                    )  
  ) File No. NY-8432  
RESEARCH ANALYST REPORTS        )  
  )

WITNESS:           GREG BOLAN

PAGES:   1-226

PLACE:   Securities and Exchange Commission  
          Three World Financial Center - Suite 4300  
          New York, New York 10281

DATE:     June 6, 2013

          The above-entitled matter came on for  
hearing at 9:17 o'clock a.m.

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1 A. It is.  
 2 Q. Is it accurate?  
 3 A. Very.  
 4 Q. Is that a yes?  
 5 A. Yes.  
 6 Q. I will take back this exhibit from you.  
 7 (Handed.)  
 8 Q. Mr. Bolan, describe your job responsibilities  
 9 for each of the positions that you have held in the  
 10 securities industry, from your earliest employment to the  
 11 present?  
 12 A. Securities industry as being a licensed  
 13 professional?  
 14 Q. Or at any securities firm.  
 15 A. When you say "securities firm," would you  
 16 like to qualify that?  
 17 Q. Sure. Why don't you take us through your job  
 18 responsibilities at each of your employments from Westgate  
 19 Capital through the present.  
 20 A. Okay. Yeah, so Westgate Capital I was an  
 21 associate analyst hired straight out of school, undergrad.  
 22 And my job was to basically learn the stock market and try  
 23 to discover ideas; investment ideas, that is.  
 24 Moved on to First New York. At First New  
 25 York I was also an associate analyst, and I provided ideas

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1 to a team of portfolio managers.  
 2 From First New York, I then went on to  
 3 Jeffries where I was a senior associate and I assisted the  
 4 senior equity analyst in writing research reports and  
 5 generating ideas on a certain coverage list.  
 6 I was then recruited by Wachovia Capital in  
 7 the middle of '08 to be a senior equity analyst, and that  
 8 is where I would then write research reports on a select  
 9 number of companies and generate ideas for investment  
 10 professionals, institutional investment professionals.  
 11 From Wachovia, what then turned into Wells Fargo.  
 12 And then went on to Madison Williams, and  
 13 then from -- as a senior equity analyst, and then from  
 14 Madison Williams to Stern Agee, that's my current  
 15 employer, as a senior equity analyst.  
 16 So I have been a senior equity analyst since  
 17 the end of '08, basically.  
 18 Q. Have you ever been a trader?  
 19 A. I traded as part of my duties at First New  
 20 York, but I was an analyst/trader, so my duties would be  
 21 both providing an analysis to the PMs and also trading as  
 22 well.  
 23 Q. What part of your day did you spend in your  
 24 role as analyst and what part of your day did you spend in  
 25 your role as trader while employed at First New York?

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1 A. I would say it's probably more like  
 2 two-thirds, a third; analyst two-thirds, trader one-third.  
 3 Q. What securities did you trade?  
 4 A. All sectors. Mostly health care. So really  
 5 across all the sectors.  
 6 Q. Did you have your own book?  
 7 A. I had a book that was typically run  
 8 pari passu with the guys that I worked for, yes.  
 9 Q. What do you mean by that?  
 10 A. Meaning if I put on a position in their book,  
 11 that I put a position in my book, but a fraction size.  
 12 Q. So you were able to put on positions in other  
 13 people's books?  
 14 A. I was the analyst, so I would recommend  
 15 positions and they would decide whether or not they wanted  
 16 to put it in their book, and then I -- if it was a go, I  
 17 would put a smaller position in my book.  
 18 Q. Did you ever place trades in your book?  
 19 A. Yes.  
 20 Q. So you placed trades without them placing a  
 21 trade, and then you having a smaller position of their  
 22 larger position?  
 23 A. Typically, typically, it would be a larger  
 24 position in their book, a smaller position in my book.  
 25 There were times that we would put on separate positions,

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1 but that was less so than -- like I said, two-thirds  
 2 analyst, one-third trader, so it was more me being an  
 3 analyst and recommending trades for their books and  
 4 putting small positions in my book.  
 5 Q. Was your book profitable while you were at  
 6 First National?  
 7 A. No.  
 8 Q. How much money did you -- strike that.  
 9 Did you lose money?  
 10 A. Yes.  
 11 Q. How much money did you lose?  
 12 A. About 30,000.  
 13 Q. How long did you have a book at First New  
 14 York?  
 15 A. I would say about three months.  
 16 Q. While you were at -- strike that.  
 17 While you had your own book at First New  
 18 York, what time did you get into work?  
 19 A. Typically, around 7:30.  
 20 Q. What did you do at work prior to the opening  
 21 of the markets?  
 22 A. Read research.  
 23 Q. Where would you go to find this research?  
 24 A. Brokers would send it to us through their  
 25 distribution list, or e-mail, I would say.

1 Q. Why did you read research?  
 2 A. To find investment ideas.  
 3 Q. Did you also look at news concerning the  
 4 stocks you covered?  
 5 A. Absolutely. "Wall Street Journal,"  
 6 "Investors Business Daily."  
 7 Q. Why did you look at this news?  
 8 A. Supporting data for my research.  
 9 Q. At some point -- strike that.  
 10 During your time in the securities industry,  
 11 have you focused on a specific sector?  
 12 A. Mostly health care, yes.  
 13 Q. Why is that?  
 14 A. I have an intellectual affinity for health  
 15 care.  
 16 Q. Why?  
 17 A. It's interesting, it helps people.  
 18 Q. Do you have any educational background in the  
 19 industry?  
 20 A. No.  
 21 Q. When did you start focusing on health care?  
 22 A. Really in '03 when I was looking at different  
 23 sectors, I just found health care to be the most  
 24 intriguing and kind of gravitated towards it.  
 25 Q. Did you eventually start focusing on specific

1 sub sectors within the health care industry?  
 2 A. I did.  
 3 Q. When was that?  
 4 A. Jeffries.  
 5 Q. What year was that?  
 6 A. '06.  
 7 Q. Which sub sectors have you focused on?  
 8 A. Pharmaceutical services, mostly.  
 9 Q. How many companies are in pharmaceutical  
 10 services?  
 11 A. Well, at the time, there were probably about  
 12 ten. Now there is six.  
 13 Q. What were those companies at the time?  
 14 A. I mean, Albany Molecular, Charles River Labs,  
 15 Covance, Icon, Parexel, PPD, PharmaNet, Peter  
 16 International, MDS, Kindle, K-I-N-D-L-E, International.  
 17 Q. Why did you decide to focus on pharmaceutical  
 18 services?  
 19 A. Well, I wanted to come back down south from  
 20 New York, and the guy who hired me was in Nashville, so it  
 21 was kind of an opportune move for me and so that was  
 22 really it.  
 23 Q. Do you mean the guy who hired you to come  
 24 aboard at Jeffries?  
 25 A. Yes.

1 Q. Who was that?  
 2 A. David Winley.  
 3 Q. Did he focus on pharmaceutical services?  
 4 A. Correct.  
 5 Q. So is that why you decided to focus on  
 6 pharmaceutical services?  
 7 A. Yes, sir.  
 8 Q. Did you eventually start focusing on any  
 9 other sub sectors in the health care industry?  
 10 A. I did.  
 11 Q. Which ones?  
 12 A. Health care IT.  
 13 Q. When did that happen?  
 14 A. October of '09.  
 15 Q. Why did you start focusing on health care IT?  
 16 A. It was a sector of interest by the company I  
 17 was working for.  
 18 Q. Which company was that?  
 19 A. Wells Fargo.  
 20 Q. What companies are in the health care IT  
 21 sector?  
 22 A. Athenahealth -- I am trying to do it  
 23 alphabetically to help you. Athenahealth, Cerner  
 24 (phonetic), Met Assets, All Scripts, Computer Programs &  
 25 Systems, Quality Systems, and I think that pretty much

1 does it.  
 2 Q. When you started to focus on health care IT,  
 3 did you continue to also focus on pharmaceutical services?  
 4 A. Absolutely.  
 5 Q. Were these the two sub sectors on which you  
 6 did your research?  
 7 A. I did.  
 8 Q. While at Wells Fargo, did you conduct  
 9 research on companies outside of these two sectors?  
 10 A. At the very end of my tenure at Wells Fargo,  
 11 I picked up life science tools, which would include names  
 12 like Bruker (phonetic), Waters and -- I can't recall the  
 13 third name that we picked up.  
 14 Q. Other than the addition of life science  
 15 tools, did you focus on any other sub sectors while you  
 16 were employed at Wells Fargo?  
 17 A. No.  
 18 Q. Describe how you went about researching the  
 19 companies in the pharmaceutical services and health care  
 20 IT space.  
 21 A. Sure. So standard approach, SEC filings,  
 22 speaking to management teams of the companies -- of both  
 23 the companies that I'm following as well as their  
 24 competitors, speaking to their clients, and that's pretty  
 25 much it.



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1 Q. Did you speak with other research analysts in  
 2 the space?  
 3 A. Other research analysts on the sell side or  
 4 the buy side?  
 5 Q. First of all, describe what you mean by the  
 6 buy side and the sell side.  
 7 A. Sure, sell side refers to an investment  
 8 broker and the buy side refers to an institutional hedge  
 9 fund or mutual fund.  
 10 Q. So did you speak with any analysts involved  
 11 in the pharmaceutical services or health care IT space on  
 12 the buy side?  
 13 A. Yes. Those are our clients.  
 14 Q. Did you speak with them as part of your  
 15 research?  
 16 A. No.  
 17 Q. Did you speak with any analysts on the sell  
 18 side as part of your research?  
 19 A. No.  
 20 Q. Did you speak with any market professionals  
 21 as part of your information gathering or research  
 22 activities?  
 23 A. As part of our research activities, you know,  
 24 the only thing that would be a common practice with an  
 25 analyst is to hear what other people are saying. So, for

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1 example, what is your competing analyst or competitor  
 2 analyst saying about a certain stock, and that is usually  
 3 translated to you by the clients. It's just kind of  
 4 information gathering. It's not something that's kind of  
 5 a formal research process. It's something that kind of  
 6 goes in your mind in terms of: I know where sentiment is  
 7 in the marketplace.  
 8 Q. Describe the process by which you  
 9 communicated with folks at the companies that you covered.  
 10 A. So the communication would be around several  
 11 methods. One would be, obviously, phone, e-mail.  
 12 Typically, the most contact that I would have with  
 13 companies is after they've reported their earnings, to do  
 14 follow-up questions both on the actual earnings conference  
 15 call and follow-up calls afterwards if I don't get  
 16 something that was explained on the call, and then other  
 17 than that basically like intra quarter, if I had any  
 18 questions about a 10-Q that was just filed, make sure our  
 19 model is correct.  
 20 Q. Did you look at competitors to the companies  
 21 that you covered as part of your research?  
 22 A. Yes.  
 23 Q. Tell me about that process.  
 24 A. Sure. So the way that I would view kind of  
 25 certain sectors would -- for example, pharmaceutical

Page 20

1 services, I would essentially look at two companies that  
 2 were in this case, like for example, Charles River and  
 3 Covance that are publicly traded, and there are three or  
 4 four competitors who are private, and basically what I  
 5 would kind of look at is if three or four of these  
 6 companies are performing a certain way, good or bad, can  
 7 that be -- can it be inferred that the two companies here  
 8 are actually doing well or bad.  
 9 That would be my general purpose or reasoning  
 10 for doing that research.  
 11 Q. So did you look at the performance of private  
 12 companies that were competitors to the companies that you  
 13 covered in order to make predictions about how the  
 14 companies that you covered were performing?  
 15 A. Yes.  
 16 Q. Did other analysts who covered the sub  
 17 sectors that you covered also do this?  
 18 A. Yes.  
 19 Q. Which analysts?  
 20 A. Within the pharmaceutical services area?  
 21 Q. Sure.  
 22 A. There would be like a Dave Winley at  
 23 Jeffries, Eric Caldwell at Beard, probably Jim Krieger at  
 24 William Blair, Bob Jones at Goldman Sachs. I'm sure  
 25 there's others.

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1 Q. Is the pharmaceutical services sector also  
 2 known as the CRO --  
 3 A. Yes.  
 4 Q. -- sector?  
 5 A. That's correct.  
 6 Q. What does CRO stand for?  
 7 A. Contract research organization.  
 8 Q. As a result of the research that you  
 9 conducted in the pharmaceutical services and health care  
 10 IT spaces, did you develop a reputation in these spaces?  
 11 A. I think a decent reputation, intellectually  
 12 honest research, good modeling skills.  
 13 Q. How did you become aware of your reputation?  
 14 A. I was awarded the "Institutional Investor"  
 15 best and up comer award for 2010.  
 16 BY MR. RIELY:  
 17 Q. What is that award?  
 18 A. "Institutional Investor," it's the All  
 19 American Research team award. It's for analysts who are  
 20 accessible, have good industry knowledge, pretty accurate  
 21 with reports, so quality and accuracy are the key aspects.  
 22 Q. And who awards it?  
 23 A. The "Institutional Investor Magazine."  
 24 BY MR. SATWALEKAR:  
 25 Q. How many analysts are given that award each

1 year?

2 A. I'd say there is three -- there is top one,

3 top two, top three, there is three there, and then there

4 is typically I think a couple of runner-ups -- not

5 runner-ups, but best up and comers, and then there is a

6 plethora of other analysts as well, but those are the main

7 ones.

8 Q. So you said top one, two, three. Is that a

9 reference to the "Institutional Investor's" ranking of the

10 top three analysts in particular sectors?

11 A. Correct. And you have to be an analyst for

12 over three years to be even -- you know, even get that

13 award. I was an analyst right after a year, so I get best

14 up and comer is the only thing I could qualify for.

15 Q. I think you -- strike that.

16 So the main awards that the "Institutional

17 Investor" gave to analysts were the top three in a

18 particular sector and the up and comer award?

19 A. Correct. But I think there is typically a

20 couple of up and comers, though.

21 Q. So you believe that the "Institutional

22 Investor" awards the up and comer award to a couple of

23 analysts in each sector in each year?

24 A. I think so.

25 MR. SATWALEKAR: Mark this, please.

1 (E-mail chain, first page Bates No.

2 WFC462253, marked Exhibit 40 for

3 identification.)

4 Q. Mr. Bolan, I'm handing you an exhibit marked

5 Exhibit 40. Please take a moment to read it over.

6 MR. SATWALEKAR: Exhibit 40 consists of an

7 e-mail chain. The Bates label of the first page of this

8 exhibit is WFC462253.

9 Q. Mr. Bolan, did you send the e-mail at the top

10 of this exhibit?

11 A. Right here (indicating)?

12 Q. Correct, at the top of the first page of this

13 exhibit.

14 A. Yes.

15 Q. Do you recognize this e-mail chain?

16 A. I don't recall it, but clearly it happened.

17 Q. Turning to the third page of the exhibit, did

18 you send the e-mail in the middle of this third page?

19 A. Starting, "To all"?

20 Q. Correct.

21 A. Yes.

22 Q. What are you stating here?

23 A. Thanking investors for voting for me for the

24 "Institutional Investor" award, the up and comer award.

25 Q. Is the "Institutional Investor" the primary

1 publication that ranks analysts in the United States?

2 A. No.

3 Q. What are the other publications?

4 A. "StarMine," "Greenwich." I think there is

5 one other -- "Wall Street Journal." I think that's it.

6 Q. Is any one of these publications looked at

7 more than the other for research analyst rankings?

8 A. They are all prestigious.

9 Q. Including "Institutional Investor"?

10 A. Yes.

11 Q. You stated that in this e-mail you were

12 thanking investors for the "Institutional Investor" award

13 that you received; correct?

14 A. Correct.

15 Q. Describe the role that investors played in

16 you receiving the award.

17 A. Yeah, sure. So there is a ballot and they --

18 I have never done it because obviously I can't vote, but

19 there is a ballot that they request and they check off

20 analyst names, sort of sub sectors, and they tally the

21 votes, I suppose, and then that's it.

22 Q. What do investors -- strike that.

23 Do you have an understanding of what criteria

24 investors use when voting for analysts?

25 A. As far as I'm aware, it is industry

1 knowledge, quality of research and accuracy of that

2 research.

3 Q. How are you aware of these factors?

4 A. Well, "Institutional Investor" has a list of

5 those factors.

6 Q. Did you view your receiving of the best and

7 up comer award as a significant accomplishment?

8 A. Yes.

9 Q. Looking at the e-mail above your e-mail on

10 the third page of Exhibit 40, who is Matt Tyrmand?

11 A. Clearly, a client. Do not recall him.

12 Q. Tyrmand states, "No brainer on best up and

13 comer fellow and No. 1 in CROs in my book." What does

14 that mean?

15 A. He is congratulating me and he believes that

16 I am No. 1 in CROs.

17 Q. Is that the pharmaceutical services sector?

18 A. Correct.

19 Q. Is that the pharmaceutical services sector?

20 A. Correct.

21 Q. Have other investors expressed that view to

22 you?

23 A. What is that view?

24 Q. Have other clients of firms that you've

25 worked at expressed a view that you were the No. 1 analyst

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1 in the CRO space?

2 A. They have expressed that I am certainly one

3 of the best covering CROs.

4 Q. Who has expressed that?

5 A. Clients.

6 Q. Which clients?

7 A. I don't recall.

8 Q. Have any employees at any of the firms that

9 you've worked at expressed to you -- strike that.

10 Have any employees at any of the firms that

11 you have worked at expressed to you their view that you

12 are No. 1 in the pharmaceutical services space?

13 A. I have had employees at firms that I worked

14 at express that I am one of the best.

15 Q. Who has expressed that view?

16 A. I don't recall.

17 Q. Has anyone ever expressed to you his or her

18 view that you are one of the best analysts in the health

19 care IT space?

20 A. These are clients you are referring to or

21 just employees or --

22 Q. Anyone.

23 A. Anyone? One of the best.

24 Q. So folks have told you that they view you as

25 one of the best analysts in the health care IT space?

Page 27

1 A. Yes.

2 Q. Who has told you that?

3 A. I don't recall.

4 Q. Are these market professionals who have told

5 you that?

6 A. Yes.

7 Q. Moving forward chronologically in this e-mail

8 chain --

9 A. Where are you now?

10 Q. On the second page of Exhibit 40.

11 A. Okay.

12 Q. -- you respond to Mr. Tyrmand, "TY, sir;"

13 correct?

14 A. Yes.

15 Q. Then Joseph Ruggieri responds to your e-mail;

16 correct?

17 A. Yes.

18 Q. Who is Joseph Ruggieri?

19 A. He is -- he and I were colleagues at Wells

20 Fargo. He was a health care trader.

21 Q. How long have you known Mr. Ruggieri?

22 A. I would say since 2000 -- end of 2009.

23 Q. Did you meet him at Wells Fargo?

24 A. Yes.

25 Q. What does Mr. Ruggieri state in his e-mail at

Page 28

1 the top of the second page of Exhibit 40?

2 A. "Yeah, be-och (sic), is it Thursday yet?"

3 Q. What does that mean?

4 A. It means he is also congratulating me and

5 wondering if it's Thursday yet, because he'd like to go

6 drink.

7 Q. Did you in fact get together with

8 Mr. Ruggieri on that Thursday?

9 A. I don't recall.

10 Q. Where was Mr. Ruggieri located at Wells

11 Fargo?

12 A. In New York.

13 Q. Do you recall being in New York around

14 October 2010?

15 A. I don't recall.

16 Q. Did Mr. Ruggieri ever come out to Tennessee?

17 A. No.

18 Q. Where was your office located at Wells Fargo?

19 A. 4th Avenue, Nashville, Tennessee.

20 Q. You respond to Mr. Ruggieri at the top of

21 Exhibit 40; correct?

22 A. Which page are you on?

23 Q. At the top of Exhibit 40, the first page.

24 A. Okay, yeah.

25 Q. What do you state there?

Page 29

1 A. "Dude, I am like counting the minutes at this

2 point, may just go home and drink."

3 Q. What does that mean?

4 A. Just looking to go and drink, because I'm

5 excited.

6 Q. Had you socialized -- strike that.

7 Did you socialize with Mr. Ruggieri while you

8 were employed at Wells Fargo?

9 A. Yes.

10 Q. How frequently?

11 A. When I was in New York.

12 Q. Every time you went to New York, you

13 socialized with Mr. Ruggieri?

14 A. I wouldn't say every time, because I had to

15 go see clients. But we were colleagues, so...

16 Q. How many years were you employed at Wells

17 Fargo?

18 A. Two and a half years.

19 Q. About how many times each year did you

20 socialize with Mr. Ruggieri while you were employed at

21 Wells Fargo?

22 A. When you say "socialize," you mean talk to or

23 to hang out?

24 Q. Let me clarify that.

25 A. Yeah.

Page 54

1 Q. How frequently did you go while you were  
2 employed at Wells Fargo?  
3 A. Probably every other time I was in New York,  
4 I would go say hi to everybody.  
5 Q. Was it your job to speak to the people on the  
6 trading desk while you were at the firm?  
7 A. Yes.  
8 Q. What sort of things did you speak about with  
9 the people on the trading desk?  
10 A. Sure. So as part of being an analyst, there  
11 is typically a sector trader and that sector trader will  
12 typically have a conference call with the analyst, all of  
13 the analysts on a weekly or biweekly basis.  
14 So what you would discuss are things that are  
15 happening, Congress is looking at something, may change,  
16 you know, health care reform may be changing or something  
17 that's coming up in the next week or two, to kind of give  
18 the traders heads-up: Hey, you know, these are, you know,  
19 events that are happening in the world that could have an  
20 impact on your respective sector or stocks.  
21 Q. Who did you speak with on Wells Fargo's  
22 trading desk?  
23 A. Joe Ruggieri and Chip -- I can't remember his  
24 last name, and then Bruce Mackel.  
25 Q. Did you speak to one of these individuals

Page 55

1 more than the other?  
2 A. I spoke to Joe probably towards the end just  
3 as much as I spoke to Bruce, Joe probably the most over  
4 the past couple of years.  
5 Q. Were there any topics that you were not  
6 permitted to speak about with people on the trading desk?  
7 A. Yes.  
8 Q. What topics were those?  
9 A. Impending rating changes or anything related  
10 to banking.  
11 Q. Why were you not allowed to discuss impending  
12 ratings changes with people on Wells Fargo's trading desk?  
13 A. Well, it was something that they could  
14 potentially share with other people outside the firm, and  
15 you just -- you know, it's just not something that you  
16 would want to do.  
17 Q. What was the concern with that?  
18 A. Because the concern would be is that if he --  
19 the trader would pass that information on to someone like  
20 an investor.  
21 Q. And what was the concern with that  
22 information being passed on to someone like an investor?  
23 A. That they could trade in front of the rating  
24 change.  
25 Q. Why is that a concern?

Page 56

1 A. Because it's -- it could move the stock the  
2 next day.  
3 Q. "It" being what?  
4 A. The rating change.  
5 Q. How frequently did you communicate with  
6 Mr. Ruggieri while you were employed at Wells Fargo?  
7 A. I would probably say at least a couple of  
8 times a week.  
9 Q. How frequently did you communicate with  
10 Mr. Mackel while you were employed at Wells Fargo?  
11 A. Towards the end, at least a couple of times a  
12 week.  
13 Q. Before 2011, how frequently did you  
14 communicate with Mr. Mackel while you were employed at  
15 Wells Fargo?  
16 A. Well, he didn't join until I think sometime  
17 in '10, so I was just getting to know him. I would say  
18 towards the end of '10 and into '11, pretty frequently.  
19 Q. How frequently did you communicate with Chip  
20 while you were employed at Wells Fargo?  
21 A. Not very frequently. He covered -- he traded  
22 another area in health care. I think it was mostly like  
23 biotech.  
24 Q. Aside from these three people, did you  
25 communicate with anyone else on Wells Fargo's trading desk

Page 57

1 while you were employed at the firm?  
2 A. Not that I can recall.  
3 Q. Was Ruggieri your primary contact on Wells  
4 Fargo's trading desk?  
5 A. He was the senior trader, yes.  
6 Q. Was he your primary contact on the Wells  
7 Fargo's trading desk?  
8 A. Yes.  
9 Q. Did Ruggieri ever express to you a view about  
10 your research abilities?  
11 A. How do you mean?  
12 Q. Did Ruggieri ever express to you his  
13 impression of you as a research analyst?  
14 A. I think he liked me. I think he thought I  
15 was a good analyst, hard worker.  
16 Q. What is that based on?  
17 A. I work a lot of hours, do a lot of -- you  
18 know, a lot of reading, a lot of conversations with  
19 industry folks, a good analyst. And he was a hard worker  
20 too, so I think we shared that common bond.  
21 Q. Did Ruggieri ever express to you a view about  
22 your analytical skills?  
23 A. He may have.  
24 Q. Did he ever express a view to you about the  
25 quality of your research?

Page 82

1 be a week prior.

2 Q. While you were at Wells Fargo, did you

3 discuss your thoughts about a ratings change with anyone

4 prior to the publishing of that ratings change?

5 A. It would only be Todd Wickwire. Yes, Todd

6 Wickwire, and my associate, of course.

7 Q. Who was that?

8 A. Well, at the time it was Tim Evans. During

9 this date range -- no, it would have been Eric Hebert and

10 then Tim Evans.

11 Q. Who is Eric Hebert?

12 A. He was my first associate at Wells Fargo.

13 Q. Did he leave Wells Fargo at some point?

14 A. Yes.

15 Q. Why is that?

16 A. He got a job at a hedge fund.

17 BY MR. RIELY:

18 Q. In the case of PAREXEL, do you recall the

19 work that you did leading up to the research report shown

20 to you earlier?

21 A. A lot of FX work, you know, kind of looking

22 at where spot rates were now versus when they initially

23 gave the last guidance. Obviously valuation, that was a

24 part of it, too, but that's pretty straightforward. I

25 don't remember how long it took me. I would have to think

Page 83

1 a couple of days just to write the report.

2 BY MR. SATWALEKAR:

3 Q. With regard to PAREXEL, did you talk to

4 anyone about this FX work that you were doing prior to the

5 publishing of the PAREXEL downgrades?

6 A. I don't recall talking to anyone. It was

7 pretty obvious that the Euro and Pound had declined quite

8 precipitously since they last reported, so...

9 Q. Did you talk to anyone about how the decline

10 in the Euro and the Pound would affect PAREXEL's business

11 prior to publishing the PAREXEL downgrade?

12 A. When you say impacted their business, what

13 does that mean? You mean impacted their revenues?

14 Q. Correct.

15 A. I don't recall having a discussion with

16 anyone, but it was very obvious that the Euro and Pound

17 had declined as much as it had.

18 Q. Mr. Bolan, please take a moment to look at

19 this document marked Exhibit 47.

20 A. Uh-hum.

21 Q. Exhibit 47 consists of an e-mail and an

22 attachment to that e-mail.

23 A. Sure.

24 Q. The Bates label of the e-mail is WFC699838.

25 A. Sure.

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1 Q. Did you send this e-mail, Mr. Bolan?

2 A. I did.

3 Q. Do you recognize it?

4 A. Yeah.

5 Q. What does it concern?

6 A. So basically I sent it to my Gmail account.

7 It's an award document which is the software that they

8 used at Wachovia, they used at the time so I would work on

9 this at home. We did not have BPN. Our BPN was awful at

10 Wells Fargo. Basically what I would do is I would send it

11 to my Gmail so I could work at home.

12 Q. "BPN" meaning what?

13 A. I don't know what it stands for.

14 Q. Are you talking about the ability to access

15 the Wells Fargo network from your home?

16 A. Yes, exactly. I contacted the technology

17 department repeatedly about this.

18 Q. What do you mean -- strike that. What is the

19 attachment to this e-mail?

20 A. It's actual downgrade of the -- of PAREXEL.

21 Q. Looking at the top of this attachment, the

22 date -- strike that. Looking at the top of the

23 attachment, the date -- strike that.

24 Looking at the top of the attachment, there

25 is a date of March 29, 2010. Do you see that?

Page 85

1 A. Yes.

2 Q. Why is that date there?

3 A. Because the software records the date that

4 you're working on it, the last time it saves or auto

5 saves, that records the date.

6 Q. And that date is displayed at the top of the

7 report?

8 A. Right. So, for example, I'm working on a

9 report right now and as I save it, it's saving as

10 June 6th, and then when I publish it, it will have the

11 date on it that I publish it.

12 Q. So as of the sending of this e-mail on

13 April 6, 2010, the last time you had worked on the PAREXEL

14 report was March 29, 2010?

15 A. Yeah. I was still working on it, yeah.

16 Q. So were you working on the PAREXEL downgrade

17 on or about March 29, 2010?

18 A. It looks like it, yeah.

19 Q. Who drafted the text of the PAREXEL

20 downgrade?

21 A. I believe my associate drafted it and then I

22 basically finished it and looked it over several times and

23 kind of thought it out. Sometimes we draft things and we

24 never publish because you start thinking about it and you

25 say that doesn't make too much sense, the thesis. And in

Page 110

1 Q. When did you first meet Moskowitz?

2 A. '05.

3 Q. Where?

4 A. First New York.

5 Q. When was the last time you communicated with

6 Moskowitz?

7 A. I would say probably about a month and a half

8 ago.

9 Q. You testified that he was an old friend; is

10 that right?

11 A. Yeah, he is an old friend.

12 Q. Are you close with Mr. Moskowitz?

13 A. I suppose so.

14 Q. When was the last time you have spoken with

15 him?

16 A. Like I said, a month and a half ago.

17 Q. Have you communicated with him in any way

18 since that time?

19 A. Since -- over the past month and a half?

20 Q. Right.

21 A. No.

22 Q. What did you talk about when you communicated

23 with Mr. Moskowitz a month and a half ago?

24 A. Well, I received the Subpoena from you guys.

25 When I got into the employment issue with Wells Fargo, I

Page 111

1 had asked for a reference for a lawyer. Moskowitz had

2 referred Ron, I think Geffner and Ron Geffner is at Sadis

3 & Goldberg. That's how I hooked up with Dan Viola in this

4 employment issue.

5 And I called Moskowitz to tell him that I had

6 received a Subpoena and it's entirely vague and that, you

7 know, that he felt that Dan was a good lawyer, as relates

8 to SEC matters.

9 Q. Did Mr. Moskowitz say anything else?

10 A. No. He said -- he felt like that Sadis and

11 Goldberg was a strong firm.

12 Q. Was this communication over a telephone call?

13 A. Yes.

14 Q. What else was discussed?

15 A. Nothing.

16 Q. How long was the call?

17 A. Probably five minutes.

18 Q. Prior to that call, when was the last time

19 you had spoken with Mr. Moskowitz?

20 A. I would say probably two weeks before that.

21 Q. What was discussed?

22 A. His condition, his chronic -- his illness.

23 Q. Anything else?

24 A. No.

25 Q. For how many years have you known

Page 112

1 Mr. Moskowitz?

2 A. Since '05.

3 Q. Have you been friends since 2005 with

4 Mr. Moskowitz?

5 A. Uh-hum.

6 Q. Is that a yes?

7 A. Yes.

8 Q. Where did you meet him?

9 A. First New York.

10 Q. How did you come to meet him at First New

11 York?

12 A. He sat two rows away from me trading. I just

13 bumped into him.

14 Q. Have you socialized with Mr. Moskowitz?

15 A. When he comes out of his apartment, yes,

16 which is very rare.

17 Q. Is that because of his illness?

18 A. Yes.

19 Q. How long has he had that illness?

20 A. I don't want to get into that. It's none of

21 your business.

22 Q. Did you socialize with Mr. Moskowitz in 2005?

23 A. From time to time.

24 Q. Since 2005, how frequently have you

25 socialized with Mr. Moskowitz?

Page 113

1 A. Probably about four times.

2 Q. Four times since 2005?

3 A. Yup. When you say "socialize," you mean be

4 together, hang out, not the phone, talk on the phone,

5 right?

6 Q. Correct.

7 A. Yeah, four times.

8 Q. How frequently did you speak over the

9 telephone with Mr. Moskowitz since 2005?

10 A. I would say probably a couple of times a

11 month.

12 Q. Are you close friends with Mr. Moskowitz?

13 A. I am good friends with him. Yes, I am close,

14 I think.

15 Q. Have you ever discussed your views about

16 securities with Mr. Moskowitz?

17 A. Sure.

18 Q. What have you discussed?

19 A. The stocks that I cover, the stocks that he

20 likes, all that stuff. He is on my distribution list.

21 Q. What are the stocks that Mr. Moskowitz likes?

22 A. In general?

23 Q. Right.

24 A. He likes lower priced stocks, like penny

25 stocks.

Page 110

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22 A. In general?

23 Q. Right.

24 A. He likes lower priced stocks, like penny

25 stocks.

Page 178

1 traveling.

2 Q. By your associate, do you mean Mr. Hebert or

3 Mr. Evans?

4 A. Yeah.

5 Q. Do you have a recollection of asking

6 Mr. Hebert to dial in on your behalf to attend a

7 compliance meeting?

8 A. I don't recall that.

9 Q. Do you have a recollection of asking

10 Mr. Evans to dial in on your behalf for attendance to a

11 compliance meeting?

12 A. I don't recall that.

13 Q. And by dialing, we mean -- strike that.

14 By dialing, I mean dialing in to some

15 conference over the telephone. Do you understand that?

16 A. Yeah. I mean, I understand, yeah. But that

17 doesn't mean that he didn't do it, so...

18 Q. That doesn't mean that he didn't do it? What

19 do you mean by that?

20 A. Meaning if I'm not present, then he may have

21 decided to dial in for me.

22 Q. "He" being who?

23 A. The associate.

24 Q. Either Mr. Hebert or Mr. Evans?

25 A. Correct.

Page 179

1 Q. Please turn to page 21 of the attachment to

2 the e-mail contained in this exhibit. The first bullet

3 point -- strike that.

4 This page entitled, "Front running;" correct?

5 A. Yes.

6 Q. What do you understand the term front running

7 to mean?

8 A. Let's see. "No previewing research opinions

9 or estimates."

10 Q. What do you understand no previewing research

11 opinions, estimates to mean?

12 A. No previewing of research opinions or

13 estimates, it's pretty straightforward.

14 Q. What does "previewing" mean?

15 A. Meaning telling someone beforehand, before

16 the actual research hits.

17 Q. So does no previewing research mean no --

18 strike that.

19 So does no previewing research mean no

20 telling of people -- strike that.

21 So does no previewing research mean not

22 telling individuals about research before it's published?

23 A. That's what it says, yes. That's what it

24 says.

25 Q. Was that a policy at Wells Fargo?

Page 180

1 A. That was -- it's kind of just a policy

2 that's -- yeah. That's a general policy, yeah.

3 Q. How long -- when you say that's a general

4 policy, what do you mean?

5 A. Meaning it's just a general policy. It's--

6 I don't really know what else to say. It's a general

7 policy.

8 Q. Do you mean that that is a policy -- strike

9 that.

10 Do you mean that no previewing research has

11 been a policy at all of the securities firms that you have

12 worked at?

13 A. I don't know about all of them, but, yes, I

14 would certainly say Wells Fargo. General policy at Wells

15 Fargo.

16 Q. When you say general policy -- strike that.

17 Is there a reason why you're using the word

18 "general" when you're describing this as a general policy?

19 A. No. It's a policy. It's no different

20 than -- I am trying to think of an example -- get your

21 ratings approved by management before you change a rating

22 Q. At the time that you were employed at Wells

23 Fargo, did you know it had a policy against the previewing

24 of research?

25 A. Again, yes. I mean, it would be a general

Page 181

1 policy. So, yes, a standard operating procedure, if you

2 will.

3 Q. Going to the next page of this document, the

4 third bullet point on this page states, "No discussions on

5 timing and views of reports with anyone outside of

6 research. What do you understand this bullet to state?"

7 A. Meaning no discussions on the time at which

8 you're going to issue research and what that research is

9 going to look like to anyone outside of research.

10 Q. At the time -- strike that.

11 Was this a policy at Wells Fargo?

12 A. Again, this is, I think, a general policy.

13 Yes, it would be a general policy.

14 Q. At the time you were employed at Wells Fargo

15 did you know that Wells Fargo had a policy against the

16 discussion on timing and views of reports with anyone

17 outside of research?

18 A. I have not seen this, but as a general

19 policy, I understood it to be a standard operating

20 procedure.

21 Q. While you were employed at Wells Fargo?

22 A. While I was employed -- yes, while I was

23 employed at Wells Fargo.

24 Q. I will take this exhibit back from you.

25 (Handed.)



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1 MR. SATWALEKAR: Please mark this as the next  
 2 exhibit.  
 3 (E-mail, Bates No. WFC784355, and attachment,  
 4 marked Exhibit 69 for identification.)  
 5 MR. SATWALEKAR: Mr. Viola, I only have one  
 6 copy of this exhibit.  
 7 Exhibit 69 consists of an e-mail and its  
 8 attachment. The e-mail is Bates labeled WFC784355.  
 9 Q. Mr. Bolan, did you receive this e-mail?  
 10 A. I don't recall getting it, no.  
 11 Q. Do you recall dialing in to any compliance  
 12 training in late 2010?  
 13 A. I do not.  
 14 Q. Do you have any reason to believe you did not  
 15 receive this e-mail?  
 16 A. "Research all," so it would have gone to my  
 17 e-mail.  
 18 Q. Do you also see that you are cc'd on this  
 19 e-mail?  
 20 A. Like I said, "Research all," yeah, there it  
 21 is, yup, like I said.  
 22 Q. I will take it back from you.  
 23 A. Okay.  
 24 (Handed.)  
 25 Q. Mr. Bolan, I'm handing you a document that

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1 has been previously marked Exhibit 7. Exhibit 7 consists  
 2 of a two-page document. The Bates label of the first page  
 3 is WF2848283. The title of this document is, "Creating  
 4 ahead of research reports, FINRA Rule 5280."  
 5 A. Okay.  
 6 Q. Have you seen this document before?  
 7 A. No, not that I could recall.  
 8 Q. Looking at the second to last paragraph on  
 9 the first page of this document, that paragraph states,  
 10 "Wachovia Capital Markets, LLC maintains information  
 11 barriers to prohibit the flow of information about pending  
 12 research reports outside of the global research department  
 13 so as to prevent WCM's trading departments from front  
 14 running the publication of a research report for the  
 15 benefit of the firm or its clients."  
 16 Was Wachovia Capital Markets the predecessor  
 17 to Wells Fargo?  
 18 A. It is. Wells Fargo Capital Markets, it's the  
 19 predecessor of Wells Fargo Capital Markets.  
 20 Q. And you were employed by Wells Fargo Capital  
 21 Markets; correct?  
 22 A. Correct.  
 23 Q. Is this paragraph consistent with the  
 24 protections in place at Wells Fargo while you were  
 25 employed there?

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1 A. What do you mean by that?  
 2 Q. What do you understand this paragraph to  
 3 state?  
 4 A. Exactly that, the trading department -- there  
 5 should be a wall between the research department and the  
 6 trading department so that there is no front running of  
 7 publicized research reports.  
 8 Q. Did you understand -- strike that.  
 9 While you were at Wells Fargo, did such a  
 10 wall exist between the research department and the trading  
 11 department?  
 12 A. A wall? What do you mean by "wall"?  
 13 Q. Were there any barriers in place to prevent  
 14 the sharing of information between the research department  
 15 and the trading department?  
 16 A. You mean in terms of a rule as a wall, or  
 17 like a system in place to, you know -- for example, having  
 18 a counselor or a lawyer -- compliance person on the phone  
 19 when that research analyst speaks to the trading guys?  
 20 Q. Did that occur?  
 21 A. No.  
 22 Q. Was there any physical barrier separating the  
 23 trading department from the research department at Wells  
 24 Fargo, while you were employed at the firm?  
 25 A. There was research on convertible debt on the

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1 trading floor and the equity research analysts definitely  
 2 were allowed to fully walk through the trading floor.  
 3 Q. Were members of Wells Fargo's trading desk  
 4 allowed to enter the area where Wells Fargo's equity  
 5 research analysts were located?  
 6 A. I'm not sure. I'm not -- I was in the  
 7 Nashville office, so -- I was in the Nashville office, I  
 8 wasn't stationed in New York.  
 9 Q. I will take Exhibit -- strike that.  
 10 Hold onto Exhibit 7 for a while.  
 11 A. Surely.  
 12 Q. Looking at the second page of this exhibit,  
 13 the first bullet states, "You may not preview changes in  
 14 research opinions or estimates or contradicting or  
 15 signaling a change from your published views. All  
 16 communications, whether verbal or in writing, must be kept  
 17 with your current published views."  
 18 Do you understand that bullet?  
 19 A. Absolutely.  
 20 Q. The last bullet says, "All research must be  
 21 adequately disseminated on a contemporaneous basis to all  
 22 customers who have a perceived interest in the report."  
 23 Do you understand that bullet?  
 24 A. Yes.  
 25 Q. What does that mean?

1 A. All research must be adequately disseminated,  
 2 so a research report must be sent out at the same time to  
 3 all customers, period.  
 4 Q. While you were at Wells Fargo, did you ever  
 5 violate any of Wells Fargo's policies?  
 6 A. Not that I know of.  
 7 Q. Did you ever violate Wells Fargo's policies  
 8 prohibiting the previewing of research?  
 9 A. Not that I know of.  
 10 Q. Did you ever violate Wells Fargo's  
 11 policies -- strike that.  
 12 Did you ever violate Wells Fargo's policies  
 13 requiring the publishing of a note when there is a  
 14 material change to estimates?  
 15 A. No.  
 16 Q. Did you ever violate Wells Fargo's policies  
 17 requiring the publishing trading of a note when there is a  
 18 material change in an analyst's view of a company?  
 19 A. No.  
 20 Q. Tell me about the circumstances surrounding  
 21 your departure from the firm.  
 22 A. Sure. So bottom line is, over the course of  
 23 several years I would conduct research of private  
 24 companies to glean any type of, you know, color on maybe  
 25 how the public companies were doing. So the way I look at

1 it is if you have a couple of Wendy's here and you have a  
 2 couple of McDonald's here, if Wendy's is private, if  
 3 Wendy's is doing better or worse, here you have McDonald's  
 4 public, that may be an indication as to how McDonald's is  
 5 doing.  
 6 And so essentially what I would do in the  
 7 real world example is, for preclinical CROs, I would look  
 8 at the private companies and based on the health of their  
 9 business in any given quarter or semiannually or annually,  
 10 try to look at that as kind of an indication of how the  
 11 public companies are performing, in this very case it  
 12 would be Covance in Charles River.  
 13 And, you know, based on that, it wasn't  
 14 enough -- it was never enough for me to do anything  
 15 material with it just because if the preclinical CROs are  
 16 doing worse, it could be that the public companies are  
 17 taking shares from them or vice versa; right.  
 18 So it was never really that significant of a  
 19 research element in my process, but clients did like to  
 20 see the data points that I collected from private  
 21 companies as to how they are doing. It's something that I  
 22 would send out to analysts on the buy side, clients that  
 23 cared about the kind of minutia of how are these private  
 24 companies doing.  
 25 I did it for a couple of years. It's

1 actually a practice that was very well thought of among  
 2 research management. In the best practices meeting in  
 3 2011 -- 2010, excuse me, I was kind of commended for that  
 4 research process by Diane Shumaker in front of all of the  
 5 other health care analysts. It was a health care analysts  
 6 best practices meeting.  
 7 So at the very end, I had sent out my first  
 8 quarter -- I kind of -- you know, these notes that I had  
 9 taken from the private companies, I had sent that minutia  
 10 of how they are doing to a group of clients that had cared  
 11 about it, and this was on April 1st of 2011. I thought it  
 12 was an interesting set of data points because it was  
 13 actually affirming what I had just written three weeks  
 14 prior, in early March, coming out of Society of  
 15 Toxicology.  
 16 So later in that day, I did put out a note --  
 17 it's not a note, it's like an e-mail, approved by SA's in  
 18 compliance, saying: Look, you know, we are reiterating  
 19 our buys in Charles River and Covance, you know, still  
 20 think they're buys, you know, it's kind of consistent with  
 21 what we had written three weeks ago, and the stocks,  
 22 Charles River and Covance, the stocks moved on that.  
 23 I then was approached by compliance and kind  
 24 of told them what I had done, and before I knew it, you  
 25 know, even though Todd Wickwire was telling me, "It's

1 fine, it's fine, totally consistent with what you should  
 2 be doing," the compliance department kind of took over, if  
 3 you will, and I got very flustered, very upset because  
 4 they brought me in and, you know, sit down with  
 5 compliance, sit down with legal, told them what happened.  
 6 I could tell that they were very -- just very hawkish,  
 7 very -- just very almost hostile.  
 8 And so I went home after that -- this was in  
 9 New York -- I went back to Nashville and I got -- I  
 10 thought about it for over a weekend and I just got so  
 11 disappointed and upset about how they handled it, that I  
 12 decided to resign on a Monday or Tuesday. It was right  
 13 after Easter Day weekend. And that was that.  
 14 And then within about a month is when I  
 15 contacted Dan's firm because I felt like I needed  
 16 representation in this, because I didn't think it was  
 17 fair. Within about a month, they marked my U-5.  
 18 Q. Who marked your U-5?  
 19 A. Wells Fargo.  
 20 Q. What did they mark it with?  
 21 A. Selective dissemination information.  
 22 Q. You mentioned that you met with folks at  
 23 Wells Fargo compliance and legal; correct?  
 24 A. Yes.  
 25 Q. Who did you meet with?

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EXHIBITS		
NUMBER	DESCRIPTION	PAGE
50	Chart	103
51	E-mail, first page Bates [REDACTED]	115
52	Chart	119
53	Multi-page document, first page dated 6/15/10	125
54	E-mail chain, Bates No. [REDACTED]	127
55	Chart	131
56	E-mail and attachment, Bates [REDACTED]	137
57	E-mail chain, first page [REDACTED]	140
58	Summary	143
59	Summary	145
60	Multi-Page document, dated 2/8/11	148
61	E-mail chain, first page [REDACTED]	152
62	Chart	154
63	Multi-page document, first page dated 8/16/10	157
64	E-mail, Bates [REDACTED]	158
65	Summary	161
66	E-mails, Bates [REDACTED]	165
67	Summary	168

(Continued on next page)

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EXHIBITS		
NUMBER	DESCRIPTION	PAGE
68	Document	169
69	E-mail, Bates [REDACTED] and attachment	181
70	E-mail chain, Bates No. [REDACTED]	197

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SCOPIST'S CERTIFICATE

I, Rena Farber, hereby certify that the foregoing transcript consisting of 226 pages, is a complete, true and accurate transcript of the investigative hearing, held on Thursday, June 6, 2013, at 3 World Financial Center, New York, New York, in the matter of RESEARCH ANALYST REPORTS.

I further certify that this proceeding was reported by Deborah Moschitto and that the foregoing transcript has been scoped by me.

\_\_\_\_\_  
Rena Farber

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
REPORTER'S CERTIFICATE

I, Deborah Moschitto, reporter, hereby certify that the foregoing transcript of 226 pages is a complete, true, and accurate transcript of the testimony indicated, held on Thursday, June 6, 2013, at 3 World Financial Center, New York, New York, in the matter of:

RESEARCH ANALYST REPORTS.

I further certify that this proceeding was recorded by me and that the foregoing transcript was prepared under my direction.

Date: \_\_\_\_\_

Official Reporter: Deborah Moschitto  
Diversified Reporting Services, Inc.

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PROOFREADER'S CERTIFICATE

In the Matter of: RESEARCH ANALYST REPORTS  
Witness: GREG BOLAN  
File Number: NY-8432  
Date: JUNE 6, 2013  
Location: 3 World Financial Center  
New York, New York

This is to certify that I, Deborah Moschitto, do hereby swear and affirm that the attached proceedings before the United States Securities and Exchange Commission were held according to the record and that this is the original, complete, true and accurate transcript that has been compared to the reporting or recording accomplished at the hearing.

\_\_\_\_\_  
Deborah Moschitto

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:                    )  
  ) File No. NY-8432  
RESEARCH ANALYST REPORTS         )  
  )

WITNESS:           JOSEPH RUGGIERI

PAGES:             1-190

PLACE:   Securities and Exchange Commission  
          Three World Financial Center - Suite 4300  
          New York, New York 10281

DATE:       June 7, 2013

          The above-entitled matter came on for  
hearing at 10:13 o'clock a.m.

Page 10

1 Q. When did you graduate?

2 A. 2001.

3 Q. After you graduated college, what did you do

4 next?

5 A. I went to work for Bank of America in

6 San Francisco?

7 Q. Why San Francisco?

8 A. Beautiful city. I am from North Carolina, I

9 interned in New York the summer before. I just wanted to

10 try a different place and loved San Francisco. It's a

11 good opportunity.

12 Q. At Bank of America in San Francisco, what was

13 your job?

14 A. I was an equity capital market analyst for

15 two years before coming to New York.

16 Q. As an equity capital analyst in 2001, what

17 did you do?

18 A. I worked on the syndicate desk helping price

19 IPOs and follow-ons.

20 Q. When you say helped price IPOs and

21 follow-ons, what do you mean by that?

22 A. Just contributed with the team on marketing

23 materials and allocations and the processes that go into

24 doing a deal.

25 Q. It sounds like at that time your job was more

Page 11

1 focused on the specific task of initial public offerings;

2 is that correct?

3 A. Both initial public offerings following

4 convertibles.

5 Q. You mentioned that you had that job for about

6 two years; is that correct?

7 A. Two years in San Francisco; correct.

8 Q. After you left San Francisco, what did you do

9 in New York?

10 A. I went to New York. I stayed with Bank of

11 America. They moved the equities division from San

12 Francisco to New York in 2003. I took the opportunity to

13 transfer to New York and stayed in the same division with

14 the Bank of America in New York.

15 Q. How long did you stay in that division?

16 A. About a year.

17 Q. After you left that division, which division

18 did you go to?

19 A. To the sales and trading department.

20 Q. So this is in 2003?

21 A. 2004.

22 Q. In the sales and trading division in 2004 at

23 Bank of America, what was your job?

24 A. I was a trader.

25 Q. As a trader, what were your responsibilities?

Page 12

1 A. Trade stocks, started on the health care pad,

2 and that's what I have been doing since. And the typical

3 tasks that a junior trader at first -- at least learning

4 the business or the stocks, the buys on the left, sells on

5 the right, talking to customers, getting to know the

6 people on the desk, meeting clients, probably for the

7 first year or two.

8 Q. You used the phrase "junior trader." What

9 did you mean by that?

10 A. I had a team. I was on a team of probably

11 five or so, five or six people, so I was the youngest on

12 the desk. I had been there for a year. I had more senior

13 people on my team, and I was the new guy, so I did a lot

14 of the grunt work and blocking and tackling that trading

15 assistants or junior traders do.

16 Q. And you mentioned that you had -- you

17 described your responsibilities and you said that that

18 was -- that was described in the first year in that role.

19 Did I get that right?

20 A. Correct. I can't remember exactly how long I

21 was a junior before I got the opportunity to move up.

22 Q. When you say move up from being a junior

23 trader, what do you mean?

24 A. Well, a few members on my team left to go to

25 a competitor so I was one of the only ones left, so I got

Page 13

1 the opportunity to take more of a senior role.

2 Q. And when was this?

3 A. I can't recall exactly when it was, but I

4 think it was probably in 2005 or 2006.

5 Q. After you were promoted in 2005 or 2006, what

6 was your title?

7 A. I think I was an associate when I moved out

8 of the desk. I got promoted to VP. I can't remember what

9 year that was.

10 Q. And after your promotion in around 2005 or

11 2006, what were your responsibilities?

12 A. Similar, but obviously getting to know the

13 customers more, had a trading -- had a responsibility for

14 trading the stocks myself, talking to salespeople and

15 sales traders and understanding the stories and blocking

16 and thus crossing blocks, normal course of business as a

17 trader.

18 Q. When you say "blocking" and "crossing

19 blocks," what are you referring to?

20 A. Crossing stock. You have one buyer and one

21 seller or you have buyers and you are trying to find

22 sellers, typical normal course of business as a trader.

23 Q. Did you remain in that same role, whether

24 your title was associate or VP, until you left Bank of

25 America?

1 A. No. I got promoted to principal, I think is  
 2 what it was called, and I don't know -- I can't remember  
 3 exactly when that was. It might have been 2008 or 2007.  
 4 Q. After you were promoted to principal, did  
 5 your responsibilities change?  
 6 A. No.  
 7 Q. Did there come a time that you left Bank of  
 8 America?  
 9 A. Well, Bank of America merged with Merrill  
 10 Lynch. I can't remember the exact date that it settled or  
 11 closed or it happened, but I moved down to Merrill Lynch's  
 12 office in, I think it was February 2009.  
 13 Q. How long did you stay at Merrill Lynch?  
 14 A. Until June, I believe, end of June, I think.  
 15 Q. Did your responsibilities remain the same  
 16 while you were at Merrill Lynch?  
 17 A. Yes, more or less. I had a different team  
 18 there. It was just me. I had no team of traders and  
 19 sales traders I had to go to now, but still trading health  
 20 care, trading the same stocks, still talking to customers.  
 21 Q. Focusing on the time period of 2008 and 2009,  
 22 what health stocks did you cover?  
 23 A. I traded all health care. I always have.  
 24 There might be some that we -- one person focuses on more  
 25 than the other, but if you were out or I were out, I

1 always focused on everything at Bank of America. At  
 2 Merrill Lynch, I tried to do the same. We split up stocks  
 3 a bit, but I focused on everything.  
 4 Q. Just so I understand it, your testimony is  
 5 that in 2008 and 2009, you focused on health care stocks  
 6 in your trading; correct?  
 7 A. Yes.  
 8 Q. And within the health care stocks, you had no  
 9 subspecialty; correct?  
 10 A. Not particularly. I think -- well, at  
 11 Merrill Lynch, every day we tried to do everything and so  
 12 we didn't have -- when one person was out, nobody knew  
 13 what those stocks were, so we did everything. When I got  
 14 to Merrill Lynch, I was the new guy on the desk. One  
 15 person focused on a couple of sub sectors. I focused on  
 16 others. I continued to follow all stocks and continued to  
 17 talk to customers on all stocks.  
 18 Q. Did there come a time that you went to work  
 19 at Wells Fargo?  
 20 A. Yes.  
 21 Q. When was that?  
 22 A. I believe I started in September of 2009.  
 23 Q. When you started at Wells Fargo in September  
 24 2009, what was your job?  
 25 A. Trader, trading health care, same role.

1 Q. And what was your title?  
 2 A. I think at Wells Fargo I started as a  
 3 director.  
 4 Q. Can you describe how you came to go from  
 5 working at Merrill Lynch to starting to work at Wells  
 6 Fargo?  
 7 A. Yes. The Wells Fargo head of trading and a  
 8 few other folks in the desk worked with us at Bank of  
 9 America. They went over there. A few of us went to  
 10 Merrill Lynch when the whole merger happened, and they  
 11 recruited us from Merrill Lynch to Wells Fargo.  
 12 Q. Who are these individuals?  
 13 A. There were -- I can't remember how many folks  
 14 worked there from Bank of America, but Matt Brown ran  
 15 trading. There are probably five or six other folks that  
 16 I had worked with who were there.  
 17 Q. Have you heard the term "proprietary trader"?  
 18 A. Yes.  
 19 Q. What do you understand that term to mean?  
 20 A. Somebody who traded -- proprietary trader, as  
 21 a job or role?  
 22 Q. As a role.  
 23 A. Somebody that trades primarily proprietarily.  
 24 Q. At Wells Fargo, was it your role to be a  
 25 proprietary trader?

1 A. Not necessarily. We had a book that we could  
 2 trade proprietarily on, but, you know, we also traded  
 3 customer orders and the same as anywhere else. It's  
 4 similar to my other jobs. It was no different.  
 5 Q. So you started at Wells Fargo in 2009 and  
 6 stayed there how long?  
 7 A. I think my departure date was in April 2011.  
 8 Q. In those two years, were your  
 9 responsibilities generally the same?  
 10 A. Generally the same, yes.  
 11 Q. I know we have discussed generally what a  
 12 trader does.  
 13 A. Yup.  
 14 Q. I wanted to focus on what your role was at  
 15 Wells Fargo?  
 16 A. Sure.  
 17 Q. Have you heard the term "position trader"?  
 18 A. Yes.  
 19 Q. Does that describe your role at Wells Fargo?  
 20 A. I think it's probably a technical term that  
 21 I'm still called a position trader, but it encompasses  
 22 block trading, proprietary trading. Everything is kind of  
 23 under that umbrella.  
 24 Q. So focusing on your time at Wells Fargo,  
 25 could you describe to us what your job was?

Page 18

1 A. It was trading health care stocks and  
 2 generating business and talking to customers and sales  
 3 traders and analysts, the same as I did at my other shops.  
 4 Q. Please lead us through what sort of trades  
 5 you did of health care stocks while you were at Wells  
 6 Fargo?  
 7 A. I traded all of health care, so -- I mean, it  
 8 ran the gamut of every sub sector within health care.  
 9 Q. You mentioned before that there was a book  
 10 that you were permitted to trade; correct?  
 11 A. Right.  
 12 Q. What percentage of your responsibilities at  
 13 Wells Fargo consisted of trading that book?  
 14 A. I think it's probably tough for me to put a  
 15 number on that. I don't want to speculate. There was  
 16 never a mandate that we had to trade a certain percentage  
 17 of prop or anything.  
 18 Q. While you were at Wells Fargo, did you place  
 19 different types of trades?  
 20 A. What do you mean by that?  
 21 Q. For example, have you heard the term "agency  
 22 trade"?  
 23 A. Yes.  
 24 Q. What is an agency trade?  
 25 A. I think agency is trading simply as agent,

Page 19

1 not using capital, the firm's capital to facilitate a  
 2 customer. It's just trading on behalf of the customer.  
 3 Q. And while you were a trader at Wells Fargo,  
 4 did you do agency trades?  
 5 A. Yes.  
 6 Q. Have you heard the term "riskless principal  
 7 trade"?  
 8 A. Yes.  
 9 Q. What is a riskless principal trade?  
 10 A. Riskless principal trade I think is when you  
 11 trade a stock at a price that is -- there is no risk  
 12 involved.  
 13 Q. Why is there no risk involved?  
 14 A. Because it was traded at the same exact price  
 15 you facilitated the customer.  
 16 Q. And so I understand it, a riskless principal  
 17 does have risk because the customer has already agreed to  
 18 buy it or sell -- purchase it or sell it at the price that  
 19 you are going to acquire it, correct?  
 20 A. Correct.  
 21 Q. And have you heard the term "principal  
 22 transaction"?  
 23 A. Yes.  
 24 Q. What is a principal transaction?  
 25 A. Principal transaction is when you trade with

Page 20

1 a customer using the firm's capital, putting up the firm's  
 2 capital principally, and oftentimes you would have a  
 3 position coming out of that.  
 4 Q. So unlike the agency or the riskless  
 5 principal trade, the principal trade, your firm is taking  
 6 the risk and reward of ownership of the security?  
 7 A. Correct. That's the way I understand it.  
 8 Q. At Wells Fargo, what were the circumstances  
 9 in which you would place a principal trade?  
 10 A. It depended on the situation. I mean, it  
 11 varied. A lot of situations were different. It just  
 12 depended on certain circumstance and the customer and the  
 13 stock or whatever the certain circumstances were.  
 14 Q. Let me take one step back. You talked before  
 15 about agency trades. Do you remember that?  
 16 A. Yup.  
 17 Q. What were the circumstances where you would  
 18 do an agency trade?  
 19 A. An agency trade would be just trading on  
 20 behalf of the customer. That's usually -- the instruction  
 21 is pretty simple.  
 22 Q. And the customer, how does the customer  
 23 communicate whether they want to do a trade on an agency  
 24 basis?  
 25 A. It's not always communicated that way unless

Page 21

1 the customer had some sort of agency only -- where you  
 2 couldn't trade principally because of some sort of CSA  
 3 agreement or something. Our job was to execute that trade  
 4 in the best manner as possible. Sometimes you trade on an  
 5 agency basis but if the stock gets dislocated or, you  
 6 know, you facilitate a price, it sometimes wasn't always  
 7 an agency only trade.  
 8 Q. What are the circumstances in which you do a  
 9 riskless principal trade?  
 10 A. Riskless principal trade I think is when,  
 11 exactly like you stated, I think when you have agreed on a  
 12 price and you trade the stock at whatever price you agreed  
 13 upon and there is no risk taken by the firm.  
 14 Q. So when a customer places an order with you,  
 15 do you have discretion as to whether or not to place that  
 16 trade as an agency trade or riskless principal trade?  
 17 A. I'm not sure how to answer that. I guess it  
 18 depends on the situation, I think.  
 19 Q. Maybe you could lead me through an example  
 20 where an agency trade would be used and then lead me  
 21 through an example where a riskless principal trade would  
 22 be used.  
 23 A. I think an agency trade would be a simple  
 24 order that you're executing on behalf of the customer,  
 25 whether it be percentage of a volume or a VWAP over the



1 day or something, and a riskless principal trade might be  
2 where you maybe didn't have risk. It may have been  
3 principal trade at first and maybe you accumulated the  
4 stock in your account and agreed upon a price, which was  
5 the same price of the stock you accumulated and you traded  
6 it at riskless with them.

7 Q. So you referenced before trading for your own  
8 books. Would those be principal trades?

9 A. It could be principal trades. It could be  
10 proprietary. It varied depending on the situation.

11 Q. When you say --

12 A. We didn't have a prop book that was different  
13 from our principal book. It was all one book.

14 Q. When you worked at Wells Fargo, how did you  
15 keep track of the different trades that were occurring  
16 with your customers?

17 A. What do you mean by that? Which trades are  
18 proprietary and which trades are principal?

19 Q. I think my question is a little bit more  
20 general. Lead me through how you track the orders that  
21 came in from the customers and track how those are placed,  
22 including how -- whether the categories are riskless  
23 principal or principal or agency.

24 A. It just depended on the situation. I mean,  
25 usually we have a lot of orders at one time and some were

1 simple instructions and some were we had risk on and we  
2 might have a position on. There is -- depended on the  
3 situation.

4 Q. When you were at Wells Fargo, how were you  
5 compensated?

6 A. Salary, bonus, which part was commission  
7 based and part was subjective.

8 Q. So what were the components of your bonus?

9 A. Salary -- oh, the bonus? Part was commission  
10 based and part was subjective.

11 Q. Describe the commission based portion of your  
12 bonus.

13 A. It was 6 percent of our net revenue.

14 Q. How was 6 percent of your net revenue  
15 calculated?

16 A. Our gross commissions less our P&L or plus  
17 our P&L, 6 percent of that.

18 Q. So I think you mentioned two different  
19 things: Your gross commissions and your P&L?

20 A. Yes.

21 Q. When you say gross commissions, what were you  
22 referring to?

23 A. Just commissions that come on an order. If a  
24 customer sells a hundred thousand shares of XYZ and pays  
25 \$.05 per share, it's \$5,000 commission, we would get

1 6 percent of that.

2 Q. Did you get commissions for agency trades?

3 A. Yes.

4 Q. Did you get commissions for riskless  
5 principal trades?

6 A. Yes.

7 Q. Did you get commissions for principal trades?

8 A. Yes.

9 Q. You got commissions for trades that you  
10 placed in Wells Fargo's own book?

11 A. If the -- not -- well, whatever P&L was at  
12 the end of the year, we got -- it was all calculated as  
13 part of a net revenue, so gross commissions plus P&L. My  
14 P&L, it was -- usually I ran about a 10 to 15 percent loss  
15 ratio. I was there for 18 months, so over that, I know a  
16 full year I was -- my loss ratio was 10 to 15 percent  
17 which means if I did a million dollars in business, I lost  
18 1 to 150, so my net revenue would be 850 to 9, so then I  
19 would get paid on that.

20 Q. So getting back to the two terms that I  
21 started with: Gross -- I want to make sure I have it  
22 right.

23 A. Sure.

24 Q. Gross commission refers to the commissions  
25 that you get from placing trades on behalf of clients;

1 correct?

2 A. Correct.

3 Q. And what does profit and loss refer to?

4 A. Profit and loss is referred to just that. It  
5 includes principal trading, profit and loss trading  
6 principally with customers as well as proprietary trades

7 Q. When you are using the terms "principal  
8 trade" and "proprietary trade," what's your view of the  
9 difference between those two terms?

10 A. A principal trade is usually linked with  
11 customer order and proprietary trade is not.

12 Q. You referenced running a 10 to 15 percent  
13 loss?

14 A. Right.

15 Q. Did I get that right?

16 A. Yes.

17 Q. And what were you referring to?

18 A. Just my net P&L. So profit or loss, and I  
19 ran about a 10 to 15 percent loss ratio.

20 Q. So when you were sitting at your desk at  
21 Wells Fargo, were you able to see what your gross  
22 commissions were?

23 A. On a daily basis, yes.

24 Q. How can you see that?

25 A. It was in our automated manual system. You

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1 Q. Is a research analyst's consideration of  
 2 possibly doing an upgrade material and nonpublic  
 3 information?  
 4 A. Yes.  
 5 Q. Is a research analyst's consideration of  
 6 possibly doing a downgrade material and nonpublic  
 7 information?  
 8 A. Yes.  
 9 Q. How do you know that?  
 10 A. I think that's my understanding of material  
 11 and nonpublic information.  
 12 Q. And you've obtained that understanding from  
 13 working in the securities industry since 2001?  
 14 A. Yes.  
 15 Q. While you worked at Wells Fargo, which  
 16 research analysts did you have interaction with?  
 17 A. All of them.  
 18 Q. When you say "all of them," who are you  
 19 referring to?  
 20 A. I think all of our health care analysts, as  
 21 well as strategy people, economists or others  
 22 occasionally, but most of all health care analysts.  
 23 Q. While you were at Wells Fargo, who were the  
 24 health care analysts?  
 25 A. Michael Tong -- I will probably forget some

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1 people, Larry Biegelson.  
 2 Q. Maybe spell some of the different ones.  
 3 A. B-I-E-G-E-L-S-O-N. Michael Tong, T-O-N-G.  
 4 Greg Bolan, B-O-L-A-N. Gary Lieberman, did I mention him?  
 5 Gary Lieberman. I can't remember if that's all of them or  
 6 not.  
 7 Q. Of the people that you listed, did you have  
 8 an equal amount of interaction with that whole list?  
 9 A. Probably not. I had the most interaction  
 10 with Greg.  
 11 Q. You are referring to Greg Bolan?  
 12 A. Yes.  
 13 Q. I know you know him as Greg, but I will refer  
 14 to him as Mr. Bolan; okay?  
 15 A. Okay, gotcha.  
 16 Q. When did you first meet Mr. Bolan?  
 17 A. I don't recall the first time, but after I  
 18 joined Wells Fargo.  
 19 Q. While you were at Wells Fargo, how often did  
 20 you interact with Mr. Bolan?  
 21 A. Regularly. Often multiple times a day.  
 22 Q. When you say "regularly," what do you mean?  
 23 A. Often multiple times a day.  
 24 Q. When you interacted with Mr. Bolan, what were  
 25 your typical topics that you covered with him?

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1 A. Typical stock interactions of the day, news,  
 2 similar to other analysts. But Greg and I had a very good  
 3 relationship and we were, better than most. We spoke a  
 4 lot, and oftentimes, you know, about the business and  
 5 other things outside of, you know, just health care as  
 6 well. We were kind of -- you know, he was an up and come  
 7 in his analyst group and I was -- you know, I had a  
 8 leadership role in the desk and, you know, we talked about  
 9 growing the business and, you know, what analysts we  
 10 should look to hire or, you know, what areas we should try  
 11 to grow our business.  
 12 We talked about -- we became pretty good  
 13 friends, too, and talked about stuff outside of work.  
 14 Q. As a part of your answer, you referenced that  
 15 you and Mr. Bolan became good friends. Did I hear that  
 16 right?  
 17 A. No. We became pretty friendly. We were  
 18 similar aged, no kids, both ambitious in the business,  
 19 and, you know, talked to a lot of the same clients in his  
 20 stocks. So, you know, we had, you know, some things in  
 21 common from that respect.  
 22 Q. When you -- let me ask the question again,  
 23 but let me ask you to limit your answer to the topics that  
 24 you discussed with him.  
 25 A. Right.

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1 Q. When you spoke with Mr. Bolan, what were the  
 2 general topics that you discussed with him, if you could  
 3 list them, please?  
 4 A. I think general market things, stock specific  
 5 stuff in the sector, questions, maybe, you know, I'm  
 6 getting from investors, general -- same thing I would talk  
 7 to any other analyst about.  
 8 Q. After Mr. Bolan, who did you interact with --  
 9 aside from Mr. Bolan, which research analysts did you work  
 10 with --  
 11 A. Closest?  
 12 Q. The closest. If I asked you the question who  
 13 did you work with the closest, your answer would be  
 14 Mr. Bolan; correct?  
 15 A. Right.  
 16 Q. In the category of research analysts?  
 17 A. Generally, yes.  
 18 Q. Who was in the second place in that race?  
 19 Aside from Mr. Bolan, who did you work the closest with of  
 20 the health care research analysts in Wells Fargo?  
 21 A. That's a good question. It might have  
 22 been -- it might have been Larry Biegelson or Pete Costa.  
 23 I also talked to the associates a lot. So there was  
 24 Vinnie Ricci who used to work on Biegelson's team. I  
 25 talked to him a lot during the day. Aaron Reames. I

1 forgot to mention him.  
 2 Q. How do you spell Reames?  
 3 A. R-E-A-M-E-S. I spoke to Aaron a lot,  
 4 actually, too. Brian Abraham, who became the assistant  
 5 after Aaron left.  
 6 But generally, Greg -- I trade a lot of  
 7 stocks in Greg's space, as I do with others, but I think  
 8 like we probably talked more often because, you know, I  
 9 was involved in his space a lot. We became, you know,  
 10 somewhat of a go-to shop for his names, because we, you  
 11 know -- I knew -- it's a little bit of a niche sector and  
 12 it's client-based and I spoke to a lot of the clients on  
 13 the trading side. They know Wells Fargo trades a lot of  
 14 those stocks so we became kind of a place that clients  
 15 came to. It was kind of, you know, we were a lot more  
 16 active in his names so I ended up talking to him more.  
 17 Q. When you say that you became a go-to shop for  
 18 his sector, what did you mean by that?  
 19 A. I just meant that we traded a lot of stocks  
 20 in his space and --  
 21 Q. Let's take a step back. I think my question  
 22 was a little bit more simple than that.  
 23 You mentioned that you were a go-to sector  
 24 for -- you are the go-to shop for his sector?  
 25 A. Right.

1 Q. When you said that, what did you mean by  
 2 "go-to shop"?  
 3 A. I just meant that, you know, clients often go  
 4 to Wells Fargo when they traded those stocks because I  
 5 traded a lot of them, Greg covered them and talked with a  
 6 lot of those clients as well.  
 7 Q. When you worked with Mr. Bolan, where did he  
 8 live?  
 9 A. Nashville.  
 10 Q. How did you communicate with Mr. Bolan?  
 11 A. E-mail, phone.  
 12 Q. Did you communicate with Mr. Bolan through  
 13 his work e-mail?  
 14 A. Yes.  
 15 Q. Did you communicate with Mr. Bolan through  
 16 his personal e-mail?  
 17 A. I am not sure if we did when I was at Wells  
 18 Fargo. I know we did after we were both terminated, but  
 19 can't recall if I did when we were working there.  
 20 Q. Did you speak to Mr. Bolan by telephone?  
 21 A. Yes.  
 22 Q. What different telephone numbers of his did  
 23 you have?  
 24 A. I think I had his work number, obviously, his  
 25 cell and his home number, I think.

1 Q. How frequently would you call his home?  
 2 A. Very infrequently.  
 3 Q. Why infrequently?  
 4 A. If I can recall. Why infrequently? Often it  
 5 would only be if he were working at home -- sometimes he  
 6 would work at home instead of the office, if I remember  
 7 correctly, and -- or if I couldn't get him on his cell or  
 8 his office number.  
 9 Q. When you dialed Mr. Bolan from work, from  
 10 your work line to his work line, how did you do that?  
 11 A. Dial the phone number? I'm sorry.  
 12 Q. That answer is accurate. Let me ask a  
 13 different question.  
 14 When you dialed Mr. Bolan, did you have to  
 15 dial the full ten-digit extension or was there another  
 16 number that you can use to call Mr. Bolan from your line  
 17 to his work line?  
 18 A. I don't remember if I had speed dial in place  
 19 for him or not.  
 20 Q. In general, for people that worked at Wells  
 21 Fargo in a different office, was there sometimes a four or  
 22 five-digit extension that you could use to dial that  
 23 person?  
 24 A. I can't remember how it worked at Wells  
 25 Fargo. I know that's how it is now at my current company,

1 but I can't remember there.  
 2 Q. Aside from e-mailing Mr. Bolan, aside from  
 3 calling him, were there any other ways that you  
 4 communicated with Mr. Bolan?  
 5 A. I can't remember if he had Bloomberg or  
 6 Instant Messenger, but, if so, we may have communicated  
 7 that way. But I can't remember, exactly.  
 8 Q. When you worked with Mr. Bolan, how many cell  
 9 phone numbers did he have?  
 10 A. I am not sure if -- I can't recall. I know  
 11 he had a cell phone after we left there. I am not sure if  
 12 I had that number when he was there or not. I can't  
 13 remember.  
 14 Q. So when you worked with Mr. Bolan at Wells  
 15 Fargo, you only remember using one cell phone number for  
 16 him?  
 17 A. I can't recall. I'm sorry.  
 18 Q. How long did you work with Mr. Bolan?  
 19 A. As long as I worked at Wells Fargo.  
 20 Q. Re<sup>find</sup> me how long that was.  
 21 A. So from September 2009 until April 2011.  
 22 Q. In that time, how many times did you see  
 23 Mr. Bolan in person?  
 24 A. I can't remember.  
 25 Q. Was it less than a hundred?

1 Q. Did Mr. Bolan's upgrades or downgrades ever  
 2 take you by surprise?  
 3 A. Sure. I mean -- you know, we spoke to -- on  
 4 a very frequent basis and, you know, my job as a trader  
 5 was to, you know, to trade the stocks and talk to analysts  
 6 and salespeople and clients, you know, to try and paint a  
 7 picture, you know, make my own subjective opinion. So I  
 8 can't remember if this particular upgrade or downgrade  
 9 surprised me or not, but I don't recall if anyone did or  
 10 not.  
 11 Q. Was there anything about your interactions  
 12 with Mr. Bolan that allowed you to make an inference as to  
 13 about what he was going to do with the future ratings  
 14 change?  
 15 A. Absolutely not. Greg is a compliant analyst,  
 16 like most are, and, you know, to infer that he, you know,  
 17 told me he was downgrading or upgrading or, you know, a  
 18 stock or timing or something like that is, is absolutely  
 19 not true. And it's, you know, my job as a trader and, you  
 20 know, is to make my own opinions based on, you know,  
 21 talking to a lot of people and, you know, if I spoke to  
 22 Greg that day or something and -- or another analyst or a  
 23 salesperson or a client who might have been trading that  
 24 stock that day, you know, that, you know, by no means it  
 25 was because Greg inferred anything, that he was, you know,

1 about to do or downgrade or upgrade a stock.  
 2 Q. So it's your testimony -- let's put aside  
 3 PAREXEL for a second.  
 4 A. Right.  
 5 Q. It's your testimony that Mr. Bolan never gave  
 6 you advanced notice of any impending upgrade or downgrade  
 7 in any security he covered, is that correct?  
 8 A. Correct, correct.  
 9 Q. I am going to move on to a different  
 10 question.  
 11 A. Sure.  
 12 Q. Is there any -- was there ever any instance  
 13 where you were able to infer from your conversations with  
 14 Mr. Bolan that he may be coming out with an upgrade or a  
 15 downgrade?  
 16 A. I mean, I talked to Greg on a daily basis so  
 17 I have, you know, a good, you know, judge -- and other  
 18 analysts and folks, I have a good judgment of sentiment  
 19 but by no means did Greg ever infer he was downgrading or  
 20 upgrading, give me any material, you know, nonpublic  
 21 information that he was doing anything. That's kind of,  
 22 you know -- again, I am beating a dead horse, but that's  
 23 my job, is to speak to analysts, speak to salespeople,  
 24 speak to PMs, analysts, formulate my own opinion about  
 25 what to do with a stock.

1 If there was any decision I made, it was on  
 2 my own intuition from those conversations, not from  
 3 anybody inferring anything material nonpublic to me.  
 4 Q. So it's your testimony that Mr. Bolan never  
 5 explicitly told you that he was going to upgrade or  
 6 downgrade a security; correct?  
 7 A. Yes.  
 8 Q. And it's also your testimony that Mr. Bolan  
 9 never gave you any hints or gave you any -- that Mr. Bolan  
 10 never intentionally signaled to you anything about an  
 11 impending upgrade or downgrade?  
 12 A. No, no.  
 13 Q. Moving on to the next question now --  
 14 A. Sure.  
 15 Q. -- from your conversations with Mr. Bolan,  
 16 did you, yourself -- were you, yourself, ever able to form  
 17 a judgment that he may be upgrading or downgrading a  
 18 security?  
 19 A. I don't think so. You know, any decision  
 20 that I made, like I said, was, you know, from a number of  
 21 inputs, clients, salespeople and analysts. That was just  
 22 one -- that was part of the decision process.  
 23 Q. As a part of your trading at Wells Fargo, you  
 24 placed trades where you bore the risk of ownership,  
 25 correct?

1 A. Right.  
 2 Q. For those trades, you had to make a judgment  
 3 as to whether a security was a good buy or a good sell;  
 4 correct?  
 5 A. Right.  
 6 Q. In your calculations as to whether or not to  
 7 buy a particular security covered by Mr. Bolan, did you  
 8 weigh your predictions as to what he was going to do with  
 9 his future coverage in your analysis?  
 10 A. I think any decision I made was -- again, was  
 11 my own intuition, my subjective opinion from conversations  
 12 I had with him or any other analyst and salespeople and my  
 13 typical network of talking to people.  
 14 Q. So one thing I am trying to get an  
 15 understanding of is, there are some events that -- for a  
 16 company that somebody left you the trade, proprietary,  
 17 trades, make a bet on, for example if there is an earnings  
 18 call, if you think it's going to be everybody else, you  
 19 will place a bet; right?  
 20 A. Right; right.  
 21 Q. For example, if there is talk about  
 22 acquisition and you have an opinion about --  
 23 A. Right.  
 24 Q. -- what your theory of the acquisition is,  
 25 that's another thing you bet on; right?

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1 A. I think so, yes.

2 Q. And when you made such an attestation, that

3 you were familiar with said policies and procedures, that

4 attestation was true?

5 A. Right.

6 Q. When you went to compliance meetings, do you

7 recall signing in to reflect that you attended them?

8 A. Vaguely. I know I probably went to a couple

9 over my time there. I don't remember what was

10 particularly discussed, but I do remember going to these

11 from time to time and signing in.

12 MR. RIELY: Please mark this.

13 (Sign-in sheet, two pages, Bates No.

14 WF284821 I, marked Exhibit 79 for

15 identification.)

16 Q. You have to share this with your counsel.

17 This document, Exhibit 79, is a two-page

18 document Bates stamped WF284821 I.

19 Do you see that document?

20 A. Yes.

21 Q. Can you -- it appears to be a continuing

22 education sign-in sheet --

23 A. Yup.

24 Q. -- for the 2009 annual compliance training at

25 Wells Fargo.

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1 A. Yes.

2 Q. Do you see your name there, Joe Ruggieri?

3 A. I do.

4 Q. Do you see the signature to the right of your

5 name?

6 A. Yes.

7 Q. Is that your signature?

8 A. It is.

9 Q. And there is an "A" number. What is an A

10 number?

11 A. I think it's like an identification number

12 for each employee.

13 Q. And is that your A number?

14 A. This is what I remember, yes.

15 Q. Before you went to compliance training

16 programs, do you remember being provided with written

17 materials?

18 A. I don't remember that, no.

19 MR. RIELY: Mark this, please.

20 (E-mail with attachment, Bates No.

21 WFC001514977, marked Exhibit 80 for

22 identification.)

23 A. Do you mean at the meeting or before the

24 meeting, like ahead of time or --

25 Q. Ahead of time.

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1 A. I don't know. I don't want to say no

2 outright because I don't remember, so...

3 But these things were taken -- I don't want

4 to say lightly, but like, you know, a lot of times we

5 would come in and say: I am going to sign-in. It would

6 be quick and they wanted to get it over as quickly as

7 everybody else did. So there wasn't a lot of preparation

8 or materials, if I remember correctly.

9 I don't remember reviewing documents

10 beforehand or anything, but I can't remember completely

11 BY MR. SATWALEKAR:

12 Q. Were you provided any documents at the

13 meeting?

14 A. I don't remember any specific meeting -- I

15 remember, obviously, my name is on this and signing it,

16 but I can't remember one meeting from the other, which

17 documents were there and which weren't.

18 BY MR. RIELY:

19 Q. Handing you a document that's been marked as

20 Exhibit 80. It's a large item so I will ask you to share

21 that item with your counsel.

22 MR. RIELY: For the record, Exhibit 80 is an

23 e-mail with attachment, large distribution list of people

24 at Wells Fargo. It's Bates stamped WFC001514977 --

25 A. Uh-hum.

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1 Q. -- through WFC0015154042. I can't do that

2 math, but it's a lot of pages. I am not going to go

3 through ever policy and procedure, but I wanted to draw

4 your attention to the page Bates stamped WFC001514991.

5 Are you at that page?

6 A. Uh-hum.

7 Q. I wanted to ask you about the second bullet

8 point. I will read it for the record. It says, "It is

9 the responsibility of each employee and supervisory

10 principal of each trading desk to ensure that WFS trading

11 team members do not buy or sell positions in anticipation

12 of the dissemination of written research, e.g. trading as

13 principal in size following a morning call but prior to

14 the issuance of a written report."

15 A. Uh-hum.

16 Q. Do you see that?

17 A. I do.

18 Q. Does that comport with your understanding of

19 what Wells Fargo's policies were at the time?

20 A. It's in here, so I assume it was, but I don't

21 recall specifically that at the time, but it makes sense,

22 I mean, to me.

23 Q. Did you have an understanding, while you

24 worked at Wells Fargo, that it was against the rules to

25 buy or sell positions in anticipation of the dissemination

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1 of written research?

2 A. Yes.

3 Q. What was the answer?

4 A. Yes. I mean, I know the rules, you know, and

5 anything material or nonpublic or efforts of a written

6 report, I understand that.

7 Q. The next page, the one ending in

8 WFC001514992, relates to trading when aware of material

9 and nonpublic information. Do you see that?

10 A. Yup.

11 Q. When you worked at Wells Fargo were you aware

12 that it was against the rules to trade on the basis of

13 material that was non-public information?

14 A. Of course, yes.

15 Q. You were aware at the time that advanced

16 notice of an impending upgrade or downgrade is the sort of

17 material of nonpublic information that you are not

18 permitted to trade on?

19 A. Right.

20 Q. So I wanted to return to you-- the

21 interview you had with Wells Fargo compliance.

22 A. Uh-hum.

23 Q. I think you referenced before that you

24 recalled the topic of your trades before Mr. Bolan's

25 upgrades and downgrades coming out?

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1 A. Right.

2 Q. Do I remember being shown any documents as

3 part of your questioning?

4 A. I think there was -- they had some trades

5 that they picked out that they showed me. I can't

6 remember the details of it, but...

7 MR. RIELY: Would you mark this, please.

8 (Chart, Bates No. WF002848176, marked Exhibit

9 81 for identification.)

10 Q. Mr. Ruggieri, I am handing you a document

11 marked as Exhibit 81. I also provided a copy to your

12 counsel.

13 MR. RIELY: For the record, Exhibit 81 is a

14 one-page document, Bates stamped WF002848176.

15 Q. Mr. Ruggieri, have you ever seen Exhibit 81?

16 A. This I assume is what was used at my

17 interview. It looks familiar.

18 Q. The chart includes, on the left-hand, names

19 of health care issuers that you covered at the time;

20 correct?

21 A. Uh-hum.

22 Q. Including CVD which stands for Covance --

23 A. Uh-hum.

24 Q. -- AMRI which stands for Albany Molecular, EM

25 stands for Emdeon, and ATHN stands for Athena; correct?

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1 A. Uh-hum.

2 Q. During your interview, did they ask you why

3 you took the positions reflected in Exhibit 81 just before

4 Mr. Bolan's upgrades or downgrades of these securities?

5 A. I -- I don't remember the details of the

6 interview. It was -- I'm sure they did, but I don't

7 remember specifically.

8 Q. Did you provide them any explanation?

9 A. I can't recall what I said if they asked me

10 that.

11 Q. Did you indicate that you were able to read

12 Mr. Bolan's body language?

13 A. I don't -- I don't remember those

14 conversations.

15 Q. Is a part of the reason why you were able to

16 trade successfully in advance of Mr. Bolan's upgrades and

17 downgrades is because you were able to read his body

18 language?

19 A. No, I wouldn't say that was -- I can't

20 remember exactly what I said in the interview. But, like

21 I said earlier, I mean, anything that I got from speaking

22 to Greg or any analyst from a change in tone or sentiment

23 or anything, was my own intuition and not from them, you

24 know, tipping me off or giving me any material, nonpublic

25 information.

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1 And that's what I do, you know, on a daily

2 basis, speaking to my analysts every day, talking to

3 clients, talking to clients.

4 Q. You mentioned when an analyst changes his

5 tone. What do you mean by that?

6 A. I just think it's -- it depends on the

7 circumstance, but I speak -- if I speak to somebody on a

8 daily basis and, you know, I sense, you know, something,

9 speaking to a salesperson or, you know, there were

10 meetings and, you know, again, it goes into the overall

11 investment thesis, but, you know, I don't know anything in

12 particular I could point to. It's just part of the

13 process.

14 Q. When a research analyst changes his tone, is

15 that one of the factors that you consider on making an

16 investment in the stock covered by the research analyst

17 where he changes his tone?

18 A. I don't -- I don't know. It depends on the

19 particular situation. I can't say, but, you know, I

20 think, you know, I'm -- I've, I do this every day for a

21 living and, you know, I speak to analysts every day, I

22 speak to clients every day and, you know, I trade on my

23 own subjective opinions, not by anything they are

24 inferring to me.

25 Q. When you say inferring, what do you mean by

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1 MR. VIOLA: No clarifying questions at this  
 2 time.  
 3 Q. Mr. Ruggieri, thank you for coming in today.  
 4 A. Thank you guys for your time.  
 5 Q. I have no further questions at this time. If  
 6 we need to call you back in, we will contact your counsel  
 7 Okay?  
 8 A. Thank you.  
 9 MR. RIELY: We are off the record at 4:10.  
 10 (Time noted: 4:10 o'clock p.m.)  
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Page 188

1  
 2  
 3 SCOPIST'S CERTIFICATE  
 4  
 5 I, Rena Farber, hereby certify that  
 6 the foregoing transcript consisting of 190 pages,  
 7 is a complete, true and accurate transcript of the  
 8 investigative hearing, held on Friday, June 7,  
 9 2013, at 3 World Financial Center, New York, New  
 10 York, in the matter of RESEARCH ANALYST REPORTS  
 11 I further certify that this  
 12 proceeding was reported by Deborah Moschitto and  
 13 that the foregoing transcript has been scoped by  
 14 me.  
 15  
 16 \_\_\_\_\_  
 17 Rena Farber Date  
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 3 JOSEPH RUGGIERI Mr. Riely 3  
 4 E X H I B I T S  
 5 NUMBER DESCRIPTION PAGE  
 6 71 Cover letter and Subpoena, 8  
 7 dated 4/2/13  
 8 72 Document, Bates No. 64  
 9 [REDACTED]  
 10 73 Chart 96  
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 12 2/7/11  
 13 75 Two-Page document, Bates  
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1  
 2  
 3 UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
 4 REPORTER'S CERTIFICATE  
 5  
 6 I, Deborah Moschitto, reporter, hereby certify  
 7 that the foregoing transcript of 190 pages is a  
 8 complete, true, and accurate transcript of the  
 9 testimony indicated, held on Friday, June 7, 2013,  
 10 at 3 World Financial Center, New York, New York,  
 11 in the matter of:  
 12 RESEARCH ANALYST REPORTS.  
 13 I further certify that this proceeding was  
 14 recorded by me and that the foregoing transcript  
 15 was prepared under my direction.  
 16  
 17 Date: \_\_\_\_\_  
 18 \_\_\_\_\_  
 19 Official Reporter: Deborah Moschitto  
 20 Diversified Reporting Services, Inc.  
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PROOFREADER'S CERTIFICATE

In the Matter of: RESEARCH ANALYST REPORTS  
Witness: JOSEPH RUGGIERI  
File Number: Ny-8432  
Date: June 7, 2013  
Location: 3 World Financial Center  
New York, New York

This is to certify that I, Deborah  
Moschitto, do hereby swear and affirm that the  
attached proceedings before the United States  
Securities and Exchange Commission were held  
according to the record and that this is the  
original, complete, true and accurate transcript  
that has been compared to the reporting or  
recording accomplished at the hearing.

\_\_\_\_\_  
Deborah Moschitto      Date



---

**From:** [REDACTED]  
**Sent:** Tuesday, February 15, 2011 12:00 AM  
**To:** [REDACTED]  
**Subject:** 09:12AM - 09:19AM 2011/02/15

<b>[REDACTED] (9:12:34 A.M.):</b> Bolan on the hoot now- spoke to CVD, note in your inbox. Thinks potentially significant negative for PPDI- Takeda R&D running ~\$3.5B-- virtual outsourcing agreement so think could be worth \$2B annually to CVD and Quintiles-- large deal. More details in note but think covering holding stock up early-- expect stock to pullback here-- starting to see supply <b>[REDACTED] (9:19:18 A.M.):</b> PPDI sold 50k wkg 75k ss

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ATTACHLINK

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TO

: 'Bolan, Gregory' <[REDACTED]>

FROM

: Joe Ruggieri <[REDACTED]>

SUBJECT

: RE: Pharmaceutical Services - FULL NOTE - Intra-Quarter Preclinical;Channel Checks (Madison Williams)

DATESENT

= 08/31/2011

TIMESENT

= 18:20:43

PATH

: R:\1216\_6059\CD #1\Exhibit #5\from Ruggieri to Bolan\

SOURCE

: FINRA

PROD\_DATE

= 12/23/2011

FILENAME

: RE Pharmaceutical Services - FULL NOTE - Intra-Quarter Prec.msg

ATTACHMENTS

: image001.gif

TRACKCHANGES

= 0

WHITETEXT

= 0

DOCUMENTTYPE

: LOOSE E-MAIL

EXTENSION

: mht

FILESIZE

= 21756

PAGECOUNT

= 2

MESSAGEID

: 31182421.1585880.1314814845591.JavaMail.encryptx@encryptx2

HASHVALUE

= 1A2FBBF0FF537AFE818D2880CC9F05C1

OCRTEXT

: From: Joe Ruggieri <[REDACTED]>

Sent: Wednesday, August 31, 2011 6:21

To: 'Bolan, Gregory' <[REDACTED]>

Subject: RE: Pharmaceutical Services - FULL NOTE - Intra-Quarter Preclinical;Channel Checks (Madison Williams)

Attach: image001.gif

Still moving stocks

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From: Bolan, Gregory <[REDACTED]>

Sent: Wednesday, August 31, 2011 2:17 PM

Subject: Pharmaceutical Services - FULL NOTE - Intra-Quarter Preclinical  
Channel Checks (Madison Williams)

THANK YOU FOR SUCH HIGH ATTENDANCE ON MY PRECLINICAL UPDATE CONFERENCE  
CALL THIS MORNING!!!

EQUITY RESEARCH

Pharmaceutical Services - August 31, 2011

(Full PDF)

Intra-Quarter Preclinical Channel Checks

(AMRI, CRL, CVD, ICLR, PRXL, PPD)

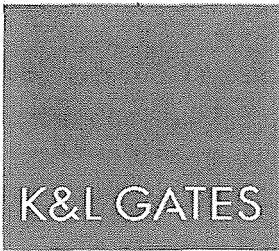
Greg Bolan; 212.508.4020;

Based on our intra-quarter checks, we would characterize the resurgence of preclinical activity during 1H11 as losing some steam. Our checks suggest that 2H11 toxicology revenues may be slightly down from 1H11. With Charles River Laboratories (CRL) guiding for 2H11 preclinical revenue to be flat over 1H11 and Covance (CVD) guiding for early-development revenue to improve sequentially through the year, we think we could see some risk to these forecasts, albeit not substantial, in our view.

Full PDF

Visit us at <http://www.madisonwilliams.com>  
<<http://www.madisonwilliams.com/>>

The analyst(s) responsible for preparing this research received compensation that is based on various factors, including Madison Williams and Company's total revenues, a portion of which is generated by Madison Williams' investment banking activities. Investors should assume that Madison Williams is seeking, or will seek, investment banking or other services from the covered companies. Employees of



**K&L GATES LLP**  
1601 K STREET, N.W.  
WASHINGTON, DC 20006  
T +1 202 778 9000 F +1 202 778 9100 klgates.com

July 1, 2014

Michael J. Missal  
[REDACTED]  
[REDACTED]

**Via FedEx and E-mail**

Mr. Sandeep Satwalekar  
Senior Attorney  
U.S. Securities and Exchange Commission  
3 World Financial Center  
Suite 400  
New York, NY 10281

Re: Research Analyst Reports (NY-8432)

Dear Mr. Satwalekar:

I am writing on behalf of our client, Wells Fargo Securities, LLC (“WFS”), in response to your recent request concerning the SEC’s continued investigation of Gregory Bolan and Joseph Ruggieri. As requested, WFS will set aside \$117,000 in connection with an action that the SEC may bring against Messrs. Bolan and Ruggieri. If there is a final decision in an action against both or either of them, then WFS agrees to return the portion of any ill-gotten gains from Messrs. Bolan and Ruggieri’s actions that WFS received.

WFS’s decision to set aside funds for possible disgorgement is not a concession of any liability against WFS or a reflection on the merits of any allegations against Messrs. Bolan and Ruggieri or their alleged activities. Should the final order or any settlement by Messrs. Bolan and/or Ruggieri not find them liable for insider trading or not find that the ill-gotten gains from their trades amounts to \$117,000, then WFS retains the right to take back those funds being set aside in accordance with the final decision.

K&L GATES

Page 2  
July 1, 2014

Should you have any questions regarding this letter, please do not hesitate to contact me.  
I thank you for your consideration.

Sincerely,

INAK

A handwritten signature in black ink, appearing to read "Michael J. Missal". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Michael J. Missal

---

**From:** Bolan, Greg [REDACTED]  
**Sent:** Monday, February 07, 2011 3:45 PM  
**To:** Murphy, Sarah  
**Subject:** Re: Tomorrow at Oppenheimer Funds

Likewise- see u there!  
Greg Bolan  
Wells Fargo Securities, LLC  
[REDACTED]  
[REDACTED]

---

**From:** Murphy, Sarah  
**To:** Bolan, Greg  
**Sent:** Mon Feb 07 14:57:05 2011  
**Subject:** Tomorrow at Oppenheimer Funds

Hi Greg: I am doing the meeting with you tomorrow at Oppy, 2:00. I will meet you at the check in main check in desk, up one level from street. Can't wait!! :-)

**Sarah Murphy**  
**Managing Director**  
**Wells Fargo Securities**  
[REDACTED]  
[REDACTED]

---

**From:** Bolan, Greg [REDACTED]  
**Sent:** Monday, February 07, 2011 5:36 PM  
**To:** [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** Re: At the Hyatt bar - pretty sure I'm in right place  
**Attachments:** image001.gif

You rock - owe u drinks!

Greg Bolan  
Wells Fargo Securities, LLC  
[REDACTED]  
[REDACTED]

---

**From:** Sherry Bertner [REDACTED]  
**To:** Bolan, Greg  
**Cc:** Lena Adams [REDACTED]  
**Sent:** Mon Feb 07 17:21:19 2011  
**Subject:** RE: At the Hyatt bar - pretty sure I'm in right place

Happy to hear it! They had a very positive preview of you, so I'm not surprised!

**From:** Bolan, Greg [REDACTED]  
**Sent:** Monday, February 07, 2011 5:18 PM  
**To:** Sherry Bertner  
**Subject:** Re: At the Hyatt bar - pretty sure I'm in right place

Got'em - great meeting - ty much

Greg Bolan  
Wells Fargo Securities, LLC  
[REDACTED]  
[REDACTED]

---

**From:** Sherry Bertner [REDACTED]  
**To:** Bolan, Greg  
**Sent:** Mon Feb 07 16:03:12 2011  
**Subject:** Re: At the Hyatt bar - pretty sure I'm in right place

K u r looking for 2 women-angie shorter strawberry blonde hair black suit and tracey taller patterned top suit-i am not there. You have angie's cell and they have yours let me know if can't find them!

Sherry Bertner

Managing Director

441 Lexington Avenue 4th Floor

New York, NY 10017

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

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From: Bolan, Greg [REDACTED]  
Sent: Monday, February 07, 2011 04:00 PM  
To: Sherry Bertner  
Subject: At the Hyatt bar - pretty sure I'm in right place

Greg Bolan  
Wells Fargo Securities, LLC

[REDACTED]  
[REDACTED]



---

**From:** Courtney Dugan [REDACTED]  
**Sent:** Friday, February 04, 2011 10:50 AM  
**To:** Bolan, Greg  
**Subject:** Your meeting w/ Healthland on Monday  
**Attachments:** image954ea8.bmp@5085dcac.52704c18

Greg,

I work with Sherry Bertner on Healthland, and want to confirm your 4pm meeting on Monday with Angie Franks and Bob Coleman. Can you please confirm the location of this meeting so they know where to go?

Thank you very much - really appreciate the help!

Regards,

Courtney

Courtney Dugan  
Vice President  
441 Lexington Avenue 4th Floor  
New York, NY 10017  
Direct: [REDACTED]  
Fax: [REDACTED]  
[REDACTED]  
[REDACTED]

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---

**From:** Bolan, Greg [REDACTED]  
**Sent:** Friday, February 04, 2011 3:50 PM  
**To:** [REDACTED]  
**Subject:** Re: REMINDER: General Atlantic's Annual Healthcare Cocktail Party -- February 7th, 2011 from 6-8pm at the Yale Club in NYC  
**Attachments:** image001.png

See you then!

Greg Bolan  
Wells Fargo Securities, LLC  
[REDACTED]

---

**From:** Korngold, Jonathan [REDACTED]  
**To:** Korngold, Jonathan [REDACTED]  
**Sent:** Fri Feb 04 15:48:17 2011  
**Subject:** REMINDER: General Atlantic's Annual Healthcare Cocktail Party -- February 7th, 2011 from 6-8pm at the Yale Club in NYC

General Atlantic's Healthcare Team  
invites you to connect with friends of the firm at our

# Annual Cocktail Event

Monday, February 7<sup>th</sup>, 2011  
6-8 PM  
The Yale Club of New York City  
50 Vanderbilt Ave.

Business Attire Is Requested

Please RSVP to Loretta Bickel at 212-715-4014  
OF [REDACTED]

**General Atlantic**   
Global growth investors

---

**Jonathan C. Korngold**  
Managing Director  
General Atlantic, L.L.C.  
Park Avenue Plaza, 32nd Floor  
[REDACTED]  
[REDACTED]  
[REDACTED]

---

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copies of the message and its attachments and notify us immediately at [help@generalatlantic.com](mailto:help@generalatlantic.com) . Thank You.

---

**From:** Higgins, Timothy [REDACTED]  
**Sent:** Tuesday, February 08, 2011 3:22 PM  
**To:** Bolan, Greg  
**Subject:** you coming back to 375park prior to 4pm at Viking?  
**Attachments:** image001.jpg

---

**Tim Higgins** | Institutional Equity Sales | Wells Fargo Securities

375 Park Ave, 4th Floor, New York, NY 10152 | T [REDACTED] (NEW E-MAIL) | [REDACTED]  
[REDACTED]



---

**From:** Richter, Mark (Green Arrow) [M [REDACTED]]  
**Sent:** Tuesday, February 08, 2011 6:29 PM  
**To:** Bolan, Greg  
**Subject:** U at Nobu 57 already?

Mark Richter  
Green Arrow Capital Management, LLC  
666 Fifth Avenue, 9th Floor  
New York, NY 10103  
[REDACTED]  
[REDACTED]

*A Millennium Group Company*

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**From:** Toulouse, Brendan [REDACTED]  
**Sent:** Tuesday, February 08, 2011 8:57 AM  
**To:** Bolan, Greg  
**Cc:** Ruggieri, Joseph  
**Subject:** FW: ATHN: Soaring Into The Clouds--Upgrading To Outperform: Bolan/Wells Fargo  
**Attachments:** image001.jpg

Greg- I got your back bro... see below

Brendan Toulouse

Managing Director

Wells Fargo Securities, LLC

[REDACTED]

New York, New York 10152

[REDACTED]

[REDACTED]

[REDACTED]  
[REDACTED]

[REDACTED]

---

**From:** Paul Adams [REDACTED]  
**Sent:** Tuesday, February 08, 2011 8:49 AM  
**To:** Toulouse, Brendan  
**Subject:** Re: ATHN: Soaring Into The Clouds--Upgrading To Outperform:  
Bolan/Wells Fargo

Confirmed for 10:45am in our offices

Btw, visium has a policy to have only research in our meetings- I hope this is ok

---

From: Toulouse, Brendan [REDACTED]  
To: Paul Adams  
Sent: Tue Feb 08 07:08:14 2011  
Subject: ATHN: Soaring Into The Clouds--Upgrading To Outperform:  
Bolan/Wells Fargo

Just fyi

Well be at your offices at 1045a with Greg Bolan

-----  
Sent using BlackBerry

---

From: Research  
To: Toulouse, Brendan  
Sent: Tue Feb 08 00:21:28 2011  
Subject: ATHN: Soaring Into The Clouds--Upgrading To Outperform:  
Bolan/Wells Fargo

Health Care IT

Greg T. Bolan, Senior Analyst [REDACTED]  
Tim Evans, Associate Analyst [REDACTED]  
Wells Fargo Securities, LLC.

athenahealth, Inc. (ATHN-NASDAQ) --Outperform (1)

Price as of 2/8/2011: \$46.52  
FY 10 EPS: \$0.56  
FY 11 EPS: \$0.81  
Shares Out.: 35.2 MM  
Market Cap.: \$1,637.5 MM

Sector Rating: Health Care IT, Overweight

Keypoints

\*\* Summary. In conjunction with our upgrade of ATHN shares to Outperform from Market Perform, we are materially raising our forward estimates and valuation range. The impetus for these actions is our belief that ATHN may be on the cusp of adding a growing number of large group practices to the athenahealth network. We are raising our CY2011 EPS estimate to \$0.81 from \$0.71 (above guidance of \$0.68-0.78), introducing our CY2012 EPS est of \$1.24 (consensus: \$1.05), and raising our assumed 5-yr EBITDA CAGR to 34% from 27%. As such, our DCF valuation range moves to \$62-63 from \$37-38.

\*\* Changing Our Tune. Previously, we had assumed that ATHN would be unsuccessful in its attempt to penetrate hospital-owned and large independent physician practices. However, our checks indicate that



ATHN's sales pipeline of enterprise-size practices (corporate owned; 150+ docs) has increased significantly on a yr/yr basis. We believe several factors have led to this improvement: 1) growing number of athenahealth practice-clients being consumed by hospitals, which gives ATHN a "red carpet" introduction to hospital executives; 2) growing reception to the athenaCommunity concept, which creates a "confederated" medical chart that lowers the cost (~50%) of patient-related orders and communication between hospitals and independent practices; and 3) greater ATHN C-suite involvement in large group practice sales pitches. Overall, we believe these factors will contribute to growing brand awareness for athenahealth service offerings within the large practice segment.

\*\* We Think Premium Valuation is Justified. We view ATHN's cloud-based business services to be both disruptive and nascent within the world of healthcare IT client-server applications. Ultimately, we believe the fact that athenahealth is essentially selling physicians "business results," as opposed to pre-packaged, "do-it-yourself" software, should bolster adoption of the company's service offerings. With our renewed sense of optimism towards ATHN's ability to penetrate the enterprise segment of ambulatory care, we believe the addressable market for ATHN will expand. Our 5-yr estimate for active physicians on the athenahealth network increases 35% to 81k, which propels our long-term revenue and EPS growth estimates to substantially higher levels. With that in mind, we believe ATHN shares should trade towards the high-end of the historical relative valuation to the HCIT peer group. On an EV/NTM EBITDA basis, ATHN shares have traded at a 150%-350% premium to the peer group; the stock currently trades at the low-end of this range (Exhibit 1).

See attached PDF for additional information, current pricing and disclosures.

THANK YOU FOR RECEIVING WELLS FARGO SECURITIES, LLC RESEARCH. TO UNSUBSCRIBE TO THIS MESSAGE REPLY TO THE ABOVE E-MAIL ADDRESS.

---

**From:** [REDACTED]  
**Sent:** Monday, February 07, 2011 12:00 AM  
**To:** [REDACTED]  
**Subject:** 01:10PM - 01:12PM 2011/02/07

<b>[REDACTED] (1:10:32 P.M.):</b> analyst meetings in nyc/ct today <b>[REDACTED] (1:10:37 P.M.):</b> sounds like warming on ATHN <b>[REDACTED] (1:10:56 P.M.):</b> still a lot of bears/shorts out there but prob contributing to strength  
<b>dadu221@aim (1:12:27 P.M.):</b> IM Disclaimer  
<https://www.wellsfargo.com/com/disclaimer/eqmt>  
<b>[REDACTED] (1:12:27 P.M.):</b> yo ah ok thank u



Team Member Compensation Statement: March 2011 Review Cycle

Employee Name: BOLAN, GREGORY

Employee ID: [REDACTED]

Components of your Total Annual Compensation

12/31/10 Annual FTE Base Salary - \$125,000  
\* 2010 Annual Bonus Amount - \$195,000  
2010 Annual Bonus Amount paid in Cash - \$195,000

Performance Rating - 5

---

12/31/10 Annual FTE Base Salary - \$125,000  
New Annual FTE Base Salary - \$250,000

Promotion - \$50,000 / 25.00%

\* Bonus Awards will be paid on March 4, 2011 and may be paid in Cash and/or RSRs.

All compensation information should be handled in a confidential manner.

---

**From:** Snyder, Geoffrey [REDACTED]  
**Sent:** Tuesday, March 22, 2011 11:52 AM  
**To:** Bolan, Greg  
**Subject:** RE: Trusted friend looking for trading position on sell-side trading desk

My pleasure.

Geoffrey E. Snyder  
Managing Director  
Head of Equity Sales  
Wells Fargo Securities, LLC  
375 Park Avenue  
New York, NY 10152

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

---

**From:** Bolan, Greg  
**Sent:** Tuesday, March 22, 2011 11:26 AM  
**To:** Snyder, Geoffrey; Bartlett, Chris  
**Subject:** RE: Trusted friend looking for trading position on sell-side trading desk

Awesome - thanks so much Geoff. I will have Josh email you to set up a time to chat. I really appreciate it.

Greg

Greg T. Bolan | Director | Pharmaceutical Services and HCIT Equity Research  
Wells Fargo Securities LLC | 230 4th Ave North - 7TH Floor, Nashville, TN, 37219  
T 615.525.2418 | E [greg.bolan@wellsfargo.com](mailto:greg.bolan@wellsfargo.com) | C 615.483.9742

Wells Fargo Securities Healthcare Traders:

Joe Ruggieri - [REDACTED]

[REDACTED]

Chip Short - [REDACTED]

[REDACTED]

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I certify that:

- 1) All views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers discussed; and
- 2) No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by me in this research report.

---

From: Snyder, Geoffrey  
Sent: Tuesday, March 22, 2011 10:07 AM  
To: Bolan, Greg; Bartlett, Chris  
Subject: RE: Trusted friend looking for trading position on sell-side trading desk

I am happy to meet with him. There are currently no open positions however one never knows as we move through the year.

Geoffrey E. Snyder  
Managing Director  
Head of Equity Sales  
Wells Fargo Securities, LLC

375 Park Avenue  
New York, NY 10152

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

---

From: Bolan, Greg  
Sent: Tuesday, March 22, 2011 10:43 AM  
To: Bartlett, Chris; Snyder, Geoffrey  
Subject: Trusted friend looking for trading position on sell-side trading desk

Hey Chris and Geoff, my very good friend, Josh Moskowitz, is looking to transition over to the sell-side. His experience is on the buy-side and he is currently trading his own money. As you can see on the attached resume, he has all of the right credentials. I was wondering if there are any positions available for trading-execution or maybe even sales trading.

Any help would be much appreciated!

Thanks

Greg

---

Greg T. Bolan | Director | Pharmaceutical Services and HCIT Equity Research  
Wells Fargo Securities LLC | 230 4th Ave North - 7TH Floor, Nashville, TN, 37219

[REDACTED] | [REDACTED] | [REDACTED]

Wells Fargo Securities Healthcare Traders:

Joe Ruggieri - [REDACTED]

[REDACTED]

hip Short - [REDACTED]

[REDACTED]

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---

**From:** [REDACTED]  
**Sent:** Tuesday, January 18, 2011 12:00 AM  
**To:** [REDACTED]  
**Subject:** 01:40PM - 01:41PM 2011/01/18

<b>[REDACTED] (1:40:59 P.M.):</b> IM Disclaimer  
<https://www.wellsfargo.com/com/disclaimer/eqmt>  
<b>[REDACTED] (1:40:59 P.M.):</b> ATHN mgmt sounds bulled up, have bunch of enterprise  
physician practice deals in pipeline <b>[REDACTED] (1:41:05 P.M.):</b> 52 vs 2 last year  
<b>[REDACTED] (1:41:13 P.M.):</b> bolan getting bullish <b>[REDACTED] (1:41:23  
P.M.):</b> dont think run over <b>[REDACTED] (1:41:26 P.M.):</b> would not be short





Invoice Number Account Number Date Due Page  
[REDACTED] [REDACTED] 05/14/10 10434 of 33416

Detail for a669795 a669795 [REDACTED]

Voice, continued

Date	Time	Number	Rate	Usage Type	Origination	Destination	Min.	Airtime Charges	Long Dist/ Other Chgs	Total
3/29	8:55A	[REDACTED]	Peak		Boston MA	Boston MA	1	.05	--	.05
3/29	8:56A	[REDACTED]	Peak		Boston MA	Boston MA	1	.05	--	.05
3/29	8:57A	[REDACTED]	Peak		Boston MA	Boston MA	2	.10	--	.10
3/29	12:09P	[REDACTED]	Peak		Boston MA	New York NY	2	.10	--	.10
3/29	12:11P	[REDACTED]	Peak		Boston MA	Nashville TN	4	.20	--	.20
3/29	1:47P	[REDACTED]	Peak		Boston MA	New York NY	4	.20	--	.20
3/29	1:55P	[REDACTED]	Peak		Boston MA	Incoming CL	1	.05	--	.05
3/29	1:57P	[REDACTED]	Peak		Boston MA	Nashville TN	3	.15	--	.15
3/29	5:22P	[REDACTED]	Peak		Boston MA	Nashville TN	7	.35	--	.35
3/29	5:45P	[REDACTED]	Peak		Boston MA	Boston MA	29	1.45	--	1.45
3/30	7:10A	[REDACTED]	Peak		Boston MA	New York NY	2	.10	--	.10
3/30	8:17A	[REDACTED]	Peak		Boston MA	Baltimore MD	1	.05	--	.05
3/30	8:18A	[REDACTED]	Peak		Boston MA	Nashville TN	10	.50	--	.50
3/30	8:45A	[REDACTED]	Peak		Boston MA	Boston MA	1	.05	--	.05
3/30	8:47A	[REDACTED]	Peak		Boston MA	Baltimore MD	1	.05	--	.05
3/30	8:48A	[REDACTED]	Peak		Boston MA	Baltimore MD	1	.05	--	.05
3/30	8:59A	[REDACTED]	Peak		Boston MA	Baltimore MD	1	.05	--	.05
3/30	9:49A	[REDACTED]	Peak		Boston MA	New York NY	5	.25	--	.25
3/30	11:04A	[REDACTED]	Peak		Boston MA	Boston MA	1	.05	--	.05
3/30	11:15A	[REDACTED]	Peak		East Boston MA	New York NY	1	.05	--	.05
3/30	11:16A	[REDACTED]	Peak		Charlestown MA	Nashville TN	4	.20	--	.20
3/30	11:20A	[REDACTED]	Peak		Boston MA	New York NY	2	.10	--	.10
3/30	11:24A	[REDACTED]	Peak		Boston MA	Atlanta GA	4	.20	--	.20
3/30	11:32A	[REDACTED]	Peak		Boston MA	Boston MA	1	.05	--	.05
3/30	1:20P	[REDACTED]	Peak		Boston MA	Nashville TN	2	.10	--	.10
3/30	1:32P	[REDACTED]	Peak		Boston MA	Incoming CL	1	.05	--	.05
3/30	2:50P	[REDACTED]	Peak		Boston MA	Nashville TN	1	.05	--	.05
3/30	3:23P	[REDACTED]	Peak		Boston MA	Incoming CL	9	.45	--	.45
3/30	4:04P	[REDACTED]	Peak		Boston MA	State Contr CA	11	.55	--	.55
3/30	4:15P	[REDACTED]	Peak		Boston MA	New York NY	2	.10	--	.10
3/30	4:17P	[REDACTED]	Peak		Boston MA	Nashville TN	2	.10	--	.10
3/30	4:44P	[REDACTED]	Peak		Boston MA	New York NY	25	1.25	--	1.25
3/30	6:20P	[REDACTED]	Peak		Boston MA	Incoming CL	2	.10	--	.10
3/30	9:01P	[REDACTED]	Off-Peak		Boston MA	Incoming CL	3	.15	--	.15
3/31	11:27A	[REDACTED]	Peak		Watertown MA	Nashville TN	1	.05	--	.05
3/31	11:28A	[REDACTED]	Peak		Watertown MA	New York NY	4	.20	--	.20
3/31	11:40A	[REDACTED]	Peak		Boston MA	Incoming CL	7	.35	--	.35
3/31	12:28P	[REDACTED]	Peak		Boston MA	Incoming CL	9	.45	--	.45
3/31	12:38P	[REDACTED]	Peak		Boston MA	Nashville TN	1	.05	--	.05
3/31	12:39P	[REDACTED]	Peak		Boston MA	Nashville TN	2	.10	--	.10
3/31	12:40P	[REDACTED]	Peak		Boston MA	Nashville TN	6	.30	--	.30
3/31	12:47P	[REDACTED]	Peak		Boston MA	Baltimore MD	1	.05	--	.05
3/31	12:49P	[REDACTED]	Peak		Boston MA	Baltimore MD	1	.05	--	.05
3/31	12:50P	[REDACTED]	Peak		Boston MA	Baltimore MD	2	.10	--	.10
3/31	12:52P	[REDACTED]	Peak		Boston MA	Baltimore MD	1	.05	--	.05



Invoice Number Account Number Date Due Page  
 0859845586 610221966-00001 05/05/10 12 of 24

Detail for Joe Ruggieri 00001: 415-722-7591

Voice, continued

Date	Time	Rate	Usage Type	Origination	Destination	Min.	Airtime Charges	Long Dist/ Other Chgs	Total
4/03	6:34P	Off-Peak	PromoAllow.CallVM	Montville NJ	Voice Mail CL	2	--	--	--
4/03	6:35P	Off-Peak	PromoAllow.CallVM	Parsippany NJ	Voice Mail CL	1	--	--	--
4/03	6:37P	Off-Peak	NRW	Montville NJ	Elkaywyd PA	3	--	--	--
4/03	6:39P	Off-Peak	M2MAIlow	Boonton NJ	New York NY	2	--	--	--
4/03	7:33P	Off-Peak	M2MAIlow	New York NY	New York NY	1	--	--	--
4/03	7:35P	Off-Peak	M2MAIlow	New York NY	Incoming CL	7	--	--	--
4/04	9:24A	Off-Peak	M2MAIlow	New York NY	Greensboro NC	23	--	--	--
4/04	1:13P	Off-Peak	M2MAIlow	New York NY	Greensboro NC	19	--	--	--
4/04	2:59P	Off-Peak	NSW	Brooklyn NY	Incoming CL	1	--	--	--
4/04	9:45P	Off-Peak	NSW	New York NY	Incoming CL	2	--	--	--
4/04	9:50P	Off-Peak	NSW	New York NY	Incoming CL	1	--	--	--
4/05	5:59A	Off-Peak	M2MAIlow	New York NY	New York NY	5	--	--	--
4/05	4:51P	Peak	M2MAIlow	New York NY	New York NY	1	--	--	--
4/05	5:08P	Peak	PlanAllow	New York NY	New York NY	1	--	--	--
4/05	5:12P	Peak	M2MAIlow	New York NY	New York NY	1	--	--	--
4/05	5:15P	Peak	PlanAllow	New York NY	Incoming CL	10	--	--	--
4/05	5:25P	Peak	PlanAllow	New York NY	Incoming CL	3	--	--	--
4/05	6:19P	Peak	M2MAIlow	New York NY	New York NY	1	--	--	--
4/05	6:36P	Peak	M2MAIlow	New York NY	Washington DC	7	--	--	--
4/05	6:49P	Peak	PlanAllow	New York NY	New York NY	1	--	--	--
4/05	6:52P	Peak	PlanAllow	New York NY	Incoming CL	6	--	--	--
4/05	6:58P	Peak	M2MAIlow	New York NY	Greensboro NC	2	--	--	--
4/05	7:01P	Peak	M2MAIlow	New York NY	New York NY	1	--	--	--
4/05	7:39P	Peak	PlanAllow	New York NY	Incoming CL	18	--	--	--
4/05	7:57P	Peak	M2MAIlow	New York NY	Incoming CL	3	--	--	--
4/06	6:33A	Peak	M2MAIlow	New York NY	Incoming CL	1	--	--	--
4/06	6:46P	Peak	PlanAllow.CallVM	New York NY	Voice Mail CL	1	--	--	--
4/06	6:47P	Peak	M2MAIlow	New York NY	Greensboro NC	3	--	--	--
4/06	6:54P	Peak	M2MAIlow	New York NY	New York NY	1	--	--	--
4/06	6:58P	Peak	M2MAIlow	New York NY	Nashville TN	6	--	--	--
4/06	7:04P	Peak	M2MAIlow	New York NY	Nashville TN	1	--	--	--
4/06	7:05P	Peak	M2MAIlow	New York NY	Nashville TN	16	--	--	--
4/06	7:21P	Peak	M2MAIlow	New York NY	New York NY	5	--	--	--
4/06	7:25P	Peak	PlanAllow	New York NY	Kenner LA	3	--	--	--
4/07	5:35P	Peak	M2MAIlow	Bronx NY	Incoming CL	4	--	--	--
4/07	5:38P	Peak	PlanAllow	New Rochel NY	New York NY	1	--	--	--
4/07	8:21P	Peak	M2MAIlow	Mantoneck NY	Charlotte NC	1	--	--	--
4/07	9:29P	Off-Peak	M2MAIlow	New York NY	Incoming CL	2	--	--	--
4/07	9:32P	Off-Peak	M2MAIlow	New York NY	Greensboro NC	1	--	--	--
4/07	9:36P	Off-Peak	M2MAIlow	New York NY	Mincola NY	1	--	--	--
4/07	9:42P	Off-Peak	M2MAIlow	New York NY	Incoming CL	12	--	--	--
4/07	9:57P	Off-Peak	PromoAllow.CallVM	New York NY	Voice Mail CL	1	--	--	--
4/07	9:58P	Off-Peak	M2MAIlow	New York NY	Mincola NY	20	--	--	--
4/08	7:49A	Peak	M2MAIlow	New York NY	New York NY	2	--	--	--
4/08	7:52A	Peak	M2MAIlow	New York NY	Incoming CL	10	--	--	--



Invoice Number Account Number Date Due Page  
 6413131925 521363250-00001 05/14/10 10437 of 33416

Detail for a669795 a669795: 615-483-9742

Voice, continued

Date	Time	Number	Rate	Usage Type	Origination	Destination	Min.	Airtime Charges	Long Dist/ Other Chgs	Total
4/05	11:41A		Peak	M2Mallow	Nashville TN	Atlanta NE GA	1	--	--	--
4/05	11:52A		Peak	M2Mallow	Nashville TN	Incoming CL	27	--	--	--
4/05	2:39P		Peak	M2Mallow	Nashville TN	New York NY	1	--	--	--
4/05	3:12P		Peak	M2Mallow	Nashville TN	Nashville TN	10	.50	--	.50
4/05	3:35P		Peak	M2Mallow	Nashville TN	Charlotte NC	2	--	--	--
4/05	3:59P		Peak	M2Mallow	Nashville TN	Incoming CL	3	.15	--	.15
4/05	4:52P		Peak	M2Mallow	Nashville TN	New York NY	1	--	--	--
4/05	4:53P		Peak	M2Mallow	Nashville TN	New York NY	2	--	--	--
4/05	4:55P		Peak	M2Mallow	Nashville TN	Atlanta NE GA	19	--	--	--
4/05	6:08P		Peak	M2Mallow	Nashville TN	Incoming CL	2	.10	--	.10
4/06	12:09P		Peak	M2Mallow	Nashville TN	Nashville TN	6	--	--	--
4/06	1:21P		Peak	M2Mallow	Nashville TN	New York NY	3	.15	--	.15
4/06	1:36P		Peak	M2Mallow	Nashville TN	Nashville TN	4	.20	--	.20
4/06	2:38P		Peak	M2Mallow	Franklin TN	New York NY	1	.05	--	.05
4/06	2:39P		Peak	M2Mallow	Nashville TN	New York NY	3	.15	--	.15
4/06	2:45P		Peak	M2Mallow	Nashville TN	Incoming CL	12	.60	--	.60
4/06	3:38P		Peak	M2Mallow	Nashville TN	Atlanta GA	12	.60	--	.60
4/06	5:58P		Peak	M2Mallow	Nashville TN	Incoming CL	6	--	--	--
4/06	6:05P		Peak	M2Mallow	Nashville TN	Incoming CL	1	.05	--	.05
4/06	6:05P		Peak	M2Mallow,CallWait	Nashville TN	Incoming CL	16	--	--	--
4/06	7:07P		Peak	M2Mallow	Nashville TN	Nashville TN	11	.55	--	.55
4/06	8:21P		Peak	M2Mallow	Nashville TN	Nashville TN	1	.05	--	.05
4/06	8:23P		Peak	M2Mallow	Nashville TN	Incoming CL	4	.20	--	.20
4/06	8:29P		Peak	M2Mallow	Nashville TN	Incoming CL	3	.15	--	.15
4/07	6:05A		Peak	M2Mallow	Smyrna TN	Incoming CL	1	.05	--	.05
4/07	6:05A		Peak	M2Mallow	Nashville TN	New York NY	2	.10	--	.10
4/07	7:05A		Peak	M2Mallow	Nashville TN	New York NY	12	.60	--	.60
4/07	7:17A		Peak	M2Mallow	Nashville TN	Boston MA	8	.40	--	.40
4/07	11:52A		Peak	M2Mallow	Nashville TN	Incoming CL	4	.20	--	.20
4/07	8:54P		Peak	M2Mallow	Nashville TN	Sntc Cntrl CA	2	--	--	--
4/07	9:56P		Peak	M2Mallow,Span	Nashville TN	New York NY	14	--	--	--
4/08	9:50A		Peak	M2Mallow	Nashville TN	Incoming CL	2	.10	--	.10
4/08	11:38A		Peak	M2Mallow	Nashville TN	Incoming CL	1	.05	--	.05
4/08	11:42A		Peak	M2Mallow	Nashville TN	Nashville TN	1	.05	--	.05
4/08	11:48A		Peak	M2Mallow	Nashville TN	Nashville TN	4	.20	--	.20
4/08	12:19P		Peak	M2Mallow	Nashville TN	Incoming CL	1	.05	--	.05
4/08	5:52P		Peak	M2Mallow	Nashville TN	Charlotte NC	1	--	--	--
4/09	2:18P		Peak	M2Mallow	Nashville TN	Incoming CL	10	--	--	--
4/09	3:31P		Peak	M2Mallow	Nashville TN	Incoming CL	7	.35	--	.35
4/09	4:34P		Peak	M2Mallow	Nashville TN	Atlanta GA	1	.05	--	.05
4/09	4:38P		Peak	M2Mallow	Nashville TN	Incoming CL	23	1.15	--	1.15
4/10	10:39A		Off-Peak	M2Mallow	Nashville TN	Nashville TN	1	.05	--	.05
4/10	6:37P		Off-Peak	M2Mallow	Nashville TN	Nashville TN	2	.10	--	.10
4/11	1:43P		Off-Peak	M2Mallow	Smyrna TN	Nashville TN	4	.20	--	.20
4/11	4:27P		Off-Peak	M2Mallow	Smyrna TN	Incoming CL	27	1.35	--	1.35

PRODUCT-ACCT- ID	CUSTOMER- NUMBER	ORIGINATING- DATE (YYYYMMDD)	DISCONNECT- DATE (YYYYMMDD)	ORIGINATING- TIME (HHMMSS)	DISCONNECT- TIME (HHMMSS)	CALL- DURATION (MMMMSS)	DIALED- NUMBER	CALLED- NUMBER	ORIG-NUMBER	CALLING-CITY	CALLING- STATE	CALLED-CITY	CALLED- STATE	CHARGE
		20100614	20100614	094337	094701	0000324	2122146210	2122146210	6155252418	CULEBRA	TX	NEW YORK	NY	0.03
			20100614	141133	141157	0000024	2122146210	2122146210	6155252418	CULEBRA	TX	NEW YORK	NY	0



Detail for a669795 a669795: [REDACTED]

Voice, continued

Date	Time	Rate	Usage Type	Origination	Destination	Min.	Airtime Charges	Long Dis/ Other Chgs	Total
6/27	1:09P		Off-Peak	Nashville TN	Incoming CL	5	.25	--	.25
6/27	6:09P		Off-Peak	Nashville TN	Atlanta GA	1	.05	--	.05
6/27	6:10P		Off-Peak	Nashville TN	Atlanta GA	2	.10	--	.10
6/27	7:30P		Off-Peak	Nashville TN	Atlanta GA	1	.05	--	.05
6/27	8:45P		Off-Peak	Nashville TN	Incoming CL	2	.10	--	.10
6/27	9:14P		Off-Peak	Nashville TN	Atlanta GA	1	.05	--	.05
6/27	9:15P		Off-Peak CallVM	Nashville TN	Voice Mail CL	2	.10	--	.10
6/28	9:46A		Peak	Nashville TN	Atlanta GA	3	.15	--	.15
6/28	9:52A		Peak	Nashville TN	Baltimore MD	2	.10	--	.10
6/28	10:03A		Peak	Nashville TN	Nashville TN	5	.25	--	.25
6/28	10:06A		Peak M2Mallow	Nashville TN	Nashville TN	2	--	--	--
6/28	10:22A		Peak	Nashville TN	Nashville TN	15	.75	--	.75
6/28	12:39P		Peak	Nashville TN	Incoming CL	1	.05	--	.05
6/28	4:09P		Peak M2Mallow	Nashville TN	Nwycryzn15 NY	1	--	--	--
6/28	4:40P		Peak M2Mallow	Nashville TN	Incoming CL	5	--	--	--
6/28	4:44P		Peak M2Mallow	Nashville TN	Incoming CL	15	--	--	--
6/28	6:33P		Peak M2Mallow	Nashville TN	Nashville TN	2	--	--	--
6/28	6:47P		Peak	Nashville TN	Nwycryzn01 NY	18	.90	--	.90
6/28	8:38P		Peak M2Mallow	Nashville TN	Incoming CL	3	--	--	--
6/29	11:30A		Peak	Nashville TN	Nashville TN	1	.05	--	.05
6/29	11:30A		Peak	Nashville TN	Nashville TN	2	.10	--	.10
6/29	1:42P		Peak	Nashville TN	Nashville TN	22	1.10	--	1.10
6/29	2:08P		Peak	Nashville TN	Albany NY	2	.10	--	.10
6/29	2:10P		Peak	Nashville TN	Albany NY	1	.05	--	.05
6/29	3:49P		Peak	Nashville TN	Incoming CL	3	.15	--	.15
6/29	5:05P		Peak	Nashville TN	Snc Cntr CA	1	.05	--	.05
6/29	5:06P		Peak M2Mallow	Nashville TN	Snc Cntr CA	18	--	--	--
6/29	7:05P		Peak	Nashville TN	Incoming CL	6	.30	--	.30
6/29	8:53P		Peak	Nashville TN	Incoming CL	1	.05	--	.05
6/30	9:24A		Peak CallVM	Nashville TN	Voice Mail CL	2	.10	--	.10
6/30	10:10A		Peak	Nashville TN	Incoming CL	8	.40	--	.40
6/30	2:42P		Peak	Franklin TN	Nashville TN	4	.20	--	.20
6/30	2:58P		Peak	Franklin TN	Incoming CL	1	.05	--	.05
6/30	4:07P		Peak	Nashville TN	Nwycryzn01 NY	1	.05	--	.05
6/30	4:08P		Peak M2Mallow	Nashville TN	New York NY	1	--	--	--
6/30	5:56P		Peak	Nashville TN	Incoming CL	17	.85	--	.85
6/30	6:12P		Peak CallVM	Nashville TN	Voice Mail CL	1	.05	--	.05
6/30	6:13P		Peak	Nashville TN	Nashville TN	4	.20	--	.20
7/01	1:53P		Peak	Nashville TN	Incoming CL	2	.10	--	.10
7/01	2:17P		Peak	Nashville TN	Albany NY	1	.05	--	.05
7/01	4:30P		Peak	Nashville TN	Nashville TN	4	.20	--	.20
7/02	8:24A		Peak CallVM	Nashville TN	Voice Mail CL	1	.05	--	.05
7/02	10:47A		Peak M2Mallow	Nashville TN	Incoming CL	3	--	--	--
7/02	11:49A		Peak	Nashville TN	Incoming CL	5	.25	--	.25
7/02	1:55P		Peak	Nashville TN	Incoming CL	3	.15	--	.15

PRODUCT-ACCT- ID	CUSTOMER- NUMBER	ORIGINATING- DATE (YYYYMMDD)	DISCONNECT- DATE (YYYYMMDD)	ORIGINATING- TIME (HHMMSS)	DISCONNECT- TIME (HHMMSS)	CALL- DURATION (MMMMSS)	DIALED- NUMBER	CALLED- NUMBER	ORIG-NUMBER	CALLING-CITY	CALLING- STATE	CALLED-CITY	CALLED- STATE	CHARGE
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Invoice Number Account Number Date Due Page

6465409518 521363250-00001 Past Due 12511 of 38699

Detail for a669795 a669795: [REDACTED]

Voice, continued

Date	Time	Number	Rate	Usage Type	Origination	Destination	Min.	Air time Charges	Long Dist/ Other Chgs	Total
8/11	5:16P	[REDACTED]	Peak		Columbus IN	Nashville TN	2	.10	--	.10
8/11	7:44P	[REDACTED]	Peak		Franklin/B KY	Incoming CL	3	.15	--	.15
8/12	7:52A	[REDACTED]	Peak		Bellevue TN	Nashville TN	1	.05	--	.05
8/12	7:53A	[REDACTED]	Peak		Bellevue TN	Nashville TN	2	.10	--	.10
8/12	7:55A	[REDACTED]	Peak		Nashville TN	Princeton NJ	4	.20	--	.20
8/12	7:59A	[REDACTED]	Peak	M2Mallow	Nashville TN	Metuchen NJ	13	--	--	--
8/12	7:03P	[REDACTED]	Peak		Nashville TN	Incoming CL	5	.25	--	.25
8/12	7:09P	[REDACTED]	Peak		Nashville TN	Nashville TN	1	.05	--	.05
8/13	8:26A	[REDACTED]	Peak	M2Mallow	Nashville TN	Charlotte NC	1	--	--	--
8/13	8:32A	[REDACTED]	Peak		Nashville TN	New York NY	3	.15	--	.15
8/13	8:42A	[REDACTED]	Peak	M2Mallow	Franklin TN	Incoming CL	14	--	--	--
8/13	9:25A	[REDACTED]	Peak		Nashville TN	Incoming CL	2	.10	--	.10
8/13	11:41A	[REDACTED]	Peak		Nashville TN	Wilmington NC	2	.10	--	.10
8/13	1:16P	[REDACTED]	Peak		Nashville TN	Nashville TN	8	.40	--	.40
8/13	1:32P	[REDACTED]	Peak		Brentwood TN	New York NY	2	.10	--	.10
8/13	2:23P	[REDACTED]	Peak		Nashville TN	Roxbury MA	2	.10	--	.10
8/13	3:11P	[REDACTED]	Peak		Nashville TN	New York NY	2	.10	--	.10
8/13	5:57P	[REDACTED]	Peak		Franklin TN	Incoming CL	2	.10	--	.10
8/14	4:51P	[REDACTED]	Off-Peak		Christiana TN	Incoming CL	1	.05	--	.05
8/15	10:55A	[REDACTED]	Off-Peak		Franklin TN	Incoming CL	19	.95	--	.95
8/15	11:14A	[REDACTED]	Off-Peak		Nashville TN	Incoming CL	6	.30	--	.30
8/16	6:50A	[REDACTED]	Peak		Brentwood TN	Baltimore MD	23	1.15	--	1.15
8/16	8:31A	[REDACTED]	Peak	M2Mallow	Nashville TN	Charlotte NC	3	--	--	--
8/16	9:21A	[REDACTED]	Peak	CallVM	Nashville TN	Voice Mail CL	2	.10	--	.10
8/16	10:05A	[REDACTED]	Peak	CallVM	Nashville TN	Voice Mail CL	1	.05	--	.05
8/16	10:06A	[REDACTED]	Peak	CallVM	Nashville TN	Voice Mail CL	1	.05	--	.05
8/16	2:04P	[REDACTED]	Peak		Nashville TN	Nashville TN	5	.25	--	.25
8/16	6:38P	[REDACTED]	Peak	M2Mallow	Nashville TN	Charlotte NC	2	--	--	--
8/17	3:51P	[REDACTED]	Peak	CallVM	Franklin TN	Voice Mail CL	1	.05	--	.05
8/18	7:48A	[REDACTED]	Peak		Nashville TN	Nashville TN	2	.10	--	.10
8/18	7:52A	[REDACTED]	Peak		Christiana TN	Nashville TN	15	.75	--	.75
8/18	8:28A	[REDACTED]	Peak		Nashville TN	Nashville TN	2	.10	--	.10
8/18	11:15A	[REDACTED]	Peak	M2Mallow	Nashville TN	Charlotte NC	1	--	--	--
8/18	12:30P	[REDACTED]	Peak	M2Mallow	Nashville TN	Charlotte NC	17	--	--	--
8/18	3:30P	[REDACTED]	Peak	M2Mallow	Nashville TN	Incoming CL	6	--	--	--

Originating  
Start Date: 02-Aug-2010  
End Date: 12-Sep-2012  
Telephone Number [REDACTED]  
Call Type: ALL  
LP#: [REDACTED]

Call Date	Connect Time	From Number	To Number	Billable Time
AUG-13-2010	10:23:58	6154572142	2123154576	00:11:12



Originating  
Start Date: 02-Aug-2010  
End Date: 12-Sep-2012  
Telephone Number: 6154572142  
Call Type: ALL  
LP#: [REDACTED]

Call Date	Connect Time	From Number	To Number	Billable Time
FEB-04-2011	13:04:43	6154572142	2122146210	00:00:00
FEB-04-2011	14:10:20	6154572142	2122146210	00:00:41

Originating  
Start Date: 02-Aug-2010  
End Date: 12-Sep-2012  
Telephone Number: 6154572142  
Call Type: ALL  
LP#: 414127

Call Date	Connect Time	From Number	To Number	Billable Time
MAR-23-2011	08:46:21	6154572142	2122146210	00:05:00
MAR-25-2011	10:39:08	6154572142	2122146210	00:04:37

---

**From:** Bolan, Greg [REDACTED]  
**Sent:** Tuesday, March 22, 2011 1:28 PM  
**To:** Wickwire, Todd  
**Cc:** Evans, Tim  
**Subject:** RE: Lifesciences Tools Initiations

Ty sir. Mr. Evans definitely pulled some major weight on these reports - he's def earning his pay ;o)

---

Greg T. Bolan | Director | Pharmaceutical Services and HCIT Equity Research  
Wells Fargo Securities LLC | 230 4th Ave North - 7TH Floor, Nashville, TN, 37219

[REDACTED] | [REDACTED]

Wells Fargo Securities Healthcare Traders:

Joe Ruggieri - [REDACTED]  
[REDACTED]

Chip Short - [REDACTED]  
[REDACTED]

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- 1) All views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers discussed; and
- 2) No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by me in this research report.

---

From: Wickwire, Todd

Sent: Tuesday, March 22, 2011 12:27 PM  
To: Bolan, Greg  
Cc: Evans, Tim  
Subject: RE: Lifesciences Tools Initiations

These are approved. Very well done.

Todd M. Wickwire  
Managing Director  
Equity Research  
Wells Fargo Securities  
[REDACTED]  
[REDACTED]

\*\*Please note new email address: [REDACTED]

---

From: Bolan, Greg  
Sent: Thursday, March 17, 2011 4:03 PM  
To: Wickwire, Todd  
Cc: Evans, Tim  
Subject: Lifesciences Tools Initiations

Hey Todd, please see LST initiations attached to this email. We are launching on the LST industry, Bruker (BRKR, 1), and Waters (WAT, 2). We are working on the teach-in slides now, and I will send them to you when they are done - should be middle of next week. We are scheduled to launch AMC on 03/29. Please let me know if everything looks good to you.

Best

Greg

---

Greg T. Bolan | Director | Pharmaceutical Services and HCIT Equity Research  
Wells Fargo Securities LLC | 230 4th Ave North - 7TH Floor, Nashville, TN, 37219  
[REDACTED]

Wells Fargo Securities Healthcare Traders:

Joe Ruggieri - [REDACTED]

[REDACTED]

Chip Short - [REDACTED]

[REDACTED]

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- 1) All views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers discussed; and
- 2) No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by me in this research report.

## Price Movements Around Bolan's Ratings Changes from Bloomberg

<b>Ticker</b>	<b>Direction of Bolan's Research</b>	<b>Closing Price on Trading Day Before Ratings Change</b>	<b>Opening Price on Trading Day Following Ratings Change</b>	<b>Closing Price on Trading Day Following Ratings Change</b>
AMRI	Upgrade	\$5.41	\$5.70	\$5.40
ATHN	Upgrade	\$46.13	\$48.74	\$48.00
BRKR	Initiation of Coverage with Outperform Rating	\$19.93	\$20.44	\$20.60
CVD	Upgrade	\$54.29	\$55.48	\$54.59
EM	Upgrade	\$10.89	\$11.01	\$11.04
PRXL	Downgrade	\$24.68	\$23.89	\$23.61

## Stock Volume Data from Bloomberg

date	comnam	symbol	Volume
6/14/2010	ALBANY MOLECULAR RESEARCH	AMRI	66038
6/15/2010	ALBANY MOLECULAR RESEARCH	AMRI	101130
6/16/2010	ALBANY MOLECULAR RESEARCH	AMRI	67601
6/17/2010	ALBANY MOLECULAR RESEARCH	AMRI	76161
6/18/2010	ALBANY MOLECULAR RESEARCH	AMRI	256268
6/21/2010	ALBANY MOLECULAR RESEARCH	AMRI	130240
6/22/2010	ALBANY MOLECULAR RESEARCH	AMRI	107627
6/23/2010	ALBANY MOLECULAR RESEARCH	AMRI	92332
6/24/2010	ALBANY MOLECULAR RESEARCH	AMRI	111367
6/25/2010	ALBANY MOLECULAR RESEARCH	AMRI	499841
6/28/2010	ALBANY MOLECULAR RESEARCH	AMRI	182947
6/29/2010	ALBANY MOLECULAR RESEARCH	AMRI	129856
6/30/2010	ALBANY MOLECULAR RESEARCH	AMRI	129385
7/1/2010	ALBANY MOLECULAR RESEARCH	AMRI	108305
7/2/2010	ALBANY MOLECULAR RESEARCH	AMRI	200747
7/6/2010	ALBANY MOLECULAR RESEARCH	AMRI	196637
7/7/2010	ALBANY MOLECULAR RESEARCH	AMRI	122348
7/8/2010	ALBANY MOLECULAR RESEARCH	AMRI	135684
7/9/2010	ALBANY MOLECULAR RESEARCH	AMRI	145022
7/12/2010	ALBANY MOLECULAR RESEARCH	AMRI	150805
7/13/2010	ALBANY MOLECULAR RESEARCH	AMRI	207306
7/14/2010	ALBANY MOLECULAR RESEARCH	AMRI	82024
7/15/2010	ALBANY MOLECULAR RESEARCH	AMRI	108656
7/16/2010	ALBANY MOLECULAR RESEARCH	AMRI	131371
7/19/2010	ALBANY MOLECULAR RESEARCH	AMRI	144690
7/20/2010	ALBANY MOLECULAR RESEARCH	AMRI	187798
7/21/2010	ALBANY MOLECULAR RESEARCH	AMRI	70608
7/22/2010	ALBANY MOLECULAR RESEARCH	AMRI	94725
7/23/2010	ALBANY MOLECULAR RESEARCH	AMRI	140483
7/26/2010	ALBANY MOLECULAR RESEARCH	AMRI	85728
7/27/2010	ALBANY MOLECULAR RESEARCH	AMRI	101933

date	comnam	symbol	Volume
1/18/2011	ATHENAHEALTH INC	ATHN	1296914
1/19/2011	ATHENAHEALTH INC	ATHN	1110475
1/20/2011	ATHENAHEALTH INC	ATHN	770508
1/21/2011	ATHENAHEALTH INC	ATHN	420108
1/24/2011	ATHENAHEALTH INC	ATHN	491075
1/25/2011	ATHENAHEALTH INC	ATHN	387224
1/26/2011	ATHENAHEALTH INC	ATHN	211324
1/27/2011	ATHENAHEALTH INC	ATHN	424252
1/28/2011	ATHENAHEALTH INC	ATHN	387969
1/31/2011	ATHENAHEALTH INC	ATHN	248505
2/1/2011	ATHENAHEALTH INC	ATHN	532632
2/2/2011	ATHENAHEALTH INC	ATHN	346427
2/3/2011	ATHENAHEALTH INC	ATHN	372403
2/4/2011	ATHENAHEALTH INC	ATHN	230517
2/7/2011	ATHENAHEALTH INC	ATHN	502603
2/8/2011	ATHENAHEALTH INC	ATHN	1037592
2/9/2011	ATHENAHEALTH INC	ATHN	298614
2/10/2011	ATHENAHEALTH INC	ATHN	215769
2/11/2011	ATHENAHEALTH INC	ATHN	257116
2/14/2011	ATHENAHEALTH INC	ATHN	253421
2/15/2011	ATHENAHEALTH INC	ATHN	239036
2/16/2011	ATHENAHEALTH INC	ATHN	290644
2/17/2011	ATHENAHEALTH INC	ATHN	518452
2/18/2011	ATHENAHEALTH INC	ATHN	1355252
2/22/2011	ATHENAHEALTH INC	ATHN	747366
2/23/2011	ATHENAHEALTH INC	ATHN	558147
2/24/2011	ATHENAHEALTH INC	ATHN	459741
2/25/2011	ATHENAHEALTH INC	ATHN	281218
2/28/2011	ATHENAHEALTH INC	ATHN	220729
3/1/2011	ATHENAHEALTH INC	ATHN	194253
3/2/2011	ATHENAHEALTH INC	ATHN	264353



date	comnam	symbol	Volume
3/9/2011	BRUKER CORP	BRKR	713761
3/10/2011	BRUKER CORP	BRKR	666165
3/11/2011	BRUKER CORP	BRKR	432848
3/14/2011	BRUKER CORP	BRKR	331323
3/15/2011	BRUKER CORP	BRKR	1856726
3/16/2011	BRUKER CORP	BRKR	820096
3/17/2011	BRUKER CORP	BRKR	406159
3/18/2011	BRUKER CORP	BRKR	674527
3/21/2011	BRUKER CORP	BRKR	408554
3/22/2011	BRUKER CORP	BRKR	299424
3/23/2011	BRUKER CORP	BRKR	734085
3/24/2011	BRUKER CORP	BRKR	401818
3/25/2011	BRUKER CORP	BRKR	580132
3/28/2011	BRUKER CORP	BRKR	351243
3/29/2011	BRUKER CORP	BRKR	546704
3/30/2011	BRUKER CORP	BRKR	939296
3/31/2011	BRUKER CORP	BRKR	387878
4/1/2011	BRUKER CORP	BRKR	908731
4/4/2011	BRUKER CORP	BRKR	1257096
4/5/2011	BRUKER CORP	BRKR	1139644
4/6/2011	BRUKER CORP	BRKR	896955
4/7/2011	BRUKER CORP	BRKR	889843
4/8/2011	BRUKER CORP	BRKR	1188879
4/11/2011	BRUKER CORP	BRKR	522710
4/12/2011	BRUKER CORP	BRKR	437718
4/13/2011	BRUKER CORP	BRKR	329089
4/14/2011	BRUKER CORP	BRKR	415891
4/15/2011	BRUKER CORP	BRKR	654759
4/18/2011	BRUKER CORP	BRKR	478191
4/19/2011	BRUKER CORP	BRKR	324146
4/20/2011	BRUKER CORP	BRKR	583100

date	comnam	symbol	Volume
5/24/2010	COVANCE INC	CVD	681933
5/25/2010	COVANCE INC	CVD	901607
5/26/2010	COVANCE INC	CVD	590270
5/27/2010	COVANCE INC	CVD	1124552
5/28/2010	COVANCE INC	CVD	725924
6/1/2010	COVANCE INC	CVD	660492
6/2/2010	COVANCE INC	CVD	496741
6/3/2010	COVANCE INC	CVD	779460
6/4/2010	COVANCE INC	CVD	901824
6/7/2010	COVANCE INC	CVD	540882
6/8/2010	COVANCE INC	CVD	810062
6/9/2010	COVANCE INC	CVD	522870
6/10/2010	COVANCE INC	CVD	1090510
6/11/2010	COVANCE INC	CVD	605052
6/14/2010	COVANCE INC	CVD	923807
6/15/2010	COVANCE INC	CVD	1094661
6/16/2010	COVANCE INC	CVD	697192
6/17/2010	COVANCE INC	CVD	617459
6/18/2010	COVANCE INC	CVD	1056808
6/21/2010	COVANCE INC	CVD	594732
6/22/2010	COVANCE INC	CVD	759601
6/23/2010	COVANCE INC	CVD	454103
6/24/2010	COVANCE INC	CVD	507924
6/25/2010	COVANCE INC	CVD	584520
6/28/2010	COVANCE INC	CVD	376517
6/29/2010	COVANCE INC	CVD	504009
6/30/2010	COVANCE INC	CVD	734228
7/1/2010	COVANCE INC	CVD	612722
7/2/2010	COVANCE INC	CVD	522426
7/6/2010	COVANCE INC	CVD	496663
7/7/2010	COVANCE INC	CVD	481812

date	comnam	symbol	Volume
7/26/2010	EMDEON INC	EM	81208
7/27/2010	EMDEON INC	EM	46829
7/28/2010	EMDEON INC	EM	82123
7/29/2010	EMDEON INC	EM	41995
7/30/2010	EMDEON INC	EM	150250
8/2/2010	EMDEON INC	EM	65629
8/3/2010	EMDEON INC	EM	56761
8/4/2010	EMDEON INC	EM	90427
8/5/2010	EMDEON INC	EM	64730
8/6/2010	EMDEON INC	EM	562624
8/9/2010	EMDEON INC	EM	508802
8/10/2010	EMDEON INC	EM	142311
8/11/2010	EMDEON INC	EM	85815
8/12/2010	EMDEON INC	EM	116089
8/13/2010	EMDEON INC	EM	178079
8/16/2010	EMDEON INC	EM	272807
8/17/2010	EMDEON INC	EM	97213
8/18/2010	EMDEON INC	EM	56058
8/19/2010	EMDEON INC	EM	102199
8/20/2010	EMDEON INC	EM	113610
8/23/2010	EMDEON INC	EM	46687
8/24/2010	EMDEON INC	EM	40759
8/25/2010	EMDEON INC	EM	126615
8/26/2010	EMDEON INC	EM	45289
8/27/2010	EMDEON INC	EM	128744
8/30/2010	EMDEON INC	EM	83263
8/31/2010	EMDEON INC	EM	83651
9/1/2010	EMDEON INC	EM	131941
9/2/2010	EMDEON INC	EM	114845
9/3/2010	EMDEON INC	EM	99941
9/7/2010	EMDEON INC	EM	260126

date	comnam	symbol	Volume
3/16/2010	PAREXEL INTERNATIONAL COR	PRXL	1259402
3/17/2010	PAREXEL INTERNATIONAL COR	PRXL	332200
3/18/2010	PAREXEL INTERNATIONAL COR	PRXL	437356
3/19/2010	PAREXEL INTERNATIONAL COR	PRXL	542798
3/22/2010	PAREXEL INTERNATIONAL COR	PRXL	301960
3/23/2010	PAREXEL INTERNATIONAL COR	PRXL	426323
3/24/2010	PAREXEL INTERNATIONAL COR	PRXL	651044
3/25/2010	PAREXEL INTERNATIONAL COR	PRXL	738242
3/26/2010	PAREXEL INTERNATIONAL COR	PRXL	394513
3/29/2010	PAREXEL INTERNATIONAL COR	PRXL	935818
3/30/2010	PAREXEL INTERNATIONAL COR	PRXL	1743923
3/31/2010	PAREXEL INTERNATIONAL COR	PRXL	975576
4/1/2010	PAREXEL INTERNATIONAL COR	PRXL	481188
4/5/2010	PAREXEL INTERNATIONAL COR	PRXL	987656
4/6/2010	PAREXEL INTERNATIONAL COR	PRXL	464248
4/7/2010	PAREXEL INTERNATIONAL COR	PRXL	1770223
4/8/2010	PAREXEL INTERNATIONAL COR	PRXL	818657
4/9/2010	PAREXEL INTERNATIONAL COR	PRXL	973776
4/12/2010	PAREXEL INTERNATIONAL COR	PRXL	578271
4/13/2010	PAREXEL INTERNATIONAL COR	PRXL	374372
4/14/2010	PAREXEL INTERNATIONAL COR	PRXL	387835
4/15/2010	PAREXEL INTERNATIONAL COR	PRXL	516890
4/16/2010	PAREXEL INTERNATIONAL COR	PRXL	321804
4/19/2010	PAREXEL INTERNATIONAL COR	PRXL	527816
4/20/2010	PAREXEL INTERNATIONAL COR	PRXL	342847
4/21/2010	PAREXEL INTERNATIONAL COR	PRXL	302119
4/22/2010	PAREXEL INTERNATIONAL COR	PRXL	397694
4/23/2010	PAREXEL INTERNATIONAL COR	PRXL	400159
4/26/2010	PAREXEL INTERNATIONAL COR	PRXL	406636
4/27/2010	PAREXEL INTERNATIONAL COR	PRXL	721925
4/28/2010	PAREXEL INTERNATIONAL COR	PRXL	1351690

## Ruggieri's End of Day Positions and Profit in PRXL

**Profit:** \$24,944

<u>Date</u>	<u>End of Day Quantity</u>
3/29/10	-54
3/30/10	-5000
3/31/10	-10550
4/1/10	-10550
4/2/10	-10550
4/5/10	-27750
4/6/10	-52500
4/7/10	0

## Ruggieri's End of Day Positions and Profit in CVD

**Profit:** \$17,445

<u>Date</u>	<u>EOD Quantity</u>
6/14/10	40000
6/15/10	10000
6/16/10	0

## Ruggieri's End of Day Positions and Profit in EM

**Profit:** \$266

<b>Date</b>	<b>EOD Quantity</b>
8/12/10	0
8/13/10	10000
8/16/10	0

## Ruggieri's End of Day Positions and Profit in AMRI

**Profit:** \$9,334

<u>Date</u>	<u>EOD Quantity</u>
7/2/10	35050
7/6/10	15267
7/7/10	15267
7/8/10	10000
7/9/10	5000
7/12/10	0



## Ruggieri's End of Day Positions and Profit in ATHN

**Profit:** \$40,686

<u>Date</u>	<u>EOD Quantity</u>
2/7/11	13500
2/8/11	0

## Ruggieri's End of Day Positions and Profit in BRKR

**Profit:** \$24,452

<b>Date</b>	<b>EOD Quantity</b>
3/23/11	5000
3/24/11	10000
3/25/11	15000
3/28/11	20000
3/29/11	25000
3/30/11	0

## Trader A's End of Day Positions and Profit in PRXL

**Profit:** \$1,007

<u>Date</u>	<u>End of Day Quantity</u>
4/6/2010	-2000
4/7/2010	0

## Trader A's End of Day Positions and Profit in AMRI

**Profit:** \$8,400

<u>Date</u>	<u>End of Day Quantity</u>
7/1/2010	13726
7/2/2010	24252
7/6/2010	4000
7/7/2010	3600
7/8/2010	2853
7/9/2010	0

## Trader A's End of Day Positions and Profit in EM

**Profit:** \$835

<u>Date</u>	<u>End of Day Quantity</u>
8/13/2010	5000
8/16/2010	0

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of: )

RESEARCH ANALYST REPORTS ) File No. NY-8432  
)  
)

WITNESS: TODD WICKWIRE

PAGES: 1-139

PLACE: Securities and Exchange Commission

Three World Financial Center - Suite 4300  
New York, New York 10281

DATE: May 30, 2013

The above-entitled matter came on for  
hearing at 10:21 o'clock a.m.

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1 A. I believe he was, and I think that may be the  
2 reason that he was on that list because he was cited as an  
3 up and comer. We thought that now that people are  
4 recognizing that he is a young analyst coming up the  
5 curve, we should invest in him in order to get him ranked.  
6 Q. By "that list," do you mean on the list in  
7 Exhibit 25?  
8 A. Yes. The fact that Greg was on the list on  
9 the third page of Exhibit 25, I believe it was because he  
10 was showing that early promise as an up and comer, that we  
11 felt like, okay, we should put some effort behind him to  
12 get him ranked; correct.  
13 Q. I will take Exhibit 25 back from you again.  
14 (Handed.)  
15 MR. SATWALEKAR: Mark this, please.  
16 (E-mails, Bates No. WFC2046715, marked  
17 Exhibit 26 for identification.)  
18 Q. Mr. Wickwire, please take a moment to read  
19 this exhibit, marked Exhibit 26.  
20 MR. SATWALEKAR: Exhibit 26 consists of one  
21 page with a Bates label WFC2046715. There are two e-mails  
22 on that page.  
23 Q. Have you seen the e-mails contained in  
24 Exhibit 26 before?  
25 A. Again, I don't recall. I mean, I likely did

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1 given that I was on it, but -- I likely did.  
2 Q. Do you have any reason to believe that you  
3 did not receive the e-mail chain contained in Exhibit 26?  
4 A. No.  
5 Q. Do you recognize the name Jason Morganstern?  
6 A. I do not.  
7 Q. What do you understand the e-mails in  
8 Exhibit 26 to state?  
9 A. Mr. Morganstern is indicating that Greg is  
10 being -- saying, quote, "Killing it for us," meaning that  
11 Greg is being very helpful to their investment process and  
12 wanted to do some trading with us as a thank you for  
13 Greg's work.  
14 Q. By "their investment process," what do you  
15 mean by "their"?  
16 A. I am assuming his Decade capital, the company  
17 that he works for.  
18 Q. Is Decade Capital a client of Wells Fargo?  
19 A. I guess, yes. I have not heard of the firm.  
20 Q. Did you have any follow-up communication with  
21 Mr. Ruggieri after receiving this e-mail?  
22 A. I don't recall. I don't think so. I don't  
23 recall.  
24 Q. Did you have any follow-up conversation with  
25 anyone after receiving this e-mail?

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1 A. Again, I don't recall that I did.  
2 Q. Do you read the e-mail from Mr. Morganstern  
3 to state that Bolen provided useful insights to Decade  
4 Capital?  
5 A. Yes. I mean, this could be a variety of  
6 things. Greg could have brought a company through,  
7 company management through Decade to see them. It could  
8 be just being responsive to questions. I mean, it could  
9 be a number of things that they felt were helpful to their  
10 process.  
11 Q. Does an e-mail like the one from  
12 Mr. Morganstern factor into your evaluation of an analyst?  
13 A. A lot of the anecdotal information, likely  
14 not. It's -- we really like to take a more broad view of  
15 all investors around the totality of the work versus an  
16 individual situation.  
17 Q. Did you check whether Decade did, indeed,  
18 place any trades to thank Mr. Bolen for --  
19 A. No.  
20 Q. -- quote-unquote, "killing it"?  
21 A. No.  
22 Q. Who is Matthew Snyder?  
23 A. Matthew Snyder is the head of trading for  
24 Wells Fargo Securities.  
25 Q. And who is David Gracien?

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1 A. Gracien.  
2 Q. Who is David Gracien?  
3 A. David Gracien was, I believe, a health care  
4 trader working with Joe Ruggieri and Chip Short.  
5 Q. All right. I will take Exhibit 26 back from  
6 you, please.  
7 (Handed.)  
8 MR. SATWALEKAR: Mark this, please.  
9 (2009 Director Nomination Form, Bates No.  
10 WF508178, marked Exhibit 27 for  
11 identification.)  
12 Q. Mr. Wickwire, please take a moment to look  
13 over this exhibit marked Exhibit 27.  
14 MR. SATWALEKAR: Exhibit 27 is a multi-paged  
15 document entitled "2009 Director Nomination Form." The  
16 Bates label of the first page is WF508178.  
17 Q. Mr. Wickwire, have you seen this document  
18 before?  
19 A. I have.  
20 Q. What is it?  
21 A. This is the 2009 Director Nomination Form  
22 where we put together -- which we put together as part of  
23 Greg Bolen's nomination for director -- at the time his  
24 current title was vice president.  
25 Q. Who completed this form?

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1 A. I did.

2 Q. Please turn to the second page of this

3 document. Do you see under "Key dates" it states, "Mid

4 February 2011: Promotions communicated to team members"

5 A. Uh-hum.

6 Q. Please turn to the third page of this

7 document. Do you see the second sentence under the

8 heading "Answers" reads, "Greg currently has one direct

9 report and will likely hire a second associate in 2011"?

10 A. Yes.

11 Q. Was this form completed in 2009 or 2010 or

12 some other year?

13 A. It would have been completed in -- it would

14 have been completed in late '09 or early 2010.

15 Let me see here. Yeah, I guess it was --

16 THE WITNESS: Thanks, Mike.

17 A. 2009 Director Nomination Form, yeah, so this

18 would have been -- I guess this is just mis-titled, maybe

19 I used the wrong form, but this was a good catch, that was

20 for 2010. So it would have been prepared in late 2010,

21 early 2011; correct.

22 Q. Did anything happen after this form was

23 completed?

24 A. Yes. This form was completed and then

25 submitted to the research committee that I described

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1 earlier, all of Diane's direct reports, then went to this

2 report to assess whether, in fact, Greg should be promoted

3 to director.

4 Q. And what happened after that assessment?

5 A. The committee voted to promote Greg to

6 director.

7 Q. Was Mr. Bolan's compensation impacted in any

8 way as a result of the promotion?

9 A. The only impact that would occur would have

10 been his salary would have been increased based on the

11 director title, moving up from vice president. His

12 overall compensation would be derived by the scorecard.

13 Q. How did his compensation change as a result

14 of the promotion?

15 A. I believe his salary probably went from, you

16 know, 150,000 to either 175 or 200. That's an estimate.

17 Q. Was this form -- strike that.

18 Were the entries in this form relied upon

19 during the discussion about whether to promote Mr. Bolan

20 to director?

21 A. Yes.

22 Q. And you were part of that discussion;

23 correct?

24 A. Correct.

25 Q. If you could turn to page 3 and look at the

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1 section under "Answers," who drafted this section?

2 A. I did.

3 Q. You stated that Greg's clients are major

4 institutional investors including large mutual funds and

5 hedge funds. What does that mean?

6 A. People that utilize and read his research are

7 major institutional investors like a Fidelity, a T. Rowe

8 Price, those names.

9 Q. Who were Greg's major institutional clients

10 while he was employed at Wells Fargo?

11 A. I mean I don't know, directly. You could

12 refer back to the impact ranking to see, but it would have

13 been the large mutual funds, the T. Rowe Prices, the

14 Fidelities, the Wellingtons, and some of the major hedge

15 funds as well.

16 Q. You also stated that, "Greg is viewed by most

17 within the department as a rising star;" correct?

18 A. Correct.

19 Q. What does that mean?

20 A. Based on his performance in 2009 and 2010,

21 and the rankings he received and the impact ranking, those

22 were some pretty good moves that we saw internally

23 relative to what we had seen from other analysts at his

24 sort of experience and tenure. There was an above average

25 move internally.

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1 Q. Out of the senior analysts at Wells Fargo in

2 2010, how many were directors?

3 A. It's 50 analysts, probably 10 to 12. 12.

4 That's a guess.

5 Q. Out of the senior analysts at Wells Fargo in

6 2011, how many were directors?

7 A. Probably more. Probably in the high teens,

8 mid to high teens.

9 Q. So mid to high teens out of about 50 to 60?

10 A. Yeah, as we have grown; correct.

11 Q. Going back to the section under "Answers,"

12 you stated that, "Greg's work ethics, client votes, trader

13 dialogue and sales support are recognized by many as being

14 among most the best in the department;" correct?

15 A. Correct.

16 Q. What do you mean by "client votes" here?

17 A. That specifically was in terms of the growth

18 rate, again coming in and sort of, you know, '09 and in

19 eight quarters, being able to generate the impact, the

20 internal impact ranking that he had is viewed as really

21 not an absolute number but in terms of the growth rate,

22 was among the best.

23 Q. Do you have a recollection of where Mr. Bolan

24 ranked in terms of client votes around this time?

25 A. I don't. I would tell you that it was



1 just subtleties around that.

2 And also, again, the investor color and

3 sentiment. It may be that Greg called an account and

4 said: I think you're spot on, I really like that, we are

5 seeing the same things, we agree with you. Joe would know

6 to call that account and say: Hey, did you see this great

7 call knowing that that account likes the call and they are

8 likely to buy the stock, helping Joe know the customer's

9 sentiment around that call.

10 Q. Who provided you with the information or the

11 background that enabled you to draft this second paragraph

12 under "Answers" on page 5?

13 A. It would be, you know, Joe Ruggieri, Chris

14 Bartlett, the head of trading, Matt Brown, as well.

15 Q. Do you recall talking with all of those

16 people about Mr. Bolan?

17 A. Yes. I don't recall specific conversations

18 but I do know that I had conversations with them about

19 they viewing Greg as being very communicative with trading

20 and helpful.

21 Q. As part of the great information flow that

22 Greg provided to the Wells Fargo trading desk, did that

23 include the research that he had gathered while he was

24 looking into the various companies that he covered?

25 A. I don't know. I mean, the conversations that

1 they are supposed to have with trading is much like they

2 would have with an account, which is: Here is what I

3 wrote in my report, do you have any questions? Can I help

4 clarify things? And just get them smarter on pieces of

5 the -- you know, for example: We think this product is

6 growing at 50 percent. Well, that's great. But if that

7 product only represents 2 percent of sales, it's

8 irrelevant. If that product represents 80 percent of

9 sales, very relevant.

10 So pulling out those things that a salesman

11 may not figure out to read in the research report.

12 Q. And when you state that they are able to

13 monetize his efforts, is that a reference, at all, to

14 generating commissions on the trading desk?

15 A. Trading, correct. Yeah, trading.

16 Q. So when you say they are able to monetize his

17 efforts, that's a reference to Wells Fargo's trading

18 desk's ability to generate commissions from the insights

19 that Mr. Bolan has provided?

20 A. His research; correct, correct.

21 Q. Did the feedback from Wells Fargo's trading

22 desk factor into the determination to promote Bolan?

23 A. I think it was a piece of it, yeah. I think

24 it was a piece of his promotion.

25 I will tell you if his sales ranks, if he was

1 ranked 35 in sales and trading thought he was providing,

2 you know, value and valuable to them, he would not have

3 gotten promoted. The sales rank and the impact rank,

4 which really reflect what clients think of his research

5 product, are much more important. But it would have been

6 a piece of it.

7 Q. Was there a primary person on the trading

8 desk who provided the feedback to you on Mr. Bolan?

9 A. No. I mean, I would say Joe -- there wasn't

10 anybody that was tasked with that, but I would say it

11 would have been Joe Ruggieri and then Chris Bartlett, who

12 was head of sales and trading, Matt Brown's boss, who

13 was -- who I had a very good relationship with, who would

14 often provide that feedback.

15 Q. Going back to that second paragraph under

16 "Answers" on page 5, you state in the last sentence that,

17 "They often hold him out as the standard." What do you

18 mean by that?

19 A. That they were hopeful that other analysts

20 would take the time to call the trading desk and say: Did

21 you see my research report, do you have any questions,

22 I've talked to the Boston market, they are not buying it

23 so be careful if you go into the Boston accounts because

24 they think we are wrong, those types of things.

25 Traders often feel like they are going into

1 accounts somewhat blind and not understanding what

2 investors' sentiment is, because the traders they are

3 talking to, they are listening to their portfolio managers

4 as to what they think of the research call. So our

5 traders wanted to be armed with that knowledge, what's the

6 sentiment, do people like the call, do they not like the

7 call, those types of things.

8 And speaking with mostly Chris Bartlett, not

9 Joe, Chris Bartlett, saying: We like other analysts to

10 provide that type of feedback and view trading as somebody

11 that needs to know their research even better.

12 Q. When you say they often hold him out as a

13 standard, are you saying that the Wells Fargo trading desk

14 often holds -- strike that.

15 When you say they often hold him out as a

16 standard, are you saying that the Wells Fargo trading desk

17 often holds Mr. Bolan out as a standard?

18 A. Yes. There -- I mean, Chris Bartlett and

19 Matt Brown saying that he does the best job of

20 communicating with Joe of the other analysts.

21 Q. And is that out of the other analysts in the

22 research department?

23 A. Yes, yes.

24 Q. Do you have a recollection of the -- strike

25 that.

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1 Have you heard of the Form U-5?

2 A. Yes.

3 Q. Did you have any role -- strike that.

4 What is the Form U-5?

5 A. The Form U-5, from my understanding, is the

6 form that is used to process somebody's licensing --

7 licenses out of the firm where they are currently working.

8 Q. Did you have any role in the statements

9 contained in Mr. Bolan's U-5?

10 A. I remember conversations with counsel and

11 compliance around that, that form and the language. but I

12 don't recall specifically my having direct input. I

13 think, again, that was legal counsel and compliance along

14 with human resources were really driving that bus.

15 Q. Did you have any discussions regarding the

16 statements in Mr. Bolan's U-5 without counsel present?

17 A. No.

18 MR. SATWALEKAR: Off the record at 2:32 p.m.

19 (Short recess taken.)

20 MR. SATWALEKAR: Back on the record at

21 2:34 p.m.

22 BY MR. SATWALEKAR:

23 Q. Mr. Wickwire, during the break, did you have

24 any discussions regarding the substance of this

25 investigation with the SEC staff?

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1 A. I did not.

2 Q. Mr. Wickwire, have you heard the name Robert

3 Gilliam?

4 A. No.

5 Q. Have you heard of the name Andrew Weinberger?

6 A. No.

7 Q. Have you heard of the name Joshua Moskowitz?

8 A. No.

9 Q. Mr. Wickwire, we have no further questions

10 for you at this time. We may, however, call you again to

11 testify in this investigation. Should this be necessary,

12 we will contact Mr. Missal.

13 Do you wish to clarify anything or add

14 anything to the statements you have made here today?

15 A. I do not.

16 MR. SATWALEKAR: Mr. Missal, do you wish to

17 ask any clarifying questions?

18 MR. MISSAL: I do not, but thanks.

19 MR. SATWALEKAR: Off the record at 2:35 p.m.

20 on May 30, 2013.

21 (Time noted: 2:35 o'clock p.m.)

22

23

24

25

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2	WITNESS	EXAMINED BY	PAGE
3	TODD WICKWIRE	Mr. Satwalekar	3

4 \*\*\*

5 EXHIBITS

5	NUMBER	DESCRIPTION	PAGE
6	21	Subpoena	3
7	22	E-mail, Bates [REDACTED], and	
8	23	[REDACTED]	
9	24	[REDACTED]	
10	25	[REDACTED]	
11	26	[REDACTED]	
12	27	[REDACTED]	
13	28	[REDACTED]	
14	29	[REDACTED]	
15	30	[REDACTED]	
16		[REDACTED] 117	
17		(Amended to contain pages Bates	
18		[REDACTED] 118	
19		Multi-paged document, first Bates	
20		[REDACTED] 123	
21		E-mail chain, Bates [REDACTED] 127	

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1 SCOPIST'S CERTIFICATE

2

3

4 I, Rena Farber, hereby certify that

5 the foregoing transcript consisting of 139 pages,

6 is a complete, true and accurate transcript of the

7 investigative hearing, held on Thursday, May 31,

8 2013, at 3 World Financial Center, New York, New

9 York, in the matter of RESEARCH ANALYST REPORTS.

10 I further certify that this

11 proceeding was reported by Deborah Moschitto and

12 that the foregoing transcript has been scoped by

13 me.

14

15 \_\_\_\_\_

16 Rena Farber

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1  
 2 UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
 3 REPORTER'S CERTIFICATE  
 4  
 5 I, Deborah Moschitto, reporter, hereby certify  
 6 that the foregoing transcript of 139 pages is a  
 7 complete, true, and accurate transcript of the  
 8 testimony indicated, held on Thursday, May 30,  
 9 2013, at 3 World Financial Center, New York, New  
 10 York, in the matter of:  
 11 RESEARCH ANALYST REPORTS.  
 12 I further certify that this proceeding was  
 13 recorded by me and that the foregoing transcript  
 14 was prepared under my direction.  
 15  
 16 Date:  
 17  
 18 Official Reporter: Deborah Moschitto  
 19 Diversified Reporting Services, Inc.  
 20  
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 22  
 23  
 24  
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1  
 2 PROOFREADER'S CERTIFICATE  
 3  
 4 In the Matter of: RESEARCH ANALYST REPORTS  
 5 Witness: TODD WICKWIRE  
 6 File Number: NY-8432  
 7 Date: MAY 30, 2013  
 8 Location: 3 World Financial Center  
 9 New York, New York  
 10  
 11 This is to certify that I, Deborah  
 12 Moschitto, do hereby swear and affirm that the  
 13 attached proceedings before the United States  
 14 Securities and Exchange Commission were held  
 15 according to the record and that this is the  
 16 original, complete, true and accurate transcript  
 17 that has been compared to the reporting or  
 18 recording accomplished at the hearing.  
 19  
 20  
 21 \_\_\_\_\_  
 22 Deborah Moschitto  
 23  
 24  
 25

Date/Time	Tickers	Title	Subject	Sector	Analyst Name
9/16/2008 17:06	CRL	CRL: Resuming Research Coverage With An Outperform Rating	Resumption of Coverage	Pharmaceutical Services	Greg T. Bolan
9/16/2008 17:08	AMRI	AMRI: Initiating Research Coverage With A Market Perform Rating	Initiation of Coverage	Pharmaceutical Services	Greg T. Bolan
9/16/2008 17:09	KNDL Dropped	KNDL: Resuming Research Coverage With An Outperform Rating	Resumption of Coverage	Pharmaceutical Services	Greg T. Bolan
9/16/2008 17:11	PDGI Dropped	PDGI: Initiating Research Coverage With A Market Perform Rating	Initiation of Coverage	Pharmaceutical Services	Greg T. Bolan
9/16/2008 17:12	PPDI Dropped	PPDI: Initiating Research Coverage With An Outperform Rating	Initiation of Coverage	Pharmaceutical Services	Greg T. Bolan
9/16/2008 17:14	PRXL	PRXL: Initiating Research Coverage With A Market Perform Rating	Initiation of Coverage	Pharmaceutical Services	Greg T. Bolan
9/16/2008 17:15	ICLR	ICLR: Resuming Research Coverage With Market Perform Rating	Resumption of Coverage	Pharmaceutical Services	Greg T. Bolan
9/16/2008 17:17	CVD	CVD: Resuming Research Coverage With A Market Perform Rating	Resumption of Coverage	Pharmaceutical Services	Greg T. Bolan
9/17/2008 12:04		Pharmaceutical Services Industry	Industry Overview	Pharmaceutical Services	Greg T. Bolan
9/24/2008 11:35	KNDL Dropped	KNDL: Remain Confident With Our Outperform Rating	Squawk	Pharmaceutical Services	Greg T. Bolan
9/26/2008 0:28	PDGI Dropped	PDGI: Rating Stays, But Confidence Is Improving; Adjusting Ests	Earnings Estimates Revised Up	Pharmaceutical Services	Greg T. Bolan
9/29/2008 11:59	PPDI Dropped	PPDI: Alogliptin Milestone Should Offer Upside Potential To Q3 2008	Squawk	Pharmaceutical Services	Greg T. Bolan
10/1/2008 8:55	CRL	CRL: Magnitude Of Weakness Unwarranted--Reiterate Outperform	Company Note	Pharmaceutical Services	Greg T. Bolan
10/7/2008 19:25		Industry Update - Q3 2008	Industry Note	Pharmaceutical Services	Greg T. Bolan
10/10/2008 10:11	PPDI Dropped	PPDI: As We Expected, Alogliptin Milestone Pushed Out: No Change To Our Estimates	Company Note	Pharmaceutical Services	Greg T. Bolan
10/13/2008 0:04	ICLR	ICLR: Growth Profile Remains Intact--Upgrading To Outperform	Rating Change	Pharmaceutical Services	Greg T. Bolan
10/21/2008 7:46	ICLR	ICLR - Initial Thoughts on Q3 2008	Squawk	Pharmaceutical Services	Greg T. Bolan
10/21/2008 6:02	ICLR	ICLR: A Solid Quarter In A Difficult Tape: Reiterate Outperform	Earnings Estimates Revised Up	Pharmaceutical Services	Greg T. Bolan
10/22/2008 7:49	PPDI Dropped	PPDI: Disappointing 3Q Results, But Strong Bookings Are Encouraging For The Industry	Squawk	Pharmaceutical Services	Greg T. Bolan
10/22/2008 19:53	PPDI Dropped	PPDI: Top-line Weakens, But Bookings Strengthen: Maintaining Outperform	Company Note	Pharmaceutical Services	Greg T. Bolan
10/23/2008 0:25	CVD	CVD: Initial Thoughts on Q3 2008 Results	Earnings Reported - First Look	Pharmaceutical Services	Greg T. Bolan
10/24/2008 0:22	CVD	CVD: Getting Cheaper, But Visibility Is Blurry: Maintain Market Perform Rating	Earnings Estimate Revised Down	Pharmaceutical Services	Greg T. Bolan
10/28/2008 0:39	PRXL	PRXL: Initial Thoughts On FQ1 Results: Expecting Further Weakness In Stock	Earnings Reported - First Look	Pharmaceutical Services	Greg T. Bolan
10/29/2008 10:48	PRXL	PRXL: Valuation Appears Cheap--Guidance Looks Tough--Cutting Ests: Maintain Market Perform Rating	Earnings Estimate Revised Down	Pharmaceutical Services	Greg T. Bolan
10/30/2008 8:02	PDGI Dropped	PDGI 3Q Results: A Large EPS Beat, But Much Larger Concerns Lurk	Squawk	Pharmaceutical Services	Greg T. Bolan
10/31/2008 0:17	PDGI Dropped	PDGI: All Eyes On Capital Structure, Business Risks; Cutting Est: Maintain Market Perform	Earnings Estimate Revised Down	Pharmaceutical Services	Greg T. Bolan
11/3/2008 19:32		Sobering Up From A Volatile Ride - Part I	Industry Note	Pharmaceutical Services	Greg T. Bolan
11/4/2008 12:46	KNDL Dropped	KNDL: A Quick Preview of Q3 2008 Results -- Reiterate Outperform	Squawk	Pharmaceutical Services	Greg T. Bolan
11/5/2008 0:13	KNDL Dropped	KNDL: Large Upside To 3Q Earnings - Our Initial Thoughts	Company Note	Pharmaceutical Services	Greg T. Bolan
11/6/2008 0:16	KNDL Dropped	KNDL: EPS Guidance Remains Conservative And Stock Is Still Cheap: Reiterate Outperform	Earnings Estimates Revised Up	Pharmaceutical Services	Greg T. Bolan
11/6/2008 0:22	AMRI	AMRI: Strong 3Q Results, But Revised Guidance Looks Soft	Earnings Reported - First Look	Pharmaceutical Services	Greg T. Bolan
11/6/2008 0:23	CRL	CRL: Q3 Mixed - Guidance Disappointing, But Not Shocking	Earnings Reported - First Look	Pharmaceutical Services	Greg T. Bolan
11/7/2008 0:13	AMRI	AMRI: Strong Economic Headwinds, But Results Holding Up-Adj Ests: Maintain Market Perform	Earnings Estimates Revised Up	Pharmaceutical Services	Greg T. Bolan
11/7/2008 0:51	CRL	CRL: Reducing Estimates--It's A Big Bump In The Road, But : Not Insurmountable--Maintain Outperform Rating	Earnings Estimate Revised Down	Pharmaceutical Services	Greg T. Bolan
11/12/2008 0:09	CVD	CVD: Lowering 4Q and 2009 Estimates: Maintain Market Perform	Earnings Estimate Revised Down	Pharmaceutical Services	Greg T. Bolan
11/14/2008 9:45	ICLR	ICLR: Q4 2008 Holding Strong - Reiterate Outperform	Squawk	Pharmaceutical Services	Greg T. Bolan
11/19/2008 17:49	AMRI	AMRI: Thoughts On Allegra Settlement: Overhang Removed, But Net Impact To EPS Looks Minimal	Earnings Estimates Revised Up	Pharmaceutical Services	Greg T. Bolan
11/21/2008 5:13	PDGI Dropped	PDGI: Thoughts on Exchange Offer--Lowering Est.: Maintain Market Perform Rating	Company Note	Pharmaceutical Services	Greg T. Bolan
12/3/2008 11:12	CRL, CVD	Quick Pharma Services Industry Update - Preclinical Player Said to Be Cutting Staff	Squawk	Pharmaceutical Services	Greg T. Bolan
12/5/2008 19:59		Sobering Up From A Volatile Ride - Part II	Industry Note	Pharmaceutical Services	Greg T. Bolan
12/17/2008 12:21	CVD	CVD: Thoughts On Covance Into 2009 Guidance - This Should Be An Extremely Important Data Point For The CRO Group	Squawk	Pharmaceutical Services	Greg T. Bolan
12/19/2008 13:20	CVD	CVD: Lots Of Uncertainty And Multiple Moving Parts; Lowering Est: Maintain Market Perform	Earnings Estimate Revised Down	Pharmaceutical Services	Greg T. Bolan
12/31/2008 10:22	PPDI Dropped	PPDI: Lowering Q4 2008 And 2009 Estimates--Maintain Outperform	Earnings Estimate Revised Down	Pharmaceutical Services	Greg T. Bolan
1/5/2009 14:56	PPDI Dropped	PPDI: Initial Thoughts On Strategic Collaboration Announcement: Maintain Outperform	Company Note	Pharmaceutical Services	Greg T. Bolan
1/6/2009 14:33	ICLR	ICLR: A Preview Of CY09 Guidance: Reiterate Outperform	Company Note	Pharmaceutical Services	Greg T. Bolan
1/9/2009 7:37	ICLR	ICLR: Issues 2009 Guidance - As Expected, Below The Street - Reiterate Outperform	Squawk	Pharmaceutical Services	Greg T. Bolan
1/11/2009 23:59	ICLR	ICLR: Cautious Guidance, But Expectations Are Low: Reiterate Outperform Rating	Earnings Estimate Revised Down	Pharmaceutical Services	Greg T. Bolan
1/13/2009 0:14	KNDL Dropped	KNDL: Reducing Q4 2008, 2009 Estimates And Valuation Range: 2008 Revenue And EPS Guidance Lowered--Maintain Outperform	Earnings Estimate Revised Down	Pharmaceutical Services	Greg T. Bolan
1/14/2009 1:07	PRXL	PRXL: FY09 Guidance Lowered; Reducing Estimates: Need Greater Confidence In Visibility; Maintain Market Perform	Earnings Estimate Revised Down	Pharmaceutical Services	Greg T. Bolan
1/15/2009 1:07	PPDI Dropped	PPDI: Initial Thoughts On 2009 Guidance	Company Note	Pharmaceutical Services	Greg T. Bolan
1/15/2009 1:21	AMRI	AMRI: Lowering 2009 Estimates And Valuation Range: Maintain Market Perform Rating	Earnings Estimate Revised Down	Pharmaceutical Services	Greg T. Bolan
1/16/2009 0:27	PPDI Dropped	PPDI: 2009 Guidance Looks Tough--Lowering Estimates: Sentiment Appears Low--Maintain Outperform Rating	Earnings Estimate Revised Down	Pharmaceutical Services	Greg T. Bolan
1/16/2009 13:01	PDGI Dropped	PDGI: Lowering CY 2009 Estimates And Valuation Range: Maintain Market Perform	Earnings Estimate Revised Down	Pharmaceutical Services	Greg T. Bolan
1/21/2009 21:45		Pharmaceutical Services Industry Update	Industry Note	Pharmaceutical Services	Greg T. Bolan
1/23/2009 12:17	ICLR, KNDL Dropped	Pharma Services Industry - Quick Thoughts On Weakness In CRO Stocks This Morning	Squawk	Pharmaceutical Services	Greg T. Bolan
1/27/2009 0:50	PRXL	PRXL: Initial Thoughts on FQ2 Results	Squawk	Pharmaceutical Services	Greg T. Bolan
1/28/2009 20:56	CVD	CVD: Overall, Q4 2008 Results Better Than Anticipated	Earnings Reported - First Look	Pharmaceutical Services	Greg T. Bolan
1/29/2009 20:04	CVD	CVD: Stock Is Cheaper, But Not Inexpensive--Lots Of Uncertainty: Maintain Market Perform	Earnings Estimate Revised Down	Pharmaceutical Services	Greg T. Bolan
2/2/2009 0:41	PRXL	PRXL: Upgrading To Outperform: Guidance Looks Achievable, And Valuation Remains Depressed	Rating Change	Pharmaceutical Services	Greg T. Bolan
2/3/2009 18:02	PDGI Dropped	PDGI: Going Private For \$5 Per Share: Maintain Market Perform; Raising Valuation Range	Company Note	Pharmaceutical Services	Greg T. Bolan

2/5/2009 12:15 CRL  
 2/9/2009 7:25 KNLD Dropped  
 2/9/2009 13:31 AMRI  
 2/10/2009 0:32 PPDI Dropped  
 2/10/2009 0:33 CRL  
 2/11/2009 0:29 PPDI Dropped  
 2/11/2009 9:55 CRL  
 2/12/2009 1:06 AMRI  
 2/23/2009 7:19 ICLR  
 2/23/2009 19:11 ICLR  
 2/25/2009 8:13 KNLD Dropped  
 2/26/2009 0:32 KNLD Dropped  
 3/5/2009 17:06  
 3/6/2009 11:43 PPDI Dropped  
 3/9/2009 10:33 CVD , PPDI Dropped  
 3/10/2009 9:51 ICLR , KNLD Dropped , PPDI Dropped , PRXL  
 3/17/2009 22:27  
 3/31/2009 13:02 PDGI Dropped  
 4/3/2009 10:36 CRL , CVD , PPDI Dropped  
 4/7/2009 19:59  
 4/8/2009 0:02 CVD  
 4/21/2009 5:37 KNLD Dropped  
 4/21/2009 15:12 KNLD Dropped  
 4/22/2009 0:33 PPDI Dropped  
 4/22/2009 23:11  
 4/23/2009 0:43 PPDI Dropped  
 4/28/2009 0:40 PRXL  
 4/28/2009 6:57 ICLR  
 4/28/2009 20:03 ICLR  
 4/30/2009 0:24 CVD  
 4/30/2009 7:20 CRL , CVD , ICLR , PPDI Dropped , PRXL  
 4/30/2009 19:25 CVD  
 5/4/2009 0:15 CRL  
 5/6/2009 0:34 CRL  
 5/6/2009 19:48 CRL  
 5/7/2009 5:44 AMRI  
 5/8/2009 1:03 AMRI  
 5/8/2009 1:13 KNLD Dropped  
 5/20/2009 5:40 PPDI Dropped  
 5/20/2009 15:41 PPDI Dropped  
 6/2/2009 8:57 CRL , CVD , ICLR , KNLD Dropped , PPDI Dropped , PRXL  
 6/5/2009 11:19 ICLR  
 6/8/2009 0:22 ICLR  
 6/8/2009 0:24 PRXL  
 6/10/2009 10:49 PPDI Dropped  
 6/19/2009 9:12 PRXL  
 6/19/2009 9:14 PPDI Dropped  
 6/23/2009 12:30 PRXL  
 6/23/2009 13:32 CRL  
 6/24/2009 13:23 PPDI Dropped  
 6/24/2009 16:22 KNLD Dropped  
 7/13/2009 20:14  
 7/14/2009 0:05 AMRI  
 7/22/2009 0:24 PPDI Dropped  
 7/22/2009 7:54 ICLR  
 7/23/2009 0:50 PPDI Dropped  
 7/23/2009 15:13 ICLR  
 7/30/2009 0:24 CVD  
 7/30/2009 16:03 CVD  
 8/3/2009 10:38 CRL  
 8/5/2009 1:09 CRL

CRL: For Now, Don't Expect Dark Clouds To Dissipate; Cutting Est: Maintain Outperform  
 KNLD: Reiterate Outperform in Front of Q4 2008 Results and 2009 Guidance  
 Thoughts on AMRI's Q4 2008 Results and 2009 Guidance - Looks Like an Overreaction to US  
 PPDI: Strong Bookings Suggest Underlying Demand Remains Intact: Initial Thoughts on Q4 2008 Results  
 CRL: 4Q Non-GAAP EPS Beat, Takes Big Goodwill Impairment Charge: CY09 Guidance Reflects Lack of Visibility  
 PPDI: Tighter Cost Controls Driving Margin Expansion: Raising EPS Estimates; Maintain Outperform  
 CRL: There Is A Pulse--Maintain Outperform  
 AMRI: Need Clarity On Strategic Direction--Lowering Estimates: Maintain Market Perform Rating  
 ICLR: Initial Thoughts on 4Q Results - Revenue Guidance Looks Unchanged - A Positive  
 ICLR: A Good Quarter, But Not Good Enough In This Market: Lowering Rev Ests, EPS Ests Unchanged; Maintain Outperform  
 KNLD reports 4Q and issues 2009 guidance - it's messy, but better than it appears - shares should rise today  
 KNLD: Guidance Confusing - Better Than It Appears--Raising Ests: Reiterate Outperform  
 JNJ & PPDI: A Closer Look At Dapoxetine  
 PPDI: News On Alogliptin: Reiterate Outperform--No Change To Estimates  
 More Consolidation in Pharma - Impact to CROs  
 Impact to Late-Stage CROs from MRK/SGP Merger - Here's What We Know  
 SOT 2009: Visibility Remains Murky  
 PDGI: Dropping Research Coverage--Final Rating Market Perform  
 CRL: Growing Preclinical Discovery Business, While PPDI Growing Compound Discovery Business  
 Pharmaceutical Services Industry Update  
 CVD: Both Sentiment And Stock Still Depressed--Lowering EPS Ests: Maintain Market Perform Rating  
 KNLD Preannounces Q1 2009 Revenue Results- Initial Thoughts  
 KNLD: Downgrading To Market Perform, Reducing Estimates  
 PPDI: Initial Thoughts on Q1 2009 Results  
 Thoughts on Weakness in CRO Stocks  
 PPDI: Hunkering Down in Challenging Times--Lowering Est.: Maintain Outperform  
 PRXL: What a Relief- Thoughts on FQ3 Results: Reiterate Outperform  
 ICLR: Impressive 1Q Bookings and Earnings, and 2009 Guidance Maintained  
 ICLR: Disciplined Cost Controls Drive Solid Q1 2009 Results: Lowering Ests; Maintain Outperform  
 CVD: Q1 2009 - A Quarter of Extreme Weakness and Strength  
 Quick Thoughts on CRL and Peer Group After CVD Q1 Results  
 CVD: Encouraging Results In A Tough Environment: Lowering Estimates--Maintain Market Perform Rating  
 CRL: The Bar Remains Low: Reiterate Outperform  
 CRL: A Clean EPS Beat and 2009 Guidance Maintained: Reiterate Outperform  
 CRL: Comfortable With 2009 Guidance--See Tapering Downside Risk: Maintaining Estimates--Reiterate Outperform Rating  
 AMRI: Good Q1, But 2009 Guidance Lowered: Maintain Market Perform  
 AMRI: Thoughts On Q1 2009--Reducing Estimates: Macro Headwinds Abound--Maintain Market Perform  
 KNLD: A Tough Road Ahead--Q1 2009 Analysis--Raising '09 Ests.: Maintain Market Perform  
 PPDI Announces Leadership Changes  
 PPDI: Eshelman Moves Up; Grange Named New CEO: Maintain Outperform  
 Pharma Services Industry: FX Moving in the Right Direction for CROs  
 ICLR: Reiterate Outperform Rating  
 ICLR: Raising Estimates And Valuation Range: Reiterate Outperform  
 PRXL: Raising Estimates And Valuation Range: Reiterate Outperform  
 PPDI: Dapoxetine Will Be a Tough Pitch to FDA, but JNJ Will Try  
 PRXL: Continue to be Constructive on the Pharma Services Group - PRXL Still Our Top Pick  
 PPDI: Expecting Negative FDA Response on Alogliptin - No Surprise Here  
 PRXL: Comments From Wachovia/Wells Fargo 19th Annual Mid-Year Equity Conference  
 CRL: Comments From Wachovia/Wells Fargo 19th Annual Mid-Year Equity Conference  
 PPDI: Comments From Wachovia/Wells Fargo 19th Annual Mid-Year Equity Conference  
 [REVISED] KNLD: Comments From Wachovia/Wells Fargo 19th Annual Mid-Year Equity Conference  
 Pharmaceutical Services Industry Update  
 AMRI: Receives \$4MM Milestone Payment; Raising Estimates: Raising Q2 And Full Year Rev & EPS Ests.; Maintain Mkt Perform  
 PPDI: Strong Bottom-line, But Bookings Weak Once Again: Abnormal Weakness in Q2 Bookings Company-Specific, In Our View  
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 Earnings Reported - Full Analysis  
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8/5/2009 5:42 AMRI	AMRI: 2Q09 Miss; Guidance Lowered	Earnings Reported - First Look	Pharmaceutical Services	Greg T. Bolan
8/6/2009 11:12 CRL	CRL: Looks Like "Stable" Wasn't Enough: Sell-Off Overdone, In Our View: Reiterate Outperform	Company Note	Pharmaceutical Services	Greg T. Bolan
8/6/2009 15:15 KNDL Dropped	KNDL: Lower Costs Drive EPS Upside; Bookings Weak Again	Earnings Reported - First Look	Pharmaceutical Services	Greg T. Bolan
8/6/2009 5:20 AMRI	AMRI: Thoughts on Q2 2009--Lowering Est.: Maintain Market Perform	Earnings Estimate Revised Down	Pharmaceutical Services	Greg T. Bolan
8/7/2009 0:31 KNDL Dropped	KNDL: Tough Times Continue--Raising Estimates: Maintain Market Perform Rating	Earnings Estimate Revised Down	Pharmaceutical Services	Greg T. Bolan
8/11/2009 0:32 PRXL	PRXL: Still Caught in a Downburst; Expect Stock to be Weak	Earnings Reported	Pharmaceutical Services	Greg T. Bolan
8/12/2009 0:10 PRXL	PRXL: Final Thoughts on FQ4--Lowering Estimates: Maintain Outperform	Earnings Estimate Revised Down	Pharmaceutical Services	Greg T. Bolan
8/19/2009 18:46	Healthcare Reform Update w/ Legislative Expert Vince Ventimiglia	Industry Note	Pharmaceutical Services	Greg T. Bolan
9/11/2009 19:33	Healthcare Reform Update Conference Call	Industry Note	Pharmaceutical Services	Greg T. Bolan
9/21/2009 9:49 EM Dropped	EM: Initiating Coverage With A Market Perform Rating	Initiation of Coverage	Health Care IT	Greg T. Bolan
9/21/2009 12:40 CVD	Thoughts on Weakness in CVD Shares	Squawk	Pharmaceutical Services	Greg T. Bolan
9/23/2009 12:19	Transcript--Healthcare Reform Conference Call	Industry Note	Pharmaceutical Services	Greg T. Bolan
10/5/2009 16:17 MDAS	MDAS: Resuming Coverage With A Market Perform Rating	Resumption of Coverage	Health Care IT	Greg T. Bolan
10/5/2009 16:20 QSI	QSI: Initiating Coverage With A Market Perform Rating: Expecting Resurgence In NextGen Revenue Growth	Initiation of Coverage	Health Care IT	Greg T. Bolan
10/5/2009 16:23 MDRX	MDRX: Initiating Coverage With An Outperform Rating: A Strong Brand With A Competitive Edge	Initiation of Coverage	Health Care IT	Greg T. Bolan
10/6/2009 14:27	Health Care IT Industry	Industry Overview	Health Care IT	Greg T. Bolan
10/14/2009 17:49 CRL, CVD, KNDL Dropped, PDDI Dropped, PRXL	Adjusting Valuation Ranges	Multi-Company Note	Pharmaceutical Services	Greg T. Bolan
10/14/2009 20:03	Cautious Over Short Run--Bullish Longer Term	Industry Note	Pharmaceutical Services	Greg T. Bolan
10/16/2009 16:31 CRL	CRL: Announces Lay-Offs At Montreal Facility	Squawk	Pharmaceutical Services	Greg T. Bolan
10/19/2009 16:41	Healthcare Reform Update Conference Call	Industry Note	Pharmaceutical Services	Greg T. Bolan
10/21/2009 7:12 ICLR	ICLR Q3 2009 Results - First Take	Squawk	Pharmaceutical Services	Greg T. Bolan
10/21/2009 16:28 ICLR	ICLR: Earnings Mgmt Drives 3Q 2009 EPS Beat; Net Bookings Weak: Raising Ests & Val Range, Maintain Outperform	Earnings Estimates Revised Up	Pharmaceutical Services	Greg T. Bolan
10/21/2009 20:53 CVD	CVD: Weaker Early Dev'p Overshadows Stronger Late Stage Results: Believe 2010 Consensus Ests Too High - Maintain Market Perform	Company Note	Pharmaceutical Services	Greg T. Bolan
10/22/2009 12:34 CVD	Key Points From CVD Conference Call	Squawk	Pharmaceutical Services	Greg T. Bolan
10/28/2009 0:57 PRXL	PRXL: Initial Thoughts on FQ1 Results: Not Pretty, But Certainly Not Shocking	Earnings Reported - First Look	Pharmaceutical Services	Greg T. Bolan
10/28/2009 0:59 PDDI Dropped	PPDI: Initial Thoughts on Q3 2009 Results	Earnings Reported - First Look	Pharmaceutical Services	Greg T. Bolan
10/29/2009 0:08 PRXL	PRXL: Final Thoughts on FQ1--Lowering Estimates: Maintain Outperform Rating	Earnings Estimate Revised Down	Pharmaceutical Services	Greg T. Bolan
10/29/2009 0:24 PDDI Dropped	PPDI: Large Ship In Shallow Waters--Downgrading To Market Perform	Rating Change	Pharmaceutical Services	Greg T. Bolan
10/29/2009 1:08 MDAS	MDAS: 3Q Results Mixed, Raising FY09 EPS Est: Maintain Market Perform	Earnings Reported - Full Analysis	Health Care IT	Greg T. Bolan
10/30/2009 7:49 QSI	QSI: FQ2 2010 Results Look Encouraging	Squawk	Health Care IT	Greg T. Bolan
10/30/2009 16:10 QSI	QSI: NextGen Results Showing Signs Of Renewed Life: Maintain Market Perform; Lowering Ests	Earnings Estimate Revised Down	Health Care IT	Greg T. Bolan
11/4/2009 0:47 CRL	CRL: Initial Thoughts on Q3 2009 Results	Earnings Reported - First Look	Pharmaceutical Services	Greg T. Bolan
11/5/2009 0:39 CRL	CRL: Final Thoughts on Q3--Lowering Ests: Remains Our Top Pick Into 2010--Maintain Outperform	Earnings Estimate Revised Down	Pharmaceutical Services	Greg T. Bolan
11/5/2009 0:42 KNDL Dropped	KNDL Q3 2009 Results - Our Initial Read	Squawk	Pharmaceutical Services	Greg T. Bolan
11/5/2009 14:47 KNDL Dropped	KNDL: Final Thoughts On Q3; Raising Ests: Believe 2010 Consensus Is Too High; Maintain Market Perform	Earnings Estimates Revised Up	Pharmaceutical Services	Greg T. Bolan
11/9/2009 8:13 AMRI	AMRI: Quick Thoughts on Q4	Squawk	Pharmaceutical Services	Greg T. Bolan
11/10/2009 0:21 AMRI	AMRI: Thoughts On Q3 2009--Lowering Estimates: Maintain Market Perform Rating	Earnings Estimate Revised Down	Pharmaceutical Services	Greg T. Bolan
11/10/2009 15:50 QSI	QSI: Quick Takeaways From Analyst Day: Maintain Market Perform	Company Note	Health Care IT	Greg T. Bolan
11/11/2009 1:16 EM Dropped	EM: Our First Impression of Q3 2009 Results	Squawk	Health Care IT	Greg T. Bolan
11/11/2009 15:21 EM Dropped	EM: Off To A Good Start -- Raising Estimates: Maintain Market Perform Rating	Earnings Estimates Revised Up	Health Care IT	Greg T. Bolan
11/17/2009 5:15 PDDI Dropped	PPD Announces In-Licensing Agreement; No Changes to 2009 or 2010 Estimates	Squawk	Pharmaceutical Services	Greg T. Bolan
11/19/2009 0:14 PDDI Dropped	PPDI Acquires BioDuro	Squawk	Pharmaceutical Services	Greg T. Bolan
11/19/2009 20:09	Pharmaceutical Services Update	Industry Note	Pharmaceutical Services	Greg T. Bolan
12/4/2009 11:36 ICLR	ICON Receives Warning Letter From the FDA- Not Really New and Not Nearly as Bad as it Sounds	Squawk	Pharmaceutical Services	Greg T. Bolan
12/8/2009 0:07 MDAS	MDAS: Lowering Estimates & Val Range Ahead of 2010 Guidance Call	Earnings Estimate Revised Down	Health Care IT	Greg T. Bolan
12/9/2009 7:27 MDAS	MDAS: Quick Take on FY2010 Guidance	Squawk	Health Care IT	Greg T. Bolan
12/9/2009 12:12 MDAS	MDAS: Sell-off Overdone--Upgrading To Outperform: We Remain Positive Towards Long-Term Growth Story	Rating Change	Health Care IT	Greg T. Bolan
12/17/2009 11:48	Pharmaceutical Services Industry: Data-point on a Large Pharma Preclinical Facility	Squawk	Pharmaceutical Services	Greg T. Bolan
12/31/2009 6:07 MDRX, QSI	HHS Releases Interim Rule for Meaningful Use and Certification Criteria - Positive for HCIT Group, Albeit Consistent with Our Expectations	Squawk	Health Care IT	Greg T. Bolan
1/5/2010 10:48 QSI	Quality Systems (QSI) Inks Large Software License Sale to Trinity Health	Squawk	Health Care IT	Greg T. Bolan
1/7/2010 0:29 MDRX	MDRX: Preview of Upcoming FQ2 2010 Results: Reiterate Outperform	Company Note	Health Care IT	Greg T. Bolan
1/7/2010 0:56 ICLR	ICLR: Growing Dislocation In Relative Valuation Unwarranted: Reiterate Outperform	Company Note	Pharmaceutical Services	Greg T. Bolan
1/11/2010 7:43 MDRX	MDRX: Initial Thoughts on FQ2 Results	Squawk	Health Care IT	Greg T. Bolan
1/11/2010 10:36 PRXL	PRXL: Positive Pre-Announcements and Good CY2010 Guidance	Squawk	Pharmaceutical Services	Greg T. Bolan
1/11/2010 10:47 MDRX	MDRX: Our Top HCIT Pick for 2010	Squawk	Health Care IT	Greg T. Bolan
1/11/2010 10:49 CRL	CRL: Our Top CRO Pick for 2010	Squawk	Pharmaceutical Services	Greg T. Bolan
1/12/2010 0:20 MDRX	MDRX: Final Thoughts on FQ2: Maintain Outperform	Company Note	Health Care IT	Greg T. Bolan
1/12/2010 0:20 MDAS	MDAS: Signs Exclusive GPO Agreement with the Texas Purchasing Coalition	Squawk	Health Care IT	Greg T. Bolan
1/12/2010 0:24 CRL	CRL: Taking Capacity Out of the System: Suspending Operations at Shrewsbury Until Demand Returns	Company Note	Pharmaceutical Services	Greg T. Bolan
1/12/2010 0:37 PRXL	PRXL: Positive Pre-Announcement; Raising Estimates & Val Range: Maintain Outperform	Earnings Estimates Revised Up	Pharmaceutical Services	Greg T. Bolan
1/20/2010 0:24 CRL	CRL: Adjusting Estimates In Front of 2010 Guidance: Maintain Outperform Rating	Earnings Estimate Revised Down	Pharmaceutical Services	Greg T. Bolan







9/30/2010 16:03 CVD	CVD: Sanofi Deal Increases Comfort With Estimates; Raising Ests: Maintain Outperform And Raise Valuation Range	Earnings Estimates Revised Up	Pharmaceutical Services	Greg T. Bolan
10/1/2010 14:55 ATHN , MDRX , QSII	HCIT Industry; First EHRs to Receive Certification by ATCB, CCHIT--Should Help Bolster Market Share	Squawk	Health Care IT	Greg T. Bolan
10/6/2010 0:15 EM Dropped	EM: Raising Ests to Reflect Completion of Chamberlin Acquisition: Maintain Outperform Rating	Earnings Estimates Revised Up	Health Care IT	Greg T. Bolan
10/8/2010 18:11	Pharma Services Industry: Q3 Rife With Risk	Industry Note	Pharmaceutical Services	Greg T. Bolan
10/11/2010 0:10 PRXL	PRXL: Trimming FY and CY 2011 EPS Estimates: Maintain Market Perform Rating--Narrowing Valuation Range	Earnings Estimate Revised Down	Pharmaceutical Services	Greg T. Bolan
10/20/2010 12:46 QSII	QSII: Reiterate Outperform	Squawk	Health Care IT	Greg T. Bolan
10/21/2010 7:58 ICLR	ICLR: First Look at Q3 2010 Results	Earnings Reported - First Look	Pharmaceutical Services	Greg T. Bolan
10/22/2010 0:35 ATHN	ATHN: Strong Q3 2010 Results - We Expect Shares To Catch A Bid	Earnings Reported - First Look	Health Care IT	Greg T. Bolan
10/22/2010 0:38 ICLR	ICLR: Lowering Estimates & Valuation Range; Reiterate Outperform	Earnings Estimate Revised Down	Pharmaceutical Services	Greg T. Bolan
10/25/2010 0:23 ATHN	ATHN: Final Thoughts on Q3 Results - Raising Ests: Maintain Market Perform - Lifting Valuation Range	Company Note	Health Care IT	Greg T. Bolan
10/27/2010 0:29 PPDI Dropped	PPDI: Lower Backlog Burn Offset By Lower SG&A Spend	Earnings Reported - First Look	Pharmaceutical Services	Greg T. Bolan
10/27/2010 16:31 PPDI Dropped	PPDI: Expecting Gross Margin Pressure In 2011	Earnings Estimate Revised Down	Pharmaceutical Services	Greg T. Bolan
10/28/2010 1:06 MDAS	MDAS: Stock Likely Weak; Long-Term Story Remains Attractive: Maintain Outperform; Lowering Valuation Range	Earnings Reported	Health Care IT	Greg T. Bolan
10/29/2010 0:55 CERN	CERN: Softer Revenues Offset by Stronger Operating Margin: Maintain Market Perform	Earnings Reported	Health Care IT	Greg T. Bolan
10/29/2010 8:23 QSII	QSII: FQ2 Results Disappoint - Lower System Sales the Culprit	Squawk	Health Care IT	Greg T. Bolan
10/29/2010 15:27 MDAS	MDAS weakness likely due to major customer loss by Broadlane	Squawk	Health Care IT	Greg T. Bolan
11/1/2010 8:02 QSII	QSII: Final Thoughts On FQ2 Results: Reiterate Outperform; We are Aggressive Buyers of QSII	Earnings Reported	Health Care IT	Greg T. Bolan
11/2/2010 0:34 PRXL	PRXL: Higher Study Start Delays And Lower Backlog Conversion: These Results Were Not Priced Into The Stock, In Our View	Earnings Reported - First Look	Pharmaceutical Services	Greg T. Bolan
11/2/2010 17:16 PRXL	PRXL: We Believe Risk Remains To FH2 2011: Maintain Market Perform And Lowering Valuation Range	Earnings Estimate Revised Down	Pharmaceutical Services	Greg T. Bolan
11/4/2010 0:51 CVD	CVD: Thoughts On Q3 2010 Results: Strength Or Weakness - We Are Aggressive Buyers	Earnings Reported - First Look	Pharmaceutical Services	Greg T. Bolan
11/4/2010 4:57 CRL	CRL: A Poor Quarter By Any Metric- But Nothing Shocking Here	Earnings Reported - First Look	Pharmaceutical Services	Greg T. Bolan
11/5/2010 0:36 CVD	CVD: Delivery Above Our Expectations: Reiterate Outperform	Earnings Estimates Revised Up	Pharmaceutical Services	Greg T. Bolan
11/5/2010 0:39 CRL	CRL: Still Expecting Cyclical Turn, Maintain Outperform.	Earnings Estimates Revised Up	Pharmaceutical Services	Greg T. Bolan
11/8/2010 19:47	Implications of Mid-Term Elections for Healthcare Sector	Industry Note	Health Care IT	Greg T. Bolan
11/9/2010 0:55 MDRX	MDRX: 2011 Guidance Leaves Room for Upside--Adj. Est. For Merger: Maintain Outperform	Earnings Reported	Health Care IT	Greg T. Bolan
11/9/2010 1:01 EM Dropped	EM: Lower Utilization Continues to Weigh on Results: Maintain Outperform	Earnings Reported	Health Care IT	Greg T. Bolan
11/9/2010 4:53 KNDL Dropped	KNDL: Q3 Results Reveal a Definite Improvement	Earnings Reported - First Look	Pharmaceutical Services	Greg T. Bolan
11/9/2010 8:51 CVD	CVD: Using ASR for \$250MM Share Repurchase	Squawk	Pharmaceutical Services	Greg T. Bolan
11/10/2010 0:17 KNDL Dropped	KNDL: Lowering Estimates On More Cautious Commentary	Earnings Estimate Revised Down	Pharmaceutical Services	Greg T. Bolan
11/10/2010 12:39 AMRI	AMRI: Can't Catch Break, But Stock Already Reflects It; Cut Ests: Maintain Outperform	Earnings Estimate Revised Down	Pharmaceutical Services	Greg T. Bolan
11/17/2010 9:01 QSII	QSII: Analyst Day Offers Plenty Of Reasons To Remain Positive	Company Note	Health Care IT	Greg T. Bolan
11/18/2010 9:11 ATHN	ATHN: First Enterprise Win of 2010	Squawk	Health Care IT	Greg T. Bolan
11/29/2010 0:14 ICLR	ICLR: Focus Moves To CY2012--Lowering CY2011 Estimates: Reiterate Outperform	Earnings Estimate Revised Down	Pharmaceutical Services	Greg T. Bolan
11/29/2010 6:36 PRXL	PRXL: Guidance Risk Mounting--Downgrading Shares: Downgrading To Underperform--Lowering Valuation Range	Rating Change	Pharmaceutical Services	Greg T. Bolan
11/30/2010 8:03 MDAS	MDAS: Initial Thoughts on 2010 Update	Squawk	Health Care IT	Greg T. Bolan
12/1/2010 0:18 MDAS	MDAS: We Believe 2011 Is A Year Of Upside Potential: Initial 2011 Guidance Seems Conservative	Earnings Estimates Revised Up	Health Care IT	Greg T. Bolan
12/7/2010 17:33 MDAS	MDAS: Signs Transformational Spend Management Deal	Squawk	Health Care IT	Greg T. Bolan
12/9/2010 0:29 ICLR	ICLR: Takeaways from Analyst Day	Company Note	Pharmaceutical Services	Greg T. Bolan
12/9/2010 7:47 CRL	CRL: WSI Reports Activists Pushing For Strategic Alternatives	Squawk	Pharmaceutical Services	Greg T. Bolan
12/10/2010 12:27 MDAS	MDAS: Our Take on MDAS Weakness	Squawk	Health Care IT	Greg T. Bolan
12/14/2010 8:12 CRL	CRL: Initial Take on 2011 Guidance	Squawk	Pharmaceutical Services	Greg T. Bolan
12/15/2010 0:13 CRL	CRL: Earnings Leverage When Demand Improves	Earnings Estimate Revised Down	Pharmaceutical Services	Greg T. Bolan
12/17/2010 0:30 ATHN	ATHN: 2011 Guidance Disappoints--Lowering Estimates: Lowering Estimates And Valuation Range	Earnings Estimate Revised Down	Health Care IT	Greg T. Bolan
12/17/2010 12:02 CRL	CRL: Takeaways from Meetings with CRL Management	Squawk	Pharmaceutical Services	Greg T. Bolan
1/4/2011 11:31 AMRI	AMRI: Signs Licensing Agreement with Genentech	Squawk	Pharmaceutical Services	Greg T. Bolan
1/5/2011 10:23 MDAS	MDAS: Forward Earnings Risk May Be Growing--Downgrade To MP: Downgrading To Market Perform And Lowering Valuation Range	Rating Change	Health Care IT	Greg T. Bolan
1/7/2011 11:05 ATHN, CERN, EMDropped, MDRX, QSII	Adjusting Valuation Ranges	Multi-Company Note	Health Care IT	Greg T. Bolan
1/7/2011 12:35 CRL, CVD, ICLR, KNDL Dropped, PPDI Dropped	Adjusting Valuation Ranges	Multi-Company Note	Pharmaceutical Services	Greg T. Bolan
1/10/2011 7:48	Healthcare Industry 2011 Outlook	Industry Overview	Pharmaceutical Services	Greg T. Bolan
1/10/2011 17:13 PPDI Dropped	PPDI: Expanding Presence In Biologic Discovery Services	Squawk	Pharmaceutical Services	Greg T. Bolan
1/12/2011 5:58 CRL, CVD	CVD: CEO's Tone Towards Preclinical Activity Improves	Squawk	Pharmaceutical Services	Greg T. Bolan
1/12/2011 12:05 PRXL	PRXL: Alliance with MRK is Nothing More Than Noise, in Our View	Squawk	Pharmaceutical Services	Greg T. Bolan
1/14/2011 8:52 ICLR	ICLR acquisition is small but consistent with cash deployment strategy	Squawk	Pharmaceutical Services	Greg T. Bolan
1/20/2011 5:21 PPDI Dropped	PPDI: 2011 Guidance Seems Optimistic To Us--Raising Estimates	Earnings Estimates Revised Up	Pharmaceutical Services	Greg T. Bolan
1/20/2011 11:55 PPDI Dropped	PPDI: Quick Takeaways From The Call	Squawk	Pharmaceutical Services	Greg T. Bolan
1/20/2011 12:29 ICLR , PPDI Dropped, PRXL	PRXL: Stock Up in Sympathy to PPD News--Recommend Selling into Strength	Squawk	Pharmaceutical Services	Greg T. Bolan
1/24/2011 4:58	Q4 CRO Industry Update: Setting Bar For 2011	Industry Note	Pharmaceutical Services	Greg T. Bolan
1/24/2011 17:02 CRL	CRL: New Board Members Are A Positive	Squawk	Pharmaceutical Services	Greg T. Bolan
1/25/2011 15:59 AMRI	AMRI: Allegra OTC Likely A Short-Term Negative: Could Be Longer-Term Positive	Squawk	Pharmaceutical Services	Greg T. Bolan
1/27/2011 0:11 CVD	CVD: Initial Take On Q4 2010 Results And 2011 Guidance	Earnings Reported - First Look	Pharmaceutical Services	Greg T. Bolan
1/27/2011 13:49 CVD	CVD: Lowering Estimates, But Remain Bullish On Long-Term Outlook	Earnings Estimate Revised Down	Pharmaceutical Services	Greg T. Bolan

1/28/2011 7:57 QSII	QSII: Upside to FQ3 2011 EPS Estimates - Higher System Sales and Lower Tax Rate	Squawk	Health Care IT	Greg T. Bolan
1/28/2011 17:07 AMRI	AMRI: Allegra D-24 Ruling Not Likely to Impact AMRI Royalty Stream--OTC Decision Much More Important	Squawk	Pharmaceutical Services	Greg T. Bolan
1/31/2011 0:25 QSII	QSII: Visibility Improving and Earnings Power Growing: Reiterate Outperform--QSII Remains Our Top HCIT Pick for 2011	Earnings Estimates Revised Up	Health Care IT	Greg T. Bolan
2/1/2011 0:16 PRXL	PRXL: FY2011 Guidance Cut--See Further Downside Risk To Forecast	Earnings Reported - First Look	Pharmaceutical Services	Greg T. Bolan
2/1/2011 14:24	Pharma Services: Our Quick Thoughts on PFE's R&D Strategy in 2011/2012	Squawk	Pharmaceutical Services	Greg T. Bolan
2/2/2011 10:12 PRXL	PRXL: Reducing Estimates and Lowering Top End of Valuation Range: Reiterate Underperform Rating	Earnings Estimate Revised Down	Pharmaceutical Services	Greg T. Bolan
2/8/2011 0:09 AMRI	AMRI: Q4 2010 Results--Lowering Estimate And Valuation Range	Earnings Estimate Revised Down	Pharmaceutical Services	Greg T. Bolan
2/8/2011 0:13 ATHN	ATHN: Soaring Into The Clouds--Upgrading To Outperform: Significantly Lifting Estimates And Valuation Range	Rating Change	Health Care IT	Greg T. Bolan
2/9/2011 0:36 PPDI Dropped	PPDI: Q4 2010 Results Bolster Confidence In 2011 Guidance	Earnings Reported - First Look	Pharmaceutical Services	Greg T. Bolan
2/9/2011 4:57 CRL	CRL: Q4 2010 Results: Turning a Corner	Earnings Reported - First Look	Pharmaceutical Services	Greg T. Bolan
2/10/2011 0:02 CRL	CRL: Further Conviction In Thesis--Raising Ests and Valuation	Earnings Estimates Revised Up	Pharmaceutical Services	Greg T. Bolan
2/10/2011 0:30 PPDI Dropped	PPDI: Raising Estimates Slightly--Maintain Valuation Range	Earnings Estimates Revised Up	Pharmaceutical Services	Greg T. Bolan
2/11/2011 17:55 CERN	CERN: Q4 10 Results A Mixed Bag--Valuation Keeps Us On Sideline	Earnings Estimates Revised Up	Health Care IT	Greg T. Bolan
2/14/2011 16:46 KNDL Dropped	KNDL: We View Management Change As A Positive	Squawk	Pharmaceutical Services	Greg T. Bolan
2/15/2011 10:02 CVD , PPDI Dropped	Takeda Announcement Positive for CVD; Potentially Significant Negative for PPDI	Squawk	Pharmaceutical Services	Greg T. Bolan
2/16/2011 0:24 MDRX	MDRX: Strong Q4 Results, Coupled With Massive Bookings: Reiterate Outperform Rating--Raising Valuation Range	Earnings Estimates Revised Up	Health Care IT	Greg T. Bolan
2/18/2011 0:12 ATHN	ATHN: Solid Q4 2010 Results--Looking For Doc Adds To Accelerate: Reiterate Outperform	Earnings Estimates Revised Up	Health Care IT	Greg T. Bolan
2/18/2011 9:54 ATHN	ATHN: Quick Takes from the Call	Squawk	Health Care IT	Greg T. Bolan
2/22/2011 8:05 ATHN	ATHN: Announces Strategic Alliance with Microsoft	Squawk	Health Care IT	Greg T. Bolan
2/22/2011 8:30 CRL , CVD	LAB Research Bankruptcy is Positive for CRL and CVD	Squawk	Pharmaceutical Services	Greg T. Bolan
2/23/2011 8:06 ELN , PPDI Dropped	PPDI: PPDI/Elan Collaboration is a Positive for PPDI, but Much Smaller than Takeda Loss	Squawk	Pharmaceutical Services	Greg T. Bolan
2/24/2011 8:24 ICLR	ICLR: Initial Take On 2011 Guidance	Earnings Reported - First Look	Pharmaceutical Services	Greg T. Bolan
2/24/2011 10:04 CRL	CRL: New \$150MM ASR Slightly Accretive to Our 2011 Estimate	Squawk	Pharmaceutical Services	Greg T. Bolan
2/25/2011 0:18 MDAS	MDAS: Long Term Direction Is Waning--Lowering Ests: Maintain Market Perform--Lowering Valuation Range	Earnings Estimate Revised Down	Health Care IT	Greg T. Bolan
2/25/2011 0:38 ICLR	ICLR: Focus Continues To Be 2012 And Beyond--Lowering Ests: Reiterate Outperform Rating	Earnings Estimate Revised Down	Pharmaceutical Services	Greg T. Bolan
2/28/2011 0:20	Takeaways From HIMSS 2011	Industry Note	Health Care IT	Greg T. Bolan
3/2/2011 17:52 KNDL Dropped	KNDL: Initial Take On Q4 2010 Results	Squawk	Pharmaceutical Services	Greg T. Bolan
3/4/2011 0:07 KNDL Dropped	KNDL: Q4 2010: Volatility Still Looms--Lowering Ests, Val Range	Earnings Estimate Revised Down	Pharmaceutical Services	Greg T. Bolan
3/8/2011 16:27	Takeaways From Society Of Toxicology (SOT) 2011	Industry Note	Pharmaceutical Services	Greg T. Bolan
3/10/2011 0:10 EM Dropped	EM: Q4 2010 Results Largely In Line - Guidance Seems Conservative: Maintaining Ests; Raising Val Range To \$17-\$18 From \$16-\$17	Company Note	Health Care IT	Greg T. Bolan
3/11/2011 9:25	CROs and Japan - Primary Risk is to Sponsor Activity	Squawk	Pharmaceutical Services	Greg T. Bolan
3/28/2011 16:41 KNDL Dropped	KNDL: Thoughts On M&A Speculation	Squawk	Pharmaceutical Services	Greg T. Bolan
3/29/2011 16:20 WAT	WAT: Initiating Coverage With A Market Perform	Initiation of Coverage	Analytical Technology	Greg T. Bolan
3/29/2011 16:22 BRKR	BRKR: Initiating Coverage With An Outperform Rating: One Of The BEST Ways To Harvest Value In A Growing Industry	Initiation of Coverage	Analytical Technology	Greg T. Bolan
3/29/2011 16:22	LST Sector--Initiated At Market Weight	Industry Overview	Analytical Technology	Greg T. Bolan
3/29/2011 16:24 WAT	WAT: Initiated Coverage With Market Perform	Initiation of Coverage	Analytical Technology	Greg T. Bolan
3/29/2011 16:28 BRKR	BRKR: Initiated Coverage With An Outperform Rating: One Of The BEST Ways To Harvest Value In A Growing Industry	Initiation of Coverage	Analytical Technology	Greg T. Bolan
4/1/2011 14:52 CRL , CVD	A Comment On Q1 2011 Preclinical Activity--Vastly Positive For CVD, And More Specifically CRL	Squawk	Pharmaceutical Services	Greg T. Bolan
4/6/2011 0:19 EM Dropped	EM: Investor Day Takeaways: Raising Valuation Range On Higher Out-Year Growth	Valuation Range Change	Health Care IT	Greg T. Bolan
4/7/2011 5:13 MDRX	MDRX: Our Quick Thoughts on Executive Departure	Squawk	Health Care IT	Greg T. Bolan
4/7/2011 12:06 BRKR, WAT	Comments On Exposure To Japan For BRKR And WAT	Squawk	Analytical Technology	Greg T. Bolan
4/7/2011 13:58 MDRX	MDRX: Follow-up Thoughts on Gomez Departure	Squawk	Health Care IT	Greg T. Bolan
4/11/2011 11:07 BRKR	BRKR: Takeaways From Recent Meeting With Management: Reiterate Outperform	Squawk	Analytical Technology	Greg T. Bolan
4/12/2011 11:37 BRKR	Life Sciences Tools: More Color on GFY 2011 NIH Budget	Company Note	Analytical Technology	Greg T. Bolan
4/19/2011 12:38	Pharma Services: Q1 2011 Preview	Squawk	Pharmaceutical Services	Greg T. Bolan
4/21/2011 9:04 ICLR	ICLR: Q1 Results: Largely In Line With Slightly Stronger Top Line	Squawk	Pharmaceutical Services	Greg T. Bolan
4/25/2011 1:22 ICLR	ICLR: Q1 2011 Results: More Visibility Offers Relief: Maintain Outperform	Earnings Reported	Pharmaceutical Services	Greg T. Bolan
4/25/2011 5:20 CERN	CERN: Thoughts on Executive Departure	Squawk	Health Care IT	Greg T. Bolan

## Notice

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FINRA operates the IARD system as a vendor pursuant to a contract with the Securities and Exchange Commission and undertakings with NASAA and participating state regulators.

**Reportable Information:** Information that is required to be reported on the current version of the uniform registration forms.

**Non-Reportable Information:** Information that is not currently reportable on a uniform registration form. Information typically is not reportable because it is out-of-date; it was reported in error; or some change occurred either in the disposition of the underlying event after it was reported or in the question on the form that elicited the information. Although not currently reportable, this information was once reported on a uniform form and, consequently, may have become a state record. Users of this information should recognize that filers have no obligation to update non-reportable data; accordingly, it may not reflect changes that have occurred since it was reported.

Details for Request#: [REDACTED]  
Report: Snapshot - Individual  
Requested By: PAL

<u>Parameter Name</u>	<u>Value</u>
Request by CRD# or SSN:	CRD#
Individual CRD# or SSN	[REDACTED]
Include Personal Information?	Yes
Include All Registrations with Employments:	Both Current and Previous Employments
Include All Registrations for Current and/or Previous Employments with:	All Regulators
Include Professional Designations?	Yes
Include Employment History?	Yes
Include Other Business?	Yes
Include Exam Information?	Yes
Include Continuing Education Information? (CRD Only)	Yes
Include Filing History? (CRD Only)	Yes
Include Current Reportable Disclosure Information?	Yes
Include Regulator Archive and Z Record Information? (CRD Only)	Yes

Individual [REDACTED] - RUGGIERI, JOSEPH CLAY

Administrative Information

Composite Information

Full Legal Name RUGGIERI, JOSEPH CLAY  
 State of Residence NC

Active Employments

Current Employer INTERNATIONAL STRATEGY & INVESTMENT GROUP LLC(28195)

Firm Main Address [REDACTED]  
 [REDACTED]  
 [REDACTED]  
 [REDACTED]  
 [REDACTED]

[REDACTED] [REDACTED]  
 [REDACTED] [REDACTED]  
 [REDACTED] [REDACTED]  
 [REDACTED] [REDACTED]

[REDACTED] [REDACTED]

[REDACTED] No

Office of Employment Address

CRD Branch#	NYSE Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
[REDACTED]			Yes	No	08/30/2013		Located At
							Address [REDACTED]
BD Main			Yes	No	06/06/2011		Supervised Frorr
							Address [REDACTED]

Reportable Disclosures? Yes

Statutory Disqualification? BLNK

Registered With Multiple Firms? No

Material Difference in Disclosure? No

Personal Information

Individual CRD# [REDACTED]

Other Names Known By <<No Other Names found for this Individual.>>

Year of Birth 1978

Registrations with Current Employer(s)

From 06/06/2011 To Present INTERNATIONAL STRATEGY & INVESTMENT GROUP LLC(28195)  
 Regulator Registration Category Status Date Registration Status Approval Date

## Snapshot - Individual

CRD® or IARD(TM) System Report provided to: SEC

Request Submitted: 4/4/2014 9:32:20 AM

Individual [REDACTED] - RUGGIERI, JOSEPH CLAY

## Administrative Information

## Registrations with Current Employer(s)

Regulator	Registration Category	Status Date	Registration Status	Approval Date
BX	GS	06/14/2011	APPROVED	06/07/2011
FINRA	ET	06/14/2011	APPROVED	06/07/2011
FINRA	GS	06/14/2011	APPROVED	06/07/2011
NC	AG	09/04/2013	APPROVED	09/04/2013
NQX	ET	06/14/2011	APPROVED	06/07/2011
NQX	GS	06/14/2011	APPROVED	06/07/2011
NY	AG	06/14/2011	APPROVED	06/14/2011

## Registrations with Previous Employer(s)

From 08/28/2009 To 04/25/2011 WELLS FARGO SECURITIES, LLC(126292)

Reason for Termination Discharged

Termination Comment LOSS OF CONFIDENCE DUE TO FAILURE TO ESCALATE ISSUES REGARDING THE INAPPROPRIATE DISSEMINATION OF INFORMATION.

Regulator	Registration Category	Status Date	Registration Status	Approval Date
AK	AG	05/05/2011	TERMED	09/01/2009
AL	AG	05/05/2011	TERMED	09/01/2009
AR	AG	05/05/2011	TERMED	09/01/2009
AZ	AG	05/05/2011	TERMED	09/01/2009
BATS-YX	GS	05/05/2011	TERMED	10/19/2010
BX	GS	05/05/2011	TERMED	09/01/2009
CA	AG	05/05/2011	TERMED	09/01/2009
CO	AG	05/05/2011	TERMED	09/01/2009
CT	AG	05/05/2011	TERMED	09/01/2009
DC	AG	05/05/2011	TERMED	09/01/2009
DE	AG	05/05/2011	TERMED	09/01/2009
FINRA	ET	05/05/2011	TERMED	09/01/2009
FINRA	GS	05/05/2011	TERMED	09/01/2009
FL	AG	05/05/2011	TERMED	09/01/2009
GA	AG	05/05/2011	TERMED	09/01/2009
HI	AG	05/05/2011	TERMED	09/01/2009
IA	AG	05/05/2011	TERMED	09/01/2009
ID	AG	05/05/2011	TERMED	09/01/2009
IL	AG	05/05/2011	TERMED	09/01/2009
IN	AG	05/05/2011	TERMED	09/01/2009
ISE	GS	05/05/2011	TERMED	09/01/2009
KS	AG	05/05/2011	TERMED	09/01/2009
KY	AG	05/05/2011	TERMED	09/01/2009
LA	AG	05/05/2011	TERMED	09/01/2009
MA	AG	05/05/2011	TERMED	09/01/2009
MD	AG	05/05/2011	TERMED	09/01/2009
ME	AG	05/05/2011	TERMED	09/01/2009
MI	AG	05/05/2011	TERMED	09/01/2009
MN	AG	05/05/2011	TERMED	09/01/2009

## Snapshot - Individual

CRD® or IARD(TM) System Report provided to: SEC

Request Submitted: 4/4/2014 9:32:20 AM

**Individual** ██████████ - RUGGIERI, JOSEPH CLAY**Administrative Information****Registrations with Previous Employer(s)**

Regulator	Registration Category	Status Date	Registration Status	Approval Date
MO	AG	05/05/2011	TERMED	09/01/2009
MS	AG	05/05/2011	TERMED	09/01/2009
MT	AG	05/05/2011	TERMED	09/01/2009
NC	AG	05/05/2011	TERMED	09/01/2009
ND	AG	05/05/2011	TERMED	09/01/2009
NE	AG	05/05/2011	TERMED	09/01/2009
NH	AG	05/05/2011	TERMED	09/01/2009
NJ	AG	05/05/2011	TERMED	09/01/2009
NM	AG	05/05/2011	TERMED	09/01/2009
NQX	ET	05/05/2011	TERMED	09/01/2009
NQX	GS	05/05/2011	TERMED	09/01/2009
NV	AG	05/05/2011	TERMED	09/01/2009
NY	AG	05/05/2011	TERMED	09/01/2009
NYSE	ET	05/05/2011	TERMED	06/26/2010
NYSE	GS	05/05/2011	TERMED	09/01/2009
OH	AG	05/05/2011	TERMED	09/02/2009
OK	AG	05/05/2011	TERMED	09/01/2009
OR	AG	05/05/2011	TERMED	09/01/2009
PA	AG	05/05/2011	TERMED	09/01/2009
PR	AG	05/05/2011	TERMED	09/01/2009
RI	AG	05/05/2011	TERMED	09/01/2009
SC	AG	05/05/2011	TERMED	09/01/2009
SD	AG	05/05/2011	TERMED	09/01/2009
TN	AG	05/05/2011	TERMED	09/01/2009
TX	AG	05/05/2011	TERMED	09/01/2009
UT	AG	05/05/2011	TERMED	09/01/2009
VA	AG	05/05/2011	TERMED	09/01/2009
VT	AG	05/05/2011	TERMED	09/01/2009
WA	AG	05/05/2011	TERMED	09/01/2009
WI	AG	05/05/2011	TERMED	09/01/2009
WV	AG	05/05/2011	TERMED	09/01/2009
WY	AG	05/05/2011	TERMED	09/01/2009

From 02/09/2009 To 08/28/2009 MERRILL LYNCH, PIERCE, FENNER &amp; SMITH INCORPORATED(7691)

**Reason for Termination** Voluntary**Termination Comment**

Regulator	Registration Category	Status Date	Registration Status	Approval Date
AK	AG	08/31/2009	TERMED	02/09/2009
AL	AG	08/31/2009	TERMED	02/09/2009
AR	AG	08/31/2009	TERMED	02/09/2009
ARCA	GS	08/31/2009	TERMED	02/09/2009
AZ	AG	08/31/2009	TERMED	02/09/2009
BX	GS	08/31/2009	TERMED	02/09/2009
CA	AG	08/31/2009	TERMED	02/09/2009

## Snapshot - Individual

CRD® or IARD(TM) System Report provided to: SEC

Request Submitted: 4/4/2014 9:32:20 AM

Individual ██████████ - RUGGIERI, JOSEPH CLAY

## Administrative Information

## Registrations with Previous Employer(s)

Regulator	Registration Category	Status Date	Registration Status	Approval Date
CBOE	GS	08/31/2009	TERMED	02/09/2009
CHX	GS	08/31/2009	TERMED	02/09/2009
CO	AG	08/31/2009	TERMED	02/09/2009
CT	AG	08/31/2009	TERMED	02/09/2009
DC	AG	08/31/2009	TERMED	02/09/2009
DE	AG	08/31/2009	TERMED	02/09/2009
FINRA	ET	08/31/2009	TERMED	02/09/2009
FINRA	GS	08/31/2009	TERMED	02/09/2009
FL	AG	08/31/2009	TERMED	02/09/2009
GA	AG	08/31/2009	TERMED	02/09/2009
HI	AG	08/31/2009	TERMED	02/09/2009
IA	AG	08/31/2009	TERMED	02/09/2009
ID	AG	08/31/2009	TERMED	02/09/2009
IL	AG	08/31/2009	TERMED	02/09/2009
IN	AG	08/31/2009	TERMED	02/09/2009
KS	AG	08/31/2009	TERMED	02/09/2009
KY	AG	08/31/2009	TERMED	02/09/2009
LA	AG	08/31/2009	TERMED	02/09/2009
MA	AG	08/31/2009	TERMED	02/09/2009
MD	AG	08/31/2009	TERMED	02/09/2009
ME	AG	08/31/2009	TERMED	02/09/2009
MI	AG	08/31/2009	TERMED	02/09/2009
MN	AG	08/31/2009	TERMED	02/09/2009
MO	AG	08/31/2009	TERMED	02/09/2009
MS	AG	08/31/2009	TERMED	02/09/2009
MT	AG	08/31/2009	TERMED	02/09/2009
ND	AG	08/31/2009	TERMED	02/09/2009
NE	AG	08/31/2009	TERMED	02/09/2009
NH	AG	08/31/2009	TERMED	02/09/2009
NJ	AG	08/31/2009	TERMED	02/09/2009
NM	AG	08/31/2009	TERMED	02/09/2009
NQX	ET	08/31/2009	TERMED	02/09/2009
NQX	GS	08/31/2009	TERMED	02/09/2009
NV	AG	08/31/2009	TERMED	02/09/2009
NY	AG	08/31/2009	TERMED	02/09/2009
NYSE	GS	08/31/2009	TERMED	02/09/2009
NYSE-MKT	ET	08/31/2009	TERMED	02/09/2009
NYSE-MKT	GS	08/31/2009	TERMED	02/09/2009
OK	AG	08/31/2009	TERMED	02/09/2009
OR	AG	08/31/2009	TERMED	02/09/2009
PA	AG	08/31/2009	TERMED	02/09/2009
PHLX	GS	08/31/2009	TERMED	02/09/2009
PR	AG	08/31/2009	TERMED	02/09/2009



Snapshot - Individual

Individual ██████████ - RUGGIERI, JOSEPH CLAY

Administrative Information

Registrations with Previous Employer(s)

Regulator	Registration Category	Status Date	Registration Status	Approval Date
RI	AG	08/31/2009	TERMED	02/09/2009
SC	AG	08/31/2009	TERMED	02/09/2009
SD	AG	08/31/2009	TERMED	02/09/2009
TN	AG	08/31/2009	TERMED	02/09/2009
TX	AG	08/31/2009	TERMED	02/09/2009
UT	AG	08/31/2009	TERMED	02/09/2009
VA	AG	08/31/2009	TERMED	02/09/2009
VI	AG	08/31/2009	TERMED	02/09/2009
VT	AG	08/31/2009	TERMED	02/09/2009
WA	AG	08/31/2009	TERMED	02/09/2009
WI	AG	08/31/2009	TERMED	02/09/2009
WV	AG	08/31/2009	TERMED	02/09/2009
WY	AG	08/31/2009	TERMED	02/09/2009

From 06/24/2001 To 02/09/2009 BANC OF AMERICA SECURITIES LLC(26091)

Reason for Termination Other

Termination Comment OTHER-TRANSFERRED TO AFFILIATE BD FOR BUSINESS PURPOSES.

Regulator	Registration Category	Status Date	Registration Status	Approval Date
AK	AG	02/09/2009	TERMED	11/01/2004
AL	AG	02/09/2009	TERMED	11/01/2004
AR	AG	02/09/2009	TERMED	11/01/2004
ARCA	GS	02/09/2009	TERMED	11/07/2002
AZ	AG	02/09/2009	TERMED	11/01/2004
BX	GS	02/09/2009	TERMED	11/07/2002
CA	AG	02/09/2009	T_NOREG	
CA	AG	02/09/2009	TERMED	01/27/2003
CHX	GS	02/09/2009	TERMED	11/07/2002
CO	AG	02/09/2009	TERMED	11/01/2004
CT	AG	02/09/2009	TERMED	11/01/2004
DC	AG	02/09/2009	TERMED	11/01/2004
DE	AG	02/09/2009	TERMED	11/01/2004
FINRA	ET	02/09/2009	TERMED	11/10/2004
FINRA	GS	02/09/2009	TERMED	04/02/2002
FL	AG	02/09/2009	TERMED	11/01/2004
GA	AG	02/09/2009	TERMED	11/01/2004
HI	AG	02/09/2009	TERMED	11/01/2004
IA	AG	02/09/2009	TERMED	11/01/2004
ID	AG	02/09/2009	TERMED	11/01/2004
IL	AG	02/09/2009	TERMED	11/01/2004
IN	AG	02/09/2009	TERMED	11/01/2004
KS	AG	02/09/2009	TERMED	11/01/2004
KY	AG	02/09/2009	TERMED	11/01/2004
LA	AG	02/09/2009	TERMED	11/04/2004
MA	AG	02/09/2009	TERMED	11/01/2004

## Snapshot - Individual

CRD® or IARD(TM) System Report provided to: SEC

Request Submitted: 4/4/2014 9:32:20 AM

Individual ██████████ - RUGGIERI, JOSEPH CLAY

## Administrative Information

## Registrations with Previous Employer(s)

Regulator	Registration Category	Status Date	Registration Status	Approval Date
MD	AG	02/09/2009	TERMED	11/01/2004
ME	AG	02/09/2009	TERMED	11/01/2004
MI	AG	02/09/2009	TERMED	11/01/2004
MN	AG	02/09/2009	TERMED	11/01/2004
MO	AG	02/09/2009	TERMED	11/01/2004
MS	AG	02/09/2009	TERMED	11/01/2004
MT	AG	02/09/2009	TERMED	11/01/2004
NC	AG	02/09/2009	TERMED	11/02/2004
ND	AG	02/09/2009	TERMED	11/01/2004
NE	AG	02/09/2009	TERMED	11/01/2004
NH	AG	02/09/2009	TERMED	11/01/2004
NJ	AG	02/09/2009	TERMED	11/01/2004
NM	AG	02/09/2009	TERMED	11/01/2004
NQX	ET	02/09/2009	TERMED	07/12/2006
NQX	GS	02/09/2009	TERMED	07/12/2006
NSX	ET	04/13/2005	T_NOU5	11/10/2004
NSX	GS	04/13/2005	T_NOU5	11/07/2002
NV	AG	02/09/2009	TERMED	11/01/2004
NY	AG	02/09/2009	TERMED	06/05/2003
NYSE	GS	02/09/2009	TERMED	04/02/2002
NYSE-MKT	ET	02/09/2009	TERMED	11/10/2004
NYSE-MKT	GS	02/09/2009	TERMED	11/07/2002
OH	AG	02/09/2009	TERMED	11/01/2004
OK	AG	02/09/2009	TERMED	11/01/2004
OR	AG	02/09/2009	TERMED	11/01/2004
PA	AG	02/09/2009	TERMED	11/01/2004
PHLX	GS	02/09/2009	TERMED	11/07/2002
PR	AG	02/09/2009	TERMED	11/01/2004
RI	AG	02/09/2009	TERMED	11/01/2004
SC	AG	02/09/2009	TERMED	11/01/2004
SD	AG	02/09/2009	TERMED	11/01/2004
TN	AG	02/09/2009	TERMED	11/01/2004
TX	AG	02/09/2009	TERMED	11/01/2004
UT	AG	02/09/2009	TERMED	11/01/2004
VA	AG	02/09/2009	TERMED	11/01/2004
VT	AG	02/09/2009	TERMED	11/01/2004
WA	AG	02/09/2009	TERMED	11/01/2004
WI	AG	02/09/2009	TERMED	11/01/2004
WV	AG	02/09/2009	TERMED	11/01/2004
WY	AG	02/09/2009	TERMED	11/01/2004

Individual ██████████ - RUGGIERI, JOSEPH CLAY

Administrative Information

Professional Designations

<<No Professional Designations found for this Individual.>>

Employment History

From	06/2011	To	Present	<b>Name</b>	INTERNATIONAL STRATEGY & INVESTMENT GROUP INC.
				<b>Location</b>	NEW YORK, NY, USA
				<b>Position</b>	EQUITY TRADER
				<b>Investment Related</b>	Yes
From	08/2009	To	04/2011	<b>Name</b>	WELLS FARGO SECURITIES, LLC
				<b>Location</b>	NEW YORK, NY, USA
				<b>Position</b>	TRADER
				<b>Investment Related</b>	Yes
From	06/2001	To	08/2009	<b>Name</b>	BANC OF AMERICA SECURITIES LLC
				<b>Location</b>	SAN FRANCISCO, CA, UNITED STATES
				<b>Position</b>	ANALYST
				<b>Investment Related</b>	Yes
From	08/1997	To	05/2001	<b>Name</b>	UNIVERSITY OF NORTH CAROLINA, CHAPEL HILL
				<b>Location</b>	CHAPEL HILL, NC, UNITED STATES
				<b>Position</b>	STUDENT
				<b>Investment Related</b>	No
From	05/2000	To	08/2000	<b>Name</b>	PAINE WEBBER
				<b>Location</b>	NEW YORK, NY, UNITED STATES
				<b>Position</b>	SUMMER INTERN
				<b>Investment Related</b>	Yes
From	08/1991	To	06/1997	<b>Name</b>	BISHOP MCGUINNESS
				<b>Location</b>	SALEM, NC, UNITED STATES
				<b>Position</b>	STUDENT
				<b>Investment Related</b>	No

Office of Employment History

From 06/2011 To Present

Name INTERNATIONAL STRATEGY & INVESTMENT GROUP LLC(28195)

Independent Contractor No

Office of Employment Address

Snapshot - Individual

Individual ██████████ - RUGGIERI, JOSEPH CLAY

Administrative Information

Office of Employment History

Office of Employment Address

CRD Branch#	NYSE Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
543676			Yes	No	08/30/2013		Located At
	Address 4208 SIX FORKS RD, SUITE 1032 RALEIGH, NC 27609 UNITED STATES						
BD Main			Yes	No	06/06/2011		Supervised From
	Address 666 FIFTH AVENUE, 11TH FLOOR NEW YORK, NY 10103 USA						

From 08/2009 To 04/2011

Name WELLS FARGO SECURITIES, LLC(126292)

Independent Contractor No

Office of Employment Address

CRD Branch#	NYSE Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
205882	FIEQIB01		Yes	No	08/28/2009	04/25/2011	Located At
	Address 375 PARK AVENUE NEW YORK, NY 10152-0005 UNITED STATES						

From 02/2009 To 08/2009

Name MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED(7691)

Independent Contractor No

Office of Employment Address

CRD Branch#	NYSE Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
391792	080-3LFB	080-3LFB	Yes	No	08/15/2009	08/28/2009	Located At
	Address ONE BRYANT PARK NEW YORK, NY 10036 UNITED STATES						
289073	080-3LF	080-3LF	Yes	No	02/09/2009	08/15/2009	Located At
	Address 225 LIBERTY STREET / 250 VESEY STREET, 2 - 4 WORLD FINANCIAL CENTER NEW YORK, NY 10080 UNITED STATES						

From 06/2001 To 02/2009

Name BANC OF AMERICA SECURITIES LLC(26091)

Independent Contractor No

Office of Employment Address

CRD Branch#	NYSE Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
90398	38	38	Yes	No	06/12/2006	02/09/2009	Located At
	Address ONE BRYANT PARK						

Individual ██████████ - RUGGIERI, JOSEPH CLAY

Administrative Information

Office of Employment History

Office of Employment Address

NEW YORK, NY 10036 UNITED STATES  
133 No No 06/24/2001 06/12/2006 Located At  
Address 9 WEST 57TH ST.  
NEW YORK, NY 10019 UNITED STATES

Other Business

<<No Other Business found for this Individual.>>

Exam Appointments

<<No Exam Appointments found for this Individual.>>

Exam History

Exam	Enrollment ID	Exam Status	Status Date	Exam Date	Grade	Score	Window Dates
S7	24453999	Official Result	04/02/2002	04/01/2002	Passed	73	12/07/2001-04/06/2002
S55	24453995	Official Result	11/10/2004	11/09/2004	Passed	78	09/15/2004-01/13/2005
S63	24453998	Official Result	01/27/2003	01/24/2003	Passed	76	09/27/2002-01/25/2003
S63	24453997	Window Expired	09/04/2002				05/06/2002-09/03/2002
S63	24453996	Official Result	04/08/2002	04/06/2002	Failed	63	12/07/2001-04/06/2002

CE Regulatory Element Status

Current CE Status SATISFIED

CE Base Date 04/02/2002

CE Appointments

<<No CE Appointments found for this Individual.>>

Current CE

<<No Current CE found for this Individual.>>

Next CE

Window Dates	Requirement Type	Session
04/02/2016-07/30/2016	Anniversary	101

CE Directed Sequence History

<<No CE Directed Sequence History found for this Individual.>>

Inactive CE History Dates

<<No Inactive CE History Dates found for this Individual.>>

Previous CE Requirement Status

Requirement Type	Session	Status	Status Date	Window Dates	Result
Anniversary	101	SATISFIED	06/17/2013	04/02/2013-07/30/2013	06/17/2013 - CMLPT
Anniversary	101	REQUIRED	04/02/2013	04/02/2013-07/30/2013	
Anniversary	101	SATISFIED	07/08/2010	04/02/2010-07/30/2010	07/08/2010 - CMLPT
Anniversary	101	REQUIRED	04/02/2010	04/02/2010-07/30/2010	
Anniversary	101	SATISFIED	05/09/2007	04/02/2007-07/30/2007	05/09/2007 - CMLPT
Anniversary	101	REQUIRED	04/02/2007	04/02/2007-07/30/2007	
Anniversary	101	SATISFIED	07/22/2004	04/02/2004-07/30/2004	07/22/2004 - CMLPT

Snapshot - Individual

Individual ██████████ - RUGGIERI, JOSEPH CLAY

Administrative Information

Previous CE Requirement Status

Requirement Type	Session	Status	Status Date	Window Dates	Result
Anniversary	101	REQUIRED	04/02/2004	04/02/2004-07/30/2004	

Filing History

Filing Date	Form Type	Filing type	Source
09/03/2013	U4	Amendment	INTERNATIONAL STRATEGY & INVESTMENT GROUP LLC (28195)
08/30/2013	BR	Initial	INTERNATIONAL STRATEGY & INVESTMENT GROUP LLC (28195)
05/31/2012	U4	Amendment	INTERNATIONAL STRATEGY & INVESTMENT GROUP LLC (28195)
07/08/2011	U5	Amendment	WELLS FARGO SECURITIES, LLC (126292)
06/06/2011	U4	Initial	INTERNATIONAL STRATEGY & INVESTMENT GROUP LLC (28195)
05/05/2011	U5	Full	WELLS FARGO SECURITIES, LLC (126292)
10/19/2010	U4	Amendment	WELLS FARGO SECURITIES, LLC (126292)
06/26/2010	U4	Admin	NYSE
09/01/2009	U4	Relicense All	WELLS FARGO SECURITIES, LLC (126292)
08/31/2009	U5	Full	MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED (7691)
08/29/2009	U4	Amendment	MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED (7691)
05/18/2009	U4	Upload - New U4 Questions	MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED (7691)
02/09/2009	U5	Full	BANC OF AMERICA SECURITIES LLC (26091)
02/09/2009	U4	Amendment	BANC OF AMERICA SECURITIES LLC (26091)
12/02/2008	U4	Amendment	BANC OF AMERICA SECURITIES LLC (26091)
06/23/2008	BR	Amendment	BANC OF AMERICA SECURITIES LLC (26091)
05/16/2008	BR	Amendment	BANC OF AMERICA SECURITIES LLC (26091)
08/05/2006	U4	Amendment	BANC OF AMERICA SECURITIES LLC (26091)
07/29/2006	U4	Conversion	BANC OF AMERICA SECURITIES LLC (26091)
06/22/2006	BR	Amendment	BANC OF AMERICA SECURITIES LLC (26091)
06/16/2006	U4	Amendment	BANC OF AMERICA SECURITIES LLC (26091)
11/01/2004	U4	Amendment	BANC OF AMERICA SECURITIES LLC (26091)
09/14/2004	U4	Amendment	BANC OF AMERICA SECURITIES LLC (26091)
05/12/2004	U4	Amendment	BANC OF AMERICA SECURITIES LLC (26091)
06/05/2003	U4	Amendment	BANC OF AMERICA SECURITIES LLC (26091)
06/05/2003	U4	Amendment	BANC OF AMERICA SECURITIES LLC (26091)
01/27/2003	U4	Amendment	BANC OF AMERICA SECURITIES LLC (26091)
11/07/2002	U4	Amendment	BANC OF AMERICA SECURITIES LLC (26091)
09/26/2002	U4	Amendment	BANC OF AMERICA SECURITIES LLC (26091)
04/08/2002	U4	Amendment	BANC OF AMERICA SECURITIES LLC (26091)
12/06/2001	U4	Initial	BANC OF AMERICA SECURITIES LLC (26091)

Individual [REDACTED] - RUGGIERI, JOSEPH CLAY

**Reportable Events**

**Number of Reportable Events**

Bankruptcy	0
Bond	0
Civil Judicial	0
Criminal	0
Customer Complaint	0
Internal Review	1
Investigation	0
Judgement/Lien	0
Regulatory Action	0
Termination	1

Occurrence#	1561358	Disclosure Type	Internal Review
FINRA Public Disclosable	No	Reportable	Yes
Material Difference in Disclosure	No		
Filing ID	30476060	Form (Form Version)	U5 (05/2009)
Filing Date	07/08/2011		
Source	126292 - WELLS FARGO SECURITIES, LLC		
Disclosure Questions Answered	7B		

**Internal Review DRP**

DRP Version 05/2009

**Part I**

1. Notice received from: WELLS FARGO SECURITIES, LLC
2. Date initiated/Explanation: 04/04/2011
3. Details: INTERNAL REVIEW OF FAILURE TO ESCALATE ISSUES REGARDING THE INAPPROPRIATE DISSEMINATION OF INFORMATION.
4. Internal review pending: No
5. Resolution details:
  - A. Date concluded/ Explanation: 07/08/2011
  - B. Internal review resolution: AFFIRMATION OF CAUSE FOR TERMINATION
6. Comment:

**Part II**

Summary:

Occurrence#	1565832	Disclosure Type	Termination
FINRA Public Disclosable	Yes	Reportable	Yes
Material Difference in Disclosure	No		
Filing ID	30264462	Form (Form Version)	U4 (05/2009)

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Individual [REDACTED] - RUGGIERI, JOSEPH CLAY

Reportable Events

Filing Date 06/06/2011  
Source 28195 - INTERNATIONAL STRATEGY & INVESTMENT GROUP LLC  
Disclosure Questions Answered 14J(1)

Termination DRP

DRP Version 05/2009

1. Firm name: WELLS FARGO
2. Termination type: Discharged
3. Date filed/Explanation: 04/25/2011
4. Allegation(s): LOSS OF CONFIDENCE DUE TO FAILURE TO ESCALATE ISSUES REGARDING THE INAPPROPRIATE DISSEMINATION OF INFORMATION.
5. Product type(s): Equity Listed (Common & Preferred Stock)
6. Comment: RESEARCH ANALYST SENT 3-4 QUARTERLY EMAILS TO PLATINUM ACCOUNT PM/ANALYSTS WITH RESULTS OF HIS INDUSTRY CHECKS WITH PRIVATE COMPANIES. I CONSISTANTLY FORWARDED THOSE EMAILS TO THE ACCOUNT'S TRADER. THIS WAS CONSISTENT PRACTICE WE HAD DONE SINCE I STARTED AND WAS PRAISED FOR THIS PROACTIVE WORK. ON ONE OCCASSION, ANALYST FOLLOWED WITH A PUBLISHED NOTE WHICH A CLIENT QUESTIONED TIMING OF THE NOTE AND WELLS DECIDED THIS WASN'T BEST PRACTICES AND DESPITE HANDLING THE CLIENTS QUESTIONS, FIRM FELT I SHOULD HAVE ELEVATED THE ISSUE.

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Regulator Archive and Z Records

<<No Regulator Archive and Z Records found for this Individual.>>



## Notice

**CRD® or IARD(TM) Information:** This report contains information from the CRD (Central Registration Depository) system, or the IARD system (Investment Advisers Registration Depository), which are operated by FINRA, a national securities association registered under the Securities Exchange Act of 1934. The CRD system primarily contains information submitted on uniform broker-dealer and agent registration forms and certain other information related to registration and licensing. The IARD system primarily contains information submitted on uniform investment adviser and agent registration forms and certain other information related to registration and licensing. The information on Uniform Forms filed with the CRD or IARD is deemed to have been filed with each regulator with which the applicant seeks to be registered or licensed and shall be the joint property of the applicant and such regulators. The compilation constituting the CRD database as a whole is the property of FINRA. Neither FINRA nor a participating regulator warrants or guarantees the accuracy or the completeness of the CRD or IARD information. CRD information consists of reportable and non-reportable information.

FINRA operates the CRD system in its capacity as a registered national securities association and pursuant to an agreement with the North American Securities Administrators Association, Inc. (NASAA).

FINRA operates the IARD system as a vendor pursuant to a contract with the Securities and Exchange Commission and undertakings with NASAA and participating state regulators.

**Reportable Information:** Information that is required to be reported on the current version of the uniform registration forms.

**Non-Reportable Information:** Information that is not currently reportable on a uniform registration form. Information typically is not reportable because it is out-of-date; it was reported in error; or some change occurred either in the disposition of the underlying event after it was reported or in the question on the form that elicited the information. Although not currently reportable, this information was once reported on a uniform form and, consequently, may have become a state record. Users of this information should recognize that filers have no obligation to update non-reportable data; accordingly, it may not reflect changes that have occurred since it was reported.

Details for Request#: [REDACTED]  
Report: Snapshot - Individual  
Requested By: PAL

<u>Parameter Name</u>	<u>Value</u>
Request by CRD# or SSN:	CRD#
Individual CRD# or SSN	[REDACTED]
Include Personal Information?	Yes
Include All Registrations with Employments:	Both Current and Previous Employments
Include All Registrations for Current and/or Previous Employments with:	All Regulators
Include Professional Designations?	Yes
Include Employment History?	Yes
Include Other Business?	Yes
Include Exam Information?	Yes
Include Continuing Education Information? (CRD Only)	Yes
Include Filing History? (CRD Only)	Yes
Include Current Reportable Disclosure Information?	Yes
Include Regulator Archive and Z Record Information? (CRD Only)	Yes

Individual [REDACTED] - BOLAN, GREGORY T

Administrative Information

Composite Information

Full Legal Name BOLAN, GREGORY T  
 State of Residence TN

Active Employments

Current Employer STERNE, AGEE & LEACH, INC.(791)

Firm Main Address [REDACTED]  
 [REDACTED]  
 [REDACTED] ES  
 35209

Firm Mailing Address [REDACTED]  
 [REDACTED]  
 [REDACTED]  
 [REDACTED]

Business Telephone# [REDACTED]

Independent Contractor No

Office of Employment Address

CRD Branch#	NYSE Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
[REDACTED]	39		Yes	No	10/24/2011		Located At
	Address	[REDACTED]					

Reportable Disclosures? Yes

Statutory Disqualification? BLNK

Registered With Multiple Firms? No

Material Difference in Disclosure? No

Personal Information

Individual CRD# [REDACTED]

Other Names Known By <<No Other Names found for this Individual.>>

Year of Birth 1977

Registrations with Current Employer(s)

Regulator	Registration Category	Status Date	Registration Status	Approval Date
ARCA	GS	12/06/2011	TERMED	10/31/2011
FINRA	ET	11/07/2011	APPROVED	10/31/2011
FINRA	GS	11/07/2011	APPROVED	10/31/2011

Individual ██████████ - BOLAN, GREGORY T

**Administrative Information**

**Registrations with Current Employer(s)**

Regulator	Registration Category	Status Date	Registration Status	Approval Date
FINRA	RS	11/07/2011	APPROVED	10/31/2011
NQX	GS	11/07/2011	APPROVED	10/31/2011
NY	AG	01/22/2014	PENDING	
NY	AG	12/31/2013	TERMED	10/31/2011
NYSE	ET	11/07/2011	APPROVED	10/31/2011
NYSE	GS	11/07/2011	APPROVED	10/31/2011
NYSE	RS	11/07/2011	APPROVED	10/31/2011
NYSE-MKT	ET	11/07/2011	APPROVED	10/31/2011
NYSE-MKT	GS	11/07/2011	APPROVED	10/31/2011
NYSE-MKT	RS	11/07/2011	APPROVED	10/31/2011
TN	AG	01/27/2014	T_NOREG	

**Registrations with Previous Employer(s)**

From 06/27/2011 To 10/21/2011 MADISON WILLIAMS AND COMPANY(149530)

Reason for Termination Voluntary

**Termination Comment**

Regulator	Registration Category	Status Date	Registration Status	Approval Date
FINRA	ET	11/18/2011	TERMED	06/30/2011
FINRA	GS	11/18/2011	TERMED	06/30/2011
FINRA	RS	11/18/2011	TERMED	06/30/2011
IL	AG	11/18/2011	TERMED	06/30/2011
MA	AG	11/18/2011	TERMED	08/24/2011
NY	AG	11/18/2011	TERMED	07/05/2011
TN	AG	11/18/2011	TERMED	06/30/2011

From 06/30/2008 To 04/25/2011 WELLS FARGO SECURITIES, LLC(126292)

Reason for Termination Voluntary

**Termination Comment**

Regulator	Registration Category	Status Date	Registration Status	Approval Date
AK	AG	05/05/2011	TERMED	07/02/2008
AL	AG	05/05/2011	TERMED	07/02/2008
AR	AG	05/05/2011	TERMED	07/02/2008
AZ	AG	05/05/2011	TERMED	07/02/2008
BX	GS	05/05/2011	TERMED	06/29/2009
CA	AG	05/05/2011	TERMED	07/02/2008
CO	AG	05/05/2011	TERMED	07/02/2008
CT	AG	05/05/2011	TERMED	07/02/2008
DC	AG	05/05/2011	TERMED	07/02/2008
DE	AG	05/05/2011	TERMED	07/02/2008
FINRA	ET	05/05/2011	TERMED	07/02/2008
FINRA	GS	05/05/2011	TERMED	07/02/2008
FINRA	RS	05/05/2011	TERMED	07/02/2008
FL	AG	05/05/2011	TERMED	07/02/2008
GA	AG	05/05/2011	TERMED	07/02/2008

**Individual** [REDACTED] - BOLAN, GREGORY T**Administrative Information****Registrations with Previous Employer(s)**

Regulator	Registration Category	Status Date	Registration Status	Approval Date
HI	AG	05/05/2011	TERMED	07/02/2008
IA	AG	05/05/2011	TERMED	07/02/2008
ID	AG	05/05/2011	TERMED	07/02/2008
IL	AG	05/05/2011	TERMED	07/02/2008
IN	AG	05/05/2011	TERMED	07/02/2008
ISE	GS	05/05/2011	TERMED	07/02/2008
KS	AG	05/05/2011	TERMED	07/02/2008
KY	AG	05/05/2011	TERMED	07/02/2008
LA	AG	05/05/2011	TERMED	07/02/2008
MA	AG	05/05/2011	TERMED	07/02/2008
MD	AG	05/05/2011	TERMED	07/02/2008
ME	AG	05/05/2011	TERMED	07/02/2008
MI	AG	05/05/2011	TERMED	07/02/2008
MN	AG	05/05/2011	TERMED	07/02/2008
MO	AG	05/05/2011	TERMED	07/02/2008
MS	AG	05/05/2011	TERMED	07/02/2008
MT	AG	05/05/2011	TERMED	07/02/2008
NC	AG	05/05/2011	TERMED	07/02/2008
ND	AG	05/05/2011	TERMED	07/02/2008
NE	AG	05/05/2011	TERMED	07/02/2008
NH	AG	05/05/2011	TERMED	07/02/2008
NJ	AG	05/05/2011	TERMED	07/02/2008
NM	AG	05/05/2011	TERMED	07/02/2008
NQX	ET	05/05/2011	TERMED	07/02/2008
NQX	GS	05/05/2011	TERMED	07/02/2008
NV	AG	05/05/2011	TERMED	07/02/2008
NY	AG	05/05/2011	TERMED	07/02/2008
NYSE	ET	05/05/2011	TERMED	06/26/2010
NYSE	GS	05/05/2011	TERMED	07/02/2008
NYSE	RS	05/05/2011	TERMED	07/02/2008
NYSE-MKT	RS	05/05/2011	TERMED	06/26/2010
OH	AG	05/05/2011	TERMED	07/03/2008
OK	AG	05/05/2011	TERMED	07/02/2008
OR	AG	05/05/2011	TERMED	07/02/2008
PA	AG	05/05/2011	TERMED	07/02/2008
PR	AG	05/05/2011	TERMED	07/02/2008
RI	AG	05/05/2011	TERMED	07/02/2008
SC	AG	05/05/2011	TERMED	07/02/2008
SD	AG	05/05/2011	TERMED	07/02/2008
TN	AG	05/05/2011	TERMED	07/02/2008
TX	AG	05/05/2011	TERMED	07/02/2008
UT	AG	05/05/2011	TERMED	07/02/2008
VA	AG	05/05/2011	TERMED	07/02/2008

**Individual** [REDACTED] - BOLAN, GREGORY T

**Administrative Information**

**Registrations with Previous Employer(s)**

Regulator	Registration Category	Status Date	Registration Status	Approval Date
VT	AG	05/05/2011	TERMED	07/02/2008
WA	AG	05/05/2011	TERMED	07/02/2008
WI	AG	05/05/2011	TERMED	07/02/2008
WV	AG	05/05/2011	TERMED	07/02/2008
WY	AG	05/05/2011	TERMED	07/02/2008

From 01/17/2006 To 06/16/2008 JEFFERIES & COMPANY, INC.(2347)

Reason for Termination Voluntary

**Termination Comment**

Regulator	Registration Category	Status Date	Registration Status	Approval Date
ARCA	GS	06/23/2008	TERMED	01/17/2006
BX	GS	06/23/2008	TERMED	01/17/2006
CA	AG	06/23/2008	TERMED	01/17/2006
FINRA	ET	06/23/2008	TERMED	01/17/2006
FINRA	GS	06/23/2008	TERMED	01/17/2006
FINRA	RS	06/23/2008	TERMED	04/03/2006
ISE	GS	06/23/2008	TERMED	08/22/2007
NQX	ET	06/23/2008	TERMED	07/12/2006
NQX	GS	06/23/2008	TERMED	07/12/2006
NY	AG	06/23/2008	TERMED	01/17/2006
PHLX	GS	06/23/2008	TERMED	01/17/2006
TN	AG	06/23/2008	TERMED	01/25/2006

From 01/06/2005 To 10/27/2005 FIRST NEW YORK SECURITIES L.L.C.(16362)

Reason for Termination Voluntary

**Termination Comment**

Regulator	Registration Category	Status Date	Registration Status	Approval Date
ARCA	GS	10/28/2005	TERMED	10/26/2005
FINRA	ET	10/28/2005	TERMED	03/10/2005
FINRA	GS	10/28/2005	TERMED	02/14/2005
FINRA	CS	02/11/2005	T_NOREG	

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Individual [REDACTED] - BOLAN, GREGORY T

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**Administrative Information**

**Professional Designations**

<<No Professional Designations found for this Individual.>>

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**Employment History**

From	10/2011	To	Present	<b>Name</b>	STERNE, AGEE & LEACH, INC.
				<b>Location</b>	NASHVILLE, TN, USA
				<b>Position</b>	RESEARCH ANALYST
				<b>Investment Related</b>	Yes
From	06/2008	To	Present	<b>Name</b>	WACHOVIA CAPITAL MARKETS, LLC
				<b>Location</b>	NASHVILLE, TN, USA
				<b>Position</b>	SR. RESEARCH SALES ANALYST
				<b>Investment Related</b>	Yes
From	06/2011	To	10/2011	<b>Name</b>	MADISON WILLIAMS AND COMPANY, LLC
				<b>Location</b>	NEW YORK, NY, USA
				<b>Position</b>	RESEARCH ANALYST
				<b>Investment Related</b>	Yes
From	01/2006	To	06/2008	<b>Name</b>	JEFFERIES & COMPANY, INC.
				<b>Location</b>	NASHVILLE, TN, USA
				<b>Position</b>	ASSOCIATE
				<b>Investment Related</b>	Yes
From	11/2005	To	01/2006	<b>Name</b>	OPUS TRADING FUND LLC.
				<b>Location</b>	ATLANTA, GA, UNITED STATES
				<b>Position</b>	PROPRIETARY TRADER
				<b>Investment Related</b>	Yes
From	01/2005	To	10/2005	<b>Name</b>	FIRST NEW YORK SECURITIES LLC
				<b>Location</b>	NEW YORK, NY, USA
				<b>Position</b>	ASSISTANT TRADER
				<b>Investment Related</b>	Yes
From	06/2002	To	01/2005	<b>Name</b>	WESTGATE CAPITAL MANAGEMENT LLC
				<b>Location</b>	PEARL RIVER, NY, USA
				<b>Position</b>	ANALYST/TRADER
				<b>Investment Related</b>	Yes
From	07/1998	To	06/2002	<b>Name</b>	EMORY UNIVERSITY
				<b>Location</b>	ATLANTA, GA, USA
				<b>Position</b>	F/T STUDENT

Snapshot - Individual

CRD® or IARD(TM) System Report provided to: SEC

Request Submitted: 4/4/2014 9:41:40 AM

Individual ████████ - BOLAN, GREGORY T

**Administrative Information**

**Employment History**

From 01/1995 To 04/1998 **Investment Related** No  
**Name** U.S. ARMY  
**Location** FT. HOOD, TX, USA  
**Position** PRIVATE FIRST CLASS  
**Investment Related** No

**Office of Employment History**

From 10/2011 To Present  
**Name** STERNE, AGEE & LEACH, INC.(791)

**Independent Contractor** No

**Office of Employment Address**

CRD Branch#	NYSE Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
173972	39		Yes	No	10/24/2011		Located At
Address 3100 WEST END AVENUE, SUITE 930 NASHVILLE, TN 37203 UNITED STATES							

From 06/2011 To 10/2011  
**Name** MADISON WILLIAMS AND COMPANY(149530)

**Independent Contractor** No

**Office of Employment Address**

CRD Branch#	NYSE Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
BD Main			Yes	No	06/27/2011	10/21/2011	Supervised From
Address 527 MADISON AVENUE, 14TH FLOOR NEW YORK, NY 10022							

From 06/2008 To 04/2011  
**Name** WELLS FARGO SECURITIES, LLC(126292)

**Independent Contractor** No

**Office of Employment Address**

CRD Branch#	NYSE Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
375134	EQRES04		Yes	No	08/25/2008	04/25/2011	Located At
Address 230 4TH AVENUE N NASHVILLE, TN 37219 UNITED STATES							
201063	HQ		Yes	No	06/30/2008	04/25/2011	Supervised From
Address 301 SOUTH COLLEGE STREET CHARLOTTE, NC 28202 UNITED STATES							

From 01/2006 To 06/2008



Individual ██████████ BOLAN, GREGORY T

**Administrative Information**

**Office of Employment History**

Name JEFFERIES & COMPANY, INC.(2347)

Independent Contractor No

**Office of Employment Address**

CRD Branch#	NYSE Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
172145			Yes	No	01/17/2006	06/16/2008	Located At
Address 2525 WEST END AVENUE, SUITE 1150 NASHVILLE, TN 37203 UNITED STATES							

From 01/2005 To 10/2005

Name FIRST NEW YORK SECURITIES L.L.C.(16362)

Independent Contractor No

**Office of Employment Address**

CRD Branch#	NYSE Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
			No	No	01/06/2005	10/27/2005	Located At
Address 850 THIRD AVENUE NEW YORK, NY 10022 USA							

**Other Business**

<<No Other Business found for this Individual.>>

**Exam Appointments**

<<No Exam Appointments found for this Individual.>>

**Exam History**

Exam	Enrollment ID	Exam Status	Status Date	Exam Date	Grade	Score	Window Dates
S7	25328286	Official Result	02/14/2005	02/08/2005	Passed	84	01/08/2005-05/08/2005
S55	25328283	Official Result	03/10/2005	03/09/2005	Passed	81	01/08/2005-05/08/2005
S62	25328284	Withdraw	02/11/2005				01/08/2005-05/08/2005
S63	25328285	Official Result	01/17/2006	11/30/2005	Passed	77	-
S86	25328287	Official Result	03/20/2006	03/17/2006	Passed	86	01/18/2006-05/18/2006
S87	25328288	Official Result	04/03/2006	03/31/2006	Passed	82	01/18/2006-05/18/2006

**CE Regulatory Element Status**

Current CE Status SATISFIED

CE Base Date 02/14/2005

**CE Appointments**

<<No CE Appointments found for this Individual.>>

**Current CE**

<<No Current CE found for this Individual.>>

**Individual** [REDACTED] - BOLAN, GREGORY T**Administrative Information****Next CE**

Window Dates	Requirement Type	Session
02/14/2016-06/12/2016	Anniversary	101

**CE Directed Sequence History**

&lt;&lt;No CE Directed Sequence History found for this Individual.&gt;&gt;

**Inactive CE History Dates**

&lt;&lt;No Inactive CE History Dates found for this Individual.&gt;&gt;

**Previous CE Requirement Status**

Requirement Type	Session	Status	Status Date	Window Dates	Result
Anniversary	101	SATISFIED	06/02/2013	02/14/2013-06/13/2013	06/02/2013 - CMPLT
Anniversary	101	REQUIRED	02/14/2013	02/14/2013-06/13/2013	
Anniversary	101	SATISFIED	04/10/2010	02/14/2010-06/13/2010	04/10/2010 - CMPLT
Anniversary	101	REQUIRED	02/15/2010	02/14/2010-06/13/2010	
Anniversary	101	SATISFIED	03/21/2007	02/14/2007-06/13/2007	03/21/2007 - CMPLT
Anniversary	101	REQUIRED	02/14/2007	02/14/2007-06/13/2007	

**Filing History**

Filing Date	Form Type	Filing type	Source
01/27/2014	U5	Partial	STERNE, AGEE & LEACH, INC. (791)
01/22/2014	U4	Amendment	STERNE, AGEE & LEACH, INC. (791)
01/02/2014	U4	Amendment	STERNE, AGEE & LEACH, INC. (791)
11/04/2013	U5	Partial	STERNE, AGEE & LEACH, INC. (791)
08/26/2013	U4	Amendment	STERNE, AGEE & LEACH, INC. (791)
12/06/2011	U5	Partial	STERNE, AGEE & LEACH, INC. (791)
11/18/2011	U5	Full	MADISON WILLIAMS AND COMPANY (149530)
11/07/2011	U5	Partial	MADISON WILLIAMS AND COMPANY (149530)
10/31/2011	U4	Relicense All	STERNE, AGEE & LEACH, INC. (791)
07/08/2011	U5	Amendment	WELLS FARGO SECURITIES, LLC (126292)
06/30/2011	U4	Initial	MADISON WILLIAMS AND COMPANY (149530)
05/05/2011	U5	Full	WELLS FARGO SECURITIES, LLC (126292)
06/26/2010	U4	Admin	NYSE
06/26/2010	U4	Admin	NYSE-MKT
06/29/2009	U4	Amendment	WELLS FARGO SECURITIES, LLC (126292)
06/24/2009	U4	Upload - New U4 Questions	WELLS FARGO SECURITIES, LLC (126292)
08/25/2008	BR	Initial	WELLS FARGO SECURITIES, LLC (126292)
07/02/2008	U4	Relicense All	WELLS FARGO SECURITIES, LLC (126292)
06/23/2008	U5	Full	JEFFERIES LLC (2347)
08/22/2007	U4	Amendment	JEFFERIES LLC (2347)
07/29/2006	U4	Conversion	JEFFERIES LLC (2347)
01/17/2006	U4	Initial	JEFFERIES LLC (2347)
10/28/2005	U5	Full	FIRST NEW YORK SECURITIES L.L.C. (16362)
10/26/2005	U4	Admin	ARCA
02/11/2005	U5	Partial	FIRST NEW YORK SECURITIES L.L.C. (16362)
01/07/2005	U4	Amendment	FIRST NEW YORK SECURITIES L.L.C. (16362)

CRD® or IARD(TM) System Current As Of: 04/03/2014

Snapshot - Individual

CRD® or IARD(TM) System Report provided to: SEC

Request Submitted: 4/4/2014 9:41:40 AM

Page 11 of 14

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Individual [REDACTED] - BOLAN, GREGORY T

Filing History

Filing Date	Form Type	Filing type	Source
01/07/2005	U4	Initial	FIRST NEW YORK SECURITIES L.L.C. (16362)

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Individual ██████ - BOLAN, GREGORY T

Reportable Events

Number of Reportable Events

Bankruptcy	0
Bond	0
Civil Judicial	0
Criminal	0
Customer Complaint	0
Internal Review	1
Investigation	1
Judgement/Lien	0
Regulatory Action	0
Termination	1

Occurrence#	█████	Disclosure Type	Internal Review
FINRA Public Disclosable	No	Reportable	Yes
Material Difference in Disclosure	No		

Filing ID	30476012	Form (Form Version)	U5 (05/2009)
Filing Date	07/08/2011		
Source	█████ - WELLS FARGO SECURITIES, LLC		
Disclosure Questions Answered	7B		

Internal Review DRP DRP Version 05/2009

Part I

1. Notice received from: WELLS FARGO SECURITIES, LLC
2. Date initiated/Explanation: 04/04/2011
3. Details: INTERNAL REVIEW REGARDING THE SELECTIVE DISSEMINATION OF INFORMATION AND FAILURE TO PRESERVE CONFIDENTIAL INFORMATION.
4. Internal review pending: No
5. Resolution details:
  - A. Date concluded/ Explanation: 07/08/2011
  - B. Internal review resolution: AFFIRMATION OF SUBJECT INDIVIDUAL'S SELECTIVE DISSEMINATION OF INFORMATION AND FAILURE TO PRESERVE CONFIDENTIAL INFORMATION.
6. Comment:

Part II

Summary:

Occurrence#	1569463	Disclosure Type	Termination
FINRA Public Disclosable	Yes	Reportable	Yes
Material Difference in Disclosure	No		

Individual [REDACTED] - BOLAN, GREGORY T

Reportable Events

<b>Filing ID</b>	30434165	<b>Form (Form Version)</b>	U4 (05/2009)
<b>Filing Date</b>	06/30/2011		
<b>Source</b>	149530 - MADISON WILLIAMS AND COMPANY		
<b>Disclosure Questions Answered</b>	14J(1)		

Termination **DRP** **DRP Version** 05/2009

1. Firm name: MADISON WILLIAMS AND COMPANY, LLC
2. Termination type: Voluntary Resignation
3. Date filed/Explanation: 04/25/2011
4. Allegation(s): INTERNAL REVIEW REGARDING THE SELECTIVE DISSEMINATION OF INFORMATION AND FAILURE TO PRESERVE CONFIDENTIAL INFORMATION
5. Product type(s): Other: EQUITY RESEARCH
6. Comment: I TAKE ISSUE WITH THE ALLEGATIONS ABOVE. I DENY ENGAGING IN ANY CONDUCT INVOLVING FRAUD, THE WRONGFUL TAKING OF PROPERTY, OR VIOLATING ANY INVESTMENT RELATED STATUTES, REGULATIONS, RULES OR INDUSTRY STANDARDS OF CONDUCT.

<b>Occurrence#</b>	1671232	<b>Disclosure Type</b>	Investigation
<b>FINRA Public Disclosable</b>	Yes	<b>Reportable</b>	Yes
<b>Material Difference in Disclosure</b>	No		

<b>Filing ID</b>	35115314	<b>Form (Form Version)</b>	U4 (05/2009)
<b>Filing Date</b>	08/26/2013		
<b>Source</b>	791 - STERNE, AGEE & LEACH, INC.		
<b>Disclosure Questions Answered</b>	14G(2)		

Investigation **DRP** **DRP Version** 05/2009

1. Investigation initiated by:
  - A. Notice received from: SEC
  - B. Full name of regulator: UNITED STATES SECURITIES AND EXCHANGE COMMISSION
2. Notice date/Explanation: 08/22/2013  
DATE OF WELLS NOTICE LETTER WHICH WAS SENT TO THE ANALYST'S ATTORNEY VIA E-MAIL.
3. Nature of investigation: IT IS ALLEGED THAT THE ANALYST TIPPED A TRADER ABOUT COMING RESEARCH REPORTS.
4. Pending investigation: Yes
5. Resolution details:
  - A. Date resolved/Explanation:
  - B. Investigation resolution:

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Individual [REDACTED] - BOLAN, GREGORY T

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Reportable Events

Investigation DRP

DRP Version 05/2009

6. Comment:

ANALYST STRENUOUSLY DISPUTES THESE ALLEGATIONS. HE INTENDS EITHER TO PERSUADE THE SEC THAT THESE ALLEGATIONS ARE UNFOUNDED, OR TO DEFEAT THESE ALLEGATIONS IN COURT. FURTHER, HE NOTES THAT THE ALLEGATIONS ARE BASED ON ALLEGED CONDUCT AT A PRIOR EMPLOYER DATING BACK TO 2010-EARLY 2011.

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Regulator Archive and Z Records

<<No Regulator Archive and Z Records found for this Individual.>>

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## Notice

**CRD® or IARD(TM) Information:** This report contains information from the CRD (Central Registration Depository) system, or the IARD system (Investment Advisers Registration Depository), which are operated by FINRA, a national securities association registered under the Securities Exchange Act of 1934. The CRD system primarily contains information submitted on uniform broker-dealer and agent registration forms and certain other information related to registration and licensing. The IARD system primarily contains information submitted on uniform investment adviser and agent registration forms and certain other information related to registration and licensing. The information on Uniform Forms filed with the CRD or IARD is deemed to have been filed with each regulator with which the applicant seeks to be registered or licensed and shall be the joint property of the applicant and such regulators. The compilation constituting the CRD database as a whole is the property of FINRA. Neither FINRA nor a participating regulator warrants or guarantees the accuracy or the completeness of the CRD or IARD information. CRD information consists of reportable and non-reportable information.

FINRA operates the CRD system in its capacity as a registered national securities association and pursuant to an agreement with the North American Securities Administrators Association, Inc. (NASAA).

FINRA operates the IARD system as a vendor pursuant to a contract with the Securities and Exchange Commission and undertakings with NASAA and participating state regulators.

**Reportable Information:** Information that is required to be reported on the current version of the uniform registration forms.

**Non-Reportable Information:** Information that is not currently reportable on a uniform registration form. Information typically is not reportable because it is out-of-date; it was reported in error; or some change occurred either in the disposition of the underlying event after it was reported or in the question on the form that elicited the information. Although not currently reportable, this information was once reported on a uniform form and, consequently, may have become a state record. Users of this information should recognize that filers have no obligation to update non-reportable data; accordingly, it may not reflect changes that have occurred since it was reported.

Details for Request#: [REDACTED]  
Report: Snapshot - Individual  
Requested By: PAL

<u>Parameter Name</u>	<u>Value</u>
Request by CRD# or SSN:	CRD#
Individual CRD# or SSN	[REDACTED]
Include Personal Information?	Yes
Include All Registrations with Employments:	Both Current and Previous Employments
Include All Registrations for Current and/or Previous Employments with:	All Regulators
Include Professional Designations?	Yes
Include Employment History?	Yes
Include Other Business?	Yes
Include Exam Information?	Yes
Include Continuing Education Information? (CRD Only)	Yes
Include Filing History? (CRD Only)	Yes
Include Current Reportable Disclosure Information?	Yes
Include Regulator Archive and Z Record Information? (CRD Only)	Yes



Individual [REDACTED] - MOSKOWITZ, JOSH

**Administrative Information**

**Composite Information**

**Full Legal Name** MOSKOWITZ, JOSH

**State of Residence** NY,

**Active Employments** <<No Current Active Employments found for this Individual.>>

**Reportable Disclosures?** The specified individual has no disclosure that qualifies for reporting under this section (i.e., disclosure required to be reported on Form U-4 or Form U-5). Regulatory and Broker/Dealer Users: Please note that there are three types of disclosure in Web CRD: Reportable, Legacy and Archive disclosure. An individual with no reportable disclosure may or may not have Legacy or Archive disclosure. Investment Adviser Users: Please note that IARD does not include Legacy disclosure. Information reported on previous form filings through IARD is available under Filing History.

**Statutory Disqualification?** BLNK

**Registered With Multiple Firms?** No

**Material Difference in Disclosure?** No

**Personal Information**

**Individual CRD#** [REDACTED]

**Other Names Known By** MOSKOWITZ, JOSHUA

**Year of Birth** 1973

**Registrations with Current Employer(s)**

<<No Registrations with Current Employer(s) found for this Individual.>>

**Registrations with Previous Employer(s)**

From 12/08/2010 To 02/28/2011 DIMENSION TRADING GROUP, LLC(147929)

**Reason for Termination** Voluntary

**Termination Comment**

Regulator	Registration Category	Status Date	Registration Status	Approval Date
CBOE	AP	03/01/2011	T_NOREG	

From 09/08/2009 To 06/10/2010 FIRST NEW YORK SECURITIES L.L.C.(16362)

**Reason for Termination** Permitted to Resign

**Termination Comment** PRODUCTION RELATED

Regulator	Registration Category	Status Date	Registration Status	Approval Date
ARCA	GS	06/16/2010	TERMED	09/15/2009
BATS-ZX	GS	06/16/2010	TERMED	09/15/2009
FINRA	ET	06/16/2010	TERMED	09/15/2009
FINRA	GS	06/16/2010	TERMED	09/15/2009
ISE	GS	06/16/2010	TERMED	09/15/2009
NQX	ET	06/16/2010	TERMED	09/15/2009
NQX	GS	06/16/2010	TERMED	09/15/2009

From 07/01/2008 To 03/18/2009 ACCESS SECURITIES, INC.(22455)

Snapshot - Individual

CRD® or IARD(TM) System Report provided to: SEC

Request Submitted: 3/7/2013 8:41:58 AM

Individual ██████████ - MOSKOWITZ, JOSH

**Administrative Information**

**Registrations with Previous Employer(s)**

Reason for Termination Voluntary

**Termination Comment**

Regulator	Registration Category	Status Date	Registration Status	Approval Date
ARCA	GS	03/19/2009	TERMED	07/02/2008
FINRA	ET	03/19/2009	TERMED	07/02/2008
FINRA	GS	03/19/2009	TERMED	07/02/2008
NQX	ET	03/19/2009	TERMED	07/02/2008
NQX	GS	03/19/2009	TERMED	07/02/2008
NY	AG	03/19/2009	T_NOREG	

From 01/09/2004 To 11/12/2007 FIRST NEW YORK SECURITIES L.L.C.(16362)

Reason for Termination Voluntary

**Termination Comment**

Regulator	Registration Category	Status Date	Registration Status	Approval Date
ARCA	GS	11/13/2007	TERMED	11/02/2005
FINRA	ET	11/13/2007	TERMED	03/03/2004
FINRA	GS	11/13/2007	TERMED	03/03/2004
NQX	ET	11/13/2007	TERMED	07/12/2006
NQX	GS	11/13/2007	TERMED	07/12/2006

From 06/23/1998 To 01/20/1999 KERN, SUSLOW SECURITIES, INC.(24755)

Reason for Termination Voluntary

Termination Comment Voluntary

Regulator	Registration Category	Status Date	Registration Status	Approval Date
FINRA	GS	01/25/1999	TERMED	06/26/1998
NJ	AG	01/25/1999	TERMED	06/30/1998
NY	AG	01/25/1999	TERMED	06/26/1998

From 02/10/1998 To 05/19/1998 ROUND HILL SECURITIES, INC.(35223)

Reason for Termination Voluntary

**Termination Comment**

Regulator	Registration Category	Status Date	Registration Status	Approval Date
FINRA	GS	05/19/1998	TERMED	02/14/1998
NY	AG	05/19/1998	TERMED	02/14/1998

From 02/01/1995 To 08/30/1996 DATEK SECURITIES CORP.(5209)

Reason for Termination Voluntary

Termination Comment Voluntary

Regulator	Registration Category	Status Date	Registration Status	Approval Date
FINRA	GS	09/06/1996	TERMED	03/06/1995
NJ	AG	09/06/1996	TERMED	03/07/1995
NY	AG	09/06/1996	TERMED	03/06/1995

From 05/20/1994 To 01/11/1995 M. RIMSON & CO., INC.(5250)

Reason for Termination

**Termination Comment**

Regulator	Registration Category	Status Date	Registration Status	Approval Date
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CRD® or IARD(TM) System Current As Of: 03/06/2013

Snapshot - Individual

CRD® or IARD(TM) System Report provided to: SEC

Request Submitted: 3/7/2013 8:41:58 AM

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Individual ██████████ - MOSKOWITZ, JOSH

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**Administrative Information**

**Registrations with Previous Employer(s)**

Regulator	Registration Category	Status Date	Registration Status	Approval Date
FINRA	GS	12/12/1994	PURGED	

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Individual [REDACTED] - MOSKOWITZ, JOSH

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**Administrative Information**

**Professional Designations**

<<No Professional Designations found for this Individual.>>

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**Employment History**

From	12/2010	To	Present	<b>Name</b>	DIMENSION TRADING GROUP, LLC
				<b>Location</b>	NEW YORK, UNITED STATES
				<b>Position</b>	TRADER
				<b>Investment Related</b>	Yes
From	06/2009	To	11/2010	<b>Name</b>	SELF EMPLOYED
				<b>Location</b>	NEW YORK, UNITED STATES
				<b>Position</b>	TRADER
				<b>Investment Related</b>	No
From	10/2009	To	05/2010	<b>Name</b>	FIRST NEW YORK
				<b>Location</b>	NEW YORK, UNITED STATES
				<b>Position</b>	TRADER
				<b>Investment Related</b>	No
From	03/2009	To	09/2009	<b>Name</b>	SELF EMPLOYED
				<b>Location</b>	NEW YORK, UNITED STATES
				<b>Position</b>	TRADER
				<b>Investment Related</b>	No
From	03/2009	To	09/2009	<b>Name</b>	UNEMPLOYED
				<b>Location</b>	NEW YORK, NY, USA
				<b>Position</b>	UNEMPLOYED
				<b>Investment Related</b>	No
From	07/2008	To	03/2009	<b>Name</b>	ACCESS
				<b>Location</b>	NEW YORK, NY, USA
				<b>Position</b>	TRADER
				<b>Investment Related</b>	Yes
From	07/2008	To	02/2009	<b>Name</b>	AGP
				<b>Location</b>	NEW YORK, UNITED STATES
				<b>Position</b>	TRADER
				<b>Investment Related</b>	No
From	12/2007	To	06/2008	<b>Name</b>	UNEMPLOYED
				<b>Location</b>	NEW YORK, NY, USA
				<b>Position</b>	UNEMPLOYED

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 Individual ██████████ - MOSKOWITZ, JOSH
 

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## Administrative Information

## Employment History

From	11/2007	To	06/2008	<b>Investment Related</b>	No
				<b>Name</b>	SELF EMPLOYED
				<b>Location</b>	NEW YORK, UNITED STATES
				<b>Position</b>	TRADER
From	03/2004	To	11/2007	<b>Investment Related</b>	No
				<b>Name</b>	FIRST NEW YORK
				<b>Location</b>	NEW YORK, UNITED STATES
				<b>Position</b>	TRADER
From	01/2004	To	11/2007	<b>Investment Related</b>	No
				<b>Name</b>	FIRST NEW YORK SECURITIES LLC
				<b>Location</b>	NEW YORK, NY, USA
				<b>Position</b>	TRADER
From	02/2001	To	01/2004	<b>Investment Related</b>	Yes
				<b>Name</b>	SAC
				<b>Location</b>	NEW YORK, UNITED STATES
				<b>Position</b>	ANALYST
From	02/2001	To	01/2004	<b>Investment Related</b>	No
				<b>Name</b>	SAC CAPITAL
				<b>Location</b>	STAMFORD, CT, USA
				<b>Position</b>	TRADER
From	04/2000	To	01/2001	<b>Investment Related</b>	Yes
				<b>Name</b>	NEW YORK UNIVERSITY
				<b>Location</b>	NEW YORK, NY, USA
				<b>Position</b>	F/T STUDENT
From	01/2000	To	01/2001	<b>Investment Related</b>	No
				<b>Name</b>	NEW YORK UNIVERSITY
				<b>Location</b>	NEW YORK, UNITED STATES
				<b>Position</b>	STUDENT
From	02/1999	To	03/2000	<b>Investment Related</b>	No
				<b>Name</b>	LEHMAN BROTHERS
				<b>Location</b>	NEW YORK, NY, USA
				<b>Position</b>	DERIVATIVE ANALYST
				<b>Investment Related</b>	Yes

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Individual [REDACTED] - MOSKOWITZ, JOSH

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**Administrative Information**

**Employment History**

From	06/1998	To	01/1999	<b>Name</b>	KERN, SUSLOW SECURITIES, INC.
				<b>Location</b>	NEW YORK, NY, USA
				<b>Position</b>	TRADING ASSISTANT
				<b>Investment Related</b>	Yes
From	02/1998	To	05/1998	<b>Name</b>	ROUND HILL SECURITIES, INC.
				<b>Location</b>	CHARLESTON, SC, USA
				<b>Position</b>	TRADING ASSISTANT
				<b>Investment Related</b>	Yes
From	09/1996	To	01/1998	<b>Name</b>	CLR & CO.
				<b>Location</b>	GREAT NECK, NY
				<b>Position</b>	OTHER - ACCOUNTANT
				<b>Investment Related</b>	No
From	02/1995	To	08/1996	<b>Name</b>	DATEK SECURITIES CORP.
				<b>Location</b>	NY, NY, USA
				<b>Position</b>	TRADING ASSISTANT
				<b>Investment Related</b>	Yes
From	02/1994	To	01/1995	<b>Name</b>	M. RIMSON & CO., INC.
				<b>Location</b>	NY, NY, USA
				<b>Position</b>	TRADING ASSISTANT
				<b>Investment Related</b>	Yes
From	01/1992	To	01/1994	<b>Name</b>	QUEENS COLLEGE
				<b>Location</b>	QUEENS, NY
				<b>Position</b>	STUDENT - Student
				<b>Investment Related</b>	No
From	09/1990	To	01/1992	<b>Name</b>	YESHIVA UNIVERSITY
				<b>Location</b>	NY, NY
				<b>Position</b>	STUDENT - Student
				<b>Investment Related</b>	No
From	09/1988	To	09/1990	<b>Name</b>	MESIVTA ATERES YAKKOV
				<b>Location</b>	LONG ISLAND, NY
				<b>Position</b>	STUDENT - Student
				<b>Investment Related</b>	No

Individual ██████████ - MOSKOWITZ, JOSH

**Administrative Information**

**Office of Employment History**

From 12/2010 To 02/2011

Name DIMENSION TRADING GROUP, LLC(147929)

Independent Contractor No

**Office of Employment Address**

CRD Branch#	NYSE Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
BD Main			Yes	No	12/08/2010	02/28/2011	Supervised From
	Address 100 FIFTH AVENUE, 7TH FLOOR NEW YORK, NY 10011		No	No	12/08/2010	02/28/2011	Located At
	Address 100 5TH AVE, 7TH FLOOR NEW YORK, NY 10011 UNITED STATES						

From 12/2010 To 01/2011

Name DIMENSION TRADING GROUP, LLC(147929)

Independent Contractor

**Office of Employment Address**

CRD Branch#	NYSE Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
			No	No	12/07/2010	01/18/2011	Located At
	Address 100 FIFTH AVENUE, 7TH FLOOR NY, NY 10011 USA						

From 09/2009 To 06/2010

Name FIRST NEW YORK SECURITIES L.L.C.(16362)

Independent Contractor No

**Office of Employment Address**

CRD Branch#	NYSE Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
BD Main			Yes	No	09/08/2009	06/10/2010	Located At
	Address 90 PARK AVENUE, 5TH FLOOR NEW YORK, NY 10016 UNITED STATES						

From 07/2008 To 03/2009

Name ACCESS SECURITIES, INC.(22455)

Independent Contractor No

**Office of Employment Address**

CRD Branch#	NYSE Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
██████████			Yes	No	07/01/2008	03/18/2009	Located At

Individual ██████████ - MOSKOWITZ, JOSH

**Administrative Information**

**Office of Employment History**

**Office of Employment Address**

Address 900 THIRD AVENUE 2ND FLOOR  
NEW YORK, NY 10022 UNITED STATES

From 01/2004 To 11/2007

Name FIRST NEW YORK SECURITIES L.L.C.(16362)

**Independent Contractor**

**Office of Employment Address**

CRD Branch#	NYSE Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
██████████			Yes	No	03/15/2006	11/12/2007	Located At
	Address 90 PARK AVENUE, 5TH FLOOR NEW YORK, NY 10016 UNITED STATES						
			No	No	01/09/2004	11/12/2007	Located At
	Address 850 THIRD AVENUE NEW YORK, NY 10022 USA						

From 06/1998 To 01/1999

Name KERN, SUSLOW SECURITIES, INC.(24755)

**Independent Contractor** No

**Office of Employment Address**

CRD Branch#	NYSE Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
			No	No	06/23/1998	01/20/1999	Located At
	Address 50 BROAD STREET STE.1600 NEW YORK, NY 10004						

From 02/1998 To 05/1998

Name ROUND HILL SECURITIES, INC.(35223)

**Independent Contractor** No

**Office of Employment Address**

CRD Branch#	NYSE Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
		N91	No	No	02/10/1998	05/19/1998	Located At
	Address 215 EAST BAY STREET, SUITE 300 CHARLESTON, SC 29401						

From 02/1995 To 08/1996

Name DATEK SECURITIES CORP.(5209)

**Independent Contractor** No

**Office of Employment Address**



Individual [REDACTED] MOSKOWITZ, JOSH

**Administrative Information**

**Office of Employment History**

**Office of Employment Address**

CRD Branch#	NYSE Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
		4	No	No	02/01/1995	08/30/1996	Located At

Address [REDACTED]  
[REDACTED]

From 05/1994 To 01/1995

Name M. RIMSON & CO., INC.(5250)

Independent Contractor No

**Office of Employment Address**

CRD Branch#	NYSE Branch Code#	Firm Billing Code	Registered Location?	Private Residence?	Address Start Date	Address End Date	Type of Office
			No	No	05/20/1994	01/11/1995	Located At

Address [REDACTED]  
[REDACTED]

**Other Business**

<<No Other Business found for this Individual.>>

**Examination Information**

Exam	Status	Status Date	Exam Date	Grade	Score	Window Dates
S7	OFFICIAL_WAIVR	03/03/2004				01/10/2004-05/09/2004
S7	OFFICIAL_RESULT	07/05/1994	07/05/1994	PASSED	91	-
S55	OFFICIAL_RESULT	02/20/2004	02/18/2004	PASSED	87	01/10/2004-05/09/2004
S63	EXPIRED	11/03/2008				07/03/2008-10/31/2008
S63	OFFICIAL_RESULT	07/27/1994	07/27/1994	PASSED	86	-
S101	OFFICIAL_RESULT	03/03/2004	03/02/2004	CMPLT		03/02/2004-06/30/2004

**CE Regulatory Element Status**

Current CE Status 2YEARTERMED

CE Base Date

**Current CE**

<<No Current CE found for this Individual.>>

**Next CE**

<<No Next CE found for this Individual.>>

**CE Directed Sequence History**

<<No CE Directed Sequence History found for this Individual.>>

**Inactive CE History Dates**

From 07/04/1997 To 03/05/1998  
 From 07/04/2000 To 03/03/2006  
 From 07/01/2009 To 09/14/2009

Individual ██████████ - MOSKOWITZ, JOSH

**Administrative Information****Previous CE Requirement Status**

Requirement Type	Status	Previous Window	Session	Status Date	Result
Anniversary	CEINACTIVE	03/06/1997-07/03/1997	101	07/04/1997	07/04/1997 -
Anniversary		03/06/1997-07/03/1997	101	03/05/1998	03/05/1998 - CMPLT
Anniversary	SATISFIED	03/06/1997-07/03/1997	101	03/05/1998	03/05/1998 -
Anniversary	CEINACTIVE	03/06/2000-07/03/2000	101	07/04/2000	07/04/2000 -
Anniversary	REQUIRED	03/06/2000-07/03/2000	101	03/06/2000	03/06/2000 -
Anniversary	SATISFIED	03/03/2009-06/30/2009	101	09/14/2009	09/14/2009 - CMPLT
Anniversary	REQUIRED	03/03/2012-06/30/2012	101	03/05/2012	03/05/2012 -
Anniversary	REQUIRED	03/03/2006-06/30/2006	101	03/03/2006	03/03/2006 -
Anniversary	SATISFIED	03/03/2006-06/30/2006	101	04/05/2006	04/05/2006 - CMPLT
Anniversary	REQUIRED	03/03/2009-06/30/2009	101	03/03/2009	03/03/2009 -
Anniversary	CEINACTIVE	03/03/2009-06/30/2009	101	07/01/2009	07/01/2009 -

**Filing History**

Filing Date	Form Type	Filing type	Source
03/01/2011	U5	Full	DIMENSION TRADING GROUP, LLC (147929)
02/03/2011	U4	Initial	DIMENSION TRADING GROUP, LLC (147929)
01/19/2011	NRF	Amendment	DIMENSION TRADING GROUP, LLC (147929)
12/08/2010	NRF	Initial	DIMENSION TRADING GROUP, LLC (147929)
06/16/2010	U5	Full	FIRST NEW YORK SECURITIES L.L.C. (16362)
09/09/2009	U4	Initial	FIRST NEW YORK SECURITIES L.L.C. (16362)
03/19/2009	U5	Full	ACCESS SECURITIES, LLC (22455)
07/01/2008	U4	Initial	ACCESS SECURITIES, LLC (22455)
11/13/2007	U5	Full	FIRST NEW YORK SECURITIES L.L.C. (16362)
03/13/2007	BR	Amendment	FIRST NEW YORK SECURITIES L.L.C. (16362)
07/29/2006	U4	Conversion	FIRST NEW YORK SECURITIES L.L.C. (16362)
03/15/2006	BR	Initial	FIRST NEW YORK SECURITIES L.L.C. (16362)
11/02/2005	U4	Admin	ARCA
03/01/2004	U4	Amendment	FIRST NEW YORK SECURITIES L.L.C. (16362)
01/09/2004	U4	Initial	FIRST NEW YORK SECURITIES L.L.C. (16362)
07/05/1999	U4	Conversion	M. RIMSON & CO., INC. (5250)
07/05/1999	U5	Conversion	KERN, SUSLOW SECURITIES, INC. (24755)
07/05/1999	U4	Conversion	KERN, SUSLOW SECURITIES, INC. (24755)
07/05/1999	U5	Conversion	ROUND HILL SECURITIES, INC. (35223)
07/05/1999	U4	Conversion	ROUND HILL SECURITIES, INC. (35223)
07/05/1999	U5	Conversion	ICAPITAL MARKETS LLC (5209)
07/05/1999	U4	Conversion	ICAPITAL MARKETS LLC (5209)

CRD® or IARD(TM) System Current As Of: 03/06/2013

Snapshot - Individual

CRD® or IARD(TM) System Report provided to: SEC

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Individual [REDACTED] - MOSKOWITZ, JOSH

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**Reportable Events**

<<No Reportable Events found for this Individual.>>

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**Regulator Archive and Z Records**

<<No Regulator Archive and Z Records found for this Individual.>>

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