

BioDelivery Sciences International (BDSI - \$ 13.15)

BDSI Provides Pivotal Phase III Clonidine Trial Update

BioDelivery Sciences gave an update from an independent interim analysis of its on-going pivotal Phase III trial of Clonidine Topical Gel for painful diabetic neuropathy (PDN). Top-line data is expected by the end of 1Q15.

- Clonidine Topical Gel Interim Analysis Results.** This morning, BDSI provided an update from the interim analysis of the first 50% of enrolled patients in its on-going pivotal Phase III trial of Clonidine Topical Gel for painful diabetic neuropathy (PDN). As a result of the analysis, the trial will require an additional 80 patients to maintain statistical significance at 90% confidence. With the additional patients the total enrollment for the trial will be 220 patients. The trial progress remains ahead of schedule and we believe the increased number of patients suggests an increased probability of success and FDA approval. Top-line data is expected by the end of 1Q15, at which the time the second pivotal Phase III will be initiated. We expect an NDA filing in 2016 and potential approval for 2017.
- Large Potential Market.** About 25.8 million people in the U.S. have diabetes according to the American Diabetes Association. A substantial number of these people have neuropathy as manifested by impaired sensation and pain in the extremities. Patients with PDN often experience debilitating pain symptoms that affect day-to-day functioning and quality of life. We believe the peak market potential for Clonidine Topical Gel for the treatment of PDN patients with functional nerve receptors is greater than \$280 million annually and we estimate annual sales could reach \$100 million by 2020.
- Increasing R&D Expense Expectations, Slightly Lowering EPS Estimates.** As a result of increased costs associated with the additional patient enrollment, we are increasing our expected R&D expense estimates for 2014 and 2015. We are slightly decreasing our 2014 and 2015 EPS estimates by 2 cents each, to a loss of \$0.49 and a loss of \$0.39, respectively.
- Reiterate Buy Rating and \$18 Price Target.** We are maintaining our Buy rating and \$18 price target. Our price target is based on the NPV of our probability-adjusted forecasts for Bunavail, BEMA Buprenorphine, Clonidine Topical Gel, and Onsolis.

Healthcare / Biotechnology

| | |
|---------------|-----------------|
| Ticker: | BDSI |
| Rating: | Buy |
| Price Target: | \$ 18.00 |

Trading Data:

| | |
|--------------------------|----------|
| Last Price (08/06/2014) | \$ 13.15 |
| 52-Week High (7/15/2014) | \$ 14.44 |
| 52-Week Low (11/14/2013) | \$ 4.16 |
| Market Cap. (MM) | \$ 637 |
| Shares Out. (MM) | 48 |

Earnings Estimates: (per share)

| (Dec) | 1Q | 2Q | 3Q | 4Q | FY | P/E |
|---------------|-------|-------|-------|-------|-------|------|
| FY_15E | NA | NA | NA | NA | -0.39 | NM |
| FY_14E | 0.00A | -0.15 | -0.07 | -0.26 | -0.49 | NM |
| FY_13A | -0.37 | -0.36 | -0.46 | -0.33 | -1.52 | NM |
| FY_12A | 0.29 | 0.23 | -0.46 | 0.17 | 0.24 | 54.8 |

Source: Laidlaw & Company estimates

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Figure 1: Catalyst Summary**BEMA Buprenorphine Phase III Data**

- Announced strong top-line data from opioid naive patient trial on January 23, 2014. Received \$10 million milestone payment from Endo as a result of database lock.
- Positive top-line experienced patient data announced July 7, 2014. Database lock resulted in \$10 million milestone payment from Endo.
- NDA filing expected by late 2014 / early 2015. NDA filing will trigger an additional \$10 million milestone payment, approval will result in \$50 million payment.

Bunavail Approval, Commercialization

- FDA approved June 6, 2014.
- Commercialization is planned for late 3Q14. BDSI will market in U.S. without a partner and has entered into agreements for sales force, market and trade support. Expect commercialization strategy to be announced at upcoming analyst meeting.

Phase III Clonidine Topical Gel Trial (Fast Track Designation)

- Enrollment of first pivotal Phase III completed. Interim Analysis results announced August 6, 2014, study requires approximately 80 additional patients to power statistical significance at 90% confidence.
- Topline results for the first Phase III trial are projected by end of 1Q15 (study remains ahead of schedule) with the second Phase III trial to be initiated. We expect NDA filing in 2016 and potential approval in 2017.

Onsolis Re-launch in US

- Working with partner Meda Pharmaceuticals to market the drug in the US by 2H14.

Source: Company reports; Laidlaw & Company estimates

Risks to Owning the Stock

There are many standard risks for development stage specialty pharmaceutical companies that hold true for the entire industry. There are development risks associated with preclinical and clinical studies, and potential delays in the start of trials. There is regulatory risk that the company will be unable to receive regulatory approvals for drugs or that regulatory approval may be delayed. Manufacturing risks are associated with relying on third parties to formulate and manufacture products and the upgrading of facilities from clinical study production to commercial production. There is also commercial risk for a company to successfully market and sell its drug or drugs. Other risks include: patent infringement risk, financing risk, currency risk, product liability (both clinical and non-clinical), patent protection risk and potential governmental price controls. The stock of small cap specialty pharmaceutical companies, like all publically traded companies, is subject to market volatility and liquidity risks if there are small trading floats. BioDelivery is susceptible to all of these risks.

The value of the stock is hinged on binary events, including the FDA approval of BEMA Buprenorphine. Longer-term value for the company is based on the ultimate market potential and expectations for the company's drugs, and the successful commercialization of BEMA Buprenorphine and the FDA approved Bunavail.

BioDelivery is exposed to litigation by third parties based on claims that its technologies, processes, formulations, methods, or products infringe the intellectual property rights of others or that it has misappropriated the trade secrets of others. On October 29, 2013, Reckitt Benckiser, Inc., RB Pharmaceuticals Limited, and MonoSol RX, LLC filed an action against BioDelivery relating to Bunavail the United States District Court for the Eastern District of North Carolina for alleged patent infringement. The plaintiffs claim that the formulation for Bunavail, which has never been disclosed publicly, infringes its patent (U.S. Patent No. 8,475,832). This action could be in response to a recent decision in which the FDA ruled in favor of BioDelivery's position in two Citizen Petitions filed by the plaintiffs that sought to prevent the FDA from accepting and filing BioDelivery's NDA for Bunavail. The two Citizen Petitions, filed on December 2, 2011 and August 13, 2013, respectively, included requests that the FDA refuse to accept for filing any NDAs submitted using the 505(b)(2) regulatory pathway for buprenorphine/naloxone products consisting of a polymer film for application to the buccal mucosal membranes (such as Bunavail), unless such application references the NDA for Suboxone (buprenorphine/naloxone) sublingual film (and not the Suboxone sublingual tablet NDA).

Figure 2: Income Statement

August 6, 2014

| BioDelivery Sciences <i>Income Statement (millions, except per share data)</i> | FY 2013 | | | | FY 2014E | | | | FY_11 Dec | FY_12 Dec | FY_13 Dec | FY_14E Dec | FY_15E Dec | FY_16E Dec | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------|-----------------|-----------------|-----------------|---------------|------|
| | Q1_13 Mar | Q2_13 Jun | Q3_13 Sept | Q4_13 Dec | Q1_14 Mar | Q2_14E Jun | Q3_14E Sept | Q4_14E Dec | | | | | | | |
| Product sales | - | - | - | - | - | - | 2.0 | 7.5 | - | - | - | 9.5 | 28.1 | 42.2 | |
| Product royalty revenues | - | 0.9 | 0.9 | (0.0) | 1.0 | 1.0 | 0.9 | 0.9 | 2.7 | 1.1 | 1.8 | 3.7 | 8.5 | 13.0 | |
| Research revenues | - | - | - | - | - | - | - | - | 0.2 | 0.0 | - | - | - | - | |
| Research and development reimbursements | - | - | - | 2.8 | 8.5 | 4.2 | 3.4 | 1.7 | 1.2 | - | 2.8 | 17.7 | 2.0 | - | |
| Contract revenues | 1.6 | 1.9 | 2.1 | 1.2 | 11.3 | 2.5 | 11.8 | 1.7 | 0.3 | 53.4 | 6.8 | 27.3 | 37.3 | 50.0 | |
| Revenue | 1.6 | 2.8 | 3.0 | 4.0 | 20.7 | 7.7 | 18.1 | 11.8 | 4.5 | 54.5 | 11.4 | 58.3 | 76.0 | 105.1 | |
| Cost of product royalties | 0.4 | 0.7 | 0.6 | 0.4 | 0.7 | 0.7 | 0.7 | 0.7 | 1.8 | 1.9 | 2.1 | 2.8 | 6.0 | 9.1 | |
| Cost of sales | - | - | - | - | - | - | 1.4 | 3.4 | - | - | - | 4.8 | 8.4 | 10.5 | |
| Gross Profit | 1.2 | 2.1 | 2.4 | 3.6 | 20.0 | 7.0 | 16.1 | 7.8 | 2.7 | 52.6 | 9.3 | 50.8 | 61.6 | 94.6 | |
| <i>Operating expenses:</i> | | | | | | | | | | | | | | | |
| Selling, general and administrative | 2.9 | 3.1 | 3.0 | 3.2 | 4.6 | 6.2 | 13.0 | 13.1 | 7.6 | 10.1 | 12.3 | 36.8 | 52.3 | 54.9 | |
| Research and development | 12.0 | 12.8 | 16.4 | 12.1 | 14.6 | 7.3 | 6.2 | 6.8 | 20.8 | 35.4 | 53.3 | 34.9 | 27.4 | 20.0 | |
| Related party general and administrative, net | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | - | - | - | 0.1 | 0.1 | 0.0 | 0.0 | - | - | |
| Other non-GAAP adjustments | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Total Operating Expenses (ex-COGS) | 15.0 | 15.9 | 19.4 | 15.4 | 19.3 | 13.5 | 19.2 | 19.9 | 28.5 | 45.6 | 65.7 | 71.8 | 79.7 | 74.9 | |
| Total Operating Expenses (non-GAAP, ex-COGS) | 15.0 | 15.9 | 19.4 | 15.4 | 19.3 | 13.5 | 19.2 | 19.9 | 28.5 | 45.6 | 65.7 | 71.8 | 79.7 | 74.9 | |
| Operating Income/(loss) | (13.7) | (13.8) | (17.1) | (11.8) | 0.7 | (6.5) | (3.1) | (12.1) | (25.8) | 7.1 | (56.4) | (21.0) | (18.1) | 19.7 | |
| Operating Income/(loss) non-GAAP | (13.7) | (13.8) | (17.1) | (11.8) | 0.7 | (6.5) | (3.1) | (12.1) | (25.8) | 7.1 | (56.4) | (21.0) | (18.1) | 19.7 | |
| <i>Other Income:</i> | | | | | | | | | | | | | | | |
| Interest income | 0.1 | 0.1 | (0.5) | (0.6) | (0.6) | (0.3) | (0.2) | (0.1) | 0.2 | 0.3 | (0.9) | (1.2) | (0.7) | (0.2) | |
| Derivative gain (loss) | 1.0 | 0.4 | (0.9) | (0.4) | (4.8) | 0.0 | 0.0 | 0.0 | 3.5 | (5.6) | 0.1 | (4.8) | 0.0 | 0.0 | |
| Other (expense) income, net | (0.0) | (0.1) | (0.0) | (0.1) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | (0.2) | 0.0 | 0.0 | 0.0 | |
| Income (loss) before provision for income taxes (GAAP) | (12.6) | (13.4) | (18.5) | (12.9) | (4.6) | (6.8) | (3.3) | (12.2) | (22.1) | 1.8 | (57.4) | (27.0) | (18.8) | 19.5 | |
| Income (loss) before provision for income taxes (non-GAAP) | (13.7) | (13.8) | (17.6) | (12.5) | 0.2 | (6.8) | (3.3) | (12.2) | (25.6) | 7.4 | (57.5) | (22.1) | (18.8) | 19.5 | |
| Tax: (%) non-GAAP | NM | NM | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 1.8% | NM | 0.0% | 0.0% | 0.0% | 0.0% |
| Income tax provision GAAP | 0.1 | 0.0 | - | - | - | - | - | - | - | 0.1 | 0.1 | 0.0 | - | - | |
| Non-GAAP tax adjustments | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Net income (loss) GAAP | (12.7) | (13.4) | (18.5) | (12.9) | (4.6) | (6.8) | (3.3) | (12.2) | (22.1) | 1.7 | (57.5) | (27.0) | (18.8) | 19.5 | |
| Net income (loss) non-GAAP | (13.7) | (13.8) | (17.6) | (12.5) | 0.2 | (6.8) | (3.3) | (12.2) | (25.6) | 7.2 | (57.6) | (22.1) | (18.8) | 19.5 | |
| EPS (GAAP) | (\$0.34) | (\$0.35) | (\$0.49) | (\$0.34) | (\$0.11) | (\$0.15) | (\$0.07) | (\$0.26) | (\$0.78) | \$0.05 | (\$1.51) | (\$0.59) | (\$0.39) | \$0.39 | |
| EPS (non-GAAP) | (\$0.37) | (\$0.36) | (\$0.46) | (\$0.33) | \$0.00 | (\$0.15) | (\$0.07) | (\$0.26) | (\$0.90) | \$0.24 | (\$1.52) | (\$0.49) | (\$0.39) | \$0.39 | |
| Weighted Diluted Shares outstanding (millions) | 37.5 | 38.0 | 38.1 | 38.2 | 44.0 | 44.9 | 45.8 | 46.7 | 28.3 | 30.7 | 37.9 | 45.4 | 47.6 | 50.6 | |
| Weighted Diluted Shares YOY change (%) | 26.8% | 22.0% | 26.6% | 24.4% | 17.4% | 18.2% | 20.3% | 22.4% | 8.4% | 23.6% | 19.6% | 5.0% | 6.1% | | |

Source: Bloomberg LP; Company reports; Laidlaw & Company estimates

Figure 3: Balance Sheet

| BioDelivery Sciences <i>Balance Sheet (\$ millions, except per share data)</i> | FY 2012 | | | | FY 2013 | | | | FY 2014E | | | | FY_11 Dec | FY_12 Dec | FY_13 Dec | FY_14E Dec | FY_15E Dec | |
|---|--------------|--------------|---------------|--------------|--------------|--------------|---------------|--------------|--------------|---------------|----------------|---------------|--------------|--------------|--------------|---------------|---------------|-------------|
| | Q1_12 Mar | Q2_12 Jun | Q3_12 Sept | Q4_12 Dec | Q1_13 Mar | Q2_13 Jun | Q3_13 Sept | Q4_13 Dec | Q1_14 Mar | Q2_14E Jun | Q3_14E Sept | Q4_14E Dec | | | | | | |
| Assets: | | | | | | | | | | | | | | | | | | |
| Cash and cash equivalents | 32.1 | 43.0 | 31.3 | 63.2 | 49.7 | 37.4 | 38.3 | 23.2 | 88.2 | 81.9 | 77.7 | 67.1 | - | 10.8 | 63.2 | 23.2 | 67.1 | 45.7 |
| Accounts receivable, other | 0.2 | 0.0 | 0.0 | 0.5 | 0.2 | 0.5 | 0.9 | 2.8 | 2.5 | 0.9 | 2.2 | 1.4 | - | 0.1 | 0.5 | 2.8 | 1.4 | 4.3 |
| Prepaid expenses and other current assets | 0.6 | 0.1 | 0.2 | 0.2 | 0.5 | 0.3 | 0.5 | 0.6 | 0.7 | 0.3 | 0.6 | 0.4 | - | 0.2 | 0.2 | 0.6 | 0.4 | 0.4 |
| Total Current Assets | 32.9 | 43.2 | 31.6 | 63.9 | 50.4 | 38.2 | 39.6 | 26.6 | 91.4 | 83.1 | 80.6 | 69.0 | - | 11.1 | 63.9 | 26.6 | 69.0 | 50.4 |
| Equipment, net | 3.2 | 3.1 | 2.9 | 2.8 | 2.7 | 2.6 | 0.2 | 0.2 | 0.2 | 0.3 | 0.3 | 0.3 | - | 3.3 | 2.8 | 0.2 | 0.3 | 1.2 |
| Idle Equipment, net | - | - | - | - | - | - | - | 2.8 | 3.3 | 3.3 | 3.3 | 3.3 | - | - | - | 2.8 | 3.3 | 3.3 |
| Goodwill | 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 |
| Total other intangible assets | 6.9 | 6.7 | 6.4 | 6.2 | 5.9 | 5.7 | 2.5 | 5.2 | 5.0 | 5.0 | 5.0 | 5.0 | - | 6.2 | 6.2 | 5.2 | 5.0 | 5.0 |
| Derivative asset, warrant | 0.7 | 0.4 | 0.2 | 0.1 | 0.0 | - | 5.4 | - | - | - | - | - | - | 0.4 | 0.1 | - | - | - |
| Other assets | 0.0 | 0.0 | 0.0 | 0.0 | - | - | 0.1 | 0.5 | 0.4 | 0.4 | 0.4 | 0.4 | - | 0.0 | 0.0 | 0.5 | 0.4 | 0.4 |
| Total Assets | 46.4 | 56.1 | 43.9 | 75.7 | 61.8 | 49.3 | 50.6 | 38.0 | 103.0 | 94.7 | 92.2 | 80.6 | - | 23.6 | 75.7 | 38.0 | 80.6 | 63.0 |
| Liabilities & Shareholders' Equity: | | | | | | | | | | | | | | | | | | |
| Accounts payable and other accrued liabilities | 5.0 | 5.8 | 7.4 | 10.8 | 9.5 | 12.0 | 11.1 | 10.4 | 8.8 | 6.2 | 8.8 | 9.1 | - | 5.1 | 10.8 | 10.4 | 9.1 | 10.1 |
| Notes payable, current | - | - | - | - | - | - | 5.3 | 7.3 | 7.3 | 7.3 | 7.3 | 7.3 | - | - | - | 7.3 | 7.3 | 7.3 |
| Deferred revenue, current | 12.5 | 15.1 | 22.7 | 8.0 | 7.2 | 5.6 | 4.1 | 2.9 | 1.9 | 0.7 | 1.7 | 1.1 | - | 12.5 | 8.0 | 2.9 | 1.1 | 1.4 |
| Derivative liabilities | 2.4 | 5.6 | 8.9 | 4.5 | 3.5 | 3.0 | 3.9 | 4.3 | 7.5 | 7.5 | 7.5 | 7.5 | - | 0.3 | 4.5 | 4.3 | 7.5 | 7.5 |
| Total Current Liabilities | 20.0 | 26.5 | 39.1 | 23.2 | 20.2 | 20.6 | 24.4 | 25.0 | 25.6 | 21.7 | 25.3 | 25.0 | - | 17.9 | 23.2 | 25.0 | 25.0 | 26.4 |
| Note Payable, less current maturities | - | - | - | - | - | - | 13.8 | 11.8 | 9.9 | 7.9 | 5.8 | 3.8 | - | - | - | 11.8 | 3.8 | 0.0 |
| Deferred revenue, long-term | 1.6 | 1.5 | 4.3 | 2.7 | 1.9 | 1.6 | 1.3 | 1.3 | 2.2 | 0.8 | 2.9 | 1.9 | - | 1.6 | 2.7 | 1.3 | 1.9 | 2.5 |
| Other long-term liabilities | - | - | - | - | - | - | - | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | - | - | - | 0.7 | 0.7 | 0.7 |
| Total Liabilities | 21.5 | 28.0 | 43.3 | 26.0 | 22.1 | 22.2 | 39.5 | 38.8 | 38.4 | 31.1 | 34.8 | 31.4 | - | 19.5 | 26.0 | 38.8 | 31.4 | 29.6 |
| Stockholders' Equity | 24.9 | 28.1 | 0.6 | 49.8 | 39.7 | 27.1 | 11.0 | (0.8) | 64.6 | 27.1 | 57.4 | 49.2 | - | 4.1 | 49.8 | -0.8 | 49.2 | 33.5 |
| Total Liabilities & Equity | 46.4 | 56.1 | 43.9 | 75.7 | 61.8 | 49.3 | 50.6 | 38.0 | 103.0 | 58.2 | 92.2 | 80.6 | - | 23.6 | 75.7 | 38.0 | 80.6 | 63.0 |

Source: Bloomberg LP; Company reports; Laidlaw & Company estimates

Figure 4: Cash Flow Statement

| BioDelivery Sciences <i>Non-GAAP Cash Flow Cont. Ops. (\$ millions, except per share data)</i> | FY_11 Dec | FY_12 Dec | FY_13 Dec | FY_14E Dec | FY_15E Dec |
|---|---------------|--------------|---------------|---------------|---------------|
| Cash flows from operating activities: | | | | | |
| Net income | (22.1) | 1.7 | (57.4) | (27.0) | (18.8) |
| <i>Adjustments to reconcile net income to net cash provided by operating activities:</i> | | | | | |
| Depreciation and amortization | 1.3 | 1.5 | 1.3 | 1.3 | 1.3 |
| Accretion of Discount | - | - | 0.2 | 0.3 | 0.3 |
| Derivative (gain) loss | (3.5) | 5.6 | (0.1) | 4.8 | - |
| Purchase of Arcion license with common stock | | - | 2.1 | - | - |
| Stock-based compensation expense | 1.2 | 1.6 | 3.3 | 4.6 | 4.6 |
| <i>Changes in assets and liabilities:</i> | | | | | |
| Accounts receivable | 0.5 | (0.4) | (2.3) | 1.4 | (2.8) |
| Prepaid expenses and other assets | 0.0 | 0.0 | (0.1) | 0.2 | - |
| Accounts payable and other accrued expenses | 0.4 | 5.6 | (0.7) | (1.0) | (1.0) |
| Income tax payable | - | 0.1 | - | 0.3 | - |
| Deferred revenue | 0.0 | (3.4) | (6.5) | 0.8 | (0.3) |
| Net cash provided by (used in) operating activities | (22.0) | 12.2 | (60.1) | (14.2) | (16.7) |
| Cash flow from investing activities: | | | | | |
| Purchases of property and equipment | (0.3) | (0.0) | (0.1) | (0.9) | (1.0) |
| Purchases of intangible assets | - | (1.1) | - | - | - |
| Cash provided by investing activities | (0.3) | (1.1) | (0.1) | (0.9) | (1.0) |
| Cash flows from financing activities: | | | | | |
| Proceeds from sale of securities | 14.0 | 38.4 | - | 62.0 | - |
| Proceeds from exercise of stock options | 0.3 | 2.1 | 0.4 | 2.6 | - |
| Proceeds from exercise of common stock warrants | - | - | 0.1 | 2.6 | - |
| Proceeds from notes payable and warrants | - | - | 20.0 | - | - |
| Deferred financing activities | - | - | (0.2) | - | - |
| Repayment of note | - | - | - | (8.2) | (3.8) |
| Return of short swing profits | - | - | - | 0.1 | - |
| Change in amounts due to related parties | 0.0 | (0.0) | - | - | - |
| Other | 1.7 | 0.9 | - | - | - |
| Cash (used in) provided by financing activities | 16.1 | 41.3 | 20.2 | 59.1 | (3.8) |
| Effect of exchange rates on cash | - | - | - | - | - |
| Net (decrease) increase in cash and cash equivalents | (6.2) | 52.4 | (40.0) | 44.0 | (21.4) |
| Cash and cash equivalents at beginning of the period | 18.2 | 10.8 | 63.2 | 23.2 | 67.1 |
| Cash and cash equivalents at end of period | 12.0 | 63.2 | 23.2 | 67.1 | 45.7 |

Source: Bloomberg LP; Company reports; Laidlaw & Company estimates

DISCLOSURES:

ANALYST CERTIFICATION

The analyst responsible for the content of this report hereby certifies that the views expressed regarding the company or companies and their securities accurately represent his personal views and that no direct or indirect compensation is to be received by the analyst for any specific recommendation or views contained in this report. Neither the author of this report nor any member of his immediate family or household maintains a position in the securities mentioned in this report.

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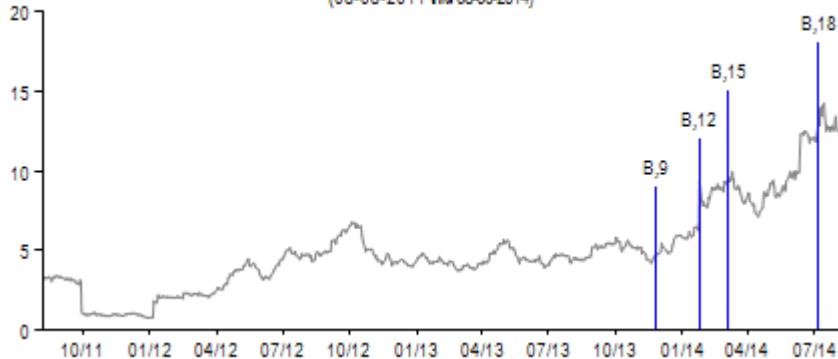
Additional information available upon request.

Laidlaw & Co (UK) Ltd. has not provided any investment banking services for the company (ies) mentioned in this report over the last 12 months.

RATINGS INFORMATION

Rating and Price Target Change History

BDSI: Stock Price Vs. Rating & Target Price Changes (\$)
(08-08-2011 thru 08-06-2014)



3 Year Rating Change History

| Date | Rating | Closing Price (\$) |
|------------|---------|--------------------|
| 11/26/2013 | Buy (B) | 4.81 |

3 Year Price Change History

| Date | Target Price (\$) | Closing Price, (\$) |
|------------|-------------------|---------------------|
| 11/26/2013 | 9.00 | 4.81 |
| 01/24/2014 | 12.00 | 9.41 |
| 03/05/2014 | 15.00 | 9.60 |
| 07/07/2014 | 18.00 | 13.06 |

Source: Laidlaw & Company

Created by: Blue-Compass.net

| Laidlaw & Company Rating System* | | % of Companies Under Coverage With This Rating | % of Companies for which Laidlaw & Company has performed services for in the last 12 months | |
|----------------------------------|---|--|---|-----------|
| | | | Investment Banking | Brokerage |
| Strong Buy (SB) | Expected to significantly outperform the sector over 12 months. | 0.00% | 0.00% | 0.00% |
| Buy (B) | Expected to outperform the sector average over 12 months. | 94.44% | 33.33% | 11.11% |
| Hold (H) | Expected returns to be in line with the sector average over 12 months. | 5.56% | 0.00% | 0.00% |
| Sell (S) | Returns expected to significantly underperform the sector average over 12 months. | 0.00% | 0.00% | 0.00% |

ADDITIONAL COMPANIES MENTIONED

Endo Health Solutions Inc. (ENDP, Not Rated)
Reckitt Benckiser Group PLC (RB/LN, Not Rated)

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