Zacks Small-Cap Research

November 12, 2014
Anthony Schwartz, PhD
Grant Zeng, CFA
312-265-9466
qzeng@zacks.com

scr.zacks.com
10 S. Riverside Plaza, Chicago, IL 60606

Advaxis Inc. (ADXS-NASDAQ)

ADXS: Combination study further expands pipeline and could lead to license deals; Pivotal Phase III planned, Balance sheet strong; on track to advance its pipeline -- Outperform

Current Recommendation	**Outperform**
Prior Recommendation	Neutral
Date of Last Change	11/06/2013
Current Price (11/10/14)	$2.79
12-month Target Price	**$10.00**

OUTLOOK

Advaxis is a Listeria based immunotherapy company focused on the development of immunotherapeutics for cancer treatment. We are optimistic about the Company's unique Listeria platform technology which has advantages over its peers.

The Company's lead drug candidate ADXS-HPV will be in Phase III trials for the treatment of cervical cancer. Recent collaborations with Merck and MedImmune may lead to license deals for Advaxis.

We rate its shares Outperform.

SUMMARY DATA

52-Week High	**$5.52**
52-Week Low	**$2.51**
One-Year Return (%)	**-14.68**
Beta	**1.28**
Average Daily Volume (sh)	**146,097**
Shares Outstanding (mil)	**19**
Market Capitalization ($mil)	**$54**
Short Interest Ratio (days)	**2.85**
Institutional Ownership (%)	**1**
Insider Ownership (%)	**13.4**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2011 Estimate	**N/A**
P/E using 2012 Estimate	**N/A**
Zacks Rank	**N/A**

Risk Level	**Above Avg.,**
Type of Stock	**N/A**
Industry	**Med Products**
Zacks Rank in Industry	**N/A**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Jan)	Q2 (Apr)	Q3 (Jul)	Q4 (Oct)	Year (Oct)
2013	0.00 A	0.00 A	0.00 A	0.00 A	0.00 A
2014	0.00 A	1.00 A	0.00 A	0.00 E	1.00 E
2015					2.50 E
2016					3.00 E

Earnings per Share
(EPS is operating earnings before non recurring items)

	Q1 (Jan)	Q2 (Apr)	Q3 (Jul)	Q4 (Oct)	Year (Oct)
2013	-$0.52 A	-$1.29 A	-$0.37 A	-$0.99 A	-$3.30 A
2014	-$0.37 A	-$0.16 A	-$0.30 A	-$0.34 E	-$1.18 E
2015					-$1.00 E
2016					-$1.14 E

Zacks Projected EPS Growth Rate - Next 5 Years % **N/A**

© Copyright 2014, Zacks Investment Research. All Rights Reserved.

WHAT'S NEW

- **Plans to initiate two Phase I/II combination studies of ADXS-PSA and ADXS-HPV with checkpoint inhibitors;**
- **Positive data on ADXS-c-HER2 in dogs presented;**
- **ADXS-cHER2 may bring revenue to ADXS in 12 months;**
- **Preliminary data disclosed for ADXS-HPV for anal cancer;**
- **Ready to move ADXS-HPV to pivotal trial for cervical cancer in early 2015;**

Advaxis to Initiate Two Combination Phase I/II Trials in Early 2015

The MedImmune Collaboration Could Lead to a License Deal

On Nov. 12, 2014, Advaxis announced that the Company plans to initiate a **Phase I/II** study of ADXS-HPV alone or in combination with MedImmune's investigational anti-PD-L1 immune checkpoint inhibitor, MEDI4736, for the treatment of advanced, recurrent or refractory HPV-associated **cervical cancer** and HPV-associated **head and neck cancer**.

The Company is waiting for the FDA's approval of the clinical study.

The proposed Phase I/II study will evaluate the safety and efficacy of ADXS-HPV as monotherapy and in combination with MEDI4736. The study is planned to begin in **early 2015**.

Advaxis and MedImmune entered into an agreement to collaborate on the combination clinical trial **i**n July, 2014.

Both MEDI4736 and ADXS-HPV are cancer immunotherapies, but have different mechanism of action. MEDI4736 is a check point inhibitor designed to counter the tumour's immune-evading tactics by blocking a signal that helps tumours avoid detection. ADXS-HPV uses live, attenuated bioengineered *Listeria monocytogenes* and enhances the ability of immune cells to combat the tumour.

Preclinical studies have shown that the combination of ADXS-HPV with MEDI4736 can enhance overall anti-tumor response.

Under the terms of the deal, Advaxis will conduct and control the study and MedImmune will supply MEDI4736.

According to the two agreements, results from the combination Phase I/II studies will be used to determine whether further clinical development of the combinations is warranted.

Under the terms of the MedImmune deal, MedImmune has a non-exclusive relationship with respect to HPV-driven tumour types. MedImmune has **first right of negotiation** for future development of combinations involving MEDI4736 and ADXS-HPV.

Our takeaways from the two collaborations:

- This is the first time a PD-L1 checkpoint inhibitor will be used with ADXS-HPV, a new class of immunotherapies;

- Since checkpoint inhibitors are the most promising immunotherapy agents for cancer treatment, the combination of a PD-L1 inhibitor and ADXS-HPV will give Advaxis competitive advantage to get into the future PD-L1 market;

- Positive results from the Phase I/II studies could lead to big license deals for Advaxis;

Advaxis to Initiate Phase I/II Trial of ADXS-PSA for the Treatment of Prostate Cancer

On Nov. 5, 2014, ADXS announced its plan to initiate a **Phase I/II** clinical study to evaluate **ADXS-PSA** for the treatment of metastatic castration resistant **prostate cancer** (mCRPC). The Company has submitted an IND to the FDA.

The planned Phase I/II protocol is designed to evaluate the safety and efficacy of ADXS-SPA (ADXS31-142) as a monotherapy and in combination with Keytruda® (pembrolizumab). Keytruda is the first anti-PD-1 therapy approved in the United States by Merck.

The Phase I portion of the trial will identify a recommended dose for ADXS-SPA when used alone and when combined with KEYTRUDA. The Phase II part of the trial will assess the safety and efficacy of the combination regimen.

Advaxis entered into a clinical trial collaboration agreement with Merck in August, 2014 to evaluate the combination of ADXS-PSA with pembrolizumab.

Advaxis will sponsor and fund the study and **Merck** will provide pembrolizumab. The companies will collaboratively oversee the conduct of the study, which is planned to begin in **early 2015**. Results from the study will be used to determine the path for further clinical development of the combination.

According to management, if the combination of drugs shows an added effect, the companies would likely continue their collaboration, which, in our view, could lead to a license opportunity for ADXS.

ADXS-PSA is bioengineered *Listeria* that initiates an immune response to PSA, a protein commonly elevated in men with prostate cancer. Pembrolizumab is PD-1 inhibitor that helps boost the immune system in response to cancer and has shown promise in melanoma and other cancers. The combination of ADXS-PSA and pembrolizumab may prove to more effectively initiate a therapeutic immune response to prostate cancer rather using either agent alone.

Positive Data on ADXS-c-HER2 in Dogs Presented

On October 30, 2014 ADXS announced its immunotherapy candidate, **ADXS-cHER2**, broke peripheral tolerance to HER2/Neu and induced HER2-specific T cell responses in dogs with osteosarcoma (OSA). In addition, data suggested that ADXS-cHER2 prevented the development of metastasis of spontaneous OSA. OSA is the most common primary bone tumor in canines and humans. Spontaneous OSA in canines is a clinically relevant and translational model for the use in humans as it exhibits similar characteristics in both species.

This **Phase I extension study** is being conducted at the University of Pennsylvania School of Veterinary Medicine. Within four months of treatment, approximately 50% of dogs vaccinated with ADXS-cHER2 exhibited immunological responses against the HER2 antigen. Immunological responses induced by ADXS-cHER2 were detected against IC1 suggesting cross reactivity between dogs and humans.

We think the data, though through a small sample, are compelling. The intracellular component of HER2, IC1, is highly conserved between both humans and canines. This is the evidence that ADXS-cHER2 might work for humans.

Previously, findings from the Phase I study showed that ADXS-cHER2 was safe and well tolerated with no evidence of systemic toxicities. Currently, two-thirds of animals receiving treatment in the trial are still alive; however, untreated animals undergoing standard of care treatment exhibited a median survival of only 316 days. The Company is planning on filing an IND with the FDA for ADXS-cHER2 in order to initiate a clinical trial **in children with osteosarcoma** that overexpress HER2.

These data were presented at the Society for Immunotherapy of Cancer (SITC) 29th Annual Meeting, November 6-9, 2014 held in Maryland.

ADXS-cHER2 Could Generate Revenue for ADXS As early As in Late 2015

Coupled with this positive data in canines, on July 2, 2014, Advaxis filed a product license from the United States Department of Agriculture (USDA) for ADXS-cHER2 for the treatment of **canine osteosarcoma** and other HER2-overexpressing cancers.

The filing was submitted by Aratana Therapeutics, Inc., which was granted exclusive worldwide rights by Advaxis to develop and commercialize ADXS-cHER2 in animals. The companies expect a response from the USDA in the next 12 to 18 months. We believe that with positive data thus far it's likely the USDA will approve ADXS-cHER2 for canine osteosarcoma, which could generate revenue for ADXS as soon as in late 2015.

Clinical Trial Update for Phase I/II Trial of ADXS-HPV in Anal Cancer

On October 15, 2014, Advaxis, Inc. disclosed preliminary data from its ongoing **Phase I/II** trial of ADXS-HPV in **anal cancer**. Advaxis initiated the Phase I/II trial of ADXS-HPV in February of 2013 with the Brown University Oncology Research Group (BrUOG). According to the Company, 7 of 8 patients out of currently enrolled (25 total) have completed the treatment regimen. Seven patients are without evidence of disease. The drug has been safe and well tolerated in the trial thus far with the most common adverse effect (flu-like symptoms) lasting for about 24 hours.

The preliminary data indicate that all 7 patients who have completed the treatment regimen experience a "clinical complete response". We are very pleased with the preliminary data, which have demonstrated the safety of ADXS-HPV in anal cancer patients. More importantly, the initial data have also demonstrated efficacy for the treatment of anal cancer when combined with standard of care.

The 100% complete response rate exceeds the 80% benchmark which is part of the trial design. The study protocol stipulates that the addition of ADXS-HPV with standard of care for anal cancer will be considered promising if the 6 month complete response rate is greater than 80%. These criteria are based on historical clinical experience in similar high-risk patients. The Company and BrUOG are in the process of expanding the study to two additional sites, which will accelerate the completion of the trial. We look forward to seeing more data in the near future.

Update for ADXS-HPV for the Treatment of Cervical Cancer

On September 22, 2014, the Company announced the completion of an **End-of-Phase II (EOP2) Meeting** with the FDA, for its lead Lm-LLO cancer immunotherapy, ADXS-HPV, for the treatment of recurrent cervical cancer in women.

Advaxis discussed ADXS-HPV's preclinical data, Chemistry, Manufacturing and Controls (CMC) and clinical program prior to moving ADXS-HPV forward into the next phase of clinical development. Per the FDA's guidance, the Company plans to submit its **Phase III protocol** for a Special Protocol Assessment (SPA) and initiate a well-controlled trial **in 2015** to support a Biologics License Application (BLA). The Phase III trial will compare repeating cycles of ADXS-HPV to physician's choice of chemotherapy, in women with recurrent or persistent **cervical cancer** who have progressed after receiving prior approved therapy. This population has an unmet medical need because no available treatment has been shown to improve their survival. The goal of the study would be to provide clinically relevant life extension to these patients. The Company has entered into a Master Services Agreement with in inVentiv Clinical Health to serve as its global contract research organization for this study.

The decision to initiate the Phase III trials was based on encouraging data from the **Phase II** trial of ADXS-HPV for cervical cancer. ADXS initiated its Phase II study in November 2010 in patients with recurrent or refractory cervical cancer. All patients randomized to the trial were previously treated with chemotherapy, radiotherapy or both.

Patients received either ADXS-HPV or ADXS-HPV + cisplatin in 3 or 4 doses of ADXS-HPV with or without cisplatin. Of the 109 patients treated in the study, long-term survivors (LTS) not only included patients with tumor shrinkage but also included patients who experienced increased tumor burden as their best tumor response overall. 17% (19/109) of patients in the trial had recurrence of disease after at least two prior treatments for their cervical cancer; these patients comprised 8% (2/24) of LTS. Among the LTS, 25% (3/11) of patients had an ECOG performance status of 2, a patient population that is often excluded from clinical trials because of poor survival.

Final audited data showed that, **32%** (35/109) of patients survived 12-months, **22%** (24/109) of patients survived 18-months, and **18%** (16/91) of patients were alive for more than 24 months, despite the poor prognosis of this patient population. The tumor response rate was 11% (including complete responses and partial responses) with a median duration of response of 9.5 months. A disease control rate (≥ three months) was observed in 38% (42/109) of patients. The addition of cisplatin chemotherapy did not improve either survival or tumor response over monotherapy with ADXS-HPV. ADXS-HPV was well tolerated as 62% (68/109) of patients reported no adverse events and 38% (41/109) of patients reported mild transient adverse events (Grade 1 or 2) that occurred on the day of infusion.

ADXS-HPV was safe and well tolerated.

		Treatment Group	
Patients at Risk, n (%)*	Overall (N=109)	ADXS11-001 ALONE (N=55)	ADXS11-001 + CISPLATIN (N=54)
12 Months			
n	109	55	54
% alive (#)	32% (35)	29% (16)	35 % (19)
18 Months			
n	109	55	54
% alive (#)	22% (24)	22% (12)	22% (12)
24 Months (Preliminary)			
n	96		
% alive (#)	18% (16/91)	8% (7/91)	10% (9/91)
The primary endpoint of OS is calculated from the efficacy population survival follow-up of 109 and is defined as all patients who had been treated with at least one dose of ADXS11-001			

These data are comparable to the results for the landmark **2004 Moore Phase III** study conducted by the Gynecologic Oncology Group of **cisplatin** alone and **cisplatin plus paclitaxel** in recurrent cervical cancer patients with the same initial performance (health) status (0-2). In that study, 12-month survival was presented as 35% for cisplatin alone and 32% for the combination and 18-month survival was presented as 20% for combination therapy and 12% for cisplatin, alone.

Long-term survivors in recurrent cervical cancer are rare. ADXS-HPV appears to be the first immunotherapy associated with objective tumor responses and long-term survival. The LTS included patients with poor performance status, those who had progressed after combination chemotherapy in the recurrent setting, and several patients whose best tumor response was progressive disease during the trial. To achieve these results from a single cycle of an immunotherapy in patients with poor prognoses is remarkable and supports further development.

This program is granted **Orphan Drug Designation** for the treatment of Stage II-IV invasive cervical cancer.

Higher Dose and Repeat Cycles of ADXS-HPV in Phase I/II Cervical Cancer Trial

In June 16, 2014, Advaxis' partner the Georgia Regents University (GRU) Cancer Center initiated a **Phase I/II** trial evaluating higher doses and repeat cycles of ADXS-HPV in patients with recurrent **cervical cancer**.

This Phase I/II study is designed to evaluate the safety, efficacy and immunological effect of the highest-tolerated dose of ADXS-HPV administered in repeat cycles of treatment to patients with cervical cancer whose disease recurred after receiving one prior cytotoxic treatment regimen. Higher doses, equivalent to **$1x10^{10}$ CFU**, along with multiple cycles of treatment have been administered to pet dogs with naturally occurring canine osteosarcoma and preliminary results from the on-going clinical trial show statistically significant overall survival with only minor side effects. In addition, laboratory experiments clearly show improved activity against cancer when ADXS-HPV is given at higher doses and in repeat cycles of treatment. Advaxis believes that repeat cycles of treatment at higher doses may further improve the positive clinical benefits already observed in its prior Phase II study.

This high-dose Phase I/II clinical study will run in parallel with the planned pivotal Phase III registration program for ADXS-HPV in patients with cervical cancer.

The phase I portion of the study will enroll 3 to 12 patients based on observed adverse events and/or observation of DLT within the dose cohorts. The phase II portion of the study will enroll 31 patients to have sufficient power to detect a 1.5-month increase in progression free survival (PFS).

Advaxis Shares are Undervalued

We maintain our Outperform rating for ADXS and reiterate our 12-month price target of $10.00 per share.

We are optimistic about Advaxis' live, attenuated Listeria technology, which is a unique immunotherapeutic platform that can target various cancer indications and infectious diseases. This technology has advantages over other immunotherapies and has generated positive clinical data. Combination of its technology with checkpoint inhibitors has the potential to become new standard of care for cancer treatment.

The recent deals are especially encouraging in our view. The deal with Aratana could get ADXS-cHER2 the first approved immunotherapy for animals in 2015. The deals with Biocon and GBP expand the usage of ADXS-HPV therapy for cervical cancer in the world two largest markets of cervical cancer in terms of patient population. The favorable terms in the deals not only strengthen Advaxis' balance sheet in a non-dilutive way, but also validate the Company's technology and clinical programs.

The collaborations with Merck and MedImmune may lead to license deals.

We look forward to the announcement of initiation of the pivotal Phase III trials of ADXS-HPV for recurring cervical cancer in early 2015.

Advaxis has developed a robust pipeline based on its proprietary platform technology. In addition to cervical cancer, ADXS-HPV has potential to target other HPV-mediated cancers, such as head & neck cancer as well as anal cancer. The Company plans to initiate two clinical programs of ADXS-cHER2 targeting breast cancer and pediatric osteosarcoma respectively. A Phase I/II trial of ADXS-PSA is also planned for the treatment of prostate cancer.

ADXS-HPV has a huge market potential. Cervical cancer is a worldwide problem and ranks as the 2nd leading cause of cancer death of women in the world. According to WHO, about 630 million people are

infected with one of the over 100 strains of HPV. Global prevalence of clinically pre-malignant HPV infections is between 28 to 40 million women. Approximately 500,000 women are diagnosed of cervical cancer each year and about 11.4% of women in the general population are estimated to harbor cervical HPV infection. In the US, about 12000 new cases of cervical cancer are diagnosed each year. Prevalence of cervical cancer is higher in developing countries and India, China and South America are the three regions with highest cervical cancer prevalence (50% of cervical cancer burden).

The Company's balance sheet is relatively strong. As of July 31, 2014, Advaxis held $22 million in cash, which can last through the end of fiscal 2015.

In terms of valuation, we think Advaxis is undervalued in our view. Currently, the Company shares are trading at about $2.75 per share which values the Company at about $52 million in market cap based on 19 million outstanding shares. This is certainly a deep discount.

We predict ADXS-HPV to be approved in the US in 2017. Sales will reach $100 million in 2020 with earnings per share of $1.27. Using a relative valuation model, we come up with our new price target of $10.00 per share by using 30 x P/E multiple and discounted at 25% for 6 years.

Our price target of $10.00 per share values the Company at $190 million in market cap, which is still conservative in our view. Apparently, risk is still high for Advaxis at this stage. We will keep a close eye on cash balance and clinical program advances.

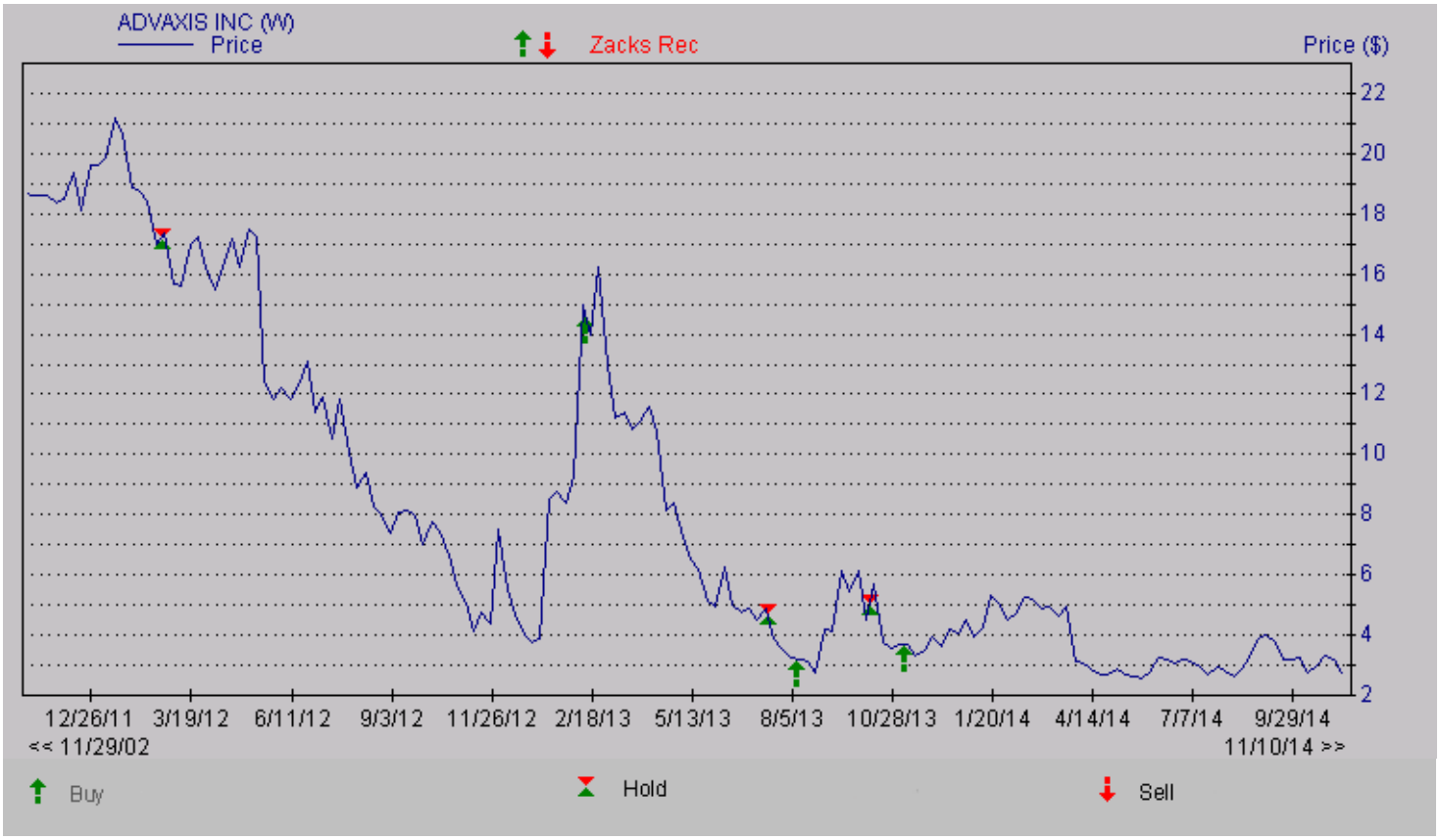
PROJECTED INCOME STATEMENT

	2013A (Oct)	2014E (Oct)					2015E (Oct)	2016E (Oct)	2017E (Oct)	2018E (Oct)	2019E (Oct)	2020E (Oct)
$ in million except per share data	FYA	Q1A	Q2A	Q3A	Q4E	FYE	FYE	FYE	FYE	FYE	FYE	FYE
Product Revenue	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$5.00	$30.00	$75.00	$100.00
R&D revenue	$0.00	$0.00	$1.00	$0.00	$0.00	$1.00	$2.50	$3.00	$4.50	$5.50	$7.50	$7.50
Total Revenues	**$0.00**	**$0.00**	**$1.00**	**$0.00**	**$0.00**	**$1.00**	**$2.50**	**$3.00**	**$9.50**	**$35.50**	**$82.50**	**$107.50**
YOY Growth	-	-	-	-	-	-	*250.0%*	*120.0%*	*316.7%*	*373.7%*	*232.4%*	*130.3%*
CoGS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.75	4.50	11.25	15.00
Gross Income	**$0.00**	**$0.00**	**$1.00**	**$0.00**	**$0.00**	**$1.00**	**$2.50**	**$3.00**	**$8.75**	**$31.00**	**$71.25**	**$92.50**
Gross Margin	-	-	-	-	-	*100.0%*	*100.0%*	*100.0%*	*92.1%*	*87.3%*	*86.4%*	*86.0%*
R&D	$5.62	$1.56	$1.54	$3.01	$3.20	$9.31	$12.00	$14.50	$16.50	$19.00	$22.50	$24.00
% R&D	-	-	-	-	-	*931.0%*	*480.0%*	*483.3%*	*173.7%*	*53.5%*	*27.3%*	*22.3%*
SG&A	$9.07	$4.40	$2.05	$2.99	$3.20	$12.64	$11.50	$12.50	$14.50	$17.00	$20.00	$22.50
% SG&A	-	-	-	-	-	*1264.3%*	*460.0%*	*416.7%*	*152.6%*	*47.9%*	*24.2%*	*20.9%*
Other	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
% Other	-	-	-	-	-	-	-	-	-	-	-	-
Operating Income	**($14.7)**	**($6.0)**	**($2.6)**	**($6.0)**	**($6.4)**	**($21.0)**	**($21.0)**	**($24.0)**	**($22.3)**	**($5.0)**	**$28.8**	**$46.0**
Operating Margin	-	-	-	-	-	-	-	-	-	*-14.1%*	*34.8%*	*42.8%*
Other Net	($6.6)	$0.1	$0.0	$0.2	($0.3)	$0.1	($1.0)	($1.0)	($1.0)	($1.0)	($1.0)	($1.0)
Pre-Tax Income	**($21.3)**	**($5.8)**	**($2.6)**	**($5.8)**	**($6.7)**	**($20.8)**	**($22.0)**	**($25.0)**	**($23.3)**	**($6.0)**	**$27.8**	**$45.0**
Income taxes(benefit)	($0.7)	($0.6)	$0.0	$0.0	$0.0	($0.6)	$0.0	$0.0	$0.0	$0.0	$4.5	$4.50
Tax Rate	-	-	-	-	-	-	-	-	-	-	*16.2%*	*10.0%*
Reported Net Income	**($20.5)**	**($5.2)**	**($2.6)**	**($5.8)**	**($6.7)**	**($20.2)**	**($22.0)**	**($25.0)**	**($23.3)**	**($6.0)**	**$23.3**	**$40.5**
YOY Growth	-	-	-	-	-	-	-	-	-	-	*-487.5%*	*74.2%*
Net Margin	-	-	-	-	-	-	-	-	-	*-16.9%*	*28.2%*	*37.7%*
Shares Out	*5.0*	*13.8*	*15.7*	*19.3*	*19.5*	*17.1*	*20.0*	*22.0*	*25.0*	*27.5*	*30.0*	*32.0*
Reported EPS	**($4.10)**	**($0.37)**	**($0.16)**	**($0.30)**	**($0.34)**	**($1.18)**	**($1.10)**	**($1.14)**	**($0.93)**	**($0.22)**	**$0.78**	**$1.27**
YOY Growth	-	-	-	-	-	-	-	-	-	-	-	-
One time charge	*$4.02*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*
Non GAAP Net Income	**($16.5)**	**($5.2)**	**($2.6)**	**($5.8)**	**($6.7)**	**($20.2)**	**($22.0)**	**($25.0)**	**($23.3)**	**($6.0)**	**$23.3**	**$40.5**
Non GAAP EPS	**($3.30)**	**($0.37)**	**($0.16)**	**($0.30)**	**($0.34)**	**($1.18)**	**($1.10)**	**($1.14)**	**($0.93)**	**($0.22)**	**$0.78**	**$1.27**

Source: Company filing and Zacks Investment Research estimates

© Copyright 2014, Zacks Investment Research. All Rights Reserved.

HISTORICAL ZACKS RECOMMENDATIONS



DISCLOSURES

The following disclosures relate to relationships between Zacks Small-Cap Research ("Zacks SCR"), a division of Zacks Investment Research ("ZIR"), and the issuers covered by the Zacks SCR Analysts in the Small-Cap Universe.

ANALYST DISCLOSURES

I, Grant Zeng, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report. I believe the information used for the creation of this report has been obtained from sources I considered to be reliable, but I can neither guarantee nor represent the completeness or accuracy of the information herewith. Such information and the opinions expressed are subject to change without notice.

INVESMENT BANKING, REFERRALS, AND FEES FOR SERVICE

Zacks SCR does not provide nor has received compensation for investment banking services on the securities covered in this report. Zacks SCR does not expect to receive compensation for investment banking services on the Small-Cap Universe. Zacks SCR may seek to provide referrals for a fee to investment banks. Zacks & Co., a separate legal entity from ZIR, is, among others, one of these investment banks. Referrals may include securities and issuers noted in this report. Zacks & Co. may have paid referral fees to Zacks SCR related to some of the securities and issuers noted in this report. From time to time, Zacks SCR pays investment banks, including Zacks & Co., a referral fee for research coverage.

Zacks SCR has received compensation for non-investment banking services on the Small-Cap Universe, and expects to receive additional compensation for non-investment banking services on the Small-Cap Universe, paid by issuers of securities covered by Zacks SCR Analysts. Non-investment banking services include investor relations services and software, financial database analysis, advertising services, brokerage services, advisory services, investment research, investment management, non-deal road shows, and attendance fees for conferences sponsored or co-sponsored by Zacks SCR. The fees for these services vary on a per client basis and are subject to the number of services contracted. Fees typically range between ten thousand and fifty thousand per annum.

POLICY DISCLOSURES

© Copyright 2014, Zacks Investment Research. All Rights Reserved.

Zacks SCR Analysts are restricted from holding or trading securities in the issuers which they cover. ZIR and Zacks SCR do not make a market in any security nor do they act as dealers in securities. Each Zacks SCR Analyst has full discretion on the rating and price target based on his or her own due diligence. Analysts are paid in part based on the overall profitability of Zacks SCR. Such profitability is derived from a variety of sources and includes payments received from issuers of securities covered by Zacks SCR for services described above. No part of analyst compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in any report or article.

ADDITIONAL INFORMATION

Additional information is available upon request. Zacks SCR reports are based on data obtained from sources we believe to be reliable, but are not guaranteed as to be accurate nor do we purport to be complete. Because of individual objectives, this report should not be construed as advice designed to meet the particular investment needs of any investor. Any opinions expressed by Zacks SCR Analysts are subject to change without notice. Reports are not to be construed as an offer or solicitation of an offer to buy or sell the securities herein mentioned.

ZACKS RATING & RECOMMENDATION

ZIR uses the following rating system for the 1052 companies whose securities it covers, including securities covered by Zacks SCR:
Buy/Outperform: The analyst expects that the subject company will outperform the broader U.S. equity market over the next one to two quarters.
Hold/Neutral: The analyst expects that the company will perform in line with the broader U.S. equity market over the next one to two quarters.
Sell/Underperform: The analyst expects the company will underperform the broader U.S. Equity market over the next one to two quarters.

The current distribution is as follows: Buy/Outperform- 16.6%, Hold/Neutral- 77.5%, Sell/Underperform – 5.3%. Data is as of midnight on the business day immediately prior to this publication.