

Derm survey says...

**Merrill Lynch****Dermatologists provide color on several products**

We commissioned an internet-based physician survey (conducted by *Rood Research*) to help us assess the prospects for several dermatology products, including MRX's Ziana and Solodyn (acne), WCRX's Taclonex (psoriasis), and CGPI's Oracea (rosacea). In general, the docs like these new products but are concerned by their cost. We also asked about current and future use of dermal fillers, including MRX's Restylane and AGN's Juvederm. Below, we highlight the docs predictions. An important caveat is that the docs are already high users of these products, and are not necessarily representative of the broader market.

Ziana - good share gains, modest market growth ahead

The docs expect their usage of Ziana (clindamycin+tretinoin) to jump by 50% from 12% of scripts currently to 18% in one year. Roughly 40% of docs expect their use of topical antibiotics/retinoids to rise over the next year (60% expect no change), suggesting that the market could grow modestly. Docs pointed to better compliance as the main positive for Ziana, and high cost as the main negative.

Solodyn - modest share gains, minimal market growth

Solodyn (once-daily minocycline) already accounts for 19% of scripts for these docs, and could rise by 16% to 22% in one year (becoming their most used oral antibiotic). Most of the docs expect their prescribing of oral antibiotics for acne to stay the same over the next year, suggesting minimal market growth. The docs view favorable dosing (once-daily vs. twice-daily) and fewer vestibular side effects (e.g. dizziness) as important advantages of Solodyn relative to other products, but high cost as a significant negative.

Fillers - robust Juvederm growth, Restylane stays on top

The docs currently use Restylane and Juvederm for 56% and 15% of procedures, respectively, and expect these fillers to account for 43% and 26% of procedures, respectively, in one year. Interestingly, Radiesse (from BioForm) already accounts for 10% of procedures, but these docs see limited growth to 12% of procedures in one year (note that this picture may differ in the plastic surgery setting). It is important to note that due to time constraints, we did not ask these docs to assess market growth, which is obviously an important variable to consider.

Taclonex - use already high, could grow modestly

Taclonex (Dovonex plus the steroid betamethasone) accounts for a respectable 23% of the docs' topical psoriasis scripts, but these docs only expect 13% growth to 26% share in one year (Dovonex and a steroid only account for 13% of scripts).

Oracea - used a fair amount already, but should still grow

Oracea (low dose doxycycline) as monotherapy accounts for 15% of the docs' rosacea scripts, while Oracea in combination with topical metronidazole accounts for 16% of scripts (for a robust 31% of total scripts). The docs expect their overall Oracea use to increase by 19% to 37% of rosacea scripts in one year.

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Executive Summary

Survey approach

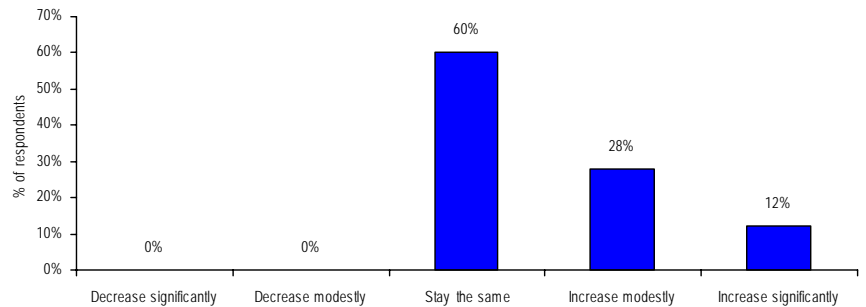
Using a targeted internet-based survey conducted by Rood Research, we polled a sample group of 75 docs. All the docs polled are dermatologists that prescribe Solodyn (acne), Ziana (acne), and Taclonex (psoriasis), and use the dermal filler Juvederm. While these selection criteria bias the results, we believe that this doc sample should be reasonably applicable to trends for a broader dermatologist population over time.

Key takeaways from our survey

Topical antibiotic/retinoid market could grow modestly

Roughly 40% of the docs expect their prescribing of topical antibiotics/retinoids for acne to increase over the next 12 months, while 60% of respondents expect their usage to stay the same. The responses suggest that market growth could rise modestly over the next year, if these docs are representative of the broader prescriber base. That said, we continue to assume the market remains flat in 2007 (TRx growth for the last several quarters has been slightly negative).

Chart 1: Expected change in topical antibiotic/retinoid use for acne over the next year (n=75)

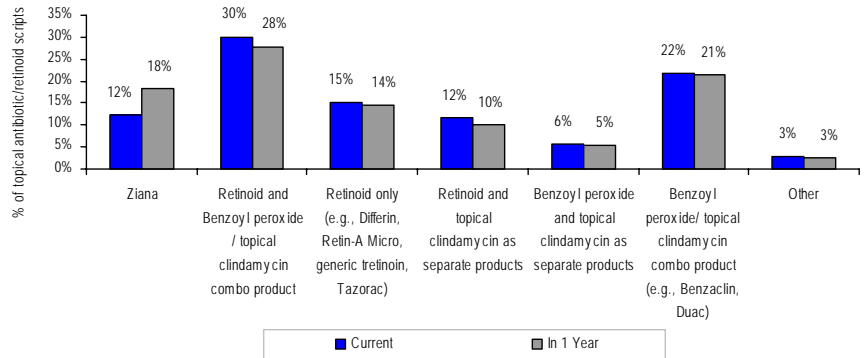


Source: Merrill Lynch, Rood Research

Docs expect 50% rise in Ziana share

The docs expect their usage of Ziana (clindamycin plus tretinoin) to increase by 50%, from 12% of scripts currently to 18% in one year. It is important to note that the respondents are already familiar with Ziana, since only docs that have prescribed the drug were enrolled in the survey. The docs pointed to better compliance as the main positive of Ziana, and high cost as the main negative.

Chart 2: Prescribing of topical antibiotics/retinoids for acne – Current and in 1 year (n=75)



Source: Merrill Lynch, Rood Research

For modeling purposes, we define the Ziana market as topical clindamycin products, topical retinoids, benzoyl peroxide products, combination products, and other smaller products (such as azelaic acid). Ziana currently accounts for approximately 2.6% of new and 1.8% of total prescriptions for this market. These shares are not directly comparable with the survey results since we asked the survey docs to consider certain combinations (e.g. retinoid and topical clindamycin) together, while the market “denominator” based on IMS data counts each product individually. Table 1 shows our market growth, market share, and sales assumptions for Ziana. While our estimates imply somewhat greater share growth (from 1.8% currently) relative to the survey docs, recall that the respondents are already using a significant amount of Ziana.

Table 1: Ziana estimates

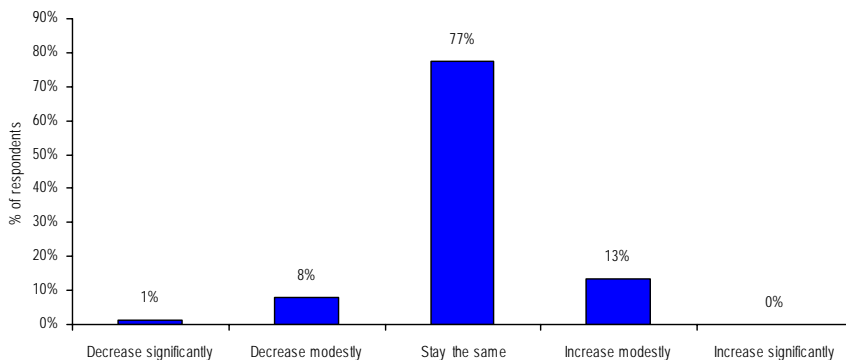
| | 2007 | 2008 | 2009 | 2010 | 2011 |
|---------------------|-------|-------|-------|-------|-------|
| Market growth | 0% | 0% | 0% | 0% | 0% |
| Market share | 2.56% | 3.25% | 4.00% | 5.00% | 6.00% |
| Market share growth | - | 81%* | 23% | 25% | 20% |
| Sales (mn) | \$58 | \$77 | \$99 | \$130 | \$164 |

Source: Merrill Lynch * Growth from current TRx share of 1.8%

Oral antibiotic prescribing for acne expected to remain flat

Most of the docs expect their prescribing of oral antibiotics for acne to stay the same over the next 12 months. Roughly 13% expect a modest increase, while 9% expect a decrease. Overall, the responses suggest prescribing could remain relatively flat over the next year. We are modeling growth of 2.4% for the oral antibiotics market in 2007 (note that our market definition includes all tetracycline prescriptions, since we cannot break out the prescriptions just for acne).

Chart 3: Expected change in oral antibiotic use for acne over the next year (n=75)

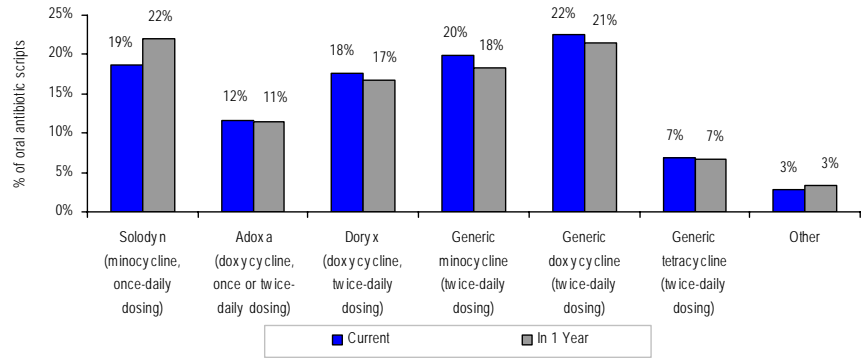


Source: Merrill Lynch, Rood Research

Docs expect modest share gains for Solodyn

These docs prescribe generic doxycycline most frequently (22% of scripts), followed by generic minocycline (20% of scripts). Solodyn (once-daily minocycline) accounts for 19% of scripts, followed by Warner Chilcott’s Doryx (doxycycline) at 18%. Solodyn is the only product the docs expect to prescribe more frequently in one year, with share increasing by 16% to 22% of scripts (slightly surpassing generic doxycycline). The docs view favorable dosing and fewer vestibular side effects (e.g. dizziness) as important advantages of Solodyn relative to other products, but high cost as a significant negative.

Chart 4: Prescribing of oral antibiotics for the initial treatment of acne – Current and in 1 year (n=75)



Source: Merrill Lynch, Rood Research

Other products/regimens cited (by 18 docs) include: Amoxil, Bactrim, Minocin, doxycycline once a day, erythromycin, erythromycin/Bactrim, Keflex, Oracea, and Zithromax

As with Ziana, it is difficult to directly compare the implied shares based on the survey responses with our share estimates, since the survey was selective for Solodyn prescribers. Also, as noted earlier, our market definition includes all tetracycline scripts, not just those for acne. That said, the survey docs expect Solodyn's share of their oral antibiotic prescribing to increase more than our estimates imply; our estimates assume slight share gains. Note again that Solodyn use is already high for these docs. If the relatively high share for these docs implies that they are high decile prescribers, this could bode well for Medicis's sales and marketing efforts to reach lower decile docs.

Table 2: Solodyn estimates

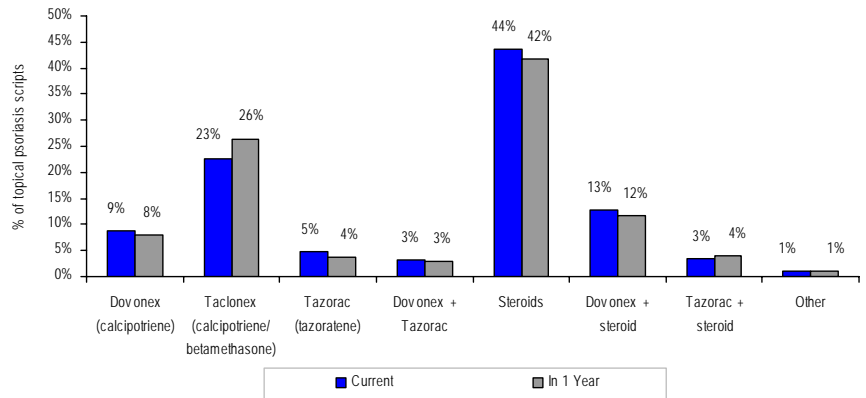
| | 2007 | 2008 | 2009 | 2010 | 2011 |
|---------------------|-------|-------|-------|-------|-------|
| Market growth | 2.4% | 0% | 0% | 0% | 0% |
| Market share | 2.56% | 2.60% | 2.65% | 2.68% | 2.70% |
| Market share growth | | 2% | 2% | 1% | 1% |
| Sales (mn) | \$187 | \$223 | \$246 | \$269 | \$285 |

Source: Merrill Lynch

Taclonex use already high, could grow modestly

Steroids represent almost half of the respondents' current prescriptions for topical psoriasis products. Taclonex (Dovonex plus the steroid betamethasone) accounts for 23% of current prescriptions, followed by the combination of Dovonex and a steroid (13%) and Dovonex alone (9%). The docs expect Taclonex use to rise by 13% in one year to 26% at the expense of most of the other regimens (Tazorac plus a steroid is expected to rise slightly). Note that we did not specifically ask the docs to consider how their prescribing could change when generic Dovonex becomes available (possible in early 2008).

Chart 5: Prescribing of topical psoriasis products – Current and in 1 year (n=75)



Source: Merrill Lynch, Rood Research

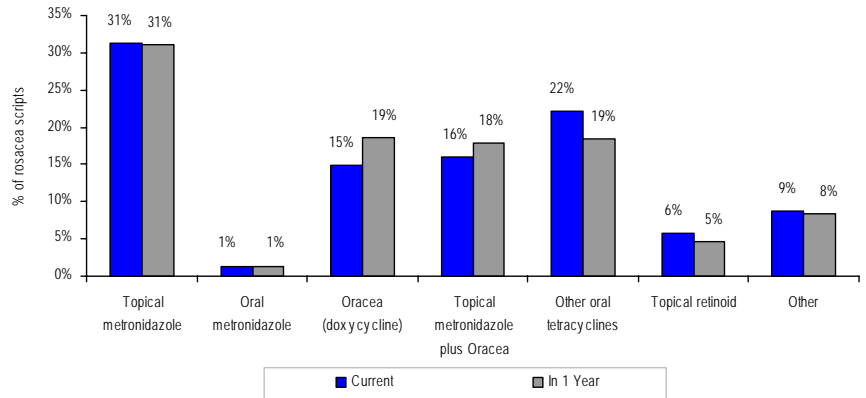
Other products/regimens cited (by 4 docs) include: Lidex, Taclonex plus steroid, tar, and tar formulas

The respondents pointed to the greater convenience and improved patient compliance relative to Dovonex and betamethasone used separately as an important consideration when prescribing Taclonex.

Oracea use high, expected to rise modestly

The most frequently prescribed product for rosacea is topical metronidazole, followed by oral tetracyclines (includes doxycycline, minocycline, and tetracycline products), all of which are available as generics. Oracea (low dose doxycycline) as monotherapy accounts for 15% of scripts, while Oracea plus topical metronidazole accounts for 16% of scripts, for a robust 31% of prescribing. The docs expect Oracea (mono and combo use) to increase by 19% to 37% of total scripts in one year (19% mono, 18% combo with topical metronidazole). Several docs pointed to Oracea’s submicrobial dosing and favorable side effect profile as advantages, although cost and insurance coverage are issues.

Chart 6: Prescribing of rosacea products – Current and in 1 year (n=75)



Source: Merrill Lynch, Rood Research

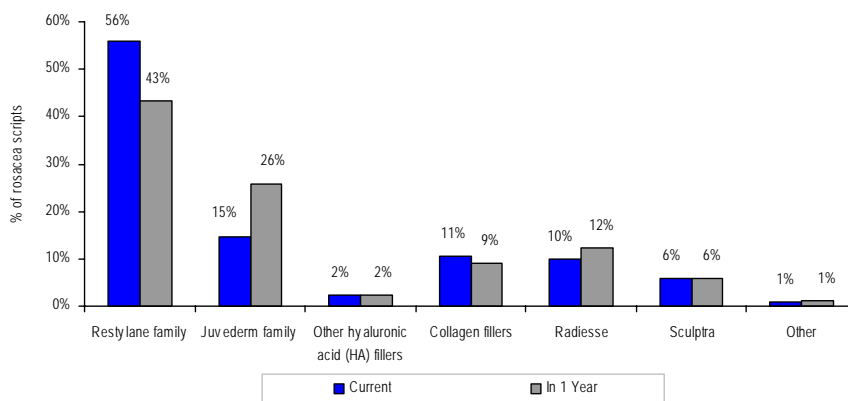
Other products/regimens cited (by 26 docs) include: azelaic acid, Finacea, Finacea + minocycline, Finacea + sulfa, Rosac, sodium sulfacetamide, sulfa-sulfur, and topical Metro + Finacea

Docs expect robust growth for Juvederm

The docs currently use Restylane for over half of their filler procedures (56%). Juvederm is the next most frequently used filler at 15% of procedures. Note that docs had to have experience with Juvederm to enter the survey. Interestingly, Radiesse accounts for a decent amount of current procedures (10%), after only recently having been approved for cosmetic use in December 2006 (Radiesse has been approved for other indications for several years, including oral and maxillofacial defects, vocal cord deficiencies, and facial lipoatrophy in HIV patients).

The docs expect their Juvederm use to rise to 26% of procedures in one year and Restylane use to decline to 43% of procedures. The docs plan to modestly increase their use of Radiesse to 12% of procedures (several docs still have safety concerns).

Chart 7: Use of dermal fillers – Current and in 1 year (n=75)



Source: Merrill Lynch, Rood Research
Other filler cited (by 1 doc) was Fascian

Table 3 compares our Restylane Family and Juvederm Family estimates (note that Allergan sells Juvederm worldwide, while Medicis sells Restylane in the US only). Our flat sales estimates for Restylane assume that share losses are offset by market growth. Of note, we did not have the opportunity in this survey to ask the docs to predict how their procedures could change over the next year.

Table 3: Dermal filler sales estimates

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|-----------------------------|-------|-------|-------|-------|-------|
| Restylane family sales (mn) | \$135 | \$135 | \$135 | \$135 | \$135 |
| Juvederm family sales (mn) | \$55 | \$100 | \$150 | \$200 | \$250 |

Source: Merrill Lynch

Major Caveat

In addition to the inherent positive bias that we have seen in surveys (predictions tend to be more bullish than reality), a major caveat is that we did not ask the docs to predict shares for products that may be launched in the future.

Survey Screening / Methodology

Using a targeted internet-based survey conducted by Rood Research, we polled a sample group of 75 physicians. All the physicians polled are dermatologists with both therapeutic and cosmetic practices. The survey began on March 21 and closed on April 2. To participate in the survey, physicians had to:

1. Be board-certified dermatologists;
2. Have practiced for at least two years but no more than 35 years;
3. See 100 or more patients in a typical month;
4. Treat patients with Solodyn, Ziana, and Taclonex;
5. Perform 20 or more dermal filler procedures in a typical month; and
6. Use the dermal filler Juvederm.

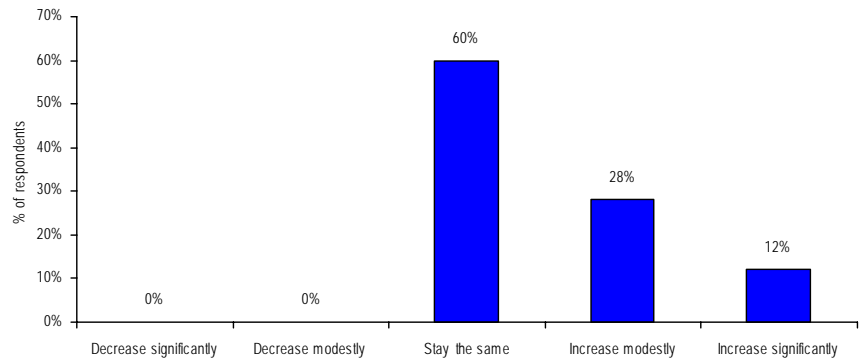
Of the 370 physicians that attempted to complete our survey, 75 (20%) met all of the inclusion criteria.

Survey Results

How do you expect the number of prescriptions that you write for topical antibiotics/retinoids for acne to change over the next 12 months?

Approximately 40% of the respondents expect their prescribing of topical antibiotics/retinoids for acne to increase over the next 12 months (12% expect a significant increase), while the other 60% of respondents expect their usage to stay the same. Importantly, none of the respondents expects their usage to decrease.

Chart 8: Expected change in topical antibiotic/retinoid use for acne over the next year (n=75)



Source: Merrill Lynch, Rood Research

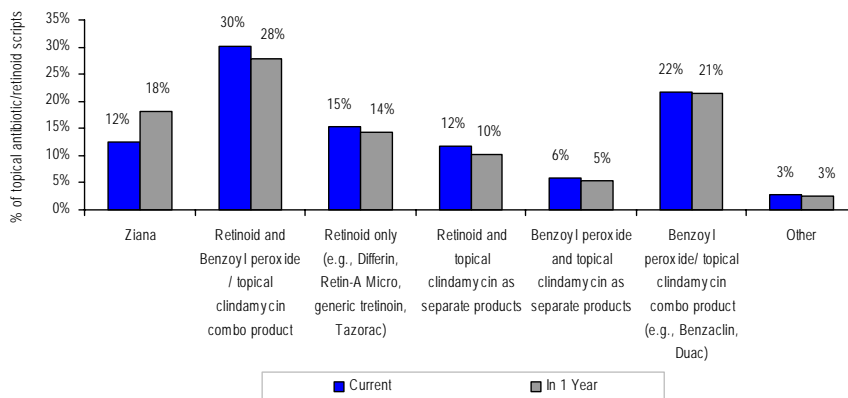
Considering all of the prescriptions that you currently write for topical antibiotics/retinoids for acne, please indicate the percentage of your total prescriptions that are written for each of the following products/ treatment regimens, and what you expect the breakdown to be in one year.

The most frequently prescribed regimen is a retinoid plus a benzoyl peroxide/ clindamycin combo product (e.g. Duac, Benzaclin) (30% of scripts), followed by benzoyl peroxide/clindamycin combo products alone (22% of scripts). Ziana already accounts for roughly 12% of prescriptions for these docs. It is important to note that the respondents are already familiar with Ziana, since only docs that prescribed the drug were enrolled in the survey.

The respondents expect their usage of Ziana to increase from 12% to 18% of scripts in one year. The docs expect their use of the other products/regimens to decrease slightly. The docs expect the regimen of a retinoid plus benzoyl peroxide/clindamycin combo product to remain a mainstay of treatment. A caveat to this question is that we did not ask the respondents to consider new products that could become available over the next year.

Interestingly, the benzoyl peroxide/clindamycin combo products (Duac and Benzaclin) are currently prescribed far more often than benzoyl peroxide and clindamycin as separate products (22% vs. 6%). Since the combo products are likely more expensive (generics of benzoyl peroxide and clindamycin are available), this suggests the potential for combo products such as Ziana to gain meaningful share due in part to ease of use and compliance advantages.

Chart 9: Prescribing of topical antibiotics/retinoids for acne – Current and in 1 year (n=75)



Source: Merrill Lynch, Rood Research

Other products/regimens cited (by 12 docs) include: Accutane, azelaic acid, benzoyl peroxide alone, erythromycin, Klaron, Metrogel, Plexion, retinoid + benzoyl peroxide + an antibiotic, retinoid + topical sulfa, sodium sulfacetamide, sulfur, and sulfa with others

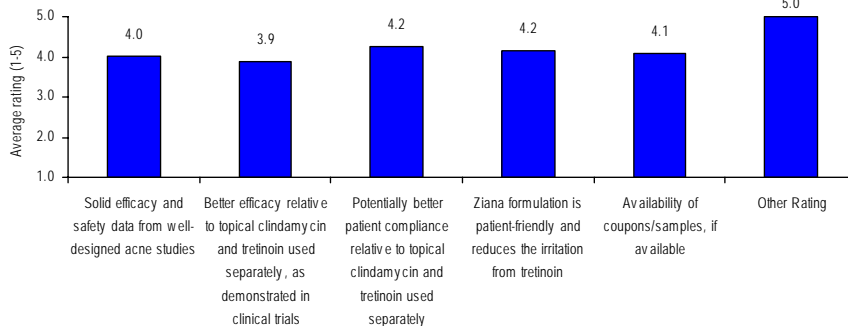
For approximately how many patients have you prescribed Ziana?

The docs have used Ziana quite a bit already (Ziana was officially launched in January 2007), prescribing the drug on average for 32 patients each.

When deciding whether to prescribe Ziana, how important are the following POSITIVE characteristics of the product relative to other available products? Please rate each attribute on a scale from 1-5, where 1=not important, 5=highly important.

The docs rated potentially better compliance and the patient-friendly formulation as the most important characteristics of Ziana. Many docs also discussed these benefits in response to a later open-ended question (see Tables 6-7). Availability of coupons/samples and solid efficacy and safety data were rated slightly lower, followed by better efficacy relative to clindamycin and tretinoin used separately.

Chart 10: Importance of POSITIVE characteristics for Ziana (n=75)



Source: Merrill Lynch, Rood Research

Table 4 shows the Other responses and ratings (written in by the respondents).

Table 4: Other POSITIVE characteristics

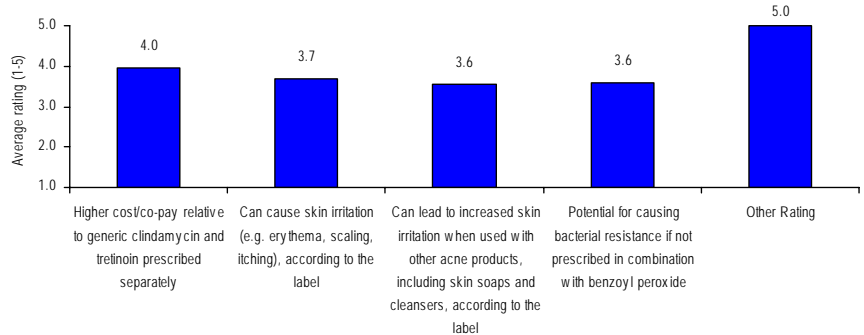
| Characteristic | Mentions | Average rating |
|----------------|----------|----------------|
| Sales reps | 1 | 5 |
| Price | 1 | 5 |
| Formulary | 1 | 5 |

Source: Merrill Lynch, Rood Research

When deciding whether to prescribe Ziana, how important are the following **NEGATIVE** characteristics of the product relative to other available products? Please rate each attribute on a scale from 1-5, where 1=not important, 5=highly important.

In terms of potential negative characteristics, the docs assigned the highest rating to higher cost/co-pay relative to generic clindamycin and tretinoin prescribed separately. Can cause skin irritation (alone or when used with other products) along with the potential for causing bacterial resistance if not used with benzoyl peroxide received modestly lower ratings. Several docs also commented on these issues later in the survey. The risk of leading to bacterial resistance is inherent to topical antibiotics (e.g. clindamycin), and is addressed by concomitant use of benzoyl peroxide, which has powerful anti-infective activity. Note that a Citizen Petition (CP) has been submitted to the FDA asking the agency to consider this issue with respect to Ziana.

Chart 11: Importance of NEGATIVE characteristics for Ziana (n=75)



Source: Merrill Lynch, Rood Research

Table 5 shows the Other response and rating.

Table 5: Other NEGATIVE characteristics

| Characteristic | Mentions | Average rating |
|--------------------|----------|----------------|
| Patient acceptance | 1 | 5 |

Source: Merrill Lynch, Rood Research

How would you rate the clinical benefits offered by Ziana relative to topical clindamycin and tretinoin used separately on a scale of 1 to 5, where 1 = no clinical benefit and 5 = significant clinical benefit?

On average, the docs rated the clinical benefits of Ziana relative to topical clindamycin and tretinoin used separately at 3.6 on a scale of 1-5 (closer to the significant benefit end of the scale).

Please offer any thoughts on Ziana (pros and cons) and how you think the product will fit into clinical practice in the coming years.

09 April 2007

Table 6: Physician comments on Ziana

It is two medicines for one copay, it has better compliance.

I think it has a niche, but because both products are essentially generic it needs to show it is more effective than the generic equivalents used in concert.

I love the idea, anything that will increase compliance is a positive for me.

Useful for patients with very mild acne who want a simple/streamlined regimen.

Very difficult to prescribe the product. I don't like low dose generic retinoids and I don't like clinda without a BP product.

Once it gains better insurance coverage--I think it will carve out a nice niche.

It is an interesting med, but I am worried about bacterial resistance.

Still too early to tell. Studies frankly are fairly worthless in this case except whether the combination is a valid one. Efficacy is to be determined. I have seen countless studies on new products that are very impressive yet the products disappoint.

Needs to have various strengths of tretinoin, but now can be used in combo with BPO.

For patients that cannot tolerate benzoyl peroxide products for various reasons.

Great for chest acne, back acne as it spreads so easily.

Combining the two medicines will increase compliance among young folks. The medicine is also in a moisturizing, patient friendly base, which helps counteract the irritation. The medicine is expensive and not covered by everyone right now, which is a real issue. Doctors don't like getting call backs. Also it is difficult to titrate the tretinoin with Ziana.

Expensive....need to work with clinically to see if it lives up to the marketing expectations.

Good for pseudofolliculitis barbae, acne; should use in combo with Benzoyl wash to prevent resistance.

Ziana offers a good alternative for patients who have irritation with other retinoids. As a combination product it also eliminates a step for acne patients with often overloaded treatment regimens.

I love the vehicle! It is almost a liquid gel which makes it easy to apply a THIN film, thereby increasing compliance because of less irritation.

Increased compliance with single combination therapy.

Two in one product - better compliance - less irritation.

Right now I use a lot of Benzacilin or Differin along with a retinoid and I can't use those two products in addition to Ziana.

Excellent combo option. Provides another option for acne vulgaris treatment.

1 step makes compliance easier for the busy patient.

Synergistic compared to using the products alone.

I would love to use it more, if insurance would cover or if it was affordable.

Can increase compliance with daily dosing. If well covered by insurance plans, I am likely to increase prescribing.

Retinoid with less irritation and tolerability and efficacy and less side effects.

Pros are combination. Con is cost, possible resistance issues.

I use mostly BPO-clinda combos to decrease resistance, also prefer Tazorac to tretinoin.

It really depends on cost, patient acceptance, and insurance coverage.

Pros: useful combination product to increase efficacy and patient compliance. Cons: high cost, irritation and dryness noted by some patients. Flows out too easily from tube if not carefully opened.

Less irritation than bpo alone. Worry about p. acne resistance.

I like the qd dosing and synergy offered by the combined products.

Better for compliance for younger patients. Only one product instead of two products. Therefore, teenagers are more likely to apply the medication.

I would be willing to write a lot more of this product if I knew it would be covered by most insurances. I think it could replace my use of Retin A micro for those who use the lower strength. It would be nice if Ziana came in a stronger form of tretinoin.

Will use sometimes....not a great addition over what is currently available.

Combo product will increase pt compliance, which increases potential for efficacy; downside is irritation.

qd dosing is a very significant aspect of the product.

It is very helpful to finally have a combined product with a retinoid and should increase compliance.

Great product. Non-irritating. Will continue to be an important product in the acne market.

Interesting product however worried about bacterial resistance and vehicle to drive the tretinoin in.

Works well and is well tolerated, so I think I will prescribe it more and more.

I like the advantage of one product having both a retinoid and an antibiotic as an anti-inflammatory agent and also a comedolytic combined. I expect better patient compliance for a simplified but effective regimen costing less than two separate product copays.

Compliance, less irritation than competing retinoids. Good for new start patients.

Effective with combination therapy and useful with fewer drugs.

It increases compliance and patients will get two active ingredients for one co-pay.

Patients genuinely seem to be less irritated by the product than with clinda/retinoid separately.

As the cost comes down or it shows up on formularies and patients have tried it.

Better pt compliance/ease of use, inc risk of irritation.

Source: Merrill Lynch, Rood Research

Table 7: Physician comments on Ziana

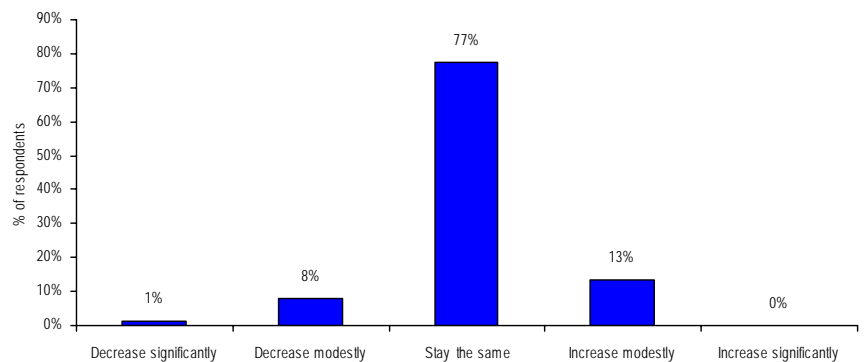
Will cause increased bacterial resistance, will fall out of favor.
 Best characteristic is compliance - 2 meds with the effort of applying just one; should have a solid place in armamentarium.
 If it proves to be less irritating than a retinoid alone (as advertised), then it may replace many of the various retinoid prescriptions. Other combination products have been useful in the past. I have never found clindamycin alone to be very effective, but perhaps the combination will provide some synergy--I haven't yet used it enough to know.
 I will use it if the results are good and if the health care plans cover it and it is tolerated well by the patient.
 It's tough so far - most insurance plans are not covering it and patients don't want to continue using it after samples run out.
 Great for patient compliance given only one product. May use benzoyl peroxide wash in addition.
 Expense may not justify the convenience of a single application.
 It will become a very successful product, it will be prescribed more and more, it will cause minimal irritation.
 Better compliance, less irritation with a single product. Cost is the main negative.
 It is a good product but you still have to prescribe a benzoyl peroxide otherwise bacteria will develop resistance. Therefore patients will still have to put on 2 products which is exactly what they are doing now with a retinoid separate from a combo product of clinda/BP. But it does give you more flexibility in what BP you give the patient. Now you can give Ziana and a BP wash or soap bar instead.
 If it continues to be effective for patients, its use will increase as it does make it easier to use and likely patients are more compliant.
 As formulary coverage improves, it will become a first line agent.
 It will be part of the regimentarium; it is too sticky.
 I think it is going to be a great medication the more we learn.
 The pros: good efficacy and tolerability, large tube (good value). The cons: Ziana may not be a strong enough product for patients with severe acne. Overall, I believe that Ziana will be a valuable product for mild/moderate acne patients.
 Afraid to prescribe it because the company's products are very expensive and have poor insurance coverage.
 Mainstay of topical therapy in moderate and severe acne.
 Patients may be more compliant with single combo agent. However, if irritation or if want to increase or decrease the strength of the Retin A, can't do so.
 Compliance with the patient. Better tolerated than individual products applied separately.
 I like the early response my patient population has demonstrated.
 Cost is a problem as is lack of coupons, see increase in use if these are addressed.
 Low cost and very effective therapy. I like it a lot.
 Ziana has been a pleasant surprise to me with so far no call backs regarding irritation. It will greatly enhance compliance. I am awaiting my patient follow ups to judge efficacy for myself.
 Would prefer the gel in a pump dispenser as this would ensure appropriate dispensing and use.
 Needs lower copay, different strengths.
 I like the idea of the combination. I believe compliance will be better.
 My patients really appreciate the ease of only having to use one medicine. I like that it works quickly on pustules while attacking comedones as well.
 Ziana is a good combo. Once daily dosing makes it easy to use. Also it translates into only one co-pay. Hopefully the promise of improved results will turn out to be proven in practice.
 Possibility of irritation may limit its use. Cost is a major concern compared with generic products.

Source: Merrill Lynch, Rood Research

How do you expect the number of prescriptions that you write for oral antibiotics for acne to change over the next 12 months?

The majority of respondents expect their prescribing of oral antibiotics for acne to stay the same over the next 12 months. Approximately 13% expect a modest increase, while 9% expect a decrease. Overall, the responses suggest the market could remain relatively flat over the next year.

Chart 12: Expected change in oral antibiotic use for acne over the next year (n=75)

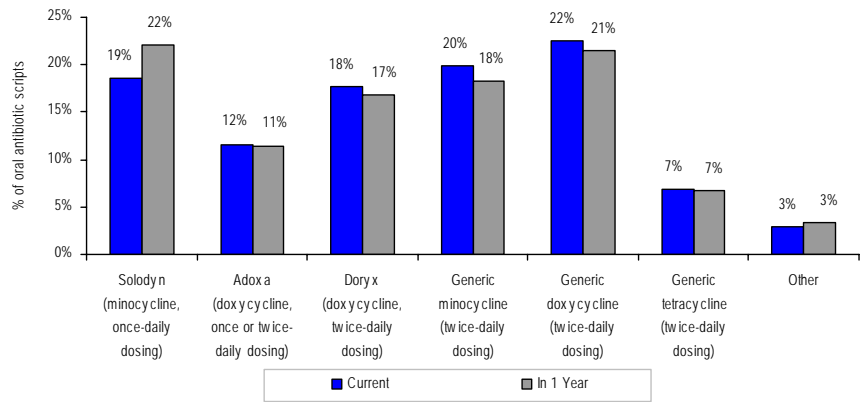


Source: Merrill Lynch, Rood Research

Considering all of the prescriptions that you currently write for oral antibiotics for the initial treatment of acne, please indicate the percentage of your total prescriptions that are written for each of the following products, and what you expect the breakdown to be in one year.

The docs most frequently prescribe generic doxycycline (22% of scripts), followed by generic minocycline (20% of scripts). Solodyn (once-daily minocycline) accounts for 19% of scripts, followed by Warner Chilcott's Doryx (doxycycline) at 18%. Solodyn is the only product the docs expect to prescribe more frequently in one year, with share increasing modestly to 22% (slightly surpassing generic doxycycline).

Chart 13: Prescribing of oral antibiotics for the initial treatment of acne – Current and in 1 year (n=75)



Source: Merrill Lynch, Rood Research

Other products/regimens cited (by 18 docs) include: Amoxil, Bactrim, Minocin, doxycycline once a day, erythromycin, erythromycin/Bactrim, Keflex, Oracea, and Zithromax

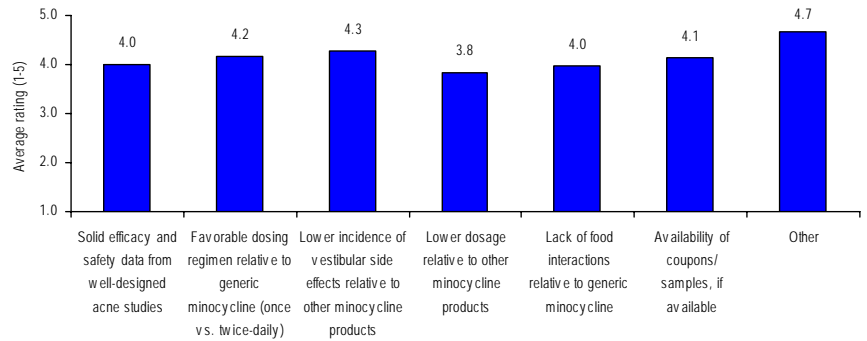
For approximately how many patients have you prescribed Solodyn?

The docs have a fair amount of experience prescribing Solodyn, having treated an average of 69 patients each. Solodyn was launched in July 2006.

When deciding whether to prescribe Solodyn, how important are the following POSITIVE characteristics of the product relative to other available products? Please rate each attribute on a scale from 1-5, where 1=not important and 5=highly important.

The docs rated the lower incidence of vestibular side effects relative to other minocycline products and favorable dosing regimen (once-daily vs. twice-daily) as the most important characteristics with respect to their decision to prescribe Solodyn. The availability of coupons/samples was rated slightly lower, followed by solid efficacy and safety data and lack of food interactions.

Chart 14: Importance of POSITIVE characteristics for Solodyn (n=75)



Source: Merrill Lynch, Rood Research

Table 8 shows the Other responses and ratings.

Table 8: Other POSITIVE characteristics

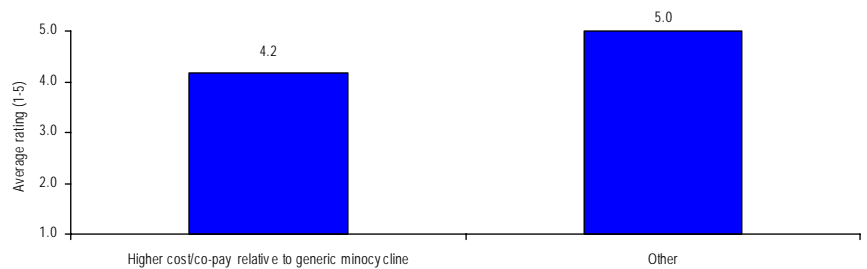
| Characteristic | Mentions | Average rating |
|----------------|----------|----------------|
| Sales reps | 1 | 5 |
| Price | 1 | 5 |
| Less GI upset | 1 | 4 |

Source: Merrill Lynch, Rood Research

When deciding whether to prescribe Solodyn, how important are the following NEGATIVE characteristics of the product relative to other available products? Please rate each attribute on a scale from 1-5, where 1=not important and 5=highly important.

The docs rated higher cost/co-pay relative to generic minocycline at 4.2 on a scale of 1-5, indicating that it is an important consideration. Cost is a significant concern for many of these docs, which is further illustrated by their comments in Tables 10-11.

Chart 15: Importance of NEGATIVE characteristics for Solodyn (n=75)



Source: Merrill Lynch, Rood Research

Table 9 shows the Other responses and ratings.

Table 9: Other NEGATIVE characteristics

| Characteristic | Mentions | Average rating |
|---|----------|----------------|
| High number of calls from pts and pharmacists on cost | 1 | 5 |

Source: Merrill Lynch, Rood Research

Please offer any thoughts on Solodyn (pros and cons) and how you think the product will fit into clinical practice in the coming years.

09 April 2007

Table 10: Physician comments on Solodyn

| |
|---|
| We like minocycline. This has fewer side effects. Because we have coupons we can write minocycline again. |
| I will continue to use it more. It will likely become the dominant minocycline product in the future. |
| If it works as advertised and will be covered, I will use it. |
| Despite weight based dosing, still seeing incidence of dizziness, and irritation. I don't find it to be an advantage above other minocyclines. |
| Not covered very well yet, thus making it difficult to justify 150-200 dollars over generic. |
| When price is lower it will be used more. The time release feature is great. |
| Solodyn has proven to be a very effective medication, however its cost is prohibitive for many patients. |
| I especially like it when my patients have been referred and others have tried other things. Will discuss high cost with parent or patient. |
| I like the low incidence of side effects compared to generic mino. |
| It will not since this medication cannot possibly alter acne treatment that much. |
| It is embarrassingly expensive, especially when the pharmacist tells the pt they can get a generic for \$10. |
| Solodyn is dosed based on weight, which is not convenient to dose. The medicine is poorly covered and is very expensive. It does have a role in keeping acne suppressed, but insurance companies need to start paying for it. |
| Con is high cost and co-pay.....pro is once a day! |
| Will be gold standard in treating acne as it has the most data and FDA approval. |
| Solodyn allows me to give patients another option that believe they are dependent on the full dose of an oral antibiotic to stay clear. I feel more comfortable with my patients on a lower dose of medication and their acne generally responds well to Solodyn. |
| Minocycline is not my first-line oral abx, but the expense is a BIG negative. When I prescribe it, I never know how much insurance will cover. Pts have been asked to pay over \$400 per Rx! |
| Increased compliance and better side effect profile. |
| Once a day dosing - better compliance - efficacious. |
| Most patients don't want to pay the higher-tiered copay for this product and want to be on a generic. |
| Solodyn is a decent option for acne vulgaris treatment, but is way over-priced!!!! |
| Ease of use for the patient. Weight dosed, more compliance with 1x a day. |
| Increased patient compliance will always be more effective. |
| This product is way too expensive; not worth the cost. |
| Solodyn has increased compliance with minimal side effects and great results. I will continue to prescribe but some plans deny coverage. |
| Effective with fewer side effects and lower dose, once a day, with no concern about food. |
| The drug is well tolerated and easy to use-it is way too expensive and often not covered. |
| I think I will to continue to use a lot of this product. |
| It remains to be seen how well it compares to the many available treatment modalities. |
| Pros: useful product in acne and rosacea. Increased delivery of medicine and decreased side effects. Cons: very high cost if not covered well. |
| Well tolerated, but very expensive as to generic. |
| Good product, like the qd weight based dosing. Lots of calls from patients that it's too expensive despite coupons. |
| The use of Solodyn as a product for the treatment of acne shall continue to find a place in my clinical practice in the coming years since it is better for compliance...being once daily dosing. |
| I have found it to be very effective and much less side effects. I will write more of it if it is covered by insurance. |
| Don't use that much minocycline...will use when needed. |
| Nice to have lower dosing of minocycline, but cost and insurance coverage can be problematic for pts. |
| qd dosing is a significant improvement in minocycline dosing. |
| I think it is a great product and would prescribe it most of the time except the cost is prohibitive quite often. |
| Great product. Very few complaints. Great efficacy. |
| Appears to work very well, however very expensive and not covered by most insurance plans. |
| It is a great medication, but too expensive for many patients and not covered universally by insurance. |
| I like the efficacy with only once a day dosing and no food interactions and lack of vestibular side effects. Patient complaints are of high copays. |
| It is quite expensive and from my experience has not been working any better than generic minocycline. |
| Lower dose with fewer side effects. Use in broader spectrum of patients. |
| I think the once a day dosing increases compliance but we must have rebate coupons and it must be covered. |
| Cost is the most pressing issue against prescribing. |
| Price will come down as prescribing increases or pts will become more familiar and want it. |
| Dosage based on weight/compliance, but extremely costly. |
| Too expensive. I feel Medicis is ripping off whoever pays for the product. |
| Great from standpoint of compliance and lower side effects; I love it, but the price is so high. |
| I'm not sure it will fit much into my clinical practice, since I have been quite satisfied with generic minocycline. So why should I change to something more expensive? |
| It works well and is one time a day. The cost is too much and patients are upset. I don't like coupons, I am not a supermarket I am a doctors office. |
| This drug is not covered in South Florida - 9/10 of my prescriptions are coming back! |
| Great for compliance with daily dosing however too expensive for many patients. |

Source: Merrill Lynch, Rood Research

Table 11: Physician comments on Solodyn

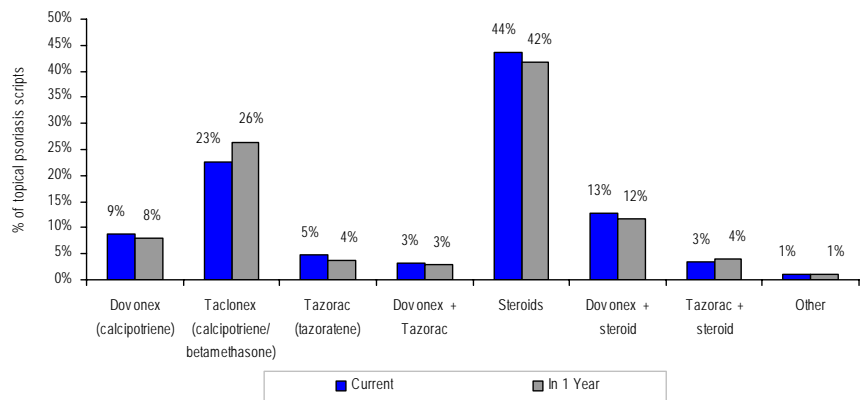
Price is ridiculously high for slightly superior product.
 Very expensive. Most of my patients complain about how expensive it is and do not want to buy it.
 I have not seen any data showing this product is better than generic minocycline but its cost is too high.
 It is a good product just need better coverage on insurance as many patients will not pay the high co-pay without a coupon. But once a day dosing is easier for patients to comply with and better results.
 It also will increase--it is effective and better tolerated, especially with once a day dosing.
 Solodyn has the advantage of once daily dosing with slightly less side effects compared with generics. Use should increase as long as available coupons and formulary status stays favorable.
 It is too expensive and works as well as other meds; it is good to have something different, though.
 Cost is a big factor with the medication, and needs to be decreased.
 The pros: good efficacy and tolerability with a very convenient dosing schedule. The cons: can be very expensive and still carries the risk of lupus-like syndrome and other side effects. Overall, I believe that Solodyn will be a product that I use more over the next year as I become more comfortable with it.
 It's just too expensive and so many patients now have plans that just pay for generics or they have a really high deductible and they just want generic.
 It will always be my first line of oral antibiotic therapy.
 Reasonable product, but the cost to patients is an issue. I do think it's an effective drug but I fear some of the potential side effects which are inherent even to the generic.
 Once daily dose and lesser side effects assure compliance. Insurance coverage and out of pocket expense for the pt will be a problem.
 Patients respond well and seem happier on Solodyn.
 Cost is the main problem and the difference in dosage with generic is not worth the expense to most patients.
 Cost effective and therapeutic benefit noticed.
 My usage of Solodyn will only increase if the cost of the medication is lowered. It is offensive that 30 of these costs over \$400, its benefits over generic minocycline are not great enough to offset the cost.
 Solodyn is not being covered by any HMO Rx plans in my area thus patients are requesting generic products.
 Different dosing and strengths, lower copays, more effective.
 I like the idea of once daily dosing by weight for better compliance.
 It really seems to work better than generic minocycline with a much lower incidence of minocycline side effects.
 I think lower doses of systemic antibiotics are normally the best way to go. My major concern is the cost of the med as opposed to costs of generics. Lower side effects are obviously desirable but they are relatively minor anyways.

Source: Merrill Lynch, Rood Research

Considering all of the prescriptions that you currently write for topical psoriasis products, please indicate the percentage of your total scripts that are written for each of the following products, and what you expect the breakdown to be in one year.

Steroids represent almost half of the docs' current prescriptions for topical psoriasis products. Taclonex accounts for 23% of current prescriptions, followed by the combination of Dovonex and a steroid (13%) and Dovonex alone (9%). The docs expect Taclonex use to rise modestly in one year to 26% at the expense of most of the other regimens (Tazorac plus a steroid is expected to rise slightly). Note that we did not specifically ask the docs to consider how their use could change when generic Dovonex becomes available (possible in early 2008).

Chart 16: Prescribing of topical psoriasis products – Current and in 1 year (n=75)



Source: Merrill Lynch, Rood Research

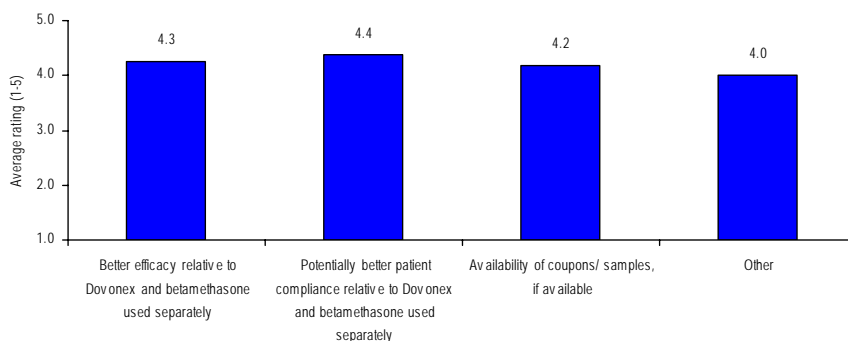
Other products/regimens cited (by 4 docs) include: Lidex, Taclonex plus steroid, tar, and tar formulas

For approximately how many patients have you prescribed Taclonex?
On average, the docs have each treated approximately 85 patients with Taclonex, which has been available since launch in April 2006.

When deciding whether to prescribe Taclonex, how important are the following POSITIVE characteristics of the product relative to other available products? Please rate each attribute on a scale from 1-5, where 1=not important and 5=highly important.

The respondents assigned the highest ratings to potentially better patient compliance relative to Dovonex and betamethasone used separately (4.4 rating), followed closely by better efficacy relative to the individual components (4.3 rating), and the availability of coupons/samples (4.2 rating).

Chart 17: Importance of POSITIVE characteristics for Taclonex (n=75)



Source: Merrill Lynch, Rood Research

Table 12 shows the Other responses and ratings.

Table 12: Other POSITIVE characteristics

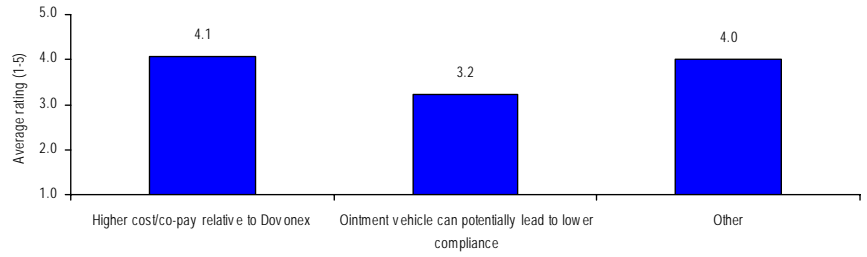
| Characteristic | Mentions | Average rating |
|--------------------|----------|----------------|
| Great for fissures | 1 | 4 |

Source: Merrill Lynch, Rood Research

When deciding whether to prescribe Taclonex, how important are the following NEGATIVE characteristics of the product relative to other available products? Please rate each attribute on a scale from 1-5, where 1=not important and 5=highly important.

Continuing a theme in the survey results, the docs assigned the highest rating (4.1) to higher cost/co-pay relative to Dovonex (we used Dovonex as the comparator since we assume that betamethasone is relatively inexpensive and not a deterrent to prescribing). The docs did not seem particularly concerned that the ointment vehicle could lead to lower compliance (some patients prefer other formulations, such as creams, which tend to have a less “greasy” texture).

Chart 18: Importance of NEGATIVE characteristics for Taclonex (n=75)



Source: Merrill Lynch, Rood Research

Table 13 shows the Other responses and ratings.

Table 13: Other NEGATIVE characteristics

| Characteristic | Mentions | Average rating |
|-------------------|----------|----------------|
| Price too high | 1 | 5 |
| Ineffective | 1 | 5 |
| Can't use on face | 1 | 2 |

Source: Merrill Lynch, Rood Research

How would you rate the clinical benefits offered by Taclonex relative to Dovonex and betamethasone used separately on a scale of 1 to 5, where 1=no clinical benefit and 5=significant clinical benefit?

The docs rated the clinical benefits of Taclonex relative to Dovonex and betamethasone used separately at 3.9 on the 1-5 scale. The responses suggest that the docs view the clinical benefits of Taclonex relative to its component drugs as more significant relative to the clinical benefits of Ziana relative to its components.

Please offer any thoughts on Taclonex (pros and cons) and how you think the product will fit into clinical practice in the coming years.

09 April 2007

Table 14: Physician comments on Taclonex

| |
|---|
| I think it's that people will use Clobex spray or Taclonex. One or the other. Probably a 50/50 distribution. |
| Taclonex is an excellent product that should supplant the use of topical steroids and Dovonex as separate agents. |
| More competitive pricing. Use of coupons. If I can spend more time treating pts and less talking to insurance co. the better. |
| Very very very expensive. This is the biggest limiting factor to prescribing! |
| Taclonex is a very effective medication, but sometimes it is very difficult to get coverage at times. |
| Taclonex is a great drug with proven clinical efficacy. Once insurance coverage is increased, it will become the gold standard for topical psoriasis tx. |
| Taclonex is an excellent medication, the cost is not as prohibitive as the cost of 2 copays for a steroid/dovonex combo. It has proven increased efficacy. |
| Very good for hands and feet and fissures. Difficult to use in widespread areas like any other topical. Not as strong as Clobex spray. |
| Good for hand eczemas as well as psoriasis, can be used for longer periods of time. |
| It may fit in the future since compliance of two medications in one vehicle offers a distinct advantage. |
| It is great but too expensive - maybe lower the price by \$50. |
| I really like using Taclonex. The medicine is safe, effective and convenient for the patient. Clinical trials have shown it to be very effective and safe. Insurance companies seem to be paying for it as well. |
| Synergy in efficacy by combining both products...ointment works better as base. |
| I'd use it more but the patients with extensive disease usually get biologics now. |
| Taclonex eliminates a step for psoriasis patients, leading to greater compliance. However, it does not allow my patients to take a break from the steroid since the 2 medications are combined in one product. |
| Although the drug is expensive, the rationale for higher cost of manufacturing (to prevent the respective pH of each from decreasing the effectiveness of the other) justifies the cost. Also, the efficacy data is impressive. |
| Increased compliance with once a day dosing. A little expensive. |
| Two in one product - better compliance - really works. |
| It is a good product, but very expensive. Most patients don't want to pay the higher tiered copay for it, and for some it is not covered by their insurance. |
| Taclonex is an excellent option for psoriasis, but MUCH TOO EXPENSIVE!!!!!! |
| Too expensive, limited use once the 1 month is over. |
| Patients have not reported a better efficacy using the medication to date. |
| It is a wonderful product, but the cost is prohibitive. |
| As a once daily product, it increases compliance. Even though it is an ointment (which is better), pts can apply at night. |
| Effective, convenient once a day with single copay and more effective. |
| It is the best topical I have ever used; however price is major barrier. |
| I think Taclonex is a great product, but \$450/35 gm tube is ridiculous. |
| It is so horrendously expensive not everyone improves on it. |
| Pros: offers a nice combination product of two commonly used psoriasis medicines. Cons: ridiculously expensive. |
| Superior to products used alone and compliance benefits. Very expensive, but rebates do help. |
| I like the qd dosing and quick response to therapy and good efficacy. |
| Taclonex is a product that will fit into my clinical practice in the coming years since it is a combination product so that patient compliance shall be improved. |
| Taclonex is too expensive but appears to be easier to use than the multiple products alone. Side effects may be less as well but patients do not like ointments. |
| Don't plan to use it much...prefer separation of products used. |
| NICE TO BE combo product, but cost and insurance coverage can be problematic for patients--also need to get more used to writing it as it is a good product. |
| qd dosing great: much more effective product than Dovonex used separately along with a separate topical steroid. |
| Great product and will increase in use in the future. |
| The combo product works much better than Dovonex and steroids used separately. It's less greasy than Dovonex ointment, which is the only form of Dovonex that I use (since the cream and solution aren't nearly as effective). |
| Excellent product that patients tolerate well and are happy with - if could be creamy instead of greasy would be better. |
| Very good medication will be very much prescribed. |
| Better efficacy than either agent alone and better compliance with one product-- a true homerun. |
| Love this product, get great efficacy results and better compliance due to once a day. |
| With combination product, fewer second prescriptions and very potent. |
| I like the combination product but I'm not sure it works better than the two products separately. |
| Exciting when it came out, but clinical benefit has not shown to be much better than components alone. |
| Nice combo of both meds that has been used in Canada for a while and had good results. |
| Ease of use/compliance for the pt. COST/available only in 60 gram tube. |
| Too expensive. Problems starting with insurance. |
| I don't know if it's a compliance issue, or a vehicle issue, but Taclonex seems to work much better than a regimen which includes individual Dovonex and a topical steroid. |
| I think it is an amazing product--very effective, but much too expensive!! One patient told me he was charged \$400!!! |
| I like the idea of a steroid and vit d compound, but it is too expensive and patients are upset. The one time a day is good. |
| Just the expense - can't give it to patients without a drug benefit & many plans won't pay for it. |
| Hopefully will become more affordable for patients. |

Source: Merrill Lynch, Rood Research

Table 15: Physician comments on Taclonex

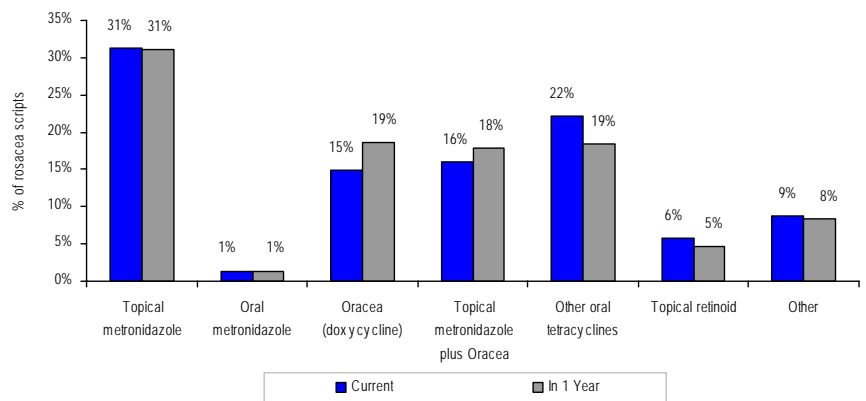
Good idea but cost prohibitive in relation to the slight clinical advantage.
 Again it is very costly and patients complain a lot about the price. It increases compliance and is a great drug.
 Easy to use as combo with no dilution of the 2 products by mixing together.
 Great product for patients who can get it covered or pay the higher co-pay. However I have many patients who are upset by the cost and call to ask for a lower priced generic medication.
 It will become a mainstay of therapy as it works great for many patients and is easier to use with once a day dosing.
 Currently have had trouble getting coverage for Taclonex. If this formulary hurdle continues - usage will not increase even though it has benefits.
 Easier to use; data suggests better efficacy; we will see.
 Excellent medication with good patient outcomes.
 The pros: great efficacy and once-daily dosing. The cons: high cost and ointment base. Overall, I believe that I will prescribe Taclonex more in the future as insurance companies are more willing to have the drug on formulary.
 Can they do a shampoo and a spray/foam/lotion for the scalp?
 Taclonex will always be my first choice for moderate to severe psoriasis.
 Useful as a single agent. Patients seem to like it and it seems to encourage the calcipotriene compliance. Otherwise, sometimes patients don't use their topical Vit D analog as much as they do the steroid.
 Patient prefer the formulation esp for thick scaly plaques. Insurance coverage and higher copays limit the use despite the availability of coupons to offset the co pay.
 Other than the cost, I like the results I've seen in my patients.
 This is a good product but cost is a major consideration.
 Good drug and it is safe and cost effective. Can be used in my practice.
 I very much like this product, however once again cost becomes an issue. I have had some patients whose insurance has refused to pay for refills.
 Very nice product. Would like to prescribe it more but local prescription plans will not approve it.
 Better patient compliance and more effective dosing.
 Great statistics, good compliance (once daily dosing). Already fitting into my armamentarium.
 Taclonex is impotent. It is weak and disappointing given its ridiculous price.
 Taclonex is a nice product. The combo is not irritating and easy to use. Major problem is the cost of the product compared with the generics. Once a day use is nice as there is only one copay. Taclonex is greasy.

Source: Merrill Lynch, Rood Research

Considering all of the prescriptions that you currently write for the treatment of rosacea, please indicate the percentage of your total scripts that are written for each of the following products, and what you expect the breakdown to be in one year.

The most frequently prescribed product is topical metronidazole, followed by oral tetracyclines (includes doxycycline, minocycline, and tetracycline products), all of which are available as generics. Oracea (low dose doxycycline) as monotherapy accounts for 15% of scripts, while Oracea plus topical metronidazole accounts for 16% of scripts, for a robust total of 31%. The docs expect Oracea (mono and combo) use to rise to 37% in one year.

Chart 19: Prescribing of rosacea products – Current and in 1 year (n=75)



Source: Merrill Lynch, Rood Research

Other products/regimens cited (by 26 docs) include: azelaic acid, Finacea, Finacea + minocycline, Finacea + sulfa, Rosac, sodium sulfacetamide, sulfa-sulfur, and topical Metro + Finacea

For approximately how many patients have you prescribed Oracea?

The respondents were experienced with Oracea, having each prescribed it on average for 49 patients. Note that the survey did not specifically screen for Oracea users. Approximately 95% of the docs prescribe Oracea (71 of the 75 docs that completed the survey).

Please offer any thoughts on Oracea (pros and cons) and how you think the product will fit into clinical practice in the coming years.

09 April 2007

Table 16: Physician comments on Oracea

There is minimal side effects. It is a matter of believing the efficacy. I have to convince myself that it works as well as high dose antibiotics.

I don't think this product is really anything special. Who cares if its a sub-antimicrobial dose of doxy? Doxycycline resistance isn't that big a problem anyway.

Love the product. Works well in clinical practice. Side effect profile very good.

Submicrobial antiinflammatory dosing attractive for patients and myself. Will probably increase use if cost/copy isn't a persistent negative factor.

Seems to be very effective. Like the dosing schedule. Needs to get covered by more insurance companies.

The time-release and submicrobial dosage are of significant benefit.

It appears to be a positive medication that will be increasing in use within my practice in the coming years.

Often times too expensive. Patients who use it do well on it. Have been using it a lot in my anti-aging regimen due to its anti-inflammatory effects.

I do not see any use of it for rosacea, I do not intend to Rx this product.

It's too expensive but perhaps may use it more in the future.

It is best for mild to moderate rosacea. Severe rosacea needs higher dose doxycycline.

Oracea is an effective medicine for the papular component and also somewhat for the macular telangectasic component of rosacea. It does not allow for bacterial resistance because it is subantimicrobial and is in an extended release formula. The medicine seems to have good coverage.

Once a day submicrobial dosing...safety and patient acceptance.

I'd use it more, but a lot of my rosacea patients have no pimples, only redness, which is best treated with the laser.

Oracea provides a good option for control of rosacea with an oral antibiotic with very little to no side effects normally associated with that medication. It has been especially helpful in patients who experience stomach upset with a full dose of doxycycline.

I agree with the concept that you don't need a high dose Abx to achieve the anti-inflammatory effect.

Better compliance and less side effects than traditional antibiotics.

Great treatment - good patient compliance - effective.

It is a good product. Some patients say it works better than other forms of tetracycline, others feel it is too expensive and prefer to be on generic doxycycline.

Oracea is a good option for rosacea but too expensive!!!

Once a day regimen, ease of use, no antibiotic side effects.

The better compliance and efficacy will result in happier patients.

Wonderful drug: very costly, so would use more if affordable.

It's submicrobial dose offers a safe option for long term maintenance.

Safe and effective and convenient with sub antimicrobial dose and placebo like side effects.

It is a moderately effective agent-very few side effects.

I like the idea of having a subantimicrobial choice for an oral RX.

It remains to be seen what advantages it will show vs. its cost.

Pros: effective medicine, advantages of minimizing bacterial resistance or flora changes, decreasing yeast infections. Has been covered pretty well. Cons: none yet.

Safe and effective, but expensive. Pharmacies try to substitute.

I like the qd dosing, the strong anti inflammatory action, but that the body doesn't really see it as an antibiotic.

The dose of medication treats the inflammatory component and not the antibacterial component.

Easy dosing, lower cumulative dose, few side effects.

Prefer generic doxycycline...due to cost issues.....will use on occasion.

Like the lower anti-inflammatory dose and the once a day, but wonder re cost to pts vs the 20 mg Periostat bid.

qd dosing is great - far better than with Periostat

Great product but is slow to take effect. Most patients will see a benefit if they stay with the medication but it can take a couple of months to see a benefit. It will take over more of the market later on if there can be good insurance coverage and if the patients can stay compliant for the necessary amount of time.

Don't think it's effective. I find minocycline and tetracycline work much better.

I like the immediate and delayed response aspect to this medicine and seems to work well.

Very good medication, sometimes not covered by insurance and then much more expensive than tetracycline.

Lower dose lets me worry less about antibiotic resistance but get the benefits of the antiinflammatory action of the agent.

Too expensive for Medicare rosacea patients, not really all that efficacious.

Good medication, using lower antiinflammatory dose with minimal side effects.

I think it is good for long term therapy for rosacea but it must be covered and we have to have rebate coupons.

Good response from patients, however high copay for most.

Nice low dose. The only problem is cost as I haven't found it covered but patients are willing to pay for decreased photosensitivity.

Once a day dose/few side effects/no inc risk of resistance, etc. COST/formulary status.

Not clear if you leave patients on Oracea long term (eg. years).

Great for compliance, low side effects, and absence of resistance - very costly though.

I anticipate using it more because of concern re antibiotic resistance, increase of MRSA infections, etc. Many patients would rather not be on an antibiotic, and using Oracea for its anti-inflammatory effects is intriguing.

It is too expensive...I like the low dose anti inflam property and I have good results, one time a day is good.

I love the concept - unfortunately the plans in South Florida are not paying for it.

Great for perioral dermatitis in addition to acne & rosacea.

Source: Merrill Lynch, Rood Research

Table 17: Physician comments on Oracea

Price is much higher than generic for minimal clinical advantages.
 It works great, it has easy qd compliance, it works very fast, patients love it.
 Little to no side effects because of no antibiotic effect, but I don't know if I see as good results as antibiotics.
 Great product for rosacea. Good coupons and good patient compliance. Works very well especially in combo with topical medications.
 It will cont to increase as it is likely safer (less resistance) and easy/well-tolerated dosing.
 Oracea will be a niche product for people will fears of antibiotics. Not as effective as higher dose.
 New oral med: will see if it works: do not believe it.
 I think my usage will continue to grow over the years.
 The pros: good efficacy and very tolerable (even in female patients who are prone to yeast infections). The cons: can be expensive and some patients need higher doses. Overall, I still don't have a good feel on how Oracea will fit into my practice in the coming years.
 Use for acne and possibly other indications, but maybe its too expensive, plus can use generic doxy 20 bid.
 It is the best and most convenient oral antiinflammatory agent.
 Newer drug that seems to be effective but the higher copay is an issue. Otherwise, nothing magical about it and no higher or lower incidence in side effects, in my experience.
 Low dosage oral therapy reduces any significant side effects from the medication.
 Excellent results so far. I will continue to use it.
 A good product. Availability of samples would be helpful.
 Good drug and useful to my practice. Low side effects.
 Love it as an oral medication due to the submicrobial dosing and the minimization of side effects. Feel comfortable with long term usage in patients.
 Also a very nice product. Very well tolerated. Many Rx plans are not covering this product. I expect with time they will.
 Better patient compliance leads to better patient outcomes.
 I like the idea of once daily dosing, also low side effects--no antibiotic problems, etc.
 It works, its reasonably priced and is exceptionally well tolerated.
 Don't have a lot of experience with this product. Easy to use and have not had a lot of problems with it. Easy to take. Not a lot of side effects. Once a day dosing is good for compliance and for one co-pay.

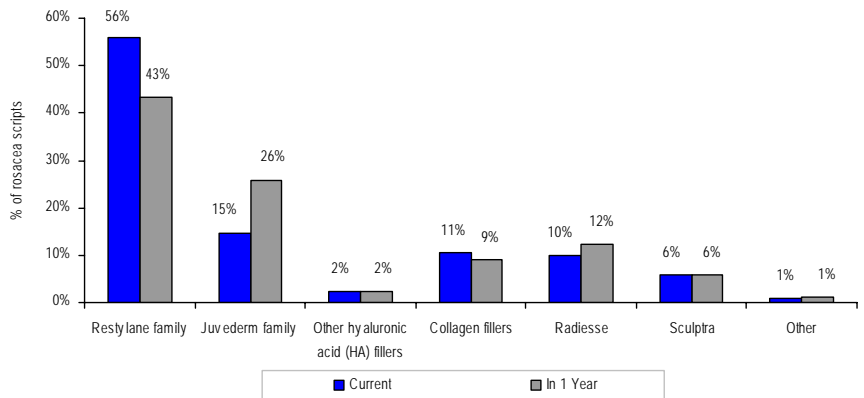
Source: Merrill Lynch, Rood Research

Please indicate the percentage of your current dermal filler use that each of the following products accounts for currently, and what you expect the breakdown to be in one year.

The docs currently use Restylane for over half of their filler procedures (56%). Juvederm is the next most frequently used filler at 15% of procedures. Note that docs had to have experience with Juvederm to enter the survey. Interestingly, Radiesse accounts for a decent amount of current procedures (10%), after being approved for cosmetic use in December 2006.

The docs expect their Juvederm use to rise to 26% of procedures in one year and Restylane use to decline to 43% of procedures. The docs plan to modestly increase their use of Radiesse to 12% of procedures.

Chart 20: Use of dermal fillers – Current and in 1 year (n=75)



Source: Merrill Lynch, Rood Research
 Other filler cited (by 1 doc) was Fascian

Please offer any thoughts on Restylane, Juvederm, and Radiesse (pros and cons) and how you think the products will fit into clinical practice in the coming years.

09 April 2007

Table 18: Physician comments on Restylane, Juvederm, and Radiesse

| |
|--|
| Restylane and Juvederm are almost the same and it depends on cost. I will use what is less expensive for me. The question about Radiesse is if it is worth putting up with the 10% lumpiness. |
| Fillers are the wave of the future for nonsurgical facial rejuvenation. All three of these fillers will increase in usage, especially if the companies are smart enough to market them directly to patients. The more patients know and ask about them, the more they will sell. I would give the product away for free to any movie star or entertainer who wants it and let them do the promotion work. |
| Have not much experience with Radiesse but like the other two. Have seen very good results with both and they're fairly easy to use. |
| Hyaluronic acids are very forgiving, and the Juvederm family provides different characteristics for more treatment flexibility. Radiesse is a collagen inductor and I will continue to use as second line for longer-lasting corrections once a patient is satisfied with the volume expansion from the hyaluronic fillers. |
| Radiesse is much better for lines. Juvederm is an easier push and seems to be tolerated much better. |
| All fillers will have a role, however the longer lasting ones will likely prevail if priced correctly. |
| These are excellent products that patients love, it will be interesting to see what happens in the coming years with the explosion of fillers due. |
| I have received absolutely ZERO marketing or teaching assistance from Medicis and substantial assistance from Allergan. I feel Allergan will chew Medicis up. I intend to stop ordering Restylane and will keep it around only for those patients who insist on it. I have attended two training sessions on Radiesse and will use it. |
| I do not see why Juvederm is better than Restylane, I need to see convincing proof. |
| They will all serve a purpose in being lucrative in the world of dermatology. |
| I hate the way Allergan bundles Juvederm. Radiesse is great though. |
| Restylane is still the gold standard, but has some competition now. Juvederm needs to fill their syringes more than .7, like Restylane. Juvederm is a lot like Restylane except softer and more pliable. I like it for the lips a little better than Restylane. I love Radiesse for the NL folds and marionette lines as well as for malar sculpting. |
| Radiesse will be used more and more...for longer duration of effect...while Restylane and Juvederm will fight it out for market share... |
| We don't know how long Juvederm lasts yet. Restylane has been used for several years and works well. Perlane and Juvederm Ultra Plus will take over Radiesse market. |
| I have had reliable success with Restylane and have been reluctant to use new fillers without a compelling reason. I have not had any patients request Juvederm, which may be because the advertising for the launch of Juvederm has not been very large scale. I am reluctant to use Radiesse because it lasts longer and if a patient is not pleased with the results it is difficult to correct. |
| I like the consistency of Juvederm and expect to almost replace my use of Restylane. I have just started using Radiesse, but I expect to use much more of it. |
| Combination treatments with Botox will provide better results for patients. |
| Great to have these products - effective - longer lasting than collagen - patients happy. |
| I think patients will want to move towards fillers that last longer, so I think Radiesse will become more popular. |
| Juvederm is becoming a good option. Will use more with more experience. |
| They will always have a place but longer lasting materials are needed. |
| Forgiving and easy to use. Minimal learning curve. |
| I will continue to use them more in the future, as they become more popular with patients. |
| Juvederm will become more popular as its PR campaign increases and if Allergan copromotes with Botox. Restylane will lose market share to Juvederm but might be copromoted with Dysport. Radiesse has a certain niche. |
| Restylane is the gold standard - effective, safe and easy to use. |
| I think they are highly effective-hard to compare at this time. |
| I love Restylane-#1 filler. Juvederm is great for lips, but they put too little in each syringe. Radiesse is nice, can charge more per syringe. |
| I prefer Fascian and it costs less. Restylane, Juvederm, and Radiesse are very expensive. |
| Restylane is proven effective and versatile; however, I have enjoyed an early positive response with Juvederm, esp for the lips. I like Radiesse and think it still has a niche. I feel my use of Juvederm will greatly increase, decrease with Restylane and stay the same with Radiesse. |
| Juvederm is a very easy application. Consistent fill. Long lasting results. |
| I love Restylane and Radiesse, I think Radiesse works better for lines around the lower lips and it lasts longer. It's also better for deeper wrinkles. However, Radiesse is more painful and requires an oral block, which I don't use for Restylane. |
| The multiple product formulations of Juvederm that are available makes ordering of the material easier. |
| Will increase use of Juvederm as it is less expensive and we have much more support from the Juvederm pharmaceutical representative. |
| Will use Juvederm and Restylane.....don't care as much for Radiesse. |
| Length of correction, ease of injection, and cost will be determining factors in use, as well as pt satisfaction with each. |
| All products have a role - Radiesse as more robust filler, also for volume enhancement, malar augmentation; I feel Restylane and Juvederm are interchangeable. |
| Restylane and Juvederm will take over the filler market for the foreseeable future because they are safe, reliable products that give a reasonable amount of correction for a significant amount of time. It will be a while before a safer longer lasting filler will become widely available. I do not use Radiesse because people I trust have had allergic reactions in some patients. |
| Restylane will continue to be the market leader because it is a very versatile, predictable product, with a long track record. Juvederm needs to be repackaged into 1 cc syringes, has limited use. Radiesse may be good for the nasolabial folds. They are tempting inexperienced users to use it because of a higher profit margin, but these same users will give pts problems and it will eventually get very bad press. |
| Hyaluronic acid fillers are the gold standard that our patients expect at this point in time. |
| Restylane and Juvederm very similar, still afraid of using Radiesse. |

Source: Merrill Lynch, Rood Research

Table 19: Physician comments on Restylane, Juvederm, and Radiesse

Restylane is still my go-to product but I like the smoothness of Juvederm. I worry about nodules for Radiesse.

I like Juvederm, less pain and bruising and swelling than Restylane but more expensive. Patients expect too much. I heard Radiesse is longer acting.

Broaden spectrum of treatment with various patients and skin needs.

I see Restylane and Juvederm as similar and the easiest to use. I do not use Radiesse often right now.

Restylane and Juvederm I consider comparable in my practice, Radiesse I use only for patient's seeking a longer lasting product or for noses.

As they are not permanent fillers, the new permanents that are going to flood the market will probably take over.

I feel comfortable with Restylane, good patient acceptance.

Restylane and Juvederm can be used interchangeably, but Restylane got to market 1st, which is a big advantage.

My favorite right now is Juvederm--it goes in more easily and smoothly, and can be molded nicely. Also hurts less. I've never used Radiesse. Some patients still prefer Restylane, but I feel like it's a bit lumpier.

I like them all, they are used in different ways and the cost is interesting.

I am very comfortable with Restylane and get great results with it. Radiesse I am getting comfortable with. I expect to use Sculptra once it gets cosmetic indications.

Other fillers will become more attractive alternatives to Restylane given longer lasting product.

I will probably use more of Juvederm and Radiesse as I learn to appreciate the clinical advantages in specific clinical situations.

I do not use Radiesse, I really like Juvederm it is less painful to inject.

I see Restylane+Juvederm being very similar in effect, duration. I see Radiesse lasting much longer than the other two.

Juvederm is much easier to inject, however it does not fill as much space as Restylane so you have to use more product to fill the same defect. Sculptra is different than the other two and is not good for fine lines but is a volume filler that lasts for years.

They have been products that have really vitalized the area of fillers--they will continue to increase in use, particularly since they are well tolerated, typically have fewer side effects, and last longer.

Radiesse will get some increase now that it has been approved. Juvederm should surpass Restylane use if efficacy and duration are better than Restylane.

Juvederm will be used as the new one; Restylane is a standard and will lose some new patients, but remain. Radiesse will be slow; too expensive; too laborious, hydroxyapatite a worry.

Will continue to grow as more people get knowledge of them.

Radiesse has been associated with so many nodules and other side effects that I'm reticent to use the product. My experience with Restylane has been fantastic, but I do prefer Juvederm for lip augmentation and fine lines around the mouth. In the future, I believe I will use both Restylane and Juvederm.

Radiesse I expect to use a lot in the next few months as I am getting trained on it in April and it lasts longer than Restylane, still to soon to tell if either Juvederm or Restylane is better but Juvederm will be cheaper for us since it is cost bundled with Botox.

Juvederm may replace Restylane if it proves as smooth a result as I have so far seen. Radiesse provides the greatest longevity of benefit of all three.

Radiesse definitely longest lasting but can't use in lips. Juvederm probably very similar to Restylane in terms of longevity but easier in lips.

There are several filler products available. One will be looking for a product that lasts longer in its effect, is less expensive, easy to administer, and less painful.

More and more patients will be asking/demanding these products.

Restylane has been the main product, Radiesse gaining rapidly.

Good, effective, safe products that are useful in my practice.

I do not use Radiesse, but have used Restylane for over 3 years, Juvederm I am liking better for lips and perioral rhytids over Restylane. Reserving Restylane for deeper nasolabial folds etc.

All very nice products. I am most impressed with the Juvederm product and its ease of use.

Better patient compliance would make the products more effective.

As long as the patients want them I will continue to supply them.

Juvederm flows better and bruises less than Restylane. It lasts about 6 months. I use Radiesse for patients who like Juvederm but want something that lasts longer. I find Radiesse lasts about 12 months.

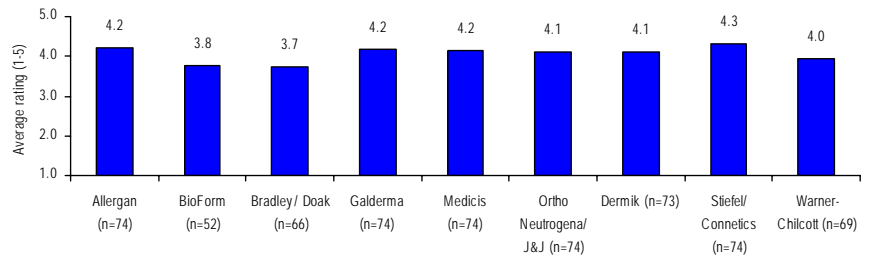
All are good products. Radiesse is harder to use- harder to inject with more side effects and cost. Restylane has a longer track record. Juvederm is easier to use, inject and has fewer patient side effects. Patients like it best.

Source: Merrill Lynch, Rood Research

How would you rate the overall quality and effectiveness of the sales reps from the following companies on a scale of 1 to 5, where 1=Poor quality and 5 = extremely effective? (Please select N/A if you have not been detailed recently.)

Finally, we asked the docs to rate the overall quality and effectiveness of sales reps from several companies. On average, the docs have the highest ratings to Stiefel/Connetics, Allergan, Galderma, and Medicis, although the other companies only received slightly lower ratings.

Chart 21: Overall quality and effectiveness of sales reps (n=75)



Source: Merrill Lynch, Rood Research

Companies mentioned in this report:

Allergan (AGN, B-1-7, Buy, \$113.50)

BioForm (private)

Bradley/Doak (BDY, not rated)

CollaGenex (CGPI, not rated)

Galderma (private)

Medicis (MRX, B-2-7, Neutral, \$31.00)

J&J (JNJ, not rated)

Dermik (private)

Stiefel/Connetics (private)

Warner-Chilcott (WCRX, not rated)

Price Objective Basis & Risk

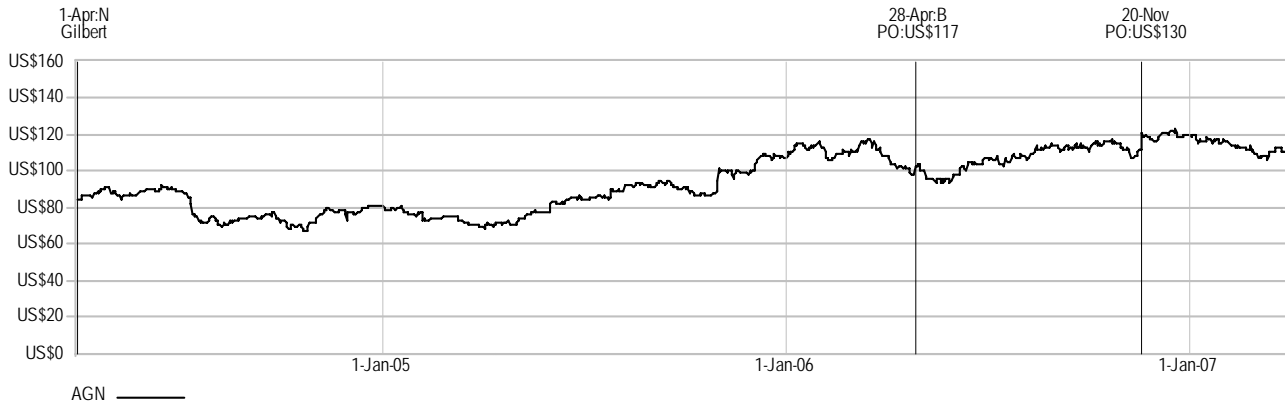
Our \$130 price target for Allergan assumes that the stock can trade at 25x our 2008 EPS estimate of \$5.15. This builds in some degradation from the stock's current 2007E multiple of 26x and is lower relative to the multiples on C2007E EPS for aesthetics companies MNT and MRX. Risks to achieving our price objective are sector rotation away from specialty pharma (AGN shares trade at a premium to the specialty pharma group and therefore may be more susceptible to sector rotation); potential competitive threats to Botox (32% of '07E revenue) and Restasis (9% of '07E revenue) in the coming years; patent challenges to key products; and general R&D risks, including pipeline failures.

Analyst Certification

I, Gregg Gilbert, hereby certify that the views 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 specific recommendations or view expressed in this research report.

Important Disclosures

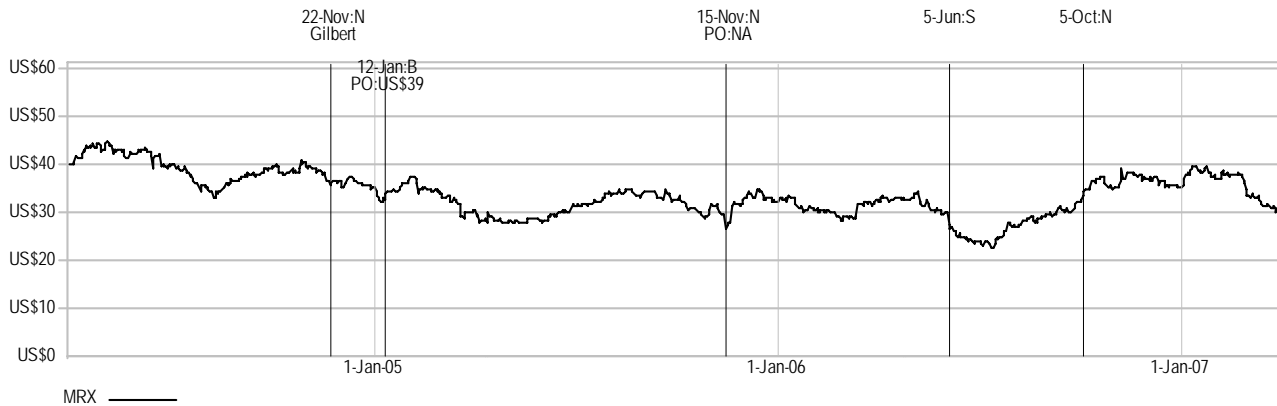
AGN Price Chart



B : Buy, N : Neutral, S : Sell, PO : Price objective, NA : No longer valid

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark Grey shading indicates the security is restricted with the opinion suspended. Light Grey shading indicates the security is under review with the opinion withdrawn. Chart current as of March 31, 2007 or such later date as indicated.

MRX Price Chart



B : Buy, N : Neutral, S : Sell, PO : Price objective, NA : No longer valid

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Investment Rating Distribution: Health Care Group (as of 31 Mar 2007)

| Coverage Universe | Count | Percent | Inv. Banking Relationships* | Count | Percent |
|-------------------|-------|---------|-----------------------------|-------|---------|
| Buy | 97 | 46.86% | Buy | 25 | 27.78% |
| Neutral | 100 | 48.31% | Neutral | 32 | 34.41% |
| Sell | 10 | 4.83% | Sell | 3 | 33.33% |

Investment Rating Distribution: Global Group (as of 31 Mar 2007)

| Coverage Universe | Count | Percent | Inv. Banking Relationships* | Count | Percent |
|-------------------|-------|---------|-----------------------------|-------|---------|
| Buy | 1562 | 45.16% | Buy | 415 | 30.09% |
| Neutral | 1615 | 46.69% | Neutral | 446 | 30.65% |
| Sell | 282 | 8.15% | Sell | 49 | 19.76% |

* Companies in respect of which MLPF&S or an affiliate has received compensation for investment banking services within the past 12 months.

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