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Carving Out A Niche:

Traditional Middle Market Private Equity Firms Seek Specialization in Healthcare

The healthcare industry's massive size, favorable trends, and recession resistance, along with the economic uncertainty and tight credit conditions over the past year, are driving increased interest in the sector among private equity firms that historically have taken more of a "generalist" approach to fund investing. For this edition, we spoke with a few traditional middle market private equity firms that are carving out niches in healthcare. We asked them about their strategy to specialize in healthcare—and to provide some insights on middle market deal making amid the challenging credit environment.

PARTICIPATING FIRMS

Arsenal Capital Partners

FIRM: Arsenal Capital Partners
New York, New York
Aaron Davenport, Principal

FUND: Arsenal Capital Partners II, L.P.
\$500 million (2006)

REPRESENTATIVE HEALTHCARE INVESTMENTS:

iMDS Innovative Medical Device Sourcing
Investment: 2006

Outsourcing solutions for orthopedic and other medical device companies

N|E|P

Norwest Equity Partners

FIRM: Norwest Equity Partners
Minneapolis, Minnesota
Timothy Kuehl, Partner

FUND: Norwest Equity Partners IX, L.P.
\$1.2 billion (2008)
Norwest Mezzanine Partners III, L.P.
\$500 million (2008)

REPRESENTATIVE HEALTHCARE INVESTMENTS:

SHOCK DOCTOR Shock Doctor, Inc.
Investment: 2008

Sports protection and sports medicine products

GAYMAR Gaymar Industries, Inc.
Investment: 2006

Manufacturer of specialty medical devices



Riverside

FIRM: The Riverside Company
Cleveland, Ohio
Joseph Ibrahim, Principal

FUND: Riverside Capital Appreciation Fund
Riverside Micro-Cap Fund
Riverside Europe Fund
Riverside Asia Fund
Over \$2.1 billion in capital under management

REPRESENTATIVE HEALTHCARE INVESTMENTS:

SUMMIT MEDICAL Summit Medical Limited
Investment: 2008

Disposable orthopedic and infection control products

HEALTHCAREfirst HEALTHCAREfirst
Investment: 2008

Software for home care and hospice firms



Healthcare Insider

Carving Out A Niche

BGL: *What strategies are you pursuing to develop a specialization in healthcare?*

Davenport: We continue to build a deeper infrastructure. We bring in industry professionals and operators, and together with our investment professionals, proactively target investment themes within specific sectors. We brought on a new operating partner, Chip Broadhurst, in 2007. Chip has a background from Baxter and headed healthcare recruiting for Russell Reynolds Associates, so he has a human capital focus. In 2005, we brought on Vladamir Walko as an operating partner, who has spent his entire career in the pharmaceutical services industry.

We look at developing our industry verticals in terms of resource allocation. So, a significant percentage (~20%) of the firm's resources is dedicated to healthcare investing. We have plans to bring in additional operating partners with expertise in certain healthcare niches—individuals with insight into the medical technology and hospital channels, in particular. We will continue to look at pharmaceutical outsourcing and medical technology outsourcing—areas that historically have been a focus for us.

Ibrahim: Riverside has made 18 healthcare investments as a private equity fund, so we already are a significant healthcare investor. Where we see the future of private equity is to be able to offer our investor base very deep domain expertise in certain sectors. We believe that healthcare is one of those sectors that merit specific specialization.

Riverside brought on healthcare industry veteran Harvey Sigelbaum in January 2008 as a senior advisor to the firm. Harvey has been in and around healthcare for 40 years. As the former president and co-CEO of MultiPlan, he built the organization into one of the largest PPO networks in the country. MultiPlan was sold to The Carlyle Group in 2006.

I joined Riverside in June 2008 to oversee the firm's healthcare origination efforts. I have spent my entire career in healthcare, with previous positions in private equity at MBF Healthcare Partners, leveraged finance at GE Capital, and corporate development at Cardinal Health.

Within Riverside there are ten individuals who make up the healthcare team. So, we have a transaction team that supports us and a group of operating partners who are willing to support us as well.

Kuehl: Given the level of specialization that is required, we started with an approach to acquire healthcare expertise over time, through equity co-invest situations and investments made through our affiliated subordinated debt fund. One of the strategies that we have pursued over the last ten years has been to hire operating partners who are typically brought on in non-executive board positions at our various portfolio companies. We view them as coaches or mentors to existing management teams. It has been a very successful strategy for us.

Dan Gladney joined NEP in July 2007 as an operating partner and focuses on healthcare investment opportunities. He brings more than 27 years of entrepreneurship, strategy, business development, and CEO experience in healthcare from previous positions held at Compex Technologies, Acist Medical Systems, Baxter, and The Kendall Company. Dan assists us in evaluating and executing new investment opportunities and add-on acquisitions within the healthcare products, services, and distribution industry sectors. He is also active in strategic planning, business growth, and corporate governance for our healthcare portfolio companies.

BGL: *What specific segments are you targeting within healthcare?*

Davenport: Areas that complement the background of our investment professionals and operating partners, so pharmaceuticals and pharmaceutical services, medical technology, and select areas within healthcare services that do not have significant reimbursement exposure.

Ibrahim: Our investment approach is to support the best companies in the best sectors. Our interests in healthcare are fairly broad—from healthcare services to medical devices to healthcare IT. We are looking for companies with products or services that are geared toward patient preference, improving quality of care, or taking cost out of the healthcare system.

Kuehl: Generally speaking, we are trying to focus on opportunities that will leverage Dan's background, which include product companies (cardiac, orthopedic, therapeutic, and rehabilitation products; medical packaged consumer products), OEMs, distribution companies, and lower-cost service alternatives.

BGL: *What regions are you targeting for new healthcare investments?*

Davenport: We look primarily at businesses headquartered in the U.S. and Europe, but because we have an office in China, we look for businesses with the opportunity to globalize. There are a number of businesses within healthcare that are under cost containment pressure, and having an outsourcing strategy is very critical for their long-term sustainability. We like business models that are global in nature and take advantage of both the growth and the cost saving potential of regions such as Asia.

Ibrahim: Riverside is a global private equity fund. We have four active funds—two in North America (LBO; Micro-Cap) and two outside the U.S. (Europe; Asia). We continue to be very active and are looking at opportunities in healthcare on a global basis. And we have a huge appetite. Healthcare currently represents roughly 14% of the portfolio. We would like to see that number grow to 20% to 25% over the next three to four years.

Kuehl: The majority of our investments are in North America. We will selectively look at opportunities outside the United States.





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BGL: *What size are you targeting for new healthcare investments?*

Davenport: Given that we are a \$500 million fund, we seek to average \$40 to \$50 million of equity in an investment. However, we will look at equity investments as small as \$10 million and as large as \$100 million.

We will look at traditional leveraged buyouts, minority growth investments, and buy-and-build strategies backing entrepreneurs, as well as transactions with significant complexity that may also include operational complexity.

Ibrahim: Companies with an EBITDA size in the range of \$1 to \$30 million are our sweet spot. A majority of our transactions will have enterprise values of up to \$150 million.

Kuehl: We will target \$20 to \$110 million in equity per investment, or transaction sizes of \$50 to \$500 million. Companies must be EBITDA positive.

BGL: *What perspective can you share on your approach to deal making in healthcare?*

Davenport: Our view, more broadly, was that 2007 was an overbought market. And very good assets, especially in healthcare, continue to trade at very high multiples. We did not make any new platform investments in healthcare last year, primarily because valuations had not corrected to a point that we believed was appropriate. Generally speaking, we are seeing more favorable pricing for add-on acquisitions. Our platform in outsourced medical technology, Innovative Medical Device Sourcing (iMDs), was formed with the merger of Leis Medical (2006 investment) and MedicineLodge, acquired in January 2007. It is a build strategy that we are executing in the orthopedics manufacturing and development space. It is a business that has a variety of product development services linked to long-term commercial manufacturing. We will continue to seek ways to grow iMDs organically and through acquisition.

Typically, we are not engaged in auction processes for the ‘trophy asset.’ We are looking for opportunities with complexity and the ability to add value post-transaction well above what can be achieved with the market leader and best company in the space. We’d rather build that business than buy that business.

We will also look at underperforming opportunities. We have acquired businesses that have had four years of sequential decrease in cash flow, and because of the industry experience and operating expertise that we can bring to the table, we have been very successful in those situations. On the other end of the spectrum, we also look at high-growth opportunities where there is a need for infrastructure development, and effectively, a de-risking of that growth.

Ibrahim: We are in the process of building the expertise to give every healthcare deal that meets our investment criteria a strong look. We want to see all of the healthcare deals in the market that meet our criteria and respond more quickly and with more expertise to the individual opportunities.

Over time, you will see Riverside have the same technical expertise as a healthcare-only fund. This will enable us to compete more effectively in the market and offer a richer value proposition to the management teams and companies that we partner with. We will also be able to offer our investor base the expertise of a specialized healthcare private equity fund within a broader fund.

Kuehl: With the addition of Dan as an operating partner and through the experience gained from our investments in the sector, we have made the decision to do more in healthcare than we have in the past. We feel we can be smarter when identifying opportunities and make them successful investments. In support of Dan’s efforts, our plan is to invest about \$200 to \$300 million across two to six portfolio companies.

BGL: *Please comment on the sentiment that healthcare is recession resistant and can be a safe haven for investors.*

Davenport: Overall, healthcare is a positive sector in the economy. So, if you think about putting healthcare into a broader perspective, this is one of the shining stars. And there aren’t many out there. However, the concerns associated with healthcare are very real. Healthcare is an industry that always has the potential for change, and because of the legislative impact on the sector, it is always facing some potential for turmoil. Given that it is such a large market, you really need to compartmentalize it and look at the specific segments within it to determine the overall safety.

Ibrahim: Healthcare is less impacted in a recession because people are still going to get sick and need care. However, I don’t think it is recession resistant or a safe haven. In a recession, there are budgetary shortfalls to Medicare and Medicaid, and usually those are primary or secondary payor sources to many different healthcare companies. So, during recessionary times you will see downward pressure in those areas. If the general sentiment is that healthcare is a recession play, then you’re going to see more activity, which is going to keep pricing high exactly when reimbursement is going to have the most pressure.

Kuehl: The long-term themes in healthcare create a pretty strong “wind at your back” approach. That wind can be strong in both good and bad economic cycles. However, I would caution calling healthcare safer because there is a lot more specialization required. There are more regulatory, political, and specialization requirements that you need to think through as an investor—much more so than in other sectors.

BGL: *What do you consider to be the most pressing issues in healthcare?*

Davenport: The election will lead to potential significant change. Coupling the election with a variety of the key issues that are currently facing healthcare, including the need for Medicare reform, the potential for bankruptcy of the Medicare system in ten years, the potential for universal access, and the overall drive for cost containment, leads to a very uncertain market. As you look at each specific niche within healthcare, you need to take into consideration all of the potential changes that may be happening over not only the coming two to three years but also those that may impact a potential exit.





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I think the changes, whether it is a Democrat or a Republican in office, will be slow to come in the healthcare system. It typically does take time and consensus to build. I don't think there will be structural change over the very short term. It will be much closer to incremental-type change. There is the potential for rather large change in things like universal access and the need for Medicare reform, which will most likely drive not only incremental change but potentially some structural change, in particular if it is a Democratic candidate.

Ibrahim: Budgetary pressures. From a reimbursement standpoint, Medicaid will be the biggest issue over the next two to three years. Medicare is a larger battleship, and there is more visibility.

Kuehl: One of the questions that we ask ourselves each time we look at a business is, "Does this company take cost out of the healthcare system?" Fundamentally, there is too much need for healthcare relative to the amount of spending that is available. Our view is that costs will have to exit the system in order for it to remain self-funding, as opposed to the continued raising of taxes, for example.

BGL: *Where will deal opportunities lie?*

Ibrahim: Products or services centered on patient preference, improving quality of care, or taking cost out of the healthcare system. We also look for opportunities where we believe we can add scale, and over time, build value.

You're going to see fewer broad auctions where people throw their names in a hat. You're going to see more limited auctions. Funds are going to have to work harder, get smarter, and become much more focused in each sector.

Kuehl: As a general theme, we are looking at the wellness profiles of certain product companies. We have looked at the respiratory and sleep markets, for example. What we have found is that sleep disorders are a relatively untapped market, and, if left untreated, they lead to bigger problems like heart disease. We are also looking at disease management and service-related businesses centered on preventative care. Another area is distribution companies that take cost out of the system by shrinking the supply chain. Lastly, we believe consumers will have a larger voice in product selection among commodity-like products. Consumer-direct plays are an area of interest for us.

BGL: *Which sectors will be more challenging?*

Davenport: We're not looking at providers and payors at this point. We are also steering away from home health related businesses due to the associated reimbursement challenges we think that they may be facing over the coming five years. Obviously, generalizations are difficult to make. Even within those sectors there are specific targets that may be very good investment opportunities, and pricing in those markets has been more moderate.

The other area of potential concern is that consumer driven healthcare has been a burgeoning area of growth. As consumers continue to be more focused on gasoline prices, inflation, etc., and consumer spending remains a real concern for the overall market, that may trickle into the healthcare market.

Ibrahim: Hospital stays are declining. You are seeing more of the services and product offerings leaving the walls of the hospitals.

Also, Medicare Advantage is still going to have issues. The potential for a physician fix is going to cause problems.

Kuehl: We typically steer away from facility-based companies and areas that are heavily regulated—i.e., nursing homes, specialty centers, and others.

BGL: *How are small- to mid-tier healthcare businesses faring in the current environment?*

Davenport: Generally speaking, I think middle market healthcare companies are faring quite well in this market. The reimbursement changes that have been happening have largely been anticipated. There are a number of companies that obviously are facing ongoing pressures, but the healthcare sector as a whole remains very robust and healthy. That applies not only to larger businesses but also to small- and mid-tier businesses.

Ibrahim: I think they are performing well. We are continuing to see opportunities for middle market companies to grow and build value.

Kuehl: We haven't seen the economy impacting the businesses per se, but small- and mid-tier companies need to continue to be aware of the price deflation trend. In a price deflationary environment, typically you see consolidation, and the smaller, innovative players tend to be more successful.

BGL: *Please comment on short- and long-term opportunities and challenges in healthcare.*

Davenport: There is a trend toward continuing consolidation. That consolidation will yield ongoing cost savings that will come out of the system. By and large, healthcare on the service side remains a very local business, so the potential for cost savings through aggregation is limited. So, true service innovation is required.

Ibrahim: A short-term opportunity will be to grow your market share relative to your competition. The companies that were sold in the last two years that were the "stars" in their respective sectors went for very high multiples. In order to get those deals done, they required large amounts of leverage. The sponsors in those deals do not want to redo their credit packages now, so they may be in a box and can't grow; their capital structures

"Generally speaking, I think middle market healthcare companies are faring quite well in this market."

—Aaron Davenport
Arsenal Capital Partners





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could restrict them from taking advantage of opportunities in the market. That's a very common theme right now in this environment. It can be a short-term opportunity or challenge depending on which position you are in.

Longer-term, the graying of America creates more opportunity for all—it's a rising tide.

Kuehl: Both in the short- and long-term, the focus will continue to be on preserving a very high quality of care in a price deflationary environment.

BGL: *How is current deal volume / quality?*

Davenport: Generally, M&A volume in healthcare is down slightly from 2007 levels. The very large deals are obviously not happening, and some of the bulge bracket players are moving downstream into the middle market. Middle market transactions are still happening—everything from corporate carve outs to entrepreneurial partnerships—but not happening at the same pace as 2007. There is a trend toward smaller deal sizes, which is a function of leverage available in the market.

Ibrahim: Our investment approach is to support *the* best companies in *the* best sectors. We're seeing fewer opportunities that fit exactly in that category.

Kuehl: Quality of deals is down considerably.

BGL: *Please comment on available leverage and current pricing for debt financing.*

Davenport: It really depends on the size of the business. An attractive \$20 million EBITDA business could probably get 3 turns of senior debt and another 1 ½ turns of mezzanine. If you brought that down to the \$10 million EBITDA level, it is more like 3.5x– 4.0x total leverage. On pricing, rates are up significantly from 2007 levels for senior debt, and overall capital structures are looking at blended pricing in the 10% range. Pricing is even higher for smaller deals.

Ibrahim: Generally speaking, leverage has gone down, and pricing has gone up. We're not really seeing more than 3.5x for senior debt. Pricing for senior debt on a very good credit starts at L+400.

I think what has changed is that more lenders want to go upstream now. Lenders have raised their LBO threshold to \$10 million in EBITDA as a preferred minimum cutoff, which is up from \$5 million two years ago.

Kuehl: I think healthcare companies have the potential to get slightly better terms than your average business. But in general, it is still a bear market for credit because there are fewer providers of debt right now. The best terms relate to businesses that have less regulatory and political risk in their business models.

BGL: *Have we reached a bottom?*

Davenport: I don't think we have hit a bottom at all. I think the credit market will get worse before it gets better, and I think 2009 is going to be a very challenging year.

Ibrahim: If you define the contraction as higher pricing and lower multiples, we haven't reached the bottom. We're getting closer to the bottom, but there are still issues that have to work through the system. All the companies that were financed in 2006 and 2007 at high leverage multiples have yet to trip covenants. If they don't perform, they are just going to start that cycle, which is going to cause the next wave.

“Buyers who are excited and want to do deals are paying full multiples because they are believers—they believe in the value proposition.”

—Joseph Ibrahim
The Riverside Company

Kuehl: It is hard to understand directionally whether it is going up or down. I think it is really bearish right now.

BGL: *What are some of the lender “hot buttons”?*

Davenport: Factors such as reimbursement risk are absolutely at the core of their thinking in healthcare. Lenders are very focused on the sustainability of current earnings. For businesses that have had very rapid growth over the past two to three years, there is quite a bit of discussion around what is the appropriate level upon which to lend. Lenders are not necessarily looking at the most recent period.

Items such as sustainability of cash flows, asset base, customer concentration, and business concentration have always been a focus for lenders but are getting even more attention in the current environment.

Ibrahim: You're going to have all the covenants now. You better hit your budgets.

Kuehl: Understanding the regulatory and political risk is probably their hottest button. With some of the healthcare sectors seeing reimbursement cuts, lenders want to understand how businesses will be impacted by price deflation.

BGL: *What are some of the key drivers to getting deals done in the current environment?*

Davenport: The amount of time and diligence that the lenders are doing independently versus leveraging sponsor diligence is absolutely increasing.





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Ibrahim: You need to involve your lending partner *early, early, early* in the process, and you can probably get your deals done. Lenders need to get a lot more comfortable with the investment thesis and the transaction.

BGL: *How is leverage contraction factoring into valuations?*

Davenport: Given the flight to perceived quality and generalist firms coming into healthcare, there has not been a significant shift in valuations within the overall healthcare market. Obviously, you can dissect that within specific segments, and it is certainly not true in every segment. Within a majority of healthcare sectors that we look at, valuations have not moved significantly from 2007 levels. That's very different from the overall M&A market. That's really driven by a couple of things—ongoing performance of the businesses and additional capital coming into the market. The perception of healthcare as a safe haven has, in some cases, lowered requisite returns in transactions.

Ibrahim: For companies that are of the highest quality, multiples haven't moved at all. We haven't seen any retraction. Great companies are going to command premium valuations—valuations on par with those achieved in 2007. It is difficult to attract the attention of sponsors for average or mediocre companies in this environment.

Kuehl: Purchase price multiples have stayed firm relative to overall leverage multiples, which means that more equity is going into deals to make them happen.

BGL: *Are you seeing more “creative financing”?*

Davenport: We are seeing transactions that are less than 50% debt at this point. So, everything from the more traditional 35% equity and 65% debt structures to the inverse of that. Senior leverage is more often harder to find, so a number of groups are doing upside down capital structures where the senior component of the capital structure is actually smaller than the mezzanine. So, buyers are looking at putting in capital structures that have two to three turns of mezzanine finance.

Ibrahim: You're seeing more structured financing now than you did before, i.e., use of seller earn outs or seller financing.

Kuehl: We've written some all equity checks and used that as a way to differentiate ourselves in a process by not having to bring the seller through the uncertainty of the bank market. We employ this strategy with the understanding that we can always finance the business down the road. It is a very selective approach based on the growth profile of the specific company under consideration.

Davenport: We see that as well. The other dynamic you see is purchase agreements that have financing outs only for part of the capital structure rather than the entire capital structure. And so, to the extent people are negotiating financing outs in contracts, it is often for a very limited amount of financing rather than the entire debt financing that the sponsor is contemplating.

“We’re seeing a barbell effect where there is a feeding frenzy for really attractive businesses, and for lesser quality companies, buyers just ignore them.”

—Timothy Kuehl
Norwest Equity Partners

BGL: *Are strategics filling the void left by private equity?*

Davenport: Overall, strategic buyers are very active in the market and do see it as a good opportunity. However, the capital constraints that private equity firms are facing are shared by some of the large strategics. The very large strategics still have the opportunity to dip into their existing credit facilities and take down large transactions; however, the ability for them to go to their banks and significantly increase their credit availability is limited. So, strategics are in the market, and they are competing more successfully than they had over the previous two years; however, there are still constraints.

Ibrahim: Strategic buyer activity will outpace financial buyer activity when strategics can acquire.

Strategics are better positioned than financial sponsors in the current environment.

BGL: *How is private equity staying competitive?*

Davenport: In terms of competing against strategics, to the extent a strategic wants to own an asset, they typically will be able to pay far beyond what we would be willing to pay due to cost synergies.

Ibrahim: Private equity offers the current management team an opportunity to remain active and grow the business. If that is the type of sale that is on the table, that is a more compelling value proposition for the current management team.

BGL: *Are we in a buyer’s market?*

Ibrahim: It is still a seller's market for stellar performers. It is a buyer's market for average or mediocre companies.

Kuehl: We're seeing a barbell effect where there is a feeding frenzy for really attractive businesses, and for lesser quality companies, buyers just ignore them.





Mergers & Acquisitions

Healthcare M&A gains traction in second quarter

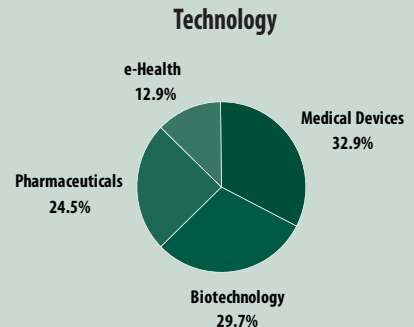
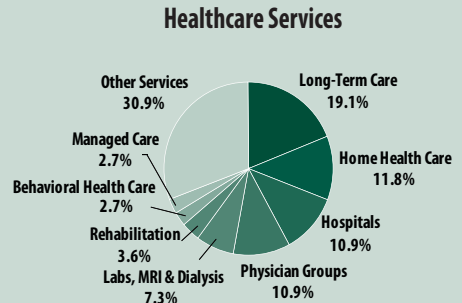
Healthcare M&A activity was robust in the second quarter of 2008. A total of 265 transactions were announced in the quarter (vs. 223 transactions in the prior quarter and 252 in the year-ago period) for a deal value of \$85.6 billion.

Second quarter stats show that the Technology category accounted for 59 percent of deal activity and 94 percent of total M&A spend, with \$80.7 billion in funds committed. Medical Devices led the Technology category again with 33 percent of deal activity (51 transactions). Long-Term Care again was the most active subsector of the Services category, accounting for 19 percent of deals announced (21 transactions). Services brought in \$4.9 billion or 6 percent of total M&A spend in the quarter.

Healthcare valuations remain strong. In the second quarter of 2008, the median EBITDA multiple for announced healthcare transactions was 14.3x⁽¹⁾. This figure compares to median EBITDA multiples of 15.2x⁽¹⁾ and 14.3x⁽¹⁾ for the prior quarter and the second quarter of 2007, respectively.

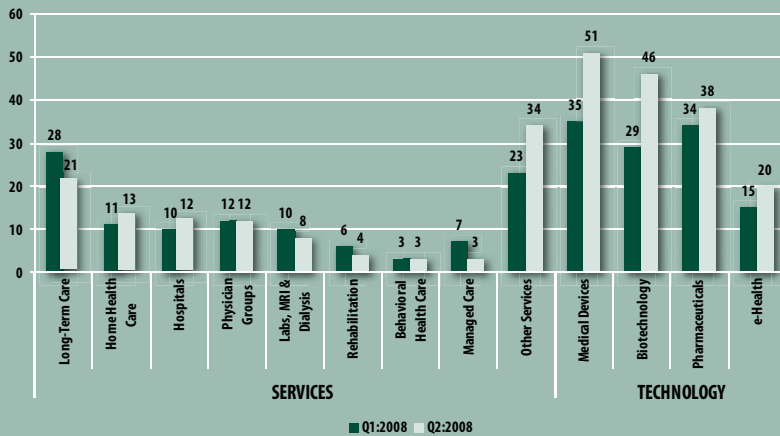
⁽¹⁾ Figures based on disclosed values.

Healthcare M&A Deal Stratification Second Quarter 2008 Announced Transactions



Source: Irving Levin.

Healthcare M&A - Second Quarter 2008 Announced Transactions



Source: Irving Levin.





Selected Healthcare M&A Transactions - Announced in Second Quarter 2008

(\$ in millions)

HEALTHCARE SERVICES

Subsector	Target	Target Country	Acquirer	Date Closed	Enterprise Value	Enterprise Value	
						Revenue	EBITDA
Respiratory Therapy / DME	Apria Healthcare Group Inc.	United States	The Blackstone Group	Pending	\$1,572.5	0.9x	5.3x
Diagnostic Imaging / Dialysis	EuroMedic International NV	Hungary	Merrill Lynch Global Private Equity, Ares Life Sciences	6/24/2008	1,229.9	5.8x	28.6x
Hospital Management	Zydus Hospitals and Medical Research Pvt. Ltd.	India	Cadila Healthcare Limited	Pending	739.5	n/a	n/a
Behavioral Health	Shepell-fgi, L.P.	Canada	Morneau Sobeco Income Fund	6/2/2008	322.7	2.3x	11.7x
Assisted Living	29 Communities (Health Care REIT, Inc.)	United States	Emeritus Corp.	Pending	299.8	n/a	n/a
Pharmacy Benefit Management	Pharmacy Services Division (MSC Group, Inc.)	United States	Express Scripts Inc.	7/22/2008	248.0	n/a	n/a
Hospital Management	West Florida Regional Medical Center Inc.	United States	Baptist Health Care Corporation	Pending	245.0	n/a	n/a
Assisted Living	Retirement Living Business (People First Retirement Services Pty. Ltd.)	Australia	Viculus Ltd.	Pending	235.0	n/a	n/a
Distribution	McQueary Bros. Drug Co.	United States	McKesson Corp.	5/21/2008	190.0	n/a	n/a
Laboratory / Diagnostics	Cairo Medical Tower Laboratory	Egypt	Abraaj Capital	5/5/2008	188.9	n/a	n/a
Hospital Management	Grupo Hospitalario Quirón	Spain	BanSabadell Inversión, S.A., S.G.I.I.C., Sabadell BS Inmobiliario, FI	4/8/2008	175.0	n/a	n/a
Long-Term Care	Healthcare Homes & Rock Seven Limited	United Kingdom	Bowmark Capital Limited	4/13/2008	147.9	n/a	n/a
Hospital Management	Rush North Shore Medical Center	United States	Evanston Northwestern Healthcare	Pending	139.0	n/a	n/a
Laboratory / Diagnostics	Clinical Laboratories of Hawaii, LLP	United States	Sonic Healthcare Ltd.	9/3/2008	121.0	1.1x	n/a
Respiratory Therapy / DME	Braden Partners, LP	United States	Teijin Ltd.	Pending	114.0	0.9x	n/a
Hospital Management	European Medical Center	Russia	Goldencorp Enterprises Ltd.	5/12/2008	110.0	4.3x	n/a
Pharmacy Benefit Management	HospiScript Services, LLC / Concept Pharmaceuticals LLC	United States	Healthtrax Inc.	5/16/2008	100.0	n/a	n/a
Laboratory / Diagnostics	IVFAustralia Pty Ltd.	Australia	Quadrant Capital Fund	4/20/2008	92.8	n/a	n/a
Hospital Management	Quality HealthCare Asia Ltd.	Hong Kong	Allied Properties HK Ltd.	Pending	54.0	0.4x	6.4x
Hospital Management	Long-Term Acute Care Hospital (Carol Marshall)	United States	Vibra Healthcare, LLC	5/13/2008	53.5	0.3x	n/a
Distribution	China Medstar Limited	China	Ascendium Group Limited	Pending	46.9	4.3x	7.2x
Home Nursing	Patient Care, Inc.	United States	Almost Family Inc.	8/1/2008	46.6	1.0x	n/a
Behavioral Health	Beacon Care Holdings plc	United Kingdom	Caretech Holdings plc	4/29/2008	42.8	n/a	n/a
Hospital Management	Two Hospitals in California (Tenet HealthSystem Medical)	United States	Prime Healthcare Services, Inc.	6/30/2008	41.0	n/a	n/a
Eye Care	Care Vision Germany GmbH / Care Medical Services Holland B.V.	Germany	Clinica Baviera, S.A.	6/17/2008	34.1	n/a	n/a

TECHNOLOGY

Generic Pharmaceuticals	Ranbaxy Laboratories	India	Daichi Sankyo Company	Pending	\$8,500.0	4.8x	32.1x
Tools/Diagnostics	Applied Biosystems Inc.	United States	Invitrogen Corp.	Pending	6,158.1	2.8x	12.5x
Medical Supplies	ConvaTec	United States	Nordic Capital, Avista Capital Holdings	8/1/2008	4,100.0	3.6x	n/a
Generic Pharmaceuticals	Zentiva N.V.	Netherlands	Sanofi-Aventis	Pending	3,467.1	3.0x	14.1x
Biotechnology	Talecris Biotherapeutics Holdings Corporation	United States	CSL Ltd.	Pending	3,210.5	2.6x	18.2x
Medical Equipment	LifeCell Corp.	United States	Kinetic Concepts Inc.	5/27/2008	1,716.1	8.5x	34.8x
e-Health	TriZetto Group Inc.	United States	Investor Group led by Apax Partners Worldwide	8/4/2008	1,258.7	2.8x	15.6x
Pharmaceuticals	Leiner Health Products Inc.	United States	NBTY Inc.	7/14/2008	780.4	1.3x	n/a
Biotechnology	Tercica Inc.	United States	Ipsen S.A.	Pending	686.5	20.0x	n/a
Biotechnology	Sirtis Pharmaceuticals, Inc.	United States	GlaxoSmithKline plc	5/30/2008	619.8	n/a	n/a
Pharmaceuticals	Laboratorio Americano de Farmacoterapia SA	Brazil	Hypermarcas SA	6/1/2008	536.6	3.4x	27.5x
Tools/Diagnostics	Third Wave Technologies Inc.	United States	Hologic Inc.	7/23/2008	538.4	16.4x	n/a
Biotechnology	Actimis Pharmaceuticals, Inc.	United States	Boehringer Ingelheim GmbH	Pending	515.0	n/a	n/a
Generic Pharmaceuticals	Taro Pharmaceutical Industries Ltd.	Israel	Sun Pharmaceutical Industries Ltd.	Pending	478.5	1.5x	6.7x
Pharmaceuticals	Protez Pharmaceuticals, Inc.	United States	Novartis AG	Pending	400.0	n/a	n/a
Specialty Pharmaceuticals	Dabur Pharma Ltd.	India	Fresenius Kabi Pte Ltd.	7/25/2008	365.5	3.3x	8.6x
Biotechnology	Innogenetics NV	Belgium	Solvay Pharmaceuticals S.A.	Pending	365.1	4.1x	36.5x
e-Health	eScription, Inc.	United States	Nuance Communications, Inc.	5/20/2008	361.9	8.2x	18.7x
e-Health	Accuro Healthcare Solutions, Inc.	United States	MedAssets, Inc.	6/2/2008	352.7	5.2x	19.9x
Medical Equipment	LipoSonix, Inc.	United States	Medicus Pharmaceutical Corp.	7/1/2008	300.0	n/a	n/a
Biotechnology	Kosan Biosciences Inc.	United States	Bristol-Myers Squibb Co.	6/25/2008	280.4	19.4x	n/a
e-Health	MedQuist, Inc. (Phillips Electronics NV)	United States	Cbay, Inc.	8/6/2008	260.3	0.8x	39.9x
Specialty Pharmaceuticals	U3 Pharma AG	Germany	Daichi Sankyo Company, Limited	Pending	236.4	n/a	n/a
Tools/Diagnostics	Draxis Health Inc.	Canada	Jubilant Organosys Ltd.	5/28/2008	235.8	3.1x	41.2x
e-Health	ViPS, Inc.	United States	General Dynamics Information Technology, Inc.	7/22/2008	225.0	2.2x	n/a

*Enterprise Value and EBITDA reduced to account for minority interest.

Source: Capital IQ.





Healthcare Insider

Industry Valuations

Healthcare Services

(\$ in millions, except per share data)

Company Name	Ticker	Recent Stock Price (2)	% of 52W High	Market Capitalization (3)	Enterprise Value (4) (5)	Enterprise Value / Revenue	EBITDA (5)	Total Debt/ EBITDA (5)	TTM Revenue	TTM Margins Gross	TTM Margins EBITDA (5)
AMBULATORY SURGERY CENTERS											
AmSurg Corp.	AMSG	\$27.86	93.6%	\$881.4	\$1,060.7	1.8x	9.6x	1.8x	\$578.2	59.3%	19.2%
NovaMed Inc.	NOVA	4.26	74.3%	105.7	197.6	1.5x	8.8x	4.6x	135.1	46.2%	16.6%
Median			84.0%	\$493.6	\$629.2	1.6x	9.2x	3.2x	\$356.6	52.7%	17.9%
ASSISTED LIVING											
Assisted Living Concepts Inc.	ALC	\$6.94	68.9%	\$430.2	\$543.3	2.3x	10.5x	2.6x	\$232.5	35.5%	22.2%
Brookdale Senior Living Inc.	BKD	24.13	57.9%	2,448.7	4,831.2	2.6x	16.7x	8.5x	\$1,892.9	35.8%	15.3%
Capital Senior Living Corp.	CSU	8.28	81.8%	220.5	387.0	2.0x	13.5x	6.7x	\$193.5	36.7%	14.8%
Emeritus Corp.	ESC	24.27	72.7%	948.4	2,409.5	3.4x	19.5x	12.1x	\$702.7	35.7%	17.6%
Median			70.8%	\$689.3	\$1,476.4	2.3x	13.5x	6.7x	\$467.6	35.8%	16.4%
Mean			70.3%	\$1,012.0	\$2,042.8	2.3x	13.6x	5.9x	\$755.4	35.9%	17.5%
BEHAVIORAL HEALTH											
PHC Inc.	PHC	\$2.44	76.3%	\$49.3	\$49.0	1.0x	10.3x	0.7x	\$50.3	44.3%	9.4%
Providence Service Corp.	PRSC	12.64	37.7%	155.6	357.7	0.7x	8.0x	5.4x	509.1	16.2%	8.8%
Psychiatric Solutions, Inc.	PSYS	38.20	93.8%	2,126.2	3,408.4	2.0x	12.1x	4.6x	1,688.9	39.1%	16.7%
Res-Care Inc.	RSCR	19.02	71.9%	559.2	818.2	0.5x	8.9x	2.5x	1,492.6	8.9%	6.2%
Median			74.1%	\$357.4	\$587.9	0.8x	9.6x	3.6x	\$1,000.8	27.6%	9.1%
Mean			69.9%	\$722.6	\$1,158.3	1.1x	10.1x	3.3x	\$935.2	27.1%	10.3%
DENTAL MANAGEMENT SERVICES											
American Dental Partners, Inc.	ADPI	\$13.85	47.8%	\$178.6	\$317.1	1.1x	6.3x	2.9x	\$301.2	41.3%	16.6%
Birner Dental Management Services Inc.	BDMS	13.80	61.2%	26.9	30.6	0.8x	4.8x	0.7x	40.1	38.0%	15.9%
Median			54.5%	\$102.7	\$173.9	0.9x	5.6x	1.8x	\$170.6	39.7%	16.3%
DIAGNOSTIC IMAGING											
Alliance Imaging Inc.	AIQ	\$11.03	91.7%	\$562.9	\$1,099.0	2.4x	7.0x	4.2x	\$465.7	46.9%	33.7%
RadNet, Inc.	RDNT	4.15	39.9%	148.5	626.5	1.4x	8.6x	6.6x	454.8	31.0%	16.0%
Median			65.8%	\$355.7	\$862.7	1.9x	7.0x	4.2x	\$460.2	38.9%	24.9%
DIALYSIS											
DaVita Inc.	DVA	\$56.05	83.1%	\$5,851.6	\$9,182.8	1.7x	9.0x	3.6x	\$5,425.3	31.4%	18.7%
Dialysis Corp. of America	DCAI	8.03	81.5%	76.9	81.1	1.0x	11.3x	1.1x	80.3	39.5%	8.9%
Fresenius Medical Care AG & Co. KGAA	DB:FME	53.53	94.8%	15,888.5	21,138.8	2.1x	10.5x	3.0x	10,172.5	34.5%	19.7%
Median			83.1%	\$5,851.6	\$9,182.8	1.7x	10.5x	3.0x	\$5,425.3	34.5%	18.7%
Mean			86.5%	\$7,272.3	\$10,134.2	1.6x	10.3x	2.6x	\$5,226.0	35.2%	15.8%
DISTRIBUTION											
Amerisourcebergen Corp.	ABC	\$39.25	80.8%	\$6,219.6	\$6,869.6	0.1x	7.4x	1.3x	\$69,726.6	3.1%	1.3%
Cardinal Health, Inc.	CAH	51.20	74.2%	18,388.6	20,943.7	0.2x	8.1x	1.5x	91,091.4	6.2%	2.9%
Henry Schein Inc.	HSIC	55.26	86.9%	4,938.8	5,109.7	0.8x	10.7x	1.0x	6,393.6	29.0%	7.5%
McKesson Corp.	MCK	55.27	80.8%	15,249.7	15,856.7	0.2x	8.4x	1.0x	103,879.0	4.9%	1.8%
MWI Veterinary Supply, Inc.	MWIV	41.01	92.0%	494.3	481.7	0.6x	14.5x	0.0x	796.8	14.4%	4.2%
Omnicare Inc.	OCR	29.50	82.6%	3,486.3	6,046.4	1.0x	12.0x	5.5x	6,202.9	24.7%	8.2%
Owens & Minor Inc.	OMI	48.00	93.4%	1,984.5	2,200.7	0.3x	11.9x	1.2x	6,982.9	10.6%	2.6%
Patterson Companies Inc.	PDCO	31.46	78.5%	3,820.5	4,144.4	1.4x	10.6x	1.7x	3,041.2	34.4%	12.8%
PSS World Medical Inc.	PSSI	19.86	93.2%	1,235.4	1,407.0	0.7x	11.6x	1.7x	1,889.1	29.3%	6.4%
Median			82.6%	\$3,820.5	\$5,109.7	0.6x	10.7x	1.3x	\$6,393.6	14.4%	4.2%
Mean			84.7%	\$6,202.0	\$7,006.7	0.6x	10.6x	1.6x	\$32,222.6	17.4%	5.3%
EYE CARE											
LCA-Vision Inc.	LCAV	\$5.28	15.4%	\$97.8	\$60.3	0.2x	1.4x	0.6x	\$278.0	52.7%	15.4%
TLC Vision Corp.	TLCV	0.87	22.1%	43.8	132.0	0.4x	6.6x	5.1x	300.4	30.0%	6.6%
Median			18.7%	\$70.8	\$96.1	0.3x	4.0x	2.8x	\$289.2	41.3%	11.0%
HEALTHCARE IT											
Allscripts Healthcare Solutions Inc. (1)	MDRX	\$11.78	42.0%	\$731.0	\$803.6	2.7x	17.4x	2.9x	\$300.4	49.9%	15.4%
Cerner Corp.	CERN	47.63	72.3%	3,848.3	3,741.5	2.4x	9.8x	0.5x	1,555.0	83.1%	24.7%
Computer Programs & Systems Inc.	CPSI	24.49	81.5%	265.4	241.0	2.1x	10.6x	0.0x	113.4	43.7%	20.0%
Eclipsys Corp.	ECLP	22.05	83.7%	1,199.0	1,187.3	2.4x	21.1x	0.9x	502.0	43.9%	11.2%
HLTH Corporation (1)	HLTH	12.23	74.6%	2,254.9	1,476.7	2.7x	19.8x	8.7x	548.9	60.0%	13.6%
HMS Holdings Corp.	HMSY	26.13	70.5%	654.7	650.3	4.0x	15.8x	0.5x	162.5	38.8%	25.3%
Omniceil Inc.	OMCL	13.63	43.8%	423.4	300.6	1.3x	10.9x	0.0x	238.6	52.6%	11.5%
Quality Systems Inc.	QSII	43.68	91.1%	1,212.8	1,148.4	5.8x	16.0x	0.0x	199.7	66.4%	36.0%
SXC Health Solutions, Corp.	SXCI	15.90	90.6%	379.2	377.0	1.3x	15.3x	1.9x	297.8	23.2%	8.3%
Vital Images Inc.	VTAL	16.13	68.3%	255.2	101.2	1.5x	NM	0.0x	66.8	77.8%	NM
Median			73.4%	\$692.8	\$726.9	2.4x	15.6x	0.5x	\$268.2	51.2%	15.4%
Mean			71.8%	\$1,122.4	\$1,002.8	2.6x	14.6x	0.7x	\$398.5	53.9%	18.4%
HOME NURSING											
Almost Family Inc.	AFAM	\$36.63	78.9%	\$297.8	\$288.9	1.9x	14.9x	0.4x	\$155.6	52.2%	12.4%
Amedisys Inc.	AMED	49.13	72.3%	1,316.7	1,694.2	1.9x	12.3x	2.8x	900.7	54.8%	15.3%
Gentiva Health Services Inc.	GTIV	26.41	90.3%	756.0	1,067.5	0.8x	9.9x	3.1x	1,292.4	42.7%	8.3%
LHC Group, Inc.	LHCG	27.25	86.7%	498.4	509.0	1.5x	13.9x	0.4x	332.3	49.0%	11.0%
Median			82.8%	\$627.2	\$788.3	1.7x	13.1x	1.6x	\$616.5	50.6%	11.7%
Mean			82.0%	\$717.2	\$889.9	1.5x	12.8x	1.7x	\$670.2	49.7%	11.8%

Note: Figures in bold and italic type were excluded from median and mean calculation.

(1) Company is target of announced acquisition.

(2) As of 9/17/2008.

(3) Market Capitalization is the aggregate value of a firm's outstanding common stock.

(4) Enterprise Value is the total value of a firm (including all debt and equity).

(5) Enterprise Value and EBITDA reduced to account for minority interest.

Source: Capital IQ.





Healthcare Insider

Industry Valuations

Healthcare Services

(\$ in millions, except per share data)

Company Name	Ticker	Recent Stock Price (2)	% of 52W High	Market Capitalization (3)	Enterprise Value (4) (5)	Enterprise Revenue	Enterprise Value / EBITDA (5)	Total Debt/ EBITDA (5)	TTM Revenue	TTM Margins Gross	TTM Margins EBITDA (5)
HOSPICE											
Chemed Corp.	CHE	\$47.00	70.8%	\$1,076.6	\$1,303.1	1.2x	8.6x	1.5x	\$1,126.7	29.3%	13.4%
Odyssey Healthcare Inc.	ODSY	10.58	93.8%	347.1	424.7	0.9x	14.9x	4.5x	492.2	41.0%	5.8%
Median			82.3%	\$711.8	\$863.9	1.0x	11.8x	3.0x	\$809.4	35.1%	9.6%
HOSPITAL MANAGEMENT											
Community Health Systems, Inc.	CYH	\$31.75	79.3%	\$3,044.3	\$11,694.5	1.1x	10.1x	7.7x	\$10,193.5	45.4%	11.3%
Dynacq Healthcare Inc.	DYII	4.50	51.5%	70.7	39.6	0.7x	2.3x	0.1x	60.1	53.0%	28.1%
Health Management Associates Inc.	HMA	4.39	53.5%	1,072.7	4,244.9	0.9x	6.6x	5.6x	4,478.5	45.6%	14.4%
Lifepoint Hospitals Inc.	LPNT	33.52	93.3%	1,784.7	3,283.7	1.2x	7.4x	3.4x	2,695.3	44.5%	16.5%
Tenet Healthcare Corp.	THC	6.14	89.2%	2,927.6	7,344.6	0.8x	9.9x	6.4x	9,116.0	37.6%	8.1%
Universal Health Services Inc.	UHS	62.59	94.8%	3,184.2	4,231.3	0.9x	7.8x	1.9x	4,950.8	43.3%	10.9%
Median			84.3%	\$2,356.1	\$4,238.1	0.9x	7.4x	2.7x	\$4,714.7	45.0%	12.8%
Mean			77.0%	\$2,014.0	\$5,139.8	0.9x	7.3x	2.8x	\$5,249.0	44.9%	14.9%
LABORATORY/DIAGNOSTICS											
Bio-Reference Laboratories Inc.	BRLI	\$29.64	82.8%	\$408.3	\$427.7	1.5x	12.1x	0.9x	\$289.6	51.2%	12.2%
Laboratory Corp. of America Holdings	LH	73.55	91.1%	8,178.8	9,683.2	2.3x	9.5x	1.6x	4,277.4	41.8%	23.9%
Quest Diagnostics Inc.	DGX	56.25	95.9%	10,976.2	14,092.4	2.0x	9.8x	2.3x	7,160.1	41.2%	20.2%
Median			91.1%	\$8,178.8	\$9,683.2	2.0x	9.8x	1.6x	\$4,277.4	41.8%	20.2%
Mean			89.9%	\$6,521.1	\$8,067.8	1.9x	10.5x	1.7x	\$3,909.0	44.7%	18.7%
LONG TERM CARE / NURSING HOME											
Advocat Inc.	AVCA	\$5.93	47.3%	\$33.6	\$66.7	0.2x	3.3x	1.7x	\$277.4	22.4%	7.2%
Extendicare REIT	TSX:EXE.UN	7.24	50.2%	\$36.5	\$151.94	0.8x	8.0x	6.0x	1,861.4	14.5%	10.2%
Five Star Quality Care Inc.	FVE	3.56	34.9%	113.4	203.0	0.2x	4.6x	3.2x	1,025.8	43.4%	4.3%
Kindred Healthcare Inc.	KND	28.03	84.3%	1,088.5	1,144.7	0.3x	6.2x	1.5x	4,125.1	25.1%	4.4%
National Healthcare Corp.	NHC	49.24	88.3%	629.4	712.1	1.2x	15.1x	0.4x	604.7	43.8%	7.8%
Sun Healthcare Group Inc.	SUNH	16.45	87.6%	713.1	1,374.9	0.8x	8.9x	4.7x	1,805.4	40.5%	8.6%
Median			67.3%	\$583.0	\$928.4	0.5x	6.2x	1.7x	\$1,415.6	32.8%	7.5%
Mean			65.4%	\$519.1	\$836.8	0.6x	6.2x	2.3x	\$1,616.6	31.6%	7.1%
MANAGED CARE											
Aetna Inc.	AET	\$38.14	63.6%	\$17,986.8	\$20,930.7	0.7x	6.1x	1.1x	\$29,672.5	28.8%	11.5%
AMERIGROUP Corp.	AGP	25.03	61.0%	1,327.6	1,152.4	0.3x	4.3x	1.3x	4,327.5	19.1%	6.2%
Centene Corp.	CNC	20.61	72.3%	891.0	755.6	0.2x	4.9x	1.5x	3,143.3	19.0%	4.9%
CIGNA Corp.	CI	37.17	65.2%	10,216.4	11,942.4	0.7x	7.1x	1.5x	18,259.0	42.1%	9.2%
Coventry Health Care Inc.	CVH	32.59	51.0%	4,827.2	5,405.4	0.5x	5.4x	1.5x	11,229.1	26.6%	9.0%
Health Net Inc.	HNT	25.50	45.5%	2,736.8	2,663.4	0.2x	4.3x	1.1x	14,896.8	14.7%	4.2%
HealthSpring Inc.	HS	19.63	85.6%	1,148.4	1,122.6	0.6x	5.3x	1.3x	1,954.2	21.9%	10.9%
Molina Healthcare Inc.	MOH	31.35	69.8%	861.1	635.7	0.2x	4.4x	1.4x	2,819.2	16.5%	5.2%
Unitedhealth Group, Inc.	UNH	26.57	44.7%	32,352.9	40,230.9	0.5x	4.8x	1.6x	77,960.0	26.3%	10.7%
WellPoint Inc.	WLP	47.62	52.9%	24,349.7	31,845.2	0.5x	5.5x	1.7x	61,998.9	23.8%	9.4%
Median			62.3%	\$3,782.0	\$4,034.4	0.5x	5.1x	1.4x	\$13,062.9	22.8%	9.1%
Mean			61.2%	\$9,669.8	\$11,668.4	0.4x	5.2x	1.4x	\$22,626.0	23.9%	8.1%
PHARMACY BENEFIT MANAGEMENT											
Allion Healthcare, Inc.	ALLI	\$5.57	73.5%	\$142.3	\$184.2	0.7x	11.6x	3.2x	\$277.1	16.1%	5.7%
BioScrip Inc.	BIOS	2.60	26.5%	99.8	119.7	0.1x	7.5x	1.2x	1,282.7	10.9%	1.2%
Express Scripts Inc.	ESRX	75.11	95.0%	18,524.2	20,108.8	1.1x	16.1x	1.5x	18,500.6	10.2%	6.8%
Healthxtras Inc.	HLEX	30.21	85.5%	1,305.8	1,256.9	0.6x	17.1x	0.0x	2,233.3	5.4%	3.3%
MedcoHealth Solutions Inc.	MHS	48.48	88.8%	24,516.2	28,756.6	0.6x	13.1x	2.1x	48,034.6	6.9%	4.6%
Median			85.5%	\$1,305.8	\$1,256.9	0.6x	13.1x	1.5x	\$2,233.3	10.2%	4.6%
Mean			73.8%	\$8,917.7	\$10,085.2	0.6x	13.1x	1.6x	\$14,065.7	9.9%	4.3%
REHABILITATION SERVICES											
HealthSouth Corp.	HLS	\$19.40	84.3%	\$1,708.5	\$3,912.8	2.2x	12.9x	6.2x	\$1,801.1	44.0%	16.8%
Rehabcare Group Inc.	RHB	18.15	69.3%	327.4	384.1	0.5x	7.7x	1.4x	716.2	19.0%	7.0%
US Physical Therapy Inc.	USPH	18.06	87.9%	214.7	223.9	1.3x	10.2x	0.8x	174.2	47.1%	12.6%
Median			84.3%	\$327.4	\$384.1	1.3x	8.9x	1.1x	\$716.2	44.0%	12.6%
Mean			80.5%	\$750.2	\$1,506.9	1.3x	8.9x	1.1x	\$897.2	36.7%	12.1%
RESPIRATORY THERAPY / DME											
American Homepatient Inc.	AHOM	\$0.30	15.5%	\$5.3	\$225.1	0.8x	5.1x	5.5x	\$276.2	64.7%	15.9%
Lincare Holdings Inc.	LINC	31.95	84.5%	2,345.5	3,034.6	1.8x	5.7x	1.4x	1,664.3	56.1%	31.8%
Rotech Healthcare Inc.	ROHI	0.08	6.6%	2.0	454.0	0.8x	5.7x	6.1x	562.4	71.4%	14.2%
Median			15.5%	\$5.3	\$454.0	0.8x	5.7x	1.4x	\$562.4	64.7%	15.9%
Mean			35.5%	\$784.3	\$1,237.9	1.1x	5.7x	1.4x	\$834.3	64.0%	20.6%
STAFFING											
AMN Healthcare Services Inc.	AHS	\$17.91	89.3%	\$604.3	\$752.4	0.6x	8.5x	1.8x	\$1,192.5	26.5%	7.4%
Allied Healthcare International Inc.	AHCI	2.49	77.8%	112.0	88.1	0.3x	5.4x	0.0x	296.8	30.4%	5.5%
Cross Country Healthcare Inc.	CCRN	16.07	84.5%	492.9	522.4	0.7x	9.5x	0.6x	717.0	25.6%	7.7%
Medical Staffing Network Holdings Inc.	MRN	2.07	31.7%	62.8	183.3	0.3x	6.8x	4.7x	586.1	24.4%	4.6%
On Assignment Inc.	ASGN	9.10	86.7%	322.7	418.5	0.7x	7.7x	2.5x	609.2	31.8%	9.0%
Median			84.5%	\$322.7	\$418.5	0.6x	7.7x	1.8x	\$609.2	26.5%	7.4%
Mean			74.0%	\$318.9	\$392.9	0.5x	7.6x	1.9x	\$680.3	27.7%	6.8%

Note: Figures in bold and italic type were excluded from median and mean calculation.

(1) Company is target of announced acquisition.

(2) As of 9/17/2008.

(3) Market Capitalization is the aggregate value of a firm's outstanding common stock.

(4) Enterprise Value is the total value of a firm (including all debt and equity).

(5) Enterprise Value and EBITDA reduced to account for minority interest.

Source: Capital IQ.





Industry Valuations

Medical Devices, Equipment & Supplies

(\$ in millions, except per share data)

Company Name	Ticker	Recent Stock Price (2)	% of 52W High	Market Capitalization (3)	Enterprise Value (4)	Enterprise Value /		Total Debt/ EBITDA	TTM Revenue	TTM Margins	
						Revenue	EBITDA			Gross	EBITDA
MEDICAL DEVICES											
Boston Scientific Corp.	BSX	\$13.50	88.2%	\$20,258.6	\$25,927.6	3.1x	11.4x	3.2x	\$8,271.0	68.4%	27.4%
CR Bard Inc.	BCR	98.86	98.5%	9,820.8	9,536.3	4.1x	14.0x	0.2x	2,329.2	61.1%	29.3%
Edwards Lifesciences Corp.	EW	59.58	89.5%	3,350.1	3,283.7	2.8x	13.8x	0.6x	1,178.8	65.5%	20.0%
Medtronic, Inc.	MDT	52.76	91.0%	59,528.8	64,917.8	4.6x	12.8x	1.4x	14,094.0	75.4%	35.9%
Smith & Nephew plc	LSE:SN	10.89	85.7%	9,755.3	11,127.4	3.3x	12.5x	1.7x	3,723.0	72.4%	26.1%
St. Jude Medical Inc.	STJ	44.90	92.6%	15,346.5	16,322.8	4.0x	13.2x	1.1x	4,091.5	74.0%	30.3%
Stryker Corp.	SYK	63.38	82.4%	26,132.3	23,593.4	3.7x	12.8x	0.0x	6,458.3	68.8%	28.5%
Synthes Inc.	VIRTX:SYST	137.77	95.8%	16,353.4	15,846.3	5.7x	13.6x	0.0x	3,000.7	80.0%	41.8%
Wright Medical Group Inc.	WMGI	32.03	97.0%	1,207.7	1,223.1	2.9x	21.8x	3.6x	428.9	72.0%	13.1%
Zimmer Holdings Inc.	ZMH	68.50	79.7%	15,428.3	15,372.8	3.7x	9.8x	0.2x	4,115.4	76.4%	38.3%
Median			90.3%	\$15,387.4	\$15,609.5	3.7x	12.8x	0.9x	\$3,907.2	72.2%	28.9%
Mean			90.1%	\$17,718.2	\$18,715.1	3.8x	12.7x	1.2x	\$4,769.1	71.4%	29.1%
LIFE SCIENCES TOOLS / DIAGNOSTICS											
Applied Biosystems Inc. (1)	ABI	\$35.75	94.9%	\$6,059.8	\$5,820.2	2.6x	11.8x	0.3x	\$2,224.7	56.8%	22.2%
Beckman Coulter Inc.	BEC	69.55	90.2%	4,326.5	5,296.8	1.8x	9.4x	1.8x	2,986.8	46.4%	18.8%
Bio-Rad Laboratories, Inc.	BIO	99.75	86.6%	2,707.3	2,967.7	1.8x	11.2x	1.7x	1,674.0	53.6%	15.9%
Illumina Inc.	ILMN	80.20	83.8%	4,863.6	4,960.3	10.5x	47.4x	3.8x	472.2	63.2%	22.1%
Inverness Medical Innovations Inc.	IMA	31.20	48.0%	2,432.8	4,453.7	3.4x	15.8x	5.5x	1,299.0	50.8%	21.6%
Invitrogen Corp.	IVGN	38.97	78.6%	3,597.3	4,105.1	3.0x	11.2x	3.1x	1,369.4	65.1%	26.7%
Millipore Corp.	MIL	69.74	83.8%	3,848.8	5,062.1	3.2x	12.6x	3.1x	1,586.8	54.8%	25.4%
PerkinElmer Inc.	PKI	25.88	86.3%	3,092.9	3,420.5	1.7x	12.6x	1.9x	1,958.1	41.4%	13.8%
Thermo Fisher Scientific, Inc.	TMO	56.27	89.6%	23,577.9	24,747.3	2.4x	12.5x	1.1x	10,285.9	39.8%	19.2%
Waters Corp.	WAT	55.52	67.8%	5,495.6	5,649.0	3.6x	12.8x	2.2x	1,560.1	57.3%	28.2%
Median			85.0%	\$4,087.7	\$5,011.2	2.6x	12.5x	2.1x	\$1,630.4	54.2%	21.9%
Mean			81.0%	\$6,000.3	\$6,648.3	2.6x	12.2x	2.5x	\$2,541.7	52.9%	21.4%
MEDICAL EQUIPMENT											
Hologic Inc.	HOLX	\$20.13	55.2%	\$5,158.5	\$6,794.6	4.7x	13.8x	3.6x	\$1,434.6	60.3%	34.4%
Intuitive Surgical, Inc.	ISRG	275.53	76.6%	10,700.5	10,360.8	13.7x	35.7x	0.0x	753.7	70.3%	38.5%
Invacare Corp.	IVC	24.39	87.9%	781.9	1,268.0	0.7x	9.5x	3.9x	1,697.5	28.1%	7.9%
Kinetic Concepts Inc.	KCI	30.50	46.8%	2,212.6	3,800.0	2.2x	7.5x	3.3x	1,726.6	49.6%	29.4%
ResMed Inc.	RMD	45.82	84.0%	3,462.3	3,278.9	3.9x	15.6x	0.7x	835.4	59.5%	25.1%
Sirona Dental Systems Inc.	SIRO	25.79	66.6%	1,413.8	1,882.2	2.5x	10.6x	3.3x	754.4	46.0%	23.5%
Steris Corp.	STE	36.48	93.7%	2,155.0	2,284.6	1.8x	10.7x	0.8x	1,295.7	41.6%	16.4%
Varian Medical Systems Inc.	VAR	60.01	91.1%	7,492.1	7,193.7	3.6x	16.9x	0.3x	2,021.3	41.1%	21.0%
Median			80.3%	\$2,837.5	\$3,539.5	2.5x	10.7x	2.1x	\$1,365.1	47.8%	24.3%
Mean			75.2%	\$4,172.1	\$4,607.9	2.8x	12.1x	2.0x	\$1,314.9	49.5%	24.5%
HEALTHCARE SUPPLIES											
Ansell Ltd.	ASX:ANN	\$9.52	92.2%	\$1,293.7	\$1,413.7	1.4x	10.6x	2.0x	\$1,198.9	39.7%	13.3%
Becton, Dickinson and Company	BDX	80.46	86.3%	19,597.5	19,788.3	2.8x	10.1x	0.6x	6,971.4	51.1%	28.2%
The Cooper Companies Inc.	COO	36.33	65.0%	1,635.0	2,559.3	2.4x	11.4x	4.1x	1,048.2	55.7%	21.4%
Covidien, Ltd.	COV	55.22	96.9%	27,709.8	29,805.8	3.1x	12.6x	1.3x	9,635.0	52.9%	24.6%
DENTSPLY International Inc.	XRAY	39.38	82.3%	5,854.2	6,012.8	2.8x	13.2x	1.3x	2,185.2	51.5%	20.8%
Haemonetics Corp.	HAE	64.34	97.2%	1,633.9	1,528.5	2.8x	13.7x	0.1x	538.6	50.0%	20.6%
ICU Medical Inc.	ICUI	30.12	73.5%	430.4	321.8	1.8x	9.4x	0.0x	183.7	41.9%	18.6%
Medical Action Industries Inc.	MDCI	13.63	53.7%	218.4	269.4	0.9x	9.4x	1.8x	297.7	21.0%	9.7%
Merit Medical Systems Inc.	MMSI	19.40	90.8%	540.8	514.0	2.4x	13.3x	0.0x	215.9	40.5%	17.9%
Terumo Corp.	TSE:4543	53.60	89.6%	10,394.5	10,009.7	3.4x	12.4x	0.2x	2,908.3	54.7%	27.4%
Median			88.0%	\$1,634.4	\$2,043.9	2.6x	11.9x	0.9x	\$1,123.5	50.6%	20.7%
Mean			82.8%	\$6,930.8	\$7,222.3	2.4x	11.6x	1.2x	\$2,518.3	45.9%	20.3%

Note: Figures in bold and italic type were excluded from median and mean calculation.

(1) Company is target of announced acquisition.

(2) As of 9/17/2008.

(3) Market Capitalization is the aggregate value of a firm's outstanding common stock.

(4) Enterprise Value is the total value of a firm (including all debt and equity).

Source: Capital IQ.





Industry Valuations

Pharmaceuticals & Biotechnology

(\$ in millions, except per share data)

Company Name	Ticker	Recent Stock Price (2)	% of 52W High	Market Capitalization (3)	Enterprise Value (4)	Enterprise Value / Revenue EBITDA		Total Debt/ EBITDA	TTM Revenue	TTM Margins		
PHARMACEUTICALS												
Abbott Laboratories	ABT	\$58.08	95.1%	\$89,533.0	\$98,240.5	3.5x	13.2x	2.0x	\$27,677.7	56.6%	25.7%	
AstraZeneca plc	LSE:AZN	43.88	86.4%	63,592.1	73,165.6	2.6x	7.1x	1.3x	30,953.0	80.5%	36.7%	
Eli Lilly & Co.	LLY	45.42	75.9%	51,640.3	51,084.1	2.6x	8.3x	0.7x	19,734.4	76.8%	31.2%	
GlaxoSmithKline plc	LSE:GSK	21.53	84.5%	111,039.2	126,685.7	3.0x	7.8x	1.5x	45,768.3	76.3%	38.9%	
Merck & Co. Inc.	MRK	31.93	51.8%	68,409.2	65,945.5	2.7x	5.1x	0.6x	24,190.9	77.6%	33.0%	
Novartis AG	VIRTX:NOVN	52.81	87.4%	119,533.2	114,449.1	3.0x	10.9x	1.0x	41,195.0	72.6%	26.3%	
Pfizer Inc.	PFE	17.99	70.0%	121,270.5	112,015.5	2.3x	5.5x	0.8x	48,837.0	83.7%	41.8%	
Roche Holding AG	VIRTX:ROG	166.64	83.4%	143,734.3	141,406.8	3.3x	9.6x	0.3x	46,539.7	71.7%	34.1%	
Sanofi-Aventis	ENXTPA:SAN	66.05	68.6%	86,182.0	94,310.6	2.3x	5.9x	0.6x	45,227.8	74.0%	35.7%	
Wyeth	WYE	38.44	77.2%	51,257.1	49,153.9	2.1x	6.5x	1.5x	23,039.1	72.8%	32.6%	
Median			80.3%	\$87,857.5	\$96,275.6	2.7x	7.4x	0.9x	\$36,074.0	75.1%	33.6%	
Mean			78.0%	\$90,619.1	\$92,645.7	2.7x	8.0x	1.1x	\$35,316.3	74.3%	33.6%	
SPECIALTY PHARMACEUTICALS												
Allergan Inc.	AGN	\$57.01	81.0%	\$17,352.3	\$17,859.0	4.1x	15.6x	1.4x	\$4,332.9	83.4%	26.4%	
Biovail Corporation	BVF	9.54	53.1%	1,514.4	1,177.2	1.6x	3.6x	0.0x	787.4	73.3%	43.9%	
Endo Pharmaceuticals Holdings Inc.	ENDP	20.12	63.4%	2,420.2	2,191.5	1.9x	6.1x	1.0x	1,170.5	80.1%	30.5%	
Forest Laboratories Inc.	FRX	28.03	65.6%	8,545.4	6,712.6	1.8x	5.7x	0.0x	3,770.2	78.5%	31.5%	
King Pharmaceuticals Inc.	KG	10.26	79.6%	2,529.0	1,734.4	0.9x	2.7x	0.6x	1,907.0	72.6%	33.3%	
Medicis Pharmaceutical Corp.	MRX	19.39	60.3%	1,099.7	798.6	1.5x	5.6x	1.2x	524.5	91.1%	27.0%	
Merck KGaA	DB:MRK	104.71	73.1%	22,764.5	24,025.5	2.3x	7.5x	0.6x	11,500.7	74.8%	30.6%	
Sepracor, Inc.	SEPR	17.53	57.3%	1,908.1	1,880.5	1.5x	22.0x	8.4x	1,235.7	90.5%	7.0%	
Warner Chilcott Limited	WCRX	15.75	80.6%	3,949.7	5,054.5	5.5x	10.8x	2.4x	917.9	79.5%	51.2%	
Median			65.6%	\$2,529.0	\$2,191.5	1.8x	5.9x	0.8x	\$1,235.7	79.5%	30.6%	
Mean			68.2%	\$6,898.1	\$6,826.0	2.3x	7.2x	0.9x	\$2,905.2	80.4%	31.3%	
GENERIC PHARMACEUTICALS												
Barr Pharmaceuticals Inc. (1)	BRL	\$66.00	96.6%	\$7,182.8	\$8,671.8	3.3x	12.8x	3.0x	\$2,657.6	53.0%	25.4%	
Caraco Pharmaceutical Laboratories Ltd.	CPD	14.70	78.6%	486.7	518.6	1.2x	10.7x	0.0x	423.2	21.8%	11.4%	
Dr. Reddy's Laboratories Ltd.	BSE:500124	11.17	68.3%	1,886.8	2,146.3	1.9x	11.5x	2.3x	1,233.6	59.0%	16.4%	
KV Pharmaceutical Co.	KVA	23.08	73.4%	1,152.8	1,286.7	2.0x	6.9x	1.5x	636.4	69.8%	29.1%	
Mylan, Inc.	MYL	11.76	68.0%	3,580.8	8,391.3	2.2x	13.9x	8.7x	3,896.9	36.5%	15.6%	
Par Pharmaceutical Companies Inc.	PRX	13.89	56.7%	479.5	386.5	0.6x	NM	NM	635.7	31.3%	0.0%	
Perrigo Co.	PRGO	38.50	89.4%	3,586.9	4,183.0	2.3x	14.6x	3.2x	1,822.1	31.1%	15.7%	
Taro Pharmaceutical Industries Ltd. (1)	TARO.F	9.75	97.0%	355.4	528.2	1.7x	7.4x	3.1x	313.0	53.8%	22.8%	
Teva Pharmaceutical Industries Ltd.	TEVA	45.80	91.6%	37,185.4	38,689.4	3.7x	12.4x	1.5x	10,337.0	53.0%	30.3%	
Watson Pharmaceuticals Inc.	WPI	27.59	83.6%	2,882.2	3,431.5	1.4x	6.3x	1.5x	2,471.6	41.6%	21.7%	
Median			81.1%	\$2,384.5	\$2,788.9	2.0x	11.1x	1.9x	\$1,527.9	47.3%	19.0%	
Mean			80.3%	\$5,877.9	\$6,823.3	2.0x	10.3x	2.0x	\$2,442.7	45.1%	18.8%	
BIOTECHNOLOGY												
Amgen Inc.	AMGN	\$59.99	90.2%	\$63,471.6	\$66,163.6	4.5x	10.4x	1.8x	\$14,733.0	84.3%	43.2%	
Amylin Pharmaceuticals Inc.	AMLN	21.46	42.0%	2,945.2	2,954.3	3.6x	NM	NM	831.3	90.1%	NM	
Biogen Idec Inc.	BIB	47.14	55.6%	13,682.6	14,031.2	3.9x	9.8x	0.7x	3,618.2	90.0%	39.7%	
Celgene Corporation	CELG	64.28	83.1%	29,239.9	26,982.7	15.0x	49.0x	0.0x	1,798.6	89.5%	31.1%	
Cephalon Inc.	CEPH	75.60	95.6%	5,139.4	5,492.0	3.0x	11.4x	2.1x	1,824.3	80.3%	26.3%	
Genentech Inc.	DNA	90.70	91.5%	95,747.5	94,316.5	7.7x	18.1x	0.6x	12,176.0	87.0%	42.8%	
Genzyme Corp.	GENZ	80.39	95.7%	21,597.0	21,641.7	5.1x	19.1x	0.7x	4,268.1	74.7%	26.6%	
Gilead Sciences Inc.	GILD	47.17	81.8%	43,392.4	43,467.9	9.3x	18.0x	0.6x	4,689.8	80.4%	51.4%	
Imclone Systems Inc. (1)	IMCL	57.51	83.5%	5,003.3	4,667.6	7.4x	24.2x	3.1x	628.1	72.3%	30.8%	
Vertex Pharmaceuticals Incorporated	VRTX	27.91	69.6%	4,148.0	3,603.4	17.7x	NM	NM	203.1	92.9%	NM	
Median			83.3%	\$17,639.8	\$17,836.4	4.5x	14.7x	0.7x	\$2,721.2	85.7%	35.4%	
Mean			78.9%	\$28,436.7	\$28,332.1	5.3x	14.5x	1.2x	\$4,477.0	84.1%	36.5%	
CRO / PHARMA SERVICES												
Charles River Laboratories International Inc.	CRL	\$62.51	90.3%	\$4,238.2	\$4,501.3	3.4x	13.2x	1.5x	\$1,321.8	38.6%	25.9%	
Covance Inc.	CVD	94.08	95.0%	5,929.6	5,768.9	3.3x	17.9x	0.1x	1,746.3	32.3%	18.3%	
ICON plc	ICLR	41.08	91.7%	2,481.5	2,503.3	0.0x	0.0x	1.2x	767.2	44.2%	13.9%	
inVentiv Health, Inc.	VTIV	20.51	44.1%	681.2	964.5	0.9x	6.8x	2.5x	1,070.3	31.4%	13.3%	
Kendle International Inc.	KNDL	49.57	96.1%	729.6	917.2	1.4x	12.4x	2.9x	633.3	34.7%	11.7%	
MDS, Inc.	TSX:MDS	11.46	56.3%	1,388.3	1,564.2	1.2x	11.0x	3.2x	1,320.0	34.8%	7.4%	
Parexel International Corp.	PRXL	30.73	85.0%	1,695.7	1,716.7	1.5x	13.9x	0.6x	1,163.0	28.8%	10.6%	
Pharmaceutical Product Development Inc.	PPDI	43.12	87.3%	5,135.9	4,639.7	3.0x	15.1x	0.0x	1,535.5	46.1%	20.1%	
PharmaNet Development Group, Inc.	PDGI	8.12	18.9%	158.1	262.3	0.5x	7.1x	4.1x	480.7	29.2%	7.7%	
West Pharmaceutical Services, Inc.	WST	49.51	96.1%	1,609.8	1,901.2	1.8x	10.3x	2.2x	1,048.8	28.8%	17.4%	
Median			88.8%	\$1,652.8	\$1,809.0	1.5x	12.4x	1.9x	\$1,116.6	33.5%	13.6%	
Mean			76.1%	\$2,404.8	\$2,473.9	1.7x	11.9x	1.8x	\$1,108.7	34.9%	14.6%	
PHARMA IT												
Cegehim SA	ENXTPA:CGM	\$75.66	60.4%	\$706.0	\$1,601.4	1.4x	8.9x	5.7x	\$1,127.9	18.4%	16.2%	
IMS Health Inc.	RX	20.37	64.5%	3,704.7	5,058.8	2.2x	8.0x	2.3x	2,319.6	55.9%	27.3%	
Phase Forward Inc.	PFWD	20.71	81.8%	886.4	693.7	4.6x	29.2x	0.0x	151.5	57.5%	15.7%	
Median			64.5%	\$886.4	\$1,601.4	2.2x	8.4x	2.3x	\$1,127.9	55.9%	16.2%	
Mean			68.9%	\$1,765.7	\$2,451.3	2.7x	8.4x	2.7x	\$1,199.7	43.9%	19.7%	

Note: Figures in bold and italic type were excluded from median and mean calculation.
(1) Company is target of announced acquisition.
(2) As of 9/17/2008.
(3) Market Capitalization is the aggregate value of a firm's outstanding common stock.
(4) Enterprise Value is the total value of a firm (including all debt and equity).
Source: Capital IQ.



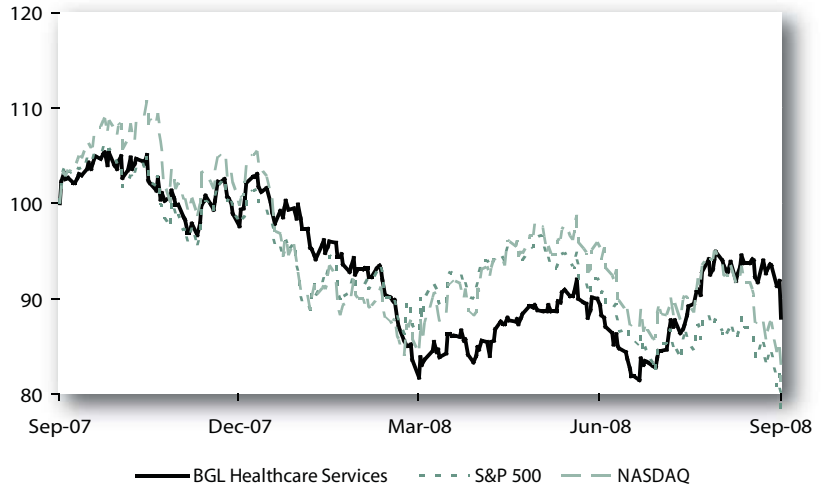


Healthcare Insider

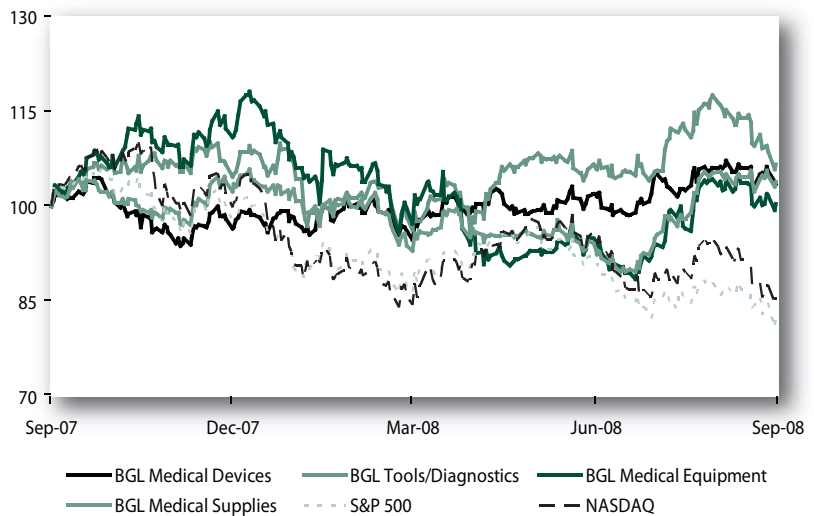
Industry Valuations

Index Performance

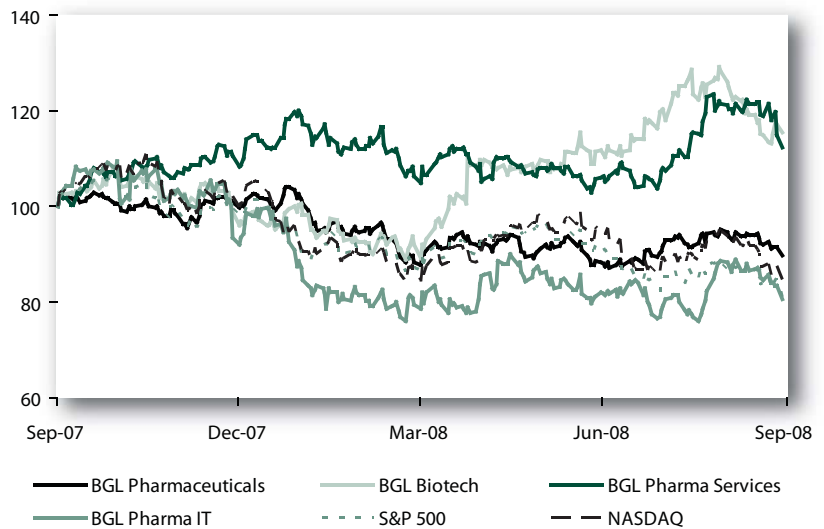
Healthcare Services



Medical Devices, Equipment & Supplies



Pharmaceuticals & Biotechnology



Index: September 17, 2007 = 100

Source: Capital IQ.





Global Healthcare Practice

BGL's Healthcare Group provides comprehensive **M&A**, **private capital-raising**, and **financial restructuring services** to private and public companies spanning the global healthcare industry.

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Engineered Rubber & Plastics Group
a portfolio company of



with interest held by




BLACKROCK KELSO CAPITAL
has been acquired by




has been recapitalized by



and




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and



with financing provided by



and




The Athletic & Therapeutic Institute

has been recapitalized by




has been acquired by



(NYSE:OCR)



has been acquired by




has been acquired by




LENOX HEALTHCARE, INC.™

has negotiated a bankruptcy plan of reorganization with its unsecured creditors committee

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