



Life Sciences & Healthcare

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Defensible Equity Incentive Valuation Opinions Under IRC 409A and FAS 123R

“Don’t think there are no crocodiles because the water is calm” – Malayan Proverb

After several years of delays and waiting, in November 2009 the Internal Revenue Service (“IRS”) began auditing company compliance with Internal Revenue Code §409A (“409A”). The IRS indicated that it started this process by sending Information Document Requests (an “IDR”) to 6,000 companies. The initial reaction from those who have received an IDR indicates that the level of detail that the IRS is requiring is substantial (up to 15 questions with as many as four subcomponents to a question). The IRS is seeking information about the 2006 tax year (before the final rules were finalized) and, in addition, is asking for information regarding all employees (not just company executives). While this initial foray by the IRS does not necessarily indicate how aggressive the IRS may choose to become with regards to audits, it certainly should raise an eyebrow for those companies who are not 100% compliant with 409A. It should also raise the eyebrows of employees who may be subject to taxes of up to 85% (including federal and state penalties) on options deemed to be granted “in-the-money”.

Under 409A, companies should not be granting in-the-money options. For privately held companies and their boards, it is often less clear where the line is between an in-the-money option and an at-the-money option. As a result, for the last several years, many companies have hired an independent third party valuation firm to provide an opinion of the fair market value of its common stock to ensure that options are not being granted in-the-money and, therefore, to shift the burden of proof to the IRS under the Qualified Independent Appraiser safe harbor in the regulations.

Under 409A, these valuations are to be performed using a “reasonable method”. This “reasonable method” language initially created quite a bit of creativity on the part of a number of appraisers. The major audit firms, however, advanced the move towards best practices and the identification of reasonable methods based on requirements under Statement of Financial Accounting Standard No. 123R *Share Based Payment* (“123R” or now ASC 718) and the methodologies outlined in the AICPA Practice Aid entitled *Valuation of Privately-Held-Company Equity Securities Issued as Compensation* (the “Practice Aid”). By enforcing adherence to the Practice Aid for employee stock option expense calculations, auditors effectively changed the methodologies employed for compliance under 409A, as most companies did not want to have different share prices for different purposes, even though the valuation standards of fair value and fair market value are different.

Notwithstanding this guidance from the auditors, for early stage device and diagnostics companies and clinical stage therapeutics companies, the hiring of generalist valuation professionals unfamiliar with these sub-sectors of the life sciences industry proved to be problematic, as some opinions were rendered which were not well substantiated (based on a lack of familiarity with, or access to, appropriate databases) and others were methodologically flawed (based on an insufficient familiarity with life science specific valuation frameworks and a misplaced reliance on theoretical option pricing methodologies which do not match the underlying fact patterns of said companies). As a result of feedback from valuation practitioners, auditors and companies, the AICPA has established a task force to update the Practice Aid to address and clarify these methodology-based issues. An exposure draft for the Practice Aid update is due this month. **[continued on page 3]**

Defensible Equity Incentive Valuation Opinions - Under IRC 409A and FAS 123R (continued from page 2)

With the IRS' recent actions and the pending update of the Practice Aid, life science companies need to be better informed about the valuation process in order to enhance their prospects for receiving third party opinions that will survive the scrutiny of an IRS and/or accounting audit:

1. **Use a provider that understands your industry** – Valuation professionals, by nature, tend to be generalists. This translates relatively well into industries like consumer products or manufacturing, but it does not translate well into life sciences. If a company's valuation firm cannot identify the key differences between a small molecule drug and a biologic, or the difference between a 510(k) and a PMA, then it should consider retaining another firm with greater experience in this sector. If the company elects to train the firm about its business and industry rather than changing firms, it is doubtful that such a firm will be able to defend its valuation opinion when the circumstances require it.
2. **Ensure consistency between the valuation methodologies used by the valuation firm and those used by the company's business development staff** - For life science companies, there are valuation frameworks that are standard for the industry (e.g., risk adjusted net present value or rNPV, scenario analysis and real options techniques). These methods are the tools used by investors, license partners and acquirers in actual transactions where cash is changing hands. Understanding and using these same methodologies can lead to a more defensible valuation opinion.
3. **Ascertain that the proper information is being used** – Most valuation professionals have access to comparable public market and M&A transactions information. This may be sufficient for device and equipment life science companies, but for therapeutics, a significant majority of monetization events that occur are through license and collaboration agreements. The valuation firm should therefore be familiar with, and have access to, published success rates, comparable product development costs and commercial product sales information that can be used to prepare and defend its opinion.
4. **Understand the allocation techniques being used** – As more data has become available for early stage venture-backed companies and therapeutics companies, it is becoming increasingly more apparent that the overall distribution of returns for these companies is not lognormally distributed (i.e., it does not follow a bell shaped curve). However, this lognormal assumption is a key input into most option models, including Black Scholes. Due to its simplicity and general application in a wide variety of situations, the option pricing method has become a primary tool in valuing classes of equity. Unfortunately, the application of this approach in valuing the equity securities of a life science company can undermine the defensibility of the valuation opinion.
5. **Assess the “all-in” or real cost of the opinion** – Selecting the valuation firm based primarily on the upfront fee ignores the substantial cost of an audit and its consequences when that low cost provider cannot defend its work. It is not uncommon for the audit fees for reviewing and correcting an incorrect valuation opinion to be a substantial multiple of the fee paid for the opinion. Further, with the passing of the Pension Protection Act of 2006, §6695A, the IRS may impose penalties and even blacklist appraisers or firms for poor work. **[continued on page 4]**

Defensible Equity Incentive Valuation Opinions - Under IRC 409A and FAS 123R (continued from page 3)

6. **Consider a firm that can leverage its familiarity with the company and the industry to the client's benefit** – To keep costs even lower, if you engage an experienced firm that can assist a company in connection with both accounting and transactional matters, that valuation firm's previous work pertaining to IRC 409A and FAS 123R can be used in support of a multitude of efforts, such as preferred stock, warrants or other equity valuations; market analysis, forecasting and valuation analyses for equity financings, debt financings or other material transactions; purchase price allocation opinions; goodwill impairment analyses; and other valuation-related assignments.

The Salter Group's professionals have completed hundreds of financial opinion projects in the life sciences sector for accounting and tax purposes, related party and M&A transactions (such as fairness opinions), financing transactions (such as collateral valuation opinions), and other transaction support services. We would welcome the opportunity to assist your company or your client with its valuation needs, whether for a compliance driven exercise like 409A or to support a transaction or other material financial or strategic initiative.

Assessing the Fair Market Value of Clinical Trial Consulting Agreements - Reducing Non-Compliance Risk and Avoiding FDA Penalties

Assessing the fair market value (“FMV”) of clinical trial consulting agreements can reduce certain non-compliance risks and, consequently, the potential for penalties and fines. The federal Anti-kickback statute (42 U.S.C. §1320a-7b) prohibits payments intended to induce referrals or purchases, and the FMV of the consideration paid pursuant to a consulting agreement can be a key factor in determining whether prohibited payments have been made. Payments in excess of FMV can create the risk of payments being regarded as referrals or inducements to purchase. On the other hand, consideration in a consulting agreement that approximates FMV may be indicative of bona fide remuneration for services rendered and the prospective value of the intellectual property anticipated to be created.

There are a number of safe harbors that have been outlined by the Office of Inspector General with regard to the Anti-kickback statute. However, these safe harbors are narrow in scope, and few consulting agreements may fall within their scope due to requirements that aggregate service compensation must be established in advance and the services must be performed according to a scheduled timeline. Due to the potential for increased scrutiny of these agreements, companies can minimize the risk of non-compliance by following the guidance for engaging consultants provided by certain oversight organizations:

1. Office of Inspector General - *Compliance Program Guidance For Pharmaceutical Manufacturers* released in April 2003
2. Pharmaceutical Research and Manufacturers of America - *Pharmaceutical Research and Manufacturers of America Code* created in July 2002 and updated in January 2009
3. Advanced Medical Technology Organization - *Code of Ethics on Interactions with Health Care Professionals* revised in December 2008 and effective July 2009

In general, the guidance provided by these organizations leads to a number of somewhat self evident conclusions:

- Consulting agreements should describe all services, the research protocol and the basis for payment of said services.
- Consulting agreements should be entered into only where a legitimate need for the services is identified in advance and documented.
- The selection of a consultant should be made on the basis of the consultant’s qualifications and expertise to meet the defined need. The number of healthcare professionals retained should not be greater than the number reasonably necessary to achieve the identified purpose. Further, sales or marketing personnel should not control or unduly influence the decision to engage a particular consultant.
- The compensation paid to a consultant should be consistent with what would be paid (i.e., FMV) in an arm’s length transaction for the services provided, and should not be based on the volume or value of the consultant’s past, present or anticipated business. For example:
[continued on page 6]

Fair Market Value of Clinical Trial Consulting Agreements - Reducing Compliance Risk (continued from page 5)

- o Actual, reasonable and documented expenses, such as costs for travel, modest meals and lodging, can be covered.
- o The venue and circumstances for consultant meetings should be appropriate to the subject matter, and should be conducted in clinical, educational, conference or other settings conducive to the effective exchange of information.
- o Company-sponsored meals and refreshments provided in conjunction with a consultant meeting should be modest in value and should be subordinate in time and focus to the primary purpose of the meeting. Companies should not provide recreation or entertainment in conjunction with these meetings.
- All agreements between the parties should be documented prior to payment.
- The company should maintain records concerning, and make appropriate use of, the services provided by the consultant.

In addition, these organizations provide guidance concerning the need for a Compliance Officer and separate oversight committees to monitor internal and/or external evaluators that perform regular compliance system and action reviews, including the oversight and audit of records concerning the appropriate use of consultant services.

In addition to the guidelines provided by these organizations, Deferred Prosecution Agreements (a “DPA”) filed by the U.S. Government against life science companies provide additional guidance with regards to these matters. Some interesting DPA guidance includes:

- Defining Payments – In DPA’s, payment includes nearly every possible form of consideration, including but the following:

• Cash payments	• Funding for research
• Royalty payments	• Marketing support
• Travel, meals and entertainment	• Product training/medical education
• Sponsorships, grants and donations	• In kind services

- Defining Consulting Agreements – In DPA’s, agreements include all potential services to be performed, such as clinical studies, research, teaching, speaking engagements, and professional support meetings.
 - Limiting Compensation – In DPA’s, hourly compensation rates are to be capped at \$500 with some procedures noted for exceptions. Royalties paid to consultants are to be established based upon the consultant’s actual efforts towards the creation of the patent(s), and royalty payments should end upon the expiration of said patent(s).
- [continued on page 7]**

Fair Market Value of Clinical Trial Consulting Agreements - Reducing Compliance Risk (continued from page 6)

The following valuation methods are typically considered in assessing the FMV of the consideration set forth in a consulting agreement include the following:

- **The market approach** is most often used in personal service agreements and is characterized by contrasting hourly service pricing against customary industry measures for roles filled, comparable rates paid, expense reimbursements, and other characteristics. Customary industry measures can be obtained from various third party surveys, private databases, and other sources.
- **The income approach** using the discounted cash flow or other method is most often used in royalty based arrangements. The income approach will aggregate the annual sums of cash, royalties and other forms of consideration and then contrast such amounts against roles played, intellectual property value created, opportunity costs of the consultant's time and other factors.
- **The cost approach** is most often used to determine the comparable cost of completing an exercise or creating intellectual property.

In summary, a FMV analysis can provide meaningful evidentiary support in connection with a life science company's efforts to minimize non-compliance risk when it enters into clinical trial consulting agreements. The Salter Group's professionals have completed hundreds of projects in the life sciences sector, including FMV and other valuations for tax, accounting and other compliance-based purposes, fairness opinions in connection with related party and M&A transactions, collateral valuation opinions in connection with financing transactions, and other transaction support services. We welcome the opportunity to assist your company or your client with an independent FMV valuation.

Sam Renwick Joins The Salter Group and Representative Industry Experience

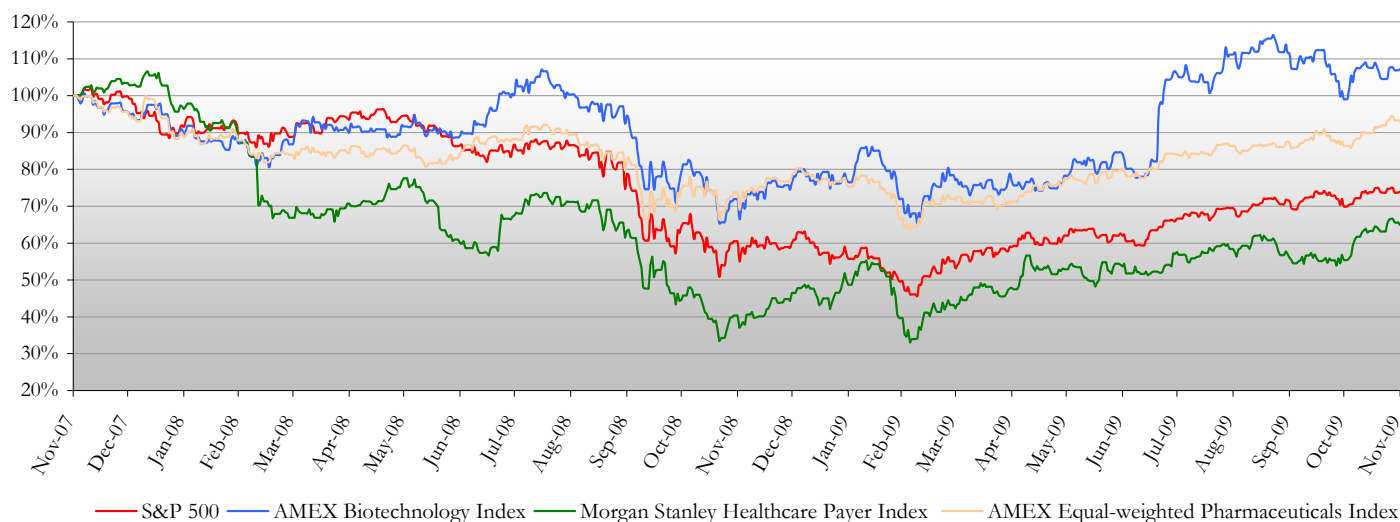
Sam Renwick has joined The Salter Group’s growing life sciences practice as Managing Director based in San Francisco. Mr. Renwick will focus on providing a greater variety of services to our life science, technology and capital market clients, including tax and financial reporting valuation opinions, fairness, solvency and other financial opinions, and transaction support services.

The Salter Group will draw heavily upon Mr. Renwick's fifteen years of experience in the valuation and financial advisory services industry and his deep understanding of the specialized needs of life science companies, clean technology companies, information technology companies, venture capital and private equity firms, and accountants for independent financial advice.

Prior to joining The Salter Group, Mr. Renwick was a Managing Director at SVB Analytics, a non-bank affiliate of Silicon Valley Bank, where he led the development of the firm’s life science valuation practice and was a key technical lead for the group’s technology practice. Mr. Renwick has completed more than 300 valuation opinions concerning life science and technology. Mr. Renwick can be reached at (925) 942-0373 or via email at srenwick@saltergroup.com.

Life Science	Healthcare Services	Technology
<ul style="list-style-type: none"> • Medical Device • Equipment & Supplies • Diagnostics • Therapeutics <ul style="list-style-type: none"> -Small Molecule -Large Molecule -Discovery Platforms • Genomics • Drug/Device Combinations • Biomaterials 	<ul style="list-style-type: none"> • Contract Research Organizations • Contract Manufacturing Organizations • Mobile Medical Services • Physician Groups • Dental Groups 	<ul style="list-style-type: none"> • Energy <ul style="list-style-type: none"> -Biofuels -Advanced Batteries -Solar -Wind -Nuclear • Smartgrid • Electric Vehicles • Agricultural Biotechnology

Exhibit 1.1—Life Sciences & Healthcare Indices



Source: Capital IQ

Key Observations:

The charts and graphs contained within this newsletter depict the state and direction of the Life Sciences & Healthcare industry. The key observations are summarized as follows:

1. **Market Indices** - Throughout the past few months market indices have indicated that the biopharmaceutical industry has outperformed the S&P 500 benchmark index through the deep market trough of March 2009 noting that the AMEX Biotechnology index has exceeded pre-recession market levels.
2. **Enterprise Values** - Overall enterprise values have decreased 6.8% in the past two years but have rebounded 9.2% within the past 3 months.
3. **Market Multiples** - Valuation multiples have improved compared to three months ago due to an increase in growth expectations as well as a slight recovery in the markets.
4. **M&A Transaction Activity** - Increased activity through November 30, 2009 was driven by larger cash-rich and credit-worthy pharmaceutical and biological companies seeking to fill gaps/supplement their product pipelines by acquiring smaller under-capitalized companies. Big pharmaceutical transactions continued to thrive in the past three months as Pfizer completed its \$78.6 billion acquisition of Wyeth in October 2009.
5. **EBITDA/Aggregate Debt** - Overall, EBITDA levels have increased compared to aggregate debt levels throughout the past three months with the exception of the Diagnostic sector which has shown a slight decline in EBITDA to Aggregate Debt.
6. **Corporate Debt Market Efficiency** - Corporate bond market efficiency has improved over the past three months as yields have significantly declined and spreads between rated debts levels continue to narrow.
7. **Private Equity and VC Activity** - Although venture capital investment activity has experienced a decline in investment compared to last year, funding within the past three months in the life sciences remained healthy, particularly among later-stage companies according to PricewaterhouseCoopers' Q3 2009 MoneyTree Report. Recent initial public offerings (IPOs) by life science companies have sparked hope that an IPO window is opening which could provide an alternate avenue for much needed financing for later stage companies and liquidity for venture capital and private equity backed investors.
8. **Debt and Equity Underwriting Activity** - Underwriting activity of equity and debt increased significantly compared to last year as public offerings have filled some of the void in commercial bank financing. Although equity and debt underwritings remain less than 2007 levels, the volume and values of 2009 have far exceeded that of 2008 particularly in the Biological, Pharmaceutical and Therapeutic Device sectors.

Exhibit 1.2—Change in Worldwide Public Company Enterprise Values (\$MM)

	11/30/2009	8/31/2009	11/30/2008	11/30/2007
Enterprise Value				
Facilities	\$60,530	\$45,336	\$63,681	\$30,164
% Change	<i>n/a</i>	-25.1%	5.2%	-50.2%
Longterm Care	\$22,925	\$18,883	\$30,359	\$13,883
% Change	<i>n/a</i>	-17.6%	32.4%	-39.4%
Managed Healthcare	\$110,911	\$88,456	\$201,737	\$32,297
% Change	<i>n/a</i>	-20.2%	81.9%	-70.9%
Healthcare Services	\$160,787	\$147,133	\$128,795	\$154,280
% Change	<i>n/a</i>	-8.5%	-19.9%	-4.0%
Healthcare Technology	\$29,186	\$25,099	\$17,390	\$24,388
% Change	<i>n/a</i>	-14.0%	-40.4%	-16.4%
Biologicals	\$365,657	\$365,310	\$309,066	\$433,090
% Change	<i>n/a</i>	-0.1%	-15.5%	18.4%
Pharmaceuticals	\$1,684,951	\$1,529,088	\$1,351,315	\$1,914,123
% Change	<i>n/a</i>	-9.3%	-19.8%	13.6%
Diagnostics	\$144,087	\$137,959	\$120,444	\$157,420
% Change	<i>n/a</i>	-4.3%	-16.4%	9.3%
Equipment & Supplies	\$134,037	\$121,287	\$84,858	\$144,814
% Change	<i>n/a</i>	-9.5%	-36.7%	8.0%
Therapeutic Devices	\$255,265	\$238,715	\$192,078	\$280,781
% Change	<i>n/a</i>	-6.5%	-24.8%	10.0%
Total	\$2,968,336	\$2,717,267	\$2,499,722	\$3,185,241
% Change	<i>n/a</i>	-8.5%	-15.8%	7.3%

Exhibit 1.3 - Book Value of Equity vs. Market Value of Equity (\$MM)

	11/30/2009	8/31/2009	11/30/2008	11/30/2007
Book Value of Equity				
Facilities	\$17,023	\$15,819	\$14,684	\$13,284
Longterm Care	\$7,575	\$7,185	\$7,454	\$7,756
Managed Healthcare	\$78,227	\$74,161	\$71,133	\$72,728
Healthcare Services	\$45,902	\$43,815	\$39,699	\$37,214
Healthcare Technology	\$7,531	\$7,184	\$7,055	\$5,744
Biologicals	\$122,518	\$116,699	\$109,900	\$101,664
Pharmaceuticals	\$580,325	\$551,202	\$591,239	\$558,649
Diagnostics	\$42,118	\$40,357	\$42,854	\$35,276
Equipment & Supplies	\$38,740	\$36,862	\$35,294	\$29,630
Therapeutic Devices	\$85,518	\$84,513	\$83,761	\$77,405
Market Value of Equity				
Facilities	\$31,179	\$28,540	\$18,618	\$37,112
Longterm Care	\$10,420	\$10,468	\$5,981	\$19,401
Managed Healthcare	\$99,960	\$96,214	\$71,474	\$200,200
Healthcare Services	\$135,467	\$120,786	\$98,327	\$128,279
Healthcare Technology	\$27,591	\$23,061	\$14,898	\$23,657
Biologicals	\$377,910	\$373,406	\$315,439	\$436,251
Pharmaceuticals	\$1,629,528	\$1,452,337	\$1,315,105	\$1,901,183
Diagnostics	\$132,744	\$125,417	\$108,073	\$148,644
Equipment & Supplies	\$129,263	\$115,752	\$79,610	\$139,401
Therapeutic Devices	\$224,470	\$206,030	\$162,485	\$260,507

Source: Capital IQ

Exhibit 1.4– Public Market Statistics

	11/30/2009	8/31/2009	11/30/2008	11/30/2007
Facilities				
EV/EBITDA				
N. America	7.14 x	5.88 x	8.67 x	5.65 x
Europe	11.21 x	8.44 x	12.65 x	5.91 x
Asia Pacific	12.38 x	7.08 x	10.87 x	4.25 x
Cost of Equity				
N. America	10.5%	10.9%	10.5%	9.6%
Europe	10.1%	10.3%	9.3%	11.5%
Asia Pacific	11.9%	12.1%	11.4%	12.3%
Implied Earnings Growth				
N. America	0.5%	1.2%	0.4%	3.4%
Europe	4.3%	4.6%	1.5%	6.8%
Asia Pacific	5.5%	4.9%	1.1%	5.2%
Longterm Care				
EV/EBITDA				
N. America	8.25 x	7.15 x	12.27 x	7.40 x
Europe	11.07 x	10.18 x	17.66 x	6.31 x
Asia Pacific	65.27 x	43.47 x	83.14 x	31.46 x
Cost of Equity				
N. America	12.5%	12.6%	11.1%	10.8%
Europe	9.9%	10.3%	9.7%	3.4%
Asia Pacific	10.3%	10.5%	10.0%	7.9%
Implied Earnings Growth				
N. America	1.7%	2.4%	1.1%	4.8%
Europe	4.1%	3.0%	2.5%	1.5%
Asia Pacific	5.8%	5.8%	2.7%	0.6%
Managed Healthcare				
EV/EBITDA				
N. America	5.41 x	4.64 x	9.44 x	1.33 x
Europe	n/a	n/a	n/a	n/a
Asia Pacific	n/a	n/a	n/a	n/a
Cost of Equity				
N. America	10.6%	10.7%	9.7%	7.8%
Europe	n/a	n/a	n/a	n/a
Asia Pacific	n/a	n/a	n/a	n/a
Implied Earnings Growth				
N. America	-4.6%	-3.4%	-9.3%	-2.7%
Europe	n/a	n/a	n/a	n/a
Asia Pacific	n/a	n/a	n/a	n/a

Source: Capital IQ

Exhibit 1.4 (continued) - Public Market Statistics

	11/30/2009	8/31/2009	11/30/2008	11/30/2007
Healthcare Services				
EV/EBITDA				
N. America	9.84 x	9.27 x	8.99 x	11.92 x
Europe	10.09 x	9.22 x	8.43 x	11.61 x
Asia Pacific	11.91 x	11.88 x	11.59 x	16.68 x
Cost of Equity				
N. America	8.7%	8.6%	8.6%	9.0%
Europe	9.2%	9.4%	9.0%	9.4%
Asia Pacific	11.4%	11.3%	10.8%	11.9%
Implied Earnings Growth				
N. America	0.2%	-0.3%	-0.4%	-0.6%
Europe	1.5%	1.4%	0.9%	0.0%
Asia Pacific	4.4%	4.5%	4.5%	3.0%
Healthcare Technology				
EV/EBITDA				
N. America	16.06 x	13.54 x	10.88 x	16.42 x
Europe	7.08 x	6.83 x	5.56 x	8.58 x
Asia Pacific	10.47 x	10.86 x	8.62 x	19.26 x
Cost of Equity				
N. America	9.6%	8.7%	8.3%	9.8%
Europe	9.0%	9.2%	7.4%	7.9%
Asia Pacific	10.6%	10.9%	10.3%	12.3%
Implied Earnings Growth				
N. America	4.0%	3.7%	2.5%	-0.1%
Europe	-0.2%	-0.1%	-0.8%	-3.3%
Asia Pacific	3.0%	3.5%	3.1%	-0.3%
Biologicals				
EV/EBITDA				
N. America	17.49 x	18.87 x	19.03 x	37.05 x
Europe	39.88 x	40.16 x	32.97 x	95.15 x
Asia Pacific	18.65 x	18.65 x	18.75 x	30.23 x
Cost of Equity				
N. America	9.1%	8.4%	8.2%	10.7%
Europe	9.3%	9.3%	8.1%	9.6%
Asia Pacific	12.1%	11.8%	12.8%	14.7%
Implied Earnings Growth				
N. America	1.0%	0.9%	0.6%	5.6%
Europe	3.1%	3.8%	2.2%	6.3%
Asia Pacific	5.2%	4.9%	6.4%	9.5%

Source: Capital IQ

Exhibit 1.4 (continued) - Public Market Statistics

	11/30/2009	8/31/2009	11/30/2008	11/30/2007
Pharmaceuticals				
EV/EBITDA				
N. America	8.51 x	7.43 x	7.41 x	11.71 x
Europe	8.55 x	8.02 x	6.87 x	10.81 x
Asia Pacific	6.46 x	7.96 x	7.72 x	9.40 x
Cost of Equity				
N. America	11.6%	6.4%	9.0%	14.5%
Europe	10.7%	6.1%	8.3%	13.4%
Asia Pacific	10.5%	2.6%	7.9%	13.0%
Implied Earnings Growth				
N. America	1.6%	-4.4%	-1.9%	7.1%
Europe	1.9%	-2.0%	-2.1%	6.2%
Asia Pacific	-1.1%	-5.7%	-1.9%	3.3%
Diagnostics				
EV/EBITDA				
N. America	10.42 x	10.61 x	9.78 x	15.77 x
Europe	9.43 x	8.19 x	7.94 x	10.60 x
Asia Pacific	13.03 x	12.17 x	7.80 x	10.79 x
Cost of Equity				
N. America	8.2%	8.4%	8.0%	9.3%
Europe	8.7%	9.0%	0.9%	1.9%
Asia Pacific	9.0%	8.8%	8.2%	7.6%
Implied Earnings Growth				
N. America	0.4%	0.7%	-0.1%	4.0%
Europe	-0.1%	-1.2%	-0.3%	0.7%
Asia Pacific	5.2%	5.1%	0.2%	0.8%
Equipment & Supplies				
EV/EBITDA				
N. America	13.82 x	13.45 x	11.64 x	24.47 x
Europe	14.49 x	13.41 x	8.75 x	17.06 x
Asia Pacific	7.23 x	7.62 x	6.79 x	9.36 x
Cost of Equity				
N. America	9.7%	9.8%	9.3%	10.6%
Europe	8.7%	8.9%	8.4%	11.3%
Asia Pacific	7.9%	7.5%	6.7%	7.5%
Implied Earnings Growth				
N. America	3.6%	3.4%	1.8%	5.5%
Europe	3.2%	2.9%	-0.4%	6.5%
Asia Pacific	-2.6%	-1.9%	-2.9%	-0.1%

Source: Capital IQ

Exhibit 1.4 (continued) - Public Market Statistics

	11/30/2009	8/31/2009	11/30/2008	11/30/2007
Therapeutic Devices				
EV/EBITDA				
N. America	9.90 x	9.47 x	7.84 x	13.84 x
Europe	9.81 x	9.32 x	8.11 x	12.40 x
Asia Pacific	12.38 x	12.74 x	10.85 x	16.41 x
Cost of Equity				
N. America	9.0%	8.9%	8.6%	9.7%
Europe	9.7%	9.9%	9.9%	10.7%
Asia Pacific	8.6%	8.6%	8.1%	7.8%
Implied Earnings Growth				
N. America	0.4%	0.3%	-1.6%	3.7%
Europe	2.0%	2.3%	1.2%	4.6%
Asia Pacific	2.1%	2.2%	0.6%	2.1%

Source: Capital IQ

Exhibit 1.5 - EBITDA/Aggregate Debt

	11/30/2009	8/31/2009	11/30/2008	11/30/2007
EBITDA/Aggregate Debt				
Facilities	24.0%	23.7%	21.8%	19.1%
Longterm Care	17.7%	16.5%	14.6%	13.9%
Managed Healthcare	63.5%	57.2%	61.7%	90.2%
Healthcare Services	43.9%	42.1%	40.1%	40.9%
Healthcare Technology	49.9%	48.4%	40.1%	38.0%
Biologicals	42.4%	39.4%	34.4%	24.6%
Pharmaceuticals	72.2%	68.8%	94.1%	104.0%
Diagnostics	54.3%	56.3%	60.1%	64.7%
Equipment & Supplies	67.8%	66.4%	62.2%	64.3%
Therapeutic Devices	61.4%	60.1%	56.6%	60.7%

Exhibit 1.6 - U.S. Corporate Bond Yields

Rating	Median Yield % (# of companies)			
	11/30/2009	8/31/2009	11/30/2008	11/30/2007
AAA	1.19% (278)	1.87% (276)	5.31% (190)	5.83% (491)
Life Sciences & Healthcare	3.74% (13)	4.10% (25)	3.96% (16)	4.74% (15)
Other	1.17% (265)	1.78% (251)	5.41% (174)	5.86% (476)
AA	2.58% (814)	3.35% (829)	5.85% (944)	5.29% (1,064)
Life Sciences & Healthcare	2.89% (101)	2.97% (76)	5.46% (87)	5.00% (89)
Other	2.51% (713)	3.39% (753)	5.86% (857)	5.31% (975)
A	4.07% (2,855)	4.60% (2,982)	6.90% (2,991)	5.41% (3,012)
Life Sciences & Healthcare	4.01% (91)	4.41% (110)	7.01% (96)	5.24% (84)
Other	4.08% (2,764)	4.62% (2,872)	6.90% (2,895)	5.41% (2,928)
BBB	5.27% (2,959)	5.89% (2,972)	8.64% (2,812)	5.62% (2,843)
Life Sciences & Healthcare	3.88% (88)	4.80% (89)	8.05% (70)	5.37% (71)
Other	5.31% (2,871)	5.92% (2,883)	8.65% (2,742)	5.63% (2,772)
BB	7.39% (960)	8.02% (940)	12.84% (894)	6.94% (886)
Life Sciences & Healthcare	5.02% (48)	5.96% (45)	9.78% (40)	5.25% (38)
Other	7.44% (912)	8.05% (895)	12.98% (854)	6.95% (848)
B	8.47% (903)	9.49% (864)	15.89% (800)	8.40% (842)
Life Sciences & Healthcare	8.20% (94)	8.92% (94)	14.31% (92)	8.56% (86)
Other	8.52% (809)	9.57% (770)	16.06% (708)	8.39% (756)
CCC	12.23% (599)	13.97% (622)	27.43% (586)	10.34% (607)
Life Sciences & Healthcare	8.94% (33)	10.29% (35)	17.91% (33)	10.42% (37)
Other	12.53% (566)	14.20% (587)	28.32% (553)	10.34% (570)
CC	24.14% (44)	34.39% (91)	57.95% (53)	13.05% (54)
Life Sciences & Healthcare	41.87% (1)	99.00% (1)	86.28% (1)	17.65% (1)
Other	23.97% (43)	34.16% (90)	56.89% (52)	12.03% (53)
C	19.38% (23)	33.26% (38)	42.95% (25)	10.31% (23)
Life Sciences & Healthcare	N/A (0)	N/A (0)	N/A (0)	N/A (0)
Other	19.38% (23)	33.26% (38)	42.95% (25)	10.31% (23)

Source: Capital IQ

Exhibit 1.7 - U.S. Corporate Bond Yields

Difference between:	11/30/2009	8/31/2009	11/30/2008	11/30/2007
AA and AAA	1.39%	1.49%	0.54%	-0.55%
A and AA	1.49%	1.25%	1.05%	0.12%
BBB and A	1.20%	1.29%	1.74%	0.21%
BB and BBB	2.12%	2.13%	4.20%	1.32%
B and BB	1.08%	1.47%	3.05%	1.46%
CCC and B	3.75%	4.48%	11.54%	1.95%
CC and CCC	11.92%	20.42%	30.52%	2.71%
C and CC	-4.77%	-1.13%	-15.00%	-2.75%

Difference between:	11/30/2009	8/31/2009	11/30/2008	11/30/2007
AAA	-4.08%	-4.02%	-3.33%	0.21%
AA	-2.69%	-2.54%	-2.79%	-0.33%
A	-1.20%	-1.29%	-1.74%	-0.21%
BBB Yield				
BB	2.12%	2.13%	4.20%	1.32%
B	3.20%	3.60%	7.25%	2.78%
CCC	6.96%	8.08%	18.79%	4.72%
CC	18.87%	28.50%	49.31%	7.43%
C	14.11%	27.37%	34.31%	4.69%

Source: Capital IQ

Exhibit 2.1—M&A Transaction Volume and Values - Through 11/30/2009 (\$MM)

	2009	2008	2007	2006	2005
EV/EBIT:					
Facilities	8.94 x	23.66 x	16.66 x	13.40 x	20.66 x
Longterm Care	20.41 x	23.82 x	20.02 x	21.58 x	38.93 x
Managed Healthcare	8.71 x	10.00 x	14.58 x	11.40 x	12.16 x
Healthcare Services	34.54 x	21.19 x	23.53 x	23.32 x	18.28 x
Healthcare Technology	28.22 x	25.65 x	39.03 x	N/A	N/A
Biologicals	19.61 x	27.57 x	N/A	33.01 x	20.28 x
Pharmaceuticals	12.58 x	20.59 x	25.07 x	22.32 x	17.76 x
Diagnostics	16.73 x	57.24 x	35.52 x	26.33 x	19.60 x
Equipment & Supplies	12.26 x	21.22 x	24.97 x	25.72 x	24.81 x
Therapeutic Devices	18.03 x	27.25 x	31.43 x	35.15 x	34.02 x
EV/EBITDA:					
Facilities	6.38 x	17.22 x	12.22 x	9.13 x	14.89 x
Longterm Care	N/A	16.46 x	13.90 x	13.65 x	26.14 x
Managed Healthcare	8.00 x	9.35 x	13.43 x	9.82 x	10.64 x
Healthcare Services	10.25 x	17.09 x	16.05 x	17.24 x	12.33 x
Healthcare Technology	23.45 x	18.91 x	15.62 x	22.82 x	N/A
Biologicals	17.40 x	N/A	N/A	20.28 x	15.77 x
Pharmaceuticals	10.38 x	17.32 x	16.67 x	28.07 x	14.39 x
Diagnostics	10.15 x	N/A	25.78 x	19.19 x	15.08 x
Equipment & Supplies	N/A	18.99 x	14.25 x	14.84 x	15.16 x
Therapeutic Devices	14.37 x	22.18 x	24.82 x	27.23 x	N/A

Exhibit 2.2—Key M&A Multiples - Through 11/30/2009

	2009	2008	2007	2006	2005
M&A Transaction Volume					
Facilities	46	82	87	62	53
Longterm Care	28	45	44	47	41
Managed Healthcare	4	8	12	9	13
Healthcare Services	57	175	208	120	111
Healthcare Technology	37	65	54	37	34
Biologicals	65	116	113	95	84
Pharmaceuticals	82	162	145	148	151
Diagnostics	28	28	57	46	33
Equipment & Supplies	35	81	112	94	69
Therapeutic Devices	24	50	38	40	32
Total Deal Count	406	812	870	698	621
M&A Transaction Values					
Facilities	\$1,757	\$6,834	\$24,907	\$45,967	\$16,061
Longterm Care	\$941	\$2,609	\$13,359	\$33,716	\$6,373
Managed Healthcare	\$359	\$6,940	\$28,700	\$1,865	\$18,161
Healthcare Services	\$1,272	\$13,844	\$17,372	\$13,783	\$9,200
Healthcare Technology	\$713	\$4,830	\$4,664	\$1,868	\$2,313
Biologicals	\$55,863	\$38,161	\$44,446	\$35,858	\$7,726
Pharmaceuticals	\$151,336	\$82,522	\$77,590	\$77,868	\$54,186
Diagnostics	\$5,180	\$4,128	\$28,222	\$5,222	\$5,807
Equipment & Supplies	\$1,471	\$20,393	\$18,366	\$8,411	\$7,003
Therapeutic Devices	\$4,464	\$14,097	\$25,300	\$43,282	\$3,980
Total Deal Value	223,356	194,358	282,926	267,840	130,809

Source: Capital IQ

Life Sciences & Healthcare

M&A Summary - Noted Transactions

4th Quarter 2009

Exhibit 3 - Noted M&A Transactions - 8/31/2009 - 11/30/2009 (\$MM)

Group	Buyer	Target	Amount	Target Territory
Facilities	Rehabcare Group Inc.	Triumph Healthcare LLC	\$570.0	N. America
	Epworth HealthCare	Epworth Rehabilitation Camberwell	\$16.1	Asia Pacific
	Solamor Hospice Inc.	Allegiance Hospice Group Inc.	\$15.5	N. America
Longterm Care	Brookdale Senior Living Inc.	Sunrise Senior Living Inc. (21 Senior Housing Communities)	\$204.0	N. America
	Maestro Group	Scarlett Heights Seniors' Residence	\$58.0	N. America
	Parkway Life Real Estate Investment Trust	Eight Nursing Homes in Japan	\$55.9	Asia Pacific
Healthcare Services	National Hearing Care (New Zealand) Limited	Bay Audiology Ltd.	\$107.3	Asia Pacific
	Sovereign Capital Partners LLP	London Care PLC	\$31.4	Europe
	Abano Healthcare Group Ltd.	National Hearing Care (New Zealand) Limited	\$22.2	Asia Pacific
Healthcare Technology	Alere LLC	Free & Clear Inc.	\$130.0	N. America
	Athenahealth Inc.	Anodyne Health Inc.	\$30.0	N. America
Biologicals	Bristol-Myers Squibb Co.	Medarex Inc.	\$2,325.2	N. America
	Tolmar Inc.	QLT USA Inc.	\$230.0	N. America
	Qiagen NV	DXS Limited	\$130.0	Europe
Pharmaceuticals	Pfizer Inc.	Wyeth	\$78,564.3	N. America
	Galderma SA	PhotoCure ASA, Metvix and Metvixia	\$74.5	Europe
	Adolor Corp.	Eli Lilly & Co., OpRA III	\$72.0	N. America
Diagnostics	Thermo Fisher Scientific Inc.	B·R·A·H·M·S Aktiengesellschaft	\$470.4	Europe
	Becton, Dickinson and Company	HandyLab Inc.	\$275.0	N. America
	Covidien PLC	Aspect Medical Systems Inc.	\$267.4	N. America
Equipment & Supplies	Corning Inc.	Axygen Inc.	\$417.0	N. America
	Abbott Laboratories	Visiogen Inc.	\$400.0	N. America
	Harvard Bioscience Inc.	Denville Scientific Inc.	\$25.5	N. America
Therapeutic Devices	Abbott Laboratories	Evalve Inc.	\$410.0	N. America
	ResMed Inc.	Laboratoires Narval SA	\$11.6	Europe

Source: Capital IQ

Life Sciences & Healthcare
Private Equity & VC Investment Summary

4th Quarter 2009

Exhibit 4 - PE & VC Deals Count & Dollar Volume - Through 11/30/2009 (\$MM)

	2009	2008	2007	2006	2005
PE & VC Transaction Volume					
Facilities	15	10	15	14	10
Longterm Care	3	4	2	1	3
Managed Healthcare	2	1	5	3	2
Healthcare Services	45	32	37	31	36
Healthcare Technology	75	70	72	84	62
Biologicals	234	289	291	271	207
Pharmaceuticals	149	180	227	195	156
Diagnostics	75	87	85	72	69
Equipment & Supplies	84	105	88	68	35
Therapeutic Devices	90	114	118	111	81
Total Deal Count	772	892	940	850	661
PE & VC Transaction Values					
Facilities	\$147	\$226	\$472	\$266	\$137
Longterm Care	\$11	\$108	\$70	\$9	\$38
Managed Healthcare	\$6	\$5	\$81	\$23	\$13
Healthcare Services	\$927	\$295	\$712	\$639	\$548
Healthcare Technology	\$439	\$515	\$617	\$498	\$351
Biologicals	\$2,731	\$3,527	\$3,336	\$3,264	\$2,576
Pharmaceuticals	\$2,189	\$3,094	\$4,916	\$3,491	\$2,823
Diagnostics	\$650	\$650	\$731	\$531	\$572
Equipment & Supplies	\$894	\$944	\$843	\$790	\$307
Therapeutic Devices	\$1,105	\$1,587	\$2,194	\$1,453	\$918
Total Deal Value	\$9,099	\$10,952	\$13,972	\$10,964	\$8,282

Source: Capital IQ

Life Sciences & Healthcare Private Equity & VC Noted Transactions

4th Quarter 2009

Exhibit 5 - Noted PE & VC Transactions - 8/31/2009 - 11/30/2009 (\$MM)

Group	Investor	Target	Amount	Year	Target Territory
Facilities	Private Investors	Candescent Healing LLC	\$21.5	2009	N. America
	Private Investors	Chronicity Inc.	\$2.0	2009	N. America
Healthcare Services	Berkshire Partners, LLC	United BioSource Corporation	\$125.0	2009	N. America
	Private Investors	Hospital Billing & Collection Service Ltd.	\$18.3	2009	N. America
	Alaris Royalty Corp.	LifeMark Health Limited Partnership	\$11.3	2009	N. America
Healthcare Technology	General Catalyst Partners; Leerink Swann & Company Inc.; North Bridge Venture Partners; Bain Capital Ventures	Humedica Inc.	\$30.0	2009	N. America
	Siemens Venture Capital GmbH	BioImage Inc.	\$12.0	2009	N. America
	Private Investor	American Well Inc.	\$10.0	2009	N. America
Biologicals	Crédit Agricole Private Equity; New Science Ventures LLC; Innoven Partenaires SA; Ventech; Harris & Harris Group Inc.; Scottish Equity Partners LLP; MVM Life Science Partners LLP; Forbion Capital Partners; Morningside Group (Holdings) Ltd.; Ysios Capital Partners, SGEGR SA; Triathlon Medical Ventures; Sectoral Asset Management Inc.	BioVex Group Inc.	\$70.0	2009	N. America
	SV Life Sciences; Intersouth Partners; Quaker BioVentures; Synergy Life Science Partners; Aisling Capital; Parish Capital Advisors LLP	TransEnterix Inc.	\$55.0	2009	N. America
	SV Life Sciences; Prospect Venture Partners; HBM Partners Ltd.; International Biotechnology Trust PLC; HBM BioVentures AG; Novo AS	Lux Biosciences Inc.	\$50.0	2009	N. America
Pharmaceuticals	Edmond de Rothschild Investment Partners SAS; IBG Beteiligungsgesellschaft Sachsen-Anhalt mbH; TVM Capital GmbH; Biogen Idec New Ventures; BB Biotech AG; Life Science Partners; HBM Partners Ltd.; HBM BioVentures AG	Probiodrug AG	\$54.0	2009	Europe
	Blue Chip Venture Company; Union Springs LLC; HealthCare Ventures LLC; MPM Capital; Aisling Capital; Perseus-Soros Biopharmaceutical Fund LP; Longitude Capital Management Co. LLC; Silver Point Capital LP; AIG Investments; Skandia Insurance Company Ltd.	Xanodyne Pharmaceuticals Inc.	\$50.0	2009	N. America
	Osage Partners LLC; Venrock; Biogen Idec New Ventures; Clarus Ventures; MedImmune Ventures Inc.; Thomas, McNerney & Partners	Centaurus Pharmaceuticals (nka:Virdante Pharmaceuticals Inc.)	\$47.8	2009	N. America

Source: Capital IQ

Life Sciences & Healthcare
Private Equity & VC Noted Transactions

4th Quarter 2009

Exhibit 5 - Noted PE & VC Transactions (continued) - 8/31/2009 - 11/30/2009 (\$MM)

Group	Investor	Target	Amount	Year	Target Territory
Diagnostics	Delphi Ventures; MPM Capital; New Enterprise Associates; Kearny Venture Partners	TV2 Holding Company	\$30.0	2009	N. America
	Split Rock Partners, LLC; SV Life Sciences; Essex Woodlands Health Ventures	Entellus Medical Inc.	\$30.0	2009	N. America
	Austin Ventures; Catterton Partners; Santé Ventures LLC	Zeno Corporation	\$20.0	2009	N. America
Equipment & Supplies	SV Life Sciences; Affinity Capital Management; EDF Ventures; TGap Ventures LLC; Sapien Capital Management LLC; Covidien Ventures; Kaiser Permanente Ventures	ValenTx Inc.	\$22.0	2009	N. America
	Wellington Partners Venture Capital GmbH; NBGI Ventures; Seroba Kernel Life Sciences Limited; BrainsToVentures AG	Quanta Fluid Solutions Ltd.	\$14.9	2009	Europe
	Essex Woodlands Health Ventures	QSpex Technologies Inc.	\$12.0	2009	N. America
Therapeutic Devices	The Wolverine Venture Fund LP; Foundation Medical Partners; EDF Ventures; Spray Venture Partners; New Leaf Venture Partners; ePlanet Ventures; University of Michigan, Endowment Arm	Direct Flow Medical Inc.	\$40.0	2009	N. America
	DEFI Gestion SA; Edmond de Rothschild Investment Partners SAS; NeoMed; VI Partners AG; Initiative Capital Romandie; Ysios Capital Partners, SGEGR SA; Ysios BioFund I FCR; Sectoral Asset Management Inc; GIMV NV	Endosense SA	\$37.8	2009	Europe
	Dafna Capital Management LLC	SpinalMotion Inc.	\$27.4	2009	N. America

Source: Capital IQ

Exhibit 6.1 - Equity Underwriting Activity - Through 11/30/2009 (\$MM)

	2009	2008	2007	2006	2005
Equity Underwriting Volume					
Facilities	-	3	3	2	2
Longterm Care	4	-	2	6	5
Managed Healthcare	-	-	2	5	5
Healthcare Services	10	8	18	21	20
Healthcare Technology	3	-	9	12	6
Biologicals	46	36	130	196	186
Pharmaceuticals	16	12	48	64	59
Diagnostics	3	4	8	17	21
Equipment & Supplies	6	4	18	26	34
Therapeutic Devices	7	-	20	33	26
Total Deal Count	95	67	258	382	364
Equity Underwriting Value					
Facilities	\$0	\$496	\$147	\$269	\$376
Longterm Care	\$734	\$0	\$342	\$1,221	\$428
Managed Healthcare	\$0	\$0	\$210	\$951	\$650
Healthcare Services	\$2,401	\$745	\$577	\$842	\$1,733
Healthcare Technology	\$277	\$0	\$668	\$606	\$325
Biologicals	\$3,082	\$1,984	\$5,317	\$8,747	\$7,244
Pharmaceuticals	\$1,313	\$219	\$9,441	\$2,640	\$3,045
Diagnostics	\$205	\$159	\$1,022	\$502	\$326
Equipment & Supplies	\$35	\$240	\$1,111	\$818	\$895
Therapeutic Devices	\$185	\$0	\$901	\$1,501	\$1,254
Total Deal Value	\$8,233	\$3,844	\$19,737	\$18,098	\$16,277
Security Type					
Equity	\$8,233	\$3,844	\$19,737	\$18,098	\$16,277
Debt	\$39,557	\$12,957	\$34,482	\$9,062	\$10,715
Total Underwriting Value	\$47,790	\$16,801	\$54,219	\$27,160	\$26,992

Source: Capital IQ

Life Sciences & Healthcare
Debt & Equity Underwriting Summary

4th Quarter 2009

Exhibit 6.2 - Debt Underwriting Activity - Through 11/30/2009 (\$MM)

	2009	2008	2007	2006	2005
Debt Underwriting Volume					
Facilities	1	1	2	3	-
Longterm Care	-	-	-	-	-
Managed Healthcare	3	8	8	2	3
Healthcare Services	7	2	1	-	3
Healthcare Technology	-	-	-	-	-
Biologicals	5	12	4	5	3
Pharmaceuticals	19	5	19	2	1
Diagnostics	7	1	4	1	-
Equipment & Supplies	4	1	1	1	1
Therapeutic Devices	7	-	1	3	1
Total Deal Count	53	30	40	17	12
Debt Underwriting Value					
Facilities	\$285	\$151	\$575	\$1,644	\$0
Longterm Care	\$0	\$0	\$0	\$0	\$0
Managed Healthcare	\$1,347	\$4,528	\$2,567	\$747	\$6,171
Healthcare Services	\$4,475	\$1,486	\$794	\$0	\$1,849
Healthcare Technology	\$0	\$0	\$0	\$0	\$0
Biologicals	\$2,631	\$2,506	\$517	\$760	\$100
Pharmaceuticals	\$23,806	\$3,488	\$26,081	\$3,590	\$997
Diagnostics	\$2,339	\$499	\$3,622	\$598	\$0
Equipment & Supplies	\$1,233	\$299	\$150	\$200	\$997
Therapeutic Devices	\$3,440	\$0	\$175	\$1,522	\$600
Total Deal Value	\$39,557	\$12,957	\$34,482	\$9,062	\$10,715
Security Type					
Equity	\$8,233	\$3,844	\$19,737	\$18,098	\$16,277
Debt	\$39,557	\$12,957	\$34,482	\$9,062	\$10,715
Total Underwriting Value	\$47,790	\$16,801	\$54,219	\$27,160	\$26,992

Source: Capital IQ

Life Sciences & Healthcare Debt & Equity Underwriting Noted Transactions

4th Quarter 2009

Exhibit 7 - Noted Underwriting Transactions - 8/31/2009 - 11/30/2009 (\$MM)

Group	Issuer	Net Amount	Offering Type	Issuer Territory
Facilities	HEALTHSOUTH Corp.	\$279.0	Debt	N. America
Longterm Care	Tenet Healthcare Corp.	\$291.0	Equity	N. America
	Brookdale Senior Living Inc.	\$256.9	Equity	N. America
Healthcare Services	Tyco International Finance SA	\$495.9	Debt	Europe
	Quest Diagnostics Inc.	\$489.2	Debt	N. America
	Emergency Medical Services Corp.	\$369.1	Equity	N. America
Healthcare Technology	SXC Health Solutions Corp.	\$177.7	Equity	N. America
Biologicals	Qiagen NV	\$545.7	Equity	Europe
	Bruker Corporation	\$121.7	Equity	N. America
	Incyte Corporation	\$115.4	Equity	N. America
Pharmaceuticals	Warner Chilcott PLC	\$428.3	Equity	Europe
	AmerisourceBergen Corporation	\$394.1	Debt	N. America
	Sigma Pharmaceuticals Ltd.	\$248.3	Equity	Asia Pacific
Diagnostics	IMRIS Inc.	\$16.6	Equity	N. America
Therapeutic Devices	Zimmer Holdings Inc.	\$496.4	Debt	N. America
	Zimmer Holdings Inc.	\$494.8	Debt	N. America
	Insulet Corporation	\$57.8	Equity	N. America

Source: Capital IQ

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Sources of information utilized in the preparation of this newsletter include Capital IQ, PricewaterhouseCoopers, and Morningstar. 'EV' and 'Ent Val' mean 'Enterprise Value' which is obtained from Capital IQ. 'EBITDA' means earnings before interest and taxes and also are calculated on a last twelve months' basis. 'Aggregate Debt' is calculated on a last twelve months' basis. 'EV/EBITDA' and is calculated as enterprise value divided by EBITDA. 'EV/EBITDA' on pages 11-14 are calculated using the value weighted average. Cost of Equity is calculated using the capital asset pricing model ("CAPM") with the variables calculated as follows: the market risk premium was determined based on information from Morningstar, b is calculated using stock price information from Capital IQ over a two-year period relative to the native country's major index and adjusted for prospective expectations, and the risk free rate is calculated from the yield of a 10-year generic treasury bond in each country. Corporate bond yields calculated using the median yield to maturity of all outstanding bonds as of each specified date. Corporate bonds are segmented by S&P credit ratings as of the most recent rating date.

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