

Healthcare

INDUSTRY REPORT

Volume 5

M&A Update

Exclusive Interview with Chris Martin
of Trustmark

Recent Acquisitions and Investments

Public Market Valuations





Merger & Acquisition Update: No Slow Down in Healthcare M&A

Between the economy and the turmoil in the public equity and debt capital markets, Healthcare merger & acquisition activity has shown impressive strength in 2008. While M&A activity and spending in the overall market has declined 29.2% and 53.6%, respectively so far this year, Healthcare M&A activity remains even with last year's pace and acquisition spending has actually increased 9.4% over 2007 levels.

According to data compiled by Barrington Associates, the Healthcare market witnessed 568 announced M&A transactions from January to July 2008. For the same period in 2007 there were 569 Healthcare deals, making 2008 essentially even with last year's performance through seven months. Furthermore, M&A spending in 2008 through July was \$184 billion, an increase over the \$168 billion spent during the same period in 2007. Considering that 2007 was the most active years in Healthcare M&A history this level of activity in the 2008 is even more impressive.

What is driving this resilient M&A activity? Here are a few of the most impacting trends:

Trend 1: Strategic Acquiror Appetite

The current debt market environment has returned the advantage in M&A processes to strategic acquirors. Coming off several years of robust earnings growth, leading strategic buyers are showing strong demand for acquisitions to continue their growth amidst a sluggish economy. While large biotech and pharma transactions have taken much of the spotlight this year, there is robust acquiror interest in mid-

sized deals, especially among NASDAQ-listed companies in the healthcare services space.

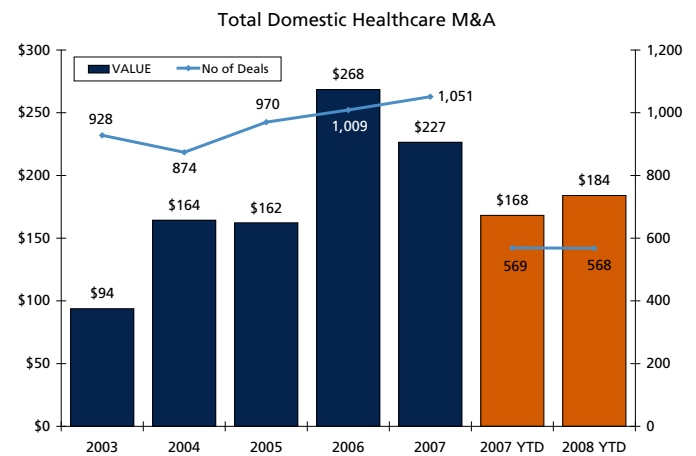
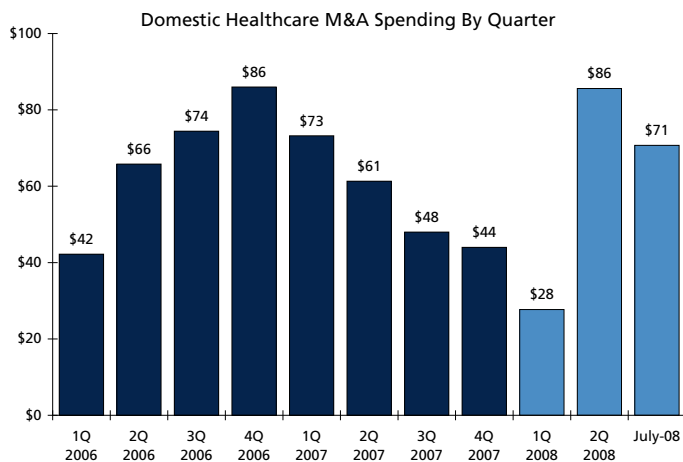
Trend 2: Technology Investment En Vogue

Technology-fueled sectors like biotech, medical devices, pharmaceuticals, contract research, and e-health are driving acquisition activity in 2008. While more traditional services have experienced consolidation, the most robust strategic growth plays have been for technology and innovation. With biotech leading the way (16 announced transactions worth \$50 billion in July alone), technology-focused M&A activity has been a major driver of this year's surprising level of activity.

Trend 3: International Acquiror Activity

Whether or not the devaluation of the American dollar is a motivator in and of itself for cross-boarder deals, the truth is foreign buyers have been very active in 2008. In recent months France's sanofi-aventis, England's GlaxoSmithKline, Germany's Bayer, Switzerland's Roche, Sweden's LinkMed, and a host of other international buyers have made bids for U.S. companies. In July, nearly 30% of all announced acquisitions of U.S. companies were made by international acquirors, a trend to watch in the ensuing quarters.

Looking ahead, all signs point to continued activity in the technology sectors of the Healthcare industry. On the services side, growth via acquisitions remains a priority for many public companies, which should continue to drive activity in the middle market, in particular.



Source: Barrington Associates research, data from CapitalIQ, Mergerstat, and Healthcare M&A Monthly



Q&A with Chris Martin of Trustmark Companies



Chris Martin is Executive Vice President for the Trustmark Companies, a leading provider of health insurance, benefits administration, and voluntary benefits. Through acquisitions and new business ventures, Trustmark has grown into a family of companies with 2,400 employees, \$1.7 billion in assets, and \$888 million in 2007 revenue. Past Trustmark transactions include the purchase of CoreSource, Inc., one of the country's largest employee benefit third-party administrators; the acquisition of National Worksite Benefits, Inc. (NWB) and National Worksite Advantage, Inc. (NWA), leading worksite benefit firms focused on the voluntary benefits market; the acquisition of third-party administrators - Corporate Benefit Solutions, Inc., FMH Benefit Services, Inc. and NGS American, Inc. by CoreSource, Inc.; and the June 2008 purchase of Health Contact Partners, a provider of online and call center services to the healthcare industry.

Barrington: What is your assessment of trends in the health insurance market today?

Martin: The health insurance market for years has been focused through the employer lens - meaning the emphasis was on employer value with not enough attention on employee engagement and satisfaction. Today, the market is moving toward integration of programs and improving employee engagement as additional drivers impacting employer healthcare spend. The focus on integration has also driven a number of acquisitions and investments in the market place.

Barrington: In the past, Trustmark has effectively utilized acquisitions to strategically expand its offerings. Where are you focusing your acquisition efforts today?

Martin: Right now, we have identified a growing space that we are really excited about. We call this segment "consumer health advice" and it is an important component in the integration trend I spoke about. In this emerging market, we believe a buy rather than build strategy is the most advantageous so we are poised to expand through a number of acquisitions. For example, in June we acquired Health Contact Partners as one step in our growth strategy. From an M&A standpoint, we are hoping our next action or two will be in the consumer health advice space.

Barrington: How do you define "consumer health advice" and what are the dynamics of this segment that are creating such a buzz?

Martin: Imagine there is a continuum of population health management services, with wellness on one side and complex case management on the other end. Consumer health advice

not only encompasses this continuum, but expands beyond it to include care navigation and care advocacy. It's the opportunity to provide clinical and tactical help to manage the employee's health and healthcare experiences over time. When done right, this focus should impact the employer favorably in both administrative burden and costs. In effect, the way it comes together is better integration of a lot of services that are already in play in the market today, with a consumer-orientated "wrapper." This helps the employee feel better about their ability to navigate the system and provides real value to employers.

Barrington: Can you describe more specifically your current acquisition strategy?

Martin: Our strategy is to look for companies in the lower middle market that can leverage what we offer - multiple distribution channels within the employee benefit world, capabilities and infrastructure to support diverse health plan and health plan-related functions on both the administrative and technology sides, and extensive knowledge and presence in the health plan business. Additional criteria are culture and valuation. It may seem cliché, but there has to be a cultural fit in order to ensure a transaction's success in the future.

Barrington: How have the difficulties in the credit markets impacted what you are seeing in the M&A market?

Martin: We are seeing a slight drop off in activity and valuations, although it is not significant. In recent years, it has been the financial buyers who have driven up valuations, but now I think in general the entire market has witnessed a shift in the balance of activity back toward strategic buyers.



Healthcare Services

Recent Strategic Transactions and Valuations

Through July 2008, the Healthcare Services sector announced 254 transactions valued at \$6.1 billion. For the same period in 2007 deal announcements were 273 and deal values were \$20.7 billion, which means 2008 activity is down approximately 7% year-over-year with dollar values declining 70.5%. Below is a list of prominent Healthcare Services transactions with valuation information where available.

Recent Strategic Healthcare Services M&A Transactions and Valuations (\$ in millions)							
Close Date	Acquiror	Target	Target Description	Enterprise Value	EV / LTM		
					Revenue	EBITDA	
Announced	Parexel International Corporation (NasdaqGS:PRXL)	ClinPhone plc (LSE:CNP)	Provides interactive voice response and electronic data capture services primarily to the pharmaceutical industry.	\$192.4	2.1x	17.3x	
Announced	Cross Country Healthcare, Inc. (NasdaqGS:CCRN)	Medical Doctor Associates, Inc.	Offers medical staffing solutions to healthcare community worldwide.	\$112.3	0.7x	8.4x	
Announced	Almost Family, Inc. (NasdaqGM:AFAM)	Patient Care, Inc.	Provides home healthcare services in the United States.	\$46.6	1.0x	NA	
Announced	SAES Getters Spa (CM:SG)	Memry Corporation (AMEX:MRY)	Provides design, engineering, development and manufacturing services primarily to the medical device industry.	\$73.3	1.3x	14.9x	
May 08	Inverness Medical Innovations, Inc. (AMEX:IMA)	Matria Healthcare, Inc.	Provides integrated programs and services focused on wellness, disease and condition management and informatics.	\$1,123.2	3.2x	14.1x	
Apr 08	Walgreen Company (NYSE:WAG)	I-trax, Inc.	Provides integrated workplace medical, pharmacy, wellness, fitness, and disease management services for employees, dependents and retirees.	\$261.2	1.8x	NA	
Mar 08	Primary Health Care, Ltd. (ASX:PRY)	Symbion Health, Ltd.	Offers diagnostic and wellness services through pathology, diagnostic imaging, medical centres, and pharmacy services divisions.	\$2,850.0	0.8x	13.1x	
Mar 08	AMN Healthcare Services, Inc. (NYSE:AHS)	Platinum Select, LP	Provides healthcare staffing services in the United States.	\$50.1	0.9x	12.5x	
Mar 08	OPG Groep NV (ENXTAM:OPG)	Byram Healthcare Centers, Inc.	Provides disposable medical supplies and services to patients in the home.	\$132.0	1.0x	14.2x	
Mar 08	RadNet, Inc. (NasdaqGM:RDNT)	Papastavros' Associates Medical Imaging, LLC	Provides diagnostic imaging services.	\$21.6	0.9x	NA	
Feb 08	Amedisys, Inc. (NasdaqGS:AMED)	Family Home Health Care, Inc.	Provides home health care services, including skilled nursing, medical social services, personal care and medical supplies.	\$42.3	1.1x	NA	
Feb 08	Philips Holding USA, Inc.	VISICU, Inc.	Offers eICU Program, a remote monitoring system for intensive care units that allows hospitals to improve patient treatment outcomes.	\$295.6	8.7x	NA	
Jan 08	WuXi PharmaTech, Inc. (NYSE:WX)	AppTec Laboratory Services, Inc.	Offers testing, contract research and custom manufacturing services for biopharmaceuticals, medical devices and tissue-based products.	\$203.1	2.9x	21.3x	
Jan 08	United HealthCare Services, Inc.	Fiserv Health, Inc.	Provides an array of integrated health plan management, claims processing and administration services.	\$721.0	0.9x	NA	
Mean						2.2x	15.0x
Adjusted Mean*						1.5x	14.4x
Median						1.1x	14.1x

Source: Barrington Associates research, data from CapitalIQ, Mergerstat, and Healthcare M&A Monthly



Medical Devices

Recent Strategic Transactions and Valuations

Through July 2008, Medical Device M&A activity stood at 100 announced transactions valued at \$55.6 billion, solid increases of 11.1% and 81.1%, respectively, over 2007. From January to July of 2007 there were 90 Medical Device M&A transactions announced worth \$30.7 billion. Below is a list of prominent Medical Device transactions with valuation information where available.

Recent Strategic Medical Device M&A Transactions and Valuations
(\$ in millions)

Close Date	Acquiror	Target	Target Description	Enterprise Value	EV / LTM		
					Revenue	EBITDA	
Announced	General Electric Company (NYSE: GE)	Vital Signs, Inc. (NASDAQ: VITL)	Manufactures devices and supplies for anesthesia, interventional cardiology and radiology, respiratory and critical care, and sleep disorder.	\$860.0	3.9x	17.1x	
Announced	Invitrogen Corporation (NasdaqGS:IVGN)	Applied Biosystems, Inc. (NYSE:ABI)	Develops and markets instrument-based systems, consumables, software and services for the healthcare industry.	\$6,158.1	2.8x	12.5x	
Jul 08	Biocompatibles International plc (LSE: BII)	BrachySciences, Inc.	Markets implantable radiation delivery seeds for treatment of prostate cancer.	\$21.6	2.2x	NA	
Jul 08	Theragenics Corp. (NYSE: TGX)	NeedleTech Products, Inc.	Manufactures specialty needles and related medical devices.	\$47.8	2.8x	NA	
Jun 08	CR Bard, Inc. (NYSE:BCR)	Specialized Health Products International, Inc.	Develops and markets proprietary disposable medical devices for clinician and patient safety.	\$59.6	3.2x	16.6x	
May 08	Boston Scientific Scimed, Inc.	CryoCor, Inc.	Develops and manufactures catheter systems based on proprietary cryoablation technology for the treatment of cardiac arrhythmias.	\$11.2	18.9x	NA	
May 08	Kinetic Concepts, Inc. (NYSE:KCI)	LifeCell Corporation	Develops and markets tissue-based products for reconstructive, orthopedic and urogynecologic surgical procedures.	\$1,716.1	8.5x	34.8x	
May 08	Cardinal Health, Inc. (NYSE:CAH)	Enturia Inc.	Develops, manufactures and distributes preventative healthcare products.	\$490.0	3.5x	NA	
Apr 08	Opto Circuits, Ltd. (BSE:532391)	Criticare Systems, Inc.	Manufactures and markets vital signs and gas monitoring instruments used to monitor patients in various healthcare environments.	\$63.0	1.8x	NA	
Apr 08	Bracco Diagnostics, Inc.	E-Z-EM, Inc.	Provides medical devices and contrast products for screening and diagnosing diseases and disorders of the gastrointestinal tract.	\$197.0	1.4x	14.5x	
Apr 08	MEDRAD, Inc.	Possis Medical, Inc.	Develops and distributes medical devices, primarily targeting catheter-based therapies for the treatment of vascular disorders.	\$319.7	4.3x	NA	
Mar 08	OPG Groep NV (ENXTAM:OPG)	Byram Healthcare Centers, Inc.	Provides disposable medical supplies and services to patients in the home.	\$132.0	1.0x	14.2x	
Mar 08	Philips Holding USA, Inc.	Respironics, Inc.	Develops and markets medical devices used primarily for the treatment of patients suffering from sleep and respiratory disorders.	\$4,854.9	3.9x	19.2x	
Feb 08	RTI Biologics, Inc. (NasdaqGM:RTIX)	Tutogen Medical, Inc.	Designs, manufactures and markets biological implant products worldwide.	\$261.5	4.9x	NA	
Feb 08	Roche Holding AG (VIRTX:ROG)	Ventana Medical Systems, Inc.	Develops and markets instrument-reagent systems that automate slide staining in anatomical pathology and drug discovery laboratories.	\$2,781.8	11.2x	NA	
Mean						5.0x	18.4x
Adjusted Mean*						4.2x	16.3x
Median						3.5x	16.6x

Source: Barrington Associates research, data from CapitalIQ, Mergerstat, and Healthcare M&A Monthly



Private Equity

Recent Transactions and Valuations

Recent Private Equity Healthcare Transactions and Valuations
(\$ in millions)

Close Date	Acquiror	Target	Target Description	Enterprise Value	EV / LTM		
					Revenue	EBITDA	
Announced	MBF Healthcare Acquisition Corporation (AMEX:MBH)	Critical Homecare Solutions Holdings, Inc.	Provides home infusion therapy and related healthcare services.	\$573.3	3.0x	21.7x	
Announced	The Blackstone Group (NYSE:BX)	Apria Healthcare Group, Inc. (NYSE:AHG)	Provides home healthcare services and related support services.	\$1,572.5	0.9x	5.3x	
Announced	Nordic Capital, Avista Capital Holdings, LP	ConvaTec Company	Offers ostomy care, skin care and wound care products and services to patients, supporting caregivers and healthcare professionals.	\$4,100.0	3.5x	NA	
Announced	Apax Partners Worldwide, LLP, BlueCross BlueShield of Tennessee, Inc., The Regence Group, Inc.	TriZetto Group, Inc. (NasdaqGS:TZIX)	Develops, licenses and supports proprietary and third-party software products for the healthcare industry.	\$1,258.7	2.8x	15.6x	
Announced	Lehman Brothers Merchant Banking	Angelica Corporation (NYSE:AGL)	Provides textile rental and linen management services to the healthcare industry in the United States.	\$293.5	0.7x	10.2x	
Jun 08	ECI Partners, LLP	Premier Research Group	Provides clinical trial management and information services to the pharmaceutical and biotechnology industries.	\$176.1	1.4x	11.2x	
Jun 08	Lacuna, LLC	Intraop Medical Corporation (OTCBB:IOPM)	Develops, markets and distributes a mobile electron-beam cancer treatment system.	\$35.2	5.3x	NA	
Jun 08	Beecken Petty O'Keefe & Company	Sterling Group Physician Services, LLC	Provides clinical contract management services in the United States.	NA	NA	NA	
Jun 08	Charterhouse Group, Inc., Highlander Partners, LP, MTS Health Investors, LLC	Chamberlin, Edmonds & Associates	Provides patient eligibility services for hospitals in the United States.	\$103.0	NA	NA	
May 08	Saints Capital	Legacy Partner Companies, Safeguard Scientifics, Inc.	Provide software development and pharmaceutical product production services.	\$74.5	NA	NA	
Apr 08	3i Group plc (LSE:III)	Phibro Animal Health Corporation (LSE:PAHC)	Manufactures and markets various animal health and nutrition products worldwide.	\$270.3	1.3x		
Mar 08	Warburg Pincus, LLC	Lifecore Biomedical, Inc.	Manufactures biomaterials and medical devices and provides related specialized contract aseptic manufacturing services.	\$199.6	2.8x	15.2x	
Feb 08	Vestar Capital Partners	Radiation Therapy Services, Inc.	Provides radiation therapy services to cancer patients in the United States.	\$1,105.2	3.0x	12.3x	
Feb 08	Avista Capital Holdings, LP	Fluid Management and Venous Access Businesses, Boston Scientific Corporation	Produces products used to manage fluid and measure pressure during angiography and angioplasty procedures.	\$415.0	NA	NA	
Feb 08	MTS Health Investors, LLC	HealthHelp, Inc.	Provides radiology management services, providing physicians with the evidence-based clinical information.	NA	NA	NA	
Feb 08	General Atlantic, LLC, Hellman & Friedman, LLC	Emdeon Business Services	Provides revenue cycle management and clinical communication solutions to healthcare providers.	\$1,198.0	2.0x	13.6x	
Mean						2.4x	13.1x
Adjusted Mean*						2.3x	13.0x
Median						2.8x	13.0x

Source: Barrington Associates research, data from CapitalIQ, Mergerstat, and Healthcare M&A Monthly

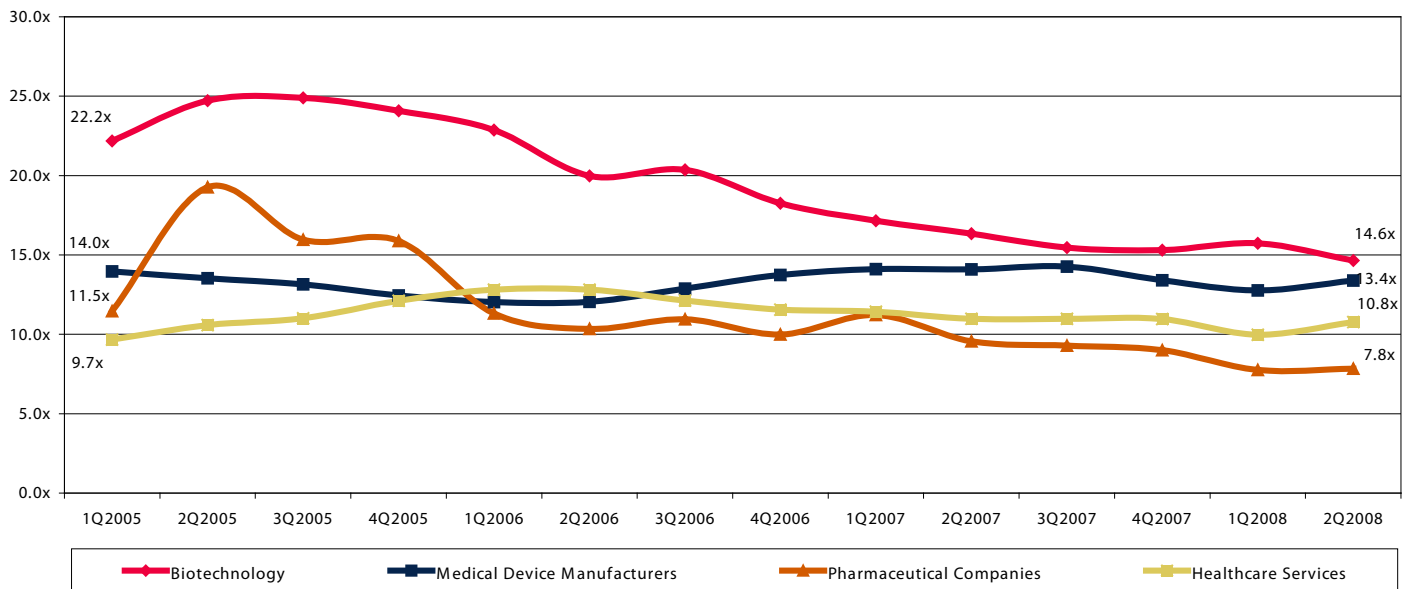


Recent Public Company Valuations

Valuation Data for Publicly-Traded Medical Device and Healthcare Services Companies
(\$ in millions, except per share data; all data as of August 15, 2008 or most recent filing)

Company	Stock Price	Enterprise Value	Last Twelve Months			Margins			EV / LTM EBITDA
			Revenue	EBITDA	Net Income	Gross	EBITDA	Net Income	
Medical Device Manufacturers									
Baxter International Inc.	\$69.97	\$45,053	\$11,465	\$2,989	\$1,733	49.2%	26.1%	15.1%	13.5x
Boston Scientific Corp.	\$13.22	\$25,667	\$8,317	\$2,218	(\$293)	69.0%	26.7%	-3.5%	11.8x
Edwards Lifesciences Corp.	\$58.85	\$3,332	\$1,124	\$230	\$98	65.5%	20.5%	8.7%	14.5x
Medtronic, Inc.	\$54.07	\$66,211	\$13,515	\$4,762	\$2,231	74.8%	35.2%	16.5%	13.3x
Stryker Corp.	\$66.89	\$25,234	\$6,209	\$1,766	\$1,064	69.0%	28.4%	17.1%	13.7x
Mean						65.5%	27.4%	10.8%	13.4x
Median						69.0%	26.7%	15.1%	13.5x
Healthcare Services (Selected Sub-Sector Leaders)									
Amedisys Inc.	\$57.03	\$1,921	\$757	\$119	\$68	55.4%	15.7%	9.0%	14.9x
Quest Diagnostics Inc.	\$54.95	\$13,980	\$6,963	\$1,424	\$374	41.2%	20.4%	5.4%	8.9x
Pediatrix Medical Group, Inc.	\$58.15	\$2,591	\$952	\$246	\$173	38.0%	25.9%	18.2%	10.2x
Omnicare Inc.	\$30.88	\$6,127	\$6,202	\$526	\$101	25.0%	8.5%	1.6%	10.8x
MedcoHealth Solutions Inc.	\$48.83	\$28,272	\$46,310	\$2,062	\$907	6.6%	4.5%	2.0%	13.5x
Gentiva Health Services Inc.	\$27.23	\$1,087	\$1,253	\$103	\$34	42.3%	8.2%	2.7%	8.5x
Fresenius Medical Care AG & Co. KGAA	\$52.14	\$21,075	\$9,911	\$1,979	\$743	34.6%	20.0%	7.5%	11.3x
DaVita Inc.	\$60.01	\$9,595	\$5,331	\$1,055	\$392	31.7%	19.8%	7.4%	8.1x
Mean						34.4%	15.4%	6.7%	10.8x
Median						36.3%	17.8%	6.4%	10.5x

Historic Public Market Valuations by Sector
(EV to EBITDA Multiples)



Source: CapitalIQ



OVER 20 YEARS OF DEDICATED HEALTHCARE EXPERIENCE

 HOME PHARMACY OF CALIFORNIA <i>providing home infusion, nutrition and more</i> has been acquired by Walgreens Home Care We initiated this transaction, assisted in the negotiations, and acted as financial advisor to Home Pharmacy of California.	 HEALTHPLUS+ a portfolio company of BRS Brodeur, Rosen, Shatt & Co., L.L.C. has completed a recapitalization with Merrill Lynch a division of Merrill Lynch, Pierce, Fenner & Smith Inc. We initiated this transaction, assisted in the negotiations, and served as financial advisor to HealthPlus Corporation.	 POLA/MEDCO has been acquired by Inmed Corporation a subsidiary of Ti Teleflex We initiated this transaction, assisted in the negotiations, and acted as financial advisor to Polamedco, Inc.	 MEDCAP has been acquired by HRJ Healthcare Recovers, Inc. We initiated this transaction, assisted in the negotiations, and acted as financial advisor to MedCap Medical Cost Management, Inc.
 Winfield Medical has been acquired by MAXXIM MEDICAL We initiated this transaction, assisted in the negotiations, and acted as financial advisor to Winfield Medical.	 Luther Medical Products, Inc. has sold certain assets to Johnson & Johnson Johnson & Johnson Medical, Inc. We assisted in the negotiations and acted as financial advisor to Luther Medical Products, Inc. in connection with this transaction.	 imagyn Imagen Medical Technologies has sold its biotechnology business to BARD U.S. Bard Inc. (NYSE: BDX) We initiated this transaction, assisted in the negotiations, and acted as financial advisor to Imagen Medical Technologies.	 Total Health Products, Inc. has merged with medsite Medsite.com, Inc. We assisted in the negotiations and acted as financial advisor to Total Health Products, Inc.
 MAXICARE has sold its Southern California Medicaid business to CARE is a Transaction Partner to Southern Hill of the United States Endurance Club. We initiated this transaction, assisted in the negotiations, and acted as financial advisor to Maxicare.	 jason Jason Marketing Company Jason International, Inc. CMC Search & Inc. has been acquired by a wholly-owned indirect subsidiary of tyco We initiated this transaction, assisted in the negotiations, and acted as financial advisor to the acquired company.	 CANFIELD ASSOCIATES, INC. has been acquired by PHNS We initiated this transaction, assisted in the negotiations, and acted as financial advisor to Canfield & Associates, Inc.	 MediGuard Mediguard, Inc. has sold substantially all of its assets to an affiliate of Medline Industries, Inc. MEDLINE We acted as financial advisor to Mediguard, Inc. in connection with this transaction.

The Barrington Healthcare Report is published by Barrington Associates, a division of Wells Fargo Securities, LLC. Barrington provides investment banking services to companies with revenues of \$25 million to \$1 billion.

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