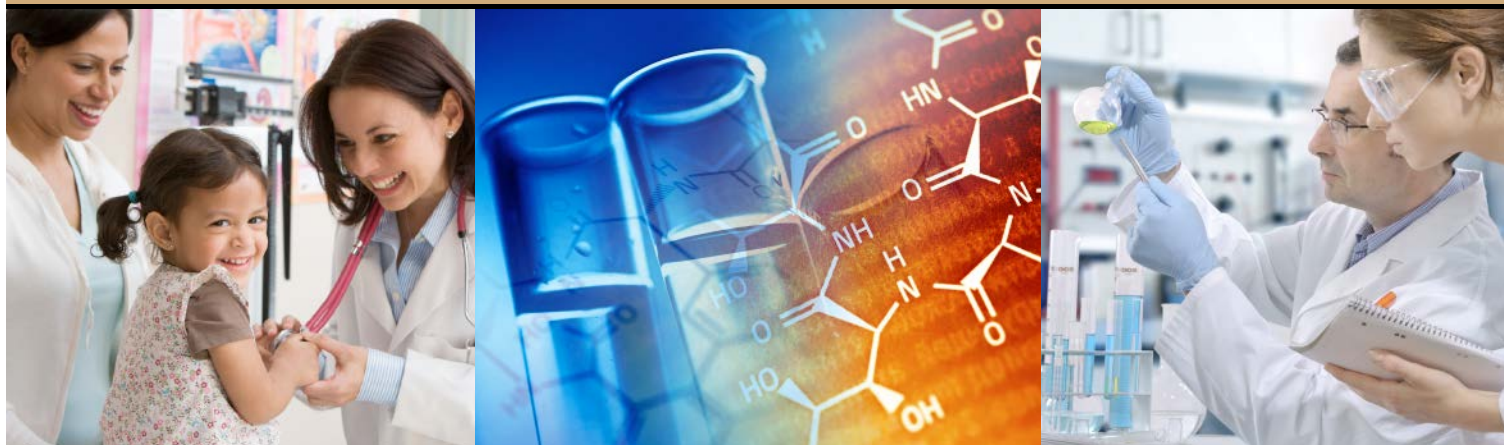


FOCUS Healthcare and Life Sciences Report



FOCUS

Seasoned, Systematic, SuccessfulSM

Investment Banking

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Investment Banking and Advisory Services

FOCUS Investment Banking LLC provides a range of investment banking services tailored to the needs of healthcare and life sciences companies. These services include:

Mergers and Acquisitions
Consulting
Institutional M&A
Turnaround Consulting
Corporate Finance
Strategic Advisory Services
Corporate Valuations
Strategic Partnering and Alliances

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FOCUS Healthcare and Life Sciences Group

Introducing the Inaugural Issue of the

FOCUS Healthcare and Life Sciences Report

By Jonathan Wilfong, Regional Managing Partner, Southeast, and Healthcare and Life Sciences Team Leader, FOCUS Investment Banking LLC

Welcome to the FOCUS Healthcare and Life Sciences Group. Since 1982, FOCUS has been advising cutting edge healthcare and life sciences companies with M&A and corporate finance services. As Team Leader for the FOCUS Healthcare and Life Sciences Practice Group, I am pleased to introduce the inaugural issue of the *FOCUS Healthcare and Life Sciences Report*.

Our intent is to publish a quarterly report bringing you key insights into the Healthcare and Life Sciences investment market from FOCUS partners and advisors. Each report also will include an informative article about a personal healthcare topic we believe will be of interest to many of you.

In this inaugural issue, we have several articles from FOCUS advisors and partners we believe will be relevant to our readers:

- Mark Braunstein, M.D., a FOCUS Senior Advisor, and an expert in the area of health informatics, has contributed an article adapted from his book, *Health Informatics in the Cloud*, about the burgeoning area of Home Telehealth.
- Craig Ladkin, a FOCUS Managing Director, and Les Mace, a FOCUS Senior Advisor, have collaborated on the article, *Medical Device/Pharmaceutical M&A Activity is On the Upswing*, offering their insights into what is driving merger and acquisition activity in that sector.
- Timothy Tankosic, MD, a FOCUS Senior Advisor, has contributed an informative Q&A about Alzheimer's Disease.

FOCUS Healthcare and Life Sciences Team

The FOCUS Healthcare and Life Sciences Team is comprised of experienced executives from a broad spectrum of healthcare services, healthcare IT, medical device, pharmaceutical, and life sciences companies. Our team can leverage years of hands-on and transactional experience in the healthcare industry in order to personally manage your transaction from initial consulting to deal initiation to a successful close.

The FOCUS Healthcare and Life Sciences Team is uniquely qualified to help you meet your objectives because we:

- Offer strategic advisory services that enhance shareholder value.
- Supply a proven transaction methodology for delivering results.
- Devote significant C-level resources with operating expertise in the sector to executing transactions.
- Deliver the most exact, comprehensive research to help close a deal, deploying a team of research professionals dedicated to producing precise analysis.
- Leverage years of experience in the middle market to maximize opportunities for a successful transaction.
- Supply a national presence with global reach—regional offices ensure that all clients receive personalized service throughout every phase of a transaction.

We hope you enjoy this inaugural issue of the *FOCUS Healthcare and Life Sciences Report*. Please feel free to contact me at jonathan.wilfong@focusbankers.com with your comments and suggestions for topics to be covered in future issues.

Mark Braunstein, MD, a FOCUS Senior Advisor, is a noted health informatics expert. We are happy to publish this excerpt from his book entitled, Health Informatics in the Cloud, published by Springer Briefs in Computer Science, in our inaugural FOCUS Healthcare and Life Sciences Newsletter.

A Real World Introduction to Home Telehealth

By Mark Braunstein, MD, Senior Advisor, FOCUS

Patients must manage chronic disease in their homes so it is not surprising that technology for their use at home has been an active area for research and development for many years. These technologies divide into several sub areas.

- Subjective data about symptoms or status that patients enter into a portal or Public Health Record (PHR) can be of some value to their care providers.
- Significantly, more value can be obtained from objective data such as weight, blood pressure, or blood glucose. It is becoming more common for patients at home to obtain their own physiologic measurements.
- Technology could provide ongoing advice and assistance to patients in managing their diet, exercise, and medications. With relatively inexpensive equipment and a high speed Internet connection, a care coordinator could make virtual home visits when the data from the patient indicates one might be appropriate.

Research at Georgia Tech suggests that, in time, it might be possible that technology in the home could monitor patient behavior to help detect issues like a decline in clinical status for a patient with congestive heart failure based on changes in their movement patterns or even a failure to take prescribed medications.

This field is called “behavioral imaging,” essentially sensing and understanding patient behavior remotely through various technologies. The technology is already being provided commercially for use in the assessment and treatment of behavioral disorders such as autism.

These functions, taken as a whole, comprise the still developing field of home telemedicine. One of the first people to think deeply about the field was Steve Kaufman, who

founded HealthTech Services in 1988 where he developed a device called HANC, a physically large and quite expensive home care nursing robot and assistant to aid a broad range of home care patients in achieving what he calls “supported independence.”

Technology with some of these functions has gotten far more compact and inexpensive but financial incentives in healthcare have not, at least up until now, facilitated its use. In many ways, the problem is similar to provider use of email. It makes perfect sense, but it won't happen if providers only get paid for physical visits.

The advent of outcome-based payment could change this dynamic. If providers are interested in achieving the best outcomes and if technology in the home is shown to more than pay for itself by helping achieve them, then it would be logical for providers to see that they are provided even if they have to pay for them.

Despite the reimbursement issue, there are numerous commercial home telehealth products on the market. The simplest and least expensive deliver a single physiologic measurement such as blood pressure. They may be Bluetooth® enabled so that the data can go to a cell phone and, from there, to a web site.

Often this data flow is a service provided for a monthly fee by the device maker. While this business model is attractive to companies since recurring revenue is far more lucrative and, hence, more valuable than one time device purchases, it risks creating a series of “walled gardens,” each of which has its own narrow view of the patient.

There are initiatives and offerings designed to avoid this from happening. The Continua™ Health Alliance was created in 2006 by a group of technology, medical device, and

healthcare delivery organizations and now has 240 members. The goal is to create standards for interoperable home telehealth devices and services in three major categories: chronic disease management, aging independently, and health and physical fitness.

Even without such standards, exporting telehealth data from the home to a PHR can integrate it with data from other devices and with the rest of the patient's clinical record. Qualcomm's Health Management division offers their own approach to this integration. Their 2net™ Hub Platform includes two components.

The first is a small hub device that plugs into an electrical outlet and provides single point collection of wireless

health data in the home. It supports the Bluetooth®, Bluetooth Low Energy, WiFi, and ANT+ local area radio protocols. It is also Continua™ certified.

The second component is a cloud-based service for aggregation and analysis of the data. The data can be sent from there to Electronic Health Record (EHR) and other systems operated by providers or other organizations interested in the patient's status. It can also be sent to the patient's PHR. According to the company, the system was designed and engineered to meet all HIPAA requirements.

Look for new excerpts from *Health Informatics in the Cloud* in future issues of our newsletter!

Medical Device/Pharmaceutical M&A Activity is On the Upswing

By Craig Ladkin, Managing Director, and Les Mace, Senior Advisor, FOCUS

Mergers and Acquisitions (M&A) activity in the medical device and pharmaceutical company space remains on the upswing in 2013. Recent M&A activity includes Cardinal Health acquiring medical supplier AssuraMed for \$2.07bn and Perrigo, a global provider of healthcare products, acquiring Elan Corporation, a biotechnology company, for \$8.6bn with an eye on further international expansion. The deals come on top of a history of medical device/pharmaceutical acquisition activity with mixed results dating back to the 1980s.

Historically, the medical device and diagnostics space has been regarded as little more than “machine manufacturers” and purveyors of consumer goods (Band-Aids, syringes, wheelchairs, and crutches). This lack of regard made mergers and acquisitions with emerging device and diagnostics innovators of little or no interest to pharmaceutical companies.

Investors and industry analysts are now reconsidering the untapped potential of the device and diagnostic market space with the recent advent of personalized medicine and wellness healthcare, coupled with innovations in materials, microelectronics, high speed processing, software, and biotechnology.

Attitudes toward the device segment are rapidly changing, and many now consider device and diagnostic development a primary area of life sciences industry innovation. In fact,

device and diagnostic companies now represent the fastest growing segment of the life sciences industry, with drug delivery and combination devices accounting for much of the growth. In turn, this growth is energizing M&A activity in the medical device and pharmaceutical market space.

Why are pharmaceutical companies now becoming interested in the medical device market? The two markets are finding increasing areas of common ground at times competitive, and at times complementary. Here are some examples:

Advanced devices are now reducing—or in some situations eliminating—the need for drugs

- Therapeutic medical devices are in certain cases eliminating the need for pharmaceuticals. One remarkable case, among many others, includes advances in deep brain stimulation for treating Parkinson's disease and depression.
- Minimally invasive surgeries are broadening treatment options that have traditionally been in the purview of pharmaceutical intervention. One such example is the use of ablation therapy to treat cardiac arrhythmias. Another example is the deployment of drug-eluting stents.

- As people live longer, the onset of chronic and degenerative disease has created new business opportunities. Prostheses (some robotically enabled) are now extending pain free lifestyles to those who were previously dependent on medications for relief.

Devices can support patient adherence to drug therapy, reducing liability and patient risk factors

- Medical device manufacturers including MedTech, Proteus, and AdhereTech are addressing widespread medication adherence issues. There are technologies now available to assist with compliance and then report if medications are being taken as prescribed.

Devices can help support administration and enhance sales of drugs

- Medical devices are now providing a novel means of easily administering drugs deep into the nasal cavity, increasing the efficiency of nasal absorption. They are reported to outperform nasal sprays and shorten the timeframe for relief.
- This year, BTG, a British pharmaceutical company interested in enhancing their interventional medicine business, acquired EKOS, a device company that manufactures an ultrasound device for enhancing thrombolytic drug delivery.

Device sales can smooth out revenues given the rather long term ROI associated with drugs—in addition, healthcare legislation is forcing changes in the industry

- Medical device product development risks are typically considerably less than those required to bring a new drug to the market. Device regulatory hurdles are often much less onerous than those for drugs. Many investors prefer the quick-to-exit paths of medical devices.
- Sanofi, France's largest pharmaceutical manufacturer, is shifting its emphasis from pharmaceuticals to overall health including digital health technologies.
- Eli Lilly recently disclosed a 20 percent global revenue drop and laid-off 40 percent of their U.S. sales force with the recent patent protection loss on their "blockbuster" Cymbalta® and Evista® drugs.

- Pfizer is now focusing on innovation beyond drug development to enhance their business model and to respond to changes they are experiencing in the marketplace.
- Abbott recently spun out their proprietary pharmaceutical unit and authorized \$500M to acquire two medical device companies.

Conclusion

Instead of spending billions of dollars and years on new drug developments, pharmaceutical companies are now engaging in strategic mergers with selected medical device manufacturers. Medical device development time frames are shorter, are generally less risky (drugs are often later pulled off the market for latent adverse effects), and considerably less costly.

In addition, advances in technology and physical sciences have dramatically expanded the capabilities of medical devices, supporting or even sometimes supplanting drug interventions thereby increasing the competitive threat in the overall healthcare marketplace.

Recent regulatory and pricing pressures and increasingly selective buyers have made medical device venture capitalists extremely cautious. Providers also are turning to consolidation, physician agreements, price caps, vendor reductions, and reduced utilization rates—all of which could potentially suppress growth in this sector—except where advancements can demonstrate significant cost savings (e.g., digital home health).

As M&A accelerates in the medical device space, we expect companies to reach further down into the lower middle market arena and engage companies at an earlier stage. Strategic insight, consulting expertise, and transaction experience may all be required at various times in the life cycle of a medical device company.

Contact FOCUS today to discuss how our skill set can complement your operational and investment strategies.

Alzheimer's Disease and the Growing Dementia Epidemic

By Timothy Tankosic, MD, Senior Advisor, FOCUS

Most of us know someone—relative, friend, or colleague—suffering from dementia, a medical term that describes symptoms of impaired cognition (memory and thinking), behavior, social abilities, and daily functioning. Dementia isn't a specific disease and can range in severity from mild to severe. It has many different non-reversible and reversible causes.

Alzheimer's, a progressive degenerative brain disease, is the most common cause of dementia. In early stage Alzheimer's, memory impairment is mild, and changes in personality and intellect are subtle. As the disease progresses, impairment becomes moderate, then severe. Death often occurs seven to 10 years after diagnosis. Alzheimer's is principally a disease of the elderly. More than 95 percent of Americans with Alzheimer's are 65 years old or older.

Why do we hear so much more about Alzheimer's now compared to 25 years ago? Is Alzheimer's a new disease?

No, Alois Alzheimer first described Alzheimer's 100 years ago as a dementia associated with characteristic plaque and tangle lesions in the brain. The number of Americans with Alzheimer's increased markedly in recent decades because our population is aging, and this trend will continue. An estimated 5.2 million Americans have Alzheimer's in 2013. According to projections, 11 to 16 million Americans will have Alzheimer's in 2050. The current and projected financial burdens are staggering.

What is the difference between the normal memory loss from aging and Alzheimer's?

Our brains change somewhat during normal aging. As a result, many elderly people experience a normal, mild decline in memory. Although the first sign of any memory loss may raise concern about Alzheimer's, a large majority of the elderly (ages 65 to 85) doesn't have Alzheimer's or any other type of progressive dementia.

They may experience a slow, mild decline in memory, but not the rapidly progressive and devastating cognitive decline, change in personality, behavioral difficulties, and other symptoms of Alzheimer's. Although demen-

tia increases significantly in people who are older than 85, most elderly people don't experience dementia.

Can Alzheimer's be accurately diagnosed?

Yes, but not in the earliest stages. Unfortunately, there are no medical tests for specifically diagnosing Alzheimer's. The diagnosis is 100 percent accurate only at autopsy through a brain examination. Specialized memory clinics diagnose Alzheimer's with 80-95 percent accuracy.

Clinical assessment begins with mental status and physical examination, and cognitive testing to ascertain the presence of a memory disorder. If warranted, further assessment follows with blood, imaging, and other diagnostic tests with the goal of ruling out treatable causes of dementia.

Alzheimer's remains a diagnosis of exclusion of all other possible causes of dementia. Many other disorders can resemble early or moderate stage Alzheimer's, including memory impairment caused by reversible conditions like depression or vitamin deficiency, other non-reversible, progressive dementias, or other causes.

Earliest stage diagnosis—even before any symptoms occur—is currently a hot research area. It's thought that the best chance of developing effective treatments for Alzheimer's is to intervene in the earliest stages before irreversible pathological processes occur.

Can current treatments prevent, reverse, or slow the neurodegeneration of Alzheimer's?

No treatment has been proven to affect the underlying progressive pathological process of Alzheimer's.

Are the approved treatments for the cognitive symptoms of Alzheimer's effective?

FDA-approved treatments for the cognitive symptoms of Alzheimer's include two classes of compounds involved in brain neurotransmission (messaging) related to memory and other cognitive functions:

- Acetylcholinesterase inhibitors (AChEI)
 - o Donepezil (Aricept)
 - o Rivastigmine (Exelon)
 - o Galantamine (Razadyne)
- Glutamate modulator
 - o Memantine (Namenda)

These drugs are very effective at increasing cognitive function for months to a few years in some patients but are aren't effective in others.

A trial of one or more of these drugs as single agents or in combination is generally warranted in Alzheimer's patients. AChEIs and Memantine haven't been proven to slow the underlying progression of Alzheimer's, but some researchers believe they might slow clinical decline. Other drugs are available for behavioral and other symptoms of Alzheimer's.

Why does diagnosis matter when no known treatment can halt or slow Alzheimer's?

Precise diagnosis of significant cognitive decline or dementia is essential for ruling out treatable causes of reversible dementia. It also has some implications for current treatment of irreversible dementia (e.g., drugs used to treat cognitive and behavioral symptoms of Alzheimer's may be detrimental in patients with other types of dementia). Furthermore, patients and their families need to know the cause in order to understand and plan for life with dementia.

How does Alzheimer's cause death?

Infections including pneumonia, bedsores, and bladder cause death in patients with late stage severe Alzheimer's. These patients have lost motor coordination, are incapacitated, lack understanding of their disease and motivation, making them unable to comply with treatment.

What are the risk factors and how can I reduce my chances of getting Alzheimer's?

A combination of factors, including risk genes (nature), and traits, behaviors, and environmental factors (nurture factors, some of which are preventable) are seen to be the cause of Alzheimer's, like many neurodegenerative and some cardiovascular diseases affecting mostly the elderly.

Age is the greatest risk factor for developing Alzheimer's. Our understanding of the disease's genetic mechanisms is incomplete. True familial Alzheimer's, where dominant genes of parents cause the disease in their children, accounts for less than five percent of cases.

Heredity appears to play a larger role through risk genes, which increase the probability of developing Alzheimer's. We cannot modify our age or genes. Preventable/reversible factors include physical inactivity, high cholesterol (especially in midlife), diabetes, smoking, and obesity.

Unfortunately, no known compound, prescription, or over-the-counter, natural or synthetic, has been proven to halt, slow, or reverse Alzheimer's.

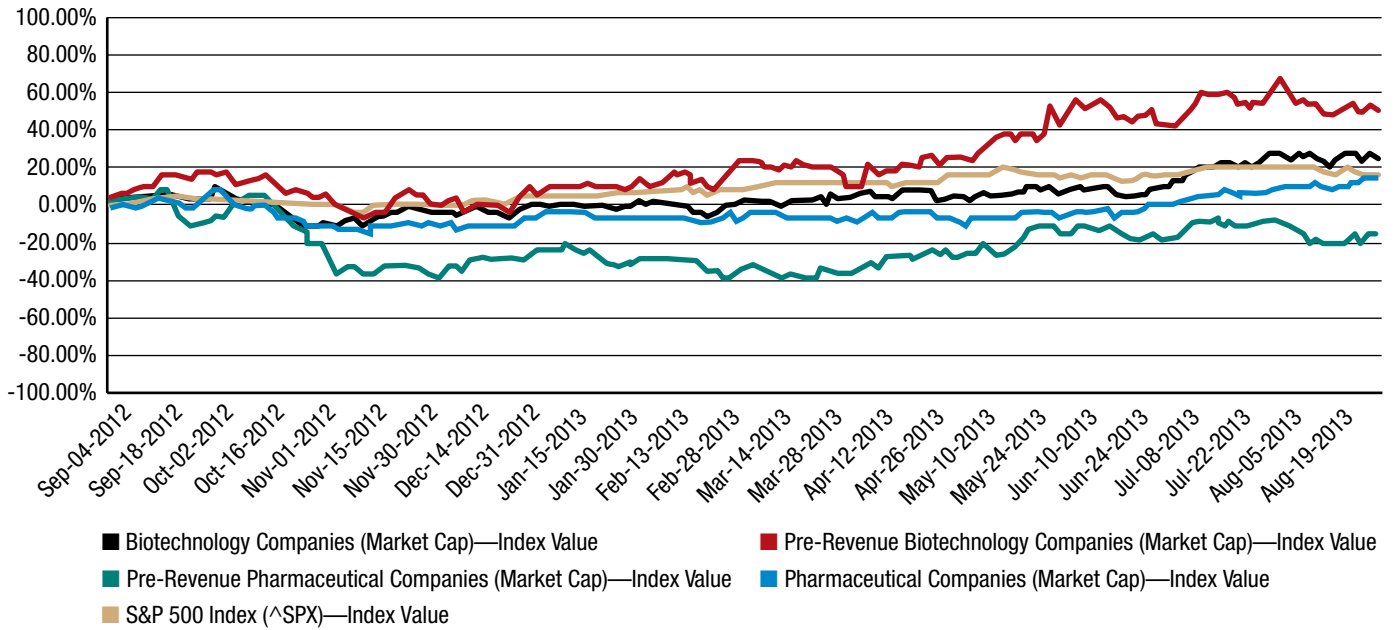
Interestingly, exercise training has been shown to increase the size of the hippocampus and improve memory, but its role in preventing Alzheimer's isn't clear.

What's going on in the R&D of effective treatments for Alzheimer's?

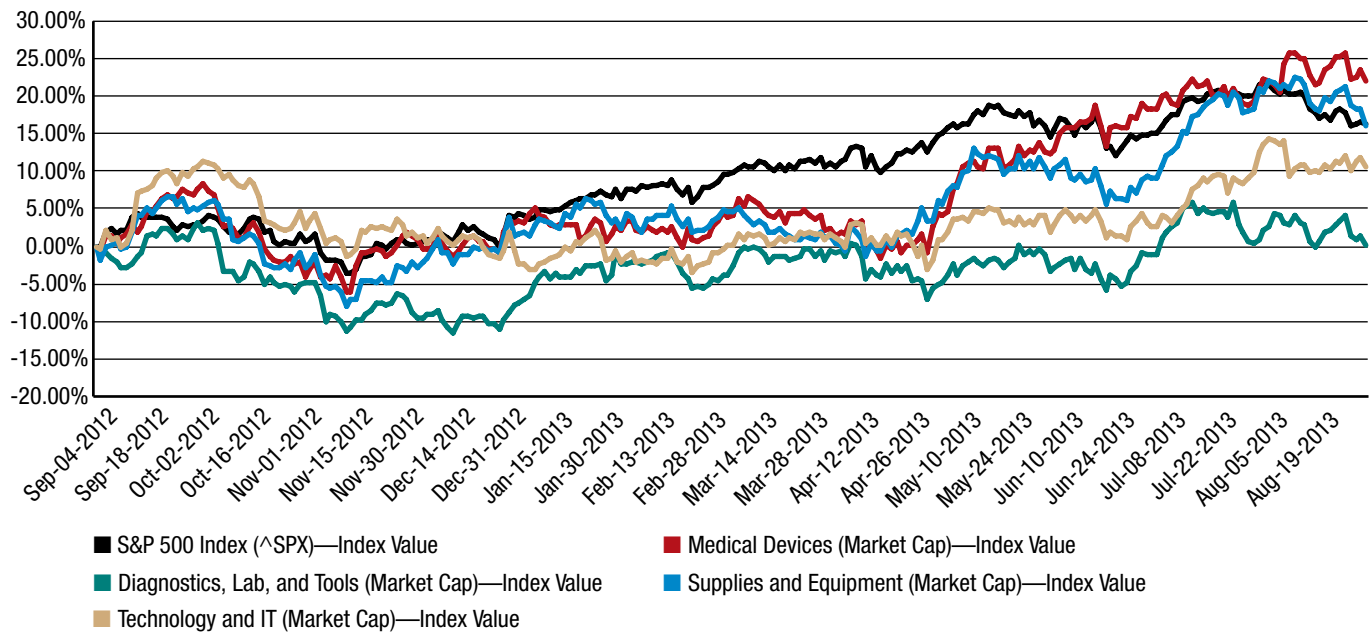
Despite recent clinical drug trials for Alzheimer's treatment failing, there is cause for optimism. Three large clinical trials are due to take place in 2013 aimed at prevention of this devastating disease.

An intervention that would delay both disease onset and progression by one year would result in approximately 9.2 million fewer Alzheimer's cases, worldwide, in 2050, nearly all among those needing a high level of expensive care.

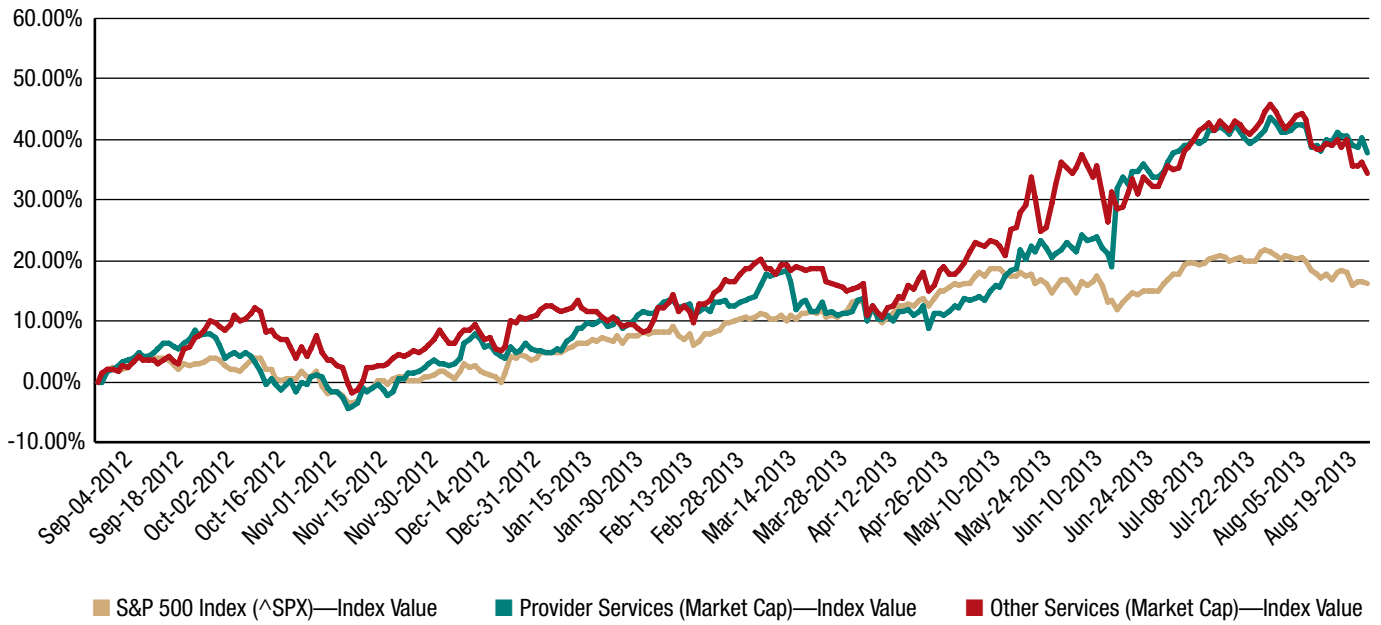
Performance: S&P 500 vs. Public Pharmaceutical and Biotechnology Companies (9/1/12-8/28/13)



Performance: S&P 500 vs. Public Medical Product Companies (9/1/12-8/28/13)



Performance: S&P 500 vs. Public Medical Service Companies (9/1/12-8/28/13)



Provider Services Q2 2013

Company Name	Total Enterprise Value Latest (\$ millions)	LTM Total Revenue (\$ millions)	LTM EBITDA (\$ millions)	TEV/Total Revenues LTM—Latest	TEV/EBITDA LTM—Latest	LTM Period Date, Income Statement
Addus HomeCare Corporation (NasdaqGM:ADUS)	\$189.6	\$253.7	\$19.2	0.7X	9.9X	Jun-30-2013
Birner Dental Management Services Inc. (NasdaqCM:BDMS)	\$39.4	\$63.4	\$4.7	0.6X	8.4X	Jun-30-2013
Kindred Healthcare Inc. (NYSE:KND)	\$2,381.0	\$6,186.4	\$426.9	0.4X	5.6X	Jun-30-2013
LCA-Vision Inc. (NasdaqGS:LCAV)	\$43.4	\$91.1	(\$3.4)	0.5X	N/A	Jun-30-2013
Magellan Health Services Inc. (NasdaqGS:MGLN)	\$1,287.1	\$3,293.2	\$244.1	0.4X	5.3X	Jun-30-2013
National Healthcare Corp. (AMEX:NHC)	\$639.6	\$748.1	\$98.7	0.9X	5.6X	Jun-30-2013
Providence Service Corp. (NasdaqGS:PRSC)	\$416.2	\$1,135.9	\$58.2	0.4X	7.1X	Jun-30-2013
RadNet, Inc. (NasdaqGM:RDNT)	\$690.2	\$669.2	\$99.9	1.0X	6.5X	Jun-30-2013
The Ensign Group, Inc. (NasdaqGS:ENSG)	\$1,036.6	\$857.0	\$87.3	1.2X	11.9X	Jun-30-2013
US Physical Therapy Inc. (NYSE:USPH)	\$366.3	\$251.1	\$41.7	1.5X	8.8X	Jun-30-2013
Vanguard Health Systems Inc. (NYSE:VHS)	\$4,077.3	\$5,999.4	\$525.3	0.7X	7.7X	Jun-30-2013
Summary Statistics						
High	\$4,077.3	\$6,186.4	\$525.3	1.5X	11.9X	
Low	\$39.4	\$63.4	(\$3.4)	0.4X	5.3X	
Mean	\$1,015.2	\$1,777.1	\$145.7	0.8X	7.7X	
Median	\$639.6	\$748.1	\$87.3	0.7X	7.4X	

Other Services Q2 2013

Company Name	Total Enterprise Value Latest (\$ millions)	LTM Total Revenue (\$ millions)	LTM EBITDA (\$ millions)	TEV/Total Revenues LTM—Latest	TEV/EBITDA LTM—Latest	LTM Period Date, Income Statement
Albany Molecular Research Inc. (NasdaqGS:AMRI)	\$317.0	\$241.7	\$39.1	1.3X	8.1X	Jun-30-2013
AMN Healthcare Services Inc. (NYSE:AHS)	\$782.3	\$997.8	\$71.0	0.8X	11.0X	Jun-30-2013
Bio-Reference Laboratories Inc. (NasdaqGS:BRLI)	\$776.0	\$734.0	\$103.5	1.1X	7.8X	Jul-31-2013
Bioanalytical Systems Inc. (NasdaqCM:BASI)	\$18.4	\$24.7	\$2.8	0.7X	6.6X	Mar-31-2013
Cross Country Healthcare, Inc. (NasdaqGS:CCRN)	\$153.2	\$445.1	\$5.3	0.3X	28.8X	Jun-30-2013
MedAssets, Inc. (NasdaqGS:MDAS)	\$2,235.7	\$670.8	\$212.2	3.3X	10.5X	Jun-30-2013
National Research Corp. (NasdaqGS:NRCI.B)	\$444.8	\$90.6	\$28.3	4.9X	15.7X	Jun-30-2013
PDL BioPharma, Inc. (NasdaqGS:PDLI)	\$1,170.5	\$406.7	\$379.9	2.9X	3.1X	Jun-30-2013
Summary Statistics						
High	\$2,235.7	\$997.8	\$379.9	4.9X	28.8X	
Low	\$18.4	\$24.7	\$2.8	0.3X	3.1X	
Mean	\$737.2	\$451.4	\$105.3	1.9X	11.5X	
Median	\$610.4	\$425.9	\$55.1	1.2X	9.3X	

Source: Capital IQ—stock prices as of 8/28/2013

Revenue Earning Pharmaceutical Companies Q2 2013

Company Name	Total Enterprise Value Latest (\$ millions)	LTM Total Revenue (\$ millions)	LTM EBITDA (\$ millions)	TEV/Total Revenues LTM—Latest	TEV/EBITDA LTM—Latest	LTM Period Date, Income Statement
Akorn, Inc. (NasdaqGS:AKRX)	\$1,807.9	\$292.0	\$96.0	6.2X	18.8X	Jun-30-2013
Avanir Pharmaceuticals, Inc. (NasdaqGS:AVNR)	\$724.9	\$67.2	(\$46.8)	10.8X	N/A	Jun-30-2013
AVEO Pharmaceuticals, Inc. (NasdaqGS:AVEO)	(\$22.7)	\$17.2	(\$100.4)	N/A	N/A	Jun-30-2013
BioDelivery Sciences International, Inc. (NasdaqCM:BDSI)	\$139.8	\$26.1	(\$34.7)	5.4X	N/A	Jun-30-2013
Cumberland Pharmaceuticals, Inc. (NasdaqGS:CPIX)	\$18.9	\$43.6	\$8.2	0.4X	2.3X	Jun-30-2013
DepoMed Inc. (NasdaqGS:DEPO)	\$337.4	\$116.0	(\$1.7)	2.9X	N/A	Jun-30-2013
Emergent BioSolutions, Inc. (NYSE:EBS)	\$550.5	\$286.7	\$53.2	1.9X	10.3X	Jun-30-2013
Hi-Tech Pharmacal Co., Inc. (NasdaqGS:HITK)	\$487.1	\$230.8	\$47.4	2.1X	10.0X	Jul-31-2013
Horizon Pharma, Inc. (NasdaqGM:HZNP)	\$141.0	\$34.7	(\$74.1)	4.1X	N/A	Jun-30-2013
Impax Laboratories Inc. (NasdaqGS:IPXL)	\$917.1	\$564.8	\$142.8	1.6X	6.4X	Jun-30-2013
Lannett Company, Inc. (AMEX:LCI)	\$332.6	\$146.6	\$21.8	2.3X	15.2X	Mar-31-2013
Pacira Pharmaceuticals, Inc. (NasdaqGS:PCRX)	\$1,210.8	\$47.7	(\$53.8)	25.4X	N/A	Jun-30-2013
Pernix Therapeutics Holdings, Inc. (NasdaqGM:PTX)	\$117.5	\$79.0	(\$1.6)	1.5X	N/A	Jun-30-2013
Sagent Pharmaceuticals, Inc. (NasdaqGM:SGNT)	\$568.9	\$222.5	\$16.8	2.6X	31.7X	Jun-30-2013
Zogenix, Inc. (NasdaqGM:ZGNX)	\$172.2	\$33.9	(\$49.9)	5.1X	N/A	Jun-30-2013
Summary Statistics						
High	\$1,807.9	\$564.8	\$142.8	25.4X	31.7X	
Low	(\$22.7)	\$17.2	(\$100.4)	0.4X	2.3X	
Mean	\$500.3	\$147.3	\$1.5	5.2X	13.5X	
Median	\$337.4	\$79.0	(\$1.6)	2.8X	10.3X	

Pre-Revenue Earning Pharmaceutical Companies Q2 2013

Company Name	Total Enterprise Value Latest (\$ millions)	LTM Total Revenue (\$ millions)	LTM EBITDA (\$ millions)	TEV/Total Revenues LTM—Latest	TEV/EBITDA LTM—Latest	LTM Period Date, Income Statement
AcelRx Pharmaceuticals, Inc. (NasdaqGM:ACRX)	\$406.9	\$3.2	(\$34.0)	127.6X	N/A	Jun-30-2013
Acura Pharmaceuticals, Inc. (NasdaqCM:ACUR)	\$50.3	\$0.0	(\$12.5)	N/A	N/A	Jun-30-2013
Alimera Sciences, Inc. (NasdaqGM:ALIM)	\$127.4	\$0.2	(\$30.9)	N/A	N/A	Jun-30-2013
Ampio Pharmaceuticals, Inc. (AMEX:AMPE)	\$254.0	\$0.1	(\$17.0)	N/A	N/A	Jun-30-2013
Cempra, Inc. (NasdaqGM:CEMP)	\$177.7	\$4.6	(\$24.7)	38.9X	N/A	Jun-30-2013
Imprimis Pharmaceuticals, Inc. (NasdaqCM:IMMY)	\$37.9	\$0.0	(\$6.4)	N/A	N/A	Jun-30-2013
Supernus Pharmaceuticals, Inc. (NasdaqGM:SUPN)	\$164.4	\$1.6	(\$57.7)	102.2X	N/A	Jun-30-2013
VIVUS Inc. (NasdaqGS:VVUS)	\$1,096.5	\$11.7	(\$201.4)	94.1X	N/A	Jun-30-2013
Summary Statistics						
High	\$1,096.5	\$11.7	(\$6.4)	127.6X	N/A	
Low	\$37.9	\$0.0	(\$201.4)	38.9X	N/A	
Mean	\$289.4	\$2.7	(\$48.1)	90.7X	N/A	
Median	\$171.1	\$0.9	(\$27.8)	98.2X	N/A	

Source: Capital IQ—stock prices as of 8/28/2013

Revenue Earning Biotechnology Companies Q2 2013

Company Name	Total Enterprise Value Latest (\$ millions)	LTM Total Revenue (\$ millions)	LTM EBITDA (\$ millions)	TEV/Total Revenues LTM—Latest	TEV/EBITDA LTM—Latest	LTM Period Date, Income Statement
ArQule Inc. (NasdaqGM:ARQL)	\$91.6	\$26.2	(\$17.9)	3.5X	N/A	Jun-30-2013
Array BioPharma, Inc. (NasdaqGM:ARRY)	\$652.1	\$69.6	(\$35.7)	9.4X	N/A	Jun-30-2013
Auxilium Pharmaceuticals Inc. (NasdaqGS:AUXL)	\$1,312.1	\$410.2	\$83.1	3.2X	15.8X	Jun-30-2013
Cytori Therapeutics, Inc. (NasdaqGM:CYTX)	\$162.1	\$14.7	(\$28.2)	11.0X	N/A	Jun-30-2013
Dendreon Corp. (NasdaqGS:DNDN)	\$824.5	\$304.4	(\$200.3)	2.7X	N/A	Jun-30-2013
Endocyte, Inc. (NasdaqGS:ECYT)	\$440.2	\$57.9	(\$14.2)	7.6X	N/A	Jun-30-2013
InterMune Inc. (NasdaqGS:ITMN)	\$1,066.9	\$40.7	(\$198.1)	26.2X	N/A	Jun-30-2013
Neurocrine Biosciences Inc. (NasdaqGS:NBIX)	\$812.0	\$32.8	(\$19.7)	24.8X	N/A	Jun-30-2013
NPS Pharmaceuticals, Inc. (NasdaqGM:NPSP)	\$2,534.6	\$116.1	(\$19.5)	21.8X	N/A	Jun-30-2013
Savient Pharmaceuticals, Inc. (NasdaqGM:SVNT)	\$227.1	\$21.2	(\$85.1)	10.7X	N/A	Jun-30-2013
Synageva BioPharma Corp. (NasdaqGS:GEVA)	\$979.6	\$18.8	(\$54.1)	52.0X	N/A	Jun-30-2013
Targacept, Inc. (NasdaqGS:TRGT)	\$69.9	\$4.9	(\$42.1)	14.3X	N/A	Jun-30-2013
Summary Statistics						
High	\$2,534.6	\$410.2	\$83.1	52.0X	15.8X	
Low	\$69.9	\$4.9	(\$200.3)	2.7X	15.8X	
Mean	\$764.4	\$93.1	(\$52.7)	15.6X	15.8X	
Median	\$732.1	\$36.8	(\$32.0)	10.9X	15.8X	

Pre-Revenue Earning Biotechnology Companies Q2 2013

Company Name	Total Enterprise Value Latest (\$ millions)	LTM Total Revenue (\$ millions)	LTM EBITDA (\$ millions)	TEV/Total Revenues LTM—Latest	TEV/EBITDA LTM—Latest	LTM Period Date, Income Statement
Aastrom Biosciences, Inc. (NasdaqCM:ASTM)	\$51.2	\$0.0	(\$28.8)	N/A	N/A	Jun-30-2013
ACADIA Pharmaceuticals Inc. (NasdaqGM:ACAD)	\$1,580.0	\$4.7	(\$24.4)	N/A	N/A	Jun-30-2013
Achillion Pharmaceuticals, Inc. (NasdaqGS:ACHN)	\$486.2	\$0.1	(\$58.1)	N/A	N/A	Jun-30-2013
Discovery Laboratories Inc. (NasdaqCM:DSCO)	\$63.3	\$0.4	(\$44.1)	141.1X	N/A	Jun-30-2013
NewLink Genetics Corporation (NasdaqGM:NLNK)	\$380.2	\$1.2	(\$26.4)	NM	N/A	Jun-30-2013
Opexa Therapeutics, Inc. (NasdaqCM:OPXA)	\$24.7	\$0.6	(\$9.6)	43.3X	N/A	Jun-30-2013
Rigel Pharmaceuticals, Inc. (NasdaqGS:RIGL)	\$16.8	\$1.4	(\$97.2)	12.0X	N/A	Jun-30-2013
TrovaGene, Inc. (NasdaqCM:TROV)	\$157.1	\$0.5	(\$7.2)	289.4X	N/A	Jun-30-2013
Summary Statistics						
High	\$1,580.0	\$4.7	(\$7.2)	289.4X	N/A	
Low	\$16.8	\$0.0	(\$97.2)	12.0X	N/A	
Mean	\$344.9	\$1.1	(\$37.0)	121.5X	N/A	
Median	\$110.2	\$0.6	(\$27.6)	92.2X	N/A	

Source: Capital IQ—stock prices as of 8/28/2013

Medical Devices Q2 2013

Company Name	Total Enterprise Value Latest (\$ millions)	LTM Total Revenue (\$ millions)	LTM EBITDA (\$ millions)	TEV/Total Revenues LTM—Latest	TEV/EBITDA LTM—Latest	LTM Period Date, Income Statement
Alphatec Holdings, Inc. (NasdaqGS:ATEC)	\$241.3	\$201.0	\$16.7	1.2X	14.4X	Jun-30-2013
ArthroCare Corporation (NasdaqGS:ARTC)	\$746.1	\$368.3	\$87.8	2.0X	8.5X	Jun-30-2013
Baxano Surgical, Inc. (NasdaqGM:BAXS)	\$63.2	\$14.3	(\$21.6)	4.4X	N/A	Jun-30-2013
Cyberonics Inc. (NasdaqGS:CYBX)	\$1,305.4	\$262.9	\$87.0	5.0X	15.0X	Jul-26-2013
DexCom, Inc. (NasdaqGS:DXCM)	\$1,869.9	\$121.8	(\$38.5)	15.4X	N/A	Jun-30-2013
Endologix Inc. (NasdaqGS:ELGX)	\$954.5	\$119.7	(\$12.5)	8.0X	N/A	Jun-30-2013
ICU Medical, Inc. (NasdaqGS:ICUI)	\$815.3	\$317.0	\$78.4	2.6X	10.4X	Jun-30-2013
MAKO Surgical Corp. (NasdaqGS:MAKO)	\$621.3	\$112.4	(\$26.3)	5.5X	N/A	Jun-30-2013
Nxstage Medical, Inc. (NasdaqGS:NXTM)	\$666.5	\$253.3	(\$2.2)	2.6X	N/A	Jun-30-2013
STAAR Surgical Company (NasdaqGM:STAA)	\$439.2	\$68.4	\$5.4	6.4X	81.1X	Jun-28-2013
Synergetics USA, Inc. (NasdaqCM:SURG)	\$90.8	\$61.6	\$6.1	1.5X	14.8X	Apr-30-2013
The Spectranetics Corporation (NasdaqGS:SPNC)	\$536.7	\$148.1	\$9.8	3.6X	54.5X	Jun-30-2013
Uroplasty Inc. (NasdaqCM:UPI)	\$61.0	\$22.7	(\$2.9)	2.7X	NM	Jun-30-2013
Summary Statistics						
High	\$1,869.9	\$368.3	\$87.8	15.4X	81.1X	
Low	\$61.0	\$14.3	(\$38.5)	1.2X	8.5X	
Mean	\$647.0	\$159.3	\$14.4	4.7X	28.4X	
Median	\$621.3	\$121.8	\$5.4	3.6X	14.8X	

Supplies and Equipment Q2 2013

Company Name	Total Enterprise Value Latest (\$ millions)	LTM Total Revenue (\$ millions)	LTM EBITDA (\$ millions)	TEV/Total Revenues LTM—Latest	TEV/EBITDA LTM—Latest	LTM Period Date, Income Statement
Allied Healthcare Products Inc. (NasdaqGM:AHPI)	\$15.6	\$39.1	(\$1.1)	0.4X	N/A	Mar-31-2013
ATRION Corp. (NasdaqGS:ATRI)	\$458.1	\$125.2	\$43.9	3.7X	10.4X	Jun-30-2013
Bovie Medical Corp. (AMEX:BVX)	\$55.0	\$25.2	\$0.0	2.2X	N/A	Jun-30-2013
Cantel Medical Corp. (NYSE:CMN)	\$1,126.5	\$408.6	\$72.8	2.8X	15.5X	Apr-30-2013
Derma Sciences Inc. (NasdaqCM:DSCI)	\$199.3	\$76.7	(\$17.2)	2.6X	N/A	Jun-30-2013
Invacare Corporation (NYSE:IVC)	\$592.6	\$1,417.1	\$30.1	0.4X	19.7X	Jun-30-2013
Masimo Corporation (NasdaqGS:MASI)	\$1,352.1	\$521.3	\$97.3	2.6X	13.9X	Jun-29-2013
Medical Action Industries Inc. (NasdaqGS:MDCI)	\$151.8	\$436.6	\$18.0	0.3X	8.4X	Jun-30-2013
Retractable Technologies, Inc. (AMEX:RVP)	\$31.8	\$31.6	(\$5.2)	1.0X	N/A	Jun-30-2013
Rochester Medical Corporation (NasdaqGM:ROCM)	\$145.1	\$67.8	\$9.3	2.1X	15.6X	Jun-30-2013
Sharps Compliance Corp. (NasdaqCM:SMED)	\$25.5	\$21.5	(\$1.4)	1.2X	N/A	Jun-30-2013
Symmetry Medical, Inc. (NYSE:SMA)	\$490.1	\$407.7	\$55.0	1.2X	8.9X	Jun-29-2013
Summary Statistics						
High	\$1,352.1	\$1,417.1	\$97.3	3.7X	19.7X	
Low	\$15.6	\$21.5	(\$17.2)	0.3X	8.4X	
Mean	\$387.0	\$298.2	\$25.1	1.7X	13.2X	
Median	\$175.6	\$101.0	\$13.7	1.7X	13.9X	

Source: Capital IQ—stock prices as of 8/28/2013

Diagnosics, Laboratories, and Tools Q2 2013

Company Name	Total Enterprise Value Latest (\$ millions)	LTM Total Revenue (\$ millions)	LTM EBITDA (\$ millions)	TEV/Total Revenues LTM—Latest	TEV/EBITDA LTM—Latest	LTM Period Date, Income Statement
Abaxis, Inc. (NasdaqGS:ABAX)	\$803.7	\$187.2	\$31.3	4.3X	25.7X	Jun-30-2013
Affymetrix Inc. (NasdaqGS:AFFX)	\$511.2	\$321.4	\$22.3	1.6X	23.0X	Jun-30-2013
Chembio Diagnostics, Inc. (NasdaqCM:CEMI)	\$25.8	\$24.9	\$0.9	1.0X	30.0X	Jun-30-2013
CONMED Corporation (NasdaqGS:CNMD)	\$1,060.5	\$760.2	\$127.7	1.4X	8.3X	Jun-30-2013
Enzo Biochem Inc. (NYSE:ENZ)	\$95.7	\$96.8	(\$15.1)	1.0X	N/A	Apr-30-2013
Fluidigm Corporation (NasdaqGS:FLDM)	\$453.1	\$60.5	(\$14.2)	7.5X	N/A	Jun-30-2013
Genomic Health Inc. (NasdaqGS:GHDX)	\$861.6	\$245.9	\$7.8	3.5X	111.5X	Jun-30-2013
Luminex Corporation (NasdaqGS:LMNX)	\$815.5	\$213.1	\$34.4	3.8X	23.7X	Jun-30-2013
Repligen Corporation (NasdaqGS:RGEN)	\$257.5	\$67.9	\$22.4	3.8X	11.5X	Jun-30-2013
Response Genetics, Inc (NasdaqCM:RGDX)	\$73.9	\$21.9	(\$3.4)	3.4X	N/A	Jun-30-2013
Stereotaxis Inc. (NasdaqCM:STXS)	\$56.7	\$41.9	(\$5.7)	1.4X	N/A	Jun-30-2013
Symmetry Medical, Inc. (NYSE:SMA)	\$490.1	\$407.7	\$55.0	1.2X	8.9X	Jun-29-2013
ThermoGenesis Corp. (NasdaqCM:KOOOL)	\$12.7	\$18.0	(\$3.7)	0.7X	N/A	Jun-30-2013
Volcano Corporation (NasdaqGS:VOLC)	\$1,128.6	\$389.3	\$37.6	2.9X	30.0X	Jun-30-2013
Summary Statistics						
High	\$1,128.6	\$760.2	\$127.7	7.5X	111.5X	
Low	\$12.7	\$18.0	(\$15.1)	0.7X	8.3X	
Mean	\$474.8	\$204.1	\$21.2	2.7X	30.3X	
Median	\$471.6	\$142.0	\$15.1	2.3X	23.7X	

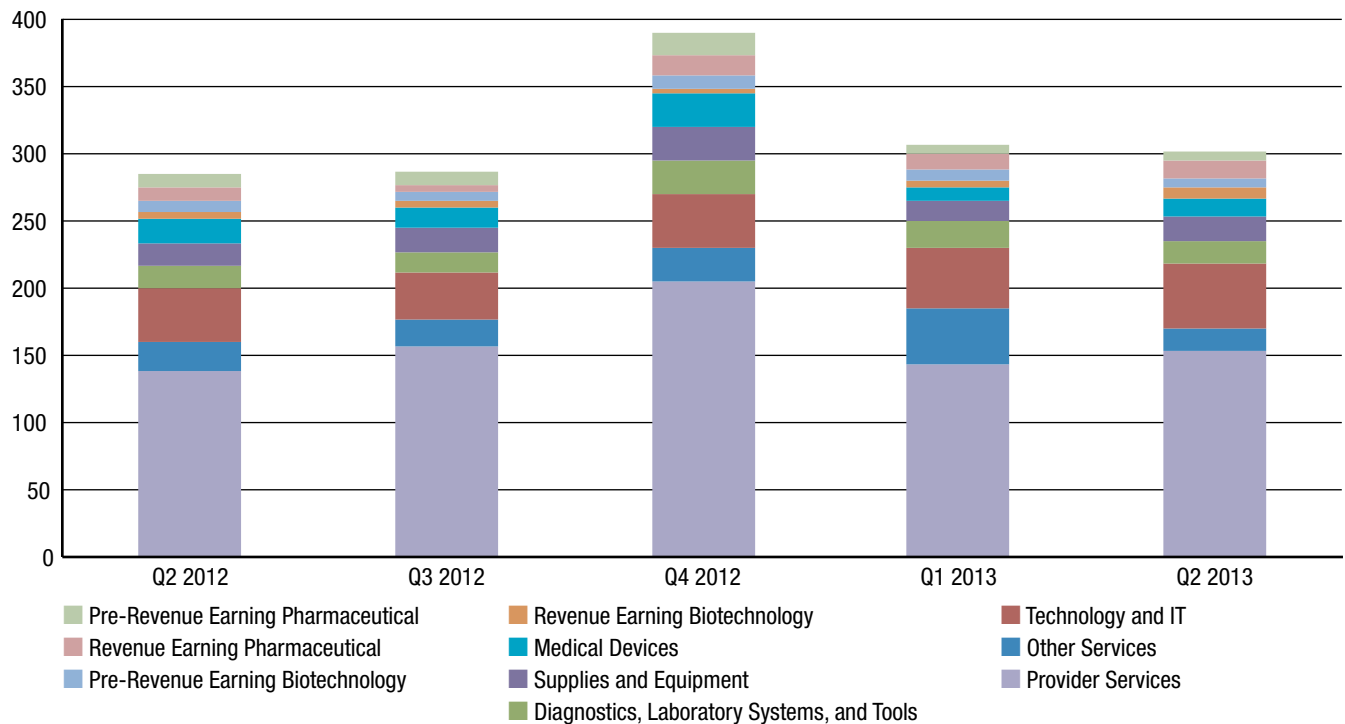
Technology and IT Q2 2013

Company Name	Total Enterprise Value Latest (\$ millions)	LTM Total Revenue (\$ millions)	LTM EBITDA (\$ millions)	TEV/Total Revenues LTM—Latest	TEV/EBITDA LTM—Latest	LTM Period Date, Income Statement
Accuray Incorporated (NasdaqGS:ARAY)	\$520.4	\$316.0	(\$46.0)	1.6X	N/A	Jun-30-2013
Analogic Corporation (NasdaqGS:ALOG)	\$815.2	\$535.2	\$61.5	1.5X	13.3X	Apr-30-2013
Computer Programs & Systems Inc. (NasdaqGS:CPSI)	\$590.4	\$195.9	\$48.8	3.0X	12.1X	Jun-30-2013
Fonar Corp. (NasdaqCM:FONR)	\$65.2	\$41.8	\$9.0	1.6X	7.3X	Mar-31-2013
Greenway Medical Technologies, Inc. (NYSE:GWAY)	\$398.4	\$134.8	\$2.2	3.0X	179.5X	Jun-30-2013
iCAD, Inc. (NasdaqCM:ICAD)	\$62.4	\$31.4	\$0.2	2.0X	286.1X	Jun-30-2013
Masimo Corporation (NasdaqGS:MASI)	\$1,352.1	\$521.3	\$97.3	2.6X	13.9X	Jun-29-2013
Merge Healthcare Incorporated (NasdaqGS:MRGE)	\$478.8	\$245.9	\$27.0	1.9X	17.7X	Jun-30-2013
Omniceil, Inc. (NasdaqGS:OMCL)	\$677.8	\$355.3	\$50.8	1.9X	13.3X	Jun-30-2013
Sharps Compliance Corp. (NasdaqCM:SMED)	\$25.5	\$21.5	(\$1.4)	1.2X	N/A	Jun-30-2013
Streamline Health Solutions, Inc. (NasdaqCM:STRM)	\$100.5	\$28.5	\$1.7	4.1X	N/A	Jul-31-2013
Summary Statistics						
High	\$1,352.1	\$535.2	\$97.3	4.1X	286.1X	
Low	\$25.5	\$21.5	(\$46.0)	1.2X	7.3X	
Mean	\$462.4	\$220.7	\$22.8	2.2X	67.9X	
Median	\$478.8	\$195.9	\$9.0	1.9X	13.6X	

Source: Capital IQ—stock prices as of 8/28/2013

M&A Activity in Healthcare and Life Sciences

Healthcare M&A Transactions by Quarter (Q2 2012 To Q2 2013)



Source: Capital IQ

FOCUS Healthcare and Life Sciences Transactions

This announcement appears as a matter of record only



AGENTEK

has been recapitalized by




Edison
VENTURE FUND

\$8,000,000 Series A Preferred Stock

The undersigned initiated this transaction, assisted in the negotiations, and acted as financial advisor to Agentek, Inc.


FOCUS
Investment Banking

This announcement appears as a matter of record only



positive ID

has acquired



microfluidic systems

The undersigned initiated this transaction, assisted in the negotiations, and acted as financial advisor to PositiveID Corporation.

FOCUS
Investment Banking

This announcement appears as a matter of record only



BIOLINE

has been acquired by



Meridian
Bioscience, Inc.
Inspired Science. Trusted Solutions.™

The undersigned initiated this transaction, assisted in the negotiations, and acted as financial advisor to Bioline.

FOCUS
Investment Banking

This announcement appears as a matter of record only



VERIFY SOLUTIONS

has been acquired by



hms

The undersigned initiated this transaction, assisted in the negotiations and acted as financial advisor to Verify Solutions, LLC.

FOCUS
Investment Banking

This announcement appears as a matter of record only



Alliance HealthCard

has acquired




BMS LLC
BENEFIT MARKETING SOLUTIONS

The undersigned initiated negotiations and acted as financial advisor to Alliance HealthCard.


FOCUS
Investment Banking

This announcement appears as a matter of record only



pleiad
Stirling, Scotland

has been acquired by



CROM
SOURCE
Verona, Italy

The undersigned initiated this transaction, assisted in the negotiations and acted as financial advisor to Pleiad Devices, LTD.

FOCUS
Investment Banking

“As a company founder who has built a bioscience business over 18 years, I selected FOCUS as our investment bank because of their biotechnology expertise and because of their understanding of the needs of an entrepreneur owner embarking on his first company sale. I was attracted to the fact that FOCUS offers a step-by-step process and worked closely with me every step of the way.”
Marco Calzavara, CEO, Bioline

“The acquisition of Benefits Marketing Solutions was very important to the future of Alliance and was too important not to involve professionals who could ensure that the acquisition closed. From initial negotiation of the transaction terms to the deal closing, FOCUS professionals were there to assist us. They ensured that all of the necessary steps, from LOI to due diligence to agreement execution, were completed and successfully managed. The value FOCUS added was significant.”
Robert Garces, Chairman, Alliance HealthCard

**These testimonials may not be representative of the experience of all clients; testimonials are not a guarantee of future performance or success.*

FOCUS Healthcare and Life Sciences Team



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Jonathan E. Wilfong has almost 40 years of broad industry experience in mergers and acquisitions, business development, and capital formation. He was a founder and co-founder of two physician practice management companies.



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John T. Bradshaw has over 30 years of experience in sales, marketing, manufacturing, finance, and systems engineering with corporations specializing in technology-driven business products and services.



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For the past 11 years prior to joining FOCUS, James Braley served as Senior Managing Director and Managing Director in the FTI Healthcare group of FTI's Corporate Finance practice and its predecessor companies.



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Mr. Clarke is a seasoned, internationally experienced CEO with a background featuring strong financial, marketing, and technology skills. Until recently, Clarke served as Chief Executive at Inviro Medical Devices.



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Allen Conger has experience in investment banking and high level financial advisory for a variety of industries, including healthcare, nano-technology, construction, energy, technology, and distribution.



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Craig Ladkin has 25 years of experience managing complex financial and development transactions between private, public, and non-profit sectors in a variety of industries and international jurisdictions.



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Les Mace has over 35 years of experience in the medical device industry including co-founder, market research, technology assessment, manufacturing operations, and much more.

**Barry Michael**

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Barry Michael has more than 30 years' experience in medical devices. Previously Mr. Michael held marketing and sales positions at Abbott Diagnostics as well as senior positions at Kimberly-Clark Professional Health Care.

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James Millar has over 20 years of financial and business expertise plus extensive management and business development experience as a senior executive. Mr. Millar has advised, managed, or led over 40 transactions with an aggregate value of over \$1 billion.

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Bob Moore has held several healthcare senior management positions. He is currently a principal at Stroudwater Associates, a healthcare advisory firm with corporate offices in Portland, Maine and Atlanta, Georgia. He focuses his expertise on physician's and hospital systems.

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David Roberts is a seasoned executive, investor, and transactions professional with more than 30 years of experience founding, building, and advising small to mid-size companies. A former attorney and buy-side securities analyst, Mr. Roberts also has founded 15 companies.

**Douglas E. Rodgers**

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Douglas E. Rodgers has been CEO and Managing Partner of FOCUS since early 2002. He serves FOCUS clients across many industries emphasizing merger and acquisitions opportunities. Mr. Rodgers is an active pilot, with ATP and jet ratings.

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John Slater has 28 years of M&A and capital raising experience. Prior to that time, he spent nine years as a practicing attorney, focused primarily on financial transactions, securities, and tax matters.

**Timothy Tankosic, MD**

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Dr. Tankosic has over 25 years of experience as a consultant, advisor, and director for pharmaceutical, biotechnology, diagnostics, and device industries. He has broad experience in major therapeutic areas and technologies and expertise in neuroscience and oncology.

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Gerald Turner has over 25 years of executive level experience in a wide range of sectors including diverse financial services, direct marketing, specialty retailing, commercial data base management, and consumer brand marketing and packaging.

About FOCUS Investment Banking LLC

FOCUS Investment Banking LLC provides a range of middle market investment banking services with an emphasis on mergers, acquisitions, divestitures and corporate finance. FOCUS is a national firm serving clients from offices in major cities across the United States. FOCUS specializes in business units with transactions or revenues in the \$5-300 million range, serving entrepreneurs, corporate owners and various types of investors across a broad range of industries, throughout the U.S. and worldwide. FOCUS bankers are seasoned operating and financial executives with extensive transaction experience. Securities transactions conducted by FOCUS Securities LLC, an affiliated company, registered Broker/Dealer and member FINRA/SIPC. For more information on FOCUS, visit www.focusbankers.com.

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FOCUS

Investment Banking

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