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**MARKET COMMENTARY**

As we wait patiently for Congress and President Obama to settle on a compromise to prevent the U.S. from defaulting on its debt on August 2nd, a certainty is that the healthcare industry will be impacted with whatever plan is put in place. The parties have been battling over significant structural changes to Medicare and Medicaid. No matter the outcome of the political wrangling, the healthcare industry will still likely have to wait months for clarity on the impact.

**Legislative Action**

Among the earliest and boldest proposals was Congressman Paul Ryan's 2012 budget plan to significantly cut federal government spending and reduce the national budget deficit by approximately \$6.2 trillion over the next decade. Under his plan, Ryan created a blueprint for a revolutionary proposal to tame federal Medicare spending, which quickly drew critics from both political parties. In short, Ryan's proposal would have turned the Medicare program from a government centric payment system to one where private insurers would cover elderly Americans under insurance policies subsidized by the federal government. The program would make fixed payments to participants each year toward their healthcare premiums, and the individuals would cover the balance of their healthcare costs.

According to the Congressional Budget Office (CBO), Ryan's plan would have reversed the course of recent fiscal history by reducing healthcare spending from 8% of GDP today to just 5% by 2050. Under our current course, healthcare spending is projected to grow to as high as 14% by that time. Ryan predicts that the program would create healthy competition among private insurers, who would be forced to operate more efficiently and offer better pricing.

It would also introduce a degree of competition into Medicare coverage which is absent in today's market.

Needless to say, Congressman Ryan's plan has been lost in the current haggling between the President and Congressional leaders. The negotiations seem to be taking a familiar course when it comes to addressing potential cost savings for Medicare and Medicaid — throw a big number out there for savings in some far off period but do not specify any details other than that the savings will come from facility and provider payments. Even though these are massive government programs, we are skeptical of any real additional reforms to them other than those already spelled out in the Obamacare legislation proposed last year.

**Industry Trends**

Regardless of the outcome of the policy debate, we believe the march will continue toward outcome-based payments rather than traditional fee-for-services medicine. While this march is likely to be long and bumpy for the industry overall, we do like businesses that are being proactive in leading the industry in that direction. No matter where government policies end up, businesses that can improve the efficiency and efficacy of healthcare delivery will be winners. We also see many players looking to bulk up and diversify their revenue streams, particularly through M&A activity, so they are better positioned to weather industry changes.

During the second quarter we saw many healthcare industry participants continue to pursue plans to reduce costs while improving quality of care. The Accountable Care Organization models are being fleshed out and all industry participants are weighing in with

Continued from page 1

their concerns over financial risk and start-up costs. As we celebrated the first year anniversary for defining the criteria for Stage One of Meaningful Use, it is worth noting that by May, only \$75 million in Medicare EMR incentive payments had been made from the pool of \$27 billion set aside. In addition, through April, only 42,600 eligible professionals out of the 485,000 potentially eligible professionals had registered for Meaningful Use. Although a small percentage have currently enrolled, many parties may see benefit in waiting until 2012 to enroll to reduce their own risks. By waiting, they may forego funding in this year but they can learn from the early entrants and position themselves better for Stage Two criteria.

## M&A Activity

The healthcare industry experienced robust M&A activity in the second quarter. During the quarter, the number of healthcare M&A deals reached 243 with a total value of \$73.5 billion, representing a 44% increase from Q1, according to data from Irving Levin Associates. The healthcare M&A market has surged throughout the first half of 2011, and if the trends continue, it is expected to set a new record in M&A dollars spent in the healthcare industry for a year. Merger activity is being driven by a variety of subsectors, with Medical Devices and Pharmaceuticals accounting for approximately 45% and 37% of total deal value, respectively. Further, there has been a surge in consolidation activity among hospitals and various healthcare organizations as groups look to diversify their regional systems and balance the financial risks that are being created due to healthcare reform.

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## KEY OPERATING & VALUATION METRICS OF REPRESENTATIVE COMPANIES

	Operating Metrics					Valuation Metrics	
	1 Yr Historical Growth		Margins		Debt/ EBITDA	LTM	
	Revenue	Net Income	GP	EBITDA		EV/Rev	EV/EBITDA
Behavioral Health	6.4%	1.1%	11.2%	8.6%	1.3x	0.4x	4.5x
Contract Research Organizations	3.1%	(6.9%)	35.4%	14.2%	1.7x	1.6x	10.9x
Healthcare Distribution	4.0%	7.4%	10.0%	2.8%	1.2x	0.3x	9.7x
Healthcare IT	20.5%	38.9%	63.2%	22.7%	3.2x	4.1x	19.3x
Home Care & Hospice	10.9%	9.7%	42.6%	14.3%	2.2x	0.8x	6.3x
Laboratories & Diagnostic Services	14.9%	15.7%	41.7%	17.5%	1.6x	1.6x	9.1x
Pharmaceuticals	8.3%	6.1%	62.1%	27.7%	1.5x	2.5x	9.2x
Senior Care	8.2%	38.1%	35.1%	14.7%	1.9x	1.0x	6.8x

Please refer to additional important disclosures on Page 3.

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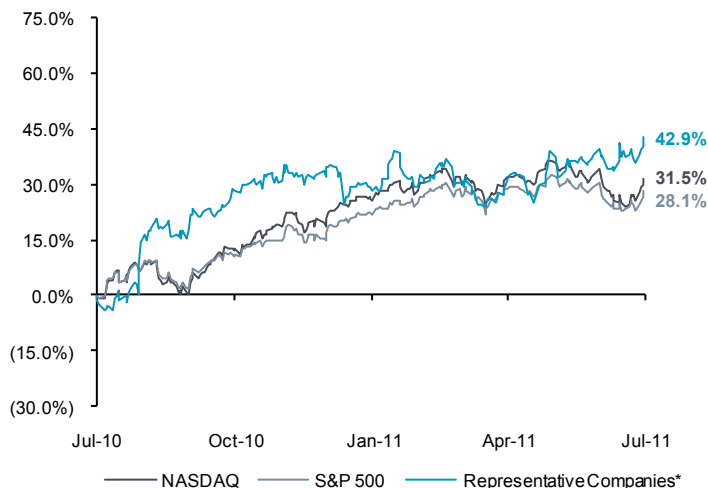
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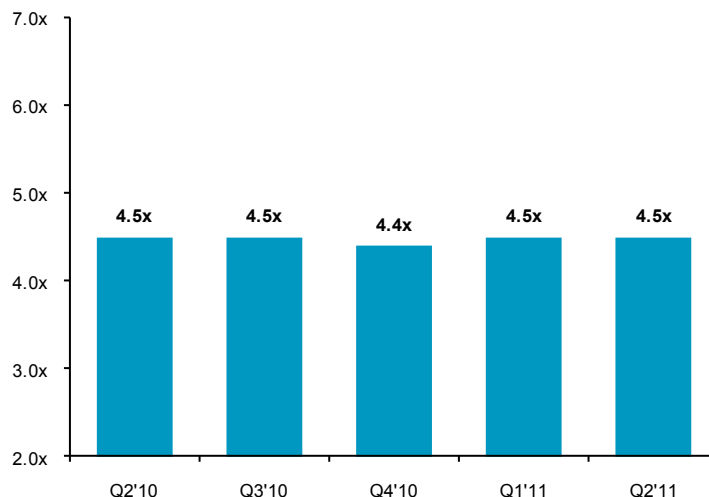
Products and services described herein may not be available in all jurisdictions. Additional information is available upon request.

## Behavioral Health

### LTM RELATIVE PERFORMANCE



### EV/EBITDA VALUATION TRENDS\*



### REPRESENTATIVE COMPANIES\*

(\$s in millions, except per share data)

	Market Statistics			Operating Metrics				Valuation Metrics	
	Stock Price 6/30/2011	Equity Value	Enterprise Value (EV)	LTM Rev. Growth	Margins		Debt/ EBITDA	LTM	
					GP	EBITDA		EV/Rev	EV/EBITDA
Providence Service Corp. (PRSC)	\$12.65	\$164	\$276	6.1%	12.6%	7.2%	2.7x	0.3x	4.3x
Magellan Health Services Inc. (MGLN)	\$54.74	\$1,712	\$1,356	6.7%	9.9%	9.9%	0.0x	0.5x	4.7x
<b>Median</b>				<b>6.4%</b>	<b>11.2%</b>	<b>8.6%</b>	<b>1.3x</b>	<b>0.4x</b>	<b>4.5x</b>

### REPRESENTATIVE TRANSACTIONS

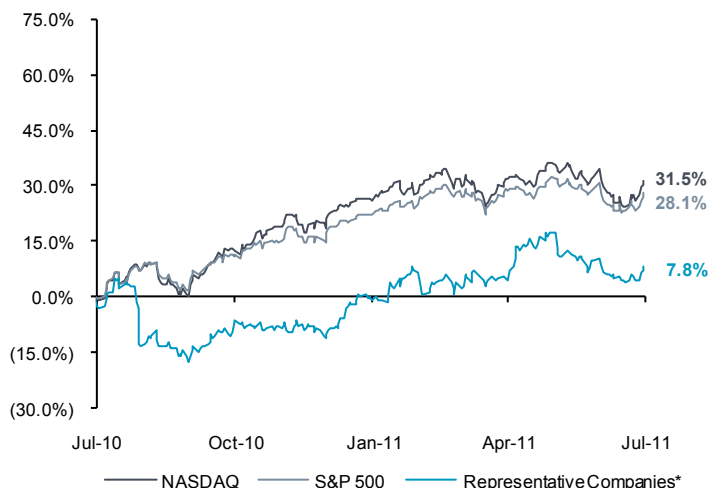
(Announced and Closed; \$s in millions)

Target	Acquiror	Transaction Details				Valuation		
		Date		Equity Value	Enterprise Value	EV/ Revenue	EV/ EBITDA	P/E
		Announ.	Closed					
PHC Inc. (PHC)	Acadia Healthcare Company LLC	5/24/11	-	-	-	-	-	-
Hanley Center	Richard J. Caron Foundation, Inc.	5/12/11	-	-	-	-	-	-
Mental Health Partners & CBH	Pathways Local Management Entity	4/26/11	-	-	-	-	-	-
HHC Delaware, Inc.	PHC Inc. (PHC)	3/15/11	7/5/11	\$21.5	\$21.5	1.4x	-	-
Youth and Family Centered Services	Acadia Healthcare Company LLC	3/10/11	4/4/11	-	-	-	-	-
<b>Median</b>				<b>\$21.5</b>	<b>\$21.5</b>	<b>1.4x</b>	<b>-</b>	<b>-</b>

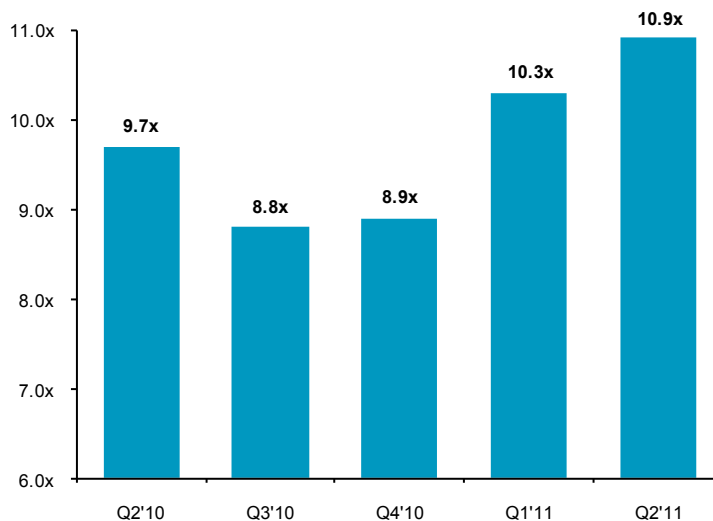
\* The Representative Companies index in the LTM Relative Performance chart represents the historical (last twelve months) performance of a market-weighted blend of the publicly traded stock of the companies listed in the Representative Companies table on this page. The multiples presented in the EV/EBITDA Valuation Trends chart are medians of the LTM EV/EBITDA multiples of those same Representative Companies at the end of each specified time period. The list of Representative Companies is not intended to be exhaustive of all companies participating in this sector. We are not recommending the purchase or sale of any individual security or group of securities. **Please refer to Page 3 for additional important disclosures.** Source: Capital IQ. As of June 30, 2011.

## Contract Research Organizations

### LTM RELATIVE PERFORMANCE



### EV/EBITDA VALUATION TRENDS\*



### REPRESENTATIVE COMPANIES\*

(\$s in millions, except per share data)

	Market Statistics			Operating Metrics				Valuation Metrics	
	Stock Price 6/30/2011	Equity Value	Enterprise Value (EV)	LTM Rev. Growth	Margins		Debt/ EBITDA	LTM	
					GP	EBITDA		EV/Rev	EV/EBITDA
Covance Inc. (CVD)	\$59.37	\$3,601	\$3,363	3.1%	28.0%	14.2%	0.4x	1.6x	11.5x
Charles River Labs International, Inc. (CRL)	\$40.65	\$2,100	\$2,783	(3.0%)	35.4%	22.6%	3.4x	2.5x	10.9x
ICON plc (ICLR)	\$23.56	\$1,423	\$1,191	2.6%	37.5%	11.6%	-	1.3x	11.2x
PAREXEL International Corporation (PRXL)	\$23.56	\$1,387	\$1,560	9.6%	32.1%	12.2%	1.7x	1.1x	9.1x
Pharmaceutical Product Devel. Inc. (PPDI)	\$26.84	\$3,039	\$2,664	7.7%	47.8%	18.4%	-	1.8x	9.6x
<b>Median</b>				<b>3.1%</b>	<b>35.4%</b>	<b>14.2%</b>	<b>1.7x</b>	<b>1.6x</b>	<b>10.9x</b>

### REPRESENTATIVE TRANSACTIONS

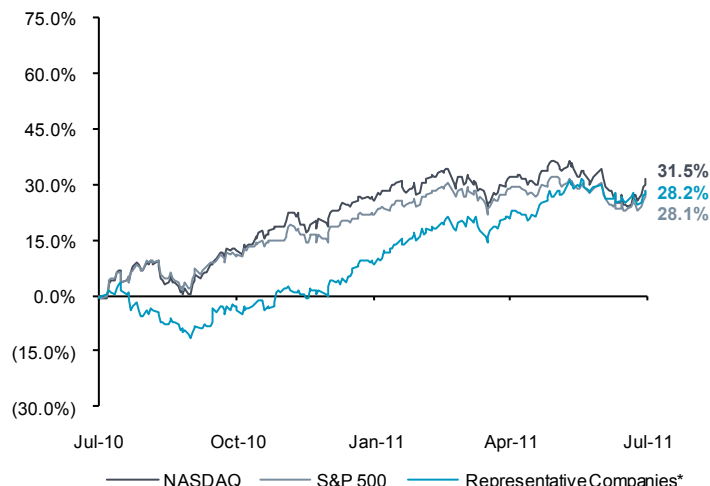
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Target	Acquiror	Transaction Details				Valuation		
		Date		Equity Value	Enterprise Value	EV/ Revenue	EV/ EBITDA	P/E
		Announ.	Closed					
Bio-Quant Inc.	BioTox Sciences	6/30/11	-	\$0.5	\$25.0	-	-	-
Pharmanet Development Group, Inc.	inVentiv Health, Inc.	5/17/11	-	-	-	-	-	-
Kendle International Inc. (KNDL)	INC Research, LLC	5/4/11	7/12/11	\$228.7	\$346.3	0.8x	14.2x	-
Theorem Clinical Research Holdings	Nautic Partners, LLC	4/28/11	4/28/11	-	-	-	-	-
<b>Median</b>				<b>\$114.6</b>	<b>\$185.7</b>	<b>0.8x</b>	<b>14.2x</b>	<b>-</b>

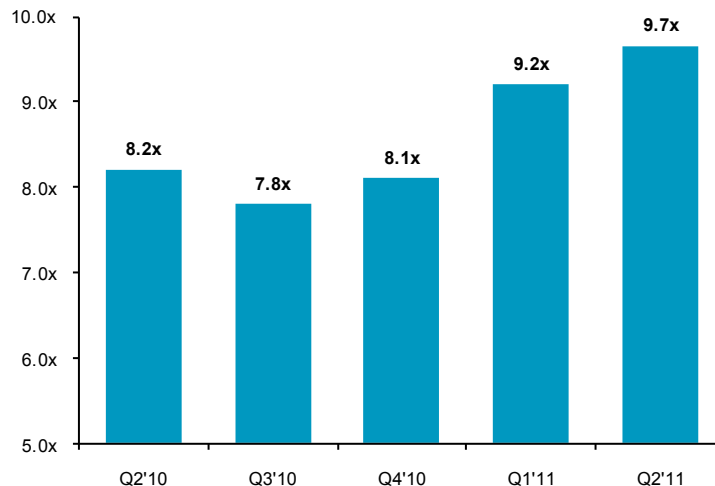
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## Healthcare Distribution

### LTM RELATIVE PERFORMANCE



### EV/EBITDA VALUATION TRENDS\*



### REPRESENTATIVE COMPANIES\*

(\$s in millions, except per share data)

	Market Statistics			Operating Metrics				Valuation Metrics	
	Stock Price 6/30/2011	Equity Value	Enterprise Value (EV)	LTM Rev. Growth	Margins		Debt/ EBITDA	LTM	
					GP	EBITDA		EV/Rev	EV/EBITDA
AmerisourceBergen Corporation (ABC)	\$41.40	\$11,342	\$10,772	4.3%	3.1%	1.6%	1.1x	0.1x	8.6x
Cardinal Health, Inc. (CAH)	\$45.42	\$15,924	\$16,381	2.0%	4.0%	1.8%	1.4x	0.2x	9.0x
Henry Schein Inc. (HSIC)	\$71.59	\$6,604	\$7,001	13.2%	28.8%	8.4%	0.8x	0.9x	10.8x
McKesson Corporation (MCK)	\$83.65	\$20,584	\$20,976	3.1%	5.3%	2.2%	1.6x	0.2x	8.5x
Owens & Minor Inc. (OMI)	\$34.49	\$2,199	\$2,252	4.0%	10.0%	2.8%	0.9x	0.3x	9.7x
Patterson Companies Inc. (PDCO)	\$32.89	\$3,945	\$4,087	5.5%	33.5%	12.2%	1.3x	1.2x	9.8x
PSS World Medical Inc. (PSSI)	\$28.01	\$1,554	\$1,721	(1.0%)	31.2%	8.1%	1.2x	0.8x	10.4x
<b>Median</b>				<b>4.0%</b>	<b>10.0%</b>	<b>2.8%</b>	<b>1.2x</b>	<b>0.3x</b>	<b>9.7x</b>

### REPRESENTATIVE TRANSACTIONS

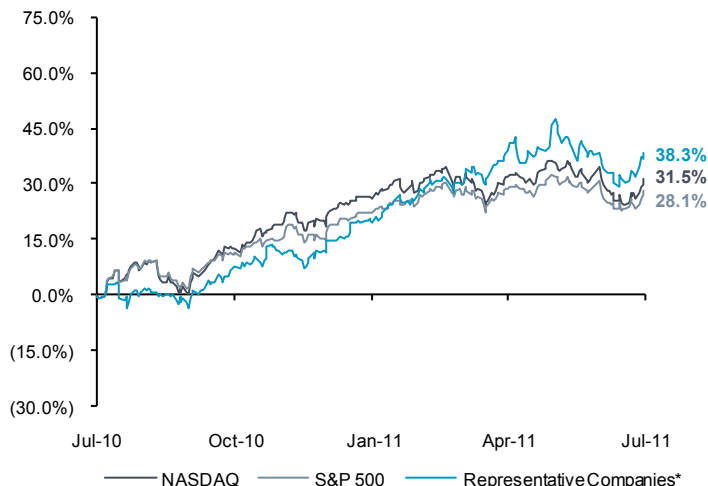
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Target	Acquiror	Transaction Details				Valuation		
		Date		Equity Value	Enterprise Value	EV/ Revenue	EV/ EBITDA	P/E
		Announ.	Closed					
EquaChem LLC	BioZone Pharma., Inc. (BZNE)	6/30/11	6/30/11	\$1.9	\$1.9	-	-	-
MarketLab, Inc.	Water Street Healthcare Partners	6/16/11	6/27/11	-	-	-	-	-
DRS Technologies, Inc.	Healthmed Services Ltd. (HEME)	6/6/11	6/6/11	-	-	-	-	-
Neighborhood Diabetes Shoppe, Inc.	Insulet Corporation (PODD)	6/2/11	6/2/11	-	\$62.4	1.0x	15.3x	-
Aero Pharmaceuticals Inc.	BioZone Pharma., Inc. (BZNE)	5/19/11	5/16/11	\$163.2	\$320.8	-	-	-
Spectrum Medical Equipment Inc.	Sleepcair Inc.	4/29/11	4/22/11	-	-	-	-	-
SciClone Pharmaceuticals, Inc.	Novamed Pharmaceuticals, Inc.	4/18/11	4/18/11	\$61.8	\$104.8	3.3x	-	-
Alpha Scientific Medical, Inc.	Henry Schein Inc. (HSIC)	4/14/11	4/14/11	-	-	-	-	-
Great Lakes Medical Supply, Inc.	Sanare, LLC	4/12/11	4/12/11	-	-	-	-	-
Allegro Medical Supplies Inc.	Scrip Products Corp.	4/12/11	4/12/11	-	-	-	-	-
<b>Median</b>				<b>\$61.8</b>	<b>\$83.6</b>	<b>2.2x</b>	<b>15.3x</b>	<b>-</b>

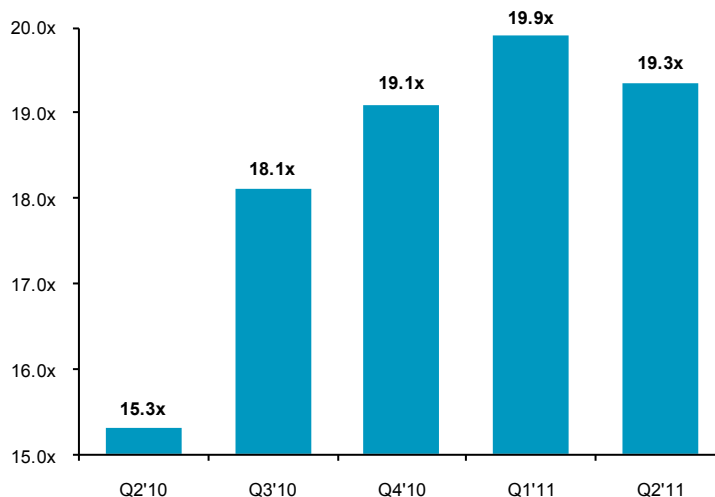
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## Healthcare IT

### LTM RELATIVE PERFORMANCE



### EV/EBITDA VALUATION TRENDS\*



### REPRESENTATIVE COMPANIES\*

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	Stock Price 6/30/2011	Equity Value	Enterprise Value (EV)	LTM Rev. Growth	Margins		Debt/ EBITDA	LTM	
					GP	EBITDA		EV/Rev	EV/EBITDA
Accretive Health, Inc. (AH)	\$28.79	\$2,769	\$2,650	23.0%	21.5%	4.4%	-	4.1x	93.2x
Allscripts Healthcare Solutions, Inc. (MDRX)	\$19.42	\$3,694	\$3,998	-	48.8%	16.1%	2.6x	3.7x	23.0x
athenahealth, Inc. (ATHN)	\$41.10	\$1,433	\$1,329	30.5%	62.5%	16.9%	-	4.7x	28.0x
Cerner Corporation (CERN)	\$61.11	\$10,315	\$9,806	11.7%	82.0%	26.4%	0.2x	5.1x	19.5x
Computer Programs & Systems Inc. (CPSI)	\$63.48	\$702	\$676	25.5%	42.8%	21.7%	-	4.2x	19.2x
Emdeon Inc. (EM)	\$13.12	\$1,196	\$2,016	10.7%	38.5%	23.8%	3.9x	1.9x	8.2x
MedAssets, Inc. (MDAS)	\$13.36	\$783	\$1,694	20.5%	74.4%	25.0%	9.0x	4.0x	15.8x
Medidata Solutions, Inc. (MDSO)	\$23.87	\$579	\$489	17.4%	68.9%	19.1%	0.0x	2.9x	15.1x
Quality Systems Inc. (QSII)	\$87.30	\$2,547	\$2,430	21.1%	63.9%	28.8%	-	6.9x	23.9x
WebMD Health Corp. (WBMD)	\$45.58	\$2,693	\$2,428	20.0%	74.3%	26.0%	5.3x	4.2x	16.2x
<b>Median</b>				<b>20.5%</b>	<b>63.2%</b>	<b>22.7%</b>	<b>3.2x</b>	<b>4.1x</b>	<b>19.3x</b>

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## Healthcare IT

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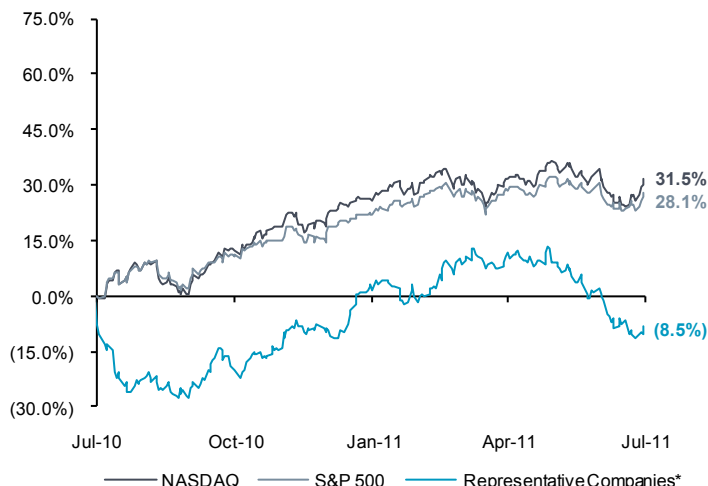
### REPRESENTATIVE TRANSACTIONS

(Announced and Closed; \$s in millions)

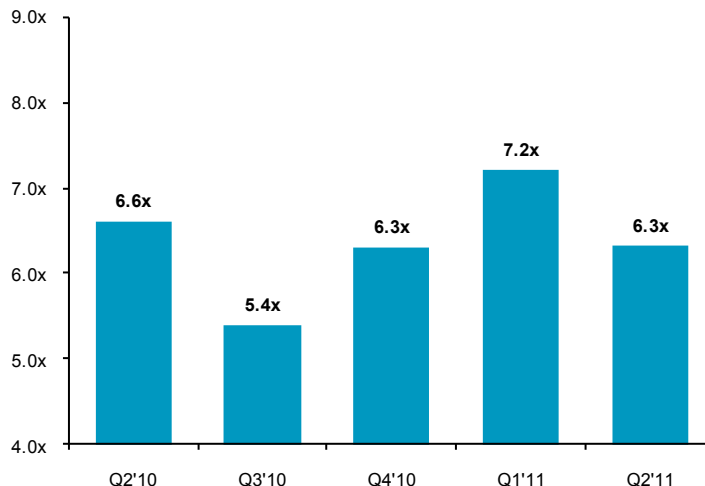
Target	Acquiror	Transaction Details				Valuation		
		Date		Equity Value	Enterprise Value	EV/ Revenue	EV/ EBITDA	P/E
		Announ.	Closed					
Medical Present Value, Inc.	Experian plc (EXPN)	6/28/11	6/28/11	\$185.0	\$185.0	4.1x	-	-
Better Billing, LLC	Medical Transcription Billing Corp.	6/28/11	6/28/11	-	-	-	-	-
eMindful Inc.	MBF Healthcare Partners	6/27/11	6/27/11	-	-	-	-	-
Portico Systems, Inc.	McKesson Health Solutions LLC	6/22/11	-	\$85.0	\$90.0	-	-	-
Health Risk Partners LLC	Verisk Analytics, Inc. (VRSK)	6/13/11	-	\$47.0	\$60.0	-	-	-
Med-Vantage, Inc.	IMS Health Incorporated	6/10/11	6/10/11	-	-	-	-	-
Ophthalmic Imaging Systems (OIS)	Merge Healthcare Inc. (MRGE)	6/5/11	-	\$29.0	\$36.2	2.0x	-	-
Pulse Medica	BlippMedia, LLC	5/26/11	5/26/11	-	-	-	-	-
E.H.R. Live, LLC	Phyaura, LLC	5/25/11	5/25/11	-	-	-	-	-
Northern Digital Inc.	Roper Industries Inc. (ROP)	5/10/11	6/3/11	\$205.0	\$205.0	-	-	-
Revenue Cycle Solutions, Inc.	Waud Capital Partners	5/9/11	5/9/11	-	-	-	-	-
Geospiza, Inc.	PerkinElmer, Inc. (PKI)	5/5/11	5/5/11	-	-	-	-	-
Concordant Inc.	Arcadia Solutions LLC	5/3/11	5/3/11	-	-	-	-	-
AccessDNA, Inc.	Informed Medical Decisions, Inc.	4/28/11	4/28/11	-	-	-	-	-
Bloodhound Technologies, Inc.	Verisk Analytics, Inc. (VRSK)	4/27/11	4/27/11	\$75.4	\$82.0	-	-	-
Vital Images Inc.	Toshiba Medical Systems Corp.	4/27/11	6/15/11	\$261.9	\$151.3	2.5x	-	-
Q'utue Inc.	Techs Loanstar, Inc. (TCLN)	4/25/11	-	-	-	-	-	-
Patient Care Techn. Systems, LLC	Awarepoint Corporation	4/19/11	4/19/11	-	-	-	-	-
Keystone Management Solutions, Inc.	MRO Corporation	4/18/11	4/18/11	-	-	-	-	-
Status Blue, LLC	REPTrax, Inc.	4/15/11	4/15/11	-	-	-	-	-
Steady State Imaging, LLC	GE Medical Systems, Inc.	4/14/11	4/14/11	-	-	-	-	-
Intranexus Inc.	Quality Systems Inc. (QSII)	4/1/11	-	-	-	-	-	-
<b>Median</b>				<b>\$85.0</b>	<b>\$90.0</b>	<b>2.5x</b>	<b>-</b>	<b>-</b>

## Home Care & Hospice

### LTM RELATIVE PERFORMANCE



### EV/EBITDA VALUATION TRENDS\*



### REPRESENTATIVE COMPANIES\*

(\$s in millions, except per share data)

	Market Statistics			Operating Metrics				Valuation Metrics	
	Stock Price 6/30/2011	Equity Value	Enterprise Value (EV)	LTM Rev. Growth	Margins		Debt/ EBITDA	LTM	
					GP	EBITDA		EV/Rev	EV/EBITDA
Addus HomeCare Corp. (ADUS)	\$5.43	\$58	\$91	4.5%	29.2%	5.7%	2.2x	0.3x	5.8x
Almost Family Inc. (AFAM)	\$27.40	\$256	\$202	9.0%	54.0%	15.3%	0.0x	0.6x	3.9x
Amedisys Inc. (AMED)	\$26.63	\$785	\$808	0.1%	49.1%	13.0%	0.8x	0.5x	3.9x
Capital Senior Living Corp. (CSU)	\$9.29	\$256	\$400	16.6%	38.2%	15.1%	5.1x	1.8x	11.8x
Chemed Corp. (CHE)	\$65.52	\$1,394	\$1,495	8.2%	29.0%	12.3%	1.0x	1.1x	9.3x
Gentiva Health Services Inc. (GTV)	\$20.83	\$637	\$1,594	37.1%	50.7%	13.8%	4.7x	1.0x	7.2x
LHC Group, Inc. (LHCG)	\$23.06	\$431	\$430	17.9%	47.1%	14.8%	-	0.7x	4.5x
Skilled Healthcare Group, Inc. (SKH)	\$9.46	\$360	\$867	12.7%	18.0%	15.0%	4.0x	1.0x	6.8x
<b>Median</b>				<b>10.9%</b>	<b>42.6%</b>	<b>14.3%</b>	<b>2.2x</b>	<b>0.8x</b>	<b>6.3x</b>

### REPRESENTATIVE TRANSACTIONS

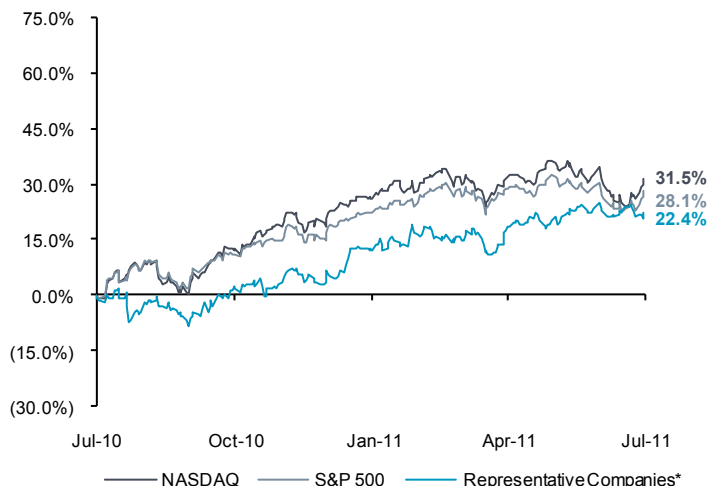
(Announced and Closed; \$s in millions)

Target	Acquiror	Transaction Details				Valuation		
		Date		Equity Value	Enterprise Value	EV/ Revenue	EV/ EBITDA	P/E
		Announ.	Closed					
Altura Homecare & Rehab	Skilled Healthcare Group, Inc. (SKH)	6/21/11	-	-	-	-	-	-
Beacon Hospice, Inc.	Amedisys Inc. (AMED)	4/18/11	-	\$125.0	\$125.0	1.6x	-	-
Hospice Ops. (Hackensack UMC)	Amedisys Inc. (AMED)	5/3/11	-	-	-	-	-	-
OMNI Health Management Inc.	SunCrest Healthcare, Inc.	5/20/11	5/20/11	-	-	-	-	-
Symbii Home Health LLC	Cornerstone Healthcare, Inc.	5/15/11	5/15/11	-	-	-	-	-
Family Comfort Hospice LLC	VITAS Healthcare Corporation	4/29/11	4/29/11	-	-	-	-	-
CLC Hospice, LLC	LHC Group, Inc.	4/6/11	4/6/11	-	-	-	-	-
Lakeview Home Care	Medistar Home Health	4/4/11	4/4/11	-	-	-	-	-
CareSouth Home Health Services, LLC	Kindred Healthcare (KND)	4/4/11	4/4/11	-	-	-	-	-
<b>Median</b>				<b>\$125.0</b>	<b>\$125.0</b>	<b>1.6x</b>	<b>-</b>	<b>-</b>

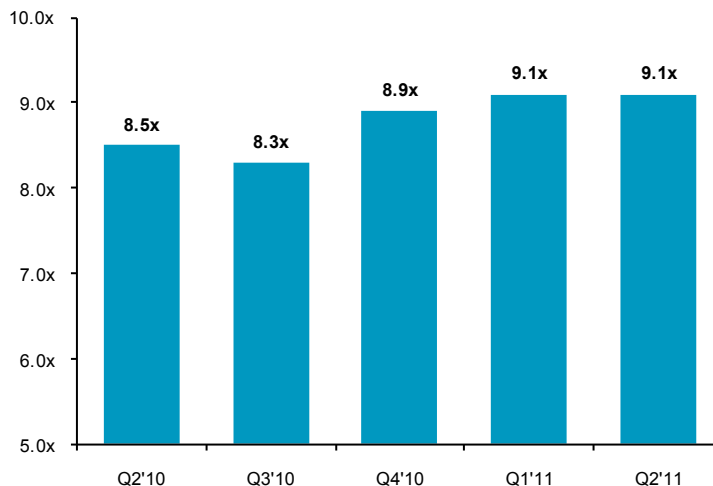
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## Laboratories & Diagnostic Services

### LTM RELATIVE PERFORMANCE



### EV/EBITDA VALUATION TRENDS\*



### REPRESENTATIVE COMPANIES\*

(\$s in millions, except per share data)

	Market Statistics			Operating Metrics				Valuation Metrics	
	Stock Price 6/30/2011	Equity Value	Enterprise Value (EV)	LTM Rev. Growth	Margins		Debt/ EBITDA	LTM	
					GP	EBITDA		EV/Rev	EV/EBITDA
Bio-Reference Laboratories Inc. (BRLI)	\$20.90	\$584	\$609	24.0%	50.6%	14.2%	0.6x	1.2x	8.4x
Laboratory Corp. of America Holdings (LH)	\$96.79	\$9,698	\$11,583	11.7%	41.4%	22.9%	1.6x	2.2x	9.4x
MEDTOX Scientific Inc. (MTOX)	\$17.47	\$156	\$155	18.0%	41.9%	11.9%	-	1.5x	12.5x
Quest Diagnostics Inc. (DGX)	\$59.10	\$9,299	\$13,443	(0.2%)	41.2%	20.7%	2.8x	1.8x	8.8x
<b>Median</b>				<b>14.9%</b>	<b>41.7%</b>	<b>17.5%</b>	<b>1.6x</b>	<b>1.6x</b>	<b>9.1x</b>

### REPRESENTATIVE TRANSACTIONS

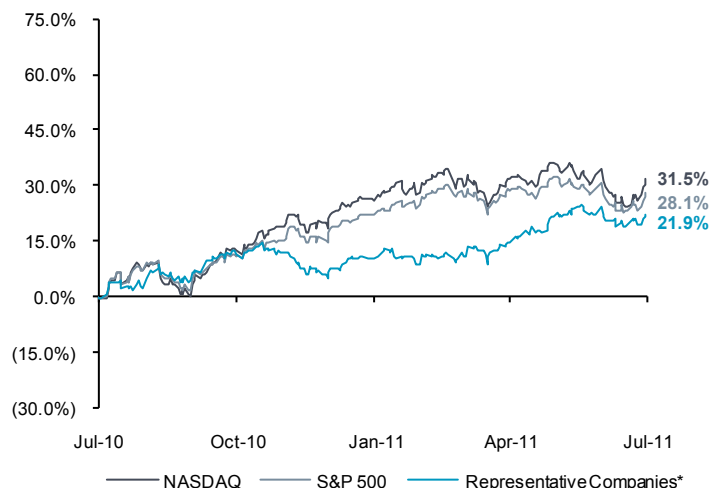
(Announced and Closed; \$s in millions)

Target	Acquiror	Transaction Details				Valuation		
		Date		Equity Value	Enterprise Value	EV/ Revenue	EV/ EBITDA	P/E
		Announ.	Closed					
EraGen Biosciences, Inc.	Luminex Corporation (LMNX)	6/21/11	6/27/11	-	\$34.0	4.3x	-	-
Select Diagnostics Inc.	Solstas Lab Partners	6/16/11	6/16/11	-	-	-	-	-
Scan Specialists USA, LLC	Baymark Partners	6/10/11	6/10/11	-	-	-	-	-
Ophthalmic Imaging Systems (OISI)	Merge Healthcare Inc. (MRGE)	6/6/11	-	\$29.0	\$36.2	2.0x	-	-
Acertara Acoustic Laboratories LLC	Unisyn Medical Technologies, Inc.	6/2/11	6/2/11	-	-	-	-	-
UTI Imaging-Houston	Memorial Hermann Healthcare Syst.	6/1/11	6/1/11	-	-	-	-	-
Harris Scientific, Inc.	Health Diagnostic Laboratory, Inc.	5/24/11	5/24/11	-	-	-	-	-
Stanbio Laboratory, L.P.	EKF Diagnostic Holdings, PLC	5/23/11	5/23/11	\$19.3	\$25.3	1.5x	8.3x	-
Rock Creek Imaging	Saint John Hospital, Inc.	5/12/11	5/12/11	-	-	-	-	-
Vital Images, Inc.	Toshiba Medical Systems Corp.	4/27/11	4/27/11	\$261.9	\$151.3	4.6x	94.0x	-
Rules-Based Medicine, Inc.	Myriad Genetics Inc. (MYGN)	4/27/11	6/1/11	-	\$80.0	-	-	-
Optimum Mobile Imaging LLC	IMD Companies, Inc. (ICBU)	4/21/11	4/21/11	-	-	-	-	-
Orchid Cellmark, Inc.	Laboratory Corp. of America	4/6/11	-	\$84.0	\$66.7	1.0x	43.9x	-
Celera Corporation	Quest Diagnostics Inc. (DGX)	3/18/11	5/10/11	\$657.2	\$330.4	2.6x	-	-
Athena Diagnostics, Inc.	Quest Diagnostics Inc. (DGX)	2/20/11	4/4/11	\$740.0	\$740.0	6.7x	-	-
<b>Median</b>				<b>\$173.0</b>	<b>\$73.4</b>	<b>2.6x</b>	<b>43.9x</b>	<b>-</b>

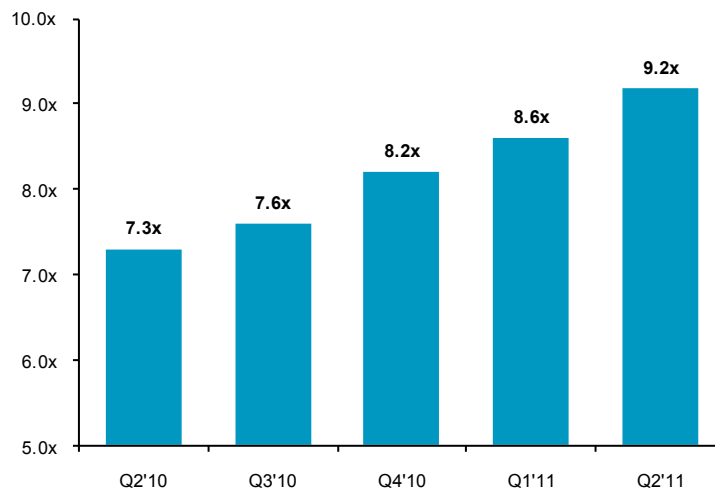
\* The Representative Companies index in the LTM Relative Performance chart represents the historical (last twelve months) performance of a market-weighted blend of the publicly traded stock of the companies listed in the Representative Companies table on this page. The multiples presented in the EV/EBITDA Valuation Trends chart are medians of the LTM EV/EBITDA multiples of those same Representative Companies at the end of each specified time period. The list of Representative Companies is not intended to be exhaustive of all companies participating in this sector. We are not recommending the purchase or sale of any individual security or group of securities. **Please refer to Page 3 for additional important disclosures.** Source: Capital IQ. As of June 30, 2011.

## Pharmaceuticals

### LTM RELATIVE PERFORMANCE



### EV/EBITDA VALUATION TRENDS\*



### REPRESENTATIVE COMPANIES\*

(\$s in millions, except per share data)

	Market Statistics			Operating Metrics				Valuation Metrics	
	Stock Price 6/30/2011	Equity Value	Enterprise Value (EV)	LTM Rev. Growth	Margins		Debt/ EBITDA	LTM	
					GP	EBITDA		EV/Rev	EV/EBITDA
Abbott Laboratories (ABT)	\$52.62	\$81,786	\$94,114	12.8%	58.8%	27.0%	1.9x	2.5x	9.4x
Allergan Inc. (AGN)	\$83.25	\$25,373	\$24,807	8.3%	85.4%	28.4%	1.5x	4.9x	17.3x
Bristol-Myers Squibb Company (BMY)	\$28.96	\$49,405	\$48,040	2.0%	73.5%	36.0%	0.8x	2.4x	6.8x
Cardinal Health, Inc. (CAH)	\$45.42	\$15,924	\$16,381	2.0%	4.0%	1.8%	1.4x	0.2x	9.0x
Eli Lilly & Co. (LLY)	\$37.53	\$43,447	\$43,406	5.3%	80.7%	33.9%	0.8x	1.8x	5.3x
Forest Laboratories Inc. (FRX)	\$39.34	\$11,258	\$7,407	6.0%	78.0%	34.9%	-	1.7x	4.7x
Hospira Inc. (HSP)	\$56.66	\$9,506	\$10,653	(2.9%)	38.6%	20.3%	2.2x	2.7x	13.4x
Merck & Co. Inc. (MRK)	\$35.29	\$108,926	\$113,742	37.9%	65.3%	35.5%	1.1x	2.5x	6.9x
Mylan, Inc. (MYL)	\$24.67	\$10,836	\$15,760	8.4%	40.9%	23.9%	4.2x	2.8x	11.8x
Perrigo Co. (PRGO)	\$87.87	\$8,148	\$8,816	23.8%	34.0%	21.0%	1.6x	3.3x	15.7x
Pfizer Inc. (PFE)	\$20.60	\$162,763	\$180,125	21.6%	76.5%	37.6%	1.6x	2.7x	7.1x
Watson Pharmaceuticals, Inc. (WPI)	\$68.73	\$8,693	\$9,483	19.3%	46.4%	19.5%	1.4x	2.5x	12.8x
<b>Median</b>				<b>8.3%</b>	<b>62.1%</b>	<b>27.7%</b>	<b>1.5x</b>	<b>2.5x</b>	<b>9.2x</b>

\* The Representative Companies index in the LTM Relative Performance chart represents the historical (last twelve months) performance of a market-weighted blend of the publicly traded stock of the companies listed in the Representative Companies table on this page. The multiples presented in the EV/EBITDA Valuation Trends chart are medians of the LTM EV/EBITDA multiples of those same Representative Companies at the end of each specified time period. The list of Representative Companies is not intended to be exhaustive of all companies participating in this sector. We are not recommending the purchase or sale of any individual security or group of securities. **Please refer to Page 3 for additional important disclosures.** Source: Capital IQ. As of June 30, 2011.

## Pharmaceuticals

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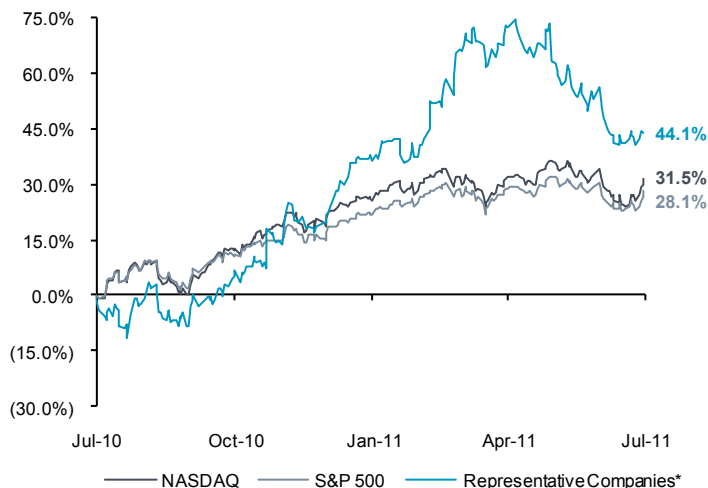
### REPRESENTATIVE TRANSACTIONS

(Announced and Closed; \$s in millions)

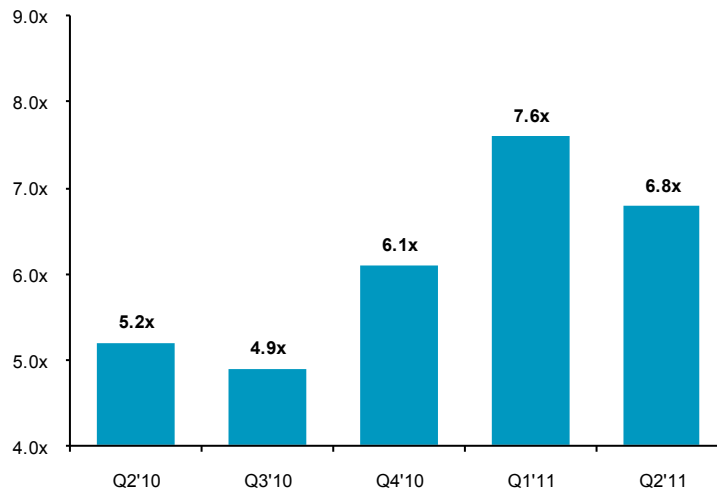
Target	Acquiror	Transaction Details				Valuation		
		Date		Equity	Enterprise	EV/ Revenue	EV/ EBITDA	P/E
		Announ.	Closed	Value	Value			
Prometheus Laboratories, Inc.	Nestle Health Science S.A.	5/24/11	-	-	\$1,000.0	1.9x	-	-
Advanced Vision Research Inc.	Akorn Inc. (AKRX)	5/3/11	5/3/11	\$26.0	\$28.8	1.4x	n/m	-
Cephalon Inc. (CEPH)	Teva Pharmaceuticals USA, Inc.	5/2/11	-	\$6,269.2	\$7,527.3	2.5x	7.0x	11.9x
ZARS Pharma, Inc.	Nuvo Research Inc. (NRI)	4/18/11	5/12/11	\$9.8	\$36.5	-	-	-
Prism Pharmaceuticals, Inc.	Baxter International Inc. (BAX)	4/18/11	-	\$170.0	\$338.0	-	-	-
Mpex Pharmaceutical, Inc.	Axcan Holdings, Inc.	4/14/11	-	\$12.0	\$257.5	-	-	-
Surface Logix, Inc.	Nano-Terra, Inc.	4/12/11	4/12/11	-	-	-	-	-
Inspire Pharmaceuticals, Inc.	Merck & Co. (MRK)	4/5/11	5/12/11	\$424.8	\$375.4	3.6x	-	-
<b>Median</b>				<b>\$98.0</b>	<b>\$338.0</b>	<b>2.2x</b>	<b>7.0x</b>	<b>11.9x</b>

## Senior Care

### LTM RELATIVE PERFORMANCE



### EV/EBITDA VALUATION TRENDS\*



### REPRESENTATIVE COMPANIES\*

(\$s in millions, except per share data)

	Market Statistics			Operating Metrics				Valuation Metrics	
	Stock Price 6/30/2011	Equity Value	Enterprise Value (EV)	LTM Rev. Growth	Margins		Debt/ EBITDA	LTM	
					GP	EBITDA		EV/Rev	EV/EBITDA
Advocat Inc. (AVCA)	\$6.86	\$40	\$60	6.3%	13.4%	4.9%	1.9x	0.2x	4.1x
Assisted Living Concepts Inc. (ALC)	\$16.78	\$389	\$495	1.8%	40.8%	25.5%	1.9x	2.1x	8.3x
Brookdale Senior Living Inc. (BKD)	\$24.25	\$2,958	\$5,385	8.2%	35.1%	17.1%	6.4x	2.4x	14.1x
Capital Senior Living Corp. (CSU)	\$9.29	\$256	\$400	16.6%	38.2%	15.1%	5.1x	1.8x	11.8x
Emeritus Corp. (ESC)	\$21.25	\$941	\$2,886	17.7%	34.2%	15.9%	11.9x	2.7x	16.9x
Five Star Quality Care Inc. (FVE)	\$5.81	\$268	\$271	6.1%	43.4%	3.5%	1.0x	0.2x	6.2x
Kindred Healthcare Inc. (KND)	\$21.47	\$1,115	\$1,385	4.0%	34.9%	5.1%	1.5x	0.3x	6.1x
National Healthcare Corp. (NHC)	\$49.57	\$686	\$571	9.0%	42.8%	13.8%	0.1x	0.8x	5.7x
Skilled Healthcare Group, Inc. (SKH)	\$9.46	\$360	\$867	12.7%	18.0%	15.0%	4.0x	1.0x	6.8x
Sun Healthcare Group, Inc. (SUNH)	\$8.02	\$201	\$269	2.0%	39.8%	6.9%	1.2x	0.1x	2.0x
The Ensign Group, Inc. (ENSG)	\$30.39	\$635	\$726	19.9%	18.7%	14.7%	1.4x	1.1x	7.3x
<b>Median</b>				<b>8.2%</b>	<b>35.1%</b>	<b>14.7%</b>	<b>1.9x</b>	<b>1.0x</b>	<b>6.8x</b>

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## Senior Care

Continued from page 13

### REPRESENTATIVE TRANSACTIONS

(Announced and Closed; \$s in millions)

Target	Acquiror	Transaction Details				Valuation		
		Date		Equity Value	Enterprise Value	EV/ Revenue	EV/ EBITDA	P/E
		Announ.	Closed					
Elmcroft of Florence	Senior Care, Inc.	6/30/11	-	\$15.5	\$15.5	4.1x	-	-
Willow Creek Assisted Living	Skilled Healthcare Group (SKH)	6/28/11	-	-	-	-	-	-
Epic Group Limited	AdCare Health Systems (ADK)	6/27/11	-	\$29.9	\$38.6	0.4x	-	-
Careage Management, LLC	The Ensign Group, Inc. (ENSG)	6/6/11	-	-	-	-	-	-
6 Assisted Living Facilities in IN	Five Star Quality Care Inc. (FVE)	5/12/11	-	\$123.0	\$123.0	5.1x	-	-
4 Assisted Living Facilities in UT	MBK Senior Living Communities	5/12/11	-	\$76.0	\$76.0	5.4x	12.7x	-
Elderwood Senior Care Inc.	Post Acute Partners, LLC	4/21/11	-	-	-	-	-	-
Horizon Bay Realty, LLC	Brookdale Senior Living Inc. (BKD)	6/1/11	-	-	-	-	-	-
Oak Brook Health Care Center	Sabra Health Care REIT, Inc. (SBRA)	5/4/11	6/30/11	\$11.3	\$11.3	-	-	-
Trinity Care Senior Living LLC	University General Health System	6/28/11	6/30/11	\$19.8	\$37.2	-	-	-
Solantic Corporation	Welsh, Carson, Anderson & Stowe	4/13/11	6/29/11	\$88.6	\$88.6	-	-	-
Nationwide Health Prop. (NHP)	Ventas Inc. (VTR)	2/27/11	6/1/11	\$5,689.0	\$7,260.0	16.3x	19.5x	41.4x
Rehabcare Group Inc. (RHB)	Kindred Healthcare Inc. (KND)	2/7/11	6/1/11	\$873.9	\$1,262.5	0.9x	7.7x	14.3x
24 Assisted Living Communities	Emeritus Corp. (ESC)	5/4/11	6/1/11	\$125.2	\$125.2	-	-	-
Beelong Adult Day Services	Senior Care Centers of America, Inc.	5/11/11	5/11/11	-	-	-	-	-
4 Assisted Living Communities in LA	National Health Investors Inc. (NHI)	5/4/11	5/4/11	\$15.0	\$15.0	-	-	-
4 Senior Living Facilities in IL and NY	Health Care REIT, Inc. (HCN)	2/16/11	4/30/11	\$93.0	\$141.0	-	-	-
The Royalton Kanata & The Royalton	Leisureworld Senior Care Corp. (LW)	4/5/11	4/27/11	\$98.8	\$98.8	-	-	-
Sunrise of Allentown (Sunrise)	Cornerstone Healthcare Plus REIT	3/21/11	4/14/11	\$9.0	\$9.0	2.3x	-	-
Spring Meadows Communities	Health Care REIT, Inc. (HCN)	12/22/10	4/11/11	\$11.5	\$11.5	-	-	-
<b>Median</b>				<b>\$76.0</b>	<b>\$76.0</b>	<b>4.1x</b>	<b>12.7x</b>	<b>27.8x</b>

## Locations

### ABINGDON

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