

The Strategic Healthcare M&A Report

A Review of Merger, Acquisition and Strategic Transactions
in the Healthcare Industry

2nd Quarter 2008

Highlights

1. **2Q 08 Overview -- High elevation summary of the quarter's major deal activity**
2. **2Q 08's Top Deals -- Transactions with a value over \$100m.**
3. **2Q 08 M&A Deal-by-Deal Review -- More than 50 Transactions Analyzed -- announced or closed in 2Q 08.**

To review The Walden Group's new Dynamic M&A database online, see
http://www.waldenmed.com/quarterly/ma_db_quarters.htm

The Strategic Healthcare M&A Report analyzes important (but not all) merger and acquisition transactions taking place in the healthcare industry. A complementary copy of the Report can be obtained on a regular basis by subscribing at <http://www.waldenmed.com/mailform.asp>, by contacting The Walden Group at 914.332.9700 or by emailing office@waldenmed.com. Please feel free to e-mail suggestions for future content to the address listed above. Email addresses provided by subscribers will not be provided to any outsider party. The Report is furnished for information purposes only, does not constitute investment or other advice and should not be relied upon for any purpose.

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1. **Quarterly M&A Overview – a high elevation overview of 2Q 08's deal activity**

2Q M&A Overview

The sluggishness and uncertainty in world economic markets dampened healthcare M&A activity in 2Q. There were fewer opportunistic, diversification deals, and more fitted strategic ones. During these difficult conditions -- which include uncertainty surrounding Medicare reimbursement levels and political considerations -- well-capitalized companies are selectively adding to their offerings in preparation for higher growth in the future. A top level review of 2Q activity follows.

Biopharmaceuticals -- Big Pharma continues to hunt for independent Biotech/BioPharma companies to beef up their drug pipelines and mitigate the effects of patent expirations on blockbusters in the near future. This seemed a motivating factor in **Bristol-Myers's** \$190m purchase of cancer drug developer **Kosan BioSciences**, which has several blood cancer treatments in late stage trials. Impending patent expirations also influenced **Takeda** (Japan)'s acquisition of **Millennium Pharmaceuticals**, another maker of oncology drugs. **GlaxoSkinthKline's** interest in **Sirtris Pharmaceuticals** was due to the latter's focus on enzyme treatments for diseases associated with aging.

Data Management/Healthcare IT -- This sector will remain active for years to come as the slow inefficient gravitation to electronic medical records, elimination of duplicative data bases and the inevitable benefits of centralized data management translates into greater adoption. **General Dynamics** purchased **VIPS** (formerly WedMD) for \$225m to support claims processing, provider measurement, quality improvement, care management and predictive modeling in the private and public sectors. **Healthcare Service Corp's** \$121m purchase of **Medecision** also reflected the value of care management systems in containing healthcare costs and measuring outcomes and performance.

Diagnostics -- **Invitrogen** is spending \$4.4b to buy **Applied Biosystems Group/ Applera** to acquire gene sequencing and DNA analytical capabilities to permit more precise and quicker drug discovery functionality. The ability to predict how given drug treatments will fare with certain patients, given their DNA makeup, is a major objective of many drug and diagnostic companies. Genetic testing was also behind **Hologic's** acquisition of **Third Wave Technologies**.

Medical Devices -- **Novartis'** \$38b bid for **Alcon** topped the quarter's activity in terms of transaction size (assuming Novartis buys the remainder of the 77% stake in Alcon owned by Nestle). Alcon's product lines complement those of the Novartis Ciba unit. On the private equity front Nordic Capital and Avista Capital are buying **Convatec**, Bristol Myer's established wound care unit, for \$4.1b. **Kinetic Concepts**, riding the huge valuation wave created by its negative pressure wound care system, is paying \$1.7b for **LifeCell**, a make of biological products for soft tissue repair, further reorienting KCI from its pressure support system roots.

Medical Services -- Private equity giant **The Blackstone Group** is paying \$1.6b for **Apria Healthcare** and thereby buying a major home care services franchise, likely predicting added value here as the population ages.

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2. Top Deals of 1Q 08 -- >\$100m in Transaction Value (announced or closed)

See M&A Deal-by-Deal reviews for details. Deals involving private equity firms are indicated in the "PE" column.

Sector	TransValue (\$ millions)	Acquiring Party	Transferring Party	PE
Biopharmaceuticals	\$8,800	Takeda Pharmaceutical Company Ltd	Millennium Pharmaceuticals, Inc.	
	\$720	GlaxoSmithKline plc	Sirtris Pharmaceuticals, Inc.	
	\$663	Ipsen, S.A.	Tercica, Inc.	
	\$235	Daiichi Sankyo Co., Ltd.	U3 Pharma AG	
	\$190	Bristol-Myers Squibb Co.	Kosan Biosciences Inc.	
	\$148	Stiefel Laboratories, Inc.	Barrier Therapeutics, Inc.	
	\$100	Novartis Corp.	Protez Pharmaceuticals	
Data Management/ Healthcare IT	\$450	MedAssets Inc.	Accuro Healthcare Solutions Inc.	
	\$363	Nuance Communications, Inc.	eScription	
	\$287	CBaySystems Holdings Ltd.	Medquist transcription business of Philips Electronics N.V.	yes
	\$225	General Dynamics Information Technology	The ViPS subsidiary of HLTH Corp.(formerly WebMD)	
	\$121	Health Care Service Corp. of Chicago	Medecision Inc.	
Diagnostics	\$6,400	Invitrogen Corp.	Applied Biosystems Group / Applera	
	\$580	Hologic, Inc.	Third Wave Technologies Inc.	
	\$241	Bracco Diagnostics Inc.	E-Z-EM, Inc.	
Medical Devices	\$49,000	Novartis AG	Alcon Inc.	
	\$4,100	Nordic Capital Fund VII and Avista Capital Partners	The ConvaTec business unit of Bristol-Myers Squibb Company	yes
	\$1,700	Kinetic Concepts Inc.	LifeCell Corp.	
	\$490	Cardinal Health Inc.	Enturia Inc.	
	\$361	MEDRAD, Inc.	Possis Medical, Inc.	
	\$150	Medicis Pharmaceutical Corporation	LipoSonix, Inc.	yes
	\$114	Teijin Ltd	Braden Partners L.P.	
Medical Services	\$1,600	The Blackstone Group	Apria Healthcare Group	yes
	\$900	Inverness Medical Innovations	Matria Healthcare Inc.	
	\$296	Walgreen Company	I-trax, Inc.	
	\$202	Mindray Medical International Ltd.	The patient monitoring business of Datascope Corp.	
	\$155	TowerBrook Capital Partners LP	The Broadlane unit of Tenet Healthcare Corp. (NYSE: THC)	yes

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3. M&A Deal-by-Deal Review -- 2Q '08

The information contained in the table below was derived from publicly available and other sources. Transaction analysis is inferential and not intended to be relied upon as pronouncements by the transaction participants or for any other reason. Transactions are pending or closed.

Sector	Acquiring Party	Transferring Party	Analysis
Biopharmaceuticals	Bristol-Myers Squibb Co. (NYSE:BMJ) , a global pharmaceutical and related health care products company.	Kosan Biosciences Inc. , a cancer drug developer.	Enhances BMJ's cancer treatment pipeline, including a late-stage compound for the blood cancer multiple myeloma. Part of trend of big pharma to fortify their pipeline in light of the patent expirations of their blockbuster drugs. Deal value -- \$190m.
Biopharmaceuticals	Daiichi Sankyo Co., Ltd. , a global pharmaceutical company focused on cardiovascular, oncologic, metabolic, and infectious diseases.	U3 Pharma AG , a German biotechnology company focusing on oncology.	U3's pipeline includes fully human antibodies as potential therapies for breast, lung and colorectal cancer. The acquisition complements Daiichi's oncology portfolio, which currently has three human monoclonal antibodies in development. Deal value ~ \$235m.
Biopharmaceuticals	EUSA Pharma Inc , a developer of pharmaceutical products focused on oncology, pain control and critical care.	Cytogen Corporation , a maker of pharmaceutical products for oncology and pain control.	Brings to EUSA an established US commercial organization with a 40 person oncology sales force. Deal value - \$22.6m on sales of \$20.2m (1.1x) and negative EBITDA.
Biopharmaceuticals	GlaxoSmithKline plc (NYSE: GSK) , a leading research-based pharmaceutical and healthcare company.	Sirtris Pharmaceuticals, Inc. , a biopharmaceutical company focused on diseases associated with ageing, including metabolic diseases such as Type 2 Diabetes.	Enables GSK to significantly enhance its metabolic, neurology, immunology and inflammation research efforts by establishing a presence in the field of sirtuins, a recently discovered class of enzymes that are believed to be involved in the ageing process. Transaction value ~ \$720m.
Biopharmaceuticals	Ipsen, S.A. , a France-based specialty pharmaceutical company focused on oncology, endocrinology and neuromuscular disorders.	Tercica, Inc. , a biotech hormone company focused on endocrine system disorders.	Creates a leading global endocrinology company. Ipsen takes advantage of the weak dollar in buying the 75% of Tercica it does not own already at a big market premium. Deal value ~ \$663m on sales of \$34.3m (19.5x) and negative EBITDA.
Biopharmaceuticals	Novartis Corp. (NYSE: NVS) , a global life sciences company focused on pharmaceuticals, generics, consumer health, eyecare products and medicines, and animal health.	Protez Pharmaceuticals , a pharmaceutical company focused on new antibiotics for difficult-to-treat infections.	Gives Novartis the rights to an antibiotic which could be used to fight superbugs such as MRSA, a hospital borne infection. The antibiotic is in Phase II development for use against potentially deadly drug-resistant infections. Deal value ~ \$100m with \$300m in milestones.

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Sector	Acquiring Party	Transferring Party	Analysis
Biopharmaceuticals	Sepracor Inc. (Nasdaq: SEPR) , a research-based pharmaceutical company focused on focus on respiratory and central nervous system disorders.	Oryx Pharmaceuticals Inc. , a specialty pharmaceutical company focused on cardiovascular, CNS, and infectious diseases.	Oryx's specialized product portfolio offers a commercial presence and an experienced management team in the Canadian pharmaceutical market, and allows Sepracor to leverage its own current and future product opportunities there. Deal price -- \$50m, plus \$20m in milestone payments.
Biopharmaceuticals	Stiefel Laboratories, Inc. , a large independent pharmaceutical company specializing in dermatology.	Barrier Therapeutics, Inc. , a 6 year-old pharmaceutical company that develops and markets dermatology products.	Strengthens Stiefel's position in the global dermatology market. Deal value- \$148m, on \$29.7m (4.9x) of revenue and negative EBITDA.
Biopharmaceuticals	Takeda Pharmaceutical Company Ltd (OTC: TKPHF.PK) , a Japanese developer of pharmaceutical products.	Millennium Pharmaceuticals, Inc. , an oncology focused commercial stage biopharmaceutical company.	Accelerates Takeda's entry into oncology. Millennium's only commercial drug is Velcade, which competes with Celgene's Revlimid. Recent favorable clinical trials are supporting a sustained revenue growth of at least 20% for Velcade. J&J is marketing Velcade outside of the US and co-promoting in the US. With only 6 years of patent protection left, there is a substantial valuation for the early pipeline. Deal value - \$8.8b (> 50% market premium) on sales of \$527.5m (16.6x) and EBITDA of \$48.8m (180x).
Data Management/Healthcare IT	CBaySystems Holdings Ltd. , an investment company.	Medquist transcription business of Philips Electronics N.V. , a diversified electronics manufacturer with substantial interests in medical imaging technologies.	Cbay buying the 69.5% stake in Medquist owned by Philips, as Philips sheds a non-core asset. In Nov 07 Philips announced its intention to auction off Medquist. Deal value ~ \$287m. Medquist 07 sales were \$340.7m (1.2x). In 1Q08, Medquist lost \$4.4m on sales of \$84m.
Data Management/Healthcare IT	General Dynamics Information Technology (NYSE: GD) , a provider of electronic health records and other systems for use in combat zones.	The ViPS subsidiary of HLTH Corp. (formerly WebMD) , a provider of information management software for a wide range of health care industry clients.	Substantially diversifies General Dynamics's information technology offerings, especially in the private sector. HLTH bought ViPS 4 years ago for \$160m. Its software supports claims processing, HEDIS reporting, provider performance measurement, quality improvement, case management, disease management, predictive modeling and fraud and abuse detection. Deal value -- \$225m on sales of \$103.1m (2.2x) and EBITDA of \$21m (10.7x).
Data Management/Healthcare IT	Health Care Service Corp. of Chicago , an operator of Blue Cross and Blue Shield plans in Illinois, New Mexico, Oklahoma and Texas.	Medecision Inc. , a developer of health-care case management, disease management and utilization management software products for health plans.	Diversifies Health Care Services from just managed care to a more proactive, nationally marketed healthcare IT functions. Some of the "Blues" have been criticized by garnering too much profits and not lowering managed care pricing to patients, and this transaction may be a "strategic" use of cash. Deal value -- \$121m, on sales of \$45.7 (2.6x) and negative EBITDA.

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Data Management/ Healthcare IT	MedAssets Inc. (NasdaqGS: MDAS) , a supply chain and clinical service line management company focused on healthcare facilities.	Accuro Healthcare Solutions Inc. , a developer of advanced revenue cycle software solutions and services for hospitals.	Creates critical mass in a highly fragmented industry and provides a comprehensive suite of RCM solutions to hospitals that are searching for a single strategic partner to help manage their revenue cycle.
Data Management/ Healthcare IT	Nuance Communications, Inc. , a maker of speech-driven clinical documentation and communications solutions.	eScription , a developer of computer aided medical transcription workflow technology.	Gives Nuance new technology, a strong customer base, recurring revenue and margin expansion from new service offerings. Deal value~ \$363 million.
Diagnostics	Becton Dickinson and Company (NYSE: BDX) , a major manufacturer of medical supplies and devices, laboratory equipment and diagnostic products.	Cytopeia , a developer of advanced flow cytometry cell sorting instruments.	Enhances BD's ability to address growing customer needs in cell therapy research. Terms not disclosed.
Diagnostics	Bracco Diagnostics Inc. , an Italy-based integrated healthcare company with contrast media operations.	E-Z-EM, Inc. , a manufacturer of contrast agents for gastrointestinal radiology.	E-Z-EM manufactures one of Bracco's oral imaging products and Bracco represents E-Z-EM in Italy as distributor; there are significant synergies. Deal value -- \$241m, on sales of \$137.4m (1.8x) and EBITDA of \$13.6m (17.7x). E-Z-EM had put itself at auction, searching for strategic options.
Diagnostics	Hologic, Inc. (NASDAQ:HOLX) , a leading provider of diagnostic imaging systems for women's health.	Third Wave Technologies Inc. , a provider of genetic testing products for clinical applications.	Helps accelerate the growth of Hologic's diagnostics division by giving it access to diagnostic tests used for cystic fibrosis, hepatitis C, cardiovascular risk and other conditions. Its HPV product potential addresses a \$200m market, with growth in excess of 40% in each of the past five years. Hologic believes the global market for HPV testing will increase to \$800m in the next few years. Deal value ~ \$580m on sales of \$32.8m (17.7x) and negative EBITDA.
Diagnostics	Invitrogen Corp. (IVGN) , a maker of technologies for disease research and drug discovery.	Applied Biosystems Group / Applera , a developer of instrument-based systems, consumables, software, and services used in disease research and genetic analysis; pharmaceutical drug discovery, human identity testing and safety testing.	Applied Biosystems is one of several competitors in the race to develop faster, cheaper DNA analysis devices for sequencing human genes. It recently announced it had sequenced an entire human genome for less than \$60,000, down from the \$3b spent on the Human Genome Project just 5 years ago. The deal will also allow the combined company to ramp up efforts to enter the emerging biomedical research markets in South Korea, China and India. The deal nearly doubles Invitrogen's consumables business. Deal value - \$6.4b on sales and EBITDA of \$2.17b (3.0x) and \$491m (13.0x), respectively.

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Diagnosics	MDS Analytical Technologies (NYSE:MDZ) , a maker of mass spectrometry systems and molecular devices for high-performance bioanalytical measurement.	Blueshift Biotechnologies Inc. , a developer of high throughput screening platforms for life sciences research.	Expands MDS' capabilities in cellular analysis and strengthens its global sales and service offering. There are only 14 IsoCyte instruments installed in North America, and MDS feels with its extensive global sales force, it has the ability to bring this product to a wider global market. Deal value -- \$13m.
Diagnosics	Varian Inc. (NasdaqGS: VARI) , a provider of analytical instruments, nuclear magnetic resonance systems, and contract electronic manufacturing for the life science industry.	Oxford Diffraction Ltd. , a developer of x-ray crystallography, an analytical technique used in pharmaceutical research.	Broadens Varian's range of detection products. Oxford products will be distributed globally via Varian's worldwide distribution network. Deal value ~ \$37m on sales of \$15m (2.5x).
Data Management/ Healthcare IT	Royal Philips Electronics (NYSE: PHG) , a large international electronics manufacturer based in the Netherlands.	Dixtal Medical, Inc. , a Brazilian manufacturer of patient monitoring, anesthesia, ventilation equipment, ECG systems and sensors for vital sign measurements.	Marks Philips continued expansion in high-growth healthcare markets in emerging economies, following its earlier acquisitions of Shenzhen Goldway Industrial in China and VMI Sistemas Medicos in Brazil. The deal complements Philips recent move into the non-invasive ventilation business through its recent purchase of Respironics. Dixtal and Philips use the same hospital distribution channels. Terms not disclosed.
Distribution	PSS World Medical, Inc. (NASDAQ GS: PSSI) , a national distributor of medical products to physicians and elder care providers.	Cascade Medical Supply, Inc. , distributor of Medicare Part B and Medicaid supplies to both skilled nursing and assisted living facilities.	Expands PSS' billing service in the Pacific Northwest, leveraging its existing ProClaim Part B business and expanding its sales and marketing reach for medical supplies and equipment to the elder care market. Terms not disclosed.
Distribution	Water Street Healthcare Partners , a prominent private equity firm focused on healthcare.	Trianim and Bound Tree Medical , large providers of EMS products, and in the case of Trianim, respiratory products as well.	Combines two leading providers in the EMS, respiratory and surgical markets. Together, the two companies provide more than 100,000 health care products to thousands of hospitals, surgery centers and emergency care providers throughout the country. They generate combined revenues exceeding \$400m, employ 600 professionals and manage 17 distribution centers across the U.S.
Medical Devices	Analogic Corporation (NASDAQ: ALOG) , an OEM supplier of Radio Frequency (RF) amplifiers for MRI systems.	Copley Controls Corporation , a supplier of gradient amplifiers for MRI, and precision motion control systems.	Expands Analogic's OEM product offerings, opens up new opportunities in Asia, and enhances its position as a leading provider of medical subsystems for MRI scanners. Deal value ~ \$68.8m on estimated sales of \$83m (0.8x).

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Medical Devices	AngioDynamics (NASDAQ: ANGO) , a provider of medical devices for interventional radiology and the minimally invasive treatment of cancer and peripheral vascular disease.	Diomed Holdings, Inc., Diomed, Inc. and Diomed Limited , manufacturers of systems used in the endovenous laser treatment of varicose veins.	The deal is for the U.S. and U.K. systems used in the endovenous laser treatment of varicose veins. The U.K. assets are tied up on bankruptcy court and closing is conditioned on court approval. Deal value - \$11m.
Medical Devices	AngioDynamics, Inc. (NASDAQ: ANGO) , a leading provider of medical devices for the minimally invasive diagnosis and treatment of peripheral vascular disease.	Oncobionic, Inc. , a developer of a soft tissue ablation technology for cancer and benign tumor therapy.	Acquired technology holds the potential to safely treat a wide range of diseases from liver tumors to prostate cancer quickly and efficiently. Deal value -- \$25m.
Medical Devices	BioForm Medical, Inc. (Nasdaq: BFRM) , a medical aesthetics company.	Advanced Cosmetic Intervention, Inc. , also a medical aesthetics company.	ACI's GFX device creates RF heat lesions in nerve tissue to weaken nerve signal transduction and reduce the appearance of frown lines. The technology may serve as an alternative to neurotoxin. BioForm will conduct clinical studies to support an FDA application to market the GFX device for the treatment of frown lines, and believes that it can offer synergies with its Radiesse dermal filler product.
Medical Devices	Boston Scientific Corporation (NYSE: BSX) , a major manufacturer of cardiovascular and other devices for interventional medical specialties.	CryoCor, Inc. , a development stage manufacturer of a cryoablation catheter system for the minimally invasive treatment of cardiac arrhythmias.	The deal follows from collaboration between the 2 companies and the FDA's having problems with CyoCor's PMA application for its Cryoablation System, which uses extreme cold to treat cardiac arrhythmias. The cryoablation technology will be incorporated into Boston's internally developed cryo-therapy balloon used in the treatment of a-fib. Deal value - \$17.6m on '07 revenue of \$591k (29.7x).
Medical Devices	Bovie Medical Corporation (Amex: BVX) , a manufacturer of electrosurgical products.	The radio frequency electrode IP and assets of Boston Scientific Corporation , a major manufacturer of medical device products for interventional medical specialties.	IP relates to conductive sintered steel as an electrode for radio frequency (RF) cutting and coagulation, intended to lower blood loss, quicken procedure times and provide cost savings in open and laparoscopic surgeries. Potential fields of therapy -- liver, pancreatic and kidney tumor therapies along with orthopedic and blood vessel sealing. The deal replaces a distribution and marketing agreement requiring Bovie to develop and manufacture certain products using BSX's IP. Terms not disclosed.
Medical Devices	C.R. Bard, Inc. (NYSE: BCR) , an international manufacturer of vascular, urology, oncology and surgical specialty products.	Specialized Health Products International, Inc. , a manufacturer of vascular access products.	SHP's products are used to deliver therapeutic agents through vascular access ports and many are used to reduce the risk of accidental needlesticks. SHP is an original equipment supplier of winged infusion sets to Bard, and the deal gives Bard more control over the line. Deal value -- \$68.4m, on 07 sales and EBITDA of \$19m (3.6x) and \$3.4m (20.1x), respectively.

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Medical Devices	Cardinal Health Inc. (NYSE: CAH) , a diversified provider of health care products and services.	Enturia Inc. , a developer of products for infection prevention, wound care and dermatology.	Expands Cardinal's hospital infection control products line. Enturia's ChloroPrep liquid products disinfect patients' skin before surgical and vascular procedures to help prevent blood stream and surgical site infections. Deal value - \$490m.(3.5x 07 sales). Sales growth >70% in the past 2 yrs.
Medical Devices	Covidien (NYSE: COV) , a leading global provider of healthcare products and formerly part of Tyco.	Pinyons Medical Technology Inc. , a provider of medical devices that facilitate manual x-ray contrast media injections during angiography procedures.	Includes the POWRSyringe Injector and POWRSyringe Monitor handheld, manual injection and inflation devices that have ergonomic benefits during interventional procedures requiring repetitive, small-volume contrast media injection. Deal terms not disclosed.
Medical Devices	Covidien Ltd. (NYSE: COV) , a leading global provider of healthcare products and formerly part of Tyco.	Tissue Science Laboratories plc , a UK-based manufacturer of implant products for surgical, hernia and wound care therapies.	Provides Covidien with leading tissue repair technology and accelerates its entry into the rapidly growing biologic hernia repair market. Deal value - \$80m.
Medical Devices	Kinetic Concepts Inc. (NYSE:KCI) , a maker of negative pressure advanced wound care and therapeutic support systems.	LifeCell Corp. , a provider of innovative biological products for soft tissue repair.	Adds a leading platform in the rapidly growing biosurgery market. The combined companies are expected to generate revenue of approximately \$2b in 08. Deal value - \$ 1.7b, on 07 sales and operating income of about \$200m and \$45m, respectively.
Medical Devices	Medicis Pharmaceutical Corporation (NYSE:MRX) , a specialty pharmaceutical company focusing on the treatment of dermatological and aesthetic conditions.	LipoSonix, Inc. , a developer of non-invasive ultrasound technology to eliminate unwanted fat.	Broadens Medicis' aesthetics portfolio pipeline with an alternative to invasive liposuction for targeted fat reduction, addressing a large market of overweight people. LipoSonix recently launched its first product in Europe and Medicis anticipates entering the U.S. with the LipoSonix technology by 2011. A crew of venture investors will cash out via the sale: The Carlyle Group, Versant Ventures, Shroder Ventures Life Sciences, Accuitive Medical Ventures, Three Arch Partners, Delphi Ventures, Essex Woodlands Health Ventures and Pinnacle Ventures. Deal value ~ \$150m, with up to an additional \$150m upon FDA approval.
Medical Devices	Medline Industries, Inc. , the largest independent manufacturer and distributor of health-care products in the U.S.	Chester Labs , a manufacturer of liquid products for personal care, infection control and diagnostic use.	Medline is acquiring an important supplier with which it recently signed a supply agreement for Chester's alcohol-free mouth rinse which Medline distributes under the "Be Fresh" label to hospitals, medical centers and long-term care facilities nationwide. This vertical integration also offers Medline pricing flexibility as it now captures the margin it formerly paid to Chester. Given the economic downturn, supply chain stability is a critical competitive advantage.

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Medical Devices	MEDRAD, Inc. , a leading provider of contrast injection systems used to diagnose cardiovascular and other diseases and an affiliate of Bayer AG.	Possis Medical, Inc. , a leading provider of mechanical thrombectomy devices used to treat narrowed or blocked arteries and veins.	Furtheres MEDRAD's commitment to the growing cardiovascular intervention field, involving > 80m people with some form of cardiovascular disease. Synergies include compatible sales organizations and shared customer groups, as well as MEDRAD's international distribution infrastructure offering expansion opportunities for Possis' products. There is a complimentary focus on high pressure intravascular fluid management. Deal value -- \$361m on sales of \$70.0m (5.1x) and EBITDA of \$2.5m (144.4x).
Medical Devices	Medtronic, Inc (NYSE: MDT) , a major manufacturer of cardiovascular and other medical devices.	Restore Medical, Inc. , a manufacturer of medical devices to treat sleep-disordered breathing.	Restore's Pillar Palatal Implant System is an FDA approved, minimally invasive, implantable medical device used to treat mild to moderate obstructive sleep apnea and snoring. The Pillar System complements Medtronic's existing ENT products and provides its physician customers with another minimally invasive, low morbidity option to treat patients suffering from OSA and snoring. Deal value ~ \$29m on sales of \$4.4m (6.6x).
Medical Devices	Natus Medical Incorporated (Nasdaq: BABY) , a manufacturer of neurodiagnostic systems for use on newborns..	SonaMed Corporation , a manufacturer of a system to aid in screening for hearing loss in newborns.	Fills out Natus' product line in newborn hearing screening. Two-thirds of Sonamed's revenue comes from disposable supplies, at high margins. Deal terms -- \$9m, on SonaMed 07 revenues of \$3.5m (2.6x).
Medical Devices	Nordic Capital Fund VII and Avista Capital Partners , private equity firms.	The ConvaTec business unit of Bristol-Myers Squibb Company , a global pharmaceutical and related health care products company.	ConvaTec is a leading producer of innovative wound therapeutics and ostomy care products. Part of BMY's divestiture strategy of refocusing on its core biopharmaceutical business. That strategy has already resulted in the \$525m sale of its medical imaging unit as well as plans to sell between 10-20% of its Mead Johnson Nutritional unit. The deal will enable Nordic Capital and Avista to concentrate efforts on ConvaTec's business, without distractions from an unrelated parent.
Medical Devices	Novartis AG (NYSE: NVS) , a developer and manufacturer of pharmaceuticals and nutritional products.	Alcon Inc. , a maker of surgical equipment, implantable lenses, and other eye care products.	A two-stage deal to buy Nestlé's 77% stake in Alcon. The world's largest eye care company with sales of \$5.6b, Alcon complements Novartis's own \$2.5b contact lens unit Ciba Vision. Novartis bought a 25% stake in Alcon for \$10.4b and has the right to buy Nestlé's remaining 52% stake for about \$28b in 2010 or 2010. Total deal value (including remaining 52% not owned by Novartis or Nestlé) ~ \$38b on sales of \$5.6b (6.8x) and EBITDA - \$2.1b (18.1x).

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Sector	Acquiring Party	Transferring Party	Analysis
Medical Devices	NuVasive, Inc. (Nasdaq: NUVA) , a manufacturer of spinal products for minimally disruptive surgical treatments.	The Osteocel biologics business OF Osiris Therapeutics, Inc. , a developer of stem cell products from adult bone marrow.	Provides a new proprietary adult stem cell bone platform containing beneficial properties similar to autograft, as well as a processing facility with significant supply stream capacity. Expands NuVasive's reach in the \$1.5b U.S. biologic market and adds the potential for additional revenue per procedure. Deal terms -- \$35m plus \$50m in possible earnouts.
Medical Devices	OccuLogix, Inc. (NasdaqGM:OCCX) , an ophthalmic device company focused on the diagnosis and treatment of age-related eye diseases.	OcuSense, Inc. , a developmental stage ophthalmic device company that produces Tear-Lab, a point-of-care biomarker measuring system.	Gives OccuLogix access to a simple, point-of-care test that provides detailed information on the osmolarity level of a person's tears. Deal Value ~ \$18.0m
Medical Devices	Orthofix International N.V. (NASDAQ: OFIX) , a global diversified orthopedic products company.	Intellectual property and related technology for a next generation spinal fixation system. Intelligent Implant Systems, LLC , a manufacturer of "next generation" spinal fixation products.	IIS's spinal system offers a unique locking mechanism that simplifies implantation and improves surgeon flexibility. Deal value -- \$2.5m plus another \$4.5m in potential earnouts.
Medical Devices	Parker Hannifin Corporation (NYSE: PH) , a leading producer of motion and control technologies.	HTR Holding Corp. , a maker of precision plastic and elastomeric components for medical devices (i.e., intravenous equipment, drug infusion pumps, masks, septums, respirator hoses, catheters and diaphragms).	Deal includes a roll-up of contract manufacturers -- Hi- Tech Rubber, Inland Technologies, Ventrex. Accusil. A.C. Hoffman Engineering and Infinity Plastics -- giving Parker greater access to the medical device market. Terms not disclosed but HTR sales were \$93m in '07.
Medical Devices	Sandvik (STO:SAND) , a Sweden-based contract manufacturer with medical device applications.	Eurocut Ltd. , a U.K. manufacturer of orthopedic instruments and implants.	Broadens Sanvik's medical technology program and expands it into orthopedics. Deal value ~ \$9.9m
Medical Devices	Spectranetics Corporation , a specialized producer of excimer laser systems to photo-ablate lesions and vaporize blockages in the legs.	The endovascular business of Kensey Nash Corporation , A maker of vascular puncture closure, biomaterials and endovascular products for tissue fixation and regeneration.	Strengthens Stratranetics' presence in the treatment of thrombus and chronic total occlusions and complements Spectranetics' laser ablation systems. Deal value -- \$10m, plus \$14m in earnouts for sales, product development and FDA approval milestones. The product lines generated \$5.1m (2.0x) in sales in '07.

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 560 White Plains Road, Tarrytown, NY 10591 * 914-332-9700 fax: 914-332-0020
www.waldenmed.com * email: office@waldenmed.com

Sector	Acquiring Party	Transferring Party	Analysis
Medical Devices	Teijin Ltd (Other OTC: TINLY.PK) , a Japan-based textile, carbon fiber and pharmaceutical maker.	Braden Partners L.P. , a provider of home oxygen and respiratory medications, equipment and services.	Expands Teijin's medical and pharmaceuticals business in the U.S. Deal value ~ \$114m on sales of \$113m (1.0x).
Medical Devices	Volcano Corporation (Nasdaq: VOLC) , a provider of intravascular ultrasound and functional measurement products to diagnose and treat heart disease.	Novelis, Inc. , a maker of ultrasonic visualization and therapy technology for minimally invasive diagnostic and therapeutic devices.	Novelis' core product includes an image-guided crossing catheter that combines visualization, steerability and RF tissue ablation designed to permit Interventional Cardiologists to safely address cross chronic total occlusions in the coronary and peripheral arteries. The system is not yet approved for human use and has yet to be submitted to the FDA for regulatory clearance. Deal terms -- \$12m plus \$3m in earnouts.
Medical Services	Express Scripts, Inc. (NasdaqGS: ESRX) , a provider of pharmacy benefits management (PBM) services.	The workers' compensation pharmacy benefit management (PBM) business of Medical Services Company , a pharmacy benefits company serving workers' compensation organizations.	Enhances Express Script's PBM cost-management tools and customer segments, in providing cost containment services. Medical Services is a portfolio company of Monitor Clipper Partners. Deal terms not disclosed.
Medical Services	Inverness Medical Innovations (AMEX: IMA) , a provider of diagnostic products for women's health and chronic disease self-management.	Matria Healthcare Inc. , a leading provider of comprehensive health enhancement programs (for major chronic diseases and episodic conditions).	Dovetails with recently acquired Alere and Paradigm, creating a large and integrated health management organization. Deal Value -- \$900m, on sales of \$353.2m (2.6x) and EBITDA of \$76.6m (11.7x).
Medical Services	Mindray Medical International Limited (NYSE: MR) , a China-based manufacturer of patient monitoring and life support products, in-vitro diagnostic products, and medical imaging systems.	The patient monitoring business of Datascope Corp. , a manufacturer of proprietary products for interventional cardiology, radiology, cardiovascular, emergency medicine and critical care.	Mindray continues its US market expansion creating the third-largest player in the global patient monitoring device industry. Deal value - \$202m on sales of \$161.3m (1.3x). Mindray expects ~ \$30m of run-rate synergies in manufacturing, SG&A and R&D within 3 years.

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Medical Services	The Blackstone Group , a major publicly-traded private equity firm.	Apria Healthcare Group , a major home health provider.	Apria runs about 550 respiratory and infusion therapy locations throughout the US and services more 2m patients a year. Apria, which bought rival Corum, for \$350m in 07, has been struggling due to competitive bidding and expected Medicare cutbacks. Some 70% of Apria's revenues come from managed care providers. In this challenging environment, operating as a private company offers more flexibility. Blackstone acquires the largest home health provider in a market availing of favorable demographic trends, with possible distribution channels for related products and services. Deal value -- \$1.6b, on sales of \$1.78b (0.9x) and EBITDA of \$298m (5.4x). Relatively low valuation with possible strong upside, albeit with reimbursement risk.
Medical Services	TowerBrook Capital Partners LP , a private equity firm.	The Broadlane unit of Tenet Healthcare Corp. (NYSE: THC) , a major operator of hospitals, surgery centers and diagnostic imaging centers.	Broadlane, which began as the materials management department of Tenet, provides supply-chain management and related services to acute-care hospitals, ambulatory-care facilities, physician practices and other health care providers. Broadlane seems a worthy platform to achieve predictable growth in the healthcare services cost containment area. Terms not disclosed.
Medical Services	Walgreen Company (NYSE:WAG) , the nation's largest drugstore chain with fiscal 2007 sales of \$53.8b.	I-trax, Inc. , the owner of CHD Meridian Healthcare, which operates work-site health-care centers for more than 160 employers.	Helps create a new health and wellness platform providing work-site health services. Along with the acquisition of Cleveland-based Whole Health, the deal expands Walgreens into managed care. Deal Value ~ \$296m on sales of \$143m (2.1x).

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