

The Strategic Healthcare M&A Report

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

2nd Quarter 2006, July 2006

Highlights

- ***The Key to Maximizing Value in Healthcare Transactions – Focus on Operations*** by Deepak Agrawal, Co-Founder and Managing Director of Gotham Consulting Partners LLC.
- ***More than 70 Deals Analyzed.*** See Healthcare Transactions table attached.
- ***Quarterly Snapshot -- a quick view summary of the notable deals in each sector.***

The Strategic Healthcare M&A Report analyzes important merger, acquisition and strategic transactions taking place in the healthcare industry. Each issue offers advice from an expert on a critical aspect of corporate transactions or management. Please feel free to e-mail suggestions for future content to the address listed above.

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Critical Corporate Advice

The Key To Maximizing Value In Healthcare Transactions – Focus On Operations

By Deepak Agrawal

Recent years have seen a high level of transaction activity in the U.S. healthcare sector. Driving this activity are the attractive growth profile of healthcare-related companies and need for many of middle market manufacturers to partner with larger companies or private equity firms for access to market and/or capital in order to fully realize the commercial potential of their products. Yet, in conducting acquisitions, financial and transactional matters often overshadow key operational improvements that might be made to enhance a deal's ROI. This article focuses on key areas that can unlock value for an acquirer and, separately, for a selling company.

HEALTHCARE SECTOR DYNAMICS

With the aging population and medical technology innovation, U.S. healthcare spending has been dramatically growing and various healthcare sectors expanding. For example, consumption of Electromedical and Electrotherapeutical Apparatus grew at a 12.9% CAGR from 1998 to 2003, outstripping the overall U.S. Manufacturing growth rate of 1.9% for the same period.

Taking advantage of these growth opportunities, however, raises challenges, especially for innovative companies. A lengthy FDA approval process requires a large, protracted up-front investment with no certainty of commercialization success. Also, multiple purchase decision influencers (e.g., physicians, hospitals, HMOs) require a large salesforce, broad product lines, and/or strong relationships with Group Purchasing Organizations (GPOs) and distributors. To overcome these and other challenges, smaller companies often find it beneficial to access capital by partnering with private equity firms or joining forces with larger companies that have well-established sales forces and/or strong relationships with end-users.

For larger companies, acquiring smaller, focused companies allows them to fill the gaps in their product lines and leverage their infrastructure to generate growth. Private equity firms' interest in this sector is driven by the opportunity for significant value creation – fortifying companies with

predictable top-line growth opportunities, defensible market positions and solid profit margins, especially in niches left open by the dominant industry players. This interest is evident from the results of our firm's recent Annual Survey of Private Equity Firms, in which a significant number of respondents identified the healthcare sector as a focus area.

For all who participate in this sector, certain realities should make operational efficiency a priority concern for several reasons. Among them:

- In high-growth situations, operations tend to be less efficient as management's focus is typically on the top-line.
- Operational problems and opportunities may not be apparent to existing management, who may be the architects of how the company is run and lack an outside perspective.
- Healthcare service companies are often good candidates to benefit from the rigorous process orientation of the manufacturing world.
- The potential for litigation is an ongoing threat in the healthcare sector, making it important to maximize value to justify the risk.

BUYING A COMPANY: KEYS TO SUCCESSFUL OPERATIONAL DUE DILIGENCE

Because the market dynamics are so favorable for the healthcare sector, it is important to not get carried away by the "growth story" and overlook operational fundamentals that, in the end, can make or break a deal. Whether a private equity firm or a corporate acquirer, during the buying process, it is critical to have a reliable fact-based understanding of whether and how operations can deliver (or fail to deliver) on projected financial performance or synergies. This is especially important when targets are smaller companies, as they often lack management and operations sophistication, resulting in less-than-optimal processes and controls, inaccurate/misleading reporting, and a poor understanding of cost and risk.

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Astute buyers validate their investment thesis by carefully analyzing operations. They conduct incisive due diligence to uncover both operational problems that may be masked by standard financial reporting and hidden potential that may justify a winning bid. Rigorous operational due diligence signals when to persist in the purchase of a target and lays the groundwork for quick capture of operating value after closing.

While routinely bringing in specialists to address legal, accounting, environmental, and other aspects of due diligence, buyers have tended to over-rely on finance people (transaction staff and accounting firms) and the existing management team of the target for operational assessment. More often than not, such assessments are “top-down” in nature, failing to “get under the hood”, thus missing out on critical front-line data and first-hand observations. Certainly, conventional techniques – standard benchmarking, ratio analysis, and financial measures – can provide one snapshot of a business’ current operations. But, because these methods are overly simplified, this approach can mask significant operational opportunities and/or pitfalls. Interviewing existing operations management can supplement conventional techniques, but managers may be too accepting of the status quo and not challenge their own vision to uncover pitfalls and opportunities.

To quickly identify operational issues that represent problems or upside potential, a “freestanding” operational due diligence model is required. To be “freestanding”, the model must be focused on key operational metrics, incorporate as much objective actual data as is possible, and correctly weigh and interpret the impact of assumptions leading to various scenarios of operational outcomes. Finally, the model must translate these outcomes into financial measures and implications.

Properly defined operational metrics are more predictive than financial data and can spotlight specific problems, as well as improvement opportunities. There is no universal set of measures for assessing operational performance, but this task can be accomplished relatively quickly by selecting the leading indicators that are most relevant for the business at hand. Typically, these measures are centered around cost, capacity utilization, working capital management, and customer service, with the particulars dependent on the type and complexity of the business. For example, if a company has high number of SKUs to meet di-

verse customer requirements (which may be driven by preferences and policies of individual hospitals/doctors), the key measures to focus on are inventory turns and on-time delivery rates. For a manufacturing company, the key measures may be labor efficiency, material yield, and product quality.

This type of modeling, with its fact-based foundation, enables objective evaluation of the target’s operations, as well as an “apples to apples” comparison with comparable operational metrics of best-in-class players in the same and other industries. Only in this manner is the “top-down” melded with the “bottom-up” to provide well-informed scenario analysis of what is possible and likely from operations.

SELLING A COMPANY: KEYS TO MAXIMIZING VALUATION

For sellers, skillfully marketing the company’s future operating value potential to prospective buyers is critical in maximizing valuations. However, sellers often emphasize market potential to the detriment of operational analysis and potential. In fact in performing operational due

Key Operational Focal Points in Making an Acquisition

- Are recent operating margin trends stable and accurate predictors of future performance or will margins drop soon after closing as temporary measures lose their impact (e.g., expiring favorable contracts, lower unit pricing driven by over-purchasing, better overhead absorption from building inventory, staff over-reductions that will negatively impact performance over time)?
- Are current working capital requirements stable or will additional investment be needed (e.g., building inventory to maintain customer service requirements, reducing abnormally high days payables outstanding to quell vendor dissatisfaction)?
- Are estimated Capex requirements accurate or have operations been held together with “band-aids” and require significant future spending?
- Are processes sufficiently institutionalized to remain steady through the loss of key personnel?
- Can the president and senior staff expand the company and operate under heavier debt structure and reporting requirements?
- What are other operational vulnerabilities (e.g., reliance on a vendor or customer, disruption from technology upgrades)?
- How realistic are management’s currently identified opportunities/projections (e.g., over-optimistic automation or outsourcing plan that may create disruption or quality problems and/or not deliver

diligence work on behalf of buyers, we often find operational improvement opportunities that have not been put on the table by the seller, with the buyer ending up the beneficiary, rather than the seller.

To present a complete picture of operations potential, the seller must first conduct a thorough diagnostic to identify areas of improvement that will create future value, as well as leverage points in operations that can create a competitive advantage for the company. Key questions to address include:

- What additional opportunities can be found within existing operations?
- What is required to elevate operational capabilities and performance within the next 1-2 years, and what is the scope of such opportunities?
- What are the investment needs and correct priorities to capture these opportunities?
- How can the projected operational capabilities drive long-term strategic advantage?

Once the diagnostic is completed, the findings and opportunities should be shared with prospective buyers in the form of a focused plan that clearly shows the path and requirements to capture the identified opportunities. It may not be necessary to implement the plan, although taking some cost-efficient steps to demonstrate the plan's validity is worthwhile. Even if some investment is made – e.g., for important new equipment or IT systems -- and the fruits of this investment may not be immediately realized, the value of this investment can be captured by the seller in negotiations by creating credible pro forma financials and making a substantiated case that gives effect to the expected growth and profitability to be realized from the investment.

Doing so allows sellers not only to talk about current performance but also to make an upside case to buyers which should drive the valuation to a

higher level. Most buyers are willing to pay the full (and maybe a premium) price for a company that is “well-run” and has clear plan for where to go next.

Possible Measures to Enhance Value as a Seller

- Develop and start implementing a cost reduction plan which may include vendor consolidations and renegotiations, labor productivity improvements, overhead reduction, facility consolidation, and outsourcing.
- Develop a plan for making the supply chain more efficient, reducing inventory costs and levels, enhancing customer service, and improving logistics.
- Conduct an assessment of operational capabilities of competitors and customer requirements to identify potential areas of operational improvements that may deliver a competitive advantage and solidify/improve the company's growth potential (e.g., reduction in order lead time, customization, maintenance/service capability).

CONCLUSION

Even in high growth, top-line focused sectors like healthcare, buyers and sellers who maximize value are those with access to operational expertise that can be infused throughout the full investment lifecycle – from due diligence to closing, integration and beyond.

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Quarterly Snapshot -- Q2 '06: The notable deals (Pending or Closed)

Biopharmaceuticals		
AcqParty	TransParty	TransValue (millions)
Thermo Electron Corporation (NYSE: TMO)	Fisher Scientific International Inc. (NYSE: FSH)	\$10,600.0
Amgen (NASDAQ: AMGN)	Abgenix, Inc.	\$2,200.0
Millipore Corporation (NYSE: MIL)	Serologicals Corporation (NASDAQ: SERO)	\$1,400.0
AstraZeneca PLC (NYSE: AZN)	Cambridge Antibody Technology Group PLC (NASDAQ: CATG)	\$1,320.0
Merck & Co., Inc. (NYSE: MRK)	GlycoFi, Inc.	\$400.0
Abraxis BioScience, Inc. (NASDAQ:ABBI)	The US branded anesthetic and analgesic injectable product portfolios of AstraZeneca (NYSE:AZN)	\$334.0

Dental		
AcqParty	TransParty	TransValue (millions)
Danaher Corporation (NYSE: DHR)	Sybron Dental Specialties Inc. (NYSE: SYD)	\$2,200.0

Diagnostics		
AcqParty	TransParty	TransValue (millions)
Siemens AG	The Bayer Diagnostic Unit of Bayer AG	\$5,300.0
Siemens Medical Solutions (NYSE: SI)	Diagnostic Products Corporation	\$1,860.0
Royal Philips Electronics (NYSE: PHG; AEX: PHI)	Intermagetics General Corporation (Nasdaq: IMGCC)	\$1,300.0
Hologic, Inc. (Nasdaq: HOLX)	Suros Surgical Systems, Inc.	\$240.0
Hologic (NASDAQ:HOLX)	R2 Technology	\$220.0

Medical Devices		
AcqParty	TransParty	TransValue (millions)
Abbott Laboratories (NYSE: ABT)	The vascular intervention and endovascular solutions business units of Guidant (NYSE: GDT)	\$4,100.0
American Medical Systems Holdings Inc.(NASDAQ:AMMD)	Laserscope (NASDAQ:LSCP)	\$715.0
Coloplast A/S	The urology business of Mentor Corporation	\$463.0
dj Orthopedics, Inc. (DJO)	Aircast, Inc.	\$290.0
C. R. Bard, Inc. (NYSE:BCR)	Venetec International, Inc	\$166.0
Integra LifeSciences Holdings Corporation (Nasdaq:IART)	Miltex, Inc.	\$101.0
Moog Inc.	Curlin Medical LLC	\$75.0

Medical Services		
AcqParty	TransParty	TransValue (millions)
Healthways, Inc. (NASDAQ: HWAY)	LifeMasters Supported SelfCare, Inc.	\$307.5
RehabCare Group, Inc. (NYSE: RHB)	Symphony Health Services LLC	\$101.5

OTC/Consumer Products		
AcqParty	TransParty	TransValue (millions)
Johnson & Johnson	Pfizer Inc.'s consumer healthcare business.	\$16,600.0

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Healthcare Transactions -- 2nd Quarter 2006

The information contained in the table below was derived from publicly available and other sources. Transaction and rationale information 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	Comments/Rationale	Date
Biopharmaceuticals	Abraxis BioScience, Inc. (NASDAQ:ABBI) , a global biopharmaceutical company.	The US branded anesthetic and analgesic injectable product portfolios of AstraZeneca (NYSE:AZN) , an international pharmaceutical manufacturer.	Significantly enhances Abraxis' injectable drug portfolio and on-going commitment to provide multi-source and branded injectables to hospitals and clinics. Deal price is \$334m.	6/28/2006
Biopharmaceuticals	Advanced BioHealing, Inc. , a biotechnology manufacturer of cell based and tissue engineered products.	The assets of Dermagraft and TransCyte from Smith & Nephew (NYSE: SNN; LSE:SN) , a global manufacturer of medical devices for orthopaedics, endoscopy and advanced wound care.	Complements Advanced BioHealing's proprietary cell culture and tissue engineering technologies. Terms not disclosed.	5/31/2006
Biopharmaceuticals	Amgen (NASDAQ: AMGN) , a biotechnology company that manufactures innovative human therapeutics.	Abgenix, Inc. , a developer of human therapeutic antibodies.	Underscores Amgen's commitment to therapeutic oncology. Deal value -- \$2.2b cash plus assumed debt.	4/3/2006
Biopharmaceuticals	AstraZeneca PLC (NYSE: AZN) , a major pharmaceutical company.	Cambridge Antibody Technology Group PLC (NASDAQ: CATG) , a manufacturer of drugs from human antibodies.	Fortifies AstraZeneca's strategy of acquiring biotech companies to expand its drug portfolio, here with a drug for rheumatoid arthritis and a pipeline that includes cancer and asthma drugs. Deal price -- \$1.32b.	5/15/2006
Biopharmaceuticals	Avanir Pharmaceuticals (NASDAQ: AVNR) , a pharmaceutical developer of therapeutics to treat chronic diseases.	Alamo Pharmaceuticals, LLC , a specialty schizophrenia pharmaceutical company.	Strategic step toward Avanir becoming an integrated pharmaceutical company with CNS products. Deal price is \$29m with milestone payments of up to \$40m.	5/23/2006
Biopharmaceuticals	Biogen Idec (NASDAQ: BIIB) , a manufacturer of therapies for oncology, neurology and im-	Conforma Therapeutics Corporation , a cancer biopharmaceutical company.	Provides significant opportunities for Biogen to develop drugs for a range of solid tumors using Conforma's antagonists. Deal	5/3/2006

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Sector	Acquiring Party	Transferring Party	Comments/Rationale	Date
	munology.		price -- \$150m, plus up to \$100m if milestones achieved.	
Biopharmaceuticals	China Biopharmaceuticals Holdings, Inc. (OTC Bulletin Board: CHBP) , a leading Chinese pharmaceutical company.	RACP Pharmaceutical Holdings Ltd. , a leading manufacturer and distributor of pharmaceutical products in China.	Further bolsters CBH's production and distribution capabilities in China. Deal price is \$16m.	5/17/2006
Biopharmaceuticals	Emergis Inc. (TSX: EME) , a Canadian-based information technology company in the health and financial services sectors.	The pharmacy management systems business of Front-Line Solutions Inc. , an automated prescription fulfillment process that provides integrated point-of-service solutions for in-store operations.	Emergis increases its presence in Ontario and now provides pharmacy management systems to some 2,900 pharmacies, or approximately 40% of all pharmacies in Canada. Deal price is \$4m.	5/29/2006
Biopharmaceuticals	Gilead Sciences, Inc. (NASDAQ: GILD) , a manufacturer of innovative therapeutics addressing life-threatening diseases.	Raylo Chemicals Inc. from Degussa AG , a manufacturer of active pharmaceutical ingredients.	Strengthens Gilead's production of biopharmaceuticals by acquiring chemical and manufacturing expertise and sourcing. Deal price is \$146m.	6/6/2006
Biopharmaceuticals	Merck & Co., Inc. (NYSE: MRK) , a leading pharmaceutical manufacturer.	GlycoFi, Inc. , a biotechnology company that specializes in optimizing biologic drug molecules.	Enables Merck to develop novel biologic drugs by adding GlycoFi's scientific expertise. Deal price -- \$400m cash.	5/9/2006
Biopharmaceuticals	Merck & Co., Inc. (NYSE: MRK) , a leading pharmaceutical manufacturer.	Abmaxis, Inc. , a biopharmaceutical company dedicated to the discovery of monoclonal antibody products for human therapeutics and diagnostics.	Provides Merck with the opportunity to optimize and discover antibodies. Complements Merck's contemporaneous purchase of GlycoFi. Deal price -- \$80m.	5/9/2006
Biopharmaceuticals	Millipore Corporation (NYSE: MIL) , a leading bioscience and services company.	Serologicals Corporation (NASDAQ: SERO) , a developer of consumable biological products, enabling technologies and services in support of biological research, drug discovery and bioprocessing of life-enhancing products.	Millipore expects to increase sales of Serologicals' products in international markets such as Europe, Asia and Japan. Serologicals's sales and EBITDA were \$273.3 (5.13x) and \$66.4m (218.7x), respectively.	4/26/2006

Sector	Acquiring Party	Transferring Party	Comments/Rationale	Date
Biopharmaceuticals	Millipore Corporation (NYSE:MIL) , a leading bioscience products and services company.	Newport Bio Systems , a provider of process containers used in biopharmaceutical production.	Enables Millipore to provide a more comprehensive line of disposable process containers, manifolds, and assembly systems for collecting, storing, and transferring process fluids used in biopharmaceutical manufacturing. Terms not disclosed.	4/5/2006
Biopharmaceuticals	Pfizer, Inc. (NYSE: PFE) , a global drug developer and manufacturer.	Rinat Neuroscience Corporation , a developer of therapeutic proteins for the treatment of disorders of the central nervous system.	Enhances Pfizer's internal R&D efforts by adding Rinat's expertise in using protein-based therapeutics to develop new medicines, notably for the treatment of Alzheimer's disease. Terms not disclosed.	4/6/2006
Biopharmaceuticals	Thermo Electron Corporation (NYSE: TMO) , a leading producer of analytical instruments, scientific equipment, services and software solutions for life science and industrial laboratories.	Fisher Scientific International Inc. (NYSE: FSH) , a leading provider of products and services to the scientific community.	Will create the leading provider of laboratory products and services in the laboratory and health sciences industries. Complementary lines in instrumentation, consumables, software and services. Expected to generate \$200m in synergies, with combined company estimated to have more than \$9b in revenues and \$1b in cash flow in 2007. Deal price -- \$10.6b in Thermo stock. Fisher revenue and EBITDA were \$5.7b (1.9x) and \$964m (11x), respectively.	5/14/2006
Data Management/ Healthcare IT	3M Information Systems , a leading provider of advanced healthcare software services.	SBG GmbH , a Berlin-based developer of diagnosis related groups (DRG) software for hospitals.	Expands and strengthens 3M's product portfolio in coding, DRG determination and medical documentation. Terms not disclosed.	5/2/2006
Data Management/ Healthcare IT	CareMedic Systems, Inc. , a provider of revenue management and regulatory compliance applications.	ActaView, LLC , a healthcare management software company.	Enhances CareMedic's suite of healthcare revenue cycle management solutions. Terms not disclosed.	6/16/2006
Data Management/ Healthcare IT	Cerner Corp. (NASDAQ: CERN) , a leading supplier of healthcare information technology.	Galt Associates, Inc. , a leading provider of safety and risk management solutions for pharmaceutical, medical device and biotechnology companies.	Augments Cerner's LifeSciences portfolio, adding innovative solutions that use medical event data to monitor and manage the safety and efficacy of various therapies. Terms not disclosed.	6/14/2006

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Sector	Acquiring Party	Transferring Party	Comments/Rationale	Date
Data Management/ Health-care IT	HCPRO, INC. , a venture-owned provider of medical information products, including magazines, newsletters, books, videos, broadcast events, and courses.	HRAI Coding Specialists, LLC , provider of "boot-camp" educational courses on medical reimbursement and regulatory compliance.	After completing six acquisitions in 2005, the HRAI deal is HCPRO's third acquisition of 2006. Here, it further expands into the medical coding, reimbursement, compliance, Medicare and revenue cycle markets. Terms not disclosed.	6/16/2006
Data Management/ Health-care IT	McKesson Corporation (NYSE:MCK) , a major pharmaceutical distributor and health-care services company.	RelayHealth Corporation , a provider of online physician-patient communication services.	Provides a fundamental building block in McKesson's physician connectivity strategy as well as consumer and personal health management strategies. RelayHealth's network includes more than 18,000 health professionals, 600,000 patients and more than a dozen reimbursing health plans. Terms not disclosed.	6/12/2006
Data Management/ Health-care IT	MedAssist, Incorporated , a leading provider of outsourced patient eligibility, accounts receivable management, and collections services to hospitals.	Capstone Solutions, LLC , a provider of healthcare revenue cycle outsourcing solutions.	Complements MedAssist's core software lines while adding several new solutions: business office operational assessments, process improvement implementation, business intelligence and database applications. MediAssist is owned in part by RoundTable Partners, a private equity firm. Terms not disclosed.	4/14/2006
Data Management/ Health-care IT	Spheris, Inc. , a leading outsource provider of medical transcription technology and services.	Vianeta Communications , a leading developer of enterprise-wide clinical documentation software for group practices, hospitals and health systems.	Integrating Vianeta's open and scalable XML-based software into Spheris' existing transcription technology accelerates Spheris' document management initiatives. Terms not disclosed.	5/8/2006
Data Management/ Health-care IT	TotalMed Inc. (OTC: TTMD) , a software technology company.	eNotes Systems, Inc. , an integrated medical management software company.	Allows TotalMed to offer a suite of clinical and administrative tools, including a leading electronic medical records system, a staffing solutions module, and an OSHA Compliance module. Terms not disclosed.	6/7/2006
Data Management/ Health-care IT	WebMD Health Corp (Nasdaq:WBMD) , a leading provider of online health information services to consumers and physicians.	Summex , a provider of comprehensive health and wellness programs that include online and offline health assessments.	Further strengthens WebMD's offerings to change high-risk behaviors that lead to illness and high medical costs. Deal price -- \$30m cash, plus \$10m if milestones achieved.	4/17/2006

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Sector	Acquiring Party	Transferring Party	Comments/Rationale	Date
Dental	Danaher Corporation (NYSE: DHR) , a leading manufacturer of professional instrumentation, industrial technologies, and tools and components.	Sybron Dental Specialties Inc. (NYSE: SYD) , a leading manufacturer of consumables and small equipment for dental professionals.	Sybron's consumables and small equipment offerings are a logical extension of Danaher's existing dental equipment portfolio. Deal value ~ \$2.0b plus \$200m of debt assumption. Sybron's sales and operating income were \$649.7m (3.4x) and \$124.6m (17.7x), respectively.	4/12/2006
Dental	Sybron Dental Specialties, Inc. (NYSE: SYD) , a manufacturer of dental consumables and infection control products.	Dental Disposables International, Inc. , a manufacturer of infection prevention products.	Strengthens Sybron's infection prevention business.	4/3/2006
Diagnostics	Agilent Technologies, Inc. (NYSE: A) , a provider of communications, electronics and life sciences technology and chemical analysis.	SynPro Corporation , a manufacturer of active pharmaceutical ingredients.	Enables Agilent to offer an array of value-added services including development of analytical methods, stability studies, and regulatory support. Terms not disclosed.	4/17/2006
Diagnostics	AmeriPath, Inc. , a provider of anatomic pathology, dermatology and molecular diagnostic services.	Rose Pathology Associates, P.C. , a provider of pathology services specializing in pulmonary, breast, cytopathology and hematopathology.	Enhances AmeriPath's pathology services to both hospital and outpatient practices in the Denver market. Terms not disclosed.	4/19/2006
Diagnostics	Haemonetics Corporation (NYSE: HAE) , a global manufacturer of automated blood processing systems.	Arrayx, Inc. , a privately held nano-technology company.	Nano-separation technology adds to Haemonetics' blood separation competency. Deal price is \$26m for shares Haemonetics does not already own.	6/8/2006
Diagnostics	Hologic (NASDAQ: HOLX) , a provider of diagnostic imaging systems focused on women's health.	R2 Technology , a developer of systems for early detection for breast cancer.	The acquisition of R2's computer-aided detection technology follows Hologic's recent acquisition of Suros Surgical. Deal Price is \$220m, payable in Hologic stock. R2's sales were \$45m (4.9x).	4/26/2006
Diagnostics	Hologic, Inc. (Nasdaq: HOLX) , a manufacturer of diagnostic and digital imaging systems for women's health.	Suros Surgical Systems, Inc. , a manufacturer of devices used for minimally invasive biopsy and tissue excision.	Strengthens Hologic's capabilities in women's healthcare and offers a wide portfolio of product offerings in breast cancer detection. Deal price -- \$240m (subject to adjustment), plus earn out.	4/17/2006

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Sector	Acquiring Party	Transferring Party	Comments/Rationale	Date
Diagnostics	Hologic, Inc. (NASDAQ: HOLX) , a provider of diagnostic imaging systems focused on women's health.	AEG Elektrofotografie GmbH , a German-based manufacturer of copying, printing, and x-ray imaging applications.	AEG is Hologic's sole supplier of coatings employed in its Selenia digital mammography detectors, permitting Hologic to more efficiently manage its supply chain. Deal price \$26.3m subject to adjustment, plus an earn-out of \$2.1m. AEG's revenue was \$53.5m (.49x).	5/2/2006
Diagnostics	IRIS International, Inc. (NASDAQ:IRIS) , a manufacturer and marketer of automated IVD urinalysis systems and medical devices.	Leucadia Technologies, Inc. , a molecular diagnostics company.	Strengthens IRIS' strategic position and significantly broadens its product portfolio by adding a molecular diagnostics platform. Deal price is \$10.1m, of which \$3.1m is cash and the balance IRIS stock.	4/4/2006
Diagnostics	Molecular Devices Corporation (NASDAQ: MDCC) , a supplier of high-performance bioanalytical measurement systems that accelerate and improve drug discovery.	The Laser Capture Microdissection-related business of Arcturus Bioscience , a manufacturer of systems to selectively excise individual cells from heterogeneous tissue for analysis.	Expands Molecular Devices' life sciences portfolio by adding enabling tools for cellular analysis. Deal price is \$10m cash.	4/4/2006
Diagnostics	Nanogen, Inc. (Nasdaq: NGEN) , a manufacturer of advanced diagnostic products.	Amplimedical S.p.A. diagnostics division , an Italian-based manufacturer of molecular diagnostic products.	Expands Nanogen's molecular diagnostic business in Europe. Deal value ~ \$10.1m.	4/20/2006
Diagnostics	OTN , a specialty oncology pharmaceutical company.	The Oncology Distribution business of Cardinal Health (NYSE: CAH) , a major health-care products distributor.	Increases OTN's customers to more than 4,000 specialty practices nationwide, including oncology and rheumatology practices, and broadens its expertise to deliver the services needed to ensure specialty drugs, coordinated reimbursement and clinical services. Terms not disclosed.	4/27/2006
Diagnostics	PerkinElmer, Inc. (NYSE: PKI) , a global technology leader in health sciences and Photonics.	Clinical & Analytical Service Solutions, Ltd. , a UK-based scientific equipment asset and managed maintenance company serving the pharmaceutical, biotechnology and healthcare markets.	Strengthens PerkinElmer's ability to meet the \$2.5b laboratory equipment aftermarket. Target business enhances lab productivity, reduces costs and encourages compliance. Terms not disclosed.	6/5/2006

Sector	Acquiring Party	Transferring Party	Comments/Rationale	Date
Diagnostics	Royal Philips Electronics (NYSE: PHG; AEX: PHI) , a large international electronics manufacturer based in the Netherlands.	Intermagetics General Corporation (Nasdaq: IMGC) , a U.S. maker of components used in magnetic resonance imaging scanners.	Strengthens Phillips's MRI business and makes its supply chain more efficient, while diversifying away from businesses that are sensitive to economic swings, such as its semiconductor operations. \$1.3b deal value. Intermagetics' revenues are \$304m (4.3x) and EBITDA \$49m (26.5x).	6/15/2006
Diagnostics	Siemens AG , a Germany-based engineering products conglomerate.	The Bayer Diagnostic Unit of Bayer AG , a major pharmaceutical and consumer products manufacturer, also based in Germany.	This \$5.3b acquisition, the second major purchase by Siemens' healthcare unit in two months, will make Siemens the world's second largest player in immunodiagnostics. Combines imaging diagnostics, laboratory diagnostics and clinical IT under one roof. Siemens previously agreed to buy U.S. in-vitro diagnostics specialist Diagnostic Products Corp. which makes body fluid analyzers, for \$1.86b.	6/29/2006
Diagnostics	Siemens Medical Solutions (NYSE: SI) , a leading manufacturer of diagnostic imaging technologies, healthcare information systems, and support services.	Diagnostic Products Corporation , a global leader in immunodiagnostics.	Furtheres Siemens' objective to enable early and specific in vitro diagnosis and individualized patient therapy, as a forward move complementing its imaging diagnostic platform. Cash merger, with a deal price of \$1.86b. DPC's trailing revenue and operating earnings were \$481m (3.9x) and \$96m (19.4x), respectively.	4/27/2006
Diagnostics	Trinity Biotech plc. (NASDAQ NM: TRIB) , a leading developer and manufacturer of diagnostic products for the point-of-care and clinical laboratory markets	The coagulation product line from bioMerieux. , a global leader in in vitro diagnostics.	Following the merger, it is estimated that Trinity's share of the \$600m worldwide coagulation market will be 13%. The target lines can be sold via Trinity's sales force. Deal price is \$46.4m plus \$5.5m in contingent payments. Expected to add \$40m in revenue and \$5m in EBITDA to Trinity.	5/25/2006
Distribution	Henry Schein, Inc. (Nasdaq: HSIC) Henry Schein, Inc. (Nasdaq: HSIC) , a large provider of healthcare products and services to office-based practitioners.	NLS Animal Health , a full-service veterinary distribution business.	Expands Schein's veterinary footprint in the US, and, along with its growing European veterinary presence, offers sales channels internationally. Terms not disclosed.	4/6/2006

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Sector	Acquiring Party	Transferring Party	Comments/Rationale	Date
Distribution	Henry Schein, Inc. (Nasdaq: HSIC) , a leading distributor of healthcare products and services to office-based practitioners.	Three Darby Group businesses: Island Dental Co., Inc., Darby Medical Supply Co. and Darby Dental Laboratory Supply Co., Inc. , distributors of dental and lab equipment and medical supplies, including drugs and vaccines to small medical practices.	Extends Henry Schein's reach into dental and medical markets, offering new products, services and programs. Deal price for the 3 Darby businesses, which generated \$219m in revenue, is approximately \$51.5m (.24x).	6/21/2006
Distribution	Midwest Medical Supply, Inc. , one of the largest independent regional healthcare distributors.	The Caligor Hospital Supply and Extended Care business of Henry Schein, Inc. , a major distributor of healthcare products primarily to physicians.	Gives MMS a strong presence in the north-east and continues its goal to have a national distribution presence. More than doubles MMS' sales to around \$340m. Terms not disclosed.	4/3/2006
Distribution	Welch Allyn , a leading manufacturer of innovative medical diagnostic and therapeutic devices, cardiac defibrillators, patient monitoring systems, and miniature precision lamps.	MediAids , a Malaysian-based medical products distributor.	Expands Welch Allyn's reach in SE Asia. Terms not disclosed.	5/3/2006
Medical Devices	Abbott Laboratories (NYSE: ABT) , a leading manufacturer of pharmaceuticals, medical devices and diagnostics.	The vascular intervention and endovascular solutions business units of Guidant (NYSE: GDT) , a manufacturer of cardiovascular medical products.	Guidant's vascular business offers a broad line of leading coronary and endovascular products, an effective sales force, global manufacturing operations and a state-of-the-art R&D organization, which is developing drug-eluting stents. Deal Price is \$4.1b cash. In addition, Abbott will pay Boston Scientific milestone payments related to regulatory approvals.	4/24/2006
Medical Devices	American Medical Systems Holdings Inc.(NASDAQ:AMMD) , a global leader in providing pelvic health solutions to urologists.	Laserscope (NASDAQ:LSCP) , a manufacturer of minimally invasive laser-based urology devices to treat obstructive benign prostatic hyperplasia (BPH).	Strengthens AMS' strong reputation in urological products with a range of therapy solutions for BPH patients. Global reach of the combined AMS/Laserscope sales force will be positioned to capitalize on Laserscope's technology and market position, while driving operating efficiencies and cost synergies. Deal price -- \$715m.	6/5/2006

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Medical Devices	American Medical Systems Holdings, Inc. (NASDAQ:AMMD) , a supplier of medical devices to cure erectile dysfunction, benign prostatic hyperplasia, incontinence, menorrhagia, prolapse and other pelvic disorders.	Assets of BioControl Medical, Ltd. , an Israeli-based developer of medical devices for the application of implantable electrical stimulation technology.	Combines BioControl's implantation technology with American's presence in the urology and gynecological markets to broaden the application of electrical stimulation technology to pelvic health conditions. Deal value with potential milestones ~ \$50m.	4/26/2006
Medical Devices	Angiotech Pharmaceuticals, Inc. (NASDAQ: ANPI, TSX: ANP) , a global specialty pharmaceutical and medical device company.	Quill Medical, Inc. , a provider of specialized, minimally invasive aesthetic surgery and wound closure suture technology.	Expands Angiotech's offerings in the aesthetic surgery and wound closures markets. Product line enables plastic surgeons and dermatologists to offer a minimally invasive "face lift" through an office-based procedure performed under local anaesthesia. Deal value -- \$40m.	6/28/2006
Medical Devices	ATS Medical, Inc. (Nasdaq: ATSI) , a manufacturer of products and services focused on cardiac surgery.	3F Therapeutics , a developer of innovative heart valve replacement solutions.	Extends ATS' offerings -- 3F Therapeutics' heart valve replacement solutions will help build ATS' heart valve therapy platform. Stock for stock transaction.	6/19/2006
Medical Devices	C. R. Bard, Inc. (NYSE:BCR) , a multinational manufacturer of medical technologies for vascular, urology, oncology and surgical specialty products.	Venetec International, Inc. , a manufacturer of the StatLock® line of catheter securement systems.	With this \$166m acquisition, Bard Medical adds a leading complementary line of catheter securement devices, used primarily in acute care facilities, to reduce complications with peripheral intravenous (IV) catheters. The StatLock line replaces tapes and sutures. Venetec's sales estimated at about \$34m (4.9x).	4/10/2006
Medical Devices	Cardinal Health, Inc. (NYSE: CAH) , a large medical products distributor.	Denver Biomedical, Inc. , a manufacturer of specialized medical products for chronic fluid management in the chest and abdomen.	Enhances Cardinal's offerings with a specialty drainage product line used for terminally-ill cancer patients. Terms not disclosed.	5/23/2006
Medical Devices	Coloplast A/S , a Danish-based manufacture of products for ostomy, continence care, wound & skin care and breast	The urology business of Mentor Corporation , a manufacturer of products for the aesthetics, urologic specialties and	This bid significantly enlarges the scope of Coloplast's urology business and strengthens its position in Europe and the US. Combined annualized sales of Coloplast's	6/3/2006

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	care.	clinical and consumer health-care.	urology and continence care products are estimated at \$500m. Deal value -- \$463m. Mentor urology's fiscal '05 sales were \$232m (2x) and operating profits were \$25.5m (18x).	
Medical Devices	Derma Sciences, Inc. (OTCBB: DSCI) , a manufacturer of wound and skin care products.	The assets of Western Medical Ltd. , a manufacturer of specialty medical textile dressing products utilized in long term and home care settings.	Adds a complementary niche high margin wound care product line using the same distributor network and call points. Deal price is \$6.5m, with \$6.5m in target business revenue (1x).	4/19/2006
Medical Devices	dj Orthopedics, Inc. (DJO) , a manufacturer of regeneration products for non-operative orthopedic and spine markets.	Aircast, Inc. , a manufacturer of bracing products for non-operative orthopedic, spine and vascular markets.	Fortifies dj's presence with orthopedic surgeons and other providers by adding Aircast's strong ankle and vascular brands. Expands dj's distribution internationally where Aircast derives a third of its sales. Tailwind Capital sells Aircast for \$290m cash; Aircast revenue and EBITDA were \$96.8m (3x) and \$24.4m (12x) respectively.	4/10/2006
Medical Devices	ETHICON, INC. , a manufacturer of surgical products and a Johnson & Johnson subsidiary.	Vascular Control Systems, Inc. , a developer of medical devices to treat fibroids and control bleeding in obstetric and gynecologic applications.	Strengthens Ethicon's gynecology business by adding Vascular's technology for uterine artery occlusion treatment that offers a minimally-invasive alternative to current therapies. Terms not disclosed.	5/9/2006
Medical Devices	Genzyme Corporation , a leading biotechnology and medical device company.	The Glucan Hernia product lines from Brennen Medical , a manufacturer of tissue repair products.	Expands Genzyme's offerings for hernia repair by adding beta glucan impregnated mesh. Terms not disclosed.	4/12/2006
Medical Devices	Integra LifeSciences Holdings Corporation (Nasdaq:IART) , a diversified manufacturer of neuro, reconstructive and general surgery products.	Miltex, Inc. , a leading provider of surgical and dental hand instruments to alternate site facilities.	Expands Integra's instrument lines and opens up private physician, dental and ambulatory surgery care channels. Deal price is \$101m. Miltex's 2005 revenues were \$62m (1.63x) and operating EBITDA \$13m (7.8x). Miltex was owned by American Securities Capital Partners, L.P., a private equity firm.	5/12/2006

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Medical Devices	Integra LifeSciences Holdings Corporation (Nasdaq:IART) , a diversified medical device manufacturer of neuro, reconstructive and general surgery products.	Kinetikos Medical, Inc. , a manufacturer of orthopedic implants and surgical devices for small bone and joint procedures.	Complements Integra's growing extremity business and strengthens its presence in the orthopedic hand market, leveraging regenerative products for dermal, tendon and nerve repair. Deal price -- \$40m, on sales of \$11.4m.	6/30/2006
Medical Devices	Kensey Nash Corporation (NASDAQ: KNSY) , a manufacturer of products for endovascular, sports medicine and spine markets.	IntraLuminal Therapeutics, Inc. , a developer of guidance systems for coronary and peripheral arteries procedures.	Serves as a platform to develop products to meet the clinical needs of the emerging chronic total occlusions (CTO) market. Asset purchase for \$8m.	5/26/2006
Medical Devices	Laserscope (Nasdaq: LSCP) , a manufacturer of medical lasers and advanced fiber-optic delivery devices.	InnovaQuartz, Inc. , a manufacturer of minimally invasive medical devices for medical procedures, including those used in the treatment of kidney, bladder and other urinary stones.	Extends Laserscope's medical disposables product line, enhances its R&D expertise and expands its manufacturing capabilities. Deal value ~ \$8.6m.	5/1/2006
Medical Devices	Medical Creative Technologies, Inc. , a manufacturer of minimally invasive surgical medical devices.	The intellectual property of Dexterity Surgical Inc. , a manufacturer of instruments and medical supplies.	Adds Dexterity Protractor® and Dexterity PneumoSleeve® to MCT's minimally invasive surgery product line. Terms not disclosed.	4/4/2006
Medical Devices	MediCor Ltd. (OTC: MDCR) , a manufacturer of medical specialty products in the aesthetic, plastic and reconstructive surgery and dermatology markets.	Biosil Limited and related supplier Nagor Limited , UK-based Biosil manufactures, and Nagor markets, silicone gel and saline-filled breast implants along with other silicone devices and scar management products.	Strengthens MediCor's aesthetic and reconstructive lines and European business. Deal price is \$36.9m plus MediCor stock.	5/1/2006
Medical Devices	Misonix, Inc. (Nasdaq: MSON) , a developer of ultrasonic medical device technology for the treatment of cancer and other health conditions.	UK-HIFU Limited , a distributor of High Intensity Focused Ultrasound (HIFU) operations in Europe.	Enables Misonix to strengthen its presence in the European HIFU market and broaden the acceptance and use of HIFU-based medical devices. Terms not disclosed.	4/10/2006

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Medical Devices	Mölnlycke Health Care , a leading provider of disposable surgical and wound care products.	Regent Medical and Medlock Medical , two UK-based companies, Regent, a leading surgical glove manufacturer and Medlock, a niche wound care company.	Significantly enhances product range and geographical expansion for Mölnlycke's two divisions, Surgical and Wound Care. Reflects sales force, distribution and R&D synergies. Terms not disclosed.	4/7/2006
Medical Devices	Moog Inc. , a manufacturer of precision control components and systems for military and commercial aircraft, satellites and space vehicles, industry machinery, and medical equipment.	Curlin Medical LLC , a manufacturer of "smart" ambulatory infusion pumps for pain management and other applications.	Moog's expertise in the electronic control of fluid-flow metering devices combined with Curlin's reputation in the medical market is expected to facilitate the continued growth of Moog's medical equipment sales. Deal value \$75m (\$63m in cash). Curlin's 2005 sales were \$16m (4.7x) and its operating profits were \$5.4m (13.9x). '06 sales are running at almost double the rate of '05. The Walden Group was retained by Moog, identified Curlin on Moog's behalf, and initiated this transaction.	4/11/2006
Medical Devices	OSI Systems, Inc. (NASDAQ:OSIS) , a maker of security and inspection systems, medical monitoring and anesthesia delivery products, and optoelectronic-based components.	The DelMar Cardiac Division of Ferraris Group plc , a maker of cardiac monitoring systems including Holter recorders, ECG, Stress Systems and related software and services.	DelMar's cardiac monitoring systems can be marketed to hospitals in conjunction with OSI/Spacelabs' core products of patient monitoring solutions and anesthesia delivery systems. Also strengthens OSI's presence in UK and German markets. Deal price -- \$25.5m, subject to adjustment and earnouts. DelMar's sales and EBITDA were \$38.6m (0.7x) and \$3.3m (7.7x), respectively.	6/29/2006
Medical Services	Cardinal Health, Inc. (NYSE:CAH) , a major healthcare products distributor.	The pharmaceutical wholesale distribution business of The F. Dohmen Co. , a pharmaceutical distributor.	Complements Cardinal's existing suite of services and enhances value proposition to retail pharmacy customers. Terms not disclosed.	6/1/2006
Medical Services	Healthways, Inc. (NASDAQ:HWAY) , a provider of specialized healthcare support programs including disease management and outcomes-driven wellness plans.	LifeMasters Supported Self-Care, Inc. , a provider of disease management services, with significant experience in the large, emerging Medicaid market.	Provides disease management entre into Medicaid market and expands capabilities for elderly and disabled populations. Adds nearly 600,000 covered lives to Healthways' base. Cash merger for \$307.5m.	5/30/2006

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Medical Services	RehabCare Group, Inc. (NYSE: RHB) , a provider of rehabilitation program management.	Symphony Health Services LLC , a provider of contract therapy services.	Expands RehabCare to be one of the largest providers of rehabilitation program management services in the US. Deal price is \$101.5m.	5/3/2006
Medical Services	Sentinel Capital Partners , a private equity firm that invests in middle-market companies.	Interim HealthCare, Inc. , the nation's largest combined provider of home health care and supplemental health care staffing services.	Expands Sentinel's portfolio with Interim's diverse services including home care, facility medical staffing, occupational health staffing pharmaceutical use and medical device training. Terms not disclosed.	5/24/2006
OTC/Consumer	Johnson & Johnson , a major pharmaceutical, medical device and OTC/consumer goods manufacturer.	Pfizer Inc.'s consumer healthcare business. , a line of OTC products.	Increases J&J's lead in the market for non-prescription health products. Adds Listerine mouthwash, Sudafed decongestant, Nicorette smoking-cessation products and other brands, with total sales of about \$4 billion. Gives J&J more critical mass to buffer patent expirations on Risperdal and Topamax. Pfizer will concentrate on pharmaceuticals. \$16.6b deal value (4.15x revenue).	6/26/2006