

# The Strategic Healthcare M&A Report

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

4th Quarter 2005, January 2006

## Highlights

- **Critical Corporate Advice -- "New Product Launches: The Importance of Market Assessments"** by Dan Doyle, an expert on new product introductions and a former executive of C.R. Bard Inc.
- **More than 60 Deals Profiled -- including Novartis - Chiron; Warburg Pincus - CCS Medical and MP TotalCare; Allergan - Inamed; Encore - Compex; J&J - Animas; St. Jude - Advanced Neuromodulation; UnitedHealth - PacificCare.** See Healthcare Transactions table attached.

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*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

### New Product Launches: The Importance of Market Assessments

By Dan Doyle

Launching a new medical device without properly assessing the market first is like diving into a pool before checking whether it is filled with water. The focus here is on a proper market assessment, not one which is biased in favor of finding a favorable result just because a company or entrepreneur has a good idea, there is "substantial money to be made" or you already sell into the market and believe you know its dynamics. Proper market assessments need to be conducted professionally and with sobriety. Obviously, new products cannot be launched without risk, but risk can be better predicted by careful research and expert judgment in interpreting the research.

#### What a Market Assessment Should Cover

Proper market assessments should illuminate the cost-benefit equation. They should cover the following areas, among others:

**a. Market dynamics and growth prospects.**

What are the historical and projected market size and growth rates? Is the market vulnerable to technology change, cyclicity, government regulatory changes, etc.?

**b. Competition.** Large players can be formidable, but, if they rest on their laurels, they leave open gaps in the market that can be filled by inventive new products. Entrepreneurial companies can have an advantage in terms of focus, flexibility, decisiveness and ingenuity. Yet, these generalities should not blind a small company from carefully assessing its prospects for meaningful market penetration and preparing for the responses by the "big guys".

**c. Concentration.** A fragmented market may appear more attractive, but may also reflect issues that have caused larger companies to avoid entry. One such issue is too small a market to ever cre-

ate meaningful results, for any company of any size.

**d. Entry barriers.** Patents and critical mass are not the only barriers. Consider softer barriers like product complexity, user training issues and provider work habits. Of course, new products with significant safety, efficacy, time-saving and cost advantages can surmount such hurdles, but a proper market introduction program still needs to be designed.

**e. Call points and distribution channels.** Are employed salespersons or specialized reps needed, or can distributors (specialized proactive ones) be effective? Are GPO contracts important? Remember GPO contracts are usually just "hunting licenses"; it is still important to make the case in person to providers and buying personnel. To the extent employed salespersons or specialized reps are important to distribution, smaller companies may seek to negotiate distribution arrangements with larger companies having such resources. These arrangements must, of course, meet the larger company's interests -- typically complementing existing product lines, correlating with its existing call points and having enough potential to motivate both the company and its sales force to sell the new product. The terms and dynamics of such arrangements must include requirements to be met by the larger company and be otherwise carefully designed, optimally with the aid of an expert who has negotiated such arrangements. See sidebar (next page) for the perils of such arrangements.

**f. Pricing and profitability.** What are the expected price levels, gross profit margins, and reimbursement possibilities (whether fitting into existing codes or making the case for a new one)? In the non-hospital market Medicare requires your product to be proven superior to the less-costly alternative to obtain a special code. A compelling case needs to be made with enough clinical data

to withstand a presumption that the new product is experimental. Not being realistic about reimbursement prospects can be fatal.

**g. Product Range.** There are obvious advantages of having a diversified product line to justify the deployment of sales, marketing and other resources. A platform technology with several product applications will attract more interest in the market than a single product offering, unless the "one product" is a major breakthrough.

**h. Regulatory approvals.** If the product is a Class II or III medical device, appropriate regulatory submissions and possibly approvals need to be obtained to prove safety and efficacy. Obviously, premarket approvals (PMAs) are lengthy and costly. Even 510(k) precedent clearance may require some clinical studies particularly if claims are sought beyond those of the predicate devices. Sales forces do not sell "off label" nowadays, so claims made (and labeling) must be precisely tailored to what regulators have accepted.

**i. Strategic Plan.** While not technically part of a market assessment, I recommend developing a streamlined strategic plan that pulls together the various factors outlined above. The plan should also cover projected timelines to achieve critical milestones, growth and profit potential evaluations, risk assessments, and operational issues.

**How to Conduct a Market Assessment**

Market assessments may involve some or all of the following touch points:

**a. Primary research** may involve calls or meetings with physicians, nurses, administrative buying offices, GPO's, distributors, product managers and salespersons. Primary focused research is very time consuming and expensive, but also enlightening. Sometimes professional firms are hired to interview providers in focus groups or by phone. But, in any event, an expert experienced in the market area is needed to design the research and interpret the results. Any such research should seek to simulate actual clinical experience, but it is doubtful that a limited study will be conducted with sufficient statistical significance to draw automatic conclusions. It is important to know how to put the results into the proper context.

**b. Secondary research** may include general market studies, peer review journals, trade maga-

zines, and other publications. These resources can be useful in terms of identifying big trends, but a more discerning eye is needed to evaluate the prospects of the new product being considered for launch. General market studies can become out-of-date quickly and there are many examples of over- or understating the market by wide margins.

Useful data is obtainable on CMS (Centers for Medicare & Medicaid Services) and NIH (National Institutes of Health) websites for stats on disease incidence and frequency of reimbursed procedures, but care must be taken in extrapolating the data for a new product's market potential. The FDA website also lists regulatory clearances of new products.

**From Assessment to Market Introduction**

While a lengthy discussion of this phase is beyond the scope of this article, if after a proper market assessment, a decision is made to proceed, the following steps are helpful.

**a. Develop relationships with key providers.** Without clinical champions, failure is assured. Balance early provider interaction, on the one hand, with making contact with a "prototype" product and possibly appearing unprepared, on the other. Often, entrepreneurially-minded physicians are cooperative, but these relationships need to be carefully and ethically developed.

**Case Studies**

1. An entrepreneurial company with a breakthrough product tries to arrange an exclusive a marketing and distribution agreement with a large company having a substantial sales force. After a lengthy negotiations and the initial euphoria in attracting the interest of the larger company, the small company learns that the larger one does little with the product. Without a careful review of each party's interests, motivations and resources and the setting of appropriate obligations, incentives, milestones and contract "outs", the smaller company can lock itself into a slow death.

2. After a successful launch overseas, a European company believes it can replicate the model in the U.S. Instead of taking the time to conduct a market assessment upfront, it pitches marketing partners throughout the country to carry and promote the product line. After initial meetings, which the foreign company views as enthusiastic, the potential partners balk because U.S. clinical validation (at least white papers) is missing, reimbursement is not understood and product positioning and pricing is not well thought out for the U.S. market.

Many device manufacturers seek out the same experts and they can be biased.

**b. Incorporate expert feedback into the product's design.** Actual usage will be invaluable in terms of safety, efficacy, and product cost. Nothing substitutes for the experience gained in a well-designed pilot study.

**c. Test the product in limited settings.** Foreign institutions and domestic community hospitals are often effective incubators of new products. A limited number of influential, but discrete providers can also be valuable. Avoid wide-scale exposure until the product is near-ready for launch.

**d. Consult with an expert patent attorney.** Ensure that the product is properly protected by available patent rights and avoid infringement of competitors' patent rights.

**e. Develop white papers and limited clinical studies.** Actual evidence in the field is vital at every step, especially early on. "First adopters" can help effectuate this. Developing clinical successes will not only help with direct sales, but also in negotiations with a strategic partner.

**f. Prepare for reimbursement,** but only when compelling evidence is obtained that the product is superior in safety and efficacy than conventional products. Avoid seeking custom codes before a convincing case can be made. It is near impossible to later rebut a negative decision by the coding and coverage decision-makers.

In short, market assessments, when properly conducted, can help facilitate a successful new product launch, as well as identify risk and possible courses of action. The key is to treat the assessment not as a rigid checklist, but rather as a discovery process that involves skillful judgment to reach the appropriate findings.

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*Dan Doyle is an independent consultant who performs market assessments. (See [www.danieljdoyle.com](http://www.danieljdoyle.com).) He has worked in the last 8 years with nearly 40 companies from industry giants like J&J to start ups both domestically and from overseas. He is a former Division President and Business Development Executive at C.R. Bard Inc. He can be reached at [dan@danieljdoyle.com](mailto:dan@danieljdoyle.com).*

## Healthcare Transactions -- 4th Quarter 2005

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.

Sector	Acquiring Party	Transferring Party	Comments/Rationale	Date
Biopharmaceuticals	<b>Altana AG</b> , a provider of topical dermatological prescription products.	<b>U.S. Dermatology business of GlaxoSmithKline (GSK)</b> , a major pharmaceutical company.	Solidifies PharmaDerm's branded pharmaceutical specialty in dermatology.	10/1/2005
Biopharmaceuticals	<b>Angiotech Pharmaceuticals, Inc. (ANPI)</b> , a Canadian-based specialty pharmaceutical company focusing on combining pharmaceutical compounds with medical devices and biomaterials.	<b>Afmedica, Inc.</b> , a developer of perivascular technology focused on the extra-vascular delivery of rapamycin and its analogs.	Extends Angiotech's research and product development platform and strengthens its position with respect to its Vascular Wrap(TM) product development program.	12/1/2005
Biopharmaceuticals	<b>Applied Biosystems Group (NYSE: ABI)</b> , a leading supplier of life science research systems.	<b>The Research Products Division of Ambion, Inc.</b> , which specializes in the development of products for stabilizing, synthesizing, handling, isolating, storing, detecting and measuring RNA.	ABI acquires a premium supplier of RNA-based reagents for life science research and drug development, for approximately \$273 million in cash. Expected to close in Q1 2006.	12/27/2005
Biopharmaceuticals	<b>Aptuit, Inc.</b> , a drug development services company.	<b>InfoPro Solutions</b> , a developer of informatics solutions for drug development.	Adds informatics services to Aptuit's portfolio and enables customer access to drug development data and information.	11/14/2005
Biopharmaceuticals	<b>AstraZeneca Plc (AZN.L)</b> , a major pharmaceutical company.	<b>KuDOS Pharmaceuticals</b> , a biotech pharmaceutical firm specializing in cancer therapies based on the inhibition of DNA repair.	With this \$210 million purchase, AZN bolsters its new product pipeline. In 2004, a newly launched AZN lung cancer pill failed to boost survival in a key study. Investors in KuDOS include Advent Venture Partners, BankInvest Biomedical Venture, Euclid SR Partners, Johnson & Johnson Development Corp (JNJ), Life Science Partners, 3i (III.L) and SV Life Sciences.	12/22/2005

The Walden Group®, Inc.

560 White Plains Road, Tarrytown, NY 10591 \* 914-332-9700 fax: 914-332-0020

[www.waldenmed.com](http://www.waldenmed.com) \* email: [office@waldenmed.com](mailto:office@waldenmed.com)

Sector	Acquiring Party	Transferring Party	Comments/Rationale	Date
Biopharmaceuticals	<b>Dr. Reddy's Laboratories (NYSE:RDY)</b> , an India-based emerging pharmaceutical company.	<b>Roche's Mexican-based active pharmaceutical ingredient (API) plant.</b>	Strengthens Dr. Reddy's custom pharmaceutical business globally (hoping to grow it from \$10 million to \$100 million over the next 18 months).	11/11/2005
Biopharmaceuticals	<b>EntreMed, Inc. (NASDAQ: ENMD)</b> , a clinical stage pharmaceutical company developing therapeutics for cancer and inflammatory diseases.	<b>Miikana Therapeutics, Inc.</b> , a biopharmaceutical company focusing on cancer drugs.	Expands EntreMed's oncology pipeline. A stock deal worth about \$21.2 million, plus a possible \$18 million if milestones achieved.	12/22/2005
Biopharmaceuticals	<b>Genzyme Corporation</b> , a leading biotechnology company.	<b>The adeno-associated virus technology of Avigen Inc. (NASDAQ: AVGN)</b> , a biotech developer of small molecule therapeutics for treating neurological conditions.	In this \$12 million cash deal (plus royalties and milestone payments), Genzyme acquires a broad gene therapy patent estate, a Phase I/II program in Parkinson's disease and a clinical collaboration in hemophilia. Recently, Genzyme also bought Genesys Inc.'s manufacturing operation for \$3.2 million to support the growth of its gene-therapy programs.	12/31/2005
Biopharmaceuticals	<b>Novartis AG (NVS)</b> , a developer and manufacturer of pharmaceuticals and nutritional products.	<b>Chiron Corporation (NASDAQ:CHIR)</b> , a leading biotechnology company.	Novartis will acquire the remaining 58% of Chiron shares it doesn't already own, for approx. \$5.1 billion cash. Chiron's global vaccines business provides Novartis with entry into the vaccine segment of the healthcare market; its blood testing business adds a high-value profit driver to Novartis and may offer a potential platform for future developments in molecular diagnostics.	11/11/2005
Data Management/ Healthcare IT	<b>Emageon, Inc.</b> , a developer of digital image management systems for radiologists.	<b>Camtronics Medical Systems, Ltd.</b> , a leading developer of cardiovascular information systems and hemodynamic monitoring technology and a unit of Analogic Corp.	The \$40 million cash purchase gives each company an entrée into the other's markets. Camtronics currently markets to 350 hospitals, and Emageon markets to 250. Camtronics's 2004 revenue was about \$38 million.	11/11/2005

Sector	Acquiring Party	Transferring Party	Comments/Rationale	Date
Data Management/ Healthcare IT	<b>MedLink International, Inc. (OTCBB:MLKNA.OB)</b> , a developer of networking systems for doctors and others to securely communicate and remotely access and retrieve patient records, lab results, X-Rays, CAT Scans and other pertinent patient information.	<b>CNI Medical Coding &amp; Recovery, Inc.</b> , a reimbursement recovery firm utilizing electronic claims and other strategies.	This agreement in principle enables Medlink to refer its physicians internally for their billing and recovery needs and gives Medlink access to CNI clients for the MedLink EHR and other services.	12/7/2005
Data Management/ Healthcare IT	<b>PSS World Medical, Inc.</b> , a national distributor of medical products to physicians and elder care providers.	<b>Clinical Support Services Inc.</b> , a medical-billing and recovery services company.	The deal leverages PSS' billing services operation and expands its reach into the California market.	11/11/2005
Data Management/ Healthcare IT	<b>Spheris, Inc.</b> , a leading global outsource provider of medical transcription technology and services.	<b>Vianeta Communications</b> , a leading developer of enterprise-wide clinical documentation software for group practices, hospitals and health systems.	Enables Spheris to enhance its medical documentation solutions. Integrating Vianeta's open and scalable XML-based software into Spheris' existing transcription technology accelerates other initiatives.	12/20/2005
Data Management/Healthcare IT	<b>WebMD Health Corp (Nasdaq:WBMD-News)</b> , a leading provider of health information services.	<b>Conceptis Technologies Inc.</b> , a Canadian developer of online information systems for certain medical specialties.	Conceptis' focus on cardiology, nephrology, and hematology adds strength to WebMD's medical marketing offerings. \$19 million cash deal.	11/11/2005
Diagnostics	<b>Alliance Imaging, Inc. (AIQ)</b> , a provider of diagnostic imaging services.	<b>PET Scans of America Corporation</b> , a mobile provider of PET and PET/CT services primarily to hospitals.	The \$44 million cash transaction expands Alliance's geographical reach and its PET and PET/CT capabilities.	10/12/2005
Diagnostics	<b>AmeriPath, Inc.</b> , a provider of anatomic pathology, dermatopathology and molecular diagnostic services.	<b>Specialty Laboratories, Inc.</b> , a provider of specialized clinical diagnostic testing services.	Provides complementary services while broadening AmeriPath's base and expanding its geographic presence. Deal price \$314.7 million.	10/1/2005
Diagnostics	<b>Apax Partners</b> , a leading private equity firm.	<b>Spectrum Laboratory Network</b> , a leading regional provider of clinical and disease screening services.	Apax will help grow Spectrum, which supports more than 7,000 physicians in North Carolina, South Carolina, Georgia, Tennessee and Virginia by performing each day more than 30,000 individual diagnostic tests.	11/11/2005

Sector	Acquiring Party	Transferring Party	Comments/Rationale	Date
Diagnostics	<b>Beckman Coulter, Inc. (BEC)</b> , a major manufacturer of laboratory automation products.	<b>Diagnostic Systems Laboratories Corporation (DSL)</b> , a provider of specialty immunoassays for reproductive endocrinology and cardiovascular risk assessment.	Enhances Beckman's position in specialty immunoassay testing. DSL's 2004 sales approximated \$34 million.	10/31/2005
Diagnostics	<b>Bruker AXS Inc.</b> , a developer of life science research tools based on X-ray technology and a subsidiary of Bruker BioSciences Corporation	<b>Rosentec AG and micro-analysis business of Princeton Gamma-Tech Instruments, Inc.</b>	These two microanalysis businesses complement Bruker's X-ray technology and takes advantage of its global sales and support infrastructure.	11/15/2005
Diagnostics	<b>Nanogen, Inc.</b> , a developer of advanced technologies to predict, diagnose, and help treat disease (PCR agents, electronic microarray platforms, rapid diagnostic kits, etc.)	<b>The rapid cardiac immunoassay test business of Spectral Diagnostics, Inc.</b> , developer of innovative technologies for comprehensive disease management.	Accelerates Nanogen's growth strategy to become a leading advanced diagnostics company; complements Nanogen's Congestive Heart failure test. Total consideration is CDN\$9 million, comprised of CDN\$5.65 million in cash and CDN\$3.35 million in Nanogen shares.	12/20/2005
Diagnostics	<b>Oxis International (OTCBB:OXIS)</b> , a producer of diagnostic enzymes, antibodies and biomarkers.	<b>BioCheck</b> , a producer of immunoassay products and biomarkers	Offers a broadened portfolio of assay (antigen and antibody) test kits for medical, pharmaceutical and research applications. Increases production and marketing efficiencies. Deal price \$6 million; Biocheck expected \$4 million in 2005 revenues.	12/8/2005
Diagnostics	<b>Varian Inc.</b> , a maker of scientific instruments and equipment.	<b>PL International Ltd.</b> , A U.K. maker of systems for high throughput screening and process monitoring, as well as related consummables and instruments for advanced polymer analysis.	Expands Varian's product portfolio and enables PL's products to be sold through Varian's global infrastructure. Deal price -- \$42 million in cash, plus a possible \$23 million in milestone payments. PL's revenues were about \$22 million for the FY ended Sept. 30, 2005.	11/8/2005
Distribution	<b>Cardinal Health</b> , a large distributor of pharmaceutical and other products.	<b>Source Medical Corp.</b> , a Canadian distributor of medical and surgical supplies.	This \$67.4 million broadens Cardinal's reach in Canada.	11/23/2005

Sector	Acquiring Party	Transferring Party	Comments/Rationale	Date
Distribution	<b>MBF Healthcare Partners</b> , a private equity firm specialized in healthcare services.	<b>Medical Specialties Distributors</b> , a large supplier of infusion and bio-medical products for home care markets.	MBF's principals, steeped in healthcare experience, plan to add strategic direction and capital to expand Medical Specialties.	12/30/2005
Distribution	<b>Warburg Pincus</b> , a leading private equity firm.	<b>CCS Medical</b> , a leading direct-to-consumer provider of medical supplies to patients suffering from chronic conditions such as diabetes and chronic obstructive pulmonary disease (COPD).	Warburg Pincus acquired CCS Medical for approximately \$360 million and MP TotalCare for approximately \$270 million in separate transactions. The combination creates one of the largest and fastest growing direct-to-consumer providers of diabetes and other medical supplies in the United States. CCS Medical's combined sales force now includes more than 180 professionals.	10/3/2005
Distribution	<b>Warburg Pincus</b> , a leading private equity firm.	<b>MP TotalCare</b> , a leading distributor of diabetes testing supplies, respiratory medications, urological and ostomy products and wound care supplies directly to customers throughout the United States.	Warburg Pincus acquired CCS Medical for approximately \$360 million and MP TotalCare for approximately \$270 million in separate transactions. The combination creates one of the largest and fastest growing direct-to-consumer providers of diabetes and other medical supplies in the United States. CCS Medical's combined sales force now includes more than 180 professionals.	10/3/2005
Medical Devices	<b>3M Electronics</b> , a provider of flex circuits used in medical devices and diagnostics, printer, and cell phone applications.	<b>Siemens Ultrasound Division's flexible circuit manufacturing line</b> , a unit of Siemens AG, a large electronics conglomerate with operations in medical imaging.	Expands 3M's business in the ultrasound and medical imaging markets. Flexible circuits enable the miniaturization and high-resolution imaging.	12/28/2005
Medical Devices	<b>Accellent, Inc.</b> , a provider of contract manufacturing and design services to medical device manufacturers.	<b>Machining Technology Group (MTG)</b> , a contract manufacturer producing orthopedic implants and devices.	The \$50 million acquisition strengthens Accellent's position in the orthopedic market.	10/6/2005
Medical Devices	<b>Allergan, Inc.</b> , a specialty pharmaceutical company focused on ophthalmology, neu-	<b>Inamed Corporation</b> , a manufacturer of breast implants, dermal products to treat facial wrin-	In this \$3.4 billion proposal (countering a lower one by Medici Pharmaceutical Corp.) Allergan (maker of BOTOX) seeks to	12/21/2005

Sector	Acquiring Party	Transferring Party	Comments/Rationale	Date
	rosiences, medical dermatology, medical aesthetics and other specialty markets.	kles, and minimally invasive devices for obesity intervention, including the LAP-BAND® System for morbid obesity.	broaden its portfolio of medical aesthetic products and leverage significant growth and cross-marketing and cross-selling opportunities.	
Medical Devices	<b>American Medical Instruments Holdings Inc.</b> , a holding company for seven medical device companies formerly party of the Marmon Group.	<b>Point Technologies, Inc.</b> , a medical wire and tube critical component manufacturing company.	Point Technologies will become the contract manufacturing division of AMIH catering to OEM medical device companies.	12/22/2005
Medical Devices	<b>Angiotech Pharmaceuticals, Inc. (ANPI)</b> , a specialty pharmaceutical company focusing on combining pharmaceutical compounds with medical devices and biomaterials.	<b>Lifespan ePTFE</b> , the vascular graft business of Edwards Lifesciences.	The acquisition, coupled with arrangements for Edwards to globally distribute certain Lifespan products, enhances Angiotech's financial potential. Enables Lifespan to directly sell ePTFE vascular grafts and its Vascular Wrap, while insuring foreign distribution with Edwards. Deal value \$14 million.	12/1/2005
Medical Devices	<b>Bespak plc (UK)</b> , a developer of new delivery systems for the pharmaceutical industry (i.e., metered dose inhalers, dry powered devices, actuators, etc.)	<b>King Systems Corporation</b> , a provider of respiratory products (i.e., face masks, breathing circuits and laryngeal tubes).	This \$95 million cash and stock acquisition diversifies Bespak's product line and opens up direct sale channels into the hospital. The deal also strengthens Bespak's U.S. footprint. King's 2004 sales and adjusted EBITDA were \$45 million and \$8.2 million, respectively. \$10 million of the price is based on EBITDA milestone attainment.	12/9/2005
Medical Devices	<b>Cooper Surgical, Inc.</b> , a manufacturer of women's health products and a subsidiary of The Cooper Companies.	<b>Inlet Medical Inc.</b> , a manufacturer of trocar closure systems and pelvic floor reconstruction procedure kits.	This deal, together with Cooper's acquisition of NeoSurg Technologies, adds \$10 million of revenue and helps form the basis for Cooper's building a sales force addressing gynecological surgery call points. Cooper plans to merge the acquired companies into a gynecologic surgical business unit and add additional gynecological surgical products.	11/21/2005
Medical Devices	<b>Cooper Surgical, Inc.</b> , a manufacturer of women's health products and a subsidiary of	<b>NeoSurg Technologies, Inc.</b> , a manufacturer of reusable and disposable trocar access sys-	This deal, together with Cooper's acquisition of Inlet Medical, adds \$10 million of revenue and helps form the basis for Co-	11/21/2005

Sector	Acquiring Party	Transferring Party	Comments/Rationale	Date
	The Cooper Companies.	terms used in laparoscopic surgery.	per's building a sales force addressing gynecological surgery call points. Cooper plans to merge the acquired companies into a gynecologic surgical business unit and add additional gynecological surgical products.	
Medical Devices	<b>Datascope Corp. (NASDAQ: DSCP)</b> , a diversified medical device company that manufactures proprietary products for interventional cardiology, radiology, cardiovascular and vascular surgery, anesthesiology, emergency medicine and critical care.	<b>CardioVations endoscopic vessel harvesting line of Ethicon, Inc.</b> , a unit of J&J.	A complementary product line for Datascope. This \$3.25mm deal is contingent on the Guidant/J&J deal closing. The CardioVations unit had about \$13mm in sales.	12/30/2005
Medical Devices	<b>dj Orthopedics, Inc. (DJO)</b> , a manufacturer of regeneration products for non-operative orthopedic and spine markets.	<b>Newmed SAS (France)</b> , a manufacturer of orthopedic rehab devices, including rigid knee braces and soft goods.	Increases the scale of dj's international business and in France in particular. Deal price \$15.6 million, plus another \$1.2 million in contingent payments. Newmed's revenues are about \$12 million.	12/15/2005
Medical Devices	<b>Duramed Pharmaceuticals, Inc.</b> , a subsidiary of Barr Pharmaceuticals (BRL) and a provider of generic and proprietary pharmaceuticals.	<b>FEI Womens' Health, LLC</b> , a provider of the IUD devices.	Expands Duramed's presence and commitment beyond oral contraception and into the non-hormone contraceptive marketplace. FEI owns the New Drug Application (NDA) for the ParaGard® T 380A (Intrauterine Copper Contraceptive) IUD which is the only contraceptive approved for 10 years of continuous use and is more than 99% effective at preventing pregnancy. Transaction value: \$281.5 million. FEI's 50-person sales force will be integrated with Duramed's, making a total of more than 100 salespersons.	11/10/2005
Medical Devices	<b>Encore Medical Corporation (Nasdaq: ENMC)</b> , a diversified orthopedic device manufacturer.	<b>Complex Technologies, Inc.</b> , a leader in designing and manufacturing transcutaneous electrical nerve stimulation and electrical muscle stimulation (EMS)	Creates a stronger orthopedic products company that will combine leading electrical stimulation pain management and rehabilitation companies -- Encore's Orthopedic Rehabilitation Division, which in-	11/14/2005

Sector	Acquiring Party	Transferring Party	Comments/Rationale	Date
		products used for pain management, rehabilitation and other medical settings.	cludes Empi and Chattanooga Group, and Compex, formerly Rehabicare. Transaction valued at approximately \$109 million.	
Medical Devices	<b>Invitrogen Corporation (Nasdaq: IVGN)</b> , a provider of technologies for disease, drug discovery and commercial bio-production.	<b>Qdot semiconductor nanocrystals line of Quantum Dot Corporation</b> , a provider of biomolecular labeling and detection technology.	Enhances Invitrogen's molecular probes business and IP portfolio. With the acquisition of the BioPixels unit of BioCrystal and the exclusive licensing of Georgia Tech's nanocluster technology, establishes Invitrogen in labeling and detection technologies.	10/6/2005
Medical Devices	<b>Invitrogen Corporation (Nasdaq: IVGN)</b> , a provider of technologies for disease, drug discovery and commercial bio-production.	<b>The BioPixels unit of BioCrystal, Ltd.</b> , a producer of fluorescent nanocrystal products.	Enhances Invitrogen's molecular probes business. With the acquisition of Quantum Dot and the exclusive licensing of Georgia Tech's nanocluster technology, Invitrogen becomes established in advanced labeling and detection technologies.	10/6/2005
Medical Devices	<b>Johnson &amp; Johnson (NYSE:JNJ)</b> , a major pharmaceutical and medical device manufacturer.	<b>Animas Corporation (Nasdaq: PUMP)</b> , leading maker of insulin infusion pumps and related products.	Fits with the J&J Lifescan unit, which makes glucose monitoring systems, and allows J&J to offer more comprehensive disease management solutions. Animas and Lifescan have worked in partnership for several years. Cash-for-stock transaction valued at about \$518 million. Animas' market cap is over \$450 million, but its revenue only \$82 million and operating profits have been minimal.	12/16/2005
Medical Devices	<b>Kohlberg Kravis Roberts &amp; Company (KKR)</b> , a private equity firm	<b>Accellent, Inc.</b> , a provider of contract manufacturing and design services to medical device manufacturers.	For \$1.27 billion KKR purchases Accellent from a private investment group led by KRG Capital Partners and DLJ Merchant Banking Partners. Positions Accellent to expand its operations and capabilities as a contract manufacturer of medical devices.	10/10/2005
Medical Devices	<b>Montagu Private Equity</b> , a European private equity firm	<b>BSN Medical</b> , an orthopedic products manufacturer created as a 50/50 joint venture between Beiersdorf AG and Smith & Nephew.	Montagu believes a singular driven owner, with accompanying private equity inducements, will be more effective in growing BSN than joint ownership. BSN makes casting, bandaging, wound care and phe-	12/16/2005

Sector	Acquiring Party	Transferring Party	Comments/Rationale	Date
			bology products. Deal value is \$625 million. BSN's revenues exceed \$600 million.	
Medical Devices	<b>Natus Medical Incorporated (BABY)</b> , a provider of equipment used for testing and treatment of disorders in newborns and children.	<b>Bio-logic Systems Corporation (BLSC)</b> , a provider of computer-based electro-diagnostic systems for treatment, diagnosis and monitoring of certain hearing, neurological and sleep disorders.	Expands Natus' presence in the audiology and diagnostic sleep markets and enlarges its US and international distribution channels. The transaction value \$66 million.	10/17/2005
Medical Devices	<b>Omni Life Science, Inc.</b> , an orthopedic products manufacturer.	<b>Apex Surgical, LLC</b> , a privately owned manufacturer of joint replacement products.	Accelerates Omni's presence in joint reconstruction.	11/30/2005
Medical Devices	<b>Roper Industries, Inc. (NYSE: ROP)</b> , a manufacturer of engineered products for niche markets.	<b>MEDTEC, Inc.</b> , a developer of enabling technologies essential for accurate diagnosis and treatment for cancer care.	In this \$150 million cash deal, Roper acquires patient positioning devices, image-guided therapy software, and related products and accessories. MEDTEC joins Roper's expanding medical platform within its Imaging segment, which also includes CIVCO, acquired in June 2005. MEDTEC and CIVCO together are expected to generate approximately \$85 million of revenues in 2006. The MEDTEC acquisition is expected to generate approximately \$17 million of EBITDA.	12/1/2005
Medical Devices	<b>Roundtable Healthcare Partners</b> , a healthcare industry private equity firm	<b>Instrumed International, inc.</b> , a manufacturer and provider of surgical instruments primarily to OEM accounts.	Roundtable's origins are from V. Mueller (Cardinal Allegiance) and global instrument markets. Here, it buys, a majority stake in a U.S. and German business it knows well.	10/17/2005
Medical Devices	<b>St. Jude Medical, Inc. (STJ)</b> , a manufacturer of cardiovascular medical devices.	<b>Advanced Neuromodulation Systems, Inc. (ANSI)</b> , a manufacturer of implantable neuromodulation devices for disorders of the central nervous system.	Provides St. Jude with a complementary technology platform in a rapidly-growing and under penetrated market gaining an immediate footprint, a broad portfolio and strengthening its international presence. The technology crossover will benefit both neuromodulation and cardiac rhythm management. Transaction value: \$1.3 billion. Medtronic leads the sector, with ANSI in	11/29/2005

Sector	Acquiring Party	Transferring Party	Comments/Rationale	Date
			second and Cyberonics in third. STJ sought to buy Cyberonics for \$525 million in 2004.	
Medical Devices	<b>St. Jude Medical, Inc. (NYSE:STJ)</b> , a manufacturer of cardiovascular medical devices.	<b>Savacor, Inc.</b> , a developer of heart failure diagnostic and therapy guidance products and technologies in clinical evaluation.	Savacor's small implantable sensor, in clinical trials, measures left atrial pressure and body temperature to help physicians detect and manage symptoms associated with progressive heart failure. Increased pressure in the left atrium is a predictor of pulmonary congestion, which is the leading cause of hospitalization for congestive heart failure patients. The deal, valued at \$50 million plus possible milestone payments, complements St. Jude's development efforts in managing the co-morbidities of heart failure patients.	12/1/2005
Medical Devices	<b>Surge Medical Solutions LLC</b> , a producer of engineered medical solutions for cardiovascular surgery emergency services applications.	<b>Arrested Heart Products Division of Chase Medical</b> , a manufacturer of products that treat heart failure and coronary artery disease.	Accelerates SMS' efforts to provide novel cardiovascular medical devices. Deal involves the purchase of various cardiovascular tools and accessories with an extensive distribution network.	11/3/2005
Medical Services	<b>Accredo Health Inc.</b> , a subsidiary of Medo Health Solutions, a manager of drug benefits programs.	<b>Pediatric Services of America Inc. (PSAI)</b> , a provider of pediatric private duty nurses.	In this \$72 million deal, Accredo acquires the specialty pharmacy business of PSAI, which is complementary.	12/20/2005
Medical Services	<b>Amerifit Nutrition, Inc.</b> , a health and wellness-products company and a unit of Charterhouse financial.	<b>The women's health products division of PolyMedica Corporation (PLMD)</b> , a provider of diabetic supplies blood glucose testing supplies.	In this \$45 million deal, Amerifit, buys a leading manufacturer and marketer of OTC and prescription products oriented toward urinary tract health. The division accounted for \$16.8 million in net revenue and \$6.8 million in operating income for the fiscal year that ended March 31.	10/3/2005
Medical Services	<b>Global Healthcare Exchange, LLC (GHX)</b> , a provider of electronic trading exchange products and services to the health-care industry.	<b>Neoforma, Inc.(NEOF)</b> , a provider of supply chain management solutions for the health-care industry.	The combined company will offer supply chain products and services which improve efficiencies for both providers and suppliers. Neoforma has not been profitable.	10/11/2005

Sector	Acquiring Party	Transferring Party	Comments/Rationale	Date
Medical Services	<b>Humana Inc (NYSE:HUM)</b> , one of the nation's largest health benefits companies, with about 7 million medical members.	<b>Corphealth Inc.</b> , a behavioral health care management company.	In this \$54 million cash deal, Humana acquires a nationwide network of 22,000 behavioral health providers and serves about 2 million members.	12/22/2005
Medical Services	<b>Magellan Health Services, Inc. (Nasdaq:MGLN)</b> , a leading behavioral health care management organization.	<b>National Imaging Associates, Inc.</b> , a privately held radiology benefits management firm.	In this \$122 million deal, Magellan diversifies its behavioral health core to provide benefits management in the fast growing radiology field, while leveraging its strengths in underwriting, claims payment and provider network management. Cash flow from operations for NIA during the 10 months is expected to be approximately \$9 million.	12/13/2005
Medical Services	<b>Matria Healthcare, Inc. (Nasdaq: MATR)</b> , a leading provider of comprehensive health enhancement programs (for major chronic diseases and episodic conditions).	<b>CorSolutions Medical, Inc.</b> , a leading provider of disease management and related services.	Expands Matria's offerings and organization to cover disease management and related areas: wellness, productivity, behavioral health, physician connectivity, pharmacy management, women's health, and commercialized informatics. Deal price \$445 million cash. CorSolutions's revenue are EBITDA were \$120 million and \$38 million, respectively.	12/15/2005
Medical Services	<b>MSO Holdings</b> , an obesity disease management company.	<b>Resources for Living</b> , a behavioral wellness company	This \$15 million deal combines two complementary behavioral wellness companies.	11/17/2005
Medical Services	<b>The Blackstone Group</b> , a global investment and advisory firm.	<b>TeamHealth, Inc.</b> , a leading provider of outsourced physician staffing and administrative services to hospitals and other healthcare provider.	In 1999 TeamHealth was purchased by an investor group comprising Madison Dearborn Partners LLC, Cornerstone Equity Investors LLC, Beecken Petty O'Keefe & Company, and members of TeamHealth's management team. Here, Blackstone seeks to continue TeamHealth's growth.	11/25/2005
Medical Services	<b>UnitedHealth Group</b> , a large diversified managed care organization.	<b>PacificCare Health Systems</b> , a large health organizations, offering consumers health care and life insurance products.	Combines and leverages the resources of two complementary businesses in the western United States, as well as nationally. Transaction price -- \$9.2 billion.	12/21/2005

Sector	Acquiring Party	Transferring Party	Comments/Rationale	Date
Medical Services	<b>UnitedHealth Group</b> , a large managed care organization.	<b>John Deere Health Care</b> , a regional managed care provider.	This \$500 million stock deal fills out UnitedHealth's network, geographical coverage and offerings.	12/5/2005
Medical Services	<b>Warburg Pincus and Soros Private Equity</b> , two prominent private equity firms.	<b>Parthenon Capital's portfolio company, Spheris, Inc.</b> , a provider of medical transcription services to leading acute-care hospitals and group medical practices.	This is a recap, with existing management and new ownership. Spheris is the second largest medical transcription company in the U.S. It was formed in 2003 through Total eMed's acquisition of EdiX. New growth initiatives are set under the new program.	11/8/2005