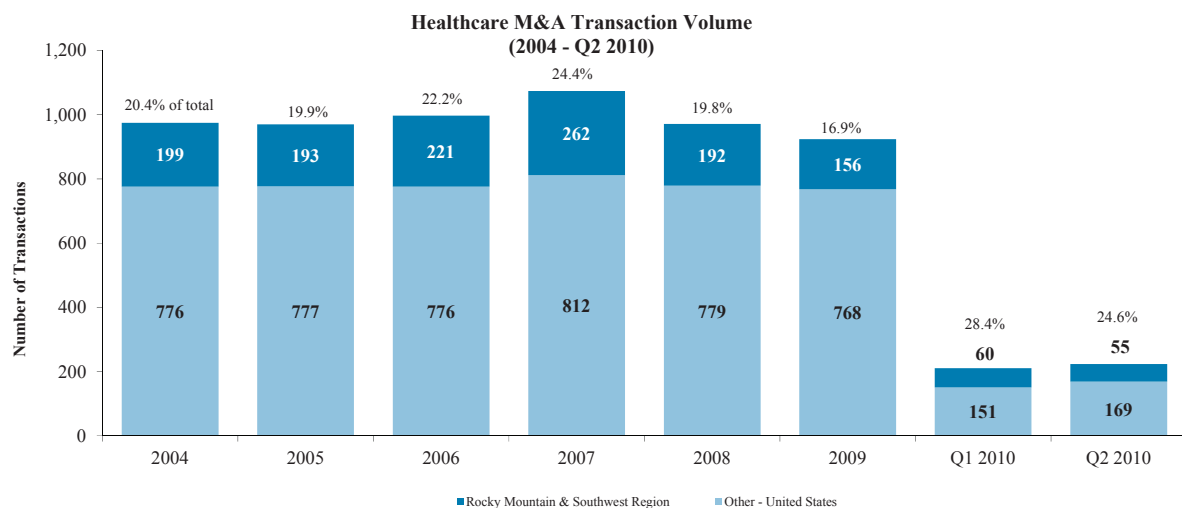
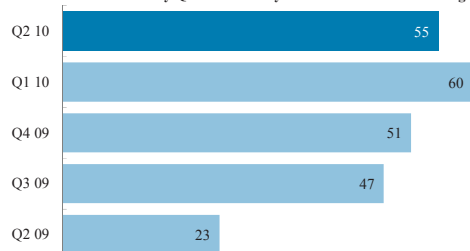


Q2 2010 Healthcare M&A Activity in the Rocky Mountain & Southwest Region



- During Q2 2010, the Rocky Mountain & Southwest region⁽¹⁾ (“RMSW”) accounted for approximately 24.6% of a total 224 domestic healthcare transactions, a slight decrease from the 28.4% experienced in Q1 2010.
- With 55 total transactions during Q2 2010, healthcare M&A activity in the RMSW remained relatively flat when compared to the previous three quarters.
- Texas led the RMSW with 16 transactions, representing 29.1% of the total volume in the region during the second quarter. Arizona and Nevada both experienced the second highest activity with 4 transactions each.

M&A Volume by Quarter - Rocky Mountain & Southwest Region



⁽¹⁾ Transactions include healthcare organizations with buyers and/or sellers in the Rocky Mountain & Southwest region (AZ, CO, ID, MT, NV, NM, TX, UT, WY).

Note: As new company M&A information is reported, St. Charles re-evaluates historical M&A volume data to reflect accurate historical volume; as a result, data in the charts above may vary slightly from previous newsletters.

Data Sources: Irving Levin Associates and Capital IQ

A Healthy Perspective - Market Review and Outlook for the Rocky Mountain & Southwest Region



Deal Spotlight: Gentiva Health Services, Inc. Announced Acquisition of Odyssey HealthCare, Inc.

On May 23, 2010 Gentiva Health Services, Inc. announced the acquisition of Odyssey HealthCare, Inc. for approximately \$1 billion, representing an EV / Revenue multiple of 1.3x and an EV / EBITDA multiple of 10.5x. Odyssey HealthCare, Inc. provides hospice care services focused on palliative care, which refers to care directed at managing pain and other discomforting symptoms, for patients with life-limiting illnesses and addressing the psychosocial and spiritual needs of patients and their families. The newly combined entity is expected to generate more than \$1.8 billion in revenue annually and will have an average daily patient census of 14,000 across 30 states. The deal is targeted to close in the third quarter of 2010. Arthur Henderson, analyst of Jefferies & Co., called the acquisition “a strategically sound move that will not only drive incremental growth for the company, but will also allow it to diversify its business while generating operations synergies.” Mr. Henderson added, “The Odyssey acquisition should add at least \$0.20 to Gentiva’s FY2011 EPS.”



Healthcare IT Funding and M&A Volumes Down but Values Up in Q2 2010

VC and other funding, including equipment financing, for the healthcare IT sector dropped in volume from Q1 to Q2, with six total deals being reported in Q2, while the amount of funding increased 44% to \$118 million. While reported healthcare IT transactions decreased from Q1, total value rose more than 250% to approximately \$2.2 billion in Q2 as compared to \$618 million in Q1. Raj Prabhu, Managing Partner of Mercom Capital Group, stated, “Q2 was a strong quarter for the healthcare technology sector with a lot of activity, both in equity investments and with some significant M&A transactions.”

Healthcare M&A Activity Forecasted to Increase in 2010

In a survey published by Mergermarket.com, Epstein Becker & Green, P.C., and Rodman & Renshaw LLC, more than 75 U.S. healthcare investors predict M&A activity to make steady increases across several industries in the healthcare sector. However, specific deal drivers are expected to vary substantially between subsectors. According to the survey, government reform initiatives are anticipated to be the most significant drivers of M&A activity for healthcare payors, providers, and healthcare services companies. M&A activity for biotechnology, pharmaceuticals and medical device companies will likely be driven by new product and technology developments. As stated in the article published by Healthcarepackaging.com, “Financial buyers are expected to be the most active acquirers in the healthcare services industry, which covers healthcare IT and data management, while strategic buyers will be more prominent in the biotechnology and pharmaceutical market following on major large-cap consolidation over the past year.”

Data Sources: Wall Street Journal, Mercom Capital Group, Capital IQ, Healthcare Packaging

Q2 2010 Selected M&A and Capital Formation Transactions in the Rocky Mountain & Southwest Region

Date Ann'd/ Closed	Status	Target/Issuer <i>Target Business Description</i>	Location (Target)	Sub-Sector (Target)	Buyer/Investors	Location (Buyer)	Total Trans Value (\$mm)	EV/ Revenue Multiple	EV/ EBITDA Multiple
6/30/10	Closed	K-Kitz, Inc. <i>Designs, assembles, markets, and sells emergency preparedness kits and supplies to school systems, municipalities, businesses, and other customers.</i>	Ohio	Healthcare Supplies	Bacterin International Holdings, Inc.	Montana	-	-	-
6/30/10	Closed	Affilion, Inc. <i>Offers physician staffing and related management services for the hospital emergency room.</i>	Arizona	Healthcare Services	EmCare, Inc. (Division of EMS Corp.)	Colorado	-	-	-
6/21/10	Closed	VendorClear <i>Provides Web-based vendor access services for healthcare facilities and vendor representatives.</i>	Minnesota	Healthcare Technology	REPTrax, Inc.	Texas	-	-	-
6/11/10	Closed	Hercon Instruments, Inc. <i>Manufacturer of precision machined components and provides wire and sinker electrical discharge machinery (EDM) services.</i>	Texas	Healthcare Equipment	King Southwest and Consulting, Inc.	Texas	-	-	-
6/9/10	Closed	Sound Design Technologies Ltd. <i>Manufactures hearing instruments and includes products designed into hearing aids and assisted listening devices from a variety of OEMs in the hearing market.</i>	Canada	Healthcare Equipment	ON Semiconductor Corp.	Arizona	\$32.0	-	-
6/8/10	Ann'd	Certain Medical Device Assets of Becton, Dickinson & Co. <i>Medical devices, which are used in healthcare settings.</i>	New Jersey	Healthcare Supplies	Argon Medical Devices, Inc. and Other Related Entities	Texas	-	-	-
6/7/10	Closed	DocTalk, Inc. <i>Offers various health plans and Dial-a-Doc, a service, which provides doctor consulting services on telephone.</i>	Wyoming	Healthcare Services	Medivo, Inc.	New York	-	-	-
5/28/10	Ann'd	Wellness Center <i>Healthcare facility offering healthcare services.</i>	Nevada	Healthcare Facilities	HST Global, Inc.	Virginia	-	-	-
5/26/10	Ann'd	Northstar Healthcare, Inc. <i>Develops, owns, and operates ambulatory surgery centers in the United States with a focus on various clinical specialties and pain management clinics.</i>	Texas	Healthcare Services	Donald L. Kramer	-	\$16.8	0.5x	3.3x
5/26/10	Closed	Kidney Center, Inc. <i>Comprises five dialysis centers which offers dialysis services for patients with end stage renal disease or kidney failure.</i>	California	Healthcare Facilities	DaVita, Inc.	Colorado	-	-	-
5/24/10	Closed	Idaho Home Health And Hospice, Inc. <i>Provides home care services including home health, hospice, personal care, oxygen, and medical supplies.</i>	Idaho	Healthcare Services	LHC Group, Inc.	Louisiana	-	-	-
5/23/10	Ann'd	Odyssey Healthcare, Inc. <i>Provide hospice care services focused on palliative care for patients with life-limiting illnesses.</i>	Texas	Healthcare Services	Gentiva Health Services, Inc.	Georgia	\$1,042.7	1.3x	10.5x
5/21/10	Closed	Pelican Applications LLC <i>Provides Web-based healthcare credentialing software solutions for small and medium size health care practices.</i>	California	Healthcare Technology	Vertical Computer Systems, Inc.	Texas	-	-	-
5/21/10	Ann'd	Arizona Heart Institute Ltd. <i>Provides cardiovascular care services.</i>	Arizona	Healthcare Facilities	Vanguard Health Systems, Inc.	Tennessee	-	-	-
5/17/10	Closed	Organ Transport Systems, Inc. <i>A biomedical company that develops and commercializes portable hypothermic oxygenated preservation and transport technology for human organs.</i>	Texas	Healthcare Equipment	Healthcare Of Today, Inc.	California	-	-	-
5/13/10	Ann'd	Healthscope Ltd. <i>Provides healthcare services including the ownership and management of surgical and non surgical private hospitals and medical centers, as well as provides diagnostic services.</i>	Australia	Healthcare Facilities	TPG, Carlyle; Blackstone	Various	\$2,044.1	1.4x	10.4x
5/10/10	Closed	Villa de San Antonio <i>Provides senior housing and health services including independent living cottage homes, apartment homes, and assisted living facilities.</i>	Texas	Healthcare Facilities	Kisco Senior Living LLC	California	\$17.2	-	-
5/7/10	Closed	Williams A. Ambulance, Inc. <i>Operates ambulances and wheelchair vans and also offers emergency medical professional services.</i>	Texas	Healthcare Services	Acadian Ambulance Service, Inc.	Louisiana	-	-	-
5/5/10	Closed	HealthTronics, Inc. <i>Provides healthcare services, and manufactures medical devices primarily for the urology community in the United States and offers lithotripsy services.</i>	Texas	Healthcare Equipment	Endo Pharmaceuticals Holdings, Inc.	Pennsylvania	\$309.2	1.6x	3.8x
5/4/10	Closed	Orasphere Ltd. <i>Develops and markets dental patient education software solutions to dentists to improve their dental practices in the United States and internationally.</i>	Vermont	Healthcare Technology	Curve Dental, Inc.	Utah	-	-	-
5/3/10	Closed	Gold Coast Ambulance Service, Inc. <i>Provides emergency response and non-emergency ambulance services as well as a 24 hour inter-facility, home to hospital, and retirement facility transportation.</i>	California	Healthcare Distribution	American Medical Response, Inc.	Colorado	-	-	-
5/1/10	Closed	Horizon Home Health & Hospice, Inc. <i>Provides home health and hospice services to patients and their families.</i>	Idaho	Healthcare Services	The Ensign Group, Inc.	California	-	-	-
4/30/10	Closed	Electronic Translations and Transmittals Corp. <i>Provides electronic transactions for medical, dental, and institutional claims.</i>	Arizona	Healthcare Technology	Health-e-Web, Inc.	Montana	-	-	-
4/27/10	Ann'd	American Homepatient, Inc. <i>Engages in the provision of home health care services and products for respiratory and infusion therapies, rental and sale of home medical equipment and home health care supplies.</i>	Tennessee	Healthcare Services	Highland Capital Management, LP	Texas	\$240.7	1.0x	21.3x
4/27/10	Closed	Columbia Medical Center of Arlington Subsidiary, LP <i>Operates as an acute care hospital in South Arlington.</i>	Texas	Healthcare Facilities	Brookings Health System	South Dakota	-	-	-
4/21/10	Closed	Desert Canyon Rehabilitation Hospital <i>Provides rehabilitation care for patients over the age of 18 whose ability to function has been impaired by injury or illness in the Western United States.</i>	Nevada	Healthcare Facilities	HEALTHSOUTH Corp.	Alabama	-	-	-
4/15/10	Closed	First HSA, Inc. <i>Provides health savings and medical savings accounts administration services in the United States.</i>	Pennsylvania	Healthcare Services	HealthEquity, Inc.	Utah	-	-	-

EV: Enterprise Value | EBITDA: Earnings before Interest, Taxes, Depreciation and Amortization | NA (or -): Data Not Available | NM: Not a meaningful figure

Q2 2010 Selected M&A and Capital Formation Transactions in the Rocky Mountain & Southwest Region

Date	Ann'd/ Closed	Status	Target/Issuer Target Business Description	Location (Target)	Sub-Sector (Target)	Buyer/Investors	Location (Buyer)	Total Trans Value (\$mm)	EV/ Revenue Multiple	EV/ EBITDA Multiple
4/15/10	Closed		Genome Research Group <i>Develops and markets cancer detection systems and related therapeutic technologies.</i>	England	Healthcare Equipment	ChromoCure, Inc.	Nevada	\$29.0	-	-
4/13/10	Ann'd		BEE Mobile, Inc. <i>Services and rents power wheelchairs and scooters as well as rehabilitation equipment.</i>	California	Healthcare Distributors	Medex, Inc.	Nevada	-	-	-
4/13/10	Closed		Dialysis Corp. of America <i>Develops, owns, and operates outpatient kidney dialysis centers in the United States and internationally.</i>	Maryland	Healthcare Services	U.S. Renal Care, Inc.	Texas	\$121.9	1.2x	12.4x
4/12/10	Closed		Citrus Health Care, Inc. <i>Operates as a health maintenance organization (HMO) and offers various managed health plans that provide preventive healthcare services.</i>	Florida	Managed Healthcare	Physicians Health Choice LLC	Texas	-	-	-
4/9/10	Closed		Mountain View Hospital LLC <i>Operates as a hospital and offers inpatient, outpatient, diagnostic, and rehabilitative services for patients.</i>	Idaho	Healthcare Facilities	SMBI Idaho LLC	Tennessee	\$38.0	1.0x	-
4/6/10	Ann'd		Knapp Medical Center, Inc. <i>Not-for-profit organization that operates an acute care hospital in South Texas.</i>	Texas	Healthcare Facilities	Valley Baptist Health System	Texas	-	-	-
4/5/10	Closed		Healthsoft, Inc. <i>Comprises oral and maxillofacial surgery and dental practice management software.</i>	Texas	Healthcare Technology	Practiceworks Systems LLC	Georgia	-	-	-
4/2/10	Closed		Trident Imaging Services LLC <i>Engages in the sale and service of new, refurbished, reconditioned, and pre-owned medical imaging equipment solutions.</i>	Texas	Healthcare Distributors	Global Medical Imaging LLC	N. Carolina	-	-	-

EV: Enterprise Value | EBITDA: Earnings before Interest, Taxes, Depreciation and Amortization | NA (or -): Data Not Available | NM: Not a meaningful figure

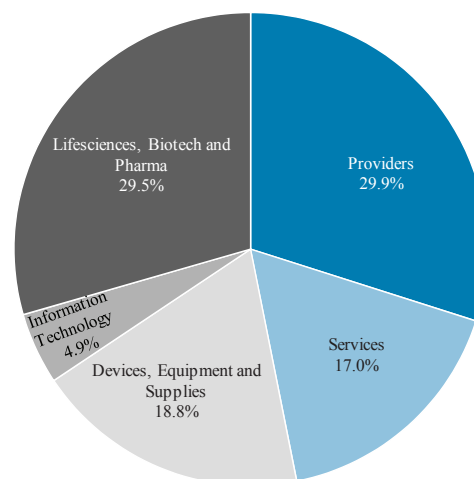
National Healthcare M&A Activity

Healthcare M&A volume during the second quarter of 2010 increased when compared to the first quarter of 2010, with a total of 224 transactions to 217, representing a 6.2% increase. Transaction value, which represents aggregate value of deals where the acquirer announces purchase price, also increased over the same time period. The Providers, Services, and Equipment, Devices and Supplies sectors experienced volume increases in the second quarter as compared to the first. The rise in deal volume from the previous quarter is thought to be driven mainly by healthcare reform which has created numerous consolidation opportunities within the healthcare industry.

The Providers sector witnessed the most activity during the first quarter of 2010 with 29.9% of total transaction volume, driven primarily by long-term care transactions. This sector narrowly surpassed the Lifesciences, Biotech and Pharma sector which represented 29.5% of total volume and previously experienced four consecutive quarters of leading activity. The previous four quarters volume in the Lifesciences sector represented 33%, 34%, 32% and 35%, respectively.

(\$ in millions)	Q2 2010				Volume % Change	
	Volume	% of Total	Est. Total Trans. Value ⁽¹⁾	% of Total	vs. Q2 2009	vs. Q1 2010
Providers	67	29.9%	\$5,503.4	12.0%	19.6%	34.0%
Services	38	17.0%	\$4,859.8	10.6%	22.6%	22.6%
Equipment, Devices and Supplies	42	18.8%	\$5,038.8	11.0%	(14.3%)	7.7%
Information Technology	11	4.9%	\$2,422.2	5.3%	(42.1%)	(50.0%)
Lifesciences, Biotech and Pharma	66	29.5%	\$27,990.6	61.1%	(18.5%)	(4.3%)
TOTAL	224	100.0%	\$45,814.9	100.0%	(19.7%)	6.2%

Reported M&A Volume - Q2 2010



⁽¹⁾ Estimated Total Transaction Value represents aggregate value of deals where acquirer announced purchase price.

Data Source: Irving Levin Associates

Healthcare Public Equity Markets Analysis

St. Charles Capital closely monitors over 200 publicly traded companies across more than 25 sub-sectors of the healthcare industry to assess valuation multiples and capital market trends. As illustrated in the tables below, valuations were mixed; the average EV/LTM EBITDA multiple decreased to 9.3x from 9.9x, while the average EV/LTM Revenue multiple increased to 1.6x from 1.5x when compared to the previous quarter. Additionally, profitability improved with LTM Gross and EBITDA margins increasing from 43.6% and 13.9% to 43.9% and 15.0%, respectively.

As of: June 30, 2010 (median values)	Growth		Margins		Ratios		
	3-Year CAGR		Profitability		Valuation		Leverage
Healthcare Sector	Revenue	EBITDA	LTM Gross	LTM EBITDA	EV/LTM Revenue	EV/LTM EBITDA	Debt/LTM EBITDA
Healthcare Providers	11.6%	13.3%	35.3%	13.5%	0.9x	6.4x	2.4x
Healthcare Services	9.9%	11.1%	28.1%	11.0%	0.8x	6.3x	1.5x
Medical Devices, Equipment and Supplies	9.6%	13.4%	55.3%	20.0%	2.0x	8.8x	1.2x
Healthcare Information Technology	6.3%	15.4%	57.0%	15.5%	2.6x	15.6x	1.5x
Average	9.4%	13.3%	43.9%	15.0%	1.6x	9.3x	1.6x

Data Source: Capital IQ

LTM: Last Twelve Months of Reported Data

CAGR: Compounded Annual Growth Rate

EBITDA: Earnings Before Interest, Taxes, Depreciation, and Amortization

EV: Enterprise Value of the Business

Note: The data in the table above represents St. Charles Capital's proprietary analysis of over 200 public healthcare companies in the sectors defined above.

About St. Charles Capital

Headquartered in Denver, Colorado, St. Charles Capital provides investment banking advisory services for middle-market companies across the United States. We are distinguished by the experience level of our senior members, our deep industry expertise, and our track record of successful investment banking engagements. St. Charles' team of bankers has more than 165 combined years of experience and has collectively closed more than 200 transactions valued in excess of \$7.25 billion in total consideration. Our proven approach to managing a confidential and competitive process has led to a history of successful transactions for our clients.

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