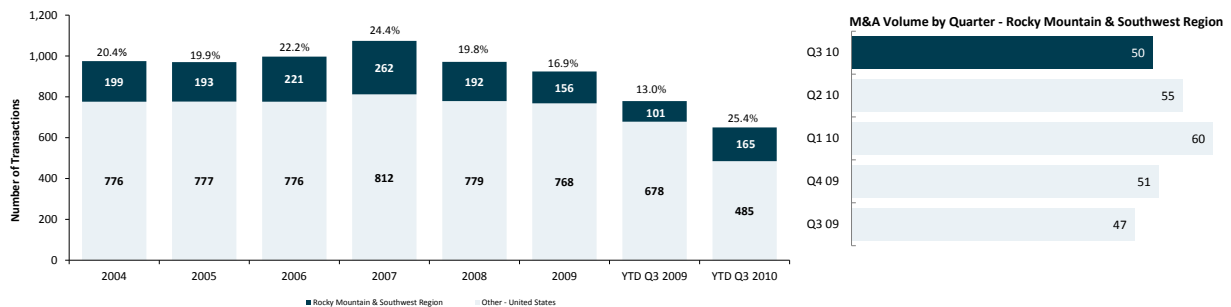


Q3 2010

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

Healthcare M&A Transaction Volume (2004 – Q3 2010)



- During YTD Q3 2010, the Rocky Mountain & Southwest region⁽¹⁾ (“RMSW”) accounted for approximately 25.4% of the total 650 domestic healthcare transactions, a significant increase from the 13.0% experienced over the same period in 2009.
- With 50 total transactions during Q3 2010, healthcare M&A activity in the RMSW fell when compared to the previous three quarters.
- Texas led the RMSW with 29 transactions, representing 58.0% of the total volume in the region during the third quarter. Arizona experienced the second highest activity with 11 transactions and Colorado had the third most with six transactions.

⁽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: Virtual Radiological Corporation Announced Acquisition of NightHawk Radiology Holdings, Inc.

On September 26, 2010 Virtual Radiological Corporation announced the acquisition of NightHawk Radiology Holdings, Inc. for approximately \$170 million, or \$6.50 a share. The total transaction value is \$220 million with the inclusion of net assumed liabilities and cash, representing an EV / Revenue multiple of 1.2x and an EV / EBITDA multiple of 8.0x. NightHawk Radiology Holdings provides professional services, business services, and clinical workflow technology to radiology groups and hospitals. The newly combined entity is expected to enhance offered services to hospitals by providing approximately 325 radiologists in 2,700 healthcare facilities across the country. The deal is expected to close in the first quarter of 2010. David Engert, President and CEO of NightHawk, stated, “The combination of our collective assets will enable us to better meet our clients’ rapidly expanding needs and will enhance our ability to partner with local radiologists to address the needs of local hospitals, physicians and the patients they serve.”

Financial Buyers Increase Healthcare M&A Spending in the Third Quarter from Prior Quarter

Financial buyer-backed healthcare M&A spending totaled \$14.4 billion in Q3 from 22 announced deals. Financial buyers, including private equity firms, represented 22% of all dollars spent in the third quarter of 2010. As compared to the second quarter, healthcare M&A spending from financial buyers increased by approximately \$10.6 billion, or 280%, from \$3.8 billion. Stephen Monroe, managing editor at Irving Levin Associates, commented, “Private equity groups in particular have found many opportunities in the healthcare industry to deploy the capital that has been sitting on the sidelines.”

47 Percent of Private Companies Believe Healthcare Reform May Have Notable Financial Impact on Businesses

In a survey published by PricewaterhouseCoopers nearly half of the participating executives claimed that the Patient Protection and Affordable Care Act may have a notable financial impact on their respective businesses. The survey titled “PwC’s Private Company Trendsetter Barometer” surveyed 224 CEOs/CFOs of leading privately held US businesses. Based on the results of the survey, 47% of executives surveyed say the Act may have a notable financial impact while 31% of respondents stated that it is still too soon to tell how the new provisions in the Act will impact companies and 20% don’t anticipate a notable financial impact. Furthermore, 31% expect the Medicare tax increase and 26% expect the net investment income tax to have a moderate to significant effect on businesses. According to Ken Esch, a partner in PwC’s Private Company Services practice, “This is an interesting time for Trendsetter CEOs, when you consider they’ll be implementing new healthcare requirements in tandem with increasing tax rates. It’s possible this could create a cash flow issue as CEO’s look to continue reinvesting in their business.”

Data Sources: Capital IQ, International Business Times, Healthcare Finance News, Irving Levin Associates, PricewaterhouseCoopers LLP

HEALTHCARE MARKET REPORT

Q3 2010 Select M&A and Capital Formation Transactions in the Rocky Mountain & Southwest Region

Date	Ann'd/ Closed	Status	Target/Issuer	Location (Target)	Sub-Sector (Target)	Buyer/Investors	Location (Buyer)	Total Trans Value (\$mm)	EV/ Revenue Multiple	EV/ EBITDA Multiple
9/30/10	Closed		Fidelis Partners, Inc. <i>Provides healthcare recruitment and consulting services to healthcare systems, hospitals, physician groups, and academic institutions.</i>	California	Healthcare Services	Medestar	Texas	-	-	-
9/29/10	Closed		TMJ Implants, Inc. <i>Designs and manufactures alloplastic implants for the treatment of joint disorders and injuries. It offers prostheses and patient-specific implants for joint reconstruction.</i>	Colorado	Healthcare Equipment	Crocker Ventures	Utah	-	-	-
9/26/10	Ann'd		NightHawk Radiology Holdings, Inc. <i>Provides professional services, business services, and clinical workflow technology to radiology groups and hospitals.</i>	Arizona	Healthcare Services	Virtual Radiologic Corporation	Minnesota	\$219.9	1.2x	8.0x
9/24/10	Closed		Carex Health Brands, Inc. <i>Offers home self-care medical products including aids to daily living products.</i>	South Dakota	Healthcare Equipment	Ancor Capital Partners	Texas	-	-	-
9/22/10	Closed		Caring Senior Service, Inc. <i>Provides in-home non-medical care services for seniors.</i>	Texas	Healthcare Services	Private	NA	-	-	-
9/21/10	Closed		U.S. Spinal Technologies LLC <i>Operates as a medical device company that develops, manufactures, and distributes spinal implants and instruments.</i>	Florida	Healthcare Equipment	Amedica Corporation	Utah	-	-	-
9/21/10	Ann'd		Pridemark Paramedic Services LLC <i>Provides emergency and non-emergency medical care and transportation services.</i>	Colorado	Healthcare Services	Rural/Metro Corporation	Arizona	-	-	-
9/17/10	Closed		MediStaff Corporation <i>Provides personnel staffing services with plans to provide temporary medical staff to hospitals, clinics, and nursing homes.</i>	Utah	Healthcare Services	Company Management	NA	\$0.04	-	-
9/14/10	Ann'd		GTESS Corporation <i>Offers on demand claims processing solutions for the healthcare industry.</i>	Texas	Healthcare Technology	Tricom Infotech Solutions, Inc.	Massachusetts	-	-	-
9/13/10	Closed		Health Blueprints, Inc. <i>Provides hospital revenue cycle consulting services for healthcare organizations.</i>	Texas	Healthcare Services	NCO Group, Inc.	Pennsylvania	-	-	-
9/9/10	Closed		MediNomics LLC <i>Provides practice management services to independent physicians.</i>	Louisiana	Healthcare Services	PracticeMax, Inc.	Arizona	-	-	-
8/26/10	Closed		MedTexx <i>Manufactures disposable black latex examination gloves.</i>	NA	Healthcare Equipment	Microflex Corporation	Nevada	-	-	-
8/25/10	Closed		TrinityCare Senior Living, Inc. <i>Develops, owns, and manages senior living facilities that focus on providing independent living, assisted living, memory care, and adult day care services in a single location.</i>	Texas	Healthcare Facilities	SeaBridge Freight Corporation	Florida	-	-	-
8/24/10	Closed		Three Nursing and Rehabilitation Centers <i>Comprises three nursing and rehabilitation centers and offers healthcare services.</i>	Texas	Healthcare Facilities	Kindred Healthcare, Inc.	Kentucky	\$38.0	1.6x	12.7x
8/19/10	Closed		MyHealthFunds, Inc. <i>Provides tools, education, and support to employers and employees to implement consumer directed healthcare programs.</i>	Colorado	Healthcare Services	Consumer Health Technologies, Inc.	Florida	-	-	-
8/17/10	Closed		Consolidated Health Services, Inc. <i>Offers healthcare management and healthcare support services including home healthcare, home infusion therapy, non-emergency medical transportation, and home medical equipment.</i>	Ohio	Healthcare Services	Catholic Health Initiatives	Colorado	-	-	-
8/17/10	Closed		Eagle Hospital Physicians LLC <i>Develops and manages hospitalist programs to hospitals and payors.</i>	Georgia	Healthcare Services	Various	Texas	-	-	-
8/16/10	Closed		Roberto L Villarreal MD PA <i>Provides cardiology services to pediatric patients.</i>	Texas	Healthcare Services	MEDNAX, Inc.	Florida	-	-	-
8/13/10	Closed		Epic MedStaff Services, Inc. <i>Provides home healthcare services to medically fragile children.</i>	Texas	Healthcare Services	Webster Capital	Massachusetts	-	-	-
8/6/10	Closed		Arizona Heart Hospital LLC <i>Operates as a hospital for the diagnosis and treatment of cardiovascular diseases, and offers interventional and surgical treatments for a range of heart, lung, and vascular disorders, as well as chronic wounds.</i>	Arizona	Healthcare Facilities	Abrazo Advantage Health Plan, Inc.	Arizona	\$32.3	-	-
8/6/10	Closed		USA Therapy, Inc. <i>Provides short term, long term, and temporary to permanent placements of qualified and licensed therapists across multiple specialties.</i>	Nevada	Healthcare Services	USA Therapy, Inc.	Nevada	-	-	-
8/4/10	Closed		Voyager HospiceCare, Inc. <i>Provides hospice services and care to patients and families.</i>	Texas	Healthcare Facilities	Harden Healthcare Texas LLC	Texas	-	-	-
8/4/10	Closed		Solara Healthcare LLC <i>Operates as a long-term acute care hospital company, serving patients who have chronic or catastrophic care needs and who depend upon ventilators or other life-support.</i>	Texas	Healthcare Facilities	Cornerstone Healthcare Group	Texas	-	-	-
8/2/10	Closed		Willow Creek <i>Comprises of a 116 unit Alzheimer's and assisted living facility.</i>	Arizona	Healthcare Facilities	Private	NA	\$7.1	-	-
8/2/10	Closed		Nelco Laboratories, Inc. <i>Produces and markets injection-based vaccines.</i>	New York	Healthcare Services	ALK-Abelló, Inc.	Texas	\$2.8	-	-
7/30/10	Closed		Symphony Icon, Inc. <i>Develops products for cognitive disorders, irritable bowel syndrome, and gastrointestinal disorders.</i>	United States	Healthcare Services	Lexicon Pharmaceuticals, Inc.	Texas	\$90.0	-	-
7/28/10	Closed		Medfinders, Inc. <i>Provides healthcare staffing services, including vendor managed services and managed staffing programs.</i>	Texas	Healthcare Services	AMN Healthcare Services, Inc.	California	\$239.4	0.8x	-

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

Q3 2010 Select M&A and Capital Formation Transactions in the Rocky Mountain & Southwest Region

Date	Ann'd/ Closed	Status	Target/Issuer	Location (Target)	Sub-Sector (Target)	Buyer/Investors	Location (Buyer)	Total Trans Value (\$mm)	EV/ Revenue Multiple	EV/ EBITDA Multiple
7/27/10	Closed		Health Grades, Inc. <i>Provides proprietary, objective ratings of hospitals, nursing homes, and home health agencies as well as advisory services and information on physicians.</i>	Colorado	Healthcare Services	Vestar Capital Partners	New York	\$281.5	4.4x	19.6x
7/27/10	Closed		Sugar Land Rehabilitation Hospital LP. <i>Operates as an acute rehabilitation hospital.</i>	Texas	Healthcare Facilities	HEALTHSOUTH Corporation	Alabama	-	-	-
7/14/10	Closed		Global Rehab Inpatient Rehab Facility <i>An inpatient rehabilitation facility that includes 42 beds.</i>	Texas	Healthcare Facilities	Cornerstone Healthcare Plus REIT, Inc.	California	\$14.8	-	-
7/8/10	Closed		Manufacturing and Research, Inc. <i>Engages in designing, developing, and manufacturing medical devices.</i>	Arizona	Healthcare Equipment	Fenner plc	UK	-	-	-
7/6/10	Ann'd		Provista Diagnostics, Inc. <i>Offers clinical laboratory services such as testing for Alzheimer's disease, memory loss and cognitive impairment, the detection of breast cancer, and other diseases.</i>	Arizona	Healthcare Services	Radiant Pharmaceuticals Corporation	California	-	-	-
7/2/10	Ann'd		Medical Staffing Network Holdings, Inc. <i>Offers temporary healthcare staffing company services.</i>	Florida	Healthcare Services	Various	Texas	\$84.1	-	-
7/1/10	Closed		A Line Above LLC <i>Provides digital transcription services for medical providers, hospitals, and physician practices.</i>	Idaho	Healthcare Technology	TRS Institute LLC	N. Carolina	-	-	-
7/1/10	Closed		Austin Hospital Physicians, PA <i>Provides hospitalist services.</i>	Texas	Healthcare Services	IPC The Hospitalist Company, Inc.	California	-	-	-

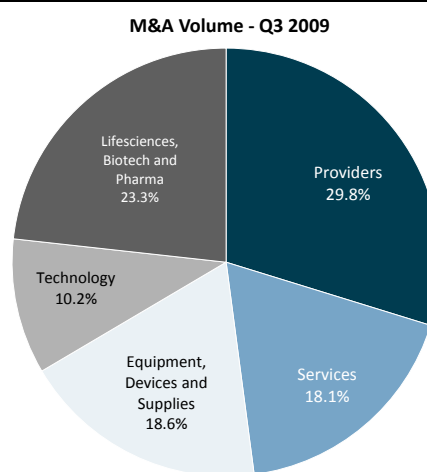
EV: Enterprise Value | EBITDA: Earnings before Interest, Taxes, Depreciation and Amortization | NA (or -): Data Not Available | NM: Not a meaningful figure

National Healthcare M&A Activity

Healthcare M&A volume during the third quarter of 2010 decreased when compared to the second quarter of 2010, with a total of 215 transactions compared to 234 in Q2, representing an (8.1%) decrease. Transaction value, which represents aggregate value of deals where the acquirer announces purchase price, increased over the same time period largely as a result of the Sanofi-Aventis \$17.6 billion acquisition of Genzyme Corporation. The Services and Technology sectors experienced volume increases in the third quarter as compared to the second. The fall in deal volume from the previous quarter is thought to be a result of uncertainty as the impact of healthcare reform and expected tax increases remain unknown within the healthcare industry.

The Providers sector witnessed the most activity during the first quarter of 2010 with 29.8% of total transaction volume, driven primarily by hospital transactions. This sector also had the most activity in the previous quarter with 31.6% of total volume. The Lifesciences, Biotech and Pharma sector had the second most activity in the third quarter with 23.3%. The activity in this sector was driven mainly by the increase in biotechnology transactions from the second quarter.

(\$ in millions)	Q3 2010				Volume % Change	
	Volume	% of Total	Est. Total Trans. Value ⁽¹⁾	% of Total	vs. Q3 2009	vs. Q2 2010
Providers	64	29.8%	\$7,169.1	10.9%	1.6%	(13.5%)
Services	39	18.1%	\$15,294.1	23.3%	21.9%	5.4%
Equipment, Devices and Supplies	40	18.6%	\$5,016.1	7.6%	(7.0%)	(9.1%)
Technology	22	10.2%	\$3,000.0	4.6%	4.8%	100.0%
Lifesciences, Biotech and Pharma	50	23.3%	\$35,276.8	53.6%	(37.5%)	(26.5%)
TOTAL	215	100.0%	\$65,756.0	100.0%	(10.0%)	(8.1%)



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

Data Source: Irving Levin Associates

St. Charles Capital, LLC, based in Denver, Colorado, provides expertise in mergers and acquisitions, raising private capital, and financial advisory services for middle-market companies across the United States. Visit our Healthcare Industry page at www.stcharlescapital.com.

HEALTHCARE MARKET REPORT

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 increased to 9.5x from 9.3x, while the average EV/LTM Revenue multiple decreased to 1.5x from 1.6x when compared to the previous quarter. Additionally, profitability improved with LTM Gross and EBITDA margins increasing from 43.9% and 15.0% to 44.7% and 15.2%, respectively.

St. Charles Capital Healthcare Industry Practice Healthcare Industry Public Company Valuation Overview

As of: **September 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	9.7%	10.8%	35.0%	13.3%	0.9x	7.1x	2.2x
Healthcare Services	9.4%	12.5%	27.8%	10.9%	0.6x	6.6x	1.3x
Medical Devices, Equipment and Supplies	9.0%	13.0%	55.6%	18.8%	2.0x	8.8x	1.2x
Healthcare Information Technology	6.5%	16.6%	60.4%	18.0%	2.4x	15.6x	1.7x
Average	8.6%	13.2%	44.7%	15.2%	1.5x	9.5x	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.

Healthcare

Technology

Diversified Industries

Financial Services

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