



Healthcare Industry Market Update

Q3 2012



Investment Banking Solutions for the Middle Market



Healthcare Industry Market Update

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I. Executive Summary

Introduction

The healthcare industry has been driven by strong long-term fundamentals, including (i) consistent population growth, (ii) demographic changes in an aging population, (iii) epidemiologic trends driven by the increasing prevalence of various health risk factors and chronic diseases, (iv) recession resistance characterized by the non-discretionary nature of healthcare spending, and (v) recent legislation focused on controlling healthcare expenditures and promoting the adoption and implementation of healthcare information technology.

This report will review recent trends related to the following topics:

- Performance of the major equity indices and League Park's proprietary healthcare equity indices representing key sectors within the healthcare industry;
- Public offering activity in the healthcare industry, including the volume and value of initial public offerings ("IPO") and follow-on public offerings by sector, with specific focus on the healthcare information technology ("IT") sector; and
- Mergers and acquisitions ("M&A") activity in the healthcare information technology sector, including the volume and value of strategic and sponsor transactions across all valuation ranges.

Public Equities

Since the recession, the S&P 500 Healthcare Index continues to perform at the leading edge of the major equity indices. Of League Park's proprietary healthcare equity indices, the healthcare IT sector has generated significantly higher returns than all other healthcare sectors, driven by the accelerating adoption of electronic medical records ("EMR") and other IT applications by healthcare providers. Over the past twelve months, positive momentum has also been observed in the healthcare services sector, as healthcare providers are increasingly seeking to outsource non-clinical functions to manage their overall cost structures.

Public Offerings

In the last twelve months ended September 30, 2012, League Park has tracked 39 public offerings across all sectors of the healthcare industry, comprising six IPOs and 33 follow-on offerings. Recent public offering activity in the healthcare IT sector was highlighted by the successful IPOs of Vocera Communications (NYSE:VCRA) and Greenway Medical Technologies (NYSE:GWAY), as well as follow-on offerings by Vocera Communications (NYSE:VCRA), Healthstream (NasdaqGS:HSTM), and Authentidate Holding Corporation (NasdaqCM:ADAT).

Mergers & Acquisitions

In the last twelve months ended September 30, 2012, League Park has tracked 214 M&A transactions in the healthcare IT sector, including 191 strategic transactions and 23 sponsor transactions. Recent M&A activity in the healthcare IT sector was highlighted by the following trends:

- Strong strategic interest in providers of content to enable clinical decision support solutions at the point-of-care;
- Abundant strategic interest in clinical workflow and computer-assisted coding ("CAC") solutions that streamline clinical documentation as well as chart abstracting and coding;
- Rapidly accelerating strategic M&A activity focused on acquiring novel data integration and analysis capabilities enabling healthcare providers and payors to address new care delivery and reimbursement models;
- Participation of public companies in going private transactions and divestitures of subsidiaries to private equity firms; and
- Ongoing consolidation activity occurring among providers of revenue cycle management and medical transcription solutions and services.

II. Public Equities

Major Equity Index Performance

League Park Advisors, LLC (“League Park”) evaluates the status of the healthcare industry relative to the overall market by tracking the performance of public companies comprising the following major equity indices:

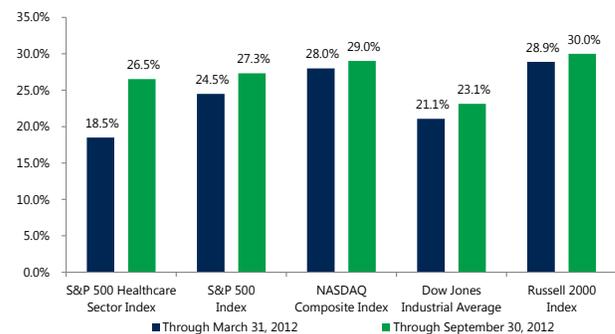
- S&P 500 Index (SPX) and S&P 500 Healthcare Index (HCX);
- NASDAQ Composite Index (COMP);
- Dow Jones Industrial Average (DJI); and
- Russell 2000 Index (RUT).

The major equity indices have followed similar trends in performance over the last five years, as depicted in **Figure 1** and **Figure 2**. After declining to a five-year trough during the recession in Q1 2009, the market has undergone two cycles of consistent recovery followed by short-term corrections observed in Q2 2010 and Q3 2011. In Q4 2011, the performance of the major equity indices stabilized and steadily improved through Q3 2012. Through the last twelve months ended September 30, 2012, all of the major equity indices have improved by more than 20%, with the majority of these gains realized in the first six months. This positive momentum, combined with the recent resolution of domestic elections, will be balanced against uncertainty surrounding the impending fiscal cliff in Q4 2012 and leading into Q1 2013.

The S&P 500 Healthcare Index has historically been characterized by a unique combination of less susceptibility to market-wide declines (i.e., as observed from Q4 2008 through Q1 2009) and more favorable long-term growth prospects. In comparison to the recent performance of the major equity indices, the S&P 500 Healthcare Index demonstrated more stability in Q3 2011 as well as more consistent growth over the last twelve months, posting gains of 18.5% through March 31, 2012 and an additional 8.0% through September 30, 2012.

Figure 1: Major Equity Index Returns

Periods Began October 1, 2011 and Ended March 31, 2012 and September 30, 2012
% change in closing prices

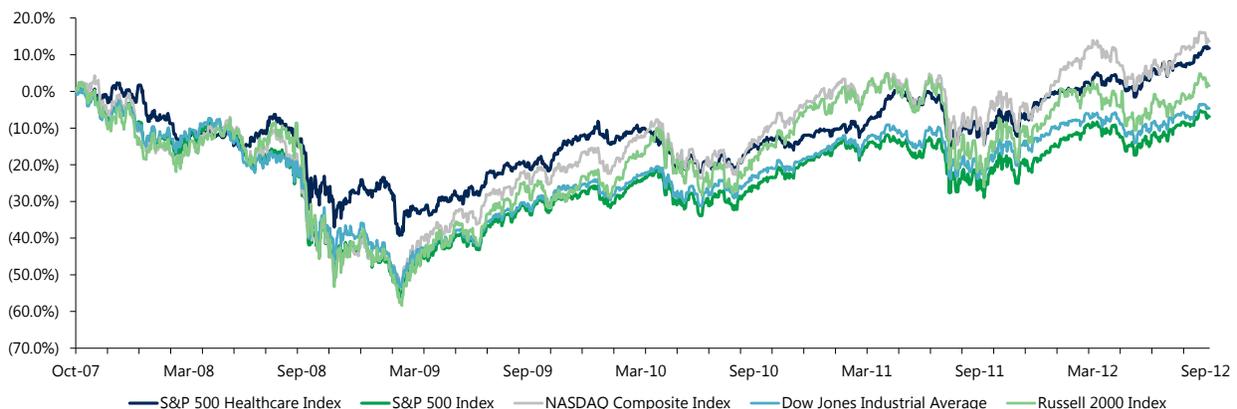


Source: CapitalIQ.

Figure 2: Major Equity Index Performance

October 1, 2007 – September 30, 2012

% change in closing prices



Source: CapitalIQ.

Healthcare Equity Index Performance

League Park has identified and continues to monitor the performance of more than 350 public companies participating in key sectors of the healthcare industry. Approximately 150 public companies have been qualified for inclusion in the following proprietary healthcare equity indices – Healthcare Information Technology, Healthcare Services, Healthcare Providers, Healthcare Distribution, Healthcare Supplies, Medical Devices, Healthcare Equipment, and Third Party Payors.

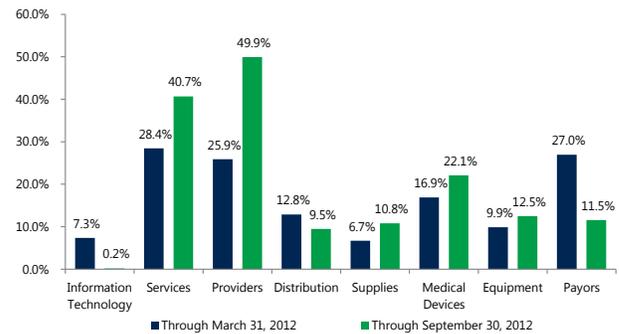
As depicted in **Figure 3**, all of the healthcare equity indices have posted positive gains for the last twelve months ended September 30, 2012. However, performance has varied substantially by sector. The healthcare information technology (“IT”) sector has demonstrated the most stability and favorable long-term growth trends, particularly since the Health Information Technology for Economic and Clinical Health Act (“HITECH”) was passed as part of the American Recovery and Reinvestment Act (“ARRA”) in Q1 2009.

The healthcare providers sector has demonstrated the most variability in performance, driven by uncertainty surrounding both overall macroeconomic conditions as well as recent legislation, including the Patient Protection and Affordable Care Act (“PPACA”) passed in Q1 2010 and the Supreme

Court’s Q2 2012 ruling that PPACA’s individual health insurance mandate is constitutional. The healthcare services sector has benefitted from this uncertainty, as providers are increasingly seeking opportunities to outsource non-clinical and ancillary functions in an effort to manage their overall cost structure. Alternatively, the performance of the remaining healthcare sectors is more closely aligned with the S&P 500 Healthcare Index, as shown in **Figure 4**.

Figure 3: Healthcare Equity Index Returns

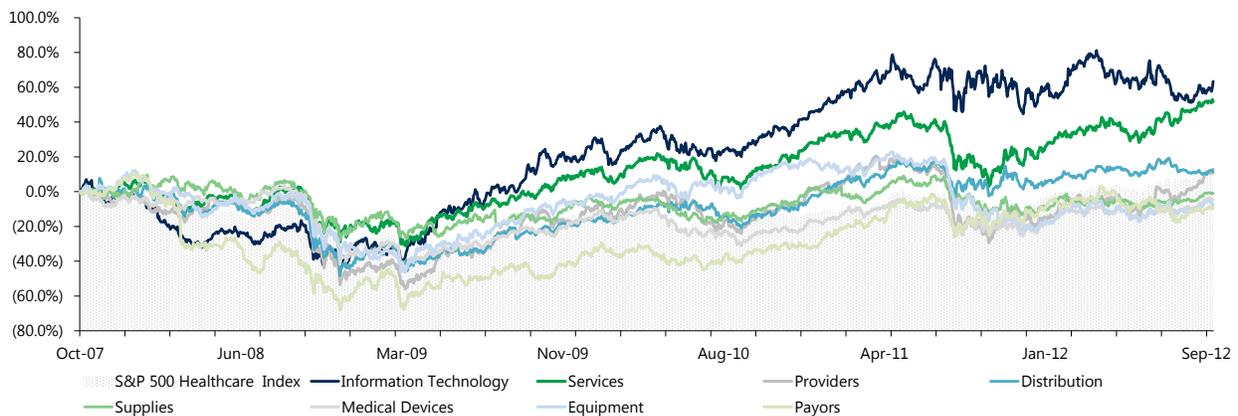
Periods Began October 1, 2011 and Ended March 31, 2012 and September 30, 2012
% change in closing prices



Sources: League Park and CapitalIQ.

Figure 4: Healthcare Equity Index Performance

October 1, 2007 – September 30, 2012
% change in closing prices



Sources: League Park and CapitalIQ.

Healthcare Equity Index Valuation Trends

Consistent with standard practices, League Park has weighted the constituent public companies of its proprietary healthcare equity indices based on market capitalization. As a result, larger companies with more (or less) attractive valuations will have a greater impact on the performance and valuation metrics of their respective equity indices. Valuation metrics for public companies and equity indices are based on multiples of total enterprise value ("TEV") to (i) total revenue and (ii) earnings before interest, taxes, depreciation, and amortization ("EBITDA").

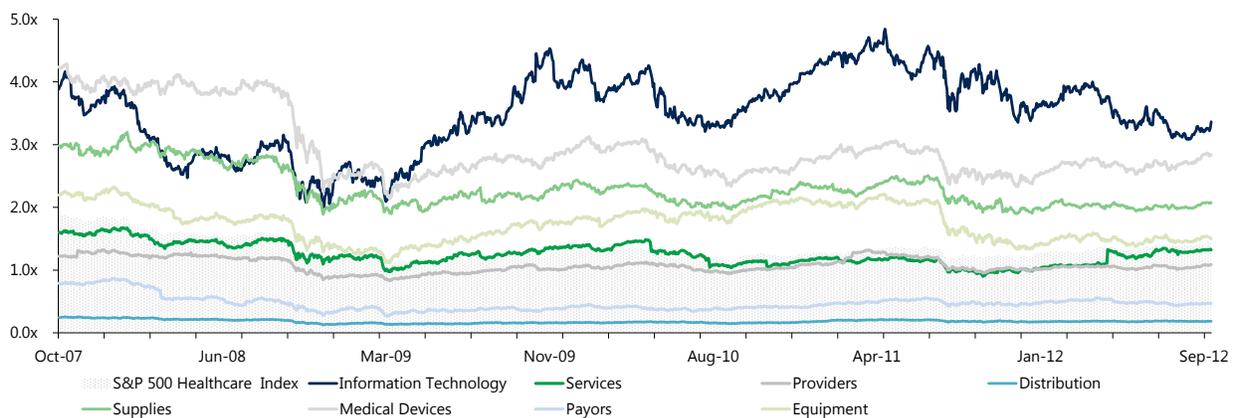
As of September 30, 2012, current revenue multiples for the healthcare IT (3.3x), medical devices (2.8x), and healthcare supplies (2.1x) sectors are outpacing the S&P 500 Healthcare Index (1.5x), as shown in **Figure 5**. These three sectors are currently generating highly attractive margins, including gross margins ranging from nearly 50% to approximately 65% and EBITDA margins ranging from roughly 20% to nearly 30%. Since a market-wide decline in valuations observed in Q3 2011, revenue multiples across all sectors of the healthcare

industry have stabilized and remained consistent during the last twelve months.

As shown in **Figure 5** and **Figure 6**, the healthcare IT sector has been the only sector of the healthcare industry that has successfully returned to and exceeded pre-recession revenue and EBITDA multiples. As previously noted, the favorable performance and valuations observed in the healthcare IT sector have been largely driven by ARRA/HITECH, and specifically the application of stimulus funding combined with reimbursement incentives and penalties to promote the adoption and implementation of electronic medical records ("EMR") and related healthcare IT capabilities. By mandating hospitals, physician practices, and other healthcare providers to demonstrate the meaningful use of EMRs on a defined timeline, ARRA/HITECH accelerated the growth and maturation of the healthcare IT sector and provided more certainty relative to other sectors and industries, driving more favorable valuations.

Figure 5: Healthcare Equity Index Revenue Multiples

October 1, 2007 – September 30, 2012
multiples of TEV / total revenue



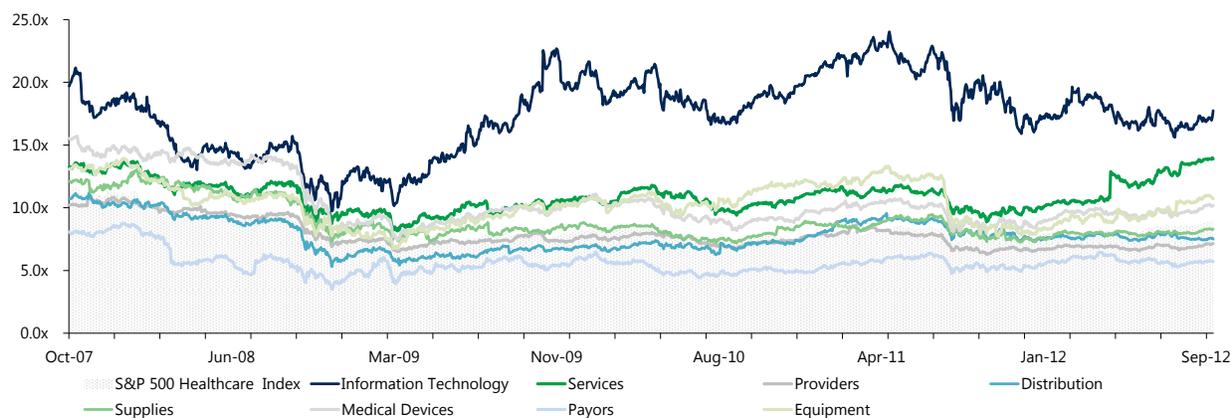
Sources: League Park and CapitalIQ.

EBITDA multiples are strongly influenced by the long-term earning and growth prospects for a given company, sector, or industry. As of September 30, 2012, current EBITDA multiples for the healthcare IT (17.3x), healthcare services (13.9x), healthcare equipment (10.8x), and medical devices (10.2x) sectors are outpacing the S&P 500 Healthcare Index (8.9x), as shown in **Figure 6**. Recent meaningful multiple expansion has been observed in the healthcare services sector, where valuations have increased approximately 2.5 turns of EBITDA from a one-year average multiple of 11.3x to a current average multiple of 13.9x. Likewise, current valuations in the healthcare equipment and medical devices sectors have also improved by 1.0 to 1.5 turns of EBITDA compared to their respective one-year averages. Similar to the trends observed in the revenue multiples, EBITDA multiples for the remaining healthcare sectors have stabilized since a market-wide decline in valuations observed in Q3 2011, providing a foundation for increasing confidence in growth and more favorable valuations going forward.

As shown in **Figure 5** and **Figure 6**, valuation multiples for the healthcare IT sector peaked in Q2 2011 and have since declined from one-year average multiples of 3.6x revenue and 17.5x EBITDA to current multiples of 3.3x revenue and 17.3x EBITDA. This ongoing softening of valuations is primarily driven by less aggressive growth forecasts as the sector matures. As a result, healthcare IT companies will need to address several key trends to maintain strong financial performance, including (i) shifting their focus from acquiring new customers to maintaining a strong client base; (ii) transitioning their business from non-recurring revenue driven by new installations to recurring revenue models driven by maintenance, upgrades, and value-added services; (iii) developing new solutions and services through both internal research and development, collaborations with clients, and strategic partners; and (iv) executing inorganic growth strategies focused on securing new capabilities, entering new end markets, and becoming vertically integrated with related businesses.

Figure 6: Healthcare Equity Index EBITDA Multiples

October 1, 2007 – September 30, 2012
 multiples of TEV / EBITDA



Sources: League Park and CapitalIQ

III. Public Offerings

League Park has identified and analyzed nearly 40 qualified initial public offerings (“IPO”) and approximately 200 qualified follow-on public offerings in the healthcare industry that satisfy the following inclusion / exclusion criteria:

- Issuer participating in the healthcare industry (i.e., including the distribution, equipment, information technology, medical devices, payors, providers, services, and supplies sectors, as previously defined, and excluding the biotechnology, life sciences, and pharmaceuticals sectors);
- Public offerings closed from January 1, 2007 through September 30, 2012; and
- Issuer and exchange based in the United States.

Public Offering Activity

As noted in League Park’s **Q3 2012 Market Update**, overall public offering activity across all industries declined throughout the recession and reached a five-year minimum in Q1 2009. In general, IPO and follow-on offering activity in the healthcare industry has followed the same trends as the overall market.

A recovery in public offering activity in the healthcare industry began in Q2 2009, with steady transaction volume maintained through Q3 2012, as shown in **Figure 7**. Despite a temporary decrease in both transaction volume and value in Q3 2011 that coincided with a market-wide decline in performance observed among the major equity indices, overall public offering activity quickly returned to a normalized level in Q4 2011. Recent public offering activity in the healthcare industry for the last twelve months ended September 30, 2012 comprises 39 transactions, including six IPOs that raised approximately \$360 million and 33 follow-on offerings that raised approximately \$2.43 billion.

Figure 7: Healthcare Public Offering Volume

Quarters Ended December 31, 2007 – September 30, 2012
number of transactions



Sources: League Park and CapitalIQ.

Figure 8: Healthcare Public Offering Value

Quarters Ended December 31, 2007 – September 30, 2012
\$ in billions



Sources: League Park and CapitalIQ.

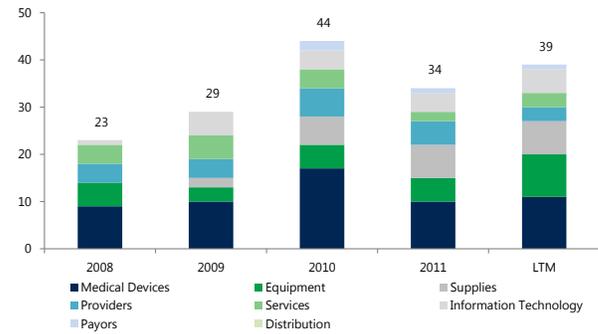
Note: IPO transaction value in Q1 2011 was normalized to exclude the \$3.79 billion IPO of HCA Holdings (NYSE:HCA).

Since the recession, the healthcare industry has experienced a decline in IPO activity relative to follow-on offering activity. Across all sectors of the healthcare industry, IPOs accounted for 32.5% and 44.9% of public offering volume and value, respectively, in 2007, compared to only 15.4% and 13.0% of public offering volume and value, respectively, in the last twelve months. This trend has coincided with a decline in venture-backed IPOs throughout the healthcare industry, as public markets have been less receptive to early stage companies characterized by an emphasis on intellectual property, limited experience in their current business model, and significant regulatory and reimbursement risk. With limited options provided by public markets, owners and investors are increasingly betting on strategic acquisitions for liquidity opportunities.

For the last twelve months ended September 30, 2012, the medical devices sector accounted for 28.2% of all public offerings in the healthcare industry, on par with its historic representation of 35.2% of public offerings since January 1, 2007. Relative to other sectors, the equipment and supplies sectors have accounted for a growing share of public offering activity, accounting for 23.1% and 17.9% of public offerings, respectively, in the last twelve months. Alternatively, public offering activity in information technology, providers, and services sectors has remained consistent in recent years, representing 12.8%, 7.7%, and 7.7% of public offerings, respectively, in the last twelve months. Finally, the distribution and payors sectors have historically demonstrated negligible public offering activity.

Figure 9: Healthcare Public Offering Volume by Sector

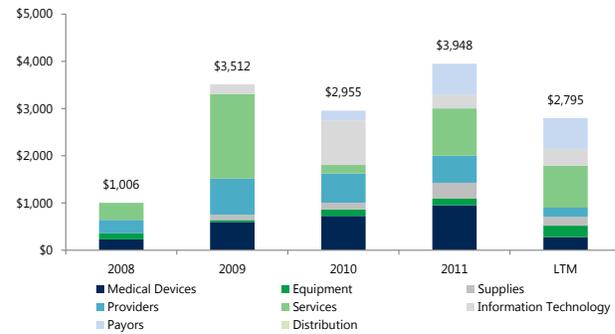
Years Ended December 31, 2007 – 2011 with Last Twelve Months Ended September 30, 2012
number of transactions



Sources: League Park and CapitalIQ.

Figure 10: Healthcare Public Offering Value by Sector

Years Ended December 31, 2007 – 2011 with Last Twelve Months Ended September 30, 2012
\$ in millions



Sources: League Park and CapitalIQ.

Note: Transaction value for the healthcare providers sector in 2011 was normalized to exclude the \$3.79 billion IPO of HCA Holdings (NYSE:HCA).

Recent Public Offerings

Healthcare Industry

As previously noted, recent public offering activity in the healthcare industry for the last twelve months ended September 30, 2012 includes six IPOs and 33 follow-on offerings. Consistent with historical trends over the last five years, the most public offering activity was observed in the healthcare equipment sector, including four IPOs and 15 follow-on offerings. The healthcare supplies sector was also active with eight follow-on offerings. The healthcare services and healthcare facilities sectors both contributed three follow-on offerings, while the managed healthcare sector provided one follow-on offering.

Healthcare IT Sector

Since October 1, 2011, there have been five public offerings made by companies in the healthcare IT sector. Recent IPOs in the healthcare IT sector include the following transactions:

- **Vocera Communications** (NYSE:VCRA) – a provider of mobile communications solutions focused on addressing critical communication challenges facing hospitals – raised \$93.6 million in March 2012; and
- **Greenway Medical Technologies** (NYSE:GWAY) – a provider of integrated technology solutions and managed business services for ambulatory healthcare providers – raised \$66.7 million in February 2012.

In addition, recent follow-on offerings in the healthcare IT sector include the following transactions:

- **Vocera Communications** (NYSE:VCRA) – a provider of mobile communications solutions focused on addressing critical communication challenges facing hospitals – raised \$138.7 million in September 2012;
- **Healthstream** (NasdaqGS:HSTM) – a provider of learning and research solutions for the healthcare industry – raised \$52.8 million in November 2011; and
- **Authentidate Holding Corporation** (NasdaqCM:ADAT) – a provider of secure web-based software applications and telehealth products and services for healthcare organizations – raised \$4.1 million in October 2011.

IV. Mergers & Acquisitions

League Park has identified and analyzed nearly 1,100 qualified mergers and acquisitions (“M&A”) transactions in the healthcare IT sector that satisfy the following inclusion / exclusion criteria:

- Target, buyer, or seller participating in the healthcare IT sector of the healthcare industry;
- M&A transactions closed from January 1, 2007 through September 30, 2012; and
- Target based in the United States.

Healthcare IT M&A Activity

As noted in League Park’s **Q3 2012 Market Update**, overall M&A activity across all industries declined throughout the recession and reached a five-year minimum in Q1 2009. In general, M&A activity in the healthcare IT sector has followed the same trends as the overall market.

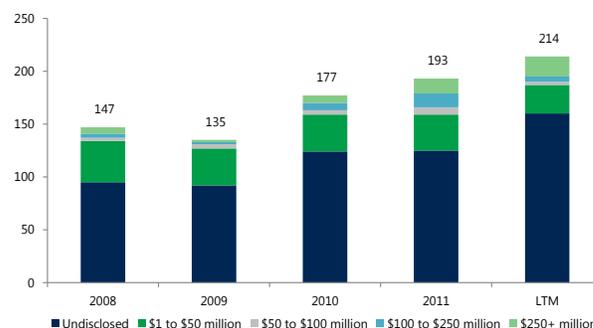
A recovery in M&A activity in the healthcare IT sector began in Q2 2009, with consistent growth in transaction volume maintained through Q2 2012, as shown in **Figure 11** and **Figure 12**. While there were less than 150 transactions in the healthcare IT sector in both 2008 and 2009, M&A activity increased substantially from 2010 through 2012, exceeding 200 transactions for the last twelve months ended September 30, 2012. M&A

activity in the healthcare IT sector peaked in H1 2012 with more than 60 transactions observed in both Q1 2012 and Q2 2012.

Recent M&A activity in the healthcare IT sector for the last twelve months ended September 30, 2012 comprises 214 transactions, including 160 deals with undisclosed valuations, 27 deals with disclosed valuations of \$1 million to \$50 million, 3 deals with disclosed valuations of \$50 to \$100 million, 5 deals with disclosed valuations of \$100 to \$250 million, and 19 deals with disclosed valuations of more than \$250 million.

Figure 11: Healthcare IT M&A Activity

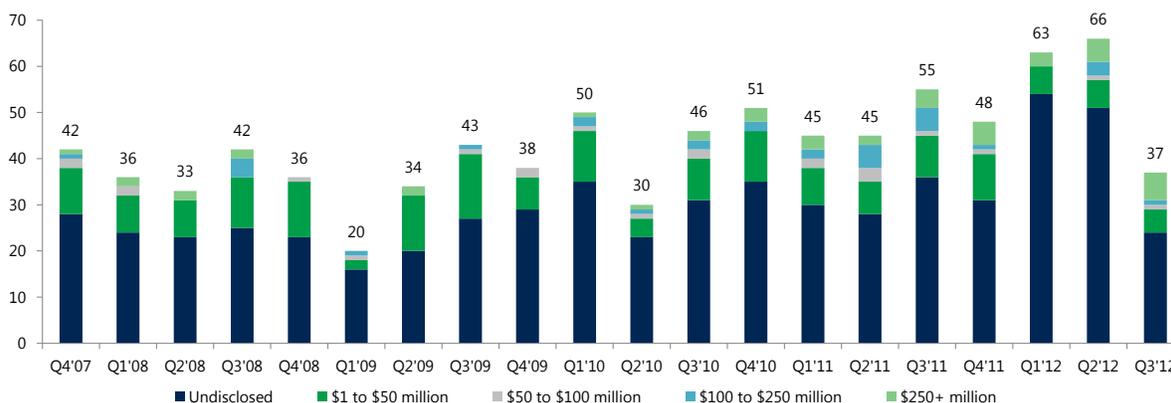
Years Ended December 31, 2007 – 2011 with Last Twelve Months Ended September 30, 2012
number of transactions



Sources: League Park, Company Disclosures, and CapitalIQ.

Figure 12: Healthcare IT M&A Activity – Valuation Brackets

Quarters Ended December 31, 2007 – September 30, 2012
number of transactions



Sources: League Park, Company Disclosures, and CapitalIQ.

From 2008 through the last twelve months ended September 30, 2012, the percentage of transactions with undisclosed valuations increased from 64.6% to 74.8%. During the same time period, transactions with valuations of more than \$250 million have increased from 11.5% to 35.2% of transactions with disclosed valuations. While the increase in undisclosed deals and \$250+ million transactions may suggest a decline in lower middle market M&A activity (i.e., transactions with valuations of \$1 million to \$250 million) in the healthcare IT sector, these trends are also at least partially driven by variations in reporting practices.

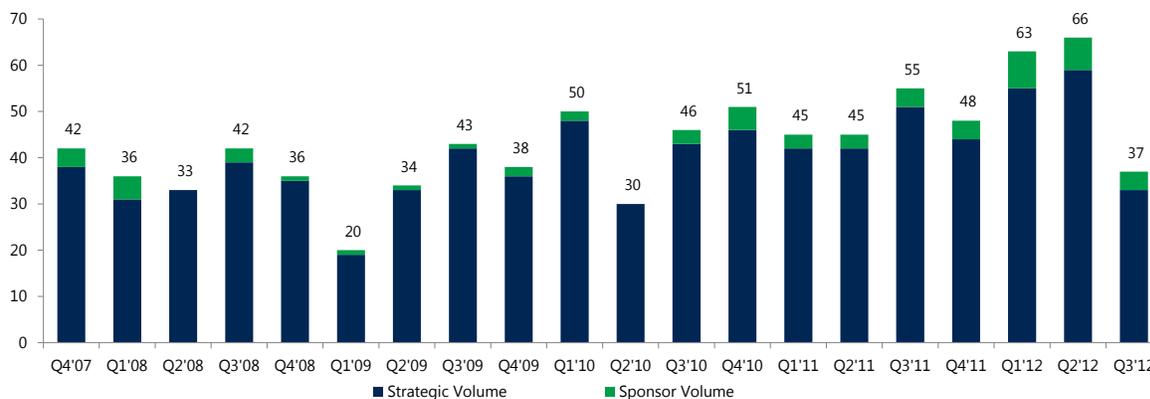
In addition to valuation, League Park also analyzed M&A transactions by the type of acquirer. Strategic buyers include other companies participating in or seeking to enter the healthcare IT market. Alternatively, financial buyers include

private equity firms, or sponsors, seeking opportunities to acquire a platform investment and grow the business organically and by making one or more add-on acquisitions. For the purposes of this report, sponsor transactions include only platform acquisitions made by private equity firms, while add-on acquisitions made by private equity firms to an existing platform are classified as strategic transactions.

From 2009 through the last twelve months ended September 30, 2012, strategic transactions declined from 96.3% to 89.3% of all healthcare IT transactions. Alternatively, sponsor transactions increased from 3.7% to 10.7% of transactions from 2009 through the last twelve months, respectively. The increase in sponsor transaction activity observed over the last four years validates the growing interest of private equity firms in the healthcare IT sector.

Figure 13: Healthcare IT M&A Activity – Strategic versus Sponsor

Quarters Ended December 31, 2007 – September 30, 2012
number of transactions



Sources: League Park, Company Disclosures, and CapitalIQ.

Recent M&A Transactions

League Park reviewed 191 strategic transactions in the healthcare IT sector with a total disclosed value of \$12.91 billion for the last twelve months ended September 30, 2012. A summary of representative strategic transactions is provided by **Figure 14**.

In addition, League Park reviewed 23 sponsor transactions in the healthcare IT sector with a total disclosed value of \$5.60 billion for the last twelve months ended September 30, 2012. A summary of representative sponsor transactions is provided by **Figure 15**.

League Park continues to monitor M&A activity in the healthcare IT sector on an ongoing basis. **Figure 16** provides a summary of recently announced and closed transactions.

M&A Trends

Recent M&A activity is highlighted by several key trends. There continues to be strong strategic interest in providers of content to enable clinical decision support solutions at the point-of-care. League Park's professionals possess unique expertise in this space through their experience in advising **Lexi-Comp** during its acquisition by Wolters Kluwer (ENXTAM:WKL) (case study provided on **Page 21**). Relevant M&A activity includes the recent acquisitions of **Milliman Care Guidelines** by The Hearst Corporation, **Health Language** by Wolters Kluwer (ENXTAM:WKL), and **ExitCare** by Reed Elsevier (LSE:REL).

Strategic acquirers have also demonstrated abundant interest in clinical workflow and computer-assisted coding ("CAC") solutions that streamline clinical documentation as well as chart abstracting and coding. Relevant M&A activity includes the recent acquisitions of **QuadraMed's Quantim Health Information Management Business** by Nuance Communications (NasdaqGS:NUAN), **Meta Health Technology** by Streamline Health Solutions (NasdaqCM:STRM), and **CodeRyte** by 3M Company (NYSE:MMM).

League Park has also observed rapidly accelerating strategic M&A activity focused on acquiring proprietary data integration and analysis capabilities. As a result of several key trends driven by healthcare reform, companies are seeking to expand their offering of solutions that will enable healthcare providers and third party payors to navigate an increasingly complex landscape

characterized by the development of novel reimbursement models (i.e., value-based purchasing, pay-for-performance incentives, and bundled payments), as well as a growing focus on population health management, care coordination, and regional health information exchanges ("HIE") to support new care delivery models (i.e., accountable care organizations ("ACO") and patient-centered medical homes ("PCMH")). Recent relevant transactions include the following:

- **Recombinant Data** was acquired by Deloitte Consulting;
- **EXL Landa** (fka Landacorp) by ExlService Holdings (NasdaqGS:EXLS);
- **Healthcare Data Services** was acquired by athenahealth (NasdaqGS:ATHN);
- **InforMed Health Care Solutions** was acquired by Conifer Health Solutions, a subsidiary of Tenet Healthcare Corporation (NYSE:THC);
- **MedVentive** by McKesson Corporation (NYSE:MCK);
- **DiagnosisONE** by Alere (NYSE:ALR);
- **Ascentia Health Care Solutions** by Healthways (NasdaqGS:HWAY);
- **MediConnect Global** by Verisk Analytics (NasdaqGS:VRSK);
- **Certify Data Systems** was acquired by Humana (NYSE:HUM); and
- **Anvita Health** by Humana (NYSE:HUM).

Public companies in the healthcare IT sector have also been active participants in going private transactions and divestitures of subsidiaries. Representative pending and recent transactions in which a public company was taken private by a private equity firm include the following:

- **Allscripts Healthcare Solutions** (NasdaqGS:MDRX) is contemplating a sale of the company as part of its evaluation of strategic alternatives and has reportedly received bids from private equity firms including Blackstone Group, Carlyle Group, and Silver Lake Management;
- **Mediware Information Systems** (NasdaqCM:MEDW) was acquired by Thoma Bravo;
- **MModal** (NasdaqGS:MODL) was acquired by One Equity Partners;
- **eResearchTechnology** (NasdaqGS:ERT) was acquired by Genstar Capital; and
- **Emdeon** (NYSE:EM) was acquired by The Blackstone Group (NYSE:BX).



Mergers & Acquisitions

Likewise, notable divestitures of healthcare IT related businesses by public companies to private equity firms include the following:

- **Fidelity National Information Services** (NYSE:FIS) divested its healthcare benefit solutions business (nka Alegeus Technologies) to Lightyear Capital in August 2012;
- **Thomson Reuters Corporation** (TSX:TRI) divested its healthcare business (nka Truven Health Analytics) to Veritas Capital in June 2012; and
- **Sage Group** (LSE:SGE) divested its software healthcare business (nka Vitera Healthcare Solutions) to Vista Equity Partners in November 2011.

Finally, League Park has observed ongoing consolidation activity occurring among providers of revenue cycle management and medical transcription solutions and services. League Park's professionals possess significant know-how related to consolidation strategies within the healthcare industry, highlighted by their experience in advising **ForTec Medical** during its acquisition of Falls Church Laser and other ongoing

strategic initiatives (case study provided on **Page 22**). Key participants in roll-ups of the revenue cycle management and medical transcription sectors include the following:

- **Nuance Communications** (NasdaqGS:NUAN) – a public company – recently acquired J.A. Thomas & Associates, QuadraMed's Quantim Health Information Management Business, and Transcend Services (NasdaqGS:TRCR);
- **iMedX** – a platform company of RFE Investment Partners – recently acquired Greenlight Transcription, Electronic Medical Transcription Services, Accumed Script, The Inner Office's Medical Transcription Assets, Abacus Transcriptions, and National Medical Transcription; and
- **Medical Transcription Billing Corporation** – a private company – recently acquired HealthCare Solutions, Medical Management, GlobalNet Solutions, and United Physicians Management Services.



Mergers & Acquisitions

Figure 14: Representative Strategic Transactions

Last Twelve Months Ended September 30, 2012

\$ in millions

Target	Target Description	Acquirer	Transaction Date	Transaction Value
QuadraMed, Quantim Health Information Management Business	Provider of a computer-assisted coding solution for hospitals and other healthcare organizations, focused on supporting clinician productivity and preserving document workflows	Nuance Communications (NasdaqGS:NUAN)	Sep-12	\$230.0
MedVentive	Provider of population and risk management tools that drive transparency in healthcare cost and quality	McKesson Corporation (NYSE:MCK)	Sep-12	n/a
Intivia	Provider of integrated web-based electronic health record and practice management solutions, medical transcription services, and revenue cycle management services	MD On-Line	Sep-12	n/a
DigiPath Solutions	Provider of digital telepathology and laboratory development and management services	AccelPath (OTCBB:ACLP)	Sep-12	\$2.6
ExitCare	Provider of enterprise-wide solutions for peer-reviewed patient education and discharge instructions enabling integrated point-of-care decision support	Reed Elsevier (LSE:REL)	Sep-12	n/a
EDIWatch	Provider of anti-fraud, waste, and abuse (FWA) technology solutions for healthcare payors that support FWA prevention, detection, and recovery	Reed Elsevier (LSE:REL)	Sep-12	n/a
Kryptiq Corporation	Provider of middleware that integrates with front-end systems and enables clinicians to securely communicate and share patient data	Surescripts	Aug-12	n/a
Sunquest Information Systems	Provider of diagnostic and laboratory information systems to healthcare providers	Roper Industries (NYSE:ROP)	Aug-12	\$1,390.0
Human Arc	Provider of Medicaid and supplemental security income eligibility and enrollment services to hospitals	L&S Associates	Aug-12	n/a
Meta Health Technology	Provider of health information management solutions for hospitals, clinics, physician group practices and long-term care facilities	Streamline Health Solutions (NasdaqCM:STRM)	Aug-12	\$16.0
TTC	Provider of benchmarking and analytics solutions enabling life sciences organizations to budget and negotiate the costs of clinical trials	IMS Health	Aug-12	n/a
maxIT Healthcare	Provider of healthcare information technology consulting services	SAIC (NYSE:SAI)	Aug-12	\$493.0
DiagnosisONE	Provider of analytics and clinical decision support solutions based on a single technology platform for aggregating, analyzing, and reporting on disparate clinical data sets	Alere (NYSE:ALR)	Jul-12	n/a
MedApps	Provider of wireless remote patient monitoring and home health devices as well as an online portal for clinicians and patients	Alere (NYSE:ALR)	Jul-12	n/a
Morphormics	Provider of autosegmentation and autocontouring software that recognizes and extracts anatomical structures from medical images	Accuray (NasdaqGS:ARAY)	Jul-12	\$5.7
invivodata	Provider of electronic patient reported outcomes solutions and consulting services	eResearchTechnology	Jul-12	\$65.0
1-800 Contacts	Provider of direct-to-consumer retail services for contact lenses and eyeglasses via a toll-free telephone number and websites	WellPoint (NYSE:WLP)	Jun-12	n/a
PKC Corporation	Provider of healthcare decision support software and a clinical knowledge management system that enables individualized, evidence-based medicine	Sharecare	Jun-12	n/a
GE Medical Systems, Nurse Call Business	Provider of a network-based nurse call system for hospitals	Ascom Holding (SWX:ASCN)	Jun-12	\$22.0
AeroScout	Real-time location and unified asset visibility solutions to track and manage the location, condition, and status of mobile assets for healthcare and industrial applications	Stanley Black & Decker (NYSE:SWK)	Jun-12	\$238.8

Sources: League Park, Company Disclosures, and CapitalIQ.



Mergers & Acquisitions

Figure 14: Representative Strategic Transactions (continued)

Last Twelve Months Ended September 30, 2012

\$ in millions

Target	Target Description	Acquirer	Transaction Date	Transaction Value
Decision Resources	Provider of syndicated market research and predictive analytics for the healthcare industry via proprietary databases and consulting services	Piramal Healthcare (BSE:500302)	May-12	\$635.0
Extend Health	Provider of a private Medicare exchange	Towers Watson & Company (NYSE:TW)	May-12	\$435.0
MTS Medication Technologies	Provider of medication management equipment, software, and consumables used by institutional pharmacy providers to supply single-dose and multi-dose adherence packages	Omnicell (NasdaqGS:OMCL)	May-12	\$160.2
Medify	Provider of user-generated content and data-driven treatment information integrated from a portfolio of social health networks and condition-specific websites	Alliance Health Networks	May-12	n/a
The Poseidon Group	Provider of emergency department documentation and web-based electronic medical record solutions, serving hospital emergency departments	Quality Systems (NasdaqGS:QSI)	May-12	\$2.5
Transcend Services (NasdaqGS:TRCR)	Provider of medical transcription and speech editing services for small to mid-sized hospitals, including voice-enabled and clinical language understanding-powered solutions	Nuance Communications (NasdaqGS:NUAN)	Apr-12	\$331.6
DecisionView	Provider of clinical trial planning and management solutions for life sciences organizations, including decision support tools for patient enrollment in clinical trials	IMS Health	Apr-12	n/a
Ascentia Health Care Solutions	Provider of a population health management platform to support patient-centered programs, payor strategies, and physician practice enhancement programs	Healthways (NasdaqGS:HWAY)	Apr-12	n/a
BlueLibris	Provider of personal health monitoring and safety technologies for telecare, transitions in care, independent aging, and chronic condition management programs	Numera	Apr-12	n/a
ClearTrial	Provider of cloud-based clinical trial operations applications for planning, sourcing, and tracking of clinical projects and financial performance	Oracle Corporation (NasdaqGS:ORCL)	Apr-12	n/a
CodeRyte	Provider of natural language processing technology and computer-assisted coding solutions for clinical dictation notes and medical billing	3M Company (NYSE:MMM)	Apr-12	n/a
PHACTS	Provider of software and automation solutions for hospital pharmacies, including inventory management, pharmacy automation, and barcode medication administration	CareFusion Corporation (NYSE:CFN)	Mar-12	n/a
MediConnect Global, Inc.	Provider of systems and services that facilitate the aggregation and analysis of digitized, indexed, and securely hosted medical records	Verisk Analytics (NasdaqGS:VRSK)	Mar-12	\$354.5
Artemetrx	Provider of data analytic tools and clinical programs that integrate pharmacy, medical, and other healthcare information	Pharmaceutical Strategies Group	Mar-12	n/a
NaviNet	Provider of a real-time healthcare communication network that manages administrative, financial, and clinical transactions for physicians, hospitals, and health insurers	Lumeris	Mar-12	n/a
STAT Technologies	Provider of enterprise scheduling solutions, including eligibility and demographic validation, orders, patient payments and self-service, and claims management	Passport Health Communications	Mar-12	n/a
SweetSpot Diabetes Care	Provider of a cloud-based platform for uploading and processing data from patient devices, focused on an end-to-end solution for diabetes data management	DexCom (NasdaqGS:DXCM)	Mar-12	\$9.8
WellApps	Provider of a mobile disease-management platform for patients with inflammatory bowel disease, Crohn's disease, and ulcerative colitis	Medivo	Mar-12	n/a
Clinical Coding Solutions	Provider of facility and professional charge capture and coding solutions for emergency departments, observation, urgent care centers, and outpatient clinics	T-System	Feb-12	n/a
Intuitive Medical Software and meridianEMR	Providers of electronic medical records software and data platforms for urologists	Endo Health Solutions (NasdaqGS:ENDP)	Feb-12	n/a

Sources: League Park, Company Disclosures, and CapitalIQ.



Mergers & Acquisitions

Figure 14: Representative Strategic Transactions (continued)

Last Twelve Months Ended September 30, 2012

\$ in millions

Target	Target Description	Acquirer	Transaction Date	Transaction Value
peerVue	Provider of diagnostic medical imaging workflow solutions that address site-specific needs such as results management, peer review, and emergency department communication	McKesson Corporation (NYSE:MCK)	Feb-12	n/a
Proventys, CDS Oncology Assets	Provider of personalized, evidence-based clinical decision support technologies for oncology and cardiology	McKesson Corporation (NYSE:MCK)	Feb-12	n/a
ReachMeDaily.Com	Provider of a HIPAA compliant social media platform that connects families with seniors residing in nursing homes and assisted living facilities	MediSwipe (OTCPK:MWIP)	Feb-12	n/a
The Advisory Board Company, OptiLink Business	Provider of acuity-based staffing and other workforce management solutions for healthcare organizations	Kronos	Jan-12	\$8.9
Hcplexus (dba The Little Blue Book)	Provider of a practice referral tool and database consisting of physician profiles by specialty, as well as nurse practitioners, physician assistants, therapists, and other providers	Sharecare	Jan-12	n/a
Medical Data Express	Provider of technology and services for payors to meet federal and state mandates for claim submissions that require medical encounter data formats	The TriZetto Group	Jan-12	n/a
SeniorMetrix	Provider of a functional assessment technology to project therapy regimens, most appropriate care settings, and timing of expected outcomes in post-acute care settings	naviHealth	Dec-11	n/a
American Medical Alert Corporation (NasdaqCM: AMAC)	Provider of remote health monitoring and communication solutions, including personal emergency response, electronic medication reminders, and disease management monitoring	Tunstall Group	Dec-11	\$88.0
HealthDataInsights	Provider of improper payment identification services for government and commercial health plans	HMS Holdings Corporation (NasdaqGS:HMSY)	Dec-11	\$380.9
Poiesis Informatics	Provider of radiology workflow solutions, including unified work lists, clinical documentation solutions, and business analytics tools	MModal (fka MedQuist Holdings (NasdaqGM:MEDH))	Nov-11	n/a
ExpressMD Solutions	Provider of in-home patient vital signs monitoring systems and services	Authenticate Holding Corporation (NasdaqCM:ADAT)	Nov-11	\$2.2
ViaTrack Systems	Provider of information technologies that enhance electronic data interchange offerings	Quality Systems (NasdaqGS:QSI)	Nov-11	\$12.0
MobileMD	Provider of cloud-deployed health information exchange solutions for hospitals and physician practices	Siemens (DB:SIE)	Nov-11	n/a
SDI Health	Provider of healthcare market insights and analytics, including patient, specialty, and managed markets information assets and services	IMS Health	Oct-11	\$340.0
MDdatacor	Provider of technology solutions for aggregating and analyzing patient clinical data to support quality improvement and pay-for-performance programs	Noridian Mutual Insurance Company (dba Blue Cross Blue Shield of North Dakota)	Oct-11	n/a
Clairvia	Provider of advanced software solutions for patient and staff management to healthcare organizations, medical facilities, nursing departments, and group practices	Cerner Corporation (NasdaqGS:CERN)	Oct-11	\$38.3

Sources: League Park, Company Disclosures, and CapitalIQ.



Figure 15: Representative Sponsor Transactions

Last Twelve Months Ended September 30, 2012

\$ in millions

Target	Target Description	Acquirer	Transaction Date	Transaction Value
HEALTHCAREfirst	Provider of software and services to home health and hospice agencies	Pamlico Capital	Sep-12	n/a
ConnectYourCare	Provider of consumer-directed healthcare account administration and tools to help patients navigate healthcare accounts	ABS Capital Partners	Aug-12	n/a
MModal (NasdaqGS:MODL)	Provider of clinical narrative capture services and advanced data analytics	One Equity Partners	Aug-12	\$1,083.1
Alegeus Technologies (fka Fidelity Healthcare Benefit Solutions)	Provider of benefit administration and payment processing technology for the consumer-directed healthcare market	Lightyear Capital	Aug-12	\$335.0
eResearchTechnology (NasdaqGS:ERT)	Provider of health outcomes research services supporting biopharmaceutical sponsors and contract research organizations to achieve drug development objectives	Genstar Capital	Jul-12	\$423.5
Net Health Systems (dba WoundExpert)	Provider of an electronic health record and other clinical information systems for outpatient wound clinics, long-term care facilities, and home health providers	Spectrum Equity Investors	Jun-12	n/a
iMDsoft	Provider of clinical information systems and electronic medical records for perioperative, critical, and acute care in hospitals and healthcare systems	TPG Growth	Jun-12	n/a
Truven Health Analytics (fka Thomson Reuters Healthcare)	Provider of unbiased information, analytic tools, benchmarks, and services to the healthcare industry	Veritas Capital	Jun-12	\$1,250.0
Peak Health Solutions	Provider of advanced end-to-end health information management services for healthcare facilities and health insurance plans	EDG Partners	Jun-12	n/a
Advanced Answers On Demand (dba AOD Software)	Fully integrated EHR, financial, clinical, and operational software and technology solutions for long-term care providers	Primus Capital	May-12	n/a
MedSeek	Provider of online strategic patient engagement and analytics solutions for healthcare organizations	Silver Lake Sumeru and Essex Woodlands	May-12	n/a
Vendor Credentialing Service	Provider of web-based vendor credentialing, vendor compliance, and vendor access solutions to healthcare facilities	The CapStreet Group	May-12	n/a
DentalPlans.com	Provider of a direct-to-consumer marketing and e-commerce platform for online dental savings plans	The Riverside Company	Mar-12	n/a
Med-Legal	Provider of technology-enabled record retrieval and review services for attorneys, physicians, and insurance carriers in the workers' compensation and personal injury markets	Harren Equity Partners	Mar-12	n/a
Western Institutional Review Board	Provider of independent institutional review board, human protection, and biosafety services to research institutions, clinical research organizations, and major sponsors	Arsenal Capital Partners	Feb-12	n/a
Cumberland Consulting Group	Provider of technology implementation and project management services to ambulatory, acute, and post-acute healthcare providers and payors	Tailwind Capital	Jan-12	n/a
HealthMEDX	Provider of long-term and post-acute care technology, including an electronic clinical record, a comprehensive multi-site care plan, and an integrated billing platform	Spectrum Equity Investors	Dec-11	n/a
Vitera Healthcare Solutions (fka Sage Software Healthcare)	Provider of integrated clinical, financial, and administrative software solutions for physician office practices and community health centers	Vista Equity Partners	Nov-11	\$314.7
Emdeon (NYSE:EM)	Provider of revenue and payment cycle management and clinical information exchange solutions	The Blackstone Group (NYSE:BX)	Nov-11	\$3,428.8
Interactive Health Solutions	Provider of health and wellness solutions for employer groups focused on helping individual participants take accountability for their health	CI Capital Partners	Oct-11	n/a

Sources: League Park, Company Disclosures, and CapitalIQ.



Mergers & Acquisitions

Figure 16: Recently Announced and Closed Transactions

As of November 30, 2012

\$ in millions

Target	Target Description	Acquirer	Transaction Date	Transaction Value
Emergint Technologies	Provider of emerging technology solutions, including health data integration and analysis solutions, management and IT consulting, and data and records management	CACI International (NYSE:CACI)	Nov-12	n/a
Amazing Charts	Provider of electronic health records and related services to independent medical practices	Pri-Med	Nov-12	n/a
Arcadia Solutions	Provider of data-driven services and proprietary software to large healthcare providers, payors, accountable care organizations, and health information exchanges	Ferrer Freeman & Company	Nov-12	n/a
Mediware Information Systems (NasdaqCM:MEDW)	Provider of interoperable clinical software systems, including blood management, cellular therapy, medication management, and performance management solutions	Thoma Bravo	Nov-12	\$196.3
Anasazi Software	Provider of behavioral health technology, including a billing and practice management system, human resources and fiscal components, and an electronic medical record system	Cerner Corporation (NasdaqGS:CERN)	Nov-12	n/a
Certify Data Systems	Provider of a health information exchange technology platform for hospitals, physicians, and laboratories	Humana (NYSE:HUM)	Nov-12	n/a
Dell, Revenue Cycle Solutions Business	Provider of revenue cycle management solutions for hospitals and healthcare systems	Conifer Health, Tenet Healthcare Corporation (NYSE:THC)	Nov-12	n/a
Milliman Care Guidelines	Provider of evidence-based clinical healthcare databases, including medical treatment necessity guidelines used by hospitals and health plans to support care management	The Hearst Corporation	Nov-12	n/a
SourceMedical Solutions	Provider of outpatient information solutions and revenue cycle management services for ambulatory surgery centers, specialty hospitals, and rehabilitation clinics	ABRY Partners	Oct-12	n/a
Recombinant by Deloitte (fka Recombinant Data)	Provider of data warehousing and clinical intelligence solutions that enable personalized medicine, translational research, and healthcare performance management	Deloitte Consulting	Oct-12	n/a
Aperio	Provider of digital pathology solutions, including quantitative image analysis capabilities and a network enabling remote real-time viewing of images for peer review	Leica Microsystems, Danaher Corporation (NYSE:DHR)	Oct-12	n/a
Health Language	Provider of medical content terminology databases and software solutions for the point-of-care market	Wolters Kluwer (ENXTAM:WKL)	Oct-12	n/a
EXL Landa (fka Landacorp)	Provider of healthcare services and technology solutions that share vital clinical data with payors, providers, plan participants, and accountable care organizations	ExlService Holdings (NasdaqGS:EXLS)	Oct-12	\$37.5
Healthcare Data Services	Provider of web-based population health management solutions for providers and payors, including cost and quality data analysis and reporting capabilities	athenahealth (NasdaqGS:ATHN)	Oct-12	n/a
Health Data Essentials	Provider of advanced analytics and services built around risk adjustment, quality improvement, utilization measurement, STARS quality measurement, and HEDIS	Peak Health Solutions	Oct-12	n/a
Acuitec	Provider of integrated perioperative solutions, including scheduling, nurse documentation, case management, reports, anesthesia charting, and mobile capabilities	HealthTech Holdings	Oct-12	n/a
InforMed Health Care Solutions	Provider of information management technology, proprietary data analysis tools, and related services to healthcare providers, self-insured employers, and payors	Conifer Health, Tenet Healthcare Corporation (NYSE:THC)	Oct-12	n/a
J.A. Thomas & Associates	Provider of physician-oriented clinical documentation improvement programs for the healthcare industry	Nuance Communications (NasdaqGS:NUAN)	Oct-12	\$265.0
MED3000	Provider of healthcare management and technology services, including physician group management, billing and revenue cycle management, and other solutions	McKesson Corporation (NYSE:MCK)	Oct-12	n/a
ActiveStrategy	Provider of a performance improvement technology platform and related consulting services enabling the collection and tracking of real-time patient experience data	The Advisory Board Company (NasdaqGS:ABCO)	Oct-12	\$15.2

Sources: League Park, Company Disclosures, and CapitalIQ.



League Park Overview

LEAGUE PARK OVERVIEW

League Park is a boutique investment bank that professionally and ethically advises clients on strategies aimed to maximize shareholder value. We assist middle market companies with transactions that generate value through mergers and acquisitions, recapitalizations, capital raising, and outsourced corporate development.

Whatever the transaction, our clients receive specialized attention from senior bankers at every step in the deal process. Our team has decades of investment banking, corporate development, private equity, and operational experience, completing over 300 transactions across a diverse range of industries in the past 25 years.

Advisory Capabilities:

Mergers and Acquisitions
Recapitalizations
Capital Raising
Outsourced Corporate Development

Industry Expertise:

Business Services
Consumer and Retail
Industrial
Technology

Healthcare

- Healthcare providers
- Medical technology
- Healthcare information technology
- Specialty healthcare manufacturing and distribution
- Outsourced services

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Lexi-Comp Has Been Acquired by Wolters Kluwer



Company Description

Lexi-Comp, Inc. ("Lexi-Comp") (Hudson, Ohio) is an industry-leading clinical decision support provider, delivering drug information and clinical content for the healthcare industry. The company specializes in quickly and accurately synthesizing medication information into highly accessible formats, via the internet, smartphones, PDAs and print publications. Lexi-Comp's core products and services provide end-to-end referential and transactional drug information solutions at the point of care. The company provides the tools necessary to help improve patient safety, ensure compliance and elevate the quality of care.

Situation Overview

Given the favorable M&A valuation trends in the healthcare technology industry, as well as the enormous value potential of point of care solutions, the family-owned company decided to explore strategic options with regard to a potential sale transaction. After formulating a marketing approach with the owners, League Park contacted a select group of buyers.

Outcome

Lexi-Comp was acquired by Wolters Kluwer, NV (ENXTAM:WKL) (Alphen aan den Rijn, the Netherlands), a market-leading global information services company. The final purchase price exceeded initial valuation expectations and was substantially higher than price discussions conducted with buyers prior to League Park's involvement.

Process Insights

Leveraging its keen understanding of the healthcare industry and Lexi-Comp's status as a leading provider of clinical decision support solutions, League Park positioned Lexi-Comp for maximum value. The tightly controlled, highly competitive process yielded a premium valuation for a scarce healthcare asset, while increasing certainty of closing.

Overall, the M&A market remains strong for healthcare technology businesses with strong growth profiles and attractive free cash flow characteristics operating in compelling industry segments. Stimulus funding and accelerated adoption of electronic medical record and other healthcare information technology are attracting investment into companies positioned to benefit from the evolving healthcare landscape.

League Park's Role

- Identified potential buyers and developed a customized process for marketing the company;
- Prepared client presentations and materials to market the business;
- Evaluated and initiated contact with target buyers;
- Vetted potential transaction structures, deal terms, and conditions;
- Analyzed deal pricing and valuation issues;
- Negotiated and structured the transaction; and
- Managed the due diligence process.

ForTec Medical Has Acquired Falls Church Laser



Company Description

ForTec Medical, Inc. ("ForTec") (Streetsboro, Ohio) is a leading national provider of on-call surgical services, offering surgical lasers and technician mobilization on a per case basis to hospitals and surgical centers. The company's national network of service centers covers 38 states and delivers a suite of medical technology mobilization services, including surgical lasers, lithotripsy solutions, laser fibers and accessories, and medical technology maintenance and repairs.

Situation Overview

Having recently completed a related acquisition, ForTec engaged League Park to explore strategic alternatives, expand the company's corporate development capabilities, and develop and execute a long-term strategic plan for the company. Driven by recent consolidation trends in the medical technology mobilization industry, the shareholders elected to pursue an acquisition strategy to expand the company's national network and diversify revenue across geographies, surgical specialties, and technologies.

Outcome

ForTec acquired Falls Church Laser, LLC ("Falls Church Laser") (Beltsville, Maryland), a regional provider of medical technology mobilization services, offering surgical lasers, related devices, and technician support to hospitals and surgical centers in Maryland and Virginia.

Process Insights

League Park generated robust proprietary deal flow for ForTec by identifying and engaging a diverse group of prospective acquisition candidates for the company, with a focus on mobilization of surgical devices, maintenance and repair, and distribution of laser fibers and surgical consumables. The shareholders of regional privately-owned companies in the medical technology mobilization industry demonstrated strong interest in exploring a broad range of strategic alternatives with the objective of building a larger network for the provision of high quality local services.

League Park's Role

- Launched a website for ForTec (www.forteccapital.com) and developed related informational materials to market the company's investment and growth strategy;
- Identified and engaged prospective acquisition targets to qualify their level of interest in a potential sale transaction and enter into a letter of intent with exclusivity;
- Conducted rigorous financial analyses of the company and prospective targets to determine appropriate valuation and transaction structures;
- Negotiated and structured the transaction and relevant terms and conditions; and
- Managed the due diligence process and the interaction of all parties involved in the transaction, including the shareholders of ForTec and Falls Church Laser and their respective legal and accounting advisors.



SOURCES AND DISCLOSURE

Sources Referenced:

CapitalIQ
Centers for Medicare & Medicaid Services
Company Investor Presentations
Company Press Releases
Equity Research
Frost & Sullivan
Healthcare Information & Management Systems Society
Office of the National Coordinator for Health Information Technology
SEC Filings and Forms (EDGAR)

Disclosure:

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