



Healthcare Market Pulse

Q3 2009 Healthcare Market Overview

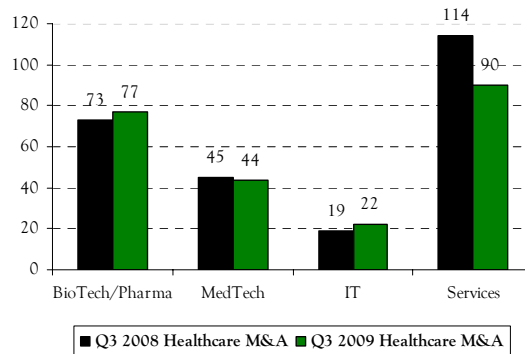
Transaction Activity

Healthcare M&A deal activity in Q3 remained relatively consistent compared to Q2, although still off year ago levels. Medical technology deals are showing the most resilience. Healthcare services deals declined further in Q3, largely due to a “wait and see” attitude pending the outcome of healthcare reform legislation working its way through Congress. We expect activity in both healthcare services and med-tech to pick up once the regulatory picture clarifies and the new rules of the game become clear.

Activity in the Pharmaceutical and Biotechnology sector continues to dominate healthcare M&A headlines. Mega deals including Bristol-Myers Squibb’s acquisition of Medarex, Warner Chilcott’s acquisition of P&G’s global pharmaceutical business, Abbott Laboratories announced acquisition of Solvay Pharmaceuticals, Dainippon Sumitomo Pharma’s acquisition of Sepracor, and Johnson & Johnson’s purchase of a stake in Irish-based Elan show strength in the pharmaceutical sector.

A noteworthy deal in the healthcare IT sector is Dell’s pending acquisition of Perot Systems. Perot is a diversified global IT services firm that derives approximately half of its revenue from healthcare.

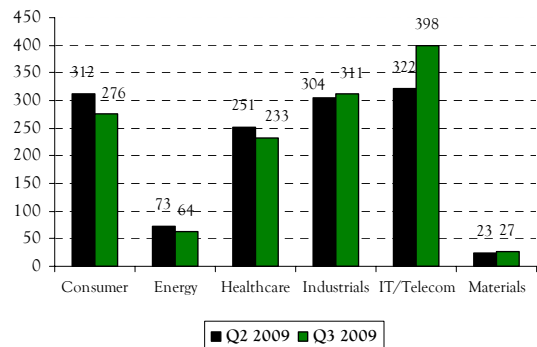
Q3 '08 vs. Q3 '09 U.S. Healthcare M&A Deal Volume by Sector



Q3 2009 U.S. Healthcare M&A Dollar Amounts by Sector (Announced)

Healthcare Sector	Dollar Amount	% of Q3 '09
BioTech/Pharma	\$26,400,000,000	69%
MedTech	\$5,200,000,000	13%
IT	\$4,100,000,000	11%
Services	\$2,700,000,000	7%
Total	\$38,400,000,000	100%

Q2 vs. Q3 2009 U.S. M&A Deal Volume by Industry



Q3 Focus

November 10, 2009

Home Health

- The number of dollars spent on healthcare M&A rose 38% in Q3 over the previous quarter.

- In Q3 '09 pharmaceutical and biotech deals accounted for over two-thirds of dollars spent on Healthcare M&A.

*Unless otherwise indicated, data represents closed M&A transactions

Sources: CMS, MedPAC, National Association for Home Care and Hospice, FactSet Mergerstat LLC, Irving Levin & Assoc.



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Transaction Activity (cont'd)

Dell's diversification away from hardware and into the IT services sector and specifically into e-Health is a bullish indicator for healthcare reform's initiatives to expand adoption of electronic health records.

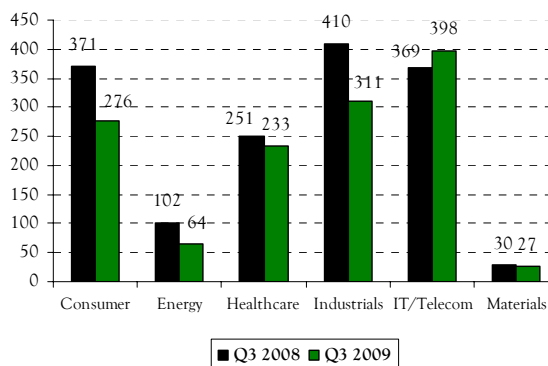
In a similar deal, Xerox's pending acquisition of Affiliated Computer Services will also expand its footprint into IT services, although ACS's healthcare specific business is not as far reaching as Perot's.

All together, Q3 produced nine billion dollar plus deals. In addition to the deals listed above, Agilent Technologies announced the acquisition of Varian, a developer and manufacturer of scientific instruments used in life sciences and other industries; The Blackstone Group announced its intention to acquire a portfolio of 148 long term care properties from Sunwest Management; and Danaher announced the acquisition of the Analytical Technologies division of MDS, creating a stronger foothold for Danaher's life sciences instrumentation business.

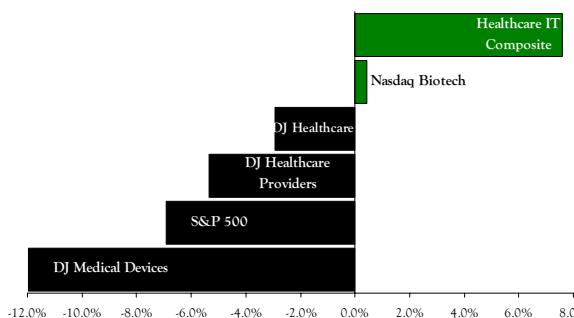
The IPO market is gaining momentum too. Q3 '09 witnessed 20 IPOs that raised \$5.8 billion - nearly four times the \$1.5 billion raised by IPOs in Q3 '08 and almost double the number of IPOs according to PricewaterhouseCoopers' U.S. IPO Watch.

The IPO pipeline continues to grow, evidenced by increasing registration and pre-registration activity. Healthcare sector IPO's in 2009 have included companies in the nutritional, pharmaceutical, electronic health records and home health sectors.

Q3 2008 vs. Q3 2009 U.S. M&A by Industry



LTM Indexed Stock Performance



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- The HC IT sector saw large acquisitions of Perot Systems and Affiliated Computer Services.

- Notable Med-Tech deals included Agilent's acquiring Varian and Danaher buying the Analytic Technologies division of MDS.

- Healthcare IT was the strongest performing healthcare sector, LTM up nearly 35% in aggregate transaction value.

Sources: CMS, MedPAC, National Association for Home Care and Hospice, FactSet Mergerstat LLC, Irving Levin & Assoc.

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Market Overview & Key Drivers

Home Health

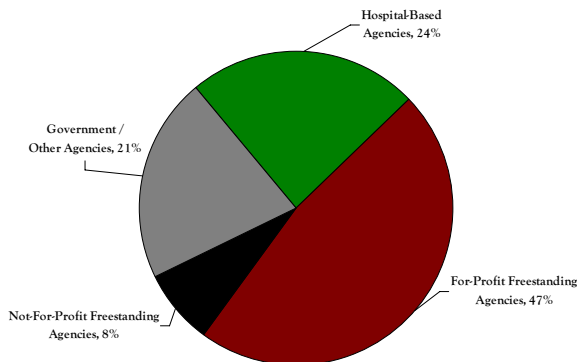
Market Overview

The home health market is large and growing. Total home health expenditures in the U.S. are expected to increase more than 78% between 2009 and 2017, from \$66.7 billion to \$119.0 billion, according to CMS.

Home health fills an important niche in the healthcare system. Home health allows patients to remain in their homes as opposed to more costly settings such as hospitals and rehabilitation centers. More importantly, home health care is customized to the individual patient, providing specialized, skilled and sophisticated treatment targeted at the needs of individual patients.

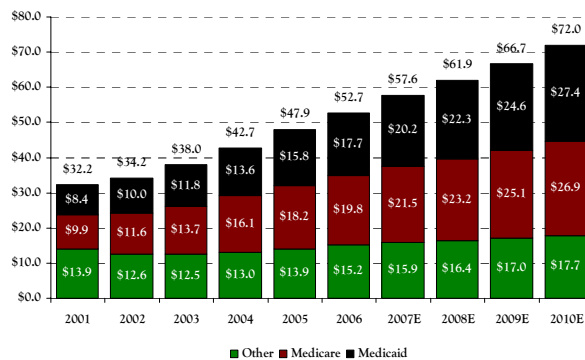
The home health market is highly fragmented. The chart below provides a summary of ownership of home health providers.

Home Health Providers



Sources: CMS, MedPAC, National Association for Home Care and Hospice, FactSet Mergerstat LLC, Irving Levin & Assoc.

Home Health Expenditures \$ in Billions



Providers may deliver a combination of professional home health and life assistance services, including support such as skilled nursing and therapists, as well as help with activities of daily living and overall health coaching.

Home health providers can be categorized into four primary types of agencies. Hospital-based agencies are operating units or departments of a hospital. For-profit freestanding agencies represent a highly fragmented collection of publicly-traded and privately owned agencies ranging from sole proprietor agencies serving a single community to the leading publicly-traded companies (the largest of which accounts for only approximately 2% market share). Not-for-profit freestanding agencies are privately developed and owned nonprofit home care agencies. Government / other agencies are operated by a state, county, city, or other unit of local government.



Q3 Focus

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Home Health

- Approximately 9,800 Medicare certified nursing agencies exist.
- Publicly owned providers account for less than 10% of the revenue in the home health market.
- Medicare is the largest source of home health funding, accounting for 40% of total spending.
- Home health spending is a relatively fast-growing segment of overall Medicaid spending, creating opportunities for Medicaid-focused home health providers.

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Market Overview & Key Drivers

Home Health

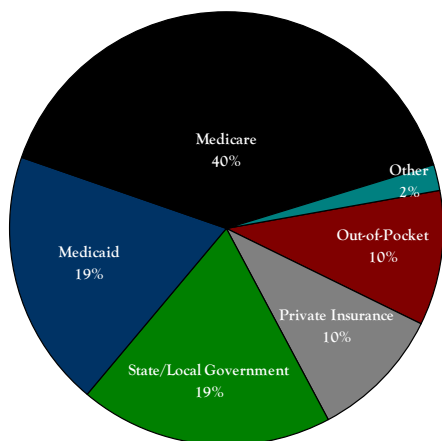
Market Segments

Home health benefits are funded by Medicare (the largest single payer of home health services), other public funding sources such as Medicaid, private insurance, managed care organizations, and private pay.

Medicare covers home health services for the beneficiaries who require part-time or intermittent skilled care and are homebound.

Medicaid payments for home care are divided into three main categories: the mandatory traditional home health benefit, and two optional programs, the personal care option and home and community-based waivers.

Sources of Payment for Home Health



Sources: CMS, MedPAC, National Association for Home Care and Hospice, FactSet Mergerstat LLC, Irving Levin & Assoc.

Together, these three home care service categories represent a relatively small but growing portion of total Medicaid payments.

The increasingly competitive healthcare market has created incentives for home care agencies to enter managed care provider networks. Private insurance and private pay are increasingly turning to home health as an effective, low cost solution to healthcare.

Market Participants

The home health market is highly fragmented with the leading public providers, Amedisys and Gentiva Health Services, each accounting for 2% or less of the overall home health market. The list below identifies the leading market participants, and often the most acquisitive, in the home health market.

Publicly-Traded Companies

- Addus (ADUS)
- Almost Family (AFAM)
- Amedisys (AMED)
- Arcadia Resources (KAD)
- Gentiva Health Services (GTIV)
- LHC Group (LHCG)

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- In 2008 LHCG was the most aggressive acquirer in the home health space, completing 14 deals.

- The six publicly owned home health care providers represent approximately \$2.9 billion in aggregate market capitalization.

- Addus Healthcare completed a \$54 MM IPO in October 2009, becoming the sixth publicly-traded home care company.



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Market Overview & Key Drivers

Home Health

Market Participants (cont'd)

Selected Private Companies

- AccentCare
- Accurate Home Care
- CareCentrix
- Critical Homecare Solutions
- Encompass Home Health
- Great Lakes Home Health and Hospice
- Guardian Healthcare
- Medical Services of America
- OMNI Health Management
- SunCrest Healthcare
- Texas Home Health
- Willcare

Growth Drivers

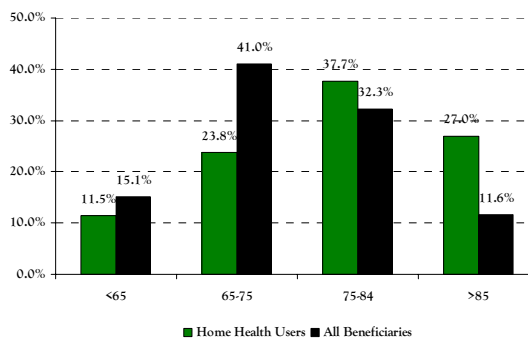
There are a number of key growth drivers and trends fueling the home health market.

- Aging population with higher incidence of chronic illness.
- Consumer preference to receive care in the home.
- Cost-effectiveness of the provision of care in the home compared to facility-based care.
- Technology advancements - including telemonitoring, digital cameras, point of care devices, etc.
- Payer preference for cost-effective care/treatment settings.

Demographics

The U.S. population continues to grow older. As evidenced by the chart below, beneficiaries using home health are older than the general Medicare population.

Medicare Beneficiaries Using Home Health vs. General Medicare Population by Age Group



In addition, home health users are more likely to be female, low income, widowed, and have either cognitive impairment or multiple chronic conditions as compared to the overall Medicare population according to research by Avalere Health, a health care industry advisory services company.

Public Policy

Medicare hospital insurance is projected to exceed income by 2010. Cost assumptions compiled by the Board of Trustees of the Medicare Trust Funds and CMS indicate that the Medicare hospital insurance trust fund will be depleted by as early as 2017 under intermediate cost assumptions.

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Home Health

- Over half of the home health users are 75 or older compared to the general Medicare population, the majority of whom are 74 or younger.

- 8,000 Americans will become Medicare eligible each day beginning in 2011.

- By 2030, 57.8 million baby boomers will be eligible for Medicare benefits according to the U.S. Census Bureau.

Sources: CMS, MedPAC, National Association for Home Care and Hospice, FactSet Mergerstat LLC, Irving Levin & Assoc.

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Market Overview & Key Drivers

Home Health

Public Policy

The hospital insurance trust fund is not adequately funded and there is a need for timely and effective action to address Medicare's financial challenges. Against this backdrop, the cost effectiveness of home health is too great to ignore.

According to various sources including the Social Security Administration, CMS and the National Association of Home Care and Hospice, the average per diem cost of a hospital stay ranges from \$1,500 to more than \$5,000 while the cost of a day in a skilled nursing facility averages between \$300 and \$500. Home health's value proposition is evident with estimated average costs ranging from as low as \$50 per day to \$150 per day.

Home health is a cost effective approach and research indicates that early home health use is associated with lower Medicare spending and fewer hospital readmissions for patients with chronic conditions.

According to CMS, Medicare spending on home health was greater in 1996 (\$17.8 billion) than in 2007 (\$15.4 billion), a result of efficiencies created through the industry moving toward full implementation of a prospective payment system as opposed to a cost plus system.

Medicare home health spending grew at a conservative 3% annually over the period from 1994 through 2008 compared to total Medicare spending over the same period that grew at approximately 7% also according to CMS.

Medicaid represents an emerging opportunity in the home health industry. Most industry observers expect that Medicaid will expand with current reform legislation and that the population benefiting from this program will continue to grow.

As Medicare and Medicaid margins converge and more Medicaid dollars are being spent on home health, providers with exposure to Medicaid revenue should see strong growth in this expanding market segment and could benefit from further consolidation.

Summary

Overall, we are bullish on the home health market and expect that industry consolidators and demographic trends will continue to fuel growth in the market. Home health providers with a strong mix of revenue should see exceptional growth as the population seeks solutions that allow them to stay where they are most comfortable, in their own homes.

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- Medicare home health spending was actually lower in 2007 than 1996 due in large part to implementation of PPS.

- Medicare home health spending grew at an annual rate of 3% from 1994 to 2008, compared to 7% growth in overall Medicare spending.



Healthcare Market Pulse



Selected Activity Q3 2009 – Home Health



Addus' IPO was priced at \$10 per share, below the initial range of \$11 to \$13. Proceeds will be used to pay down existing debt and to make payments to its private equity backers and executives. Addus initially filed to go public in July and priced in October. Shares traded down in early trading after the home care provider priced below its range. Still, given the incomplete status of healthcare reform legislation and ongoing Medicare reimbursement pressure, we view completion of the Addus IPO as a positive sign.

In a highly fragmented industry ripe with acquisition targets, Addus' access to capital in the public markets could prove to be a competitive advantage.

About the Company:

Addus is a comprehensive provider of a broad range of social and medical services in the home. Addus' services include personal care and assistance with activities of daily living, skilled nursing and rehabilitative therapies, and adult day care. Addus' payor clients include federal, state and local governmental agencies, the Veterans Health Administration, commercial insurers and private individuals. Addus has over 12,000 employees that provide services through more than 120 locations across 16 states to over 23,000 consumers.

Home Health Consolidation:

The leading consolidators in the home health industry have completed over 100 transactions since 2005. Of the deals with disclosed transaction values, the overwhelming majority of deals were under \$100 million. The size and number of deals being completed are reflective of the fragmented nature of the home health market. The table below provides a summary of the leading consolidators together with number of deals they have completed since 2005 and disclosed aggregate transaction size.

Buyer/Investor	Total Number of Transactions ⁽¹⁾	Aggregate Disclosed Transaction Size (\$ in mm)	Deal by Transaction Values	Total Number of Transactions ⁽¹⁾
Amedisys Inc.	35	\$765.2	Undisclosed	61
LHC Group, Inc.	29	\$19.5	Less than \$100 mm	38
Arcadia Resources Inc.	15	\$45.8	\$100-\$499.9 mm	4
Almost Family Inc.	12	\$177.4	Greater than \$500 mm	0
Gentiva Health Services Inc.	12	\$513.5		
Total	103	\$1,521.4	Total	103
Merger and Acquisition Statistics (\$ in mm)				
Average TEV/Revenue		1.3x		
Average TEV/EBITDA		10.0x		
Average Deal Value		\$36.6		

(1) Denotes transactions from January 1, 2005 - October 28, 2009 and may include postponed transactions.

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Healthcare Practice Overview

At Greene Holcomb & Fisher, our healthcare investment banking group has a depth and breadth of experience that is unmatched in the middle market, with over 50 years of experience across the Medical Technology and Healthcare Services sectors. Our healthcare team's unique combination of investment banking, private equity, legal and operational experience provides our clients with a valuable perspective in helping them achieve their strategic objectives. We have advised dozens of publicly traded and privately held clients in a wide range of transactions, including mergers and acquisitions, strategic partnerships, private placements, fairness opinions, management buyouts and financial advisory assignments. We have completed transactions with a host of leading strategic and financial acquirers, including Bayer Healthcare, Greatbatch, Hitachi Medical Systems and United Health Group, among others.

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Home Health

MEDICAL TECHNOLOGY

HEALTHCARE SERVICES

Medical Devices

Medical Products

Healthcare Providers

Business Services/ Outsourcing

Cardiovascular
Diabetes
Endo- & Neuro-vascular
Interventional Radiology
Obesity
Orthopedics/Spine
Pulmonology
Urology/Gynecology

Contract Manufacturing
Dental Suppliers
Diagnostic Devices
Medical Components
Medical Equipment
Med-Surg Suppliers
Specialty Packaging
Surgical Instruments

ASCs/Specialty Hospitals
Behavioral Health
Dental Services
Dialysis
Home Health/ Infusion
Physician Management
Rehab/Long-Term Care
Workers Compensation

Clinical Laboratories
Health Management
Healthcare IT
Health & Wellness
IT-Based Outsourcing
Pharmaceutical Services
Revenue Cycle Management
Telemedicine

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- University of Michigan (BBA)
- Harvard Law School (JD)



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- 20+ years of investment banking and venture capital experience
- Former executive at Cardiac Pacemakers (now Guidant Corp.)
- Northwestern University (BA)
- Harvard Business School (MBA)



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Healthcare Market Pulse



Selected Recent Assignments

Q3 Focus

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Home Health

2009

GANDER.MTN.
WE LIVE OUTDOORS

Financial Advisory
Pending

2009

BLACKHAWK
SPORTS & RECREATION, LLC

has merged with

REG

Financial Advisory
Pending

2009

EDI
EQUIPMENT DISTRIBUTION, LLC

Financial Advisory

2009

Sherburne
Tele Systems, Inc.

has been acquired by

IOWA TELECOM

2009

ADVANCED BIOENERGY, LLC

Financial Advisory

2009

Digi

has acquired

MobiApps

Financial Advisory

2009

WANZEK
Heavy/Industrial Constructors

Financial Advisory

2009

Nilfisk Advance
SCOTTISH MANUFACTURER

Financial Advisory

2009

American Specialty Health

formerly a
portfolio company of

TA Associates

has completed
a recapitalization

2009

Castle Financial, Inc.
dba

IPLEX
BUSINESS DONE RIGHT

has been acquired by

2009

GOLDEN OVAL

has been acquired by

Rembrandt Enterprises Inc.

2009

GFS
GLOBAL FULFILLMENT SERVICES

Financial Advisory

2008

The Caldrea Company

Mrs. MEYER'S CLEAN DAY

has been acquired by

Johnson
A FAMILY COMPANY

2008

DESIGNER SKIN

and its manufacturing affiliate
has been acquired by

New Sunshine, LLC
a portfolio company of
MH Equity Investors

2008

Blackduck Telephone Company

has been acquired by

Paul Buryan Telephone

2008

WANZEK
Heavy/Industrial Constructors

has been acquired by

MasTec

2008

REMMELE ENGINEERING

a portfolio company of
Goldner Hawn

has sold its
Automation Division to

BUCKINGHAM CAPITAL PARTNERS

2008

MPP

MOBILE POST PRODUCTION INC.

has sold an equity interest to

SUMMIT PARTNERS

2008

Digi

has acquired

SARIAN SYSTEMS

Financial Advisory

2008

CORN PLUS

Financial Advisory

2008

POSSIS

has been acquired by

Bayer

2008

SPORTLITE

has been acquired by

GENLYTE
a subsidiary of
PHILIPS

2008

Broadwind

has acquired

BRAD FOOTE GEAR WORKS

Financial Advisory

2007

Nilfisk Advance
SCOTTISH MANUFACTURER

has acquired

VIPER

2007

THE SAUNDERS GROUP

has been acquired by

ReAble
THERAPEUTICS, INC.