

HEALTHCARE  
QUARTERLY

STATUS OF THE MICRO/SMALL CAP  
CAPITAL MARKETS

*INVESTMENT BANKING*



C. K. COOPER & COMPANY

Our Insight, Your Growth

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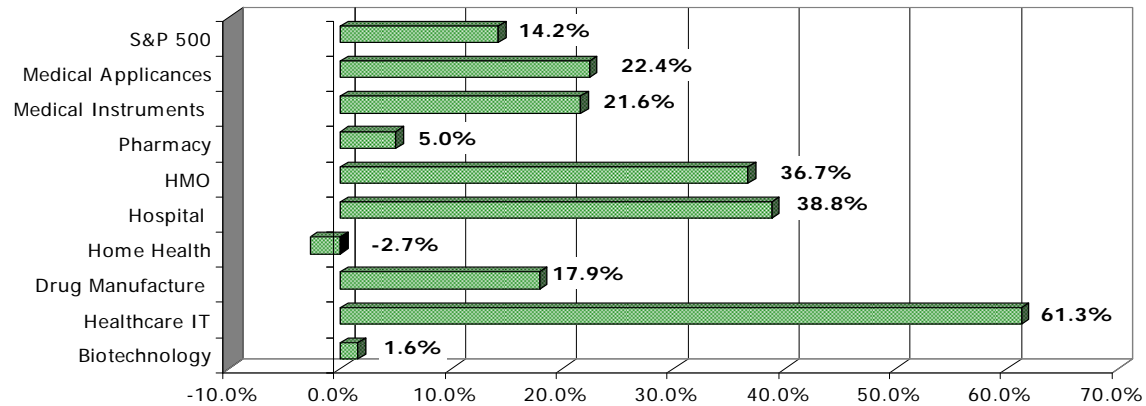
# STATE OF THE MARKETS

**C. K. COOPER & COMPANY (“CKCC”) HAS CONDUCTED THIS ANALYSIS TO PROVIDE A SNAPSHOT OF THE CAPITAL MARKETS FOR SMALLER HEALTHCARE ISSUERS AS THEY CURRENTLY STAND. THE BASIS OF THIS ANALYSIS PROVIDES INSIGHT INTO THE CURRENT STATUS OF THE MARKETS AND WHO THEY WOULD RELATE TO A PARTICULAR ISSUER. THIS ANALYSIS IS THE RESULT OF TRACKING DOMESTIC HEALTHCARE TRANSACTIONS (CAPITAL FORMATION) FOR MICRO AND SMALL CAP COMPANIES FROM \$10 MILLION UP TO \$1.0 BILLION IN MARKET CAPITALIZATION. IN THE CASE OF MERGER AND ACQUISITION ACTIVITY (“M&A”), ALL TRANSACTIONS THAT HAVE OCCURRED IN HEALTHCARE, BOTH DOMESTIC AND GLOBALLY, INCLUDING PUBLIC AND PRIVATE TRANSACTIONS, REGARDLESS OF SIZE ARE BROUGHT INTO CONSIDERATION.**

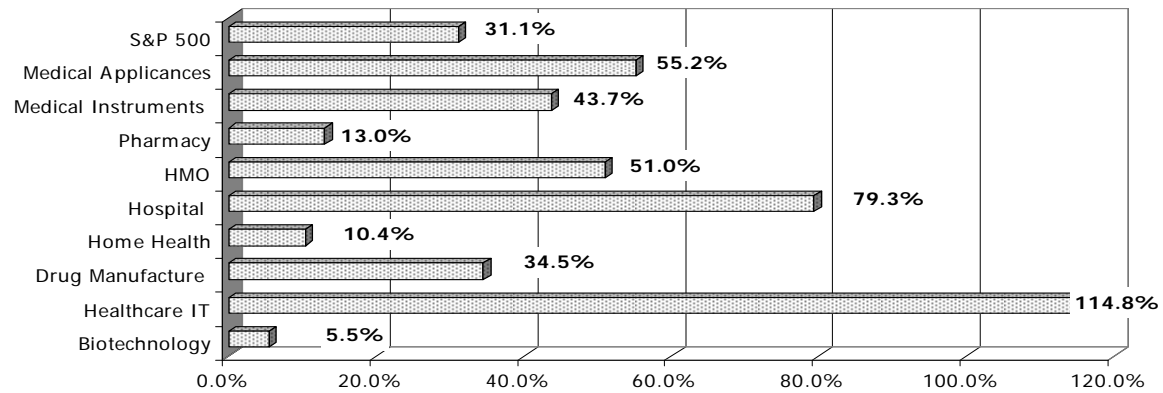
- **Stock Price Performance** – The majority of Healthcare sub-sectors we track have generally outperformed the S&P 500 over the past 1-year and recent 3-months. The most notable performance has been Healthcare IT, which we attribute to the Administration’s positive views (and therefore support) of the productivity, convenience, and cost savings IT will bring to the Healthcare industry.
- **Valuation** – Healthcare Services (hospitals, HMOs, home health) valuations remain below its long-term trend line, in particular on a P/E and EV/EBITDA basis, the 2 most relevant metrics in the space. Healthcare Technology (biotech, pharma, medical devices, etc) valuations continue to remain elevated, in particular on an EV/sales basis, which we view as the most relevant metric in the space.
- **Capital Formation** - Healthcare companies remain active from a capital formation perspective since September 2009. The dominant structure remains Registered Direct offerings. Interestingly, pricing of the transactions have generally been in-line with that of the current market price at announcement. However, these offerings have generally included warrant coverage, structured as a unit offering (1 share of common stock + 1 warrant). Warrant coverage has averaged 53%, priced at an 18% premium to market, with a 4.3 year average term.
- **Post-Transaction Price Performance** – We remain somewhat surprised as to the stock price deterioration of Healthcare stocks that have raised capital via a registered direct offering since September 2009. The average decline in share price has averaged 23% after roughly 1 ½ months since consummation of the transaction. We would note, however, that if we look at a much broader base of deal flow than the 10 we highlighted in this report, the share price decline is closer to 12%.
- **M&A Trends** – Healthcare companies remain active in M&A in 2H09. Interestingly, the average premium paid for Healthcare Technology companies is 45%, while the average premium paid for Healthcare Services companies is 26%. We continue to see the vast majority of M&A done by strategic buyers versus financial buyers.

# HEALTHCARE PERFORMANCE

## 1 YEAR PERFORMANCE



## 3 MONTH PERFORMANCE

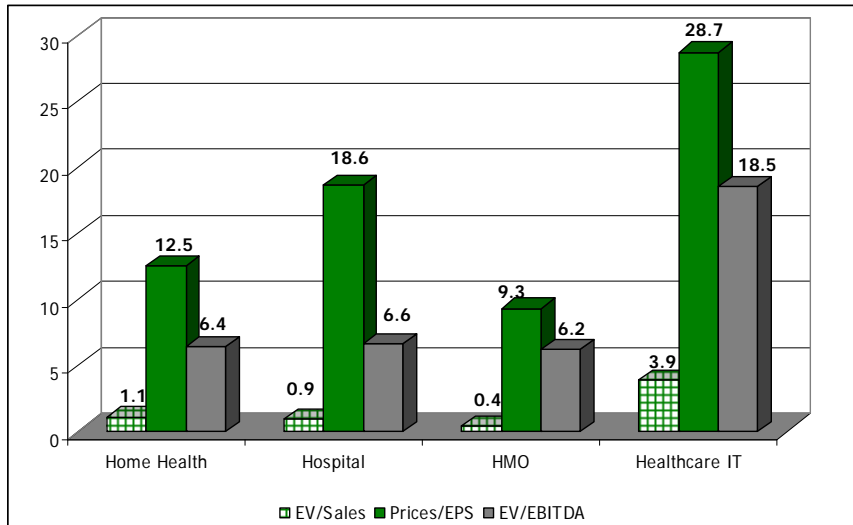


# HEALTHCARE VALUATIONS

## HC SERVICES

2009 Mean

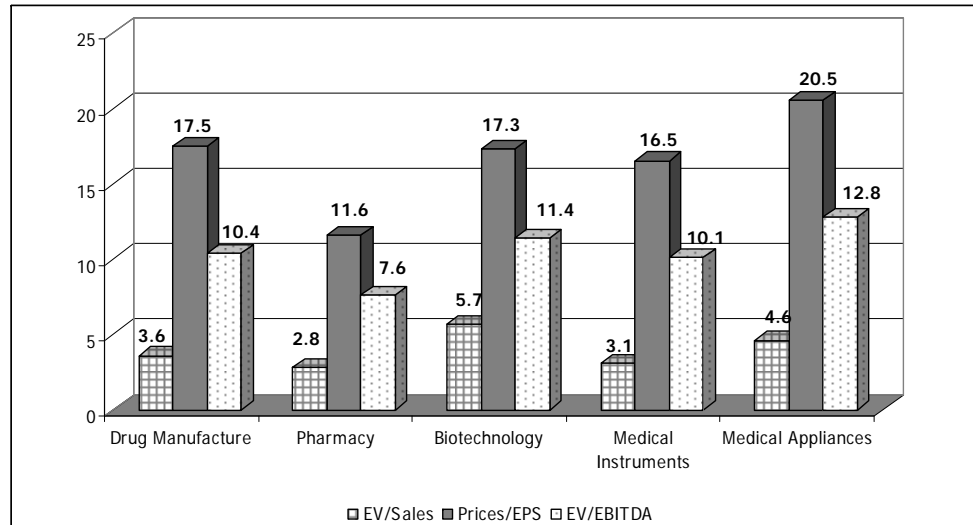
	EV/Sales	Prices/EPS	EV/EBITDA
Home Health	1.1x	12.5x	6.4x
Hospital	0.9x	18.6x	6.6x
HMO	0.4x	9.3x	6.2x
Healthcare IT	3.9x	28.7x	18.5x



## HC TECHNOLOGY

2009 Mean

	EV/Sales	Prices/EPS	EV/EBITDA
Drug Manufacture	3.6x	17.5x	10.4x
Pharmacy	2.8x	11.6x	7.6x
Biotechnology	5.7x	17.3x	11.4x
Medical Instruments	3.1x	16.5x	10.1x
Medical Appliances	4.6x	20.5x	12.8x



# HEALTHCARE PLACEMENT TRACKER

The following table represents transactions completed within the Healthcare sector since September 10, 2009. The representation includes 19 issuers raising on average \$15.5 million.

Name	Ticker	Exchange	Date	Amount of Transaction	Security Pricing	Discount to Market	Warrant Coverage	Warrant Pricing	Warrant Expiration (Date)	Warrant Premium	Price of Stock at Announcement
Tianyini Pharmaceutical Co.	TPI	NYSE Amex	10/30/2009	\$ 5,000,000	\$ 3.25	10.20%	20%	\$ 4.50	3.0	38.50%	\$ 3.58
StemCells, Inc.	STEM	Nasdaq-GM	10/28/2009	12,500,000	1.25	-6.40%	40%	\$1.50	5.0	20.00%	1.17
Inhibitex, Inc.	INHx	Nasdaq-CM	10/23/2009	23,000,000	1.28	-4.70%	45%	\$1.46	4.0	14.10%	1.22
Bionovo, Inc.	BNVI	Nasdaq-CM	10/2/2009	20,032,169	0.62	-24.20%	100%	\$0.85	5.0	37.10%	0.47
Regenerx Biopharmaceuticals, Inc.	RGN	NYSE Amex	9/30/2009	3,700,000	0.82	3.70%	50%	\$1.12	5.0	36.60%	0.85
Keryx Biopharmaceuticals, Inc.	KERX	Nasdaq-CM	9/30/2009	20,000,000	2.50	-6.40%	35%	\$2.65	1.0	6.00%	2.34
Rockwell Medical Technologies, Inc.	RMTI	Nasdaq-GM	9/29/2009	22,010,000	7.75	16.10%	38%	\$9.55	5.0	23.20%	9.00
Alexza Pharmaceuticals, Inc.	ALXA	Nasdaq-GM	9/29/2009	19,720,309	2.43	-4.60%	90%	\$2.77	7.0	13.90%	2.32
Threshold Pharmaceuticals, Inc.	THLD	Nasdaq-CM	9/29/2009	35,000,000	1.91	-1.60%	40%	\$2.23	5.0	16.80%	1.88
Celsion Corporation	CLSN	Nasdaq-GM	9/25/2009	7,063,536	3.50	36.30%	50%	\$5.24	5.5	49.70%	4.77
Hythiam, Inc.	HYTM	Nasdaq-GM	9/22/2009	7,000,000	0.75	-9.30%	25%	\$0.85	3.0	13.30%	0.68
Spectrum Pharmaceuticals, Inc.	SPPI	Nasdaq-GM	9/22/2009	50,000,000	7.55	-6.40%	40%	\$7.55	1.0	0.00%	7.07
Helicos BioSciences Corporation	HLCS	Nasdaq-GM	9/18/2009	7,350,004	2.57	-2.30%	66%	\$2.61	5.5	1.60%	2.51
Antares Pharma Inc.	AIS	NYSE Amex	9/17/2009	3,000,000	1.10	-0.90%	40%	\$1.15	5.0	4.50%	1.09
CEL-SCI Corporation	CVM	NYSE Amex	9/16/2009	20,000,000	1.40	-5.70%	33%	\$1.50	2.0	7.10%	1.32
ZIOPHARM Oncology Inc.	ZIOP	Nasdaq-GM	9/15/2009	5,059,515	1.83	3.60%	100%	\$2.04	5.0	11.80%	1.89
Cardium Therapeutics Inc.	CXM	NYSE Amex	9/14/2009	4,500,000	1.50	18.70%	74%	\$1.77	5.0	18.00%	1.78
Generex Biotechnology Corp.	GNBT	Nasdaq-GM	9/14/2009	12,250,000	0.80	-5.00%	33%	\$1.00	5.0	25.00%	0.76
NeuroMetrix Inc.	NURO	Nasdaq-GM	9/10/2009	18,680,004	2.12	9.90%	95%	\$2.20	5.0	3.80%	2.33
<b>Mean</b>				<b>15,571,870</b>		<b>1.1%</b>	<b>53%</b>		<b>4.3</b>	<b>17.9%</b>	
<b>Median</b>				<b>12,500,000</b>		<b>-2.0%</b>	<b>40%</b>		<b>5.0</b>	<b>14.1%</b>	

## Key Take-Away Points:

- On average, these transactions priced at a 1.1% discount to the prior day's close.
- Each of these transactions included warrant coverage with the average being 53% warrant coverage with a 4.3 year term, priced at an 18% premium to the offering price.
- All of these transactions were Registered Direct or Underwritten offerings suggesting that liquidity remains a key concern for investors as the PIPE market remains basically dormant.



## POST TRANSACTION PERFORMANCE

Post transaction performance has been surprising with a general decline of 23% on these same select issues. We attribute this primarily to the preponderance of warrant coverage, which suggests the actual offering price is below the announced price. When deducting out the value of the warrant associated with the transaction, the offering priced at a deeper discount than what appears on the surface.

Issuer	Symbol	Exchange	Date	\$ Raised	Offering Px	Post Transaction Performance			
						Current Market Price	Days Since Transaction	Percentage Difference	
Cardium Therapeutics Inc.	*CXM	NYSE Amex	9/14/2009	\$4,500,000	\$ 1.50	\$ 0.64	66	-57.33%	
Antares Pharma Inc.	*AIS	NYSE Amex	9/17/2009	\$3,000,000	\$ 1.10	\$ 1.11	63	0.91%	
Helicos BioSciences Corp.	*HLCS	Nasdaq-GM	9/18/2009	\$7,350,004	\$ 2.57	\$ 1.64	62	-36.18%	
Hythiam Inc.	*HYTM	Nasdaq-GM	9/22/2009	\$7,000,000	\$ 0.75	\$ 0.36	58	-52.67%	
Celsion Corp.	*CLSN	Nasdaq-GM	9/25/2009	\$7,063,536	\$ 3.50	\$ 3.11	55	-11.09%	
Rockwell Medical Technologies Inc.	*RMTI	Nasdaq-GM	9/29/2009	\$22,010,000	\$ 7.75	\$ 6.25	51	-19.37%	
Inhibitex Inc.	*INHX	Nasdaq-CM	10/23/2009	\$23,000,000	\$ 1.28	\$ 0.98	27	-23.44%	
RegeneRX Biopharmaceuticals Inc.	*RGN	NYSE Amex	9/30/2009	\$3,700,000	\$ 0.82	\$ 0.68	50	-17.07%	
StemCells Inc.	*STEM	Nasdaq-GM	10/28/2009	\$12,500,000	\$ 1.25	\$ 1.10	22	-12.00%	
Tianyin Pharmaceutical Co. Inc.	*TPI	NYSE Amex	10/30/2009	\$5,000,000	\$ 3.25	\$ 3.29	20	1.23%	
<b>Mean</b>				<b>\$9,512,354</b>			<b>47</b>	<b>-23%</b>	
<b>Median</b>				<b>\$7,031,768</b>			<b>53</b>	<b>-18%</b>	

\* PIPE

\*\* Public Offering

# HEALTHCARE M&A TRENDS

The trend in M&A activity within the space remains relatively active. The demise of the private equity groups has resulted in more industry/strategic transactions compared to financial transactions previously.

	Healthcare Technology	Healthcare Services
<b>Public M&amp;A</b>		
Avg. Transaction Value (3 Year)	\$130 million	\$121 million
Avg. Premium Paid	45%	26%
Financials (of Target Company)	\$2.5 million EBITDA and net loss of (\$6.5 million); \$18 million in debt	\$189 million in sales and net income \$15 million
Valuations	N/A	2.4x price/sales; 14x P/E
Type of Acquirer	Strategic Players	Strategic Players
<b>Private - M&amp;A</b>		
Avg. Transaction Value (3 Year)	\$53 million	\$54 million
Financials (of Target Company)	N/A	\$195 in sales & net loss of (\$2 million)
Valuations (of Acquiring Company)	N/A	6.3x EV/EBITDA

# NOTABLE M&A TRANSACTIONS – IN RECENT MONTHS (HEALTHCARE)

Announce Date	Buyer	Target	Target Country	Target Company Type	Target Company Industry
<b>Healthcare Technology</b>					
10-Nov-09	Stryker Corp.	OtisMed Corp.	United States	Private Company	Packaged Software
26-Oct-09	BioMarin Pharmaceutical, Inc.	Huxley Pharmaceuticals, Inc.	United States	Private Company	Pharmaceuticals: Major
21-Sep-09	C.R. Bard, Inc. (New Jersey)	Brennen Medical LLC /XenMatrix Business/	United States	Subsidiary	Medical Specialties
18-Sep-09	Fresenius SE	MEDITERRA s.r.o.	Hungary	Private Company	Medical/Nursing Services
10-Sep-09	Abbott Laboratories	Evalve, Inc.	United States	Private Company	Medical Specialties
9-Sep-09	Merck KGaA	Suzhou Taizhu Technology Development Co. Ltd.	China (People's Republic)	Private Company	Chemicals: Specialty
3-Sep-09	Thermo Fisher Scientific, Inc.	B.R.A.H.M.S AG	Germany	Private Company	Miscellaneous Commercial Services
3-Sep-09	Dainippon Sumitomo Pharma Co., Ltd.	Sepracor, Inc.	United States	Public Company	Pharmaceuticals: Other
2-Sep-09	Abbott Laboratories	Visiogen, Inc.	United States	Private Company	Medical Specialties
19-Aug-09	Bayer AG	Athenix Corp.	United States	Private Company	Chemicals: Agricultural
30-Jul-09	Sanofi-Aventis SA	MERIAL Ltd.	United States	Private Company	Pharmaceuticals: Major
29-Jul-09	Covidien Plc	Power Medical Interventions, Inc.	United States	Public Company	Medical Specialties
22-Jul-09	Bristol-Myers Squibb Co.	Medarex, Inc.	United States	Public Company	Biotechnology
<b>Healthcare Services</b>					
6-Nov-09	Fresenius Medical Care AG & Co. KGaA	Health IT Services Group	United States	Private Company	Internet Software/Services
22-Oct-09	ResCare, Inc.	All Quality Care, Inc.	United States	Private Company	Medical/Nursing Services
20-Oct-09	Gentiva Health Services, Inc.	Coordinated Home Health Care Corp.	United States	Subsidiary	Medical/Nursing Services
14-Oct-09	Healthways, Inc.	HealthHonors	United States	Private Company	Miscellaneous Commercial Services
5-Oct-09	American HomePatient, Inc.	Home Oxygen Services	United States	Subsidiary	Medical/Nursing Services
1-Oct-09	LHC Group, Inc.	John Paul Jones Hospital /Home Health Agency/	United States	Subsidiary	Medical/Nursing Services
1-Oct-09	Sun Healthcare Group, Inc.	Allegiance Hospice Group, Inc.	United States	Private Company	Medical/Nursing Services
7-Aug-09	Merge Healthcare, Inc.	Confirma, Inc.	United States	Private Company	Packaged Software
31-Jul-09	Aetna, Inc.	Horizon Behavioral Services	United States	Subsidiary	Hospital/Nursing Management
23-Jul-09	Gentiva Health Services, Inc.	Magna Home Health	United States	Private Company	Medical/Nursing Services
18-Jun-09	WebMD Health Corp.	HLTH Corp.	United States	Public Company	Services to the Health Industry



C. K. COOPER & COMPANY

Our Insight, Your Growth

**BILAL BASRAI, DIRECTOR**  
EMAIL: [BBASRAI@CKCOOPER.COM](mailto:BBASRAI@CKCOOPER.COM)  
PHONE: (312) 794-7742



**HEALTHCARE MARKETS**  
INVESTMENT BANKING PRACTICE

BILAL BASRAI IS THE DIRECTOR OF THE CORPORATE FINANCE GROUP FOR C. K. COOPER & COMPANY, A RESEARCH DRIVEN, INSTITUTION FOCUSED INVESTMENT BANKING BOUTIQUE PROVIDING THE FULL RANGE OF CAPITAL MARKET AND ADVISORY SERVICES TO PUBLIC AND PRIVATE COMPANIES.

IN THIS ROLE, MR. BASRAI IS RESPONSIBLE FOR THE IDENTIFICATION, CULTIVATION AND DEVELOPMENT OF CORPORATE FINANCE CLIENTS AND ADVISING THOSE CLIENTS ON THE VARIOUS STAGES OF EACH SPECIFIC TRANSACTION. IN PARTICULAR, MR. BASRAI LEVERAGES HIS INDUSTRY EXPERIENCE WITHIN THE HEALTHCARE SECTOR EXPANDING C. K. COOPER & COMPANY'S SERVICE AND PRODUCT OFFERING. IN THIS CAPACITY, MR. BASRAI IS THE TEAM LEADER ON CORPORATE FINANCE ASSIGNMENTS WITH THE FIRM'S HEALTHCARE CLIENTS, WHICH COULD INCLUDE APPRAISALS, FAIRNESS OPINIONS, MERGER AND ACQUISITION ADVICE, LICENSING AGREEMENTS AND CAPITAL FORMATION.