

HEALTHCARE QUARTERLY

STATUS OF THE MICRO/SMALL CAP
CAPITAL MARKETS

FEBRUARY 2010



C. K. COOPER & COMPANY

Our Insight, Your Growth

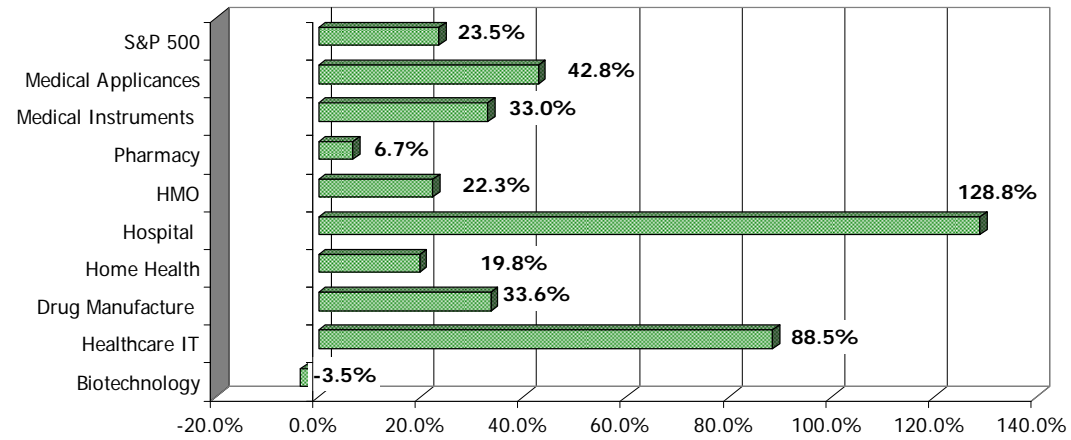
STATE OF THE MARKETS

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.

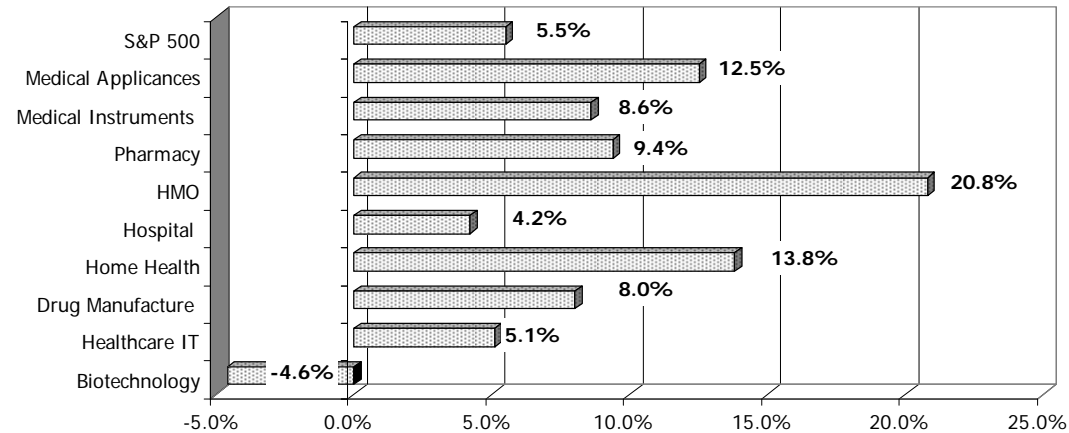
- **STOCK PRICE PERFORMANCE** – The majority of Healthcare sub-sectors we track have generally outperformed the S&P 500 over the past 1-year and recent 3-months. The most notable performance over the past 3-months has been HMO's (up 20.8%), in which we attribute the rebound in shares to the Administration's inability to pass Healthcare reform, which would have likely had a negative impact on this sub-sector. This was one of the hardest hit sub-sectors when talk of reform first began in early 2009. Hospitals are up roughly 129% over the past 12-months, which can be attributed to low expectations/valuation coupled with the ability to significantly cut costs in a disinflationary environment (more than offsetting rising bad debt expense) which led to significant EPS upside. At the same time expectation of broad healthcare reform was seen as a benefit for the sub-sector longer-term.
- **VALUATION** – Healthcare Services (hospitals, HMOs, home health, healthcare IT) valuations remain slightly 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 mid-November 2009. The dominant structure remains Registered Direct offerings (via effective S-3 registrations). Interestingly, pricing of the transactions have been completed at an average of only an 11% discount to market. However, these offerings have generally been structured as a unit offering (common stock + warrant). Warrant coverage has averaged 58%, priced at a 20% premium to market, with a 4.5 year average term.
- **POST-TRANSACTION PRICE PERFORMANCE** – We are pleasantly surprised as to the modest stock price decline of Healthcare stocks that have raised capital since mid-November 2009. The average decline in share price was only 9% after 28 days since consummation of the transaction. We believe this demonstrates the markets ability to recognize issuers with strong liquidity positions and financial flexibility. We continue to believe that offerings are received better when it appears the issuer does not “require” the money, so going to market with some financial flexibility creates a direct benefit to deal terms and post transaction stock performance.
- **M&A TRENDS** – Healthcare companies remain active in M&A in 2H09. Interestingly, the average premium paid for Healthcare Technology companies is 47%, while the average premium paid for Healthcare Services companies is 28%. We continue to see the vast majority of M&A done by strategic buyers versus financial buyers.

HEALTHCARE PERFORMANCE

1 YEAR PERFORMANCE



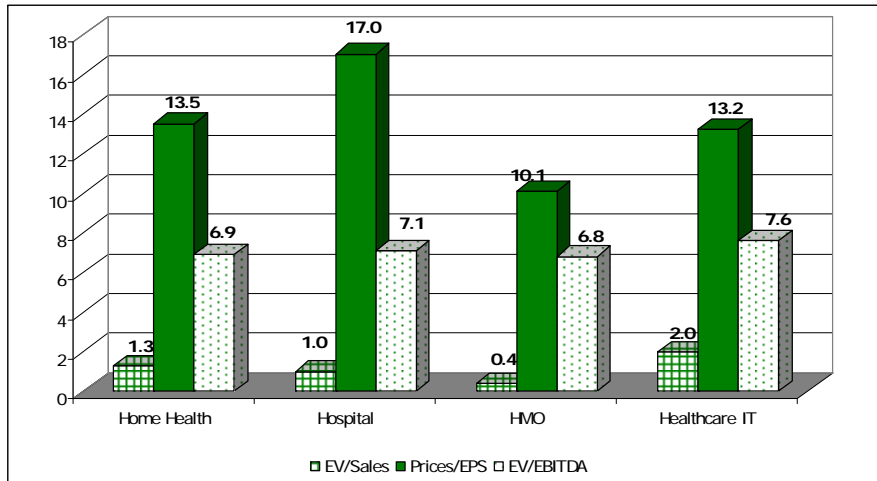
3 MONTH PERFORMANCE



HEALTHCARE VALUATIONS

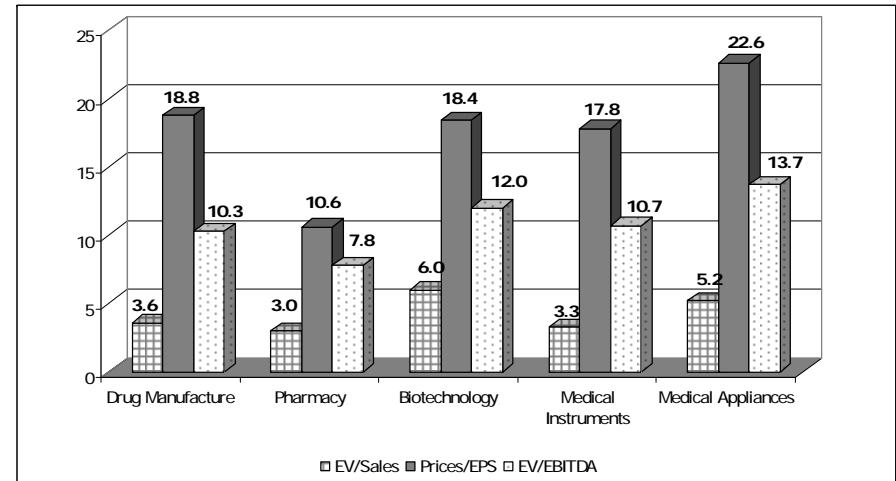
HC SERVICES

	EV/Sales	Prices/EPS	EV/EBITDA
Home Health	1.3x	13.5x	6.9x
Hospital	1.0x	17.0x	7.1x
HMO	0.4x	10.1x	6.8x
Healthcare IT	2.0x	13.2x	7.6x



HC TECHNOLOGY

	EV/Sales	Prices/EPS	EV/EBITDA
Drug Manufacture	3.6x	18.8x	10.3x
Pharmacy	3.0x	10.6x	7.8x
Biotechnology	6.0x	18.4x	12.0x
Medical Instruments	3.3x	17.8x	10.7x
Medical Appliances	5.2x	22.6x	13.7x



HEALTHCARE PLACEMENT TRACKER

The following table represents transactions completed within the Healthcare sector since mid-November, 2009. The representation includes 21 issuers raising on average \$13.6 million.

Name	Ticker	Exchange	Transaction Date	MarketCap (\$MM)	Amount of Transaction	Transaction size as % of Market Cap	Security Pricing	Discount to Market	Warrant Coverage (# Warrants/# of Shares)	Warrant Pricing (Exercise Price)	Warrant Expiration (Year)	Warrant Premium	Price of Stock at Announcement
XOMA Ltd.	XOMA	Nasdaq-GM	2/2/2010	\$130.0	\$21,000,000	16.2%	\$0.50	-23.1%	45%	\$0.70	5.0	40.0%	\$0.65
GenVec	GNVC	Nasdaq-GM	1/27/2010	\$221.0	\$28,000,000	12.7%	\$2.00	-19.0%	30%	\$2.75	5.0	37.5%	\$2.47
Curis	CRIS	Nasdaq-GM	1/22/2010	\$155.0	\$16,250,000	10.5%	\$2.52	-18.7%	25%	\$3.55	5.0	40.9%	\$3.10
World Heart Corporation	WHRT	Nasdaq-CM	1/22/2010	\$64.0	\$7,300,000	11.4%	\$5.15	6.2%	200%	\$4.90	5.0	-4.9%	\$4.85
Cyclacel Pharmaceuticals	CYCC	Nasdaq-GM	1/21/2010	\$60.0	\$5,900,000	9.8%	\$2.50	-3.8%	30%	\$2.85	5.0	14.0%	\$2.60
Aastrom Biosciences	ASTM	Nasdaq-CM	1/14/2010	\$43.6	\$12,000,000	27.5%	\$0.26	4.0%	125%	\$0.37	5.0	42.3%	\$0.25
Rosetta Genomics	ROSG	Nasdaq-GM	1/13/2010	\$27.0	\$5,100,000	18.9%	\$2.00	-39.4%	50%	\$2.50	5.0	25.0%	\$3.30
Cell Therapeutics	CTIC	Nasdaq-CM	1/13/2010	\$660.0	\$30,000,000	4.5%	\$1.21	-11.7%	35%	\$1.18	1.0	-2.5%	\$1.37
China Information Security Technology	CPBY	Nasdaq-GM	1/13/2010	\$304.0	\$20,000,000	6.6%	\$6.15	0.0%	25%	\$6.15	45 days	0.0%	\$6.15
Solta Medical	SLTM	Nasdaq-GM	1/8/2010	\$99.6	\$17,200,000	17.3%	\$2.02	-2.9%	50%	\$2.12	5.5	5.0%	\$2.08
ADVENTRX Pharmaceuticals	ANX	AMEX	1/4/2010	\$61.0	\$20,000,000	32.8%	\$0.38	8.6%	20%	\$0.35	2.5	-7.9%	\$0.35
CNS Response	CNSO	OTC BB	12/29/2009	\$31.0	\$2,900,000	9.4%	\$0.30	-72.7%	50%	\$0.30	5.0	0.0%	\$1.10
Cambridge Heart	CAMH	OTC BB	12/28/2009	\$5.0	\$1,800,000	36.0%	\$0.08	14.3%	80%	\$0.10	5.0	25.0%	\$0.07
WaferGen Biosystems	WGBS	OTC BB	12/24/2009	\$65.0	\$5,000,000	7.7%	\$1.50	-34.8%	25%	\$2.50	5.0	66.7%	\$2.30
Raptor Pharmaceuticals	RPTP	Nasdaq-CM	12/18/2009	\$40.0	\$7,500,000	18.8%	\$2.00	-18.4%	100%	\$2.45	5.0	22.5%	\$2.45
Opexa Therapeutics	OPXA	Nasdaq-CM	12/10/2009	\$25.0	\$5,100,000	20.4%	\$2.00	-13.4%	50%	\$2.55	5.0	27.5%	\$2.31
AdCare Health Systems	ADK	AMEX	12/9/2009	\$12.0	\$2,500,000	20.8%	\$2.00	-33.3%	100%	\$2.50	5.0	25.0%	\$3.00
ZIOPHARM Oncology Inc.	ZIOP	Nasdaq-CM	12/4/2009	\$74.0	\$48,000,000	64.9%	\$3.10	4.7%	50%	\$4.02	5.0	29.7%	\$2.96
Authendiate Holdings	ADAT	Nasdaq-CM	12/8/2009	\$34.0	\$3,400,000	10.0%	\$1.00	-18.7%		\$1.00	0.4		\$1.23
PolyMedix, Inc.	PYMX	OTC BB	11/17/2009	\$62.0	\$20,700,000	33.4%	\$1.25	25.0%	30%	\$1.00	5.0	-20.0%	\$1.00
Spherix, Inc.	SPEX	Nasdaq-CM	11/16/2009	\$20.0	\$6,300,000	31.5%	\$2.30	13.3%	40%	\$3.25	5.0	41.3%	\$2.03
Average				\$104.4	\$13,616,667	20.0%		-11.1%	58%		4.5	20.4%	
Median				\$61.0	\$7,500,000	17.3%		-11.7%	48%		5.0	25.0%	

Key Take-Away Points:

- On average, these transactions priced at an 11.1% discount to the prior day's close.
- Each of these transactions included warrant coverage with the average being 58% warrant coverage with a 4.5 year term, priced at a 20% premium to the offering price.
- All of these transactions were Registered Direct or Underwritten offerings (primarily via effective S-3 registrations) suggesting that liquidity remains a key concern for investors as the PIPE market remains basically dormant.

DISCOUNT TO THE MARKET

This table takes a sampling of these transactions to determine pricing of the offering compared to standard ranges of price prior to the announcement of the offering. On average, near-term pricing (1-day, 10-day, 15-day) was more favorable than 20 and 30 days prior, which suggests that even as investors may be made aware of a potential offering (via SEC filing or being approached by the issuer or its agent), the discount gap is narrowed as pricing of the offering approaches. This suggests that underlying Healthcare issuers have been enjoying a rebound in market pricing, and accessing the capital markets remains a viable option.

Issuer	Symbol	Exchange	Date	\$ Raised	Offering Px	% Discount/(Premium) to Market				
						1 Day	10 Day	15 Day	20 Day	30 Day
GenVec Inc.	**GNVC	NASDAQ GM	1/27/2010	\$ 28,000,000	\$ 2.47	-35.7%	-13.0%	-21.7%	-34.5%	-58.2%
Curis Inc.	**CRIS	NASDAQ GM	1/22/2010	\$ 16,250,000	\$ 3.10	-30.8%	3.4%	5.7%	6.1%	2.3%
World Heart Corp.	**WHRT	NASDAQ CM	1/22/2010	\$ 7,300,000	\$ 4.85	11.8%	9.3%	7.0%	5.8%	3.8%
Cyclacel Pharmaceuticals Inc.	**CYCC	NASDAQ GM	1/21/2010	\$ 5,900,000	\$ 2.60	-8.3%	1.7%	-23.1%	-42.4%	-64.8%
Aastrom Biosciences Inc.	**ASTM	NASDAQ CM	1/14/2010	\$ 12,000,000	\$ 0.25	26.0%	23.2%	22.5%	21.3%	21.1%
Rosetta Genomics Ltd.	**ROSG	NASDAQ GM	1/13/2010	\$ 5,100,000	\$ 3.30	-6.8%	-68.1%	-75.0%	-72.1%	-67.0%
Solta Medical Inc.	**SLTM	NASDAQ GM	1/8/2010	\$ 17,200,000	\$ 2.08	1.0%	-3.2%	-3.6%	-3.2%	-3.1%
Opexa Therapeutics Inc.	**OPXA	NASDAQ CM	12/10/2009	\$ 5,100,000	\$ 2.31	-21.6%	3.0%	-1.9%	-3.4%	-5.6%
Raptor Pharmaceutical Corp.	**RPTP	NASDAQ CM	12/18/2009	\$ 7,500,000	\$ 2.45	-30.3%	12.2%	16.3%	19.9%	24.1%
AdCare Health Systems Inc.	**ADK	AMEX	12/9/2009	\$ 2,500,000	\$ 3.00	0.7%	-4.8%	-8.7%	-13.6%	-19.6%
Authentidate Holding Corp.	**ADAT	NASDAQ CM	12/8/2009	\$ 3,400,000	\$ 1.23	-23.0%	4.5%	6.0%	6.2%	5.8%
Mean				\$10,022,727		-9.4%	-3.6%	-8.2%	-11.6%	-16.7%
Median				\$ 7,300,000		-7.6%	2.3%	-2.7%	-3.3%	-4.4%

*PIPE

**Public Offering

POST TRANSACTION PERFORMANCE

We are pleasantly surprised as to the more modest stock price decline of these same select issuers versus the larger decline (of 23%) we witnessed in our December 2009 publication of the State of the Healthcare Capital Markets. The average decline in share price was a more modest 9.1% after 28 days since consummation of the transaction. We believe this demonstrates the markets ability to recognize issuers with strong liquidity positions and financial flexibility. We continue to believe that offerings are received better when it appears the issuer does not "require" the money, so going to market with some financial flexibility creates a direct benefit to deal terms and post transaction stock performance.

						Post Transaction Performance			
Issuer	Symbol	Exchange	Date	\$ Raised	Offering Px	Current Market Price	Days Since Transaction	Percentage Difference	
GenVec Inc.	**GNVC	NASDAQ GM	1/27/2010	\$28,000,000	\$ 2.47	\$ 1.83	8	-25.9%	
Curis Inc.	**CRIS	NASDAQ GM	1/22/2010	\$16,250,000	\$ 3.10	\$ 2.27	13	-26.8%	
World Heart Corp.	**WHRT	NASDAQ CM	1/22/2010	\$7,300,000	\$ 4.85	\$ 6.10	13	25.8%	
Cyclacel Pharmaceuticals Inc.	**CYCC	NASDAQ GM	1/21/2010	\$5,900,000	\$ 2.60	\$ 1.98	14	-23.8%	
Aastrom Biosciences Inc.	**ASTM	NASDAQ CM	1/14/2010	\$12,000,000	\$ 0.25	\$ 0.24	21	-6.0%	
Rosetta Genomics Ltd.	**ROSG	NASDAQ GM	1/13/2010	\$5,100,000	\$ 3.30	\$ 1.69	22	-48.8%	
Solta Medical Inc.	**SLTM	NASDAQ GM	1/8/2010	\$17,200,000	\$ 2.08	\$ 1.77	27	-14.9%	
Opexa Therapeutics Inc.	**OPXA	NASDAQ CM	12/10/2009	\$5,100,000	\$ 2.31	\$ 2.05	56	-11.3%	
Raptor Pharmaceutical Corp.	**RPTP	NASDAQ CM	12/18/2009	\$7,500,000	\$ 2.45	\$ 2.39	48	-2.4%	
AdCare Health Systems Inc.	**ADK	AMEX	12/9/2009	\$2,500,000	\$ 3.00	\$ 4.30	57	43.3%	
Authentidate Holding Corp.	**ADAT	NASDAQ CM	12/8/2009	\$3,400,000	\$ 1.23	\$ 0.99	58	-19.5%	
Mean				\$10,022,727			28	-9.1%	
Median				\$ 7,300,000			22	-13.1%	

*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
Public M&A		
Avg. Transaction Value (3 Year)	\$137 million	\$124 million
Avg. Premium Paid	47%	28%
Financials (of Target Company)	\$2.3 million EBITDA and net loss of (\$6.2 million); \$18 million in debt	\$186 million in sales and net income \$14 million
Valuations	N/A	2.4x price/sales; 14x P/E
Type of Acquirer	Strategic Players	Strategic Players
Private - M&A		
Avg. Transaction Value (3 Year)	\$55 million	\$56 million
Financials (of Target Company)	N/A	\$193 in sales & net loss of (\$2 million)
Valuations (of Acquiring Company)	N/A	6.2x EV/EBITDA

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

Announce Date	Buyer	Target	Target Country	Target Company Type	Target Company Industry
Healthcare Technology					
12/14/09	Cubist Pharmaceuticals, Inc.	Calixa Therapeutics, Inc.	United States	Private Company	Pharmaceuticals: Major
12/7/09	Celgene Corp.	Gloucester Pharmaceuticals, Inc.	United States	Private Company	Pharmaceuticals: Major
11/10/09	Smith & Nephew Plc	NUCRYST Pharmaceuticals Corp.	United States	Subsidiary	Pharmaceuticals: Major
11/9/09	Sonova Holding AG	Advanced Bionics Corp	United States	Subsidiary	Medical Specialties
10/26/09	BioMarin Pharmaceutical, Inc.	Huxley Pharmaceuticals, Inc.	United States	Private Company	Pharmaceuticals: Major
9/21/09	C.R. Bard, Inc. (New Jersey)	Brennen Medical LLC /XenMatrix Business/	United States	Subsidiary	Medical Specialties
9/18/09	Fresenius SE	MEDITERRA s.r.o.	Hungary	Private Company	Medical/Nursing Services
9/10/09	Abbott Laboratories	Evalue, Inc.	United States	Private Company	Medical Specialties
9/9/09	Merck KGaA	Suzhou Taizhu Technology Development Co. Ltd.	China (People's Republic)	Private Company	Chemicals: Specialty
9/3/09	Thermo Fisher Scientific, Inc.	B.R.A.H.M.S AG	Germany	Private Company	Miscellaneous Commercial Services
9/3/09	Dainippon Sumitomo Pharma Co., Ltd.	Sepracor, Inc.	United States	Public Company	Pharmaceuticals: Other
9/2/09	Abbott Laboratories	Visiogen, Inc.	United States	Private Company	Medical Specialties
8/19/09	Bayer AG	Athenix Corp.	United States	Private Company	Chemicals: Agricultural
7/30/09	Sanofi-Aventis SA	MERIAL Ltd.	United States	Private Company	Pharmaceuticals: Major
7/29/09	Covidien Plc	Power Medical Interventions, Inc.	United States	Public Company	Medical Specialties
7/22/09	Bristol-Myers Squibb Co.	Medarex, Inc.	United States	Public Company	Biotechnology
Healthcare Services					
12/3/09	Healthcare Trust of America, Inc.	Dallas LTAC Hospital	United States	Private Company	Medical/Nursing Services
11/19/09	RadNet, Inc.	Union Imaging Associates	United States	Subsidiary	Medical/Nursing Services
11/6/09	Fresenius Medical Care AG & Co. KGaA	Health IT Services Group	United States	Private Company	Internet Software/Services
10/22/09	ResCare, Inc.	All Quality Care, Inc.	United States	Private Company	Medical/Nursing Services
10/20/09	Gentiva Health Services, Inc.	Coordinated Home Health Care Corp.	United States	Subsidiary	Medical/Nursing Services
10/14/09	Healthways, Inc.	HealthHonors	United States	Private Company	Miscellaneous Commercial Services
10/5/09	American HomePatient, Inc.	Home Oxygen Services	United States	Subsidiary	Medical/Nursing Services
10/1/09	LHC Group, Inc.	John Paul Jones Hospital /Home Health Agency/	United States	Subsidiary	Medical/Nursing Services
10/1/09	Sun Healthcare Group, Inc.	Allegiance Hospice Group, Inc.	United States	Private Company	Medical/Nursing Services
8/7/09	Merge Healthcare, Inc.	Confirma, Inc.	United States	Private Company	Packaged Software
7/31/09	Aetna, Inc.	Horizon Behavioral Services	United States	Subsidiary	Hospital/Nursing Management
7/23/09	Gentiva Health Services, Inc.	Magna Home Health	United States	Private Company	Medical/Nursing Services
6/18/09	WebMD Health Corp.	HLTH Corp.	United States	Public Company	Services to the Health Industry



C. K. COOPER & COMPANY

Our Insight, Your Growth

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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.