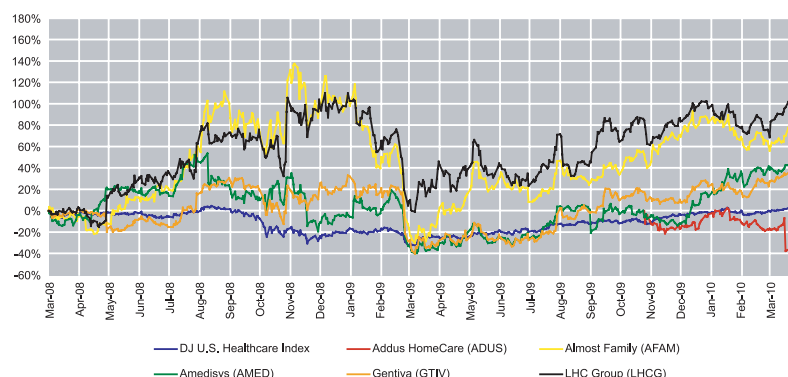


HEALTHCARE SERVICES FIRST QUARTER 2010 REVIEW

EUREKA CAPITAL MARKETS, LLC MEMBER FINRA/SIPC

SECTOR SPOTLIGHT - HOME HEALTHCARE

- In 1Q 2010 public market valuations as measured by EV/EBITDA multiples were up 31% vs. 1Q 2009 (but still down 14% vs. 1Q 2008), due in part to the resolution of the healthcare reform debate and ultimate passage of the bill on March 21, 2010
- While still containing provisions to reduce the Medicare rates, the bill includes provisions to substantially increase eligibility, which in turn will increase the potential patient base for homecare companies
 - Multiples improved from their low in March 2009 when they fell to 5.3x following MedPAC's recommendation for a 5.5% rate cut in FY2010 and an additional 5% cut in FY2011
 - Despite this, in August 2009 CMS released its final rule for FY2010 which increased the base rate by 1.8%
- On May 5, 2010 the CMS 36-month rule, which had been restricting M&A activity was limited to a full CHOW
- The sector fundamentals remain highly attractive
 - Homecare expenditure is estimated at \$70 billion and is expected to experience strong long-term growth to \$154 billion over the next 10 years (CAGR of 7.9%) primarily driven by:
 - An aging population;
 - A continued shift from an institutional setting into the home which is both less costly for the payor (50% - 75% lower daily cost) and preferred by the patient; and
 - Expansion of Medicaid eligibility and federal matching from reform
- Given that the home healthcare sector remains highly fragmented with an estimated 12,000 providers, we expect continued consolidation, which should accelerate now that the 36-month rule has been amended



Company	Ticker	Market Cap Current (\$M)	Enterprise Value as a Multiple of EBITDA		
			Current	1 Year Ago	2 Years Ago
Addus HomeCare	ADUS	63.4	6.3x	NM	NM
Almost Family	AFAM	345.0	7.4x	5.3x	7.8x
Amedisys	AMED	1,561.6	6.7x	5.3x	8.5x
Gentiva	GTIV	838.9	7.3x	5.2x	8.6x
LHC Group	LHCG	623.6	7.1x	5.5x	7.5x
Mean			6.9x	5.3x	8.1x

M&A TRANSACTIONS

Overall Healthcare Market

- In 2009, the overall healthcare M&A market was down both in terms of number of transactions and dollars spent
 - The volume of transactions in 2009 was 418 versus 538 in 2008 and dollars spent totaled \$18.5 billion in 2009 versus \$23.5 billion in 2008
- In 1Q 2010, deal volumes were lower than in previous quarters, primarily due to the battle leading up to passage of the healthcare reform in late March
 - The volume of transactions in 1Q 2010 was 103 versus 127 in the 4Q of 2009
- In 2008 and 2009, the vast majority of M&A transactions were led by strategic buyers and in particular, the publicly traded corporations which represented approximately 60% of volume and 90% of dollars spent in both 2008 and 2009

Home Healthcare Sector

- The home healthcare sector recorded a total of 42 transactions in 2009 versus 47 in 2008
 - Total dollars spent in 2009 was \$98 million versus \$387 million in 2008 (excluding Blackstone's acquisition of Apria and Amedisys' acquisition of TLC)
- In 1Q 2010 the home healthcare M&A market showed a significant recovery as compared to 4Q 2009 and surpassed the levels seen in 1Q 2008
 - The volume of transactions in 1Q 2010 was 14 versus 7 in 1Q 2009 and 12 in 4Q 2009

Going Forward

- Deal activity slowed slightly during 1Q 2010 as the market awaited resolution of the healthcare reform debate. We expect the market to gain momentum, now that the bill was passed
- Middle market deals (\$100 million - \$1.0 billion) will continue to represent the vast majority of healthcare transactions

SELECT FIRST QUARTER 2010 M&A TRANSACTIONS

Date Announced	Seller/Target	Target Business Description	Acquirer Name
Hospitals			
Mar-10	Detroit Medical Center	8-hospital, 1,734-bed system in Detroit, MI.	Vanguard Health Systems, Inc.
Mar-10	Caritas Christi Health Care	6-hospital, 1,552-bed acute care group in MA.	Cerberus Capital Management, LP
Jan-10	Banks-Jackson-Commerce Medical Center	90-bed acute care facility.	Restoration Healthcare, LLC
Jan-10	NorthShore Regional Medical Center	165-bed acute care facility.	Ochsner Health System
Long-term Care (SNFs, ALFs, and ILFs, includes sale / leasebacks)			
Mar-10	Central DuPage Health System / Wyndemere Senior Living Community	446-unit CCRC.	Life Care Services, LLC.
Feb-10	Sunrise Senior Living / Sunrise of Eastover	86-unit, 91-bed assisted living facility in GA.	Emeritus Assisted Living, Inc.
Jan-10	Sterling Oaks	99-bed assisted living facility.	Platinum Health Care, LLC
Jan-10	Sunwest Management / Kensington Green	120-unit facility (96 assisted living and 24 memory care units) in CT.	Hearth Management, LLC
Jan-10	Sunwest Management / Northwesterly Assisted Living	91-unit assisted living facility in OH.	Kandu Capital, LLC
Jan-10	Emmett Care & Rehabilitation Center, Parke View Rehabilitation & Care Center	Two skilled nursing facilities, 72-bed and 86-bed in ID.	The Ensign Group, Inc.
Jan-10	Sunwest Management	134 assisted living facilities.	Blackstone Real Estate Advisors / Emeritus Assisted Living
Home Health/Hospice (Respiratory Therapy, Infusion Therapy, Nursing, Durable Medical Equipment and Staffing)			
Mar-10	Truststaff Management, Inc.	National healthcare staffing company.	Medical Connections Holdings
Mar-10	Heart to Heart Hospice	Provides hospice in AL.	Gentiva Health Services, Inc.
Mar-10	Salem Hospital Home Care	Provides home healthcare services in OE.	LHC Group
Feb-10	Visiting Nurse Managed Care Corporation	Provides home healthcare services to managed care organizations in FL.	All-Med Services of Florida, Inc.
Feb-10	De Queen Home Health Agency	Provides home healthcare services in AR.	Amedisys, Inc.
Feb-10	Progressive Personal Care	Provides personal care services in AK.	ResCare, Inc.
Feb-10	RP Home Care, Inc.	Provides home healthcare services in PA and DE.	ResCare, Inc.
Feb-10	Gentiva Health Services, Inc. / Respiratory therapy, infusion therapy, HME business	Provides respiratory and infusion therapy, and home medical equipment.	Lincare Holdings, Inc.
Feb-10	Hutcheson Home Health	Provides home healthcare services in GA.	LHC Group
Jan-10	Access Hospice Care	Provides hospice services and palliative care in MO.	LHC Group
Jan-10	Atenda Healthcare Solutions	Coordinates home healthcare services (pharmacy, nursing, HME) in FL and GA.	Univita Health
Jan-10	Advocate Medical Services, Inc.	Provides HME in FL.	ActivStyle, Inc.
Jan-10	Kohlberg & Company, LLC / Critical Homecare Solutions	Provides home infusion therapy and nursing services.	BioScrip, Inc.

SELECT FIRST QUARTER 2010 M&A TRANSACTIONS

Date Announced	Seller/Target	Target Business Description	Acquirer Name
Clinical Services			
Mar-10	Lenetix Medical Screening Laboratory, Inc.	Provides genetic screening and diagnostic testing services for healthcare providers.	Bio-Reference Laboratories, Inc.
Feb-10	Marsh & McLennan / Kroll Laboratory Specialists	Provides substance abuse testing services.	Inverness Medical Innovations, Inc.
Jan-10	Modern Medical Modalities Corp. / Union Imaging Center	Provides imaging services.	RadNet, inc.
Jan-10	OncoDiagnostic Laboratory	Provides anatomic pathology and molecular diagnostic lab services.	Predictive Biosciences
Jan-10	Meridian Regional Imaging, LLC	Provides diagnostic radiology and neuroradiology services.	ONRAD, Inc.
Managed Care			
Feb-10	University Health Services / Carolina Crescent Health Plan	Serves over 40,000 Medicaid members in SC.	Centene Corporation
Healthcare Information Technology & Outsourcing			
Mar-10	AMICAS, Inc.	Provides radiology, medical image and information management solutions through its web-based PACS.	Merge Healthcare
Mar-10	TranSend International, LLC	Provides clinical trial management software solutions.	BioClinica, Inc.
Feb-10	Warburg Pincus and TowerBrook Capital / Spheris, Inc.	Provides document services for hospitals.	MedQuist, Inc.
Feb-10	Opus Healthcare Solutions	Provides web-based clinical solutions to hospital systems and integrated delivery networks.	Quality Systems, Inc.
Feb-10	Initiate Systems	Provides record matching technology to prescription drug and other information network exchange systems.	IBM
Feb-10	MEDHOST	Provides software solutions.	Health Tech Holdings
Jan-10	Battery Ventures / Healthvision Solutions, Inc.	Provides integration and application technology and related services.	Lawson Software, Inc.
Jan-10	FutureVision Technologies	Provides outsourced services specializing in electronic data conversion and information management solutions.	Emdeon
Jan-10	Unisys Corp. / Medicaid HIM	Provides Medicaid health information management.	Molina Healthcare, Inc.
Other			
Mar-10	Carle Clinic Association and Health Alliance Medical Plan	340-physician group practice and 340,000-member health plan in IL.	Carle Foundation Hospital
Jan-10	Charterhouse Group / Amerifit Brands, Inc.	Consumer health and wellness company.	Martek Biosciences Corporation
Jan-10	HealthSouth Rehabilitation Hospital	80-bed, 88,000 sq. ft. inpatient rehab hospital.	Baton Rouge Rehabilitation Hospital
Jan-10	Net-Rx	Provides operational and technical services exclusively for pharmacies.	Managed Health Care Associates, Inc.

Sources:

Company Public Filings & Press Releases.
 Capital IQ.
 Irving Levin Associates, Inc. *Health Care M&A Monthly*, Volume 4, Issues 2-4.
 Centers for Medicare and Medicaid Services (CMS).
 Department of Health and Human Services, *A Profile of Older Americans: 2009*.
 MedPac.

EUREKA'S HEALTHCARE EXPERTISE

Eureka's professionals have both a thorough understanding of the industry and strong relationships with leading healthcare companies. Key recent transactions by Eureka include the following:

- National Home Health Care Corp. (NASDAQ: NHHK): Initiated and partnered with Angelo Gordon in an approximately \$75 million going private transaction
- Shield Healthcare, Inc.: Advised management on and assisted in raising financing for buyout of controlling interest from Kobayashi Pharmaceuticals Co., Ltd.
- Beverly Enterprises, Inc. (NYSE: BEV): Initiated and advised activist shareholder group (Appaloosa Management, Franklin Mutual Advisers, Formation Capital) on equity investment in a potential acquisition of Beverly
- Sunrise IV Senior Living Holdings, LLC (The Fountains): Advised the Senior Bank Group on out-of-court restructuring
- Pacific Pharmacy Group, Inc.: Raised growth equity and recapitalized debt
- Ultrabridge, Inc.: Advised on its sale to CareCentric, Inc.
- Home Health Company in the Northeast: Structured, raised capital and advised shareholders in an ESOP buyout

The following is a list of sectors in which we have extensive relationships and expertise.

- Ambulatory Surgical Centers
- Behavioral Health
- Diagnostic Imaging/Radiation Oncology
- Disease Management
- Home Health
- Hospice
- Hospitals
- Information Technology
- Laboratories
- Long-Term Acute Care Hospitals
- Long-Term Care (IL, AL and SNF)
- Managed Care
- Medical Product Distribution
- Pharmacies
- Pharmacy Benefits Management
- Practice Management
- Rehabilitation
- Staffing

CONTACT INFORMATION

Leslie H. Feldman

Managing Director
leslie.feldman@eurekacap.com
646.277.8423

Bob Parzick

Senior Managing Director
robert.parzick@eurekacap.com
949.719.2261

Mark J. O'Keefe

Managing Director
mark.okeefe@eurekacap.com
949.719.2263

EUREKA CAPITAL MARKETS LLC, MEMBER FINRA/SIPC

Eureka Capital is an independent financial advisory firm with offices in New York and California. Our firm was established to provide companies with impartial, thoughtful and sophisticated advice for mergers, acquisitions, valuations/fairness opinions, capital raising, ESOP buyouts, financial restructurings, and other financial advisory assignments. With over 120 years of combined experience, our professional team has developed a long and consistent track record. Collectively, we have completed more than 350 domestic and cross-border transactions during our careers. We are not a volume-based business. At Eureka, we are committed to providing value-added advice to a select group of clients on businesses we understand.

New York

286 Madison Ave., Suite 1300
New York, NY 10017
Ph: 646.277.8420
Fx: 646.277.8421

California

610 Newport Center Dr., Suite 430
Newport Beach, CA 92660
Ph: 949.719.2260
Fx: 949.719.2314

www.eurekacap.com

This report is for information purposes only and is not intended as an offer or solicitation with respect to any purchase or sale of any security. Eureka Capital Markets, LLC gathers its data from sources it considers reliable; however, it does not guarantee the accuracy or completeness of the information provided within this publication. The opinions presented herein reflect the current judgment of the authors and are subject to change. Eureka Capital Markets, LLC makes no warranties, expressed or implied, regarding the accuracy of this information or the subjective opinions expressed by the authors. Eureka Capital Markets, LLC, its officers, directors and partners may at any time have positions in the securities of the companies discussed herein.