a look back 2004

m&annual

the braff group

2005 a look forward

Inside:

The Braff Group is a middle market merger and acquisition firm that specializes in the home medical equipment, home health care, hospice, staffing, specialty pharmacy, infusion therapy and eHealthcare market sectors. We provide merger and acquisition representation, strategic planning, and valuation services.

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Highlights

- Transaction volume in 2004 surges 14.4% with a record 222 transactions.
- The TBG Composite index rises 16% to close at a new all-time high of 254.6.
- New acquisition strategies emerge in response to MMA and other shifting market conditions.
- Valuations rise in Medicare Home Health, Hospice, Private Pay Home Health, and Infusion Therapy.

The Year in the Merger and Acquisition Activity

Deal Volume topped 200 in 2004.

2004 was another record setting year as transaction volume topped 200 for the first time, closing out at 222 deals — a 14.4% increase over 2003.

Key Observations:

Health Care Staffing deal volume surged 85% with a record 37 transactions in 2004.

- In a year in which Health Care Staffing continued to struggle with (a) hospital initiatives to curb utilization and pricing and (b) increasing numbers of nurses returning to full-time positions in a slowly rebounding economy (which combined contributed to an estimated 3% contraction of industry revenues — Source: *Staffing Industry Analysts*), the sector nevertheless accounted for the greatest surge in transaction volume with a record 37 deals in 2004 vs. 20 in 2003 — a growth of 85%. This comes as a growing number of relative newcomers to the acquisition stage take advantage of current market instability to gain capacity and share in anticipation of the next up-cycle (see Top 10 Events of 2004). Not surprisingly, unduplicated buyers in 2004 also rose dramatically — from 14 in 2003 to 22 in 2004 — a gain of 57%.

Fueled largely by private buyers, Home Health M&A activity continues to rise.

- The Home Health Care sector is finally beginning to live up to its promise with a record 57 deals in 2004, up 26.7% over 2003. However, unlike every other sector except Hospice, deal volume is predominately being driven by private buyers — including several new private equity investors — which accounted for 75% of the transactions. To a great extent, the larger publicly traded firms have chosen to eschew high volume acquisition strategies in favor of start-ups where they can carefully develop and nurture their corporate cultures upon which they can differentiate themselves in the eyes of both referral sources and potential employees.

Emerging Specialty Pharmacy / IV integration models have spurred Home Infusion M&A Activity.

- While at first glance, an increase in transaction volume in the Infusion Therapy sector from 7 deals in 2003 to 11 in 2004 may not seem like much, we believe it is highly significant as it is due, in part, to an emerging operating strategy of combining the distribution expertise of specialty pharmacy services (SPS) with the high-touch clinical capacity of home infusion therapy (see Top 10 Events of 2004). For the first time since 2001 when Med-Diversified acquired Chartwell Diversified (Chartwell recently re-emerged from Med-Diversified's bankruptcy as an independent firm), an IV transaction — Curative's $150M acquisition of Critical Care Systems — cracked our Top 10 Deals of the Year. We expect this trend to continue as more firms, including Home Medical Equipment providers, look to selectively acquire IV companies to spur growth, clinical capacity, and diversification.

While continuing to account for a number of the largest deals of the year, Specialty Pharmacy transaction volume declined meaningfully in 2004.

- On the flip-side of the transaction surge in home infusion therapy, we saw a potentially significant fall-off in deal volume in specialty pharmacy — from 19 deals in 2003 to 12 in 2004. That said, 5 of the Top 10 Deals of the Year were SPS transactions. How do we square these two, somewhat, contradictory results? In terms of the decline in transaction volume, while Pharmacy Benefit Management firms were active buyers in 2003, they were largely absent in 2004. Additionally, as discussed above, several SPS acquirers turned their acquisition attention to home IV in 2004. In terms of deal magnitude, in specialty pharmacy, with its capacity to leverage sophisticated customer management, billing, and delivery infrastructures, size continues to be the name of the acquisition game. So while they remain, the largest SPS providers have, and will continue, to garner the most attention.

Despite challenges posed by the MMA, the Home Medical Equipment sector continues to lead all others in M&A activity.

- The Home Medical Equipment sector continues to lead all other sectors in terms of deal volume with 90 in 2004, a slight increase over the 86 deals in 2003, demonstrating buyers' continued confidence in the industry despite challenges posed by the Medicare Modernization Act.

- Similar to the HME sector, Hospice was basically flat with 15 deals in 2004 vs. 17 in 2003. The character of the market continues to change, however. As more private equity buyers continue to make inroads in the market with platform and layer-on transactions, the per-

centage of deals completed by publicly traded buyers continues to fall (33% in 2004, down from 58% in 2003), the number of unduplicated buyers continues to rise (10 in 2004, up from 8 in 2003), and most significantly, the number of deals per unduplicated buyer continues to fall (3.43 in 2002, 2.13 in 2003, to 1.50 in 2004). This broadening of the market has, and will likely continue, to stimulate acquisition demand and valuation.

- At the high end of the deal spectrum, the M&A market remains robust as the Median Deal Size for the Top 10 Deals of the Year — $110 million — eclipsed that of 2003. This marks the third consecutive year this benchmark has risen.

While deal volume in the Hospice sector was essentially flat, the buyer pool has expanded substantially over the past three years.

Merger & Acquisition Transaction Trends					
Sector	**Number of Deals 2003**	**% of Total**	**Number of Deals 2004**	**% of Total**	**Change**
Home Health Agencies	45	23.2%	57	25.7%	26.7%
Hospice	17	8.8%	15	6.8%	-11.8%
Staffing	20	10.3%	37	16.7%	85.0%
Home Medical Equipment	86	44.3%	90	40.5%	4.7%
Infusion Therapy	7	3.6%	11	4.9%	57.1%
Specialty Pharmacy	19	9.8%	12	5.4%	-36.8%
Total Transactions	**194**	**100.0%**	**222**	**100.0%**	**14.4%**
Unduplicated Buyers	109		115		5.5%
Transactions per Buyer	1.78		1.93		8.5%
% **P**ublic vs. **N**on-Public **Buyers**	**P** 30.3%/ **N** 69.7%		**P** 34.8%/ **N** 65.2%		**P** 14.9% / **N** -6.5%
% **P**ublic vs. **N**on Public **Deals**	**P** 49.0%/ **N** 51.0%		**P** 56.8%/ **N** 43.2%		**P** 15.9%/ **N**- 15.3%

Both the breadth and acquisition activity of buyers increased in 2004 as the number of unduplicated buyers and their average number of transactions rose 5.5% and 8.5% respectively

Top 10 Deals 2003 (a)			Top 10 Deals 2004 (a)		
Seller	**Buyer**	**Price**	**Seller**	**Buyer**	**Price**
Advance PCS	Careemark Rx	6,000,000,000	Home Care Supply	Praxair	245,000,000
Vitas	Roto-Rooter	410,000,000 (b)	Tender Loving Care	Crescent Capital	198,500,000
Curascript Pharmacy	Express Scripts	335,000,000	Hemophilia Res.of America	Accredo	159,000,000
US Nursing Corp.	Clarion Capital	113,500,000	Critical Care Systems	Curative	150,000,000
Med-Staff	Cross Country	104,000,000	Matria Rx & Lab	CCS Medical	130,000,000
StarMed Staffing	InteliStaf	n/a (c)	Chronimed	MIM Corporation	90,000,000
ExcelleRx	LLR Partners	37,000,000	Hospice USA	Beverly Enterprises	69,123,152
MedShares	Intrepid	32,000,000	Medmark, Inc.	LLR Parts/Quaker Bio	28,000,000
Senior Home Care	Summit Partners	25,000,000	Home Health Care Res. Inc.	Accredo	26,800,000
Heritage Hospice	Odyssey Healthcare	11,800,000	Good Shepherd Hospice	LifePath Hospice	24,000,000
Total Transactions		7,068,300,000 (c)			1,120,423,152
Median Deal Size		104,000,000 (c)			110,000,000

(a) Except as noted, includes only deals in which purchase prices have been made public. Excludes Braff Group transactions in which deal terms were not publicly announced
(b) Acquisition of only 63% interest. Value of 100% imputed at $650,000,000 based on the purchase price paid for the proportional shares purchased
(c) Purchase Prices not disclosed, however estimated to qualify as a Top 10 Deal of 2003; Relative position in Top 10 also estimated; Excluded from Total and Median calculations

Top 10 Events of 2004

Amidst rising Federal deficits, projected costs of the MMA have raised the risk profile of many health care providers.

1. **The Cost of MMA Soars**. When the MMA passed in 2003, the Congressional Budget Office scored the 10 year bill for the Bill at $395 Billion – just below the goal of $400B. By the end of January, however, the President's budget pegged the cost at $540B. Immediately, assumptions regarding the adjudication and implementation of the bill became suspect. New acronyms like ASP and FEHBP became more real. "Guarantees" of home health updates through 2006 became questionable. Talk of future corrections bills changed from looking for givebacks in 2004 to guarding against even more take-aways mid-2005. And the risk profile of many health care sectors took a crucial hit.

In order to differentiate themselves from PBMs, Specialty Pharmacy Providers began to acquire IV firms to increase their "high-touch" capacity.

2. **Specialty Pharmacy / Infusion Therapy Models Emerge.** In 2003, PBMs began to build upon their core competencies in claims processing and cost management – and get a little closer to the end user – by acquiring Specialty Pharmacy providers and their mail order distribution capabilities. In 2004 Specialty Pharmacy providers responded by venturing even further downstream in the drug delivery and administration channel by acquiring home infusion therapy firms. Both Curative Health Services' acquisition of Critical Care Systems and Priority Health Care's acquisition of Integrity Health Care were consummated, in part, to drive growth in disease states and therapies that require greater, "hands-on" clinical oversight. And with the emergence of the SPS/IV operating model, the IV sector, which, from an M&A perspective has been long dormant, is back in play.

Increased tax revenues in 2004 with expectations for further increases next year offer some hope for budget constrained Medicaid programs.

3. **The Outlook for Medicaid Improves.** For several years now the prospects for Medicaid reimbursed home care has been bleak. But 2004 brought some welcome good news. Consider the following: According to a Kaiser Foundation report, after two consecutive years of decline, state tax revenues grew 3.4% in 2004 and are expected to increase again in 2005. "Fewer states in FY 2005 (which begins in 2004) took new actions to control prescription drug costs, cut or freeze provider rates, reduce or restrict eligibility or benefits, or to increase beneficiary co-payments." The report even suggests that "some states have plans to restore previous Medicaid cuts or actually expand programs in FY 2005." Furthermore, in December the National Governors Association reported that, overall, the states reported budget surpluses of 4.8% (5% is considered healthy), up 50% from last year's surplus of 3.2%. While significant challenges certainly remain, the outlook for Medicaid home care services looks a whole lot brighter entering 2005 than it did last year.

As nationwide program expenditures soar, the Rand Report drew some unwelcome attention to the Hospice industry.

4. **Rand Report Suggests Hospice is More Costly than Traditional Medical Care**. The hospice industry got a dose of unwelcome attention in February when the Rand Corporation, in a report regarding the financial impact of hospice, concluded that while "cancer patients who chose hospice care were about 1 percent less expensive for Medicare", overall "expenses were 4 percent higher … among patients who used hospice services compared with similar patients who received traditional medical care". While researchers were quick to point out that the findings in no way detract from the substantial quality-of-life and comfort the benefit has to offer, when you combine this with the success of publicly traded players, an influx of private equity groups chasing after similar returns, and an estimated 30% increase in hospice expenditures since 2001, rightly or wrongly, the industry is beginning to attract attention from those in DC that get uncomfortable at the prospect of health care providers doing "too" well.

A popular model in the mid-90's, LTC firms are once again expanding into home care to capture more revenue opportunities.

5. **Long Term Care Providers Once Again Target Home Care.** In order to free up Medicaid dollars, talk is heating up nationwide about "re-balancing", i.e. redirecting funding from institutional care to alternatives that are less expensive, including home care. No surprise then that in 2004, long term care providers — many of whom aggressively diversified into home health during the mid nineties and were hurt badly by simultaneous and substantial cuts to reimbursement in home health and long term care courtesy of BBA 97 — once again began eyeing home health and hospice acquisition opportunities in order to re-balance their service offerings (notably Beverly Enterprises acquisition of Hospice USA). Remembering the past, however, we anticipate cautious and highly selective acquisition strategies.

6. **Private Equity Groups Continue to Invest in Home Health**. With high profile investments in Tender Loving Care, Accumed, Cambridge Health Care, and others, private equity groups (PEGs) continued their march into home health in 2004, a phenomenon looking more and more like what we have seen – albeit earlier – in the hospice arena. And if the hospice market is any indication – and we believe it is – this will lead to further equity plays and a spike in second stage, add-on, acquisitions that will stir more M&A activity for home health providers in the $5-15M revenue range.

Similar to what occurred in Hospice, PEGS are ramping up their positions in Home Health care.

7. **The Muse Report Substantiates Need for Additive Neb Med Fees**. Much like NAHC's landmark home health financial performance survey last year likely spared the sector from price cuts and co-pays in the final version of the MMA, the American Association for Homecare sponsored a critical report in 2004. With reimbursement for nebulizer medications at Average Sale Price plus 6% looking financially unfeasible, the association hired Muse Associates to survey the industry to tally the indirect costs incurred with offering the meds and assess the need for an additive dispensing fee. Largely on their findings, CMS arrived at a fee of $57 per patient per month, or $80 per patient per quarter, which not only appears to have saved the product line, but has also resurrected its M&A value.

With additive dispensing and administrative fees, the provision of nebulizer medications will likely remain financially viable under the MMA.

8. **Consumer Directed Care Models Gain Momentum**. In 2004, consumer-directed, "cash and counseling" programs that typically give Medicaid patients the control to pick their own caregivers – with the option of hiring family members, friends, and others – and the funding to pay for them seemed to gain traction. In August, CMS added 66,000 Medicaid beneficiaries to a consumer-directed care demonstration program in California, more than doubling the number of enrollees in these projects. CMS also sent letters to State Medicaid directors urging them to consider MFP (money follows the person) initiatives including self directed care. In October, the Robert Wood Johnson Foundation offered grants to 11 states to pilot cash and counseling programs – bringing the total to 14. And lest we forget, the MMA also calls for a Medicare home health consumer-directed demonstration project. What was once a somewhat obscure variation in home care is gaining momentum and fast becoming a viable threat to operating models long held sacrosanct.

As part of the consumer driven health care movement, programs that give patients the control to pick their own caregivers and the funding to pay for them continue to be tested and initiated.

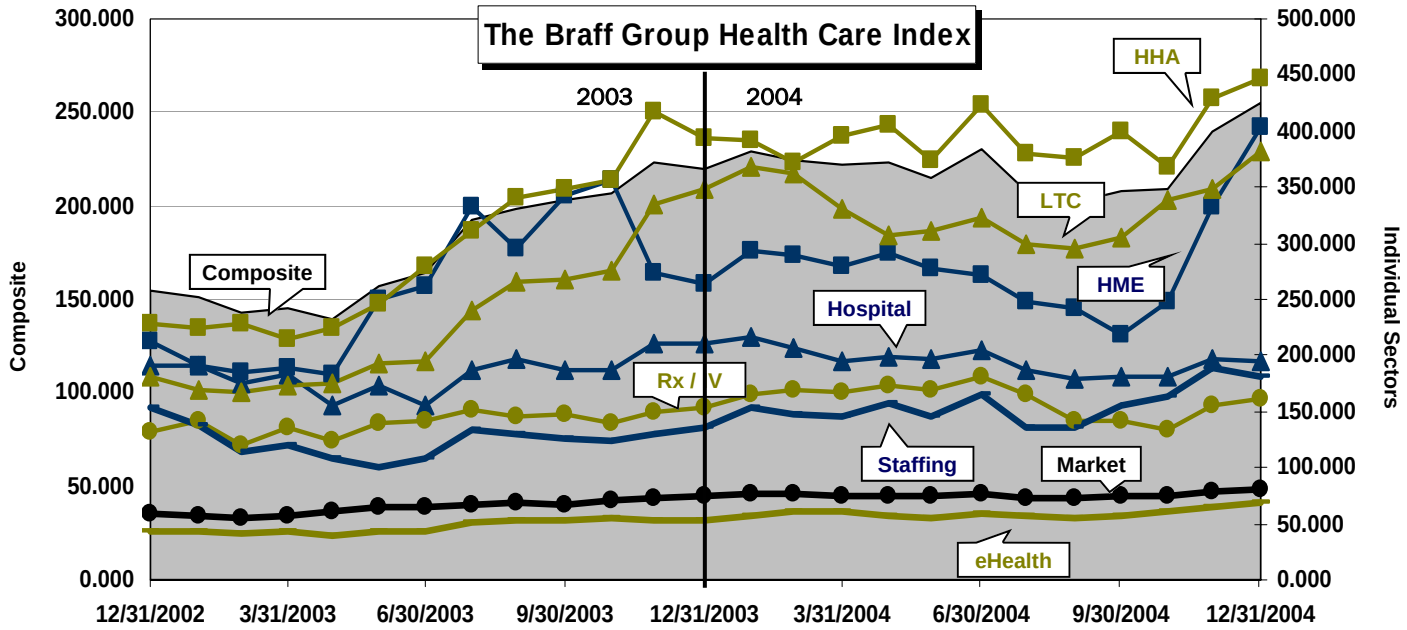
9. **Health Care Staffing M&A Activity Soars.** At least from an M&A perspective, the health care staffing sector has undergone quite a turnaround. Having peaked at 24 transactions in 2002, volume fell to 20 in 2003 as hospitals revolted, revenues and margins declined, and buyers turned inward to address these challenges. While the economic fundamentals of the sector have not improved materially in the past year (in fact *Staffing Industry Analysts* estimates that the sector contracted an additional 3%), M&A interest has soared with a record 37 deals in 2004. And unlike 2002, when the largest nationals completed 15 of the 24 deals (compared to only 2 in 2004), the surge has been fueled by a plethora of upstarts that have seized upon the recent market instability to establish critical mass in anticipation of the inevitable rebound.

A growing number of "upstarts" have seized upon the instability in health care staffing to initiate aggressive acquisition strategies.

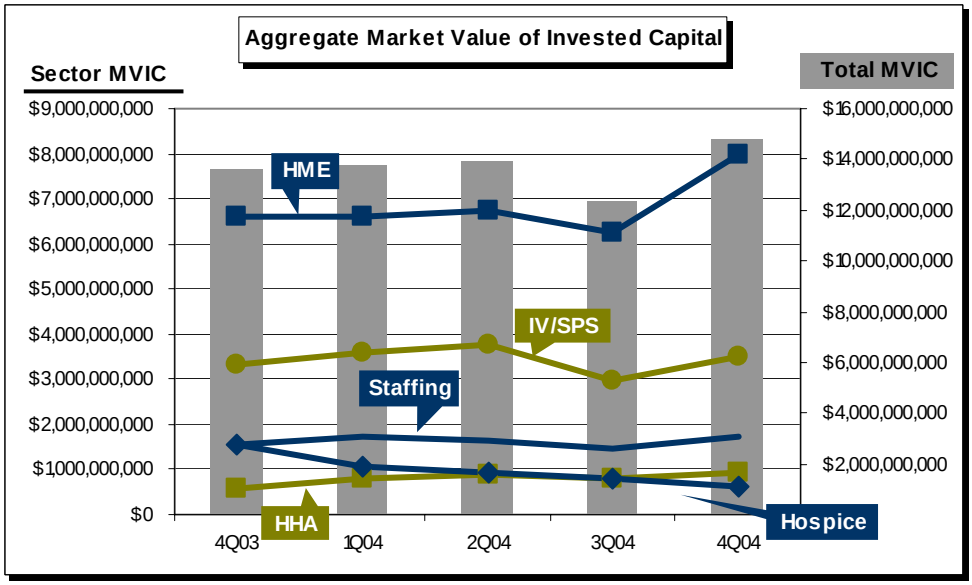
10. **Telehealth Targeted by Industry Giants.** The benefits of telehealth are easy to imagine. Unfortunately, the only way to get reimbursed for these services is indirectly through cost savings – savings that often accrue to **multiple** constituents while the capital investment is borne by **one**. Accordingly, capturing all of the potential return on investment is challenging to realize. But this may change. In November, technology giant Honeywell announced that it would acquire HomMed, one of the leading companies in the industry. In addition, in 2004 alone, *Home Health Line* reports that McKesson, Motorola, and Philips Medical Systems announced plans to launch various telehealth initiatives. Such added clout may be just what the industry needs to advance more viable economic models, including perhaps, economic incentives to utilize telehealth – a development which not only could stimulate increased revenues and profitability across virtually all home care sectors, but would also stimulate further M&A activity in firms offering remote monitoring applications.

Added clout from firms such as Honeywell, Motorola, McKesson, and Philips Medical Systems may be what the telehealth industry needs to advance more viable economic models.

The Year in the Public Markets



	Market	HME	HHA / Hospice	Staffing	Rx/IV	Hospital	Long Term Care	eHealth	Composite
2003 End	75.8	263.6	393.4	135.7	153.4	211.0	348.4	52.6	219.5
2004 High	**80.5 / Dec.**	**404.2 / Dec.**	**446.9 / Dec.**	**189.1 / Nov.**	**181.9 / Jun.**	**215.7 / Jan.**	**382.5 / Dec.**	**69.2 / Dec.**	**254.6 / Dec.**
2004 Low	**73.5 / Aug.**	**217.9 / Sep.**	**368.5 / Oct.**	**134.9 / Aug.**	**133.4 / Oct.**	**178.3 / Aug.**	**296.1 / Aug.**	**54.5 / Aug.**	**201.6 / Aug.**
H-L Variance	9.6%	85.5%	21.3%	40.1%	36.3%	20.9%	29.2%	26.9%	26.3%
2004 Close	80.5	404.2	446.9	182.0	160.6	194.5	382.5	69.2	254.6
2004 Change	**6.3%**	**53.3%**	**13.6%**	**34.2%**	**4.7%**	**-7.8%**	**9.8%**	**31.5%**	**16.0%**



Top 10 Stock Performers of 2004		
American Home Patient	HME	176.8%
Amedisys	HHA	113.7%
Eclipsys	eHealth	75.5%
Almost Family	HHA	64.6%
Option Care	IV	61.0%
Emeritus	LTC	57.1%
TriZetto Group	eHealth	47.3%
Lincare	HME	41.8%
Cerner	eHealth	40.5%
National Home Health Care	HHA	37.9%

2004 was a record setting year as the bellwether TBG Health Care Service Composite index soared 16.0% and closed out at a new all time of 254.6. With the Broad Markets lagging with a 6.3% gain during the year, the spread between the Health Care Composite and the Broad Markets also soared to a new all time high of 174.1 points, demonstrating the substantial comparative strength of health care service investment alternatives.

The TBG Index closed out 2004 at a new all-time high of 254.6.

Key Observations:

- Lead by Amedisys (AMED:NASDAQ), which, on the strength of record revenues fueled by both organic growth and acquisitions, hit its all time high in November and surged 113.7% in 2004, the Home Health and Hospice sector ended the year at a record high of 446.9 (the highest level achieved for any sector since The Braff Group established the index in February of 2000). Every Home Health provider in the index posted gains of at least 30%, reflecting confidence in a sector which, despite recommendations by MedPac to the contrary, received a Medicare price update for fiscal year 2005. Total Market of Invested Capital (MVIC) for the Home Health sub-segment, which reflects ***weighted*** public market valuation trends, similarly rose 71.2%. MVIC for the Hospice sub-segment however, fell 58.2% over the year as Hospice providers Odyssey Healthcare (ODSY:NASDAQ) and VistaCare (VSTA:NASDAQ) lost substantial ground in 2004 due to earnings below expectations.

Despite declines in the Hospice arena, the Home Health and Hospice index surged 21.3% to close at a record 446.9 — the highest level achieved by any of the sectors we track.

- After enduring a relatively steady decline that began in late 2003 with the Medicare Modernization Act that (a) threatened the financial viability of providing nebulizer medications and (b) mandated reimbursement cuts in key product items tied to Federal Employee Health Benefit Plan (FEHBP) contracts, the Home Medical Equipment sector posted a remarkable recovery in the fourth quarter, closing at a new record high of 404.2 — a gain of 53.3% for the year. Why? With reimbursement for nebulizer medications initially set at Average Sale Price (ASP) plus 6%, in November CMS established additional fees for procuring, delivering, and billing these medications at $57.00 per patient per month or $87.00 per patient per quarter. While the transition to ASP plus 6 with dispensing fees still represents a substantial reduction in reimbursement, the announcement of these fees restored the product line's financial feasibility. Additionally, in December CMS indicated that it would delay implementation of oxygen cuts based on FEHBP pending the gathering and analysis of additional information, fueling speculation that these cuts would not be as deep as originally feared.

Still reeling from the MMA during most of 2004, the HME sector rallied dramatically in the fourth quarter to close at an all-time high of 404.2.

- Largely due to World Health Alternatives (WHAI.OB:OTC) which, on the strength of 8 acquisitions completed in 2004, has rocketed 184.8% since we added the firm to our Health Care Staffing index in January, the Staffing sector rose 34.2% during the year. Even with many of the larger players continuing to struggle with the general malaise that continues to hang over health care staffing, aggregate MVIC still rose 11.9%.

Even with the larger public Staffing firms continuing to struggle with the overall industry malaise, aggregate MVIC climbed 11.9%.

- The Specialty Pharmacy Services (SPS) and Infusion therapy market sector eked out a 4.7% gain for the year on mixed results for the firms in the group. Offsetting declines of SPS providers likely due to continued margin pressure, was Infusion Therapy and SPS provider Option Care (OPTN:NASDAQ) which soared 61.0% in 2004. We believe this reflects the emerging popularity of SPS/IV operating models (see Top 10 Events of 2004).

On mixed results in the sector, the SPS/IV index rose 4.7% in 2004.

- With three of the firms making up our eHealth group landing in the top 10 Stock Performers of the Year, the group also emerged as a big winner in 2004 recording aggregate gains of 34.2%. We believe this is due to both the overall recovery of the broad technology sector as well as increased attention to eHealth services with the President's ambitious goals "to transform the delivery of health care by building a new health information infrastructure, including electronic health records and a new network to link health records nationwide".

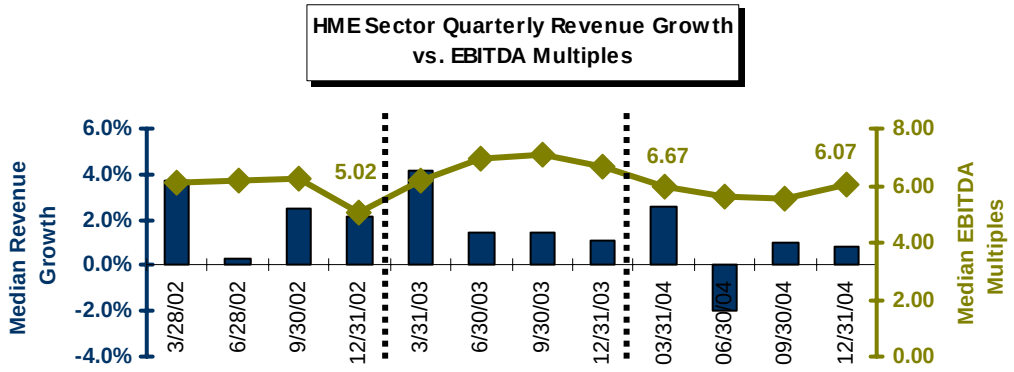
Electronic Medical Records initiatives and a rebound in technology stocks likely fueled a 34.2% spike in the eHealth Sector.

- With challenges related to missed earnings, government investigations, rising costs, soft patient volumes, and shrinking margins, the Hospital Sector was the lone sector we track that lost ground in 2004, declining 7.8% for the year.

The Year in Public Company Performance and Valuation

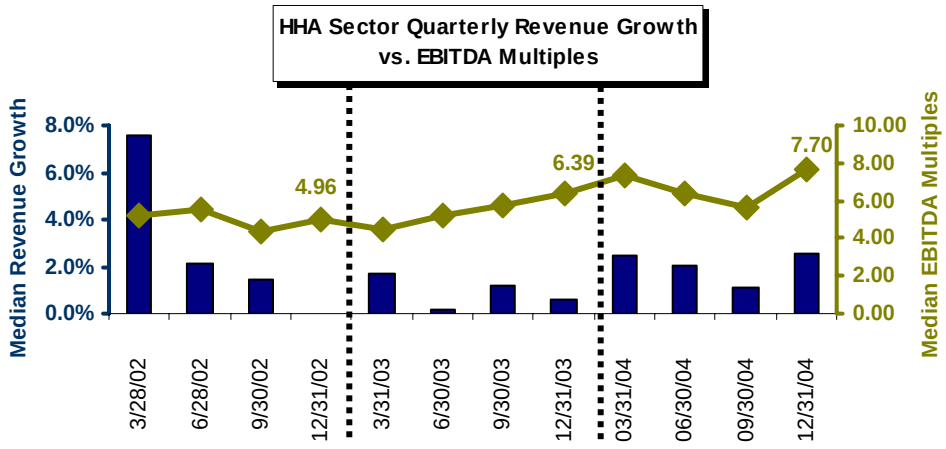
Home Medical Equipment Sector	Shares Outstanding	Stock Price Dec-04	Market Cap	Less: Cash	Plus Interest Bearing Debt	Total MVIC	Annualized Revenues	Annualized EBITDA	EBITDA Margin	MVIC/ Revs.	MVIC/ EBITDA
Lincare	100,347,216	42.65	4,279,808,762	(179,508,000)	466,800,000	4,567,100,762	1,259,053,333	538,106,667	42.7%	3.63	8.49
Apria	48,467,309	32.95	1,596,997,832	(38,858,000)	544,472,000	2,102,611,832	1,433,349,333	359,352,000	25.1%	1.47	5.85
Rotech	25,218,120	27.05	682,150,146	(55,781,000)	386,118,000	1,012,487,146	531,668,000	178,750,667	33.6%	1.90	5.66
American Home Pat.	16,461,689	3.46	56,957,444	(9,797,000)	259,019,000	306,179,444	335,449,333	48,661,333	14.5%	0.91	6.29
Total Companies					Total	7,988,379,184		Mean	29.0%	1.98	6.57
								Median	29.3%	1.69	6.07

Note: Balance sheet and revenue/earnings data comes from 3Q04 filings (9 months).



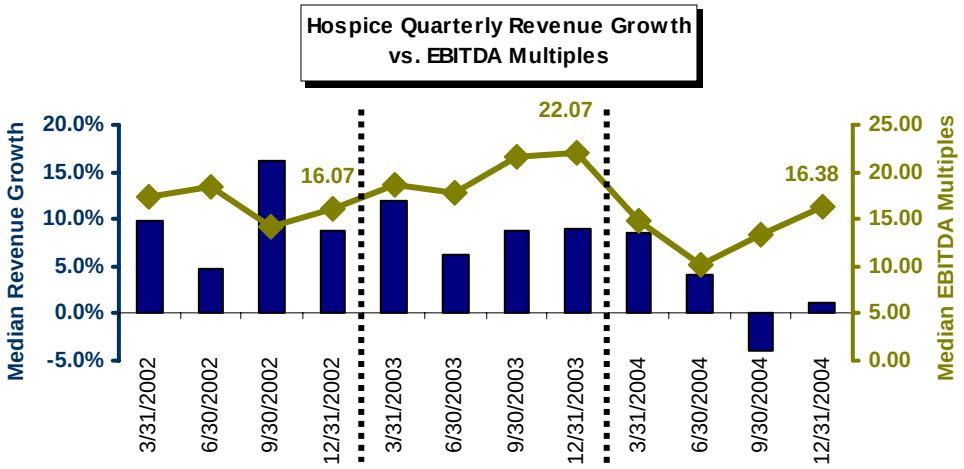
Home Health Sector	Shares Outstanding	Stock Price Dec-04	Market Cap	Less: Cash	Plus Interest Bearing Debt	Total MVIC	Annualized Revenues	Annualized EBITDA	EBITDA Margin	MVIC/ Revs.	MVIC/ EBITDA
Amedysis	15,241,394	32.39	493,668,752	(93,181,000)	20,584,000	421,071,752	216,972,000	35,526,667	16.4%	1.94	11.85
Gentiva	24,020,922	16.72	401,629,816	(106,518,000)	33,119,000	328,230,816	813,497,333	34,168,000	4.2%	0.40	9.61
Pediatric Services	7,145,521	12.76	91,176,848	(8,159,313)	20,541,729	103,559,264	239,773,673	13,442,505	5.6%	0.43	7.70
Natl Home Health Care	5,664,124	13.10	74,200,024	(20,025,000)	533,000	54,708,024	96,708,000	10,912,000	11.3%	0.57	5.01
Almost Family	2,299,830	14.73	33,876,496	(372,058)	8,315,124	41,819,562	88,511,113	5,516,960	6.2%	0.47	7.58
Total Companies					Total	949,389,418		Mean	8.7%	0.76	8.35
								Median	6.2%	0.47	7.70

Note: Balance sheet and revenue/earnings data comes from 3Q04 filings (9 months), except: NHHC (1Q05 -3 months ended 10/31/04) and PSAI (4Q04 - 9/30/04).



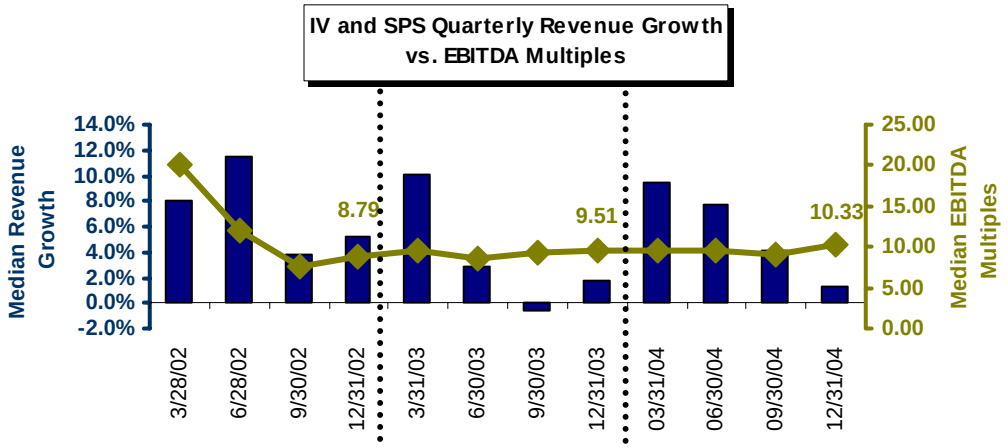
Hospice Sector	Shares Outstanding	Stock Price Dec-04	Market Cap	Less: Cash	Plus Interest Bearing Debt	Total MVIC	Annualized Revenues	Annualized EBITDA	EBITDA Margin	MVIC/ Revs.	MVIC/ EBITDA
Odyssey Healthcare	36,686,492	13.68	501,871,211	(39,865,000)	6,911,000	468,917,211	345,294,667	61,253,333	17.7%	1.36	7.66
VistacCare, Inc.	16,210,932	16.63	269,587,799	(99,750,000)	3,781,000	173,618,799	204,000,000	6,917,000	3.4%	0.85	25.10
Total Companies						642,536,010		Mean / Median	10.6%	1.10	16.38

Note: Balance sheet and revenue/earnings data comes from 3Q04 filings for Odyssey and trailing 12 months ended 9/30/04 for VistaCare.



Infusion Therapy Sector	Shares Outstanding	Stock Price Dec-04	Market Cap	Less: Cash	Plus Interest Bearing Debt	Total MVIC	Annualized Revenues	Annualized EBITDA	EBITDA Margin	MVIC/ Revs.	MVIC/ EBITDA
Accredo Healthcare	48,882,186	27.72	1,355,014,196	(81,596,000)	403,930,000	1,677,348,196	1,641,856,000	161,616,000	9.8%	1.02	10.38
Priority Health Care	43,545,716	21.77	947,990,237	(79,265,000)	75,019,000	943,744,237	1,706,472,000	88,934,667	5.2%	0.55	10.61
Option Care	21,412,689	17.19	368,084,124	(17,700,000)	7,970,000	358,354,124	402,334,667	34,853,333	8.7%	0.89	10.28
MIM Corporation	22,457,829	6.36	142,831,792	(3,264,000)	8,306,000	147,873,792	618,234,667	18,921,333	3.1%	0.24	7.82
Curative	12,934,794	6.85	88,603,339	(3,517,000)	216,089,000	301,175,339	264,986,667	22,592,000	8.5%	1.14	13.33
Chronimed, Inc.	12,823,740	6.56	84,123,734	(20,383,000)	2,201,000	65,941,734	570,500,000	13,300,000	2.3%	0.12	4.96
Total Companies					Total	3,494,437,423		Mean	6.3%	0.66	9.56
								Median	6.9%	0.72	10.33

Note: Balance sheet and revenue/earnings data comes from 3Q04 filings (9 months), except: Accredo (3 months ended 9/30/04) and Chronimed (3 months ended 9/30/04).

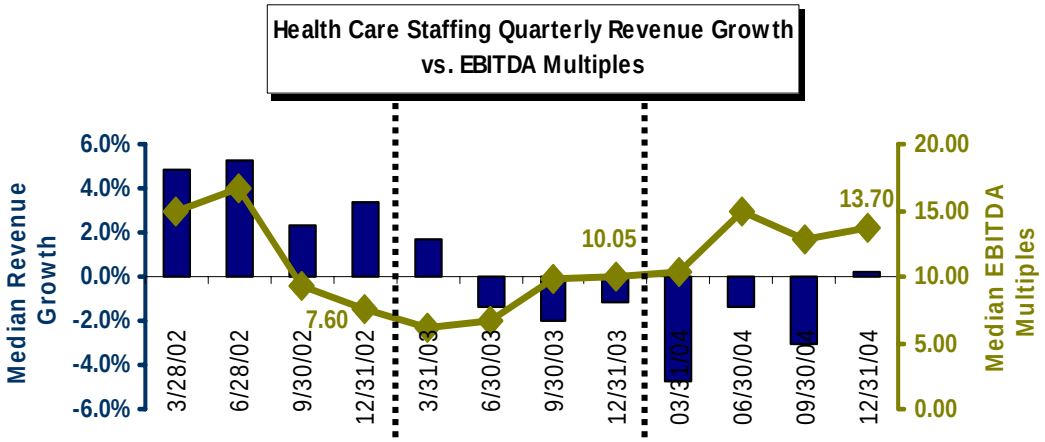


The Year in Public Company Performance and Valuation

continued

Health Care Staffing Sector	Shares Outstanding	Stock Price Dec-04	Market Cap	Less: Cash	Less Interest Bearing Debt	Total MVIC	Annualized Revenues	Annualized EBITDA	EBITDA Margin	MVIC/ Revs.	MVIC/ EBITDA
Cross Country Staffing	32,058,963	18.08	579,626,051	-	78,069,000	657,695,051	673,316,000	44,700,000	6.6%	0.98	14.71
AMN Healthcare Svcs.	28,344,162	15.91	450,955,617	(9,207,000)	108,070,000	549,818,617	627,621,333	43,333,333	6.9%	0.88	12.69
Medical Staffing Net.	30,230,620	8.19	247,588,778	(397,000)	42,851,000	290,042,778	424,798,667	8,757,333	2.1%	0.68	33.12
World Health Altern.	38,961,408	4.13	160,910,615	(1,210,469)	20,184,720	179,884,866	23,714,848	2,476,617	10.4%	7.59	72.63
ATC Healthcare	24,925,140	0.37	9,222,302	(915,000)	57,768,000	66,075,302	112,398,000	5,604,000	5.0%	0.59	11.79
Total Companies					Total	1,743,516,614		Mean	6.2%	0.78	18.08
								Median	6.6%	0.78	13.70

Notes: 1) Balance sheet and revenue/earnings data comes from 3Q04 filings (9 months), except for ATC (2QFYE05, 6 months). 2) Shaded items have been excluded from respective mean and median calculations.



The Year in Transaction Valuation

While there are many internal, company-specific factors that determine where a firm falls within a range of value, the complex interplay of external factors including Risk, Supply and Demand, and Market Intangibles – factors that are markedly different across various home care sectors – creates the "real world" dynamics of merger and acquisition activity and the range itself.

Changes in valuations are a function of Risk Effect, Supply and Demand, and Market Intangibles.

Risk Effect. Like any other investment alternative, acquisition opportunities are evaluated as a function of risk. The greater the risk, the greater the required rate of return, the lower the price an investor (or buyer) would be willing to pay for the investment, and vice versa. As we shall see below, just like individual companies have differing risk profiles, so do market sectors as a whole.

Supply and Demand. As we would expect in any other free market, merger and acquisition pricing is subject to the relationship between the collective supply and demand of sellers and buyers respectively. When demand exceeds supply, competitive market pressures drive pricing up.

Market Intangibles. While it is tempting to believe that M&A activity is ultimately math and finance driven, there are "soft", non-objective, emotional factors that enter the equations. These intangibles, often rooted in industry cultures and conventional wisdom, can have a profound impact on M&A activity and valuation.

The following is a review of where each sector stands with respect to each of these external factors, as well as their collective impact on valuation (expressed in multiples of earnings before interest, taxes, depreciation, and amortization – EBITDA). Larger transactions often merit size premiums to reflect expectations that they (a) have greater resources, deep management, strong infrastructures, referral source diversification, "brand name" equity, and other competitive advantages, and (b) are substantially more efficient and easier to integrate than multiple smaller deals. Accordingly, for each

The Year in Transaction Valuation

continued

sector we provide two valuation metrics – a "standard" measure and one that reflects this premium at the appropriate revenue "break-points".

The arrows illustrate how changes in these factors contribute to increases in valuation metrics (upwards arrow), decreases in valuation metrics (downwards arrow), or no change in valuation metrics (sideways arrows). For Risk Effect, an upwards arrow reflects a positive impact on valuation as a result of a decrease in the sector's risk profile.

Note that all references to value and multiples below reflect general trends in valuation. They do not reflect the myriad of company-specific factors that can greatly impact valuation, notably growth trends that substantially exceed, or are below that, of the overall market. Furthermore, they do not reflect investment value premiums that individual strategic buyers may pay in competitive merger and acquisition situations to acquire companies that meet their unique goals and objectives.

Medicare Certified Home Health

With scheduled updates through 2006, reimbursement can be "cut" by eliminating these increases. Therefore we believe the near-term downside risk in Medicare Home Health is minimal.

Risk Effect. Following passage of the Medicare Modernization Act with language stipulating three years of market basket increases (less .08%) through 2006, the risk profile for the sector entering 2004 was at its most favorable point since the mid 90s. MedPac, however, continues to scrutinize the industry. In fact, in March the agency recommended that Congress eliminate the market basket update in 2005 (Congress demurred, and CMS recently announced a 2.3% increase for 2005. In January 2005, however, MedPac once again recommended the elimination of the update for 2006). Furthermore, while the National Association for Home Care (NAHC) is reporting unweighted industry wide profit margins of 3-4% for agencies including those that are hospital based, MedPac continues to report margins approaching 17% based upon a weighted average of agencies excluding those that are hospital based . Additionally, although bills have been introduced to extend the 5% rural add-on payment through March 31, 2007, the provision is scheduled to expire March 31, 2005.

The good news? With scheduled updates through 2006, "reductions" can be enacted by eliminating these increases. Therefore we believe near-term, downside risk is minimal and contained. Considering all of the above, we note a modest increase in risk.

Private buyers — including Private Equity Groups — and Long Term Care providers have driven demand for mid to large size HHAs above the supply of those entering the M&A market.

Supply and Demand. As we anticipated at the close of 2003, having banked multiple years profits under PPS, more providers are testing the merger and acquisition market. Simultaneously, the breadth and volume of buyers targeting the sector has increased at an even greater rate. The collective surge in acquisition interest, though, is not coming from publicly traded buyers. While we have long expected these firms to substantially escalate their acquisition efforts, with the exception of Amedisys (AMED:NASDAQ), most remain content to stay out of the fray and/or are unwilling to keep pace with rising valuations (thereby hampering acquisition efforts). With (a) a fragmented market ripe for consolidation, that (b) boasts an attractive risk profile, where (c) values have generally lagged behind what this risk profile would suggest, much like we have witnessed over the past two years with respect to hospice, private equity buyers are rushing in to fill the void and capitalize on the investment opportunities the sector presents. Furthermore, noting trends to "re-balance" state health care funding from institutional to community-based care (a.k.a. home care), long term care providers are once again eyeing home health acquisitions. Together then, demand is clearly outpacing supply.

Longstanding pricing "caps" are beginning to erode, allowing valuations to rise to levels more consistent with a company's risk-return fundamentals.

Intangibles. As a result of enduring valuation metrics that evolved pre-PPS, home health valuations have been tempered by an artificial cap of one times revenue, substantially limiting the valuation of the most profitable acquisition candidates. With greater confidence regarding profits under PPS, seller resistance to closing deals subject to these limits, and the realization that, from an investment perspective, the cap bears little financial relevance, we are clearly seeing this constraint ease. As such, valuations are free to rise to levels consistent with an individual company's risk-return fundamentals.

Valuation. Up across the board with two size premium "break-points".

Certified Agencies Below $10M in revenues: 4.0-5.0 x EBITDA
Certified Agencies Between $10M and $20M in revenues: 4.5-6.0 x EBITDA
Certified Agencies Above $20M in revenues: 5.0-7.0 x EBITDA

The Year in Transaction Valuation continued

Hospice

For the first time since the run-up of interest in Hospice began in 2002, we sense some vulnerability in the sector.

Risk Effect. For the first time since the run-up of interest in hospice began in 2002, we note some vulnerability in the sector. First, from a performance standpoint, given the inherent difficulty in sustaining an "optimal" patient base with varying anticipated lengths of stay, increasing numbers of firms are running into difficulties with cost caps. Second, with hospice expenditures rising from $3.5 billion in 2001 to an estimated $5.9 billion in 2003 (due, in part, to efforts launched by CMS to increase utilization), MedPac is beginning to review the benefit. Third, in February the Rand Corporation issued a report on hospice expenditures concluding that while savings were realized for patients with certain diagnoses, overall "expenses were 4 percent higher … among patients who used hospice services compared with similar patients who received traditional medical care". On the upside, CMS has indicated that a review of hospice reimbursement is a low priority at this time. As such, hospice continues to have the most favorable risk profile of all the sectors we cover, though it did lose some ground in 2004.

With several PEG sponsored Hospice firms into their second phase of "add-on" M&A activity, demand for smaller providers has increased.

Supply and Demand. Much like we note in the home health arena, private equity groups (PEGs) are playing a large part in hospice M&A. The difference, though, is that in hospice this phenomenon began 12-18 months earlier. Consequently, while the bulk of PEG activity today in home health is focused on identifying and acquiring large platform companies upon which they can layer on additional acquisitions, several PEG sponsored companies in hospice are already into this second phase of "add-on" activity – with more to come. As such, while the interest in large providers remains high, demand for smaller providers with average daily census under 100 has increased, and will continue to do so in 2005.

The groundswell of enthusiasm for Hospice is nearing its peak.

Intangibles. As was inevitable, after two years of being at the top of the wish list of virtually every private equity group interested in health care services, we sense that the groundswell of enthusiasm for hospice is nearing its peak. This isn't necessarily a bad thing. As merger and acquisition markets stabilize, buyers and sellers can better assess their near term acquisition and divestiture opportunities, which in turn tends to generate increases in transaction volume.

Valuation

Below 250 Average Daily Census: 4.0-5.0 x EBITDA, up from 3.0-4.0 x EBITDA
Above 250 Average Daily Census: 5.0-7.0 x EBITDA, unchanged

State Funded Home Health

While many states remain under financial duress, increased tax revenues may stimulate increased confidence in the sector as we enter 2005.

Risk Effect. With many states still under substantial financial duress, the reimbursement climate continues to be challenging for firms that focus predominantly on providing services under Medicaid or other state funded programs. Add to this the potential threats (and perhaps opportunities) attendant to growing numbers of self-directed care demonstration projects and programs, the climate certainly hasn't gotten any easier for this sector. That said, with increased tax revenues in 2004 and 2005 (see Top 10 Events of 2004), our sense is that the surge in risk may have topped out in late 2003, early 2004, which may stimulate increased confidence as we enter 2005.

Supply and Demand. While we've seen some activity in the sector – ***particularly a strategy of targeting large Medicaid providers to obtain an operating infrastructure upon which to add Medicare and private pay services*** – given the risk profile described above, demand (a) generally remains tepid and (b) is limited to local and regional buyers considering limited numbers of local and regional, opportunistic transactions.

Intangibles. Even though certain states, or certain programs within states, offer opportunities for providers to generate substantial volume and profit dollars (albeit at comparatively low margins), a cloud continues to hang over the industry. This malaise continues to prevent the sector from achieving the kind of momentum that feeds on itself and contributes to a vibrant M&A environment.

Valuation

State Funded Agencies Below $10M: 2.0-3.0 x EBITDA
State Funded Agencies Between $10M and $20M: 3.0-4.0 x EBITDA
State Funded Agencies Above $20M: 4.0-5.0 x EBITDA

Private Pay (Non-State Funded) Home Health

Risk Effect. Absent government based funding, private pay home heath care is inherently – and substantially – less risky than those sectors dependent on Federal and State dollars. That said, as we first noted last year, given that the sector is dependent, in part, on discretionary spending (either on services directly or insurance products designed to cover them), it is somewhat subject to the economy and consumers' real – or perceived – financial capacity. As the economy appears to have stabilized and is showing signs of recovery, the risk profile of the sector has improved slightly. ⬆

An improving economy has improved the risk profile for non-state funded private pay home health.

Supply and Demand. Given private pay's comparatively attractive risk profile, it is reasonable to expect that buyers would be targeting these providers. The reality, though, is that at this stage of home health consolidation, with some notable exceptions, the majority of home health buyers are targeting the Medicare sector with its substantially improved risk-return fundamentals. Furthermore, given the comparatively small size and number of pure-play private pay providers, the Medicare market offers substantially greater opportunity to grow rapidly and achieve critical mass via aggressive consolidation strategies. While we expect acquisition demand for private pay to grow in the future as a second wave, risk diversification strategy, for now it remains moderate. ⬌

While we expect the acquisition demand for private pay to grow in the future, for now it remains moderate.

Intangibles. The above notwithstanding, as we have noted for several years now, the valuation of private pay firms tends to be benchmarked against that of Medicare agencies, albeit slightly behind given demand inequities. Consequently the sector continues to ride the gains in Medicare. ⬆

Private pay continues to ride with the favorable view of Medicare home health.

Valuation. Given the generally smaller size of private duty agencies, note that the size premium break-point is the lowest for all the sectors we cover.

Below $5 Million in revenues: 3.5-4.5 x EBITDA ⬆
Above $5 Million in revenues: 4.0-5.0 x EBITDA ⬆

Home Medical Equipment

Risk Effect. As we entered 2004, cuts mandated by the Medicare Modernization Act to be implemented that year were far less a concern for the industry than what loomed ahead in 2005 – most notably potentially disastrous cuts in reimbursement for nebulizer medications and other cuts based upon Federal Employee Health Benefits Plan (FEHBP) pricing. As such, the sector operated under a cloud of uncertainty during 2004.

During the fourth quarter of 2004, these great unknowns became clearer. As of November 30th, CMS had tentatively approved a $57.00 per patient per month or $80.00 per patient per quarter nebulizer medication dispensing fee, which, in addition to the 6% margin tacked onto average sale price (ASP) appears to allow enough margin for providers to continue offering these products profitably (which was definitely in doubt when MMA was originally passed). Additionally, although CMS has delayed the announcement of oxygen cuts based on FEHBP pending further analysis, early indications suggest state by state reductions that would average 11% for stationary systems; 7% for portable O2. While these cuts are troublesome, now that providers have a better idea of what they are up against, they are developing and initiating strategies to mitigate the impact of these measures – most notably a shift to nebulizer medications that offer greater margins as well as new oxygen delivery technologies that can drive down variable costs. While profits may suffer as a result of these reimbursement changes, the risk of the unknown has largely been abated. ⬆

While profits may suffer as a result of reductions in reimbursement for nebulizer medications and oxygen, the risk of the unknown that shadowed the HME industry throughout most of 2004 has largely been abated.

Supply and Demand. One of the unexpected consequences of the Medicare Modernization Act has been a noticeable increase in demand for larger companies, particularly those generating revenues in excess of $10 million. We believe this is due, in part, to the fact that during 2004, in order to maintain steady state year-to-year growth, in addition to their "normalized" quotient of transactions, buyers needed to "back fill" their base revenues to offset enacted and projected cuts in reimbursement. As a result, not only did buyers ramp up transaction volume, but they also targeted larger deals, of which there is limited supply. We expect this trend to continue in 2005. ⬆ Furthermore, we note that while historical demand for HME providers has been focused predominantly on Medicare reimbursed oxygen providers, as a risk diversification strategy we have clearly seen an increase in buyers' willingness to acquire firms with broader payer and product mixes. As such, we also expect to see expansion of demand. ⬆

As a risk diversification strategy, we have clearly seen an increase in HME buyers' willingness to acquire firms with broader payer and product mixes.

Intangibles. With a culture rooted in entrepreneurism where risk is viewed as much as an opportunity as a threat, the industry responded to the challenges posed by MMA with a record number of

The Year in Transaction Valuation continued

transactions through the end of the third quarter of 2004. We expect this confidence to continue as we enter 2005.

Valuation
Nebulizer Medication Firms: Up from a high risk range of .5-1.5 x EBITDA
Below $10M in revenues: 4.0-5.0 x EBITDA
Above $10M in revenues: 4.0-6.0 x EBITDA

Low Mix Respiratory Firms (30-40% RT)
Below $10M in revenues: 3.5-4.5 x EBITDA
Above $10M in revenues: 4.0-5.0 x EBITDA

Mid to High Mix Respiratory Firms (40% and up)
Below $10M in revenues: 4.5-6.0 x EBITDA, up at the lower end of the range
Above $10M in revenues: 5.0-6.5 x EBITDA, up from 4.5-6.0 in 2004

Infusion Therapy

Risk Effect. Little happened in 2004 to change the risk profile for Home Infusion Therapy. Margins continue to be challenging, but for the most part, manageable. Unlike therapies being provided in physician offices and in-home IVIG which will be reimbursed based on Average Sales Price (ASP) plus 6% in 2005, home infusion therapy remains exempt from this provision and will continue to be reimbursed based upon the greater Average Wholesale Price (AWP). And the big unanswered questions regarding the impact of the MMA on the infusion therapy sector remain largely unanswered.

With respect to home infusion therapy, the success (or failure) of the new Medicare Prescription Drug benefit may depend on whether or not reimbursement will include a separate service fee to cover indirect expenses.

That said, according to Lorrie Kline Kaplan, Executive Director of the National Home Infusion Association (NHIA) in the November/December issue of *Infusion*, "the new Medicare prescription drug benefit inspires both excitement and fear – mostly the latter. The details are too sketchy to predict whether the benefit will work". It appears that the key to success (or failure) with the program may depend on whether or not reimbursement will include a separate service fee to cover indirect expenses incurred in procurement, delivery, administration, clinical oversight, billing, collections, etc. This will likely be determined in 2005. On the upside, precedent is in the industry's favor. CMS recently approved a similar fee for the provision of nebulizer medications in 2005 (see Top 10 Events of 2004) as well as a one-year demonstration project "under which all oncologists providing chemotherapy in an office setting will receive $130 per patient day for assessing and reporting data on beneficiaries' pain, nausea, vomiting, and fatigue" (Source:NHIA). Furthermore, many managed health care plans and private insurers currently offer "per diem" reimbursement in addition to that for the drugs. Accordingly we anticipate that these methods will serve as models for service fees in the future – both in physicians' offices as well as patients' homes and for infusion therapy and specialty pharmacy services – mitigating the extent and breadth of the increased risk. Although some distress will be felt in the physician office setting in 2005, it likely won't be until later in the year that details emerge that will broadly impact – either positively or negatively – the sector's risk profile.

For the first time in a long time, the acquisition demand for infusion therapy providers has increased, generating positive momentum going into 2005.

Demand. 2004 marked the emergence of a new acquisition strategy – one in which Specialty Pharmacy Service providers (SPS) began to acquire large, regional home infusion therapy companies to increase their "high-touch" capabilities (see Top 10 Events of 2004) and thereby be better able to administer drugs and therapies that require greater clinical oversight. With the evolution of the SPS/IV operating model, demand for infusion therapy acquisition candidates has spiked from two directions — SPS providers looking to gain a sizeable foothold in the market and infusion therapy firms looking to gain enough critical mass to become platform targets themselves.

Intangibles. After years of little to talk about, the acquisitions of Critical Care Systems, Integrity Health Care, and Crescent Healthcare in 2004 lifted the M&A profile of the home infusion therapy sector considerably. And with the above mentioned SPS/IV operating model likely to stimulate further consolidation, the industry is building the kind of positive momentum that tends to feed on itself – a key ingredient to a vibrant merger and acquisition environment.

Valuation
Below $15M in revenues: 4.0-5.0 x EBITDA
Above $15M in revenues: 4.5-5.5 x EBITDA

Specialty Pharmacy Services Providers (SPS)

Risk Effect. Similar to infusion therapy with one key difference. While CMS has tacked on an additional $130 per patient per day for Medicare reimbursed chemotherapy services provided in a physician office setting in 2005, no such provision has been authorized to date for IVIG, one of several key specialty pharmacy therapies. Accordingly, Medicare funding for IVIG in 2005 will be limited to Average Sale Price plus 6%. That said, on January 13, 2005, CMS revised its ASP plus 6% payment rates for IVIG from $40.02 per gram to $56.72 per gram — an increase of 41.7%. Even with the increase, the question remains as to whether or not the new pricing will be sufficient enough to sustain the financial viability of IVIG programs. If access problems develop, as many fear, we will likely see the addition of some type of service fee in the future. While the vast majority of SPS products and services are unaffected by these changes, when a high profile therapy such as IVIG takes a hit, at the very least it is a reminder that even the most attractive sectors are vulnerable. ⬇

Even with a recent increase in ASP rates for IVIG, the question remains whether or not the new pricing will be sufficient enough to sustain the financial viability of these programs.

Demand. For the first time in two years, we see a slackening of demand. PBMs, which accounted for several "mega-deals" in 2003 were largely inactive in 2004. Several consolidators changed directions in 2004, eschewing further acquisitions of SPS companies to focus on adding infusion therapy capacity (see Top 10 Events). And private equity groups, weary of the pricing commanded by the best acquisition candidates, are increasingly turning their attention to hospice and home health care. As a result, transaction volume declined from 19 deals in 2003 to 12 in 2004. It remains to be seen whether or not this reduction in demand is a natural, but temporary phase in the development of a sector that has seen tremendous growth and consolidation in the past few years, or whether it represents a more systemic change in growth strategies. ⬇

For the first time in two years, we see a slackening of demand for SPS providers.

Intangibles. Given the extraordinary market potential, the size of the major players, and the afterglow that comes from being closely associated with high tech pharmaceuticals, the above notwithstanding, Specialty Pharmacy still retains much of the aura it has developed over the recent past. ⬌

Valuation
Below $15M in revenues: 4.0-5.5 x EBITDA; down at the top end of the range ⬇
Above $15M in revenues: 5.0-6.5 x EBITDA; down at the top end of the range ⬇

Health Care Staffing

Risk Effect. When the downturn in the health care staffing sector began about two and a half years ago, given the realities of an aging demographic amidst an acute nursing shortage, it was expected to be a short one. In fact, by the end of 2003, with the Institute of Medicine recommending minimum staffing ratios and the State of California enacting laws along those very lines, it appeared that the rebound would begin in earnest in 2004. Well, in November, in response to pressure from hospitals that the nursing shortage would prevent them from meeting the minimum ratios, Governor Arnold Schwarzenegger delayed the implementation of the California law — which was supposed to go into effect January 1, 2004 — until 2008. While this was just one small issue impacting the industry, it is somewhat representative of why the industry remains confident that it is on the verge of recovery and the factors that have come into play to thwart it. For 2004 though, the numbers are clear. *Staffing Industry Analysts* (SIA) estimates that for the year, total health care staffing revenues will be down 3%, although the decline is substantially less than the 8.5% fall-off from 2002 to 2003. On the positive side, SIA predicts robust growth of 10% in 2005. For now however, given past disappointments, we believe the sector's risk profile remains unchanged. ⬌

While *Staffing Industry Analysts* estimates that industry-wide health care staffing revenues will be down 3% in 2004 — the 2nd straight year of decline — they predict robust growth of 10% in 2005.

Demand. With a record number of transactions completed in 2004, demand is definitely up, fueled by a group of relative newcomers to the acquisition market that have seized on the opportunities created by two years of market instability (see Top 10 Events of 2004). We expect this trend to develop further as the sector continues to recover, bringing with it many of the early consolidators that have laid low over the recent past. ⬆

Fueled by a group of relative newcomers to the staffing M&A market, acquisition demand has risen.

Intangibles. As suggested above, market realities continue to lag behind insiders' collective enthusiasm and optimism. Until the numbers turn the corner, outsiders will remain skeptical. So for the time-being, with respect to intangibles, it's a draw. ⬌

Valuation
Below $10M in revenues: 4.0-5.0 x EBITDA ⬌
Above $10M in revenues: 4.5-5.5 x EBITDA ⬌

The Braff Group Awarded Life Sciences (Biotech/Healthcare) Deal of the Year by the M&A Advisor

At a black tie event sponsored by the *M&A Advisor* held December 13th, 2004 at the New York Athletic Club, The Braff Group received the Life Sciences (Biotech/Healthcare) Deal of the Year Award for its representation of LifePlus, Raymond, New Hampshire in its sale to Apria Healthcare Group, Costa Mesa, CA (AHG:NYSE).

Finalists and winners were selected based on nomination forms submitted during a six-week open nomination process, data from publicly available sources, and interviews with key players involved in the transactions. The Awards Selection Committee was comprised of writers and reporters from *The M&A Advisor*, *The New York Times* and *The New York Sun*, and faculty from *Columbia University Business School*. Winners were chosen based on the importance of the firm/transaction to its industry, creativity in structuring, financing, and negotiations, and perseverance, i.e. how hard the deal was to consummate.

Other finalists in the Life Sciences (Biotech/Healthcare) category were Citigroup Global Markets for its representation of Tenet Healthcare in the sale of 27 hospitals in five states and UBS Investment Bank for its representation of Curative Health Services in the acquisition of Critical Care Systems from Thoma Cressey Equity Partners.

The Braff Group was also honored in 2004 as the fastest growing health care company in the Pittsburgh Region and 4th fastest overall by the Pittsburgh Business Times in its annual ranking of the 100 fastest growing privately held companies in the area.

PITTSBURGH BUSINESS TIMES

CareMed CHICAGO HHA Division February 2004 the braff group represented the firm	Physicians Home Care & Oxycare Plus, Inc. April 2004 the braff group represented the firm	Mosso's Medical Supply Company April 2004 the braff group represented the firm	Visiting Nurse Health System HME and IV Division May 2004 the braff group represented the firm
HOME MEDICAL WE'RE HERE FOR YOU! June 2004 the braff group represented the firm	The Care Group IV Division July 2004 the braff group represented the firm	Southern Nevada Respiratory July 2004 the braff group represented the firm	lifeplus HOME MEDICAL PRODUCTS October 2004 the braff group represented the firm
Alpha Christian Registry Northern Illinois November 2004 the braff group represented the firm	Alpha Christian Registry Central Illinois November 2004 the braff group represented the firm	Alpha Christian Registry Michigan November 2004 the braff group represented the firm	Ultra care November 2004 the braff group represented the firm
Private Infusion Therapy Firm December 2004 the braff group represented the firm	Silvercrest HME Division December 2004 the braff group represented the firm	OPTIMAL HEALTH SERVICES HME Division December 2004 the braff group represented the firm	2004 Award Winner THE M&A ADVISOR™