Healthcare Corporate Finance NEWS

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MARKET INTELLIGENCE ON HEALTH CARE VENTURE CAPITAL, M&A, PRIVATE EQUITY AND IPOS

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LENDERS MAY FILL FUNDING GAP, EXTEND RUNWAY

Loans Offer Source of Capital To Equity-Backed Med-Tech Companies

For some, the ongoing financial crisis is casting a dark shadow over the potential for success, but for others, it is a flashing sign of opportunity. Specifically, some health care technology companies are running out of cash and do not have a revenue stream coming in to supplement or replace venture capital or other equity backing. Some lenders, however, are in a position to capitalize on the current opportunity to provide some of these companies with financing for operations, and contribute to sustaining businesses through the current economic downturn.

MidCap Financial, LLC, for example, is a newly formed company that is set to take advantage of the dislocation in the credit market by utilizing the talent of an experienced health care finance team. Another lender, **Silicon Valley Bank**, has been active in the technology and life sciences sectors for years and is now fielding increased demand from the market.

MidCap Financial recently announced that in mid-October it closed on commitments totaling over $500 million, co-led with equal participation from **Genstar Capital** and

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CANCER STEM CELLS AND MEDICAL DEVICES TOP VC CHARTS

November Venture Capital Financings Include Two Large, Early Rounds

In spite of having only 18 real business days, November 2008 turned out to be a pretty good month for health care venture capital, at least in terms of total capital raised. The monthly total for November, $723 million, is the third-largest amount raised during any single month this year, behind July with $919 million and March with $830 million.

November does hold one record for the year, at least for now: it is the month with the fewest deals announced. Only 25 deals were announced during November, including however, one very large deal that is a bit unusual. At a time when many companies may be assessing their strategic options, possibly including a sale, the largest deal of the month involves a new company that has been formed to make some acquisitions in the medical device sector. Meanwhile, the company that announced the second-largest deal of the month is focused on a therapeutic space that represents a fairly vast opportunity to address unmet medical needs.

OncoMed Pharmaceuticals raised the second-largest financing announced during November 2008, and recently, Paul Hastings, the company's CEO, told us more about the deal. "The $93 million round was

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***Lenders**, continued from page 1...*

Lee Equity Partners. The private equity arm of **Moelis Capital** also committed capital to MidCap, and MidCap's management provided the remainder of the commitment. Ryan Clark, a Principal at Genstar Capital, explained, "Fundraising began in early 2008, after **GE** (NYSE: GE) purchased **Merrill Lynch Capital**. We reached out to the team from **Merrill Lynch Healthcare Finance** and indicated our interest in partnering with them if they wanted to start their own company. The entire former senior management team from Merrill Lynch Healthcare Finance got together and hired Moelis Capital as a placement agent to raise the capital."

Mr. Clark continued, "Now we've been in business for about a month, and MidCap is likely to make its first loans in mid-December." In his opinion, "This is a great environment for a well capitalized commercial finance company and it's a great time to be a lender." Some changes have taken shape in the market over the past couple of years that translate into advantages for firms like MidCap Financial that are providing senior debt. For example, Mr. Clark said, "Pricing is higher, total leverage is lower and lenders can be selective in choosing the best credit." It may be at least slightly comforting to know that, "MidCap is in business issuing term sheets on potential loans, and is playing a small part in bringing liquidity to the middle market health care industry."

Genstar and the other firms have given MidCap a good foundation to start from. "The $500 million is sufficient capitalization to support the growth of MidCap through a five-year business plan," said Mr. Clark. There are two primary reasons Genstar chose to be a part of the creation of MidCap. First, Mr. Clark said, "We wanted to take advantage of the current credit dislocation and the fact that it's a great time to own a lending business. There's less competition now, because a significant number of lenders have pulled out of the market." Second, and equally, if not more important, he said, "We were attracted to the strength of the management team. We had already known them for a number of years, and we really consider them to be the best in the business. We wouldn't have done this if we didn't believe in the management team."

Mr. Clark continued, "MidCap will be making four types of loans, including asset-based loans, backed by receivables, for businesses such as hospitals, and leveraged loans to health care companies backed by private equity. The firm will also be making real estate loans to skilled nursing and assisted living facilities." He also said, "The smaller part of the product group will be loans to biotech and medical device companies. I think venture funding has dried up somewhat for these companies and this is one form of financing for them."

At least for now, MidCap Financial perceives less competition in the market for the lending products it will offer to middle-market health care companies. "I think there are a number of PE-backed equity start-ups taking advantage of the current credit market dislocation, but the others are not specifically targeting health care," stated Mr. Clark. In addition, he said, "Right now there is very little debt available for leveraged buyouts, but I do think leveraged loans will eventually return to the market."

Silicon Valley Bank

Last month we also heard from Pete Scott, Head of Life Sciences at Silicon Valley Bank, and recently, he said, "We have been getting lots of loan requests from compa-

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Public Equity Market
(Filings Listed By Date)

Date	Company	Symbol	Sector	Number of Shares	Price Per Share	Comments
11/14	ChemoCentryx	N/A	Biopharm	N/A	N/A	IPO withdrawn; market conditions cited.

nies looking for alternative financing strategies. There's a huge amount of demand right now." Silicon Valley Bank (SVB) is part of Santa Clara, California-based **SVB Financial Group**. It's probably safe to say SVB has a good sense of what's going on the financial markets today. "We have 32 offices throughout the U.S. and internationally, in countries including India, China, Israel and the U.K.," stated Mr. Scott.

The bank also seems to have a good sense of what lies ahead. Mr. Scott continued, "SVB's services are even more critical to the industry now than in previous years. Capital has become more expensive, the IPO market is shut, the M&A market is slower and VCs are being more cautious. So, we're partnering with biotechnology and medical device companies, as well as the VCs that are investing in them." He explained, "We do compete with other lenders and often partner with them. Usually, we compete with other venture debt providers, not the big banks, and since a lot of those smaller lenders have pulled back, that's been good for us."

There are, of course, solid reasons for borrowing capital, in today's market or any market. "Typically, debt capital is a lot cheaper and there's less dilution, so it's very attractive," noted Mr. Scott. "But," he admonished, "debt capital does not replace equity—the different financing agreements need to work in accordance." The right formula of debt and equity at the right rates and terms will vary, based on each individual company. As Mr. Scott pointed out, "It's hard to talk about terms in a general sense, because every deal is different. I can say that where a company falls in the business life cycle really affects the terms. In the last six months especially, debt has become more expensive and terms have gotten tougher." At SVB, he said, "Our lending criteria and strategy really haven't changed, except in terms of pricing. Debt is much more expensive today."

SVB lends to basically two categories of companies in life sciences: early-stage companies in biotechnology and medical devices, and later-stage companies in the same sectors. "On the early-stage side, these are companies that have recently been funded by venture capitalists, but are not yet generating any significant revenues. What we do for these companies is help to extend the amount of time they have before they need to raise their next round. So, they have added flexibility with additional capital that lengthens the runway to get to their next milestone," illustrated Mr. Scott. Furthermore, he said, "Generally we are providing growth capital or venture debt to the earlier-stage companies. These deals are usually done alongside an equity financing, usually are amortized over a three-year term and involve an interest rate component, as well as warrant coverage."

In the other category, Mr. Scott clarified that, "For the later-stage companies, and I mean companies that are either publicly traded or on one of their last VC rounds, we are more likely to be providing working capital." While loans to the earlier-stage companies might take the form of venture debt or a similar debt instrument, loans for the later-stage companies are structured a bit differently. He continued, "These companies are typically generating revenues. In these deals, we are typically providing a revolving line of credit (LOC) that is based on the company's accounts receivable or a multiple of revenues. Usually, the LOCs have a maturity of one, two or three years."

Mr. Scott explained some of Silicon Valley Bank's history, stating that, "Years ago, we made a decision to focus on technology and life sciences, when there were not a lot of banks in this space. Our strategy was really to fill that void in the market by working with these companies and the venture capital firms that work with them. Even now, we are filling a space most banks don't get into." For the nine months ended September 30, 2008, SVB reported consolidated net income of $76.2 million—but, life sciences is not SVB's only business. Mr. Scott stated, "About 20% of our overall business is in life sciences, with most of the rest in technology and a small percentage in premium wines."

Mr. Scott described the position the bank is taking in

the life sciences market right now. "Obviously, there's a lot of turmoil in the financial markets right now, but going forward, our strategy is to continue to be consistent in life sciences. Lots of players in the venture debt market, such as some of the newer lenders backed by hedge funds, have pulled back from lending because of internal factors." At Silicon Valley Bank, he said, "We've been fortunate to get through other downturns, like in 2001, for example. But, 2008 is very different from 2001, when the downturn was led by technology and life sciences. Today it's led more by the credit crisis in the financial services sector."

"Going forward," he remarked, "we are expecting ongoing growth in the market for lending to biotechnology and medical device companies." SVB is also enhancing its global coverage. "We are active over in Asia, but we started over there relatively recently. In the short term, that business will have little impact on our bottom line. But, over the long term, we are expecting our activity in Asia, including India and China, to become a much bigger percentage of our overall business."

Carrie Merritt, Director of Public Relations at SVB, added that, "Strategically speaking, we are starting small and slowly and doing what we need to over time to grow our business the right way in Asia. In India, for example, we've had offices established for several years but just began our lending operations this year." Speaking on SVB's overall performance, she pointed out, "For the third quarter ended September 30, 2008, we had average deposits of $4.8 billion and average loans of $4.9 billion. Over the past 10 years, our loan portfolio has consistently been growing by double digits every year."

Venture Capital Funds

Not every firm can claim that it was among the first large private equity firms in the U.S., that one of its founding partners is a past president of the **National Venture Capital Association** (NVCA) or announce that it has just closed their ninth fund. One that does live up to all three claims is **Morgenthaler**, a firm founded by David Morgenthaler in 1968. Mr. Morgenthaler was actually president of the NVCA when the capital gains tax reduction was enacted in 1978 and played a leading role in testifying before Congress for the new legislation. The firm includes **Morgenthaler Ventures**, a venture capital team based in Silicon Valley and focused on life sciences and information technology companies, and **Morgenthaler Partners**, a Boston- and Cleveland-based team focused on traditional management buyouts and leveraged recapitalizations, industry build-ups and later-stage investments. Morgenthaler started as a family partnership, but in the early 1980s it began raising institutional funds, and has worked with entrepreneurs in approximately 300 companies since its founding.

Morgenthaler Ventures announced in mid-November that it had closed **Morgenthaler Venture Partners IX, L.P.** (MVP IX), an early-stage venture capital fund focused on investments in information technology and life science companies, with $400 million of committed capital. Incidentally, the largest early-stage investment in a private biotech so far this year, the $93 million Series B financing announced by OncoMed in November, included Morgenthaler Ventures. Recently, we talked with Ralph "Chris" Christoffersen, Ph.D., who has been with the firm since 2002 and currently is a partner and the Head of Life Sciences at Morgenthaler Ventures.

"The new fund will probably be invested about half in health care, half in information technology, but the percentages could vary a bit, because it will really depend on the market," began Dr. Christoffersen. "We expect it will take three to four years to fully commit the fund." He characterized the current market by saying, "The environment for life sciences is very good right now. A number of things have occurred in the past five to six years that are very encouraging for VC, including lower valuations in the market." Although the current downturn in the public equity markets may influence the corresponding perception of value on the private side, Dr. Christoffersen pointed out, "The health care market functions relatively independently of market conditions. People will always get sick, and there are deadly diseases out there without adequate

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Merger & Acquisition Announcements
(Grouped By Sector, Listed By Announcement Date)

Services Sectors

Date	Buyer	Seller	Sector	Price	Terms/Comments
11/6	Conmed Healthcare Mgmt.	Correctional Mental Health	Behav	$2,200,000	Includes $1.8 million in cash. Pr. to rev. is 1.00x.
11/6	Opelousas General Health	Doctors' Hosp. of Opelousas	Hospital	$25,000,000	Nonbinding letter of intent. Pr. to rev. is 0.77x.
11/7	North Oakland Physicians	North Oakland Medical Ctrs.	Hospital	$9,000,000	In bankruptcy proceedings. Pr. to rev. is 0.08x.
11/10	Diagnostic Imaging Intl.	Canadian Teleradiology Svs.	Labs	$1,500,000	Includes C$400,000 in cash, plus earnouts.
11/7	Pacifica Companies	Victoria Court	LTC	$6,900,000	Price to revenue multiple is 2.65x.
11/13	The Perrigo Company	Unico Holdings	Other	$40,000,000	Cash deal. Price to revenue multiple is 0.10x.
11/14	ICON plc	Prevalere Life Sciences	Other	$43,200,000	Includes $35 million cash, plus milestones.
11/18	U. S. Physical Therapy	Outpatient rehab clinic	Rehab	$5,000,000	For a 65% stake. Price to rev. mult. is 1.67x.

Mergers And Acquisitions

Health care companies announced 27 mergers and acquisitions during November, with prices totaling almost $2.9 billion. Also during the month, 27 other deals were announced for which the prices have not been disclosed. Eight deals with prices totaling $132.8 million were announced in the health care services sectors, while 18 deals totaling $2.7 billion were announced in the health care technology sectors. The biotechnology sector accounted for about 35% of the overall funding for the month, while the pharmaceutical sector, which includes the largest deal of the month, accounted for about 60% of the total.

In the largest deal of the month, and the only one valued $1 billion or more, **King Pharmaceuticals** (NYSE: KG) is acquiring **Alpharma, Inc.** (NYSE: ALO) for $1.6 billion. King is paying $37.00 per share, which apparently was enough to please ALO's board, which rejected an August offer from KG to acquire the company for $33.00 per share. **Credit Suisse** and **Wachovia Securities** are acting as financial advisors to King, and **Banc of America Securities** is acting as financial advisor for Alpharma.

Headquartered in Bridgewater, New Jersey, Alpharma is a global specialty pharmaceutical company that is presently active in more than 80 countries. Alpharma has a growing branded pharmaceutical franchise in the U.S. pain market with its KADIAN (morphine sulfate extended-release) Capsules and the FLECTOR Patch (diclofenac epolamine topical patch) 1.3%. The company is also internationally recognized as a provider of pharmaceutical products for poultry and livestock. On a trailing 12-month basis, ALO generated revenue of $834 million and a net loss of $64 million.

The biotechnology sector produced the two next-largest M&A deals announced during December. In the larger of these two, **Johnson & Johnson** (NYSE: JNJ) is acquiring **Omrix Biopharmaceuticals** (NASDAQ: OMRI) for $438 million. Omrix, a biopharmaceutical company that develops and markets biosurgical and immunotherapy products, is based in New Brunswick, New Jersey. JNJ is paying $25.00 per share for the company, which develops, manufactures and markets protein-based biosurgery and passive immunotherapy products.

Omrix's biosurgery product line includes products and product candidates that are used for the control of bleeding, or hemostasis, and other surgical applications. Its passive immunotherapy product line includes antibody-rich products and product candidates for the treatment of immune deficiencies, infectious diseases and potential biodefense applications.

MERGER & ACQUISITION ANNOUNCEMENTS

(GROUPED BY SECTOR, LISTED BY ANNOUNCEMENT DATE)

TECHNOLOGY SECTORS

DATE	BUYER	SELLER	SECTOR	PRICE	TERMS/COMMENTS
11/3	NeoStem, Inc.	Beijing HuaMeiTai Biotech.	Biotech	$5,000,000	Issuance of 5,000,000 shares.
11/4	Cardiovascular Systems	Replidyne, Inc.	Biotech	$40,000,000	All-stock deal.
11/7	Onyx Pharmaceuticals	License: cancer drug candidate	Biotech	$320,000,000	Includes $13 million upfront, plus milestones.
11/10	Daiichi Sankyo Co.	License for ARQ 197	Biotech	$50,000,000	Cash deal. Additional tiered royalties.
11/10	Daiichi Sankyo Co.	Kinase inhibitor platform	Biotech	$15,000,000	Upfront cash payment.
11/10	Eisai Co. Ltd.	Alzheimer's genetics program	Biotech	$1,500,000	Upfront cash payment
11/12	Affymetrix, Inc.	Panomics, Inc.	Biotech	$73,000,000	Cash deal.
11/24	Johnson & Johnson	Omrix Biopharmaceuticals	Biotech	$438,000,000	Cash for stock. Price to rev. multiple is 5.57x.
11/25	Roche Holding AG	Memory Pharmaceuticals	Biotech	$50,000,000	Cash deal. Price to revenue multiple is 7.04x.
11/10	Favrille, Inc.	MyMedicalRecords.com	eHealth	$3,704,000	Stock for stock exchange.
11/10	Nobel Biocare Holding	BioCad Medical, Inc.	MedDev	$32,573,000	Eur 26 million.
11/17	Mediscience Technology	SensiVida Medical Systems	MedDev	$2,000,000	Issuance of 33,333,333 shares.
11/4	SurModics, Inc.	Drug delivery assets	Pharma	$9,000,000	Includes $3 million cash, plus milestones.
11/12	Cowen Hlthcr. Royalty	Cetrotide royalty stream	Pharma	$55,000,000	Includes upfront payment of $52.5 million.
11/14	Valeant Pharmaceuticals	DermaTech Pty Ltd	Pharma	$11,728,700	Price to revenue multiple is 1.81x.
11/24	King Pharmaceuticals	Alpharma, Inc.	Pharma	$1,600,000,000	Cash for stock. Price to revenue is 1.92x.
11/25	Watson Pharmaceuticals	Generic drug portfolio	Pharma	$36,000,000	Upfront payment. Additional milestones.

Following the completion of the deal, Omrix is expected to operate as a stand-alone entity reporting through **ETHICON, Inc.**, a Johnson & Johnson company that provides suture, mesh, hemostats and other products for a wide range of surgical procedures. The deal is intended to provide ETHICON with an opportunity to strengthen its presence in active, biologic-based hemostats and convergent products for various surgical applications. On a trailing 12-month basis, OMRI generated revenue of $78.7 million, EBITDA of $10.3 million and net income of $12.0 million.

In the third-largest deal of the month, **Onyx Pharmaceuticals** (NASDAQ: ONXX) is paying **BTG International** (LSE: BGC) $320 million for a worldwide license to a cancer drug candidate with potential applications in several large tumor markets. Onyx, which develops and commercializes oral anticancer therapies designed to prevent cancer cell proliferation and angiogenesis, is paying BTG $13 million upfront and up to $307 million in milestone payments. The licensed compound has potential to treat tumors in ovarian, lung, breast and colorectal cancer and broadens Onyx's oncology franchise. BGC will share 10% of the upfront and milestone payments with the U.K.-based **Institute of Cancer Research**.

Among the rest of the large deals announced during December, one other is also a licensing deal. **Daiichi Sankyo Co.** (T: 4568) is paying **ArQule** (NASDAQ: ARQL) $50 million for an exclusive license for co-development and co-commercialization rights to a small molecule inhibitor of the c-Met receptor tyrosine kinase to inhibit cancer. In another $50 million deal, **Memory Pharmaceuticals** (NASDAQ: MEMY), which focuses on discovering and developing drug candidates for the treatment of central nervous system conditions, was acquired by **Roche Holding AG** (SWX: ROCZ.S). Falling between those deals and the top three, **Affymetrix Inc.** (NASDAQ: AFFX) is acquiring **Panomics**, a provider of assays products for low to mid-plex genetic, protein and cellular analysis applications, for $73 million. **Cowen Healthcare Royalty Partners** (CHRP) announced a $55 million royalty stream deal with **Aeterna Zentaris** (NASDAQ: AEZS). AEZS sold CHRP its rights to future royalties on future sales of Cetrotide, a luteinizing hormone-releasing hormone antagonist treatment for in vitro fertilization, covered by AEZS's license with **Merck Serono**.

Venture Capital Market—Leading Deals

(Listed By Transaction Amount)

COMPANY	AMOUNT	DATE	COMMENTS/FUNDING SOURCES
Devicor Medical Products	$250.0 million	11/11	This is the initial funding for newly formed Devicor Medical Products, which was co-founded by the investor and a former senior executive of Cardinal Health for the purpose of acquiring medical device companies and products, with a focus on clinical preference, and is currently evaluating several acquisitions. **Investor:** GTCR
OncoMed Pharmaceuticals	$93.0 million	11/4	OncoMed Pharmaceuticals is discovering and developing therapeutics that target cancer stem cells. It has a library of antibodies to cancer stem cell proteins for the treatment of solid tumors such as pancreatic, breast, colorectal and lung cancers, and a lead candidate currently in phase I clinical trials. This was its Series B financing. **Investors:** Nomura Phase4 Ventures, US Venture Partners, Latterell Venture Partners, The Vertical Group, Morgenthaler Ventures, Adams Street Partners, DeNovo Ventures, Bay Partners, GlaxoSmithKline
GANYMED Pharmaceuticals	$82.7 million	11/18	GANYMED Pharmaceuticals secured adequate funding to rapidly develop its pipeline of antibodies directed against solid tumors, including a monoclonal antibody against metastatic gastro-esophageal carcinoma that will commence with a multicenter phase Ib study in Germany in late 2008. **Investors:** ATS Beteiligungsverwaltung, Future Capital, MIG, Verwaltungs
Precision Therapeutics	$43.0 million	11/10	Precision Therapeutics is a diagnostic services company dedicated to providing actionable clinical information to personalize cancer treatments. This funding is for ongoing development and commercialization of a diagnostic test that helps physicians select the most effective chemotherapeutic regimen for each patient. **Investors:** Longitude Venture Partners, Adams Capital Management, Quaker BioVentures, Birchmere Ventures, Techno Venture Management, Draper Triangle Ventures
Accera	$35.0 million	11/11	Accera, a biotech developing products that address metabolic deficiencies by providing an alternative energy source for the brain, is using the proceeds from this C round to begin sales and marketing of its lead product in the United States, with the launch expected in the first quarter of 2009. **Investors:** Inventages Venture Capital, POSCO BioVentures
Tengion	$21.0 million	11/19	Tengion is a regenerative medicine company focused on developing, manufacturing and commercializing human neo-organs and neo-tissues, based on each patient's own cells, using its proprietary platform. This was the second closing of its Series C financing. **Investors:** Safeguard Scientifics, Bain Capital, Johnson & Johnson Development Corporation, Deerfield Partners, Quaker BioVentures, Oak Investment Partners, HealthCap, L Capital Partners
Prolexys Pharmaceuticals	$20.0 million	11/5	Prolexys Pharmaceuticals is working with proprietary proteomics technology and is using this funding to advance the development of a small molecule that may have applications against colon, lung, pancreatic and ovarian cancer, several sarcoma sub-types and multiple myeloma, and for other clinical work. This was part of its A round. **Investor:** Friedli Corporate Finance
Ascent Therapeutics	$19.0 million	11/17	Ascent Therapeutics was recently formed and founded with this Series A funding, based on technology invented at Tufts Medical Center that is expected to lead to both internal and partnered drug development programs, potentially in areas including inflammation, cancer, CNS disorders and cardiovascular disease. **Investors:** Novartis Option Fund, Healthcare Ventures, TVM Capital
Cellular Dynamics International	$18.0 million	11/24	In conjunction with this Series A financing, Cellular Dynamics International (CDI) merged with Stem Cell Products Inc. and iPS Cells Inc. CDI is currently commercializing pluripotent stem cell-derived heart cells and other cell types for use as a means of testing drugs for toxicity prior to reaching the market. **Investors:** Tactics II Stem Cell Ventures LP, Tactics II Ventures LP, Wisconsin Alumni Research Foundation
Arete Therapeutics	$16.7 million	11/19	With this final tranche of its A round, Arete Therapeutics, a biotech focused on drugs to treat metabolic, inflammatory and cardiovascular disease, has raised more than $51 million in venture capital. Arete is preparing for a phase II clinical trial of its candidate for the treatment of metabolic syndrome. **Investors:** Frazier Healthcare Ventures, Alta Partners
Radius Health	$15.0 million	11/20	Radius Health is using the proceeds from this Series C funding, which brings the round total to $82.5 million, to support ongoing clinical and preclinical development programs. Radius anticipates results in 2009 from a phase II clinical trial of a bone anabolic therapy for osteoporosis. **Investors:** MPM Bio IV, NVS Strategic Fund, MPM Capital, The Wellcome Trust, HealthCare Ventures, Oxford Bioscience Partners, BB Biotech Ventures, Scottish Widows Investment Partnership

Venture Capital Market—Other Deals
(Listed By Transaction Amount)

Company	Amount	Round	Date	Lead Investor(s)	Sector
Awarepoint	$13.3 million	D	11/25	**Cardinal Partners, Venrock**	Other
Molecular Biometrics	$12.0 million	A	11/10	**Safeguard Scientifics, Oxford Bioscience Partners**	Other
Intelect Medical	$11.0 million		11/12	**Boston Scientific, Greatbatch**	MedDev
MicroPhage	$11.0 million		11/20	**Not disclosed**	Biotech
AnaMar Medical	$9.4 million		11/6	**Koncentra Holding, LinkMed**	Biopharm
Sol-Gel Technologies	$9.0 million		11/18	**Medica Venture Partners, JVP**	Other
Psyadon Pharmaceuticals	$8.0 million	A1	11/10	**New Enterprise Associates**	Pharma
Cmed Group	$7.4 million		11/24	**Scottish Equity Partners**	eHealth
Knopp Neurosciences	$6.6 million	B-2	11/19	**Saturn Partners II, Kramer Capital Partners**	Pharma
Viamet Pharmaceuticals	$6.3 million	A	11/3	**Hatteras Venture Partners, Intersouth Partners**	Pharma
JADO Technologies	$4.9 million	B	11/11	**PEPPERMINT.Financial Partners, NRW.BANK**	Biotech
Numerate	$4.0 million	A	11/18	**Foundation Capital, Lanza techVentures**	Biotech
Zacharon Pharmaceuticals	$3.5 million	A	11/18	**Avalon Ventures**	Pharma
Evogen	$3.0 million	B	11/17	**L Capital Partners**	Other

***November Venture Capital**, continued from page 1...*

a multi-tranched financing that began in 2006. Originally we raised $86 million for our Series B financing, to be drawn down in two equal tranches. We pulled down the first $43 million in June 2006." But in July 2008, instead of just pulling down the other $43 million, Mr. Hastings explained, "We added $50 million from existing investors and **Nomura Phase4 Ventures** to the $43 million from the original second tranche."

Redwood City, California-based OncoMed is a clinical-stage company developing antibody therapeutics that target cancer stem cells. Investors in the company include **US Venture Partners**, **Latterell Venture Partners**, **The Vertical Group**, Morgenthaler Ventures, **Adams Street Partners**, **DeNovo Ventures** and **Bay Partners**. Founded in 2004, OncoMed is now funded through 2013, with the full $93 million from its most recent round in the bank.

Among the reasons that OncoMed was able to attract such a large investment in such early-stage assets, Mr. Hastings pointed out, "We've come a long way and we've made all our milestones. Sure, there were bumps along the way, but we got past them. We put a compound in the clinic on time. And with the ongoing development of our internal pipeline, we're showing we can continue to produce value over time." Speaking more specifically on the appeal of OncoMed's technology, Mr. Hastings explained, "We have proprietary targets in the field of cancer that are part of a very special platform and work in a new way—that is, we are targeting cancer stem cells." Furthermore, he said, "Clearly, data speaks, and gave us the ability to raise capital."

Mr. Hastings remarked, "We are in a really nice situation, since we got to our milestones efficiently and we were in a position to secure more capital." But it wasn't necessarily easy, and he noted, "For every one antibody you put in the clinic, you need to rule out many others along the way. For example, we have thousands of antibodies in our library—our proprietary position is in solid tumor cancer stem cells—and we sure didn't go through them all, but we tested at least ten getting to our preclinical model. Some of those were ruled out and others are still in development." OncoMed expects its antibodies might eventually have applications in the treatment of cancers such as colorectal, lung, breast, brain and pancreatic cancer.

Including the entire Series B financing and a $17 million Series A financing announced in 2004, OncoMed has raised more than $200 million, including up-front payments and milestones from its collaboration with **GlaxoSmithKline** (NYSE: GSK). In December 2007, OncoMed and GSK announced a worldwide strategic alliance to discover, develop and market antibody therapeutics to target cancer stem cells, which are believed to play a key role in the establishment, metastasis and recurrence of cancer. The term cancer stem cells, or tumor-initiating cells, refers to a small subset of cells found in

tumors that have the capacity to self-renew and differentiate, initiate and drive tumor growth, recurrence and metastasis.

Cancer stem cells were initially discovered by OncoMed's scientific founders in breast cancer and have subsequently been identified in other types of solid tumors, including glioblastoma, colon, head and neck, lung, prostate and pancreatic cancer. Mr. Hastings stated, "OncoMed's founders, Michael Clark and Max Wicha, originally began working with the cancer stem cell hypothesis at the **University of Michigan at Ann Arbor**. The founders still maintain an equity stake and they're involved in the company in a scientific advisory capacity, but OncoMed owns the rights to all the antibody technology."

Right now, OncoMed is fully concentrating its efforts on its existing collaboration deal, which does provide a revenue stream for the company as it achieves its milestones, and on continuing to develop its internal pipeline. "Our lead antibody in our collaboration with GlaxoSmithKline is now in phase I clinical trials. We're also developing our second candidate toward clinical trials," said Mr. Hastings. "In addition, we have multiple other antibody candidates in preclinical development, independent of the GSK collaboration." He continued, "We're not looking for new partners. Our focus is really on delivering on our deal with GlaxoSmithKline, and also on developing our internal candidates to value inflection points, when we can decide whether a partnership or another strategy makes sense."

Mr. Hastings, who has about 25 years of experience in the health care industry and has been the CEO of multiple public companies, joined OncoMed in 2005. "One thing I hadn't done yet was a start-up and really, what they needed when they recruited me was someone to think about how the company would look in a five-year horizon. And they needed someone to build it up in such a way as to have multiple options at the end of that horizon." The company currently consists of about 65 people. "We plan to spend the capital very carefully, as if it's our own money in our own bank accounts," commented Mr. Hastings. "We have clear milestones in place. Sometime in 2009, or possibly sooner, you could be hearing more from us."

Even larger than the OncoMed deal, in November, the largest publicly announced investment in a private company was a $250 million deal for newly formed **Devicor Medical Products**. Devicor was co-founded by a former senior executive of **Cardinal Health** (NYSE: CAH) together with the investor in the deal, **GTCR**. GTCR is providing funding to support management's strategy and at the same time acting on the firm's own "strategy of identifying a highly attractive industry, then forging a partnership with a strong executive to build a market-leading company," according to GTCR Principal Dean Mihas, in a press release. We read that Mr. Daulton is "excited about the opportunity to build a significant new global player in the medical device industry," as the new company, headquartered in Pleasant Prairie, Wisconsin, will focus on acquiring medical device companies and products. Devicor is concentrating on products that feature clinical preference, meaning primarily tools, particularly disposables, that would provide a benefit of more interest to the clinician than the patient.

The third-largest venture capital investment in November was announced by **GANYMED Pharmaceuticals**, a specialty pharma based in Germany that raised $82.7 million from investors led by **ATS Beteiligungsverwaltung GmbH** (ATS). GANYMED is developing its pipeline of cancer specific ideal monoclonal antibody therapeutics (imAb) against solid cancers, such as gastric, esophageal, pancreatic, breast and lung cancer. As a result of a transaction announced in August 2008, GANYMED is majority owned by ATS, which acquired its stake in the company from investors including **KfW** and **Nextech Venture**. Together with ATS, GANYMED is pursuing a long-term strategy and intends to substantially expand its antibody pipeline to include a broad portfolio of development candidates. The selling investors, led by Nextech Venture, had supported the company from inception until the start of clinical development through three rounds of financing.

Looking back at the monthly total for November, it may be worth noting that without the large deal announced by Devicor and GTCR, publicly announced investments in privately held health care companies would have totaled $473 million. That amount would have put the month at second-lowest amount of funding raised in a single month of 2008, ahead of only February with $391 million. Just as holiday sales may not be providing enough of a jolt for some retail stores to end the year on a strong note, in the health care venture capital market, even a strong November and December may not be enough to bring year-end figures up to where they were in 2007 or 2006. At least for this market, the story at year-end may not be as sad as we have heard it may be in some other sectors. Based on preliminary figures and the condition that deals continue to get done, it looks like 2008 will end with more venture capital invested in health care than in 2005 or preceding years, even if December produces only $329 million in deals.

***Morgenthaler Fund IX**, continued from page 4...*

treatment, regardless of economic conditions."

He has noticed that, "The major transformation of the market has made everyone more conservative. We're doing anything and everything we can to keep our current investments healthy, maybe in some cases metering out capital more slowly and generally conserving cash. It's easier to weather a downturn with private companies, because venture capitalists have reserves in place and are prepared for delayed exits." The news may not be so good for other companies, though. "Some may have to cut staff and programs—especially among the public companies." Today's environment does indeed present certain difficulties, but it also presents opportunities. Dr. Christoffersen stated, "The pharmaceutical industry has lots of cash." But, it also has hundreds of billions of dollars worth of patents that are about to expire, and faces generic competition. "Meanwhile," he said, "big pharma's internal R&D programs generally haven't produced much." This means there are opportunities in the market for early-stage companies with promising assets, solid data and key management. OncoMed, for example, established a strategic alliance based on preclinical assets with a major pharmaceutical company, GlaxoSmithKline, which is also an investor in the company, in 2007.

MVP IX represents a strategic change for Morgenthaler—and apparently a vote of confidence in the venture team—because its previous funds have made both venture and private equity investments out of the same fund, but the new fund is its first to focus solely on venture capital investments. The new fund also represents roughly a 30% increase in fund size for the venture team, which was allocated approximately $315 million to invest in the previous fund. Many of the firm's LPs have invested across multiple Morgenthaler funds and MVP IX is no exception, including commitments from a majority of its existing investors, as well as new investors. Another strategic difference with the new fund is that although it will continue to focus on early-stage investing—more than two-thirds of the firm's venture investments since 2001 have been in seed or Series A rounds—that focus will be broadened to include more Series B and Series C financings for companies that have achieved significant milestones.

Dr. Christoffersen stated, "Morgenthaler Ventures is an example of an early-stage investor that loves biotechnology and medical devices. The fund [MVP IX] will be invested using basically the same criteria and strategy we have been using for life sciences, but we have made some changes based on the market for IT. We have started investing the new fund, but we're not disclosing specific investments yet. We learned that particularly in this market, it's less important to move quickly and more important to make quality investments." The typical, ideal investment for Morgenthaler Ventures is a company that is ready for its Series A financing or in the incubation stage, that the firm will continue to invest in all the way through to a significant clinical result.

"In biotechnology, we're typically looking for early-stage companies, including Series A and incubation investments. We're looking for companies with a new technology or new paradigm that can change the way health care is practiced, and we want a platform that will be able to produce multiple products. We also want to be able to get to a clinical result—typically completion of a phase IIa clinical trial—in four to five years," explained Dr. Christoffersen. In addition to OncoMed, biotechs in the firm's portfolio currently include **Morphotek**, and **Catalyst Biosciences**, which announced a $40.4 million Series C financing as we were going to press. Medical device companies in its portfolio include **Emphasys**, **OptiScan** and **XTENT**.

He continued, "In medical devices, our deals are mostly sourced through **The Foundry** and **ForSight Labs**, but we get other leads too. What we have in The Foundry is former corporate executives who have been very successful in the medical device field." In addition, he said, "We have a testing laboratory and we have an intellectual property lawyer on staff." The Foundry was co-founded by Morgenthaler Ventures and **Split Rock Partners** in 1998. In January 2006, the same two firms, together with **Versant Ventures**, co-founded ForSight Labs. "Really what it [The Foundry] does is get a medical device start-up to become a real company by the time it's ready for its Series B financing. The idea with ForSight is similar, except the focus is on ocular diseases," summed up Dr. Christoffersen.

Right now, his advice for venture-backed companies includes, "Keep a lean organization, stay focused and be diligent." He observed, "Collaboration deals are actually viewed quite positively in the industry, and can eventually lead to product approvals or M&A transactions. With an earlier collaboration established, it's easier for a pharma or medical device partner to know the potential of a specific technology or compound." In other good news about the biotechnology and medical device sectors, he said, "The pace of innovation and research is about as robust as we

have ever seen it."

Upon the retirement of one of its partners, Morgenthaler recently added a new partner to its life sciences team, Hank Plain, who was previously the CEO of a Morgenthaler portfolio company that was sold to **Abbott** (NYSE: ABT), and also has been involved with The Foundry. "In addition, Hank has returned substantial amounts to investors," noted Dr. Christoffersen. In conjunction with the closing of Fund IX, Morgenthaler also added Doug Treco, Ph.D. to its life sciences team as an Entrepreneur in Residence. The venture team is based in Menlo Park, California, and also has offices in Boulder, Colorado; Boston, Massachusetts; and Princeton, New Jersey.

Targeting The Consumer

One company that announced a venture capital round in recent months, **HealthiNation**, is directly targeting the health care consumer audience—and we don't just mean that group of buyers, we also mean the audience, like at the movies. In a recent conversation, Raj Amin, CEO and co-founder of HealthiNation, told us more about the company. "Our primary business is direct-to-consumer, on the Web," said Mr. Amin. He continued, "We produce original health literacy videos and then distribute them. The purpose of our videos is to educate the consumer audience on a wide variety of health and wellness issues."

Armed with $7.5 million of Series B financing from **Intel Capital** and **MK Capital**, HealthiNation has a specific aspect of the consumer market in its sights and is targeting the opportunity it presents. Mr. Amin explained, "What we do very well is produce engaging, entertainment-led educational videos. Right now we have an opportunity to bring content into the managed care and employer markets. Ideally, this will help to reduce health care costs by engaging employees more effectively."

He continued, "All of our videos are independently scripted and produced by our internal staff." The videos vary in length but average around two to four minutes and each video is generally part of a series. One series generally includes a video that looks at the cause or occurrence of a disease or disorder, another that helps the viewer better understand the condition and another that looks at treatment options. "Our staff consists primarily of TV producers and a medical advisory board, including doctors and nutritionists," stated Mr. Amin, adding, "We are the leader in originally produced health literacy videos."

HealthiNation is currently bringing in revenue, as Mr. Amin explained. "Right now we have most of our revenue coming in from online advertising. We provide revenue-sharing to our partners based on the number of views. Our videos are integrated in our partners' Web sites, along with advertising, and grouped with matching topics on their sites," he said.

In June, for example, HealthiNation announced a syndication partnership with **Imaginova**, a science and technology digital media and commerce company, whereby HealthiNation videos are being distributed through **LiveScience.com**. HealthiNation announced in February that it is working with **Comcast Spotlight**, the advertising sales division of **Comcast Cable**, to offer health information programming at no additional charge for **Digital Cable** customers through Comcast's ad-supported, on-demand digital cable television destination. HealthiNation's other partnerships include deals with **U.S. News & World Report**, **Answers.com**, **Verizon FiOS TV**, and **Prevention**, including **Prevention.com**.

Unlike some other companies these days, HealthiNation is not cutting staff. "We're fortunate we don't have to trim right now, we're in a good position as the leader in our field," stated Mr. Amin. HealthiNation is not profitable yet, but the recent venture capital infusion is expected to help the company reach profitability by approximately the end of 2009. Although his company was able to close a venture round, Mr. Amin noted, "I do see investor hesitance in the venture capital market."

HealthiNation previously closed a $4.2 million Series A financing from MK Capital. Any exit strategy would aim to get a full return for investors, but the company is currently focused on growing and building value. Mr. Amin pointed out, "As a consumer media company, we have various paths to monetization, including licensing and advertising." Mr. Amin described other key reasons this is a good time for HealthiNation. "There is an ongoing, increasing trend of consumers seeking health information online and traffic to health-related sites continues to grow. Also, video has become a mainstay on the Web and the use and viewing of videos on line has increased dramatically in the past two years and continued to grow in the past six months."

Looking ahead at the possible future of the delivery of

...continued on page 15

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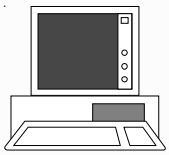

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Private Placement Market—Leading Deals

(Listed By Transaction Amount)

COMPANY	AMOUNT	DATE	COMMENTS/FUNDING SOURCES
Infinity Pharmaceuticals	$45.0 million	11/20	Infinity Pharmaceuticals (NASDAQ: INFI) received this equity investment as part of a strategic collaboration agreement with Purdue Pharma and Mundipharma International Pharma Corporation. The collaboration will focus on the advancement of Infinity's early-stage clinical and discovery pipeline of small molecule drug candidates. Purdue Pharma purchased 4,000,000 shares of INFI's common stock at a price of $11.25 per share. Subject to shareholder approval and other conditions, the entities in this deal have also agreed to invest an additional $30 million in Infinity by purchasing 2,000,000 shares of INFI's common stock and warrants to purchase up to 6,000,000 additional shares. Those warrants may be exercised between the second closing date (expected to occur in January 2009) and June 30, 2012, at prices ranging from $15 to $40 per share. Upon the second closing, Purdue will also make available to Infinity a $50 million line of credit to be used for any business purpose, with principal and accrued interest to be repaid by the 10th anniversary of that closing.
ARYx Therapeutics	$21.6 million	11/12	ARYx Therapeutics (NASDAQ: ARYX) entered into this private placement agreement with investors led by New Enterprise Associates and including MPM Capital and OrbiMed Advisors. In total, ARYX issued 9,649,545 shares of its common stock, along with five-year warrants to purchase 2,894,864 additional shares at an exercise price of $2.64 per share, to the investors. The shares and warrants are being issued together in units, with each unit comprised of one common share and one warrant to purchase 0.30 of one common share. ARYx is focused on developing a portfolio of internally discovered products designed to eliminate known safety issues associated with well-established, commercially successful drugs. Currently, ARYx has four product candidates in clinical trials, including an oral anticoagulant agent for patients at risk for the formation of dangerous blood clots in phase II/III trials. Pacific Growth Equities was the placement agent for the deal.
StemCells Inc.	$20.0 million	11/12	StemCells, Inc. (NASDAQ: STEM) agreed to sell approximately 13,800,000 shares of its common stock to investors at a price of $1.45 per share, along with warrants to purchase approximately 10,300,000 additional shares at an exercise price of $2.30 per share. StemCells, a biotechnology company, is using the proceeds from the private placement primarily for general corporate purposes, including working capital, product development and capital expenditures. STEM is focused on the discovery, development and commercialization of cell-based therapeutic products for diseases of the central nervous system and liver. StemCells also owns or has exclusive rights to more than 50 issued or allowed U.S. patents and more than 150 granted or allowed non-U.S. patents. Susquehanna Financial and Dawson James acted as the placement agents.
Santhera Pharmaceuticals	$13.3 million	11/5	Santhera Pharmaceuticals (SWX: SANN), a Switzerland-based specialty pharma focused on neuromuscular diseases, raised this funding through a private placement with Ares Life Sciences. Santhera sold 370,082 shares of its common stock at a price of CHF 43.00 per share, which accounts for 10.6% of the company's outstanding share capital after the transaction. Ares has agreed to a lock-up with regard to the new shares for a period of 12 months following the share issuance. With this funding, Santhera has additional financial flexibility to ensure the timely progress of its next product candidates and to support the development of its specialist marketing organization for the North American markets. The company's lead product candidate has received marketing approval with conditions from Health Canada to treat Friedreich's Ataxia and is also under review by health authorities in the EU and in Switzerland, while in the United States, a pivotal phase III trial is recruiting patients. Merrill Lynch International and Bank Vontobel acted as financial advisers to Santhera in the transaction, while Piper Jaffray was the financial adviser for Ares Life Sciences.

Private Placement Market—Other Deals

(Listed By Transaction Amount)

COMPANY	SYMBOL	AMOUNT	DATE	PLACEMENT AGENT/INVESTOR(S)	SECTOR
Urodynamix	URO	$2.0 million	11/6	**Lions Capital Corp.**	MedDev
InNexus Biotechnology	IXSBF	$1.3 million	11/7	**Not disclosed**	Biopharm
Escalon Medical	ESMC	$1.1 million	11/21	**Barrett & Company**	MedDev
Alseres Pharmaceuticals	ALSE	$1.0 million	11/21	**Not disclosed**	Pharma
Manhattan Pharmaceuticals	MHAN	$1.0 million	11/25	**Not disclosed**	Pharma

Private Placements

November beat October for the fewest private placements announced by publicly traded health care companies in one month during 2008. Less capital was invested in these deals in November than any other month of the year so far, with a total of just $106.2 million. This amount is 11% lower than the next-lowest month of the year, which was March, with $126.6 million. Compared with May 2008, which was the biggest month of the year for health care private placements, total funding dropped by 87% from that high of $830.1 million. From the looks of the market today, however, December could easily be the slowest month of 2008 when it does end.

The year-end total for private investments in public equities (PIPEs) in the health care sectors is likely to be the lowest we have seen in at least three years. Last year was a pretty good year for this market, with close to $7 billion raised in 248 deals, and 2007 was also the third year in a row that funding increased. During 2005, health care companies announced 307 PIPEs totaling $4.5 billion, but for 2008, the total number of deals probably won't exceed 200 by much, and those deals probably will probably total less than $4 billion. As of November 30, 2008, there have been 192 PIPE deals announced during the year, totaling almost $3.3 billion.

In November, the largest private placement announced by a publicly traded health care company was part of a strategic collaboration between **Infinity Pharmaceuticals** (NASDAQ: INFI) and **Purdue Pharma**. Purdue, a Stamford, Connecticut-based drug maker focused on pain, is investing in Infinity to support the advancement of INFI's research, development and commercialization activities related to discovery and early clinical programs in the areas of oncology and neuropathic pain. Infinity's other programs address multiple cancer indications, including one product candidate in a phase III trial, one in a phase II trial and six in earlier trials, in addition to its discovery programs.

Purdue and Infinity are collaborating on the development of INFI's pipeline of small molecule oncology drug candidates, including IPI-926, an inhibitor of the "Hedgehog pathway" that is currently being evaluated in a phase I clinical study in patients with advanced solid tumors. Also, under a separate agreement, Purdue's associated company, **Purdue Pharmaceutical Products L.P.**, together with **Mundipharma**, will have the worldwide rights to assume development of Infinity's fatty acid amide hydrolase program, an experimental target for the treatment of neuropathic pain, at the conclusion of phase I clinical studies.

The name Purdue Pharma is a familiar one in the market for pain medications. In other recent news, Purdue announced in early September that it had agreed with **Mallinckrodt Inc.**, of Hazelwood, Missouri, to end the OxyContin (oxycodone HCl controlled-release) Tablets patent infringement lawsuit between them in the United States District Court for the Southern District of New York. Mallinckrodt acknowledged the validity and enforceability of Purdue's patents and admitted that marketing the drug without license from Purdue would infringe on those patents. Purdue agreed to grant Mallinckrodt a royalty-bearing license, ending in 2009, to sell limited quantities of generic versions of 10 mg, 20 mg, 40 mg, and 80 mg extended-release oxycodone tablets.

The two next-largest health care PIPE deals announced during November are nearly the same size. **ARYx Therapeutics** (NASDAQ: ARYX), a biopharmaceutical company, raised $21.6 million and **StemCells Inc.**

(NASDAQ: STEM), a biotechnology company, raised $20.0 million. ARYx tapped existing shareholders in a private placement led by a new shareholder. StemCells completed a registered direct offering of units, consisting of shares of its common stock and warrants.

ARYx is focused on developing a portfolio of internally discovered products designed to eliminate known safety issues associated with well-established, commercially successful drugs. ARYx currently has four products in clinical trials, including an oral anticoagulant agent for patients at risk for the formation of dangerous blood clots, an oral anti-arrhythmic agent for the treatment of atrial fibrillation, a prokinetic agent for the treatment of various gastrointestinal disorders, and an agent for the treatment of schizophrenia and other psychiatric disorders.

Pacific Growth Equities was the placement agent for the investment in Fremont, California-based ARYx, which was led by New Enterprise Associates and included participation from existing, significant shareholders in the company, including **MPM Capital** and **OrbiMed Advisors**. ARYx secured the financing in part to improve its strategic position for potential product collaborations.

Palo Alto, California-based StemCells is focused on the discovery and development of stem cell therapeutics to treat damage to or degeneration of major organ systems, such as the central nervous system, as well as the liver and pancreas. StemCells owns or has exclusive rights to more than 50 issued or allowed U.S. patents and more than 150 granted or allowed non-U.S. patents.

StemCells Inc. has finished enrollment and dosing of a six-patient phase I clinical trial of its proprietary product candidate for treating neuronal ceroid lipofuscinosis (NCL), which is expected to be completed in January 2009. NCL is a rare and fatal neurodegenerative disease that affects infants and young children and is often referred to as Batten disease. StemCells intends to use the proceeds from the financing for general corporate purposes, including working capital, product development and capital expenditures, as well as for other strategic purposes. **Susquehanna Financial Group** and **Dawson James Securities** acted as co-placement agents in the offering.

Santhera Pharmaceuticals (SWX: SANN) also announced a financing of notable size, $13.3 million, which was raised with **Merrill Lynch International** as the placement agent. Santhera, which is based in Switzerland, is focused on developing products for the treatment of severe neuromuscular diseases. Together, the top four deals of the month account for 94% of the total funding raised during November. Of the other five health care companies that announced PIPE deals during November, two, **Urodynamix** (TSX: URO) and **InNexus Biotechnology** (OTCBB: IXSBF), are based in Canada, while the other three are based in the United States.

In the largest of the three deals announced by U.S. companies, Wayne, Pennsylvania-based **Escalon Medical** (NASDAQ: ESMC) raised $1.1 million by selling shares and warrants, with **Barrett & Company** as the placement agent. Escalon Medical, founded in 1987, develops, markets and distributes ophthalmic diagnostic, surgical and pharamaceutical products, as well as vascular access devices. **Drew Scientific**, which operates as a separate business unit of ESMC, provides instrumentation and consumables for the diagnosis and monitoring of medical disorders, in the areas of diabetes, cardiovascular diseases and hematology, as well as veterinary hematology and blood chemistry. The belief that the cost of capital will continue to escalate motivated ESMC to complete the deal, and the proceeds will provide working capital.

Alseres Pharmaceuticals (NASDAQ: ALSE) and **Manhattan Pharmaceuticals** (OTCBB: MHAN) each raised $1 million in separate private placements announced in November. Hopkinton, Massachusetts-based Alseres is developing therapeutic and diagnostic products primarily for disorders in the central nervous system. Manhattan Pharmaceuticals is focused on drug candidates for the treatment of dermatologic and immune disorders.

***Targeting The Consumer**, continued from page 11...*

health care in the United States, he said, "We think there has to be much more focus on the consumer, enabling them to understand care and the delivery of care, and there will be a need for more educational tools like our videos."

HealthiNation was founded in 2005 and is headquartered in New York City. The company's media professionals and producers have backgrounds with companies and media properties including **NBC's** *Today* show, **Reuters Health Information**, **Lifetime Medical Television**, **CNN**, the **History Channel** and **MSNBC**. At last count, the company had developed over 230 video titles across 75 health topics, many with 3D bio-animations to illustrate a health condition. Its videos also feature "True Life Story" segments, designed to connect with the viewer on a personal and emotional level.

MORE THAN 400 DOCTORS PER DAY have used an Apple iPhone or iPod Touch to download a drug formulary and reference application from **Epocrates, Inc.** San Mateo, California-based Epocrates provides health care professionals and consumers with free Epocrates Rx software that is designed specifically for the iPhone platform. For health care professionals, Epocrates also provides on-demand drug information that can be referenced during a patient visit, including pill photos, and clinical messages. In early 2009, Epocrates will be launching its premium Epocrates Essentials drugs, disease and diagnostic guide for iPhone and iTouch devices.

Notes and Briefs

PRIMARY CARE NUMBERS DWINDLING: The results of a recent survey released by **The Physicians' Foundation** indicate it is possible that in the years ahead, Americans will face significantly decreased access to health care. The Foundation reports that an overwhelming majority (76%) of physicians believe that there is an existing shortage of primary care doctors in the United States today. Furthermore, nearly half—more than 150,000 practicing doctors—say that over the next three years they plan to reduce the number of patients they see, or stop practicing entirely. The Foundation also reports that physicians are unhappy about being unable to spend more time with patients, and frustrated by dealing with HMOs and government red tape.

CELEBRATING ENTREPRENEURS IN THE WORLD: As part of its participation in Global Entrepreneurship Week, the National Venture Capital Association (NVCA) sent every member of the U.S. House of Representatives and the Senate a package outlining the jobs created and companies funded by venture capital firms in their respective home states. Each member will also receive data showing how venture funding in his or her state measures up on a national level, as well as a video spoof of a fictional entrepreneur's quest for start-up financing. The effort is meant to call attention to the economic value and efficiency of venture capital investment and entrepreneurship.

UPLIFTING SENSORY EXPERIENCES: In a recent press release from **National Garden Clubs, Inc.** (NGC), it was estimated that NGC members are currently implementing garden therapy projects numbering in the thousands. Founded in 1929, NGC launched its garden therapy program in the 1940s to help veterans' hospitals rehabilitate injured or disabled soldiers returning from World War II combat. More recently, NGC members have contributed to gardening projects such as teaching developmentally challenged students and visually impaired students, while others have instituted garden therapy programs at veterans' hospitals. The same kind of "flower power" is evident in the gardens at some nursing homes, including **Lee Nursing and Rehabilitation Center** in Pennington Gap, Virginia.

BIOTECH ASSOCIATIONS BANDING TOGETHER: Recently, it was announced that the **New England Biotech Association** (NEBA) had been formed and held its first board meeting, in Cambridge, Massachusetts. The new association's membership includes the **Biotech Association of Maine**, **Connecticut United for Research Excellence**, **New Hampshire Bio/Medical Council**, **Rhode Island BioGroup**, **Massachusetts Biotechnology Council**, **Massachusetts High Technology Council** and the **Biotech Association of Vermont**. NEBA, which currently has about 600 members, intends to be at the forefront of advancing issues and educating the public and policy leaders about life sciences and its present and future role in the region's economy and health care system.

ANTICIPATION OF PAIN LINKED TO DEPRESSION: According to a report published in the November issue of *Archives of General Psychiatry*, the brains of individuals with major depressive disorder appear to react more strongly when anticipating pain. The report also indicates that these individuals display altered functioning of the neural network that modifies pain sensitivity. The findings of the report are based on a study in which participants in two groups underwent functional magnetic resonance imaging while their arms were exposed to a thermal device heated to painful levels and also to non-painful temperatures. The two groups included 15 individuals with the disorder and not on medication and 15 individuals without the disorder; all were presented with visual cues before the heat was applied. The study was performed by Irina A. Strigo, Ph.D., of the **University of California, La Jolla**.

AGING BRAIN CELLS GET A BOOST from specific elements of marijuana, reducing inflammation and possibly stimulating the formation of new brain cells, according to researchers at **Ohio State University**. They suggest that the development of a legal drug containing certain properties resembling tetrahydrocannabinol (THC) might help prevent chronic inflammation in the brain, which is linked to memory impairment.

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TARGET: *Parker Ridge*

LISTING: Nonprofit
LOCATION: Blue Hill, Maine

UNITS: 47
REVENUE: $2,800,000 (annualized)
NET INCOME: 600,000 (EBITDA)

Eastern Maine Healthcare Systems is selling Parker Ridge, a 47-unit retirement facility that has 34 independent living and 13 assisted living units. Built in 1992, it was 100% occupied at the time of sale.

ANNOUNCEMENT DATE: August 29, 2008
PRICE: $6,100,000
TERMS: Not disclosed

ACQUIRER: *Christopher Place Senior Communities, LLC*

LISTING: Private
CEO: Charles E. Maulbetsch
PHONE: 734-997-7015
3891 Ranchero Drive, Ste. 40
Ann Arbor, Michigan 48108
FAX: 734-997-7031
WEB SITE: www.chrisplacesenior.com

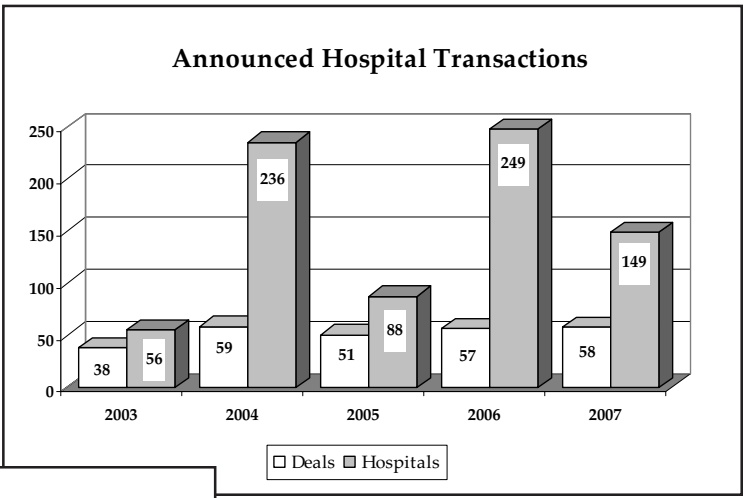
Christopher Place Senior Communities operates senior care facilities.

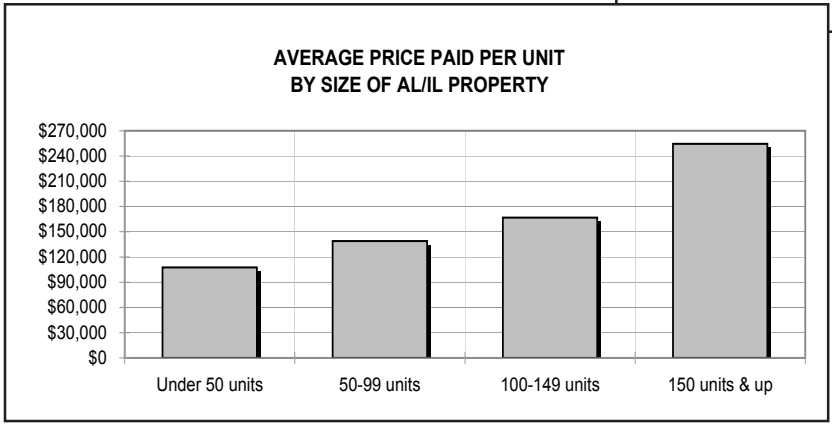
PRICE PER UNIT: $129,787
PRICE/REVENUE: 2.18
PRICE/INCOME: 10.17

The target community was built in 1992 and expanded in 2000. In addition to the 34 independent living and 13 assisted living units, there are 24 cottages on the property that are individually owned, but pay a ground lease to the owner as well as monthly dues for additional services. The facility underwent a major conversion from condos to rental in 2005 to 2006. The facility is currently 100% occupied with a waiting list of 55 people. Cain Brothers represented the seller in this transaction.

Detailed transaction sheets for every deal through Jan. 1, 2009

Five-year statistics by market sector





Market-specific pricing data, including statistics by unit and revenue, and EBITDA multiples

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