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INSIDE THE HEALTH CARE M&A MARKET

INSIDE THIS ISSUE

Aetna One-Ups WellPoint

Largest Managed Care Deal Of The Year...So Far

Timing is everything. Last month we wrote a feature story on the managed care sector, talking about how M&A activity was finally on the rise after slumping through the Great Recession and the uncertainty surrounding health care reform. The dollar volume of transactions in 2011 was double that of 2010, which in turn was four times greater than in 2009, which was the least active year in more than a decade. This year was off to a relatively slow start, with just $1.2 billion in announced deals in the first six months. My, how a few weeks can change the momentum.

We already reported on **WellPoint's** (NYSE: WLP) acquisition of **Amerigroup Corporation** (NYSE: AGP) in July for $4.9 billion, making it the sixth largest sector transaction in history (actually tied with the purchase of **Oxford Health Plans** in 2004). Now, with **Aetna's** (NYSE: AET) recently announced acquisition of **Coventry Health Care** (NYSE: CVH) for $7.3 billion, 2012 is shaping up to be the most active year (measured in dollars) since 2003 when **Anthem** purchased **WellPoint** for $16.5 billion, but kept the WellPoint name. So far this year, managed care deal volume is in

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Senior Care M&A Market Surges

The Most Active Month In Memory, With One Jumbo Deal

In the health care arena, seniors housing and care is about as low tech as you go. Although always thought of as more of a real estate business than a health care service, at least from the investor point of view, that has been changing during the past 10 years as acuity levels have risen and different provider relationships have become more important. That said, real estate still plays an important role, but it is also a role that can get management, and investors, in trouble because of the ability to leverage it. That is just one reason why it has been popular with investors, including private equity firms.

Biotech, pharmaceutical, medical device and managed care companies, to name a few, rarely go out of business, or run the risk of bankruptcy, because they can't pay their debt. Rather, it is because demand for their products has disappeared, their prices have become too high or their technology is outdated. But the marriage of debt to real estate has been a long one, and because each project is so capital intensive from day one, it will remain so unless expected

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excess of $13 billion, and apparently growing. Or will it?

Before getting into some of the more general M&A topics with regard to managed care, let's first take a look at the facts of the Coventry deal. Based on Aetna's share price when the acquisition was announced, CVH shareholders will be receiving $42.08 per share, representing a 20% premium to the prior-day close. They will receive $27.30 in cash and 0.3885 AET common shares for each CVH share. Aetna will also be assuming nearly $1.7 billion of debt, but we have not netted the $1.6 billion of cash on CHH's balance sheet against that.

For this princely sum, Aetna will be acquiring about 2.82 million commercial members, 930,000 covered lives under Medicaid plans and 250,000 under Medicare plans. In addition, CVH provides prescription drug coverage to an additional 1.5 million Medicare enrollees. Excluding the 1.5 million Medicare Part D enrollees, the price comes to just over $1,800 per enrollee, which was about the average in 2007 and early 2008 before the market tanked. It was also the same price per enrollee that WellPoint paid for Amerigroup.

On the financial side, Aetna is paying 0.55x revenues and 7.9x EBITDA based on trailing 12 month figures of $13.3 billion and $923 million, respectively. While this was a slightly lower multiple of revenues than in the Amerigroup deal, the EBITDA multiple was about half. Now, if you make the "generally accepted assumption" that both deals were done for the Medicaid and Medicare business, then Amerigroup would be considered the more attractive of the two because that was its business. With Coventry, it was 30% of its enrollees, plus the Medicare Part D enrollees. However, Coventry is the more profitable of the two targets, and almost twice as large, with a 7% EBITDA margin compared with about 4% for Amerigroup, which is similar to the other two remaining large Medicaid managed care companies, **Molina Healthcare** (NYSE: MOH) and **Centene Corporation** (NYSE: CNC), but more on them later.

Neither company has been shy about growth through acquisition. Aetna has completed more than a dozen publicly announced transactions in the last decade, but its blockbuster deal was the acquisition of **U.S. Healthcare** for $8.9 billion in 1996. That deal really gave Aetna the platform to grow the health insurance side of the business after selling off its property and casualty business in 1995. For its part, Coventry has completed more than two dozen acquisitions since 1999 for $3.6 billion, with the largest the $1.92 billion purchase of **First Health Group** in 2004. With scale becoming increasingly important in the health insurance markets, we suspect Aetna is not done, even though it will have pro forma annual revenues of $50 billion.

Scale does not come without costs, however, as the debt financing for the acquisition will take Aetna's debt to total capital from 30% to 40%. This has raised some alarm bells with credit analysts (not the equity analysts), but the concern would appear to be overblown and more of a "CYA" defensive move. The market liked the news of the deal, sending Aetna's shares up more than 5%, which is not common for an acquirer. Another way to look at it is that Coventry's shareholders left something on the table with just a 20% premium being paid by Aetna. To be fair, the premium was actually about 38% since July 6, the day

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before WellPoint announced its purchase of Amerigroup. The deal is expected to be modestly accretive in 2013, then accretive by $0.45 per share in 2014 and $0.90 per share in 2015, when cost synergies are projected to total $400 million annually.

The Coventry acquisition will double Aetna's Medicaid revenues and triple is Medicaid membership. In addition, it will increase AET's Medicaid footprint to 14 states, where over one-third of its enrollees are dual eligibles, including Kentucky, which has been a difficult Medicaid market and a state where Coventry was one of three winning bidders to serve the state's Medicaid population. Much of this is in anticipation of the expansion of the Medicaid program, something many governors are fighting even though in the first few years the federal government is paying 100% of the cost, which isn't exactly true when you look at the changing eligibility requirements and services that will now be covered.

While it is true that government sponsored health care is expected to be the fastest growing segment in health insurance, we are still not quite sure how profitable it will be in the long run. Making the assumption that real cuts in Medicaid and Medicare will occur, or at a minimum the rate of growth will have to be curtailed, it would seem that the managed care companies will be stuck in the middle. If they do not receive enough money from the Feds, they will cut back on coverage or eligibility, making the Feds unhappy as well as the customer, who will not receive what has been promised to them. This is especially true if Medicaid block grants become a reality on a national basis. On the one hand, if they are paid on a capitated basis, and if they increase the number of enrollees, they will receive more revenue. But, since we all know there is not more money in the "system" to be had, it makes more logical sense that some sort of rationing would result. Perhaps that's the real end game. And then with the dual eligibles, what happens when these Medicaid managed care companies have to cover skilled nursing care as well? Someone is going to get pimped, and our guess is that it will be the providers first.

After the Coventry deal was announced, some analysts said that the losers were Molina Healthcare and Centene Corporation because the larger, better companies had just been purchased and their share prices would suffer. Not true. Centene, which has a market cap ($2.14 billion) twice that of Molina's, increased by 20% in the days after the Amerigroup deal was announced, and is now up 43% since July 6. It would seem that any acquisition premium has now been embedded in the share price, and while shareholders can't complain, it makes it harder to justify an acquisition of the company at this point. Molina jumped by 18% after Amerigroup, but has given much of that back. The other problem with Molina, as far as being an acquisition target, is that it just doesn't provide a buyer with enough meat. Compared with Amerigroup and Coventry, it is relatively small potatoes.

There is always the risk that as these health insurers get bigger, there is going to be more anti-competitive pressure on them, especially in markets where it will really come down to just two, maybe three companies, with a real presence. A lot will depend on who sits in the White House next year, of course, but the flip side of that is with market dominance, they can also exercise more pricing pressure, especially on hospitals, and will also be able to better coordinate care and manage the cost, which is what they are supposed to do anyway, whether we like it or not. **Goldman Sachs** and **UBS Investment Bank** advised Aetna, while **Greenhill & Company** advised Coventry on the transaction. While their fees were profitable, we don't know anyone as fortunate as hedge fund **Greenlight Capital**, which apparently purchased about 6.7 million Coventry shares in the second quarter. Nice job.

The Month in M&A at a Glance: Health Care Technology, August 2012

Sector	Deal Volume	Combined Price
Medical Devices	7	$ 1,312,400,000
Pharmaceuticals	9	917,646,400
Biotechnology	5	71,500,000
e-Health	6	15,000,000
Total	27	$ 2,316,546,400

Pharmaceutical Sector

The only other billion-dollar deal of the month (actually announced during the Labor Day weekend, so technically a September deal) involved a Canadian company, **Valeant Pharmaceuticals International** (NYSE: VRX) going south of the border to buy Arizona-based **Medicis Pharmaceutical Corporation** (NYSE: MRX) for $2.6 billion. Medicis specializes in the treatment of dermatological and aesthetic conditions in the U.S and Canada, and on a combined basis, the two companies will have $1.7 billion in dermatology revenues. The purchase appears to be expensive at 13.1x trailing 12 months EBITDA, but

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Deal Summaries—Technology — Biotechnology

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
DARPin Business Zurich, Switzerland	Private	**Allergan, Inc.** Irvine, California	NYSE: AGN	8/21/2012	$62,500,000

In Brief: Molecular Partners AG has entered into two separate agreements with Allergan to develop and commercialize proprietary therapeutic DARPin products for the treatment of serious ophthalmic diseases. The deal includes an upfront cash payment of $62.5 million, plus up to $1.4 billion in aggregate development, regulatory and sales milestone payments.

Deal Summaries—Technology — e-Health

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
Meta Health Technology, Inc. New York, New York	Private	**Streamline Health Solutions, Inc.** Cincinnati, Ohio	NASDAQ: STRM	8/16/2012	$15,000,000

In Brief: Founded 34 years ago, Meta Health is a full-service provider of health information and CDI solutions for hospitals, physician groups and long-term care facilities. The price will be paid in $13.4 million of cash and $1.6 million of Streamline Health stock.

Deal Summaries—Technology — Medical Devices

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
Pall's Transfusion Medicine Bus. Port Washington, New York	NYSE: PLL	**Haemonetics Corporation** Braintree, Massachusetts	NYSE: HAE	8/1/2012	$550,000,000

In Brief: Pall Corporation has sold the business assets of its blood collection, filtration and processing product lines, which has about 1,300 employees. All but $15 million of the price was paid at closing, with the final payment coming in 2016 upon delivery of some assets.

PHASEIN AB Stockholm, Sweden	Private	**Masimo Corporation** Irvine, California	NASDAQ: MASI	8/1/2012	$30,400,000

In Brief: Masimo paid cash for PHASEIN, a company that makes ultra-compact mainstream and sidestream capnography, multigas analyzers and handheld capnometry solutions.

LMA International N.V. San Diego, California	SES: L24.SI	**Teleflex Incorporated** Limerick, Pennsylvania	NYSE: TFX	8/13/2012	$276,000,000

In Brief: LMA is a global leader in manufacturing laryngeal masks with a portfolio of innovative products used extensively in anesthesia and emergency care. The all-cash deal wil expand Teleflex's global anesthesia product portfolio.

OrthoHelix Surgical Designs Medina, Ohio	Private	**Tornier, Inc.** Bloomington, Minnesota	NASDAQ: TRNX	8/24/2012	$135,000,000

In Brief: OrthoHelix, with revenues of $29 million, develops specialty implantable screw and plate systems for the repair of small bone fractures and deformities, mostly for the foot and ankle. The purchase will be paid in $100 millon of cash and $35 million in stock, plus milestones.

180 Medical Holdings, Inc. Oklahoma City, Oklahoma	Private	**ConvaTec** Skillman, New Jersey	Private	8/31/2012	$321,000,000

In Brief: 180 Medical provides disposable, intermittent catheters and urological medical supplies for patients with chronic medical diagnoses such as urinary incontinence, spinal cord injuries, multiple sclerosis, spina bifida and others.

Deal Summaries—Technology — Pharmaceuticals

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
Farmadiet Group Holding, SL Zurich, Switzerland	Private	**OPKO Health, Inc.** Irvine, California	NYSE: OPK	8/3/2012	$16,800,000

In Brief: Farmadiet Group develops and manufactures pharmaceutical, neutraceutical and vetinary products. Half the price was paid in cash at closing, with the other half in cash or OPKO stock, at OPKO's option, over the following 18 months.

Deal Summaries—Technology Pharmaceuticals (cont.)

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
Taro Pharmaceutical Industries Haifa Bay, Israel	NYSE: TARO	**Sun Pharmaceutical Industries** Mumbai, India	BO: SUN	8/12/2012	$597,366,400

In Brief: Taro Pharmaceutical is a generic drug maker with a presence in the North American market. It has $628 million in revenues and $328 million in EBITDA on a trailing 12-month basis. Sun is paying $39.50 per share in cash for the 34% of Taro it does not already own.

Pharmaceutical/R&D Facilities Tamil Nadu, India	BSE: 524372	**Hospira, Inc.** Lake Forest, Illinois	NYSE: HSP	8/29/2012	$200,000,000

In Brief: Orchid Chemicals and Pharmaceuticals is selling an active pharmaceutical ingredient manufacturing facility in India, together with an associated research and development facilitiy. In 2010, Hospira purchased Orchid's generic injectable finished-dosage form pharmaceuticals business. This current acquisition is expected to be slightly accretive to earnings the first year after closing.

Elevation Pharmaceuticals, Inc. San Diego, California	Private	**Sunovion Pharmaceuticals, Inc.** Marlborough, Massachusetts	Private	8/30/2012	$100,000,000

In Brief: Elevation was founded to develop new aerosol therapies for patients with respiratory diseases. There is a $100 million upfront cash payment, with development milestone payments up to $90 million and further regulatory and commercial milestones up to $210 million and $30 million. Sunovion is a subsidiary of Dainippon Sumitomo Pharma Co. in Japan.

Additional Transactions—Technology

Sector	Target	Acquirer	Date
BIOTECHNOLOGY	Asterand's Human Tissue Business	Stemgent, Inc.	8/1/2012
	Lipomics Technologies, Inc.	Metabolon, Inc.	8/1/2012
	Eaton Scientific Systems, Inc.	Pristine Solutions, Inc.	8/27/2012
	ScoliScore AIS Prognostic Test	Transgenomic, Inc.	8/28/2012
E-HEALTH	Octagon Research Solutions, Inc.	Accenture	8/2/2012
	Strategic Healthcare Group, LLC	Mediware Informtion Systems, Inc.	8/6/2012
	maxIT Healthcare Holdings, Inc.	SAIC, Inc.	8/13/2012
	Aperio	Leica Biosystems	8/21/2012
	Ascender	Matrix Medical Network	8/27/2012
MEDICAL DEVICES	Penrith Corporation	Siemens Healthcare	8/21/2012
	Biochrom AG	EMD Millipore	8/22/2012
PHARMACEUTICALS	Pier Pharmaceuticals, Inc.	Cortex Pharmaceuticals, Inc.	8/14/2012
	Rights to Denavir	Renaissance Pharma, Inc.	8/15/2012
	Roxicodene	Mallinckrodt	8/23/2012
	FV-100 Shingles Drug	Synergy Pharmaceuticals	8/23/2012

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after $225 million of cost synergies are factored in, that EBITDA multiple drops to 6.1x, which is much more reasonable. The cash purchase at $44.00 per share represents a 39% premium, and the assumed debt is offset by the cash on the balance sheet as of June 30. **J.P. Morgan Chase Bank**, which provided financial advice to Valeant, will be providing Valeant with acquisition financing for 100% of the value. **Deutsche Bank Securities** and **Roberts Mitani** advised Medecis. The transaction is expected to close in the first half of 2013.

In the only other sizeable transaction in August, **Sun Pharmaceutical Industries** (BO: SUN) announced a deal to buy **Taro Pharmaceutical Industries** (NYSE: TARO) for $597.4 million. Taro is a generic drug maker with a presence in North America with revenues of $628 million.

Illinois-based **Meridian Labs**, a private company, has apparently received multiple expressions of interest from potential investors or buyers of the company. Meridian is a biopharmaceutical specialty company focusing on the discovery and development of cancer treatments through formulation improvements. Management is taking this interest seriously, as they have hired **AmeriTech Advisors** to respond to all indications of interest.

Medical Devices

Although not the largest medical device transaction of the month, it is something many of us can relate to. **Tornier, Inc.** has purchased **OrthoHelix Surgical Designs** for $135 million or 4.66x projected 2012 revenues. OrthoHelix makes implantable screw and plate systems for the repair of small bone fractures and deformities, predominantly in the foot and ankle.

Home Health Care Market

It will be interesting to see how the home health and hospice business evolves as the Accountable Care Organization (ACO) phenomenon continues to gain traction. Will the stand-alone home health companies be at a disadvantage because they have influence over only one aspect of care? Or will they play an increasingly larger role as home and community-based care has become the flavor of the month? Obviously the home health companies are continuing to make their bet on the latter, as **Gentiva Health Services** (NASDAQ: GTIV) purchased a well-established home health company, **Family Home Care**, based in Washington and also serving Idaho. Although a price was not disclosed, the target company has 400 employees so it is relatively large, but Gentiva indicated it would not have a material impact on earnings.

Kindred Healthcare (NYSE: KND) announced one of the largest home health care acquisitions of the year as part of its strategy to be the partner of choice with ACOs. Kindred signed an agreement to purchase Texas-based **IntegraCare Holdings, Inc.**, which operates out of 75 locations in Texas offering home health care, hospice care and various community services. The cash purchase price is $71.0 million, plus up to $4.0 million of additional milestone payments based on 2013 cash flow. The price is 1.0x revenue based on the base price, and 7.89x EBITDA. With $1.5 million of expected cost synergies, the price-to-EBITDA multiple declines to 6.76x, and the acquisition is expected to be accretive to 2013 earnings by $0.07 to $0.09 per share. Kindred's home health and hospice division now has a revenue run rate in excess of $200 million. IntegraCare is a portfolio company of **Flexpoint Ford, LLC**.

Hospitals

Most of the activity in the hospital market has been in the not-for-profit sector, with a few large "mergers" announced. Colorado-based **Catholic Health Initiatives** has agreed to merge its seven hospitals in Washington and Oregon with Washington-based **PeaceHealth's** nine hospitals in Washington (4), Oregon (4) and Alaska (1). The deal will create an integrated regional health system with nearly 26,000 employees and 950 employed physicians with almost $4.0 billion in annual revenue. The transaction is not expected to be finalized until June 30, 2013.

The Month in M&A at a Glance: Health Care Services, August 2012

Sector	Deal Volume	Combined Price
Managed Care	2	$ 7,300,000,000
Long-Term Care	22	1,731,704,000
Home Health & Hospice	4	71,000,000
Labs, MRI & Dialysis	6	40,500,000
Hospitals	4	—
Physician Medical Groups	1	—
Rehabilitation	1	—
Behavioral Health	1	—
Other Services	6	—
Total	47	$9,143,204,000

In Minnesota, managed care company **HealthPartners**, which serves more than 1.4 million medical and dental plan members and which also owns four hospitals, is merging with **Park Nicollet Health System**, which is based outside of the Twin Cities. Park Nicollet owns a 426-bed hospital, a clinic and a few other assets, including **Park Nicollet Foundation** and **Park Nicollet Institute**. HealthPartners's CEO will become CEO of the combined organization, which will be named HealthPartners.

The big news in the hospital market actually came from across the pond in Germany. Last April, **Fresenius SE** (NYSE: FMS) announced an agreement to purchase **Rhoen-Klinikum AG**, another German company with 53 hospitals, 39 health centers and revenues of $3.3 billion. The price was about $3.9 billion, and Fresenius needed the approval of 90% of the shareholders. Major investors had indicated they would tender their shares, but what Fresenius did not count on was two "rivals" purchasing just over 5% of the shares each, thus effectively being able to block the purchase. One of the foils was the third largest hospital operator in Germany, **Asklepios**, while the other was **B. Braun**, which competes with Fresenius in supplying medical equipment. As a result, Fresenius decided to terminate its takeover attempt, but may up its ownership interest anyway. This story may not be over yet.

Senior Care M&A Market Surges

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equity returns come down to earth, which is something few are predicting right now.

Once the star of the investment community, as well as the shining and leading light of its industry, **Sunrise Senior Living** (NYSE:SRZ) fell on hard times by late 2008. Its development backlog became a burden just as the economy, housing market and debt markets came crashing down on the assisted living company. Also, as its fortunes tumbled, various landlords started applying pressure, legal or otherwise, to remove them from some of their properties, while at the same time a few previous acquisitions blew up on them, and it wasn't pretty. By November 2008, SRZ's shares hit a low of $0.27 per share, representing a market cap of just $14 million—and this for a company that at one time was worth close to $1.0 billion. The company was teetering on the brink of bankruptcy, even though most everyone agreed that a bankruptcy filing made little sense, as it would not be enough to solve all the complex problems and intermingled financial relationships.

It was at that moment in November 2008, eight months after joining Sunrise as its chief administrative officer and chief investment officer, that Mark Ordan took over as CEO, replacing the founder of the company in a difficult changing of the guard. Blood was on the Street, creditors were barking and threatening, occupancy was slumping and survival was unclear. But despite all that, at the core of the company was not just good real estate assets, but some of the best seniors housing real estate assets and locations in the country, and that was the card that we assume Mr. Ordan played. As an experienced "turnaround artist," he was calm with the bankers and other stakeholders and didn't get bullied when others might have folded. After nearly four years, he solved most of the financial problems and was able to get the company back on the growth track in 2012, with occupancy and its share price rising.

Rumors started surfacing early this past summer that the company was on the block, but we had heard those rumors before and thought there was still too much "hair" for Sunrise to attract serious attention at a healthy premium. We were wrong. On August 22, **Health Care REIT** (NYSE: HCR) announced an agreement to purchase Sunrise for $14.50 per share, representing a 62.4% premium to the previous day's close, but a 115% premium to the July 31 close. That comes to about $845 million in cash for the shares outstanding plus the assumption of $471 million of debt. The news sent the other seniors housing company shares up, as investors figured if a REIT could buy Sunrise, which currently owns a 100% interest in only 20 out of about 300 properties, why aren't the other companies REIT takeover candidates as well? They may be, but what HCN was after was the best real estate money could buy, and Sunrise has some of it. The only problem is that the majority of SRZ's properties are leased or managed for other owners, with just 105 additional properties in joint ventures, 50 of which have purchase options that can be exercised in 2013 and 2014. These properties are relatively new, have about the highest revenue per occupied room in the country ($7,500 per month), and are in high-income markets where monthly rate growth will be above average.

This is the first time that Health Care REIT is buying a public company and essentially taking it private. One unusual aspect was that as part of the deal, HCN plans to spin off (sell) the management company, but they have not tied all the loose ends for that deal and, for some reason, felt compelled to announce the larger transaction first. And management said the value of the management business did not represent a significant part of the total purchase price. Our guess is that a private equity firm, with an affiliate of **Goldman Sachs** as our best guess, will be the buyer with a minority interest taken by "Ordan & Company." Ordan has ties to Goldman that go back more than 20 years, and since part of the plan is to have management stay in place and grow Sunrise, including re-starting its development business, which needs a lot of capital, what better partners than a REIT and Goldman? As a little historical tidbit, one month before Mr. Ordan took over as CEO of Sunrise in 2008, Health Care REIT terminated an acquisition agreement to purchase a 90% interest in 29 Sunrise-managed properties for $643.5 million as the markets started to unravel ($343,000 per unit based on a 100% ownership). At the time, it was a wise decision, but a difficult one to swallow. The seller was a third-party owner, not SRZ.

The Assets. So, what exactly is Health Care REIT getting? At first blush, the acquisition seems to be expensive (note the premium above), with the cash price coming to about $845 million for 20 properties and an average 28% interest in 105 additional properties. Health Care REIT's goal, and the real reason for doing this transaction, is to gain full ownership of as many of these "A" assets as possible, and as quickly as possible. The REIT is also structuring this acquisition using the RIDEA structure

(REIT Industry Diversification and Empowerment Act of 2007) because property level NOI is expected to increase by 4% to 5% over the long term, and HCN wants to book this earnings growth for many years to come. It appears as if management is not wasting any time.

Current Buyouts. As they were announcing the Sunrise transaction, Health Care REIT and Sunrise were already working together on buying out the joint venture interests in 29 properties. On August 21, Sunrise entered into an agreement to purchase 12 properties in one of the ventures where it owns a 25% interest. These 12 communities have 872 units with average occupancy in the second quarter of 90.9%, up 200 basis points from a year ago. Based on the second quarter, annualized net operating income is about $22.3 million, or $25,600 per unit (not bad). The debt was approximately $182 million with a 6% interest rate, which HCN will be able to beat with a refinance. Sunrise is paying about $120 million to buy out the J/V partner, so the implied enterprise value of the 12 properties is $340 million, or about $390,000 per unit. The implied cap rate is 6.5%, and SRZ's ownership interest was valued at about $38 million.

The second transaction is larger and involves two groups with a total of 17 properties in the U.K. with 1,399 units. Sunrise owns just a 9.81% interest in these joint ventures, and its equity interest had already been written down to zero in the larger one (15 of the properties) because the venture has been in default on approximately $636 million of debt due to a violation of certain loan covenants. There is $57 million of debt on the other two properties. Sunrise will be buying out the J/V's 90.2% interest in all 17 properties for approximately $44 million. Based on the second quarter, these 17 properties generated an annualized NOI of $44.2 million, or a whopping $31,600 per unit, which is obviously more than enough to cover the interest payments. As part of the transaction, Sunrise will pay off the $57 million of debt on the two properties, and is negotiating loan modifications on the remaining $636 million of debt, which has an interest rate of just 3.41% (just one reason to keep that in place). We assume the $44 million J/V payoff was derived by using a 6% cap rate on the $44.2 million NOI, which derives a value of $737 million, or $527,000 per unit (wow!). After deducting the combined debt of $693 million, $44 million is left over with no value accruing to SRZ. What is surprising is that these 17 properties are so profitable when the average occupancy was only 83.7% in the second quarter, which was 200 basis points lower than a year ago. It must be a U.K. thing, as a smaller U.K portfolio with much higher occupancy makes $45,000 per unit. The good news is that if they can ever get that 83.7% occupancy up, the additional cash flow will be gravy for HCN.

Financing Commitment. Simultaneous with the signing of the purchase agreement with Sunrise at $14.50 per share, Health Care REIT committed to provide approximately $467 million in term financing to Sunrise to enable SRZ to consummate the transactions described above as well as another proposed transaction, which will involve $53 million of the $467 million. The rest of the new HCN debt commitment will go to refund and buy out the U.S. venture ($302 million), with the remainder for the U.K venture. It was odd that this was not mentioned in the conference call, but management kept alluding to a 6.0% current cap rate and 6.5% when the J/V's started to get paid off. Since these agreements were signed at the same time, they should have been disclosed at the same time, as it would have helped explain how the relationship was already moving forward, and left no doubt that another bidder was unlikely. With a $40 million break-up fee, and a $50 million per quarter "penalty" fee if the deal doesn't close by February 21, 2013, we don't believe there is any likelihood of someone sticking their nose in after the fact.

Another reason is the price. At $14.50 per share, one analyst called it fair, but it was really more than fair and we have to assume it was derived to keep all others out of the game. There has been some speculation, however, that it may not have been the highest price, that the two parties were more favorable to each other so they proceeded. It is hard to believe that another bidder came in at a higher per-share value, even in this market, and shareholders should get on their knees and thank Mr. Ordan for a job well done (and thank HCN CEO George Chapman for making it happen).

The bottom line is that the acquisition of Sunrise at $14.50 per share, plus the buyout of the joint ventures, is expensive in the short term, and we would venture to say over-priced today (sorry George). But there are always two sides to every coin. There have not been many (or any) high-quality, large portfolios or companies for sale in the past year or more. The fact that this transaction is as complicated as it is, with many moving parts, and won't actually come to full fruition for another two years as they buy out the joint ventures, is a testament to the lack of supply in the market and what it may take to purchase premium assets. Do you not think that Health Care REIT would have preferred a simple asset agreement to buy 100 or more Class A properties in the top markets in the U.S.,

with the highest rents in those markets, with an average age of just eight years, if they could have? Of course, but they were not available, and a portfolio like this does not become available very often.

Health Care REIT is taking a very long-term view of this, which is one reason why it is putting it into a RIDEA structure. Not including the venture buyouts we described that are already under way, 50 of the properties in joint ventures have average occupancy levels below 90%, which means that as the market and economy improve, they should as well. Combined with those 4% to 5% expected annual NOI increases, that should give earnings a nice pop in the future, and that is what it is all about, the future. Even at the stated 6.0% to 6.5% cap rate on current (20 properties) and future property purchases, with HCN's cost of capital and the benefit of paying off any of the higher priced joint venture debt, this should work out well as long as Sunrise management can keep the occupancy up (and increase it), stay out of trouble with the regulators (remember Pennsylvania), and keep its interests aligned with HCN. The problem is that this is just not an easy transaction, and there is no guarantee that all the real estate that HCN wants to purchase will be bought at the price they want.

Finally, there has been concern that with such a high price per unit that Health Care REIT will effectively be paying, somewhere in the range of $350,000 to $450,000 per unit, what will the exit strategy be? When these properties are 20 years old, will the value hold? The reality is that REITs don't really look at "exit strategies" per se, and as long as they keep making money, and money is spent to maintain the physical plant, they are not going to sell these properties. The real problem is what happens if interest rates, and cap rates, have increased significantly when it comes time to refinance all the debt. If that happens, there will be more to worry about than Health Care REIT. As we mentioned, there will be many moving parts between now and when the deal is estimated to close early in 2013, but we do expect it to close. Goldman Sachs and **KeyBanc Capital Markets** are advising Sunrise, while **BofA Merrill Lynch** is advising Health Care REIT.

August's Other LTC Deals

It was a record month in the seniors housing and care market, with about two dozen acquisitions disclosed, split fairly evenly between the skilled nursing side of the business and the private pay seniors housing side. Based on conversations with several intermediaries in this business, we know that the fourth quarter is expected to be very active, especially as sellers try to get their deals done while the capital gains tax is in their favor. No other deals matched Sunrise in size or pricing, but very few ever do. **Newcastle Investment Corp.** (NYSE: NCT), which operates as a REIT and is affiliated with F**ortress Investment Group** (NYSE: FIG), purchased eight senior living properties from Oregon-based **BPM Senior Living**. The properties are located in California, Oregon, Utah, Arizona and Idaho and have a total of 701 units. Newcastle paid $143.0 million, or about $204,000 per unit, and financed the acquisition with $88.4 million of debt from **Fannie Mae** arranged by **Oak Grove Capital**; the rest of the price was paid in cash. The properties will now be managed by an un-named affiliate of Newcastle.

The majority of the assets of Florida-based **Royal Senior Care** (RSC), which was 60% owned by Israeli shopping center company **Gazit-Globe**, was sold for $230 million, or $175,500 per unit. The 12 communities are located in the southeastern U.S. and RSC will continue to own and manage its joint venture interest in two seniors housing facilities, one fully-owned community and a land parcel available for development. The buyer was not revealed, but we believe the ubiquitous Health Care REIT may have been involved. There were many other sales, which are detailed in the tables on pages 11 and 12, but it was quite a month.

In the skilled nursing sector, what was striking was not just the number of deals (a dozen or so), but the prices that were paid for some of the assets. There were six transactions with a price per bed above $70,000, when the national average is closer to $50,000 per bed, excluding the REIT sale/leasebacks when they essentially buy an entire company. Two of the highest priced deals involved REITs as the buyer (it's tough to beat their cost of capital and liquidity in this market). In a sale/leaseback transaction, and the highest-priced deal of the month, **LTC Properties** (NYSE: LTC) purchased two skilled nursing facilities with 288 beds in Ohio from **Carespring Health Care Management** for $54.0 million, or $187,500 per bed. One is located in Cincinnati and was built in 2009, while the other is in Dayton and was built in 2010. This represents one of the highest prices we have seen in the skilled nursing sector, but we might as well get used to it. These newly built skilled nursing facilities, in good Medicare and managed care markets, are going to be cost

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Deal Summaries—Services — Home Health & Hospice

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
IntegraCare Holdings, Inc. Grapevine, Texas	Private	**Kindred Healthcare, Inc**. Louisville, Kentucky	NYSE: KND	8/20/2012	$71,000,000

In Brief: Founded in 1998, IntegraCare has 75 locations in Texas offering home health care, hospice and community services. Revenues and EBITDA are $71 million and $9 million, respectively, but Kindred believes there will be up to $1.5 million of cost synergies. IntegraCare is a portfolio company of Flexpoint Ford, LLC.

Deal Summaries—Services — Laboratories, MRI & Dialysis

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
CardioCore Lab, Inc. Rockville, Maryland	Private	**CardioNet, Inc.** Conshohocken, Pennsylvania	NASDAQ: BEAT	8/6/2012	$23,500,000

In Brief: CardioCore Lab is a centralized cardiac testing laboratory with locations near Washington, D.C., San Francisco, CA and London, England. It has estimated revenue and EBITDA of $19.5 million and $3.75 million, respectively. At its option,CardioNet may pay up to $3.5 million in its stock.

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
Accugenix, Inc. Newark, Delaware	Private	**Charles River Laboratories** Wilmington, Massachusetts	NYSE: CRL	8/29/2012	$17,000,000

In Brief: Accugenix is a global provider of c-GMP-compliant contract microbial identification testing, especially strain typing of bacteria and fungi that are recovered from manufacturing facilities. It has revenues of about $11 million.

Deal Summaries—Services — Long-Term Care

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
2 Iowa Retirement Communities Iowa	Private	**The Freshwater Group** Tucson, Arizona	Private	8/1/2012	$40,850,000

In Brief: The Freshwater Group purchased two retirement communities in Iowa with a total of 130 independent living units, 74 assisted living units, 24 memory care units and 48 skilled nursing beds. Based on an average 80% occupancy, EBITDA was $2.5 million. Health Care REIT will purchase the real estate and lease it back to Freshwater, which has an option on two additional communities in Iowa.

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
2 Ohio Skilled Nursing Facilities Cincinnati and Dayton, Ohio	Private	**LTC Properties, Inc.** Westlake Village, California	NYSE: LTC	8/1/2012	$54,000,000

In Brief: These are two new properties, built in 2009 and 2010, with a total of 288 beds, which helps explain the very high $187,500 price per bed. LTC will lease the properties back to Carespring Health Care Management with an initial cash yield of 8.5%.

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
3 Skilled Nursing Facilities Portland, Tigard,Sheridan, Oregon	Private	**Cornerstone Core Prop. REIT** Irvine, California	Private	8/3/2012	$16,800,000

In Brief: Overall occupancy for this portfolio was about 59% at the time of sale. Revenues and EBITDA were $12.02 million and $2.2 million, respectively. Cornerstone will lease the properties back to Dover Management.

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
Brighton Bay Jacksonville, Florida	Private	**The Carlyle Group** Washington, D.C.	NASDAQ; CG	8/6/2012	$19,000,000

In Brief: Brighton Bay ia a 185-unit rhigh-rise retirement community that opened in 2010 and was foreclosed on in October 2011 after reaching just 20% occupancy. It was built for about $30 million, and the buyer may add assisted living services. The market occupancy is 85%.

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
Buttonwood Hospital Pemberton, New Jersey	Nonprofit	**Ocean Healthcare** Lakewood, New Jersey	Private	8/14/2012	$15,000,000

In Brief: This facility includes 170 skilled nursing beds and 30 psychiatric beds. Effective 12/31/12, the state will stop reimbursing for the psych beds, and it is unclear whether the buyer will continue to operate them or try to convert them to skilled nursing. The current Medicare census of the SNF unit is quite low at 5%, but total revenues were $19.85 million. An empty former nursing facility was included in the sale.

Deal Summaries—Services Long-Term Care (cont.)

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
Senior Living Community Silverdale, Washington	Private	**National Health Investors** Murfreesboro, Tennessee	NYSE: NHI	8/15/2012	$22,800,000

In Brief: Together with Oregon-based Sante Partners, NHI bought this community with 43 independent living cottages,48 assisted living units and a 47-bed short-term stay skilled nursing center. Occupancy averages 94%, and NHI will also provide up to $3.5 million in financing to expand the SNF unit so it will be all private rooms, and to expand the rehab facilities. Sante will lease the campus from NHI with an initial lease rate of 7.8%.

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
Creekside Retirement Community Burlington, Washington	Private	**Focus Healthcare Partners** Chicago, Illinois	Private	8/15/2012	$18,640,000

In Brief: Focus Healthcare, with its joint venture partner Artemis Real Estate Partners, purchased this 193-unit retirement community, which is located about 60 miles north of Seattle, through a court-ordered receivership sale. Occupancy is 60% and there are 119 independent living and 52 assisted living units plus 11 freestanding duplex cottages. Artegan will manage it for the buyers.

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
3 Somerset Court ALFs Shelby, Hamlet, Newport North Carolina	Nonprofit	**Meridian Senior Living** Hickory, North Carolina	Private	8/16/2012	$10,550,000

In Brief: An affiliate of the North Carolina Housing Authority sold these three assisted living facilities, which had an overall occupancy of 94%. The Medicaid census was close to 78%. Revenues and EBITDA were $3.7 million and $785,000, respectively, but it is likely the buyer will be able to tweak the cost structure. Meridian owns and operates 80 senior living communities in 12 states.

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
8 Senior Living Communities Various States	Private	**Newcastle Investment Corp.** New York, New York	NYSE: NCT	8/16/2012	$143,000,000

In Brief: Portland, Oregon-based BPM Senior Living sold eight communities in California, Oregon, Utah, Arizona and Idaho with 701 units. Newcastle operates as a REIT and is an affiliate of Fortress Investment Group. To finance the acquisition, Newcastle used $55 million of its cash and $88.4 million of Fannie Mae debt arranged by Oak Grove Capital. An unnamed affiliate of Newcastle will manage the communities.

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
Georgetown Healthcare & Rehab Georgetown, South Carolina	Private	**AdCare Health Systems** Springfield, Ohio	NYSE: ADK	8/27/2012	$4,200,000

In Brief: This 84-bed skilled nursing facility has annual revenues of $3.8 million. AdCare has an additional senior living facility in South Carolina under contract as well as eight others in Oklahoma, all of which are expected to close by the end of the year.

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
Sunrise Senior Living, Inc. McLean, Virginia	NYSE: SRZ	**Health Care REIT, Inc.** Toledo, Ohio	NYSE: HCN	8/22/2012	$1,340,000,000

In Brief: Health Care REIT is paying $14.50 per share, representing a 62.4% premium, and is assuming $495 million of debt. Sunrise owns just 20 of the 307 communities it manages, but it has minority interests with an average 28% share in 105 properties, of which 50 have purchase options in the next two years at relatively known prices, plus 21 properties with buy/sell agreements. HCN plans to exercise as many of thes options as possible.

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
Hidden Lake Care Center Kansas City, Missouri	Private	**Not Disclosed**	Private	8/31/2012	$13,500,000

In Brief: Hidden Lake is a rental CCRC with with 48 independent living units, 46 residential care beds and 112 skilled nursing beds. It was built in 1992, and while the overall census has suffered, revenues and EBITDA were $9.3 million and $1.1 million in 2011.

Deal Summaries—Services Managed Care

TARGET	LISTING	ACQUIRER	LISTING	DATE	PRICE
Coventry Health Care, Inc. Bethesda, Maryland	NYSE: CVH	**Aetna Inc.** Hartford, Connecticut	NYSE: AET	8/20/2012	$7,300,000,000

In Brief: In the fourth largest managed care acquisition ever, Aetna is paying $42.08 per share, representing a 20% premium. Of the total price, $27.30 will be paid in cash and Coventry shareholders will receive 0.3885 shares of Aetna for each Coventry share they own. Coventry has about 2.82 million commercial enrollees, 930,000 enrollees in Medicaid plans and 250,000 in Medicare plans. In addition, it has 1.5 million Medicare enrollees in its prescription drug plans. The price to revenue multiple is 0.55x ,the price to EBITDA multiple is 7.9x and the price per medical enrollee is $1,815.

Additional Transactions—Services

Sector	Target	Acquirer	Date
BEHAVIORAL	Recovery Works	Pinnacle Treatment Centers	8/27/2012
HOME HEALTH & HOSPICE	Milford VNA and Hospice	Salmon Health and Retirement	8/2/2012
	Pro-Care Home Health	Christian Care Communities	8/8/2012
	Alliance Care	CareSouth Health System, Inc.	8/8/2012
	Scarborough and North East Yorkshire	York Teaching Hospital/NHS Foundation	7/1/22012
HOSPITALS	Athol Memorial Hospital	Heywood Hospital	8/10/2012
	PeaceHealth	Catholic Health Initiatives	8/17/2012
	Park Nicollet Health Services	HealthPartners	8/30/2012
	Promise Hospital of San Antonio	Post Acute Medical, LLC	8/31/2012
LABS, MRI & DIALYSIS	DCRX Infusion	Riordan Lewis & Haden	8/3/2012
	The Miami Prevention & Kidney Center	Information Architects Corporation	8/7/2012
	Expression Analysis, Inc.	Quintiles	8/13/2012
	JSW Life Sciences GmbH	QPS, LLC	8/29/2012
LONG-TERM CARE	Palomar Vista Healthcare Center	The Ensign Group, Inc.	8/1/2012
	2 Idaho Skilled Nursing Facilities	The Ensign Group, Inc.	8/1/2012
	120-bed Texas SNF	Not Disclosed	8/1/2012
	104-bed Texas SNF	Not Disclosed	8/1/2012
	Oakview Convalescent Hospital	National Chain	8/8/2012
	The Chamberlin	Smith/Packet	8/10/2012
	9 Senior Care Properties	Prestige Care, Inc.	8/13/2012
	Arkansas SNF	Not Disclosed	8/20/2012
MANAGED CARE	First Dental Health	The Principal Financial Group	8/13/2012
PHYSICIAN MEDICAL	2 Physician Practices	Metropolitan Health Networks, Inc.	8/21/2012
GROUPS	Loudoun Anesthesia Associates	MEDNAX, Inc.	7/31/2012
REHABILITATION	Complex Rehabilitation Technology Business	ATG Rehab	8/1/2012
OTHER	Interdent, Inc.	HIG Middle Market, Inc.	8/7/2012
	Delphi Healthcare Partners	Team Health Holdings, Inc.	8/14/2012
	TTC	IMS Health	8/15/2012
	Surgical Implant Business	Orchid Medical	8/17/2012
	MEDS	Bolder Healthcare Solutions, LLC	8/21/2012
	MOMS Pharmacy	AIDS Healthcare Foundation	8/21/2012

The Health Care M&A Monthly has a quarterly supplement which details all publicly announced health care services mergers and acquisitions. Because many companies do not reveal details of their acquisitions, especially price and terms, at the time of the announcement, those details, when available, and additional information about the target company and acquirer are provided in the quarterly report after researching SEC documents and other primary sources.

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effective providers of high levels of subacute care, competing with LTACs and inpatient rehab facilities. If they can deliver the goods, their values will remain quite high.

Getting down to more typical pricing, **Cornerstone Core Properties REIT** has purchased three skilled nursing facilities with 226 beds in Oregon from **Dover Management** and leased them back to Dover. Overall occupancy was low at about 60%, but the portfolio was profitable with an 18% operating margin on just over $12 million of revenue. The purchase price was $16.8 million, or $74,300 per bed. For details on the other sales, please check the tables on the previous pages.

Venture Capital Deals

Most of the venture capital raises we see these days involve companies developing new drug therapies to solve the world's health problems or new devices to fix a broken body part. Most of the time, it is difficult to understand the science of what is involved, even though we all know what the goal is. So it is nice when there is a successful company that is growing, profitable, cost-effective, easy to understand, and most importantly, able to raise $45 million to continue its expansion plans. The company is called **Best Doctors, Inc.** and the new investment came from a private equity fund sponsored by **Brown Brothers Harriman & Co.**, called **BBH Capital Partners IV, L.P.**

Best Doctors was founded in 1989 by **Harvard Medical School** professors who, we dare say, probably didn't realize how successful their little venture would become. By 2002 they had raised some outside capital from **Munich Re**, the largest reinsurer in the world, followed by an investment in 2011 by **Nippon Life Insurance Company**, the sixth largest life insurer in the world. By the time Nippon made its investment, revenues had grown by nearly 31% in 2011 to $121.2 million, compared with $92.7 million in 2010. We assume it was this growth, plus the concept, that got BBH Capital excited about investing the largest capital slug to date in Best Doctors.

As its name implies, Best Doctors recruits the "best doctors" dealing with 45 specialties and over 400 subspecialties, defined as the top 5% of the doctors in their area of expertise ranked by an impartial peer review. These expert doctors work on difficult-to-solve health diagnoses and treatments, and while they receive an honorarium for their consultative services when it occurs, there is also an element of intellectual curiosity involved as they often like to see those cases that others can't solve. In fact, in 2011 these specialists corrected or refined diagnoses in 29% of the cases they reviewed in the U.S., and corrected or improved treatment in 60% of the cases. One can only imagine the cost savings attributable to these corrections and improvements, let alone better patient health.

Right now, Best Doctors' clients include very large employers as well as health insurers. For large employers, the average monthly fee, at only $1.50 to $3.00 per employee per month, is so low as far as the customer is concerned, while the impact can be so great, that it should be the proverbial no-brainer from a cost-benefit analysis. Just one misdiagnosis can easily result in thousands of dollars of wasted health care expenditures as well as lost productivity, making the monthly cost miniscule by comparison. And who doesn't know someone who suffered through the wrong treatment or an improper diagnosis? The patient covered by this benefit simply calls Best Doctors, provides all the required health information, and lets the Best Doctors staff research the problem with the best appropriate specialists. It's that simple.

According to Best Doctors Vice Chairman Evan Falchuk, the company's growing number of Fortune 500 clients directly ties to the increasing demand businesses are making for greater accuracy in diagnoses, and more patient-centric care. The company's recent equity raise will be used to support Best Doctors' continuing global expansion, additional infrastructure and cutting edge programs that improve quality and reduce costs in employers' health plans. As far as a future exit strategy is concerned, an IPO would always be possible, but its business model could be quite interesting to a large insurance company.

Although a very different company, but one dealing with physicians as well, **Doximity** raised $17 million in a Series B funding led by **Morgenthaler Ventures**, with returning investors **Emergence Capital Partners** and **InterWest Partners** participating as well. Doximity is an online professional network designed to support physicians in a variety of tasks and to securely connect them with any U.S physician to collaborate on patient care or to find the right medical expert for a patient. The company completed its Series A round 17 months ago, and since then it has grown 15-fold to having one in seven U.S. physicians on its network. Its clients paid over $100 million to MDs last year for research, second opinions and medicolegal consulting. The network also works as a social networking site, and three top U.S. medical schools actually use Doximity to run their alumni networks.

In the more "traditional" health care VC market, **Aerpio Therapeutics** completed its Series A financing, raising $27 million in a deal led by **Novartis BioVentures** and five other VC firms. Aerpio is a clinical stage biopharmaceutical company focused on advancing innovative therapies for vascular diseases. The funds will be used to complete a Phase 1b/2a study for the treatment of diabetic macular edema (DME), as well as a large definitive Phase 2 study in DME patients. Separately, **Novira Therapeutics** raised $23 million in a Series A round which was co-led by new investors **5AM Ventures** and **Canaan Partners**, with five other, mostly existing investors, participating as well. The new funds will be used to fund the development of capsid-targeting antivirals for the treatment of chronic hepatitis B and HIV infections.

And just in case you are beginning to think the IPO market can't be used as an exit strategy, **Regulus Therapeutics** has filed to go public with **Lazard Capital Markets**, **Cowen and Company** and **BMO Capital Markets** as the joint co-managers. The company was formed in 2007 when **Alnylam Pharmaceuticals** (NASDAQ: ALNY) and **Isis Pharmaceuticals** (NASDAQ: ISIS) contributed intellectual property, human capital and money to pursue the development of drugs targeting microRNAs pursuant to a license and collaboration agreement. A single microRNA can regulate several genes that are instrumental for the normal function of a biological pathway. More than 500 microRNAs have been identified in humans to date. The company has several strategic alliance partners among the largest pharmaceutical companies, and has the potential to receive up to $1.7 billion in milestone payments upon successful commercialization of microRNA therapeutics for the eleven programs contemplated by its agreements. The company anticipates filing for its first investigational new drug application with the U.S. FDA in 2014. The IPO may raise up to $57.5 million.