

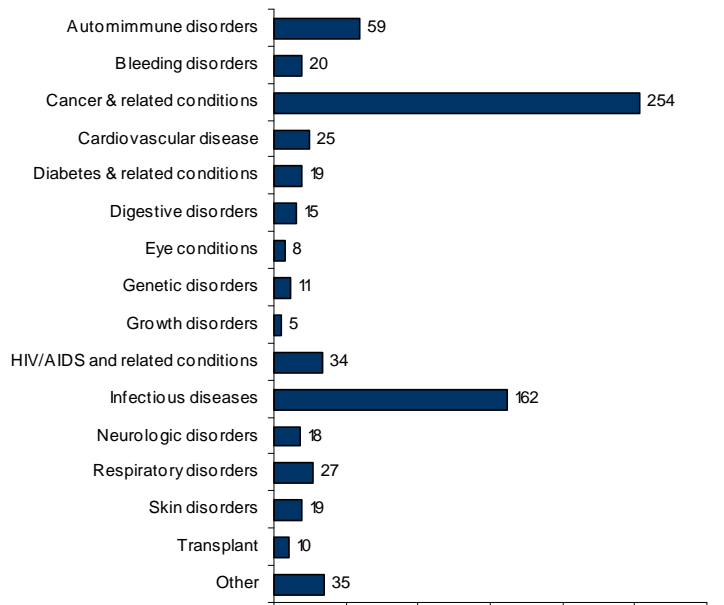


## Q3-2009 PHARMACY SERVICES INDUSTRY UPDATE

### HEALTH PLANS DIVESTING PBMs

Last quarter saw the announcement of the multi-billion dollar deal in which WellPoint, Inc. would sell its Pharmacy Benefits Management division to Express Scripts, which would move them above CVS Caremark as the second-largest PBM in the country. This transaction announcement has had two major impacts on the industry: first, other major health plans are looking into the divestiture of their in-house PBMs, and second, other large PBMs are looking to make acquisitions in order to remain in the top tier of companies. In late July, the Wall Street Journal reported that Aetna, the nation's third largest insurer, had brought in the help of two investment banks with the purpose of divesting their PBM in similar fashion to WellPoint in order to combat bleak earnings outlooks. Within days, it was being widely reported that the most interested buyer was CVS Caremark (this acquisition would vault them back into the #2 spot in the PBM rankings). As 2009 comes to a close, it will certainly be interesting to see how this situation develops.

### BIOTECH PIPELINE UPDATE



Source: Walgreens 2009 SOI Report

Data as of Oct. 1, 2009 (in millions)			Operating Statistics		Valuation Statistics	
Company	Ticker	EV	LTM Rev.	LTM EBITDA	EV/Rev.	EV/EBITDA
Catalyst Health Solutions	CHSI	1,160	2,760	99.32	0.42x	11.71x
CVS Caremark	CVS	61,590	93,270	7,590	0.66x	8.11x
Express Scripts Inc.	ESRX	20,520	21,880	1,490	0.94x	13.79x
Omnicare Inc.	OCR	4,630	6,340	713.24	0.73x	6.49x
PharMerica Corp.	PMC	729.41	1,890	100.00	0.39x	7.29x
Walgreens Co.	WAG	37,130	62,230	4,380	0.60x	8.48x

### TOP STRATEGIC PLAYERS TO WATCH

- Catalyst Health Solutions (Nasdaq: CHSI)
- CVS Caremark (NYSE: CVS)
- Express Scripts, Inc. (Nasdaq: ESRX)
- Omnicare (NYSE: OCR)
- PharMerica Corp. (NYSE: PMC)
- Walgreens/Option Care (NYSE: WAG)

### NOTEWORTHY TRANSACTIONS

Month	Acquirer	Company Acquired	Details
August 2009	Cardinal Health, Inc.	Biotech Pharmacy, Inc.	Cardinal Health has acquired Biotech Pharmacy, an operator of four nuclear pharmacies in Arizona, Nevada, New Mexico, and Texas. Established in 1993, Biotech specializes in providing products and services to outpatient diagnostic imaging centers and hospitals. Currently over 150,000 prescriptions are filled each year by the pharmacy.
July 2009	Magellan Health Services, Inc.	First Health Services Corp. (a division of Coventry Health Care, Inc.)	Magellan Health Services has completed its previously announced acquisition of First Health Services, a fee-based Medicaid service business of Coventry Health Care, for \$110 million. First Health provides pharmacy benefits administration, healthcare management, and IT services to the public sector health benefits programs. The acquisition allows Magellan to its capabilities into Medicaid pharmacy benefits administration. Coventry plans to use the proceeds for a combination of debt reduction and share repurchases.
July 2009	Catalyst Health Solutions, Inc.	TotalScript, LLC	Catalyst Rx has announced that it has acquired TotalScript, a PBM with approximately 50,000 lives, which will expand the Company's coverage in the Colorado marketplace. TotalScript was founded in 1997 and has been gaining national recognition for its prescription discount structure, reputation for premium customer services, and success in implementing solutions for clients.