



Overall M&A activity within the Biotechnology and Pharmaceuticals sector decreased 16% over the last twelve months (LTM) ending September 30, 2005 with 98 deals reported compared with 117 deals for the same period last year and with median valuation multiples at 6.1 x Revenue, 14.1 x EBITDA, 16 x EBIT and 3.8 x Book Value.

**M&A TRANSACTIONS BY SUBSECTOR**

For the Last Twelve Months Ended September 30,

|                                  | 01        |             | 02        |             | 03        |             | 04         |             | 05        |             |
|----------------------------------|-----------|-------------|-----------|-------------|-----------|-------------|------------|-------------|-----------|-------------|
| Prescription Pharmaceuticals     | 22        | 23%         | 15        | 20%         | 29        | 32%         | 40         | 34%         | 31        | 32%         |
| Pharmaceutical R&D               | 17        | 18%         | 14        | 19%         | 13        | 14%         | 17         | 15%         | 17        | 17%         |
| Biotech Manufacturing & Products | 16        | 17%         | 11        | 15%         | 13        | 14%         | 16         | 14%         | 13        | 13%         |
| Drug Delivery Technologies       | 10        | 11%         | 8         | 11%         | 9         | 10%         | 11         | 9%          | 9         | 9%          |
| Gene R&D                         | 10        | 11%         | 13        | 17%         | 10        | 11%         | 9          | 8%          | 9         | 9%          |
| Over-The-Counter                 | 6         | 6%          | 5         | 7%          | 8         | 9%          | 13         | 11%         | 8         | 8%          |
| Medical Device R&D               | 7         | 7%          | 7         | 9%          | 7         | 8%          | 8          | 7%          | 7         | 7%          |
| Pharma Contract Services         | 7         | 7%          | 2         | 3%          | 1         | 1%          | 3          | 3%          | 4         | 4%          |
| <b>Total</b>                     | <b>95</b> | <b>100%</b> | <b>75</b> | <b>100%</b> | <b>90</b> | <b>100%</b> | <b>117</b> | <b>100%</b> | <b>98</b> | <b>100%</b> |

Based upon Mosaic Capital research and subject to qualifications found on our website. Valuation multiples include public transactions and premiums for control, which can vary significantly between public and private companies. Private company transactions also typically include valuation discounts for limited liquidity, due to a lack of a public market.

National and international strategic buyers lead the demand for U.S.-based businesses in this sector. In addition, private equity groups own or control over 434 portfolio companies and also are fueling demand. Buyers objectives include:

- ▀ Increase R&D advances, drug leads, pipeline strength and time to market
- ▀ Acquire unique biomedical platforms for future commercialization
- ▀ Gain developed and developable IP and allow for the discovery of future blockbuster drugs

**About Mosaic Capital**

Mosaic Capital LLC is a leading national investment banking firm specializing in merger and acquisition and related corporate finance transactions, as well as business valuations for middle-market companies. The private placement of debt and equity securities is provided through affiliate Mosaic Capital Securities LLC - member NASD/SIPC. Mosaic Capital is a member of International Merger & Acquisition Partners (www.imap.com), an exclusive global partnership of leading M&A advisory firms with 98 offices in 24 countries, the partners of which have completed 1,000 middle market transactions exceeding \$18 billion in value since 2000.

Mosaic Capital seeks introductions to owners and management teams in the following lines of business:

**Biotech Manufacturing & Products, including:**

- ▀ rDNA Pharmaceuticals
- ▀ Protein & Genome Sequence Products
- ▀ Biotech Research Equip. Manufacturers
- ▀ Combinatorial Chemistry Technologies
- ▀ Other Lead Generating Technologies
- ▀ Microbiology Substances
- ▀ In-Vivo Diagnostic Substances
- ▀ Biological Products

**Pharmaceutical/Gene R&D**

**Drug Delivery Technologies, including:**

- ▀ Targeted Drug Transport Systems
- ▀ Oral and IV Delivery Advances

**Over-The-Counter**

- ▀ Non-Prescription Drugs
- ▀ Vitamins & Supplements

**Medical Device R&D:**

- ▀ Noninvasive Medical Devices
- ▀ Biomedical Therapeutic Devices

**Prescription Pharmaceuticals, including:**

- ▀ Pharmaceutical Products
- ▀ rDNA Pharmaceuticals
- ▀ Medicinal Chemicals
- ▀ Botanical Products

**Pharma Contract Services, including:**

- ▀ Pharma Contract Research Orgs
- ▀ Pharma Contract Laboratories
- ▀ Contract Manufacturing Services