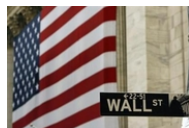


26-November-2007: Rochester Medical Corp. (Nasdaq: ROCM)

BUY-----HOLD-----**SELL** → \$25 - \$28 Expected 2008 - 2009 Price Range
A Bullish Diagnosis on Rochester Medical Corp.

- + Historic 5-year growth rate of 21% with projected annual growth of 25% over the next 5 years⁷
 - FY07 Revenues of \$32.7M → up 51% from FY06 Revenues of \$21.7M
 - FY07 Net Income (less \$31M in legal settlements) of \$3M → up over 50% from \$1.96M during FY06
 - poised for market share gains → legal victories & focus on preventing hospital-acquired infections
 - current Foley catheter market share stats: C.R. Bard-75%, Tyco (Covidien)-15%, Rochester-1%
- + Ongoing litigation against Tyco with a court order issued on 11/6/07 that calls for a bench trial on 2/25/08
 - I expect Company to receive \$20 - \$30M award and injunctive relief from anti-competitive conduct by Tyco
→ based on the same claims, court, and previous settlements in this lawsuit
 - Tyco Healthcare/Kendall Silver-Coated Foley Catheter is NOT FDA-approved or indicated for the PREVENTION or TREATMENT of urinary tract infections⁵
- + Expected cash/equivalents at end of FY08 → \$58M - \$68M based on cash flow from operations & Tyco lawsuit
 - Yields enterprise value (EV) of just \$99M → \$154M (market cap) - \$63M (cash) + \$8M (debt)
 - slower-growing CR Bard trades at a ratio of 3.8X EV/Revenue (ttm)
→ This multiple yields EV of \$152M for FY08 and \$179M for FY09 on sales (est) of \$40M and \$47M
 - Equivalent Market Cap is \$207M for FY08 and \$234M for FY09
→ Yields a fully diluted 2008 – 2009 price range of \$16.43 to \$18.57
- + ROCM justifies a 50% premium to the EV model presented above for a 2008 – 2009 price range of \$25 - \$28
 - premium based on better growth prospects, smaller market cap & medical device industry M&A activity^{3,4}
- + New rules adopted by the Centers for Medicare and Medicaid Services (CMS)²
 - payments to be withheld from hospitals for care associated with treating certain hospital-acquired infections
 - e.g. catheter-associated urinary tract infections, vascular catheter-associated infections & other errors
 - the new rules will go into effect in October 2008
- + Legislative efforts ongoing for the public reporting of hospital-acquired infections⁶
 - provides incentive for hospitals to increase resources for infection control and prevention
 - since catheter-associated infections are most common → Company's anti-infective product poised for gains
- + Catheter-associated urinary tract infections are the most common infection developed by patients in hospitals¹
 - the CDC has reported that there are 561,667 catheter-associated urinary tract infections per year
 - the annual cost of urinary tract infections in hospitals is as much as \$451 million
 - accounts for over 40% of the total reported by acute-care hospitals & affects 600,000 patients per year
 - an estimated 4 million patients undergo urinary catheterization each year

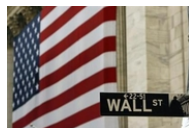


Legal Settlements and Ongoing Litigation

Rochester Medical Corp. is plaintiff in lawsuit vs. C.R. Bard, Inc.; Tyco International (US), Inc.; Tyco Health Care Group, L.P.; Novation LLC; VHA, Inc.; Premier, Inc.; and Premier Purchasing Partners in US District Court for Eastern District of Texas, Civil Action No. 504-CV-060. The lawsuit alleges anti-competitive conduct against the Company by the defendants in markets for both standard and anti-infective Foley catheters, seeking unspecified damages and injunctive relief.

On 11/20/06, the Company announced that it reached a settlement with Premier, Inc. and Premier Purchasing Partners, L.P. with respect to a lawsuit initiated by the Company in February 2004 against certain Group Purchasing Organizations (GPOs) and individual defendants alleging anti-competitive conduct against the defendants in the markets for standard and anti-infection Foley catheters as well as urethral catheters. Under the settlement agreement, Premier paid the Company \$8,825,000 (net \$5,155,000 after payment of attorneys' fees and expenses) and was dismissed from the lawsuit. On 12/14/06, the Company announced it had reached a settlement with C.R. Bard, Inc. whereby Bard paid the Company \$49,000,000 (net \$33,450,000 after payment of attorneys' fees and expenses) and was dismissed from the lawsuit. The net proceeds from these legal settlements are recorded as other income in the 10Q filed at the end of FY3Q07. On 8/6/07, the Company reached a settlement with Novation LLC whereby the Company was awarded an Innovative Technology Contract with a three (3) year term from 9/1/07 effective date. Litigation is ongoing against Tyco (Covidien is the independent, publically-traded spin-off from Tyco representing medical devices and other healthcare products). A court order on 11/6/07 calls for a bench trial to commence on 2/25/08 for ongoing litigation versus Tyco (Covidien NYSE: COV).





Financial Data Sources (current as of 25-Nov-07): Yahoo! Finance, Company Website & SEC filings

Price – \$13.19 **52-Week Range:** \$9.95 (12/5/06) – \$29.76 (4/26/07) **Market Cap** – \$154 million (M)
Average Volume (3 month) – 116,000 **% Shares Held By Insiders** – 26% **% Institutional** – 22%
Net Income (ttm) – \$34M **Revenue (ttm)** – \$32.7M **P/S (ttm)** – 4.6 **Shares Outstanding** – 11.7M
Book Value – \$5.53/share **P/B** – 2.4 **Cash** – \$37M **Debt** – \$7.9M **# Shares Shorted** – 0.8M



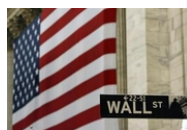
Stewartville, MN 55976

investor@rocm.com

507.533.9600

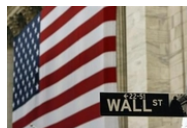
Rochester Medical Corporation develops and manufactures a line of urinary continence and urine drainage care products, which are marketed to hospitals and extended-care facilities. The Company's extended care products include a line of male external catheters for managing male urinary incontinence and a line of intermittent catheters for managing male and female urinary retention. The extended care products include the FemSoft Insert, a disposable urethral insert for managing female stress urinary incontinence in adult females. Its acute care products include a line of standard Foley catheters and its RELEASE-NF Catheter, an antibacterial Foley catheter that reduces the incidence of hospital acquired urinary tract infection. Most of the company's products are made of silicone rather than latex to reduce the risk of allergic reactions. A small percentage of the Company's extended care products also are used in the acute care market. On June 2, 2006, the Company completed the acquisition of certain assets of Coloplast A/S, Mentor Medical Limited and Mentor Corporation.

Executives: Anthony J Conway - Chmn., CEO & Founder; David A Jonas - CFO & Treas.;
Dara L Horner - VP & Dir.of Mktg.; Philip J Conway – VP & Founder; Martyn R Sholtis - VP



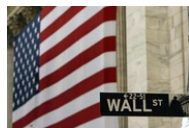
15-Nov-07: The Company announced operating results for its fourth quarter and year ending September 30, 2007. The Company reported 23% sales growth with record sales of \$8,437,000 for the current quarter compared to \$6,826,000 for the fourth quarter of last year, resulting from increases in both Rochester Medical Brand Sales and Private Label sales. It reported net income of \$733,000 or \$.06 per diluted share compared to a net income of \$906,000 or \$.08 per diluted share for the fourth quarter of last year. Net income excluding stock option expense and expense for amortization of intangibles, or "Non-GAAP Net Income" for the current quarter is \$1,211,000 or \$.10 per diluted share, compared to Non-GAAP Net Income of \$1,237,000 or \$.10 per diluted share for the fourth quarter of last year. To aid in comparison between the quarters the Company notes that fourth quarter 2006 included an \$87,000 income tax expense while fourth quarter 2007 included a \$480,000 income tax expense, resulting in a 30% increase in net income before income taxes for this fourth quarter as compared to last year's fourth quarter. For the fiscal year ending September 30, 2007 the Company reported record sales of \$32,663,000 compared to sales of \$21,666,000 for the previous fiscal year. It reported net income for the year of \$34,050,000 or \$2.77 per diluted share compared to a net income of \$1,959,000 of \$.17 per diluted share for the previous year. Non-GAAP net income for fiscal year 2007 was \$4,966,000 or \$.40 per diluted share compared to \$1,948,000 or \$.17 per diluted share for fiscal 2006. The 155% increase was primarily due to increased gross profit partially offset by higher costs and income taxes. The Company notes that in Fiscal 2007 it received approximately \$31,000,000 (after taxes) in settlements for a lawsuit.

	September 30, 2007	September 30, 2006
Assets		
Current Assets		
Cash and equivalents	\$6,671,356	\$2,906,698
Marketable securities	30,465,244	-
Accounts receivable	5,527,518	4,494,094
Inventories	7,698,889	4,642,578
Prepaid expenses and other assets	6,480	410,267
Deferred income tax asset	876,032	53,000
Total current assets	51,245,519	12,506,637
Property and equipment, net	9,679,035	8,239,246
Deferred income tax asset	571,721	1,178,000
Patents, net	257,353	271,171
Intangible assets, net	7,821,562	8,270,157
Goodwill	5,920,255	5,487,141
Total Assets	\$75,495,445	\$35,952,352
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$1,091,874	\$1,278,441
Accrued expenses	1,355,845	1,621,376
Short-term debt	1,849,463	1,681,361
Current maturities of capital leases	-	42,084
Income taxes payable	623,093	105,559
Deferred revenue	-	114,287
Total current liabilities	4,920,275	4,843,108
Long-term liabilities		
Long-term debt	6,066,246	7,540,737
Capital leases, less current portion	-	21,946
Deferred revenue	-	449,999
Total long-term liabilities	6,066,246	8,012,682
Stockholders' equity	64,508,924	23,096,562



Summary Statements Of Operations

	(unaudited) Three months ended September 30, 2007		(unaudited) Twelve months ended September 30, 2007	
	2006	2006	2006	2006
Sales	\$8,437,378	\$6,826,473	\$32,663,087	\$21,665,837
Cost of sales	4,044,975	3,374,888	15,619,178	13,057,090
Gross profit	4,392,403	3,451,585	17,043,909	8,608,747
Gross profit %	52%	51%	52%	40%
Costs and expense				
Marketing and selling	1,926,222	1,147,250	6,490,497	3,109,207
Research and development	232,725	189,982	943,225	759,639
General and administrative	1,540,034	989,277	6,742,665	3,344,662
Total operating expenses	3,698,981	2,326,509	14,176,387	7,213,508
Income from operations	693,422	1,125,076	2,867,522	1,395,239
Other income (expense)				
(Loss) on sale of investments	-	-	-	(103,532)
Interest income	380,656	31,494	1,288,603	219,873
Interest expense	(110,848)	(163,450)	(513,296)	(224,848)
Other income	250,000	-	38,855,000	-
Net income before income taxes	\$1,213,230	\$993,120	\$42,497,829	\$1,286,732
Income tax expense (benefit)	479,747	86,823	8,447,649	(672,176)
Net income	733,483	906,297	34,050,180	1,958,908
Earnings per common share - Basic	\$0.06	\$0.08	\$2.97	\$0.18
Earnings per common share - Diluted	\$0.06	\$0.08	\$2.77	\$0.17
Weighted Average Shares: Basic	11,680,364	11,079,604	11,449,646	11,068,102
Weighted Average Shares: Diluted	12,582,793	11,854,210	12,272,172	11,665,992

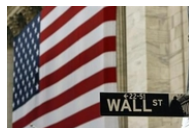


12-Sep-07: The Company announced the publication of results from a significant clinical study which further demonstrates the effectiveness of the Company's proprietary Infection Control Technology. The newly released September issue of the "Annals of Internal Medicine" presents results of a randomized, double-blind, controlled clinical trial involving 212 adult patients at Denmark's Copenhagen Trauma Center. The study concluded nitrofurazone-impregnated urinary catheters reduced the incidence of catheter-associated bacteriuria and funguria in adult trauma patients, reducing the need to change or prescribe new antimicrobial therapy. The nitrofurazone-impregnated urinary catheters used in the study were manufactured by Rochester Medical. The control catheter was an all-silicone Foley catheter. The study was conducted by Jakob Stensballe, PhD; Michael Tvede, MD; Dagnia Looms, PhD; Freddy Knudsen Lippert, MD; Benny Dahl, DMSc; Else Tonnesen, DMSc; and Lars Simon Rasmussen, PhD.

Commenting on the peer-reviewed publication of this clinical study, Rochester Medical's CEO and President - Anthony J. Conway said, "This is more good news in the ongoing effort to reduce serious infections in hospitals around the world. There is now published data from the United States, Denmark, South Korea, Spain, and Saudi Arabia showing the effectiveness of our All Silicone Anti-Infection Foley Catheters." Conway continued, "Hospital acquired infections are a serious problem across the globe. In the United States alone it is estimated these infections cause over 90,000 deaths a year. The Center for Disease Control estimates 40% of all hospital acquired infections are urinary tract infections resulting from Foley catheterization.

As further demonstrated by Dr. Stensballe and his colleagues, these serious infections can be significantly reduced by use of our advanced Release-NF® technology. Our team at Rochester Medical is working vigorously to ensure clinicians throughout the world get the message about how our nitrofurazone-impregnated Foley catheters reduce infections. Some major medical institutions already are embracing these benefits and using the Rochester Medical Release-NF catheters." Conway also noted, "Hospital acquired infections are coming under heightened scrutiny, with the aim that increased attention will lead to improvements and solutions. States are legislating that hospitals publicly post data defining their incidence of hospital acquired infections. Medicare recently finalized new reimbursement rules that will eliminate payments to hospitals to cover the cost of catheter-associated urinary tract infections.

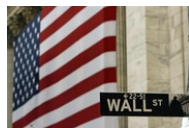
"We believe Rochester Medical's All-Silicone Anti-Infection Foley catheters will play a pivotal role in helping reduce these infections. While costs can be significantly decreased, most importantly, serious illness can be prevented. It is very gratifying to continue to see new scientific studies that inform clinicians and reaffirm the effectiveness of our products. Everyone at Rochester Medical is very proud and motivated to be technology leaders in the crucial fight against hospital acquired infections."



Appendix and References

- (1) http://www.cdc.gov/ncidod/dhqp/gl_catheter_assoc.html
- (2) A copy of the new CMS regulations can be found here (begin at page 290):
<http://www.cms.hhs.gov/AcuteInpatientPPS/downloads/CMS-1533-FC.pdf>
- (3) <http://www.devicelink.com/mddi/archive/06/12/009.html>
- (4) http://www.devicelink.com/mddi/archive/06/12/burkhardt_tableI.html
- (5) <http://www.fda.gov/cdrh/pdf4/K042709.pdf>
- (6) http://www.consumersunion.org/campaigns/2006_CHART_SHI.pdf
- (7) First Call Analyst Estimates & Historic Financial Results
<http://phx.corporate-ir.net/phoenix.zhtml?c=84808&p=irol-estimates>

YR Ending	Q1 Dec	Q2 Mar	Q3 Jun	Q4 Sep	FISC YR Annual	NUM Brokers	Cal YR Annual	NUM Brokers
2010					0.63	1		0
2009					0.46	1	0.50	1
2008	0.07	0.08	0.09	0.10	0.33	1	0.36	1
2007	0.01A	0.08A	0.06A	0.06A	0.22	1	0.27	1
2006	0.03A	-0.02A	0.09A	0.08A	0.17	0	0.15	0
2005	0.01A	0.01A	0.01A	0.06A	0.08	0		0
2004	0.01A	0.01A	0.04A	0.02A	0.07	0		0
2003	0.01A	0.02A	0.01A	0.01A	0.03	0		0
2002	-0.05A	-0.05A	-0.03A	0.00A	-0.13	0		0
2001	-0.08A	-0.06A	-0.07A	-0.07A	-0.28	0		0
2000	-0.13A	-0.12A	-0.13A	-0.15A	-0.52	0		0
1999	-0.07A	-0.10A	-0.12A	-0.14A	-0.42	0		0
1998	-0.06A	-0.05A	-0.07A	-0.06A	-0.22	0		0
1994	0.01A	-0.02A	-0.06A	-0.12A	-0.18	0		0
1993	-0.05A	-0.05A	-0.03A	0.01A	-0.12	0		0
1992	-0.02A	-0.02A	-0.04A	-0.07A	-0.15	0		0

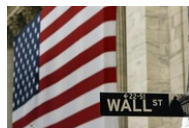


Income Statement (Millions of \$)

	6/30/2007	3/31/2007	12/31/2006	9/30/2006
Total Revenues(Net Sales)	8.37	8.35	7.51	6.83
Cost of Goods Sold	3.92	3.92	3.74	3.37
Selling & Admin Exps	3.25	3.23	3.28	2.14
Operating Income	0.93	0.96	0.29	1.13
Interest Exp	0.09	0.15	0.16	0.16
Pretax Income	1.23	1.24	38.81	0.99
Other Income	0.39	0.44	38.68	0.03
Net Income Bef Extraordinary ...	NA	NA	NA	NA
Net Income	0.81	1.04	31.47	0.91

Balance Sheet (Millions of \$)

Assets	6/30/2007	3/31/2007	12/31/2006	9/30/2006
Cash & Short Term Investments	37.98	40.15	42.22	2.91
Receivables - Total	6.57	5.48	4.92	4.55
Inventories - Total	7.05	6.33	5.47	4.64
Total Current Assets	52.09	52.41	53.13	12.51
Net Property, Plant & Equipment	9.41	8.80	8.39	8.24
Total Assets	75.39	75.18	75.76	35.95
Liabilities				
Accounts Payable	4.17	4.99	9.69	3.01
Debt in Current Liabilities	1.73	1.72	1.72	1.72
Total Current Liabilities	5.90	6.72	11.51	4.84
Long-Term Debt	6.02	7.11	7.34	7.56
Total Liabilities	11.92	13.83	19.28	12.86
Stockholder's Equity				
Minority Interest	NA	NA	NA	NA
Preferred Stock	NA	NA	NA	NA
Common Stock	49.84	48.68	44.85	43.13
Retained Earnings	13.23	12.42	11.38	-20.09
Treasury Stock	NA	NA	NA	NA
Total Stockholders' Equity	63.47	61.35	56.49	23.10
Total Liabilities and Stockholders' Equity	75.39	75.18	75.76	35.95



Converging Trends Drive Industry Consolidation

Device industry M&A activity hit both volume and value highs this year as the industry continues to be in a strong seller's market. Here's a look at some of the transactions that took place in 2006.

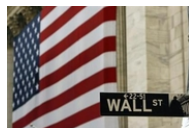
Medical device industry merger and acquisition activity has remained at a high level over the past year, despite an increasingly challenging operating environment. Adding to the challenges are pricing pressures in many device categories, increased regulatory scrutiny and issuance of warning letters to several prominent companies, and uncertainty over the effect of CMS inpatient reimbursement proposals. Nevertheless, industry continues to be in a strong seller's market. Valuations are at high levels for companies with leading market positions, proprietary products and technology, valuation intellectual property, and visible long-term growth and profit potential.

For the first nine months of 2006, there were 116 medical device transactions, compared with 115 for the same period last year. Excluding the monster Boston Scientific/Guidant transaction, the aggregate acquisitions price dollar volume was \$11.7 billion, compared with \$10 billion in 2005. Merger and acquisition activity is anticipated to continue at a brisk level for the foreseeable future as the industry continues to consolidate. One of the key dynamic factors driving industry's trend toward consolidation is the large universe of small and medium-sized companies. These firms often do not have the financial resources to complete the development of promising products and deal with complex reimbursement issues. In addition, they struggle to perform the necessary clinical trials and to establish the necessary distribution channels. Being acquired by a larger company that can satisfy these needs is a viable alternative for the owners of many smaller companies. Both strategic corporate acquirers and financial buyers, such as private equity firms, are attracted to industries with high growth potential. The medical device industry fits the bill as such an industry because of a basic demographic factor. The rapidly growing number of elderly in the United States will drive the demand for medical device products of all types. The Census Bureau estimates that there will be 54 million people over age 65 by 2050, compared with an estimated 35 million in 2000.

Acquisition Strategies

The largest transaction in 2006 was the acquisition of Guidant Corp. by Boston Scientific Corp. in April for \$25 billion (7× revenues, 32× earnings before interest, taxes, depreciation, and amortization [EBITDA], and 60× net income). Now with a cash hoard of more than \$15 billion and extensive annual free cash flow, it's conceivable that Johnson & Johnson is chomping at the bit for a blockbuster acquisition. There are not many potential candidates like Guidant, however, and J&J may have to be content with several smaller transactions. In February, J&J acquired Animas, a producer of insulin delivery pumps, for \$518 million. And in May, its Ethicon unit acquired Vascular Control Systems, a privately held company focused on developing medical devices to treat fibroids and to control bleeding in certain obstetric and gynecologic applications.

The reality is that with the stent business slowing and with a rather weak pipeline of new pharmaceutical products, J&J must make acquisitions to achieve its objective of double-digit revenue and earnings growth in the long term. In addition, many large pharmaceutical companies face the same challenges, particularly as some of their major drug products lose patent protection in the next four years. They will continue to target small and medium-sized medical device companies to satisfy their needs, and this will be one of the major driving forces of a very active acquisition environment. The convergence of pharmaceutical/ biotech products and medical devices is a developing trend that will



continue to affect industry's M&A climate. J&J started the trend when it acquired Scios. Scios provided the drug used by J&J's Cordis Corp. when it introduced Cypher, the first drug-eluting stent, in April 2003.

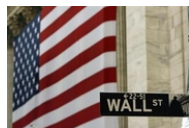
In 2005, both Merck and Bristol-Myers Squibb publicly stated that they had an interest in exploring medical device acquisitions. Recently, Merck made an interesting move when it announced that it would acquire, for \$95 million, an 11% interest in FoxHollow Technologies. The acquisition is in conjunction with an exclusive research collaboration agreement under which Merck will provide a minimum of \$60 million in funding. FoxHollow, which has some innovative cardiovascular disease treatment products, went public in 2004. Actually, this pharma and medical device convergence is not a new trend. Rather, it is the reemergence of an old trend. Back in the early 1990s, pharmaceutical companies acquired medical device companies with mixed results, and many of the device companies were subsequently divested.

The recent acquisition moves of Angiotech Pharmaceuticals Inc., producer of the drug product for Boston Scientific's Taxus drug-eluting stent, is a good example of this trend. In its public announcements, Angiotech bills itself as a pharmaceutical and medical device company. In early 2006, Angiotech acquired American Medical Instrument Co. The purchase price was \$785 million in cash—4.5× revenues of \$174 million. Angiotech further enhanced its medical device activities with the July acquisition of Quill Medical, producer of Contour Threads, an innovative suture product used in minimally invasive cosmetic and other surgeries. The purchase price was \$40 million in cash plus future milestone payments based on meeting certain revenue levels. That sort of payment structure is common in medical device acquisitions. This transaction also shows how a collaborative agreement between two companies often leads to an acquisition transaction. In 2004, Angiotech and Quill entered into an exclusive manufacturing and distribution agreement for the Contour Threads product line.

Private Equity Funds

Another trend that favors the owners of device firms positioning their companies for an acquisition transaction is the strong interest of private equity funds. Such funds often make add-on acquisitions to their current device portfolio companies and acquire firms to establish a platform in the industry. More than 50 private equity funds are actively seeking acquisitions. Their interests cover the broad spectrum of device-related companies. These include OEMs; suppliers of components such as valves, sealants, pumps, and materials; and contract manufacturers. Private equity funds currently have huge amounts of capital that they wish to invest. For example, in just the first nine months of 2006, they raised \$172.2 billion, compared with \$109 billion raised in the same period in 2005.

The largest medical device private equity transaction announced in 2006 was the proposed acquisition of publicly held Encore Medical Corp. by Blackstone Group, one of the largest private equity funds with capital of \$28 billion. The purchase price is about \$787 million, a 35% premium over the price of Encore's common stock before the transaction was announced. It represents a multiple of 2.7× revenues of \$300 million, and about 18× EBIT. Encore manufactures a broad range of orthopedic devices, including surgical implants. A smaller transaction by a private equity fund was the acquisition of BioLok International, a producer of a dental implant system, by HealthPoint Capital for \$33 million (4.8× revenues of \$7.2 million). As with many small medical device companies, BioLok had a developed product but lacked the capital to enhance its sales and marketing efforts in the United States and abroad. With the financial backing of HealthPoint, it should now be able to do so.



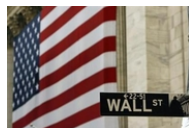
In 2006, several private equity funds successfully sold medical device companies acquired in previous years. Presumably, they will deploy some of the proceeds into new acquisitions. One of the largest transactions was the acquisition of Suros Surgical Systems Inc. by Hologic Inc. for approximately \$240 million (8.8× revenues in 2005 of \$27 million) plus additional payments over two years if certain performance criteria are met. Hologic is a publicly held manufacturer of medical imaging systems, and Suros produces minimally invasive surgical technologies focused on biopsy. Hologic had been seeking acquisitions to broaden its product and service mix in the women's healthcare area, and Suros was an excellent fit. The private equity and venture capital firms that sold Suros were Morgan Stanley Venture Partners, Rose Hulman Ventures, River Cities Capital, Sightline Partners, Periculum Capital, and Twilight Ventures. Another example of a successful sale of a medical device company by private equity firms is the pending acquisition by U.S. Surgical (a Tyco Healthcare subsidiary) of Confluent Surgical for an estimated \$245 million in cash. Among the 13 sellers were GE Capital, Cross Atlantic Capital Partners, and CSFB Private Equity.

Specific Sector Activity

The U.S. Justice Department's announced probe into pricing policies in the high-growth orthopedic area in June did not extinguish or dampen acquisition activity. In addition to the Encore transaction, there were several other transactions and there continue to be others in process. Stryker Corp. acquired Sightline Technologies Ltd., an Israeli endoscopy equipment company. Revenues were not disclosed. The purchase price was reported to be \$50 million in cash, plus a potential \$90 million more in Stryker common stock in 2007 if Sightline achieves certain operational and financial targets. Another orthopedic transaction structured with a substantial contingent earn-out component was Integra LifeSciences' acquisition of Kinetikos Medical Inc. for \$40 million cash. The deal includes a potential \$20 million more based on meeting certain future performance targets. The purchase price was 3.5× Kinetikos's revenue of \$11.4 million. Kinetikos is expected to strengthen Integra's presence in the orthopedic hand market and should help Integra leverage its regenerative products for dermal tendon and nerve repair. The combination of Integra's portfolio of collagen-tissue-engineered products and Kinetikos's upper-extremity implants should create significant marketing synergies.

The cardiovascular and catheter component segment of the industry also had some significant acquisition activity in 2006, and more is expected in the future. Catheter-based technologies for the treatment of vascular and other diseases has become a high-growth market. Many companies developing such technologies would improve their chances of realizing their potential if they were acquired by or developed a partnership with a financially strong company. The acquisition by Terumo Corp., a Japanese company, of MicroVention Inc., a producer of catheter products for endovascular treatments, is a good example of a win-win situation for both buyer and seller. Terumo will give MicroVention access to Japanese markets and capital resources for further product development. In exchange, Terumo will have innovative catheter products to add to its s of products.

Another transaction in the catheter area was C. R. Bard's acquisition of Venetec International Inc. for \$166 million in cash. The sellers were 10 private equity and venture capital firms. Venetec's catheter products, including its innovative, highly regarded Statlock devices, will complement C. R. Bard's product mix. C. R. Bard will also get Venetec's extensive intellectual property portfolio, including 245 patents and patent applications. The owners of medical device component companies, many of which also sell their products to other industries, should continue to have the opportunity to explore the sale of their companies at attractive valuations. A large number of U.S. and foreign potential buyers, both strategic and private equity, are aggressively on the prowl for acquisitions.



What Buyers Want

Buyers are usually particularly interested in companies with patented or proprietary products or techniques. The size of a company is typically not an issue. Buyers will look at companies as small as \$5 million in sales, particularly if the company is a nice add-on to one of their existing operations. When Controlotron Corp., a producer of advanced lines of ultrasonic flowmeters, was looking for a buyer, HT Capital identified more than 50 potential acquirers. In 2006, Siemens Corp. was the ultimate acquirer after an intensive competitive acquisition process. Another excellent example in the component area was the acquisition of Curlin Medical by Moog Inc., a publicly held manufacturer of precision control components and systems sold to the medical and other industries. In 2005, Curlin's revenues were \$16 million and its EBIT was \$5.4 million. The purchase price was \$75 million ($4.7\times$ revenue and $13.9\times$ EBIT). A private equity-sponsored transaction was the acquisition by MicroGroup Inc. of Bolt Bethel LLC, a manufacturer of precision metal components sold to the device industry. MicroGroup is a portfolio company of Kirtland Capital Partners, a private equity firm.

An alternative to outright sale for the owners of both privately owned and publicly held device firms is to sell a minority ownership interest. This can be done in connection with an exclusive or nonexclusive agreement to share technology or distribution channels, or to collaborate on the development of a new product. Often such arrangements lead to an outright sale of the business in the future at a valuation not achievable at an earlier date. A good illustration of this transaction scenario is Becton Dickinson's September agreement to acquire TriPath Imaging, which develops and manufactures products for cancer detection, diagnosis, and treatment selection. BD had already owned 6.5% of TriPath, and the companies had been collaborating in the area of cancer diagnostics. BD had publicly stated that it wanted to enhance its activity in the cancer diagnostics market. The purchase price of \$355 million represents a whopping 80.7% premium over the closing price of TriPath's common stock the day before the transaction was announced—approximately $3.9\times$ revenues, and $53\times$ TriPath's EBIT.

Conclusion

Although there is no crystal ball, no eliminations or drastic changes in the fundamental trends and forces driving the high level of device M&A transactions are anticipated. The specific transaction examples discussed give a clear indication that there are many creative ways to structure transactions to meet specific owner and company objectives. The window of opportunity should remain open for medical device company owners wishing to explore the sale or partial sale of their businesses. Such a sale may be the way to achieve personal liquidity while also gaining the financial and other resources required to realize the growth potential of a company.

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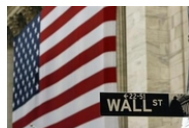


Table I. A sampling of key mergers and acquisitions in the medical device industry in 2006. Mergers are ranked by deal size (\$ millions). Source: Bloomberg and HT Capital.

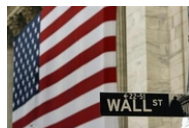
Deal Size (\$M)	Buyer	Unit Sold	Date Closed
25,227.95	Boston Scientific Corp.	Guidant Corp.	4/24
4,100.00	Abbott Laboratories	Vascular intervention and endovascular business, sold by Boston Scientific Corp.	4/21
1,977.06	Danaher Corp.	Sybron Dental Specialties	5/19
1,660.00	Siemens AG-REG	Diagnostic Products Corp.	7/28
1,236.72	Montagu Private Equity	BNS Medical GmbH & Co.	2/24
785.00	Angiotech Pharmaceuticals Inc.	American Medical Instrument Co.	3/23
678.12	American Medical Systems Holdings	Laserscope	7/26
636.37	Philips Electronics NV	Lifeline Systems Inc.	3/23
518.00	Johnson & Johnson	Animas Corp.	2/21
463.00	Coloplast-B	Urology, clinical, and consumer healthcare business, sold by Mentor Corp.	6/2
383.02	General Electric Co.	Biacore International AB	9/7
333.00	Orthofix International NV	Blackstone Medical Inc.	8/10
290.00	Dj Orthopedics Inc.	Aircast Inc., sold by Tailwind Capital Partners	4/7
240.00	Hologic Inc.	Suros Surgical Systems Inc.	7/31
200.00	Terumo Corp.	MicroVention Inc.	3/29



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166.00	C. R. Bard Inc.	Venetec International Inc.	4/10
165.00	Philips Electronics NV	Witt Biomedical Corp.	4/27
130.16	EV3 Inc.	Micro Therapeutics Inc.	1/9
117.09	Amplifon SPA	Ultravox Holdings Ltd.	6/30
101.97	Encore Medical Corp.	Compex Technologies Inc.	2/27
80.00	Integra LifeSciences Holdings Corp.	Radionics division, sold by Tyco International Ltd.	3/5
75.00	Moog Inc.	Curlin Medical LLC	4/11
50.08	Vision Systems Ltd.	Immunovision Technologies Inc.	6/2
50.00	American Medical Systems Holdings	Implantable electrical stimulation platform technology, sold by BioControl Medical Ltd.	4/26
50.00	St. Jude Medical Inc.	Savacor Inc.	1/3
50.00	Stryker Corp.	Sightline Technologies Ltd.	3/20
48.48	Natus Medical Inc.	Bio-Logic Systems Corp.	1/5
40.00	Angiotech Pharmaceuticals Inc.	Quill Medical	6/28
40.00	Integra LifeSciences Holdings Corp.	Kinetikos Medical Inc.	8/2
26.19	ATS Medical Inc.	3F Therapeutics Inc.	8/1
24.30	Viasys Healthcare Inc.	Tiara Medical	7/12
8.00	Kensey Nash Corp.	Intraluminal Therapeutics Inc.	5/26

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