

Dear Clients and Friends,

In the first phase of adopting information technology in the 1950s and '60s, the focus was on automating highly repetitive and standardized tasks, such as payroll. In the second phase around the 1980s, companies concentrated on the integration of their core processes, from B2B processes to integrating manufacturing and procurement, for example. SAP and Oracle were among the most successful enterprises of this era.

We characterize the third phase as the *Meta Integration and Universal Access* phase, where individual organizations must connect and integrate their core processes with outside enterprises at deeper and more fundamental levels. Think of Amazon as a representative model. In healthcare, early examples of this phase range from payors and providers collaborating in a VBR (value-based reimbursement) environment to interoperability platforms enabling different hospitals to share and exchange clinical information.

The third phase brings with it a number of challenges and opportunities for healthcare IT companies. First, this phase forces the industry to accelerate its efforts to standardize. We all agree that lack of standardization is behind many of the inefficiencies in our HIT systems today. In this new healthcare economy, organizations need to share and crunch data together, whether for their VBR initiatives or other risk sharing models. As these models go mainstream, the need for standards that can facilitate integration, not just at the *system* level, but more importantly at the *workflow* and *process* level, is paramount. This trend is already manifesting in areas such as Population Health Management (PHM) and price transparency.

In our view, some of the most exciting opportunities brought about in this phase come from the consumer front. Consumers today want to be empowered to access care anywhere (hospitals, mini clinics, etc.). They want to administer as much care at home (i.e. home dialysis) as possible. And some want to access care via their mobile devices (i.e. EKG's). Enterprises that are intelligently *integrating* consumer-generated data into providers' systems stand to materially raise the quality of care across the board. The recent Apple/IBM/Epic partnership gives us an early glimpse of the new operating models that can evolve in this phase. We are buckling up for an exciting ride.

Sincerely,

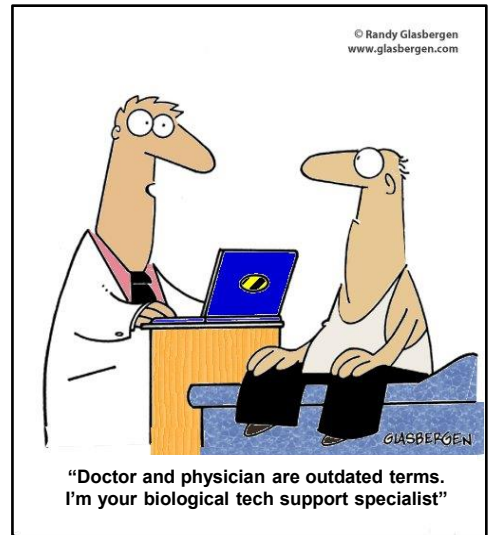
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Marlin & Associates is a financial and strategic advisory firm and investment bank focused on advising owners and managers of U.S. and international companies that provide software, data, and related services. The firm is based in New York City, with offices in San Francisco, CA, Washington, DC, and Toronto, Canada. It has been the recipient of numerous awards including "Middle-Market Investment Bank of the Year", "Middle-Market Financing Agent of the Year - Equity", and "TMT Advisory Bank of the Year." Two transactions on which Marlin & Associates advised have been recognized as "Deals-of-the Decade."

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**In this issue: More on the
Apple/IBM/Epic partnership**

IMPORTANT INDUSTRY NEWS

IBM and Apple partnership will move the needle in Healthcare IT

What do you get when you combine an old and established enterprise IT behemoth with a nimble and innovative mobile technology company devoted to the consumer market? In the case of the IBM and Apple partnership, this may be the beginning of a comprehensive fusion of the consumer and the enterprise markets. Cutting through the headlines and looking under the hood, we like what this partnership can do for the HIT industry.

To start, this partnership gives immediate legitimacy to Apple's mobile devices in hospitals and clinical settings. To date, many iPads and iPhones are personally purchased by doctors and used in clinical settings imperfectly. IBM brings Apple deep domain expertise in secured communications in enterprise environments. Hospitals are now more willing to integrate Apple's technology inside their HIS systems. Apple in turn can bring IBM significant know how in consumer wireless technology, which in turn brings IBM greater opportunities for system integration services. We should also mention that IBM will be a reseller of Apple products.

Bringing patient data inside clinical settings is a game-changer. However, IBM and Apple's partnership is an incomplete picture for the industry. That is where Epic comes in. Apple and Epic have partnered on the HealthKit application platform. This platform is built into the Apple's latest operating system as a way to collect, store and present health information from other apps (usually associated with wearable sensors) and is designed to communicate with, and ultimately upload data, into Epic's My Chart EHR. The important takeaway is that the two companies now have a common and integrated application development platform. Apps developed on this platform will play the key role in bringing consumer health data into EHRs. Epic has consistently been portrayed as having the most closed architecture. They picked the right party this time to open the kimono just a little bit!

CMS final rule establishes October 1, 2015 as the new ICD-10 compliance date

Four months after President Obama signed into law a one year delay for the ICD-9 to ICD-10 transition, CMS announced a final rule establishing October 1, 2015 as the new compliance date. Industry estimates suggest the delay will cost HIPAA-covered entities billions of dollars. We were previously disappointed by the one year delay and 'politicizing' of healthcare - lets hope this new deadline sticks.

M&A TRANSACTIONS / INVESTMENTS

HealthEquity goes public and begins trading

HealthEquity (NASDAQ:HQY), the Draper, UT provider of a platform for managing health savings accounts, announced the pricing of its IPO of 9.1 million shares at \$14.00 per share, raising approximately \$127M.

HealthEquity's HSA platform is used by 20 of the 50 largest U.S. health plan providers. In 2005, the company raised \$6.6 million in a Series B round from unnamed investors at a pre-money valuation of ~\$10 million. Then in 2006, new investor Berkley Capital provided an undisclosed amount of funding. During 2010-2011, the company made two acquisitions of health saving accounts service providers.

HealthEquity posted \$62 million in revenue for fiscal year ending Jan 31, 2014, or 35% growth year-over-year. Net income was \$1.2 million, which while low is still positive, in contrast to recent HIT IPOs such as Imprivata and Castlight Health, which have posted uneven performance. Regardless, early investors in HealthEquity stand to generate a very strong return.

Sound Inpatient to receive \$600M investment

Sound Inpatient Physicians, the Tacoma, WA provider of hospitalist and post-acute physicians to hospitals, and backed by TowerBrook Capital, agreed to receive approximately \$600 million from the German-based Fresenius Medical Care (NYSE:FMS), the largest provider of dialysis services and products, in a majority recapitalization.

Sound Inpatient represents one of Fresenius' largest acquisitions. Earlier this year, Fresenius management disclosed its intention to invest in care coordination capabilities and this acquisition fits the bill. Fresenius is one of the largest global healthcare companies in Europe. The company owns and operates 110 hospitals in Europe and runs over 2,000 dialysis clinics and 53 vascular care centers. Fresenius is not only buying an outstanding U.S. business, but it has plenty of opportunities to extend the model overseas.

simplifyMD to be acquired by Azelea Health

simplifyMD, the Alpharetta, GA provider of electronic health records, agreed to be acquired by Azelea Health, the Valdosta, GA provider of cloud-based practice management and medical billing, for an undisclosed sum.

This transaction represents some prominent HIT consolidation themes. Besides acquiring a larger primary care physician customer base, the combined companies should benefit from more fully integrated clinical, practice management and billing solutions, as the trend of comingling clinical and administrative functions continues.

Citrus Lane acquired by Care.com for \$44.6M

Citrus Lane, the Mountain View, CA provider of a social commerce platform designed for moms, and backed by GGV Capital, Greylock Partners and others, was acquired by Care.com (NYSE:CRCM), an online marketplace for finding and managing family care, for approximately \$44.6 million.

Citrus Lane, with 45,000 paying subscribers and over 400,000 members, is expected to generate \$12 million in 2014E revenue, or 100% growth year-over-year. The company's focus on best products for families with children, wrapped around a social community for moms, appears to fit nicely with Care.com's family-focused platforms.

AVID Design acquired by Myelin Health

AVID Design, the Norcross, GA provider of interactive marketing services (website design, social media strategy, etc.) for hospitals, was acquired by Myelin Health, the Boston, MA provider of connectivity solutions for payers and providers, with capabilities in creative digital and traditional solutions, branding and advertising content. The company is backed by Baird Capital Partners. Terms were not disclosed.

AVID Design offers full-scale written and visual communication services for hospitals and adds to Myelin's network of brands that include PARTNERS+simons and Duet Health. We have seen heightened deal activity in digital marketing services on behalf of providers, payors and pharma companies. AVID will certainly further strengthen the provider side of Myelin's business.

Sparta Systems acquired by Thoma Bravo

Sparta Systems, the Hamilton, NJ provider of enterprise quality managed software solutions, and backed by Altaris Capital Partners and Summit Partners, was acquired by the private equity firm, Thoma Bravo, for an undisclosed sum.

Sparta has more than 650,000 users in over 30 countries across highly regulated industries such as pharmaceuticals and medical devices. Thoma Bravo is one of the most able and sophisticated software investors in the country. They have a successful record in building supply chain businesses. We are confident that between organic growth and select acquisitions, Thoma Bravo will continue to build Sparta into a highly-rated company.

Oasis Medical Solutions acquired by Allscripts

Oasis Medical Solutions, the London, UK provider of Patient Administration Systems and health informatics, and backed by Bridgepoint, was acquired by Allscripts (NASDAQ:MDRX), a leading provider of health information technology solutions, for an undisclosed sum.

Under Paul Black's leadership, Allscripts has tried to gain a stronger presence in the U.S. market by leading with its open architecture and better integration capabilities via the acquisition of dbMotion. At the same time, Allscripts appears to be going back to its traditional playbook by seeking to combine Oasis PAS technology with Allscripts Sunrise platform, in part to better target the UK NHS trust market.

Marbella Technologies acquired by GetWellNetwork

Marbella Technologies, the Encinitas, CA provider of a mobile data collection tool for healthcare professionals, was acquired by GetWellNetwork, the Bethesda, MD provider of interactive patient care and engagement solutions for hospitals, and backed by Welsh, Carson, Anderson & Stowe and Ascension Ventures. Terms were not disclosed.

Marbella's approach to patient satisfaction is rather unique. The company's solutions empowers providers to capture perception-of-care data on all patients in real time. This is achieved through surveys which can alert staff of issues that need to be addressed. High patient satisfaction scores can mean higher revenues for hospitals. GetWell has added another solid asset to its offering.

MedSave assets to be acquired by Global Excel Management

The international cost containment business of MedSave USA, the Hauppauge, NY provider of risk adjustment solutions, and backed by Blue Cross Blue Shield Ventures and Sandbox Industries and others, agreed to be acquired by Canada-based Global Excel Management, a provider of medical claim cost management solutions. Terms were not disclosed.

This divestment represents a change in strategy as MedSave exits the international cost containment market in order to concentrate on new services. Global Excel is a good fit for this asset given its long history of serving similar clients internationally.



Lumeris parent company raises \$71M in funding

Essence Group Holdings, the parent company of Lumeris, the Saint Louis, MO provider of population health management solutions, raised \$71 million in funding led by existing investors Camden Partners Holdings, Kleiner Perkins Caufield & Byers and Sandbox Industries.

In 2011, Essence Group raised \$70 million from the same investors plus BCBS and shortly thereafter made a significant investment, via its Lumeris subsidiary, in NaviNet, the payer-provider communication and collaboration platform. Now that the pieces are in place, this \$71 million raise is earmarked to fuel Lumeris' expansion of its value-based care solutions over the next 18 months from eight to 20 U.S. markets. PHM is the cornerstone of value-based reimbursement, a significant market with lots of capital being thrown at it.

Prodigo raises \$12.5M in funding

Prodigo Solutions, the Cranberry Township, PA provider of supply chain contract compliance and automation solutions, raised \$12.5 million in a round of funding from Alliance Healthcare Partners.

Prodigo was created in 2008 by the University of Pittsburgh Medical Center (UPMC), a leading integrated healthcare provider. The new capital will be used in part to more broadly sell the company's supply chain solutions, beyond the dozen plus current customers. Prodigo also wants to free up greater resources for patient care, which would appear to be a newer business line.

Syapse raises \$10M in Series B funding

Syapse, the Palo Alto, CA provider of a precision data platform for use in molecular profiling, raised \$10 million in funding led by new investor Safeguard Scientifics and existing investor The Social + Capital Partnership.

The Syapse Precision Medicine Data Platform analyzes information from electronic medical records, lab tests and billing systems to assist with diagnoses, treatment and patient outcome tracking for complex diseases such as cancer. This is another interesting model attempting to synthesize next generation Silicon Valley technology with traditional medicine, the results of which are still unproven but the possibilities are certainly very exciting to us.

Compliant Innovations raises Series A funding

Compliant Innovations (dba DocSpera), the Sunnyvale, CA provider of a patient care collaboration platform for surgeons, specialists and medical device representatives, raised an undisclosed amount of Series A funding from investors including Lifeforce Ventures and Attractor Ventures.

The DocSpera platform streamlines the workflow across different institutions and allows for HIPAA-compliant sharing of patient images, videos and clinical history across multiple medical and mobile devices. Designed by practicing surgeons to reflect the way care teams actually work, this platform makes a lot of sense to us.

LifeNexus raises \$12.7M in funding

LifeNexus, Inc., the San Francisco, CA provider of personal health cards which hold an individual's personal health records, raised \$12.7 million in a round of funding from Cambia Health Solutions and Camden Partners among others.

A single card which holds the basic individual's health records and can also be used for healthcare spending has been around for a long time in Europe. The Company's iChip card, provided by the payers, provides data on claims, pharmacy, care reminders, eligibility, etc. Members receive and activate their cards which can then retrieve and share member's health record information with providers, once the provider installs the software. This is a fantastic idea and can really move the needle. The question we have is if all constituents will be committed to making it a success.

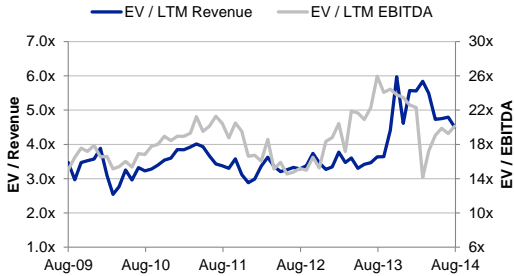
Qualifacts raises funding

Qualifacts Systems, the Nashville, TN provider of electronic medical records for behavioral health, raised an undisclosed amount of funding from new investor Great Hill Partners, as part of a majority recapitalization.

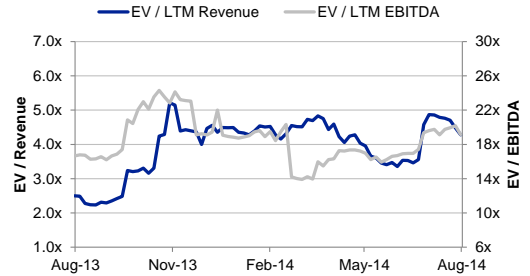
The company is one of a handful of native SaaS EHR companies. Behavioral health is certainly a hot market. What we like about this company is their all-encompassing elegant solution, which manages data flows between the EHR and the billing engines, as well as reporting that makes up administrative dashboards.

HEALTHCARE INFORMATION SOFTWARE SYSTEMS

5 Year LTM Revenue & EBITDA Multiples

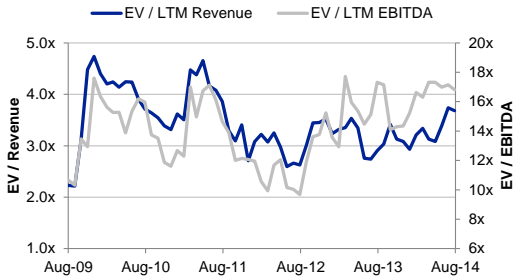


1 Year LTM Revenue & EBITDA Multiples

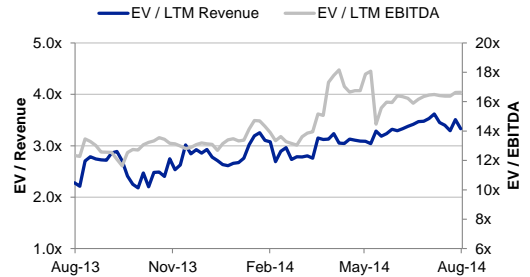


TECHNOLOGY-ENABLED HEALTHCARE SERVICES

5 Year LTM Revenue & EBITDA Multiples

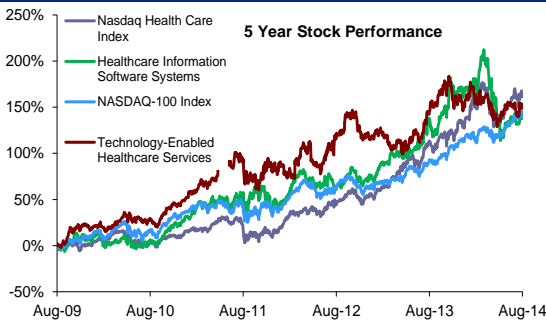


1 Year LTM Revenue & EBITDA Multiples

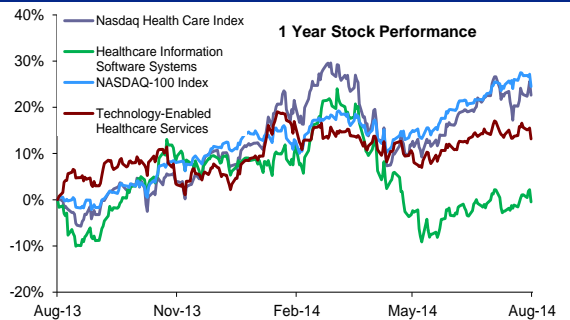


HIT STOCK PERFORMANCE VERSUS NASDAQ

5 Year Stock Performance



1 Year Stock Performance



PUBLIC MARKET TRENDS

Consistent with last month, the Healthcare Information Software Systems group 2014 revenue multiple (trim mean) is approximately 55% higher than the Technology-Enabled Healthcare Services sector. Of note, recent IPOs (Castlight Health, Veeva Systems and Benefitfocus) are three of the four companies (plus Medidata) that are trading at the highest revenue multiples among all public HIT companies. In terms of 2014 EBITDA multiples, the Healthcare Information Software Systems group enjoys a similar premium (+49%) versus its Tech-Enabled Healthcare Services peers, the latter group which is dragged down by names such as MedAssets, Accretive Health, and Emis, which are all trading below 10x 2014E EBITDA.

In the past 12 months, the returns of both the NASDAQ Health Care Index (+20%) and the NASDAQ-100 (+26%) were stronger than the Technology-Enabled Healthcare Services group (+13%) and the Healthcare Information Software Systems sector (flat). Healthways and Accretive Health (both +4%) were the best performers over the past month while Vocera (-32%), Benefitfocus (-21%) and Castlight Health (-18%) posted the weakest returns.

Marlin & Associates' Healthcare IT Indices include the following companies

HEALTHCARE INFORMATION SOFTWARE SYSTEMS

Company <i>USD millions</i>	Market Enterprise		EV / Revenue		EV / EBITDA		Revenue Growth		EBITDA Margin	
	Cap	Value	CY2013A	CY2014E	CY2013A	CY2014E	CY2013A	CY2014E	CY2013A	CY2014E
Cerner	19,309	18,475	6.5x	5.5x	24.8x	16.0x	9%	19%	26%	34%
athenahealth	4,710	4,817	8.1x	6.4x	nm	35.9x	41%	26%	9%	18%
Veeva Systems	3,400	3,054	14.5x	10.8x	nm	49.2x	62%	34%	19%	22%
Allscripts	2,850	3,358	2.4x	2.4x	nm	15.1x	(5%)	3%	1%	16%
Medidata	2,458	2,476	8.9x	7.2x	nm	30.5x	27%	24%	12%	24%
The Advisory Board	1,870	1,820	3.6x	3.1x	30.0x	18.1x	16%	15%	12%	17%
CompuGroup Medical	1,231	1,619	2.6x	2.4x	15.2x	11.3x	3%	9%	17%	21%
Benefitfocus	946	895	8.5x	6.7x	nm	n/a	28%	27%	na	n/a
Quality Systems	943	826	1.9x	1.7x	11.4x	12.2x	(4%)	7%	17%	14%
Computer Programs & Systems	725	701	3.5x	3.3x	13.1x	11.8x	10%	5%	27%	28%
Imprivata	331	326	4.6x	3.6x	nm	n/a	32%	27%	na	n/a
Merge	234	441	1.9x	2.1x	17.1x	10.2x	(7%)	(8%)	11%	20%
Trim Mean	1,946	2,001	5.1x	4.3x	17.6x	18.9x	16%	16%	15%	21%
Median	1,551	1,719	4.1x	3.5x	16.2x	15.6x	13%	17%	14%	21%

TECHNOLOGY-ENABLED HEALTHCARE SERVICES

Company <i>USD millions</i>	Market Enterprise		EV / Revenue		EV / EBITDA		Revenue Growth		EBITDA Margin	
	Cap	Value	CY2013A	CY2014E	CY2013A	CY2014E	CY2013A	CY2014E	CY2013A	CY2014E
McKesson	45,087	53,441	0.4x	0.3x	16.3x	11.4x	6%	29%	3%	3%
WebMD	2,085	2,259	4.4x	3.9x	30.7x	14.6x	10%	12%	14%	27%
HIMS Holdings	1,619	1,740	3.5x	4.0x	13.6x	16.0x	4%	(12%)	26%	25%
MedAssets	1,294	2,084	3.1x	3.0x	10.0x	9.0x	6%	3%	31%	33%
Castlight Health	1,200	1,040	nm	24.2x	nm	n/a	212%	232%	na	n/a
Premier	921	690	0.9x	0.7x	2.2x	1.9x	na	15%	38%	40%
Accretive Health	849	653	0.8x	0.6x	10.5x	6.3x	(9%)	20%	7%	10%
Emis	722	747	4.2x	3.3x	12.9x	9.9x	22%	28%	33%	33%
HealthStream	700	588	4.4x	3.5x	25.7x	22.2x	28%	28%	17%	16%
Healthways	610	860	1.3x	1.2x	30.5x	10.8x	(2%)	12%	4%	11%
Everday Health	500	717	4.6x	4.0x	67.9x	20.9x	13%	15%	7%	19%
Vocera Communication	317	197	1.9x	2.1x	nm	n/a	2%	(10%)	na	n/a
Craneware	242	211	5.0x	4.6x	17.8x	15.5x	0%	7%	28%	30%
Trim Mean	984	1,054	2.9x	2.8x	18.7x	12.7x	9%	15%	19%	23%
Median	849	747	3.3x	3.3x	16.3x	11.4x	6%	15%	17%	25%

United States

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International

Toronto, Canada