

# DFW CAPITAL PARTNERS

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May 2006

Dear Friends and Colleagues:

We would like to take this opportunity to update you on the recent activities of DFW Capital Partners. We have just capped an extremely busy period in our history, with both liquidity events and several new investments that have significant promise for the future.

In August 2005, DFW led another recapitalization of its portfolio company ClosingGuard and its wholly-owned operating subsidiary, MBH Settlement Group. MBH is the leading provider of residential real estate settlement and title services in Virginia, with a strong and expanding franchise. In the transaction, we provided liquidity for an earlier investment partnership, while re-investing from a new pool of capital to support the business going forward. Existing lender and investor Northstar Capital, also participated. In total, we have realized a nearly five-fold gain on our investment in MBH. The company is well positioned for the future, having opened or acquired seven new branch offices in the past year – a 50% increase in physical locations – making it the clear leader in the strong Northern Virginia marketplace. ClosingGuard generated revenues in excess of \$25 million in its most recent fiscal year.

In December, DFW's portfolio company Peak Medical completed its previously announced stock merger with publicly-traded Sun Healthcare Group (Nasdaq: SUNH). The merger results in a stronger combined business, with total revenues in excess of \$1.1 billion. DFW recorded a substantial gain on its initial investment in Peak, but more importantly has the opportunity to participate in the continued growth of the combined business going forward. DFW is represented on Sun's Board of Directors.

DFW also recently led the completion of two strategic add-on acquisitions for another portfolio company, Copstat Security, LLC. In December, Copstat acquired HMI Associates, a \$10 million revenues California-based security services firm. In March, Copstat closed on the acquisition of, and merger with, Advanced-Tech Security. Also based in the Los Angeles area, Advanced-Tech provides security and investigative services to clients primarily in the entertainment, mall and financial services industries in five major states, and generates in excess of \$50 million in revenues annually. In the transactions, DFW enjoyed the continued support and partnership with Meridian Ventures and Theo Capital, along with existing lender Madison Capital and new lending partner Greyrock Capital Group. The new combined company, which has been renamed Andrews International, has revenues in excess of \$100 million.

We have also recently completed two new platform investments – both serving distinctly different segments of the healthcare arena. First, we led a \$20.5 million control equity investment in the recapitalization of Tech Pharmacy Services. Headquartered in Houston and exclusively serving the long-term care industry, Tech Pharmacy is the only company providing true 24 hour-a-day, on-site, automated unit-dose pharmaceutical dispensing services using remotely operated technology. The company builds and installs an automated, multi-chamber solid-dose pharmaceutical dispensing machine through which it can remotely operate the individual patient-dose packaging, medical record and compliance needs of a nursing home. Compared with the traditional institutional pharmacy model of large centralized pharmacies and multiple delivery runs per day, Tech Pharma's approach significantly reduces administration cost, drug waste and dispensing error, while improving reporting and compliance for the heavily regulated long-term care industry. Company management and Galen Partners participated with DFW in this investment. Tech Pharma currently generates run rate revenues in excess of \$20 million.

In April, DFW closed an equity and subordinated debt investment for Alaven Pharmaceutical, an Atlanta-based acquirer, reformulator and marketer of branded prescription pharmaceuticals targeting the Ob/Gyn and Gastroenterology areas. Alaven's strategy is to acquire, co-promote, in-license and re-develop established drug therapies which have been neglected products within larger pharmaceutical companies. DFW's investment facilitated Alaven's first major product portfolio acquisition, and has positioned the company for additional future growth as it seeks to expand its franchise within its two principal therapeutic specialties. DFW was also pleased to partner with GE Capital in this transaction. Alaven's current run rate revenues are in excess of \$16 million.

DFW remains actively interested in pursuing new investment opportunities across a broad cross section of the service economy. Our investment interest, in general, falls into three distinct categories as outlined below:

#### Outsourced Business Services

- Companies providing value-added, back-office, processing and administrative related services
- Service providers driving increased efficiency, reduced client costs, best-of-breed practices
- Examples include specialized staffing, business process outsourcing, transaction processing, other niche outsourcing plays

#### Industrial Services

- Companies providing outsourcing of non-core operational functions
- Service providers focused on regulatory compliance, more efficient labor utilization, lower turnaround time or improved factory throughput
- Examples include facilities support, security, contract manufacturing, specialty distribution, maintenance, logistics and shop-floor production support

### Healthcare-Related Services

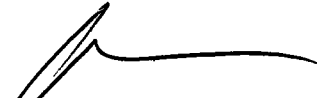
- Companies taking advantage of either shifts in value in the medical reimbursement chain or demographic trends
- Service providers successful in lowering administrative costs, increasing health provider efficiency, reducing risk or improving patient results
- Examples include specialty medical staffing, regulatory compliance services, pharmaceutical development support services, specialized distribution

DFW looks to invest between \$5 million and \$20 million in each company, and welcomes co-investments from other like-minded institutional investors to the extent investment requirements exceed this range. We look to invest primarily in “investor-controlled” situations.

We look forward to a continued dialog with all of you in the coming year.



Donald F. DeMuth



Keith W. Pennell



John F. Hindelong



Robert C. O'Leary, Jr.

**Tech Pharmacy Services, Inc.**  
pharmacy + automation + service

A leading provider of remote, unit-dose pharmaceutical dispensing services to the long-term care industry

**\$10,000,000**

Series A Participating Preferred LLC Units

The undersigned sourced, structured and led the recapitalization of Tech Pharmacy Services

DFW CAPITAL PARTNERS  
March 2006

New Investment

## DFW CAPITAL PARTNERS

Providing private equity capital to high growth middle market companies

- 23 years of partnering with operating management teams
- Focus on outsourced service companies
- Targeting companies with revenue of \$15 to \$100 million
- Buyouts, recapitalizations, growth capital
- \$5 to \$20 million investment

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Donald F. DeMuth Keith W. Pennell John F. Hindelong Robert C. O'Leary, Jr.

**ALAVEN**<sup>TM</sup>  
PHARMACEUTICAL

An acquirer, reformulator and marketer of specialty pharmaceuticals focused on the Ob/Gyn and Gastroenterology markets

**\$5,000,000**

Series A Participating Preferred LLC Units  
Subordinated Debt with Warrants

The undersigned sourced, structured and acted as lead investor in the acquisition financing for Alaven Pharmaceutical

DFW CAPITAL PARTNERS  
April 2006

New Investment

**Copstat**<sup>®</sup>  
SECURITY

A leading regional full service security services firm

has acquired

**HMI Associates, Inc.**

The undersigned sourced, structured and arranged financing for the above transaction

DFW CAPITAL PARTNERS  
December 2005

Add-on Acquisition

**Copstat**<sup>®</sup>  
SECURITY

A leading regional full service security services firm

has acquired

**Advanced Tech Security**

and has been renamed

**Andrews International, Inc.**



DFW CAPITAL PARTNERS  
March 2006

Add-on Acquisition

**MBH**  
*Settlement Group, L.C.*

A leading provider of residential real estate settlement and title insurance services

has completed a recapitalization resulting in a substantial gain for its investors

DFW CAPITAL PARTNERS  
August 2005

Portfolio Company Exit



**PEAK  
MEDICAL  
CORPORATION**

A leading regional operator of skilled nursing and assisted living facilities

has merged with publicly traded

 **Sun Healthcare Group**  
**(Nasdaq:SUNH)**

DFW CAPITAL PARTNERS  
December 2005

Portfolio Company Exit