

EDG

PARTNERS, LLC

Dear Friends of EDG,

As we've all seen, the broad market and economic changes due to the early innings of the great credit bubble unwinding have dominated the headlines and the market for the latter part of 2008 and the first half of 2009. At EDG, as we looked back on that same period, we are pleased with the stability and progress of our portfolio companies and signs that the market is becoming more attractive for the EDG model of building strong small and middle market businesses in the healthcare industry.

As we enter the summer of 2009, we wanted to give our friends an update on some of our newer portfolio companies' progress and our own continued development as a leading private equity investor in the lower end of the healthcare middle market. A couple of portfolio company snapshots follow:



Regency Healthcare Group, our hospice platform launched in 2006 in partnership with management, achieved the following milestones:

- Growing to over 1000 ADC with operations serving patients in 6 states
- Developing expansion opportunities that include 3 locations under a new CON in the Florida panhandle.
- Purchasing at an attractive price a business including a CON covering the entire state of Tennessee providing a platform for several new start locations
- Refinancing existing debt with new partners at GE Healthcare Finance and Pinnacle Bank, thereby reducing Regency's cost of capital at the nadir of the credit market earlier this year. As importantly, this credit facility provides increased flexibility to support Regency's continued growth



Gemino Healthcare Finance, the healthcare lending platform, launched in early 2007 in partnership with management and the direct capital unit of the D. E. Shaw group, achieved the following milestones:

- Receiving an Investment Grade Rating for the company's warehouse facility from DBRS
- Growing to over \$100 million in commitments with continued growth serving additional customers in the underserved healthcare asset based lending space
- Continuing to build out the Gemino brand and becoming the go-to lender for small and middle market healthcare companies and providers



HealthPro Management Services, the rehabilitation management company built on strong clinically oriented technology and leadership, launched in late 2007 in partnership with management, achieved the following milestones:

- Doubling customers served since mid-year 2008 due to the strength of HealthPro's operating model and clinical offering.
- Successfully upgrading HealthMax, the company's core technology, to .Net, creating improved reporting and integration capabilities for its clients
- Putting in place a lending facility with M&T bank, a new lending partner for EDG, to finance a seller earn out. Like Regency, HealthPro closed on this facility in the depths of the credit market tightening in Q1 09, reducing the Company's cost of capital.

On the EDG side, Chris Mottley has taken a position as the CFO of HealthPro, a fantastic opportunity for Chris and one that keeps him in the EDG family. We've augmented our staff, bringing on Justin Stark as a Vice President. Justin, a recent graduate of Vanderbilt's MBA program brings transaction execution capabilities to our team. We continue to build out our relationships on the senior executive and advisory side to augment deal flow and enhance opportunity assessment and post-closing portfolio company development.

Given the current market environment with both capital market tightening and regulatory change, we are beginning to see

opportunities that are significantly more attractive than the more frothy markets of 2006 through 2008. Entrepreneurs and executives better realize the value and benefit they receive from a team like ours; bringing to bear extensive operating experience, a deep understanding of the regulatory climate affecting their customers, and a successful track record of support in building their businesses. As a result, we have begun fundraising for EDG Partners Fund II, LP to take advantage of market opportunities and have been pleased by the positive response to date to our model and historical 6x returns.

Mindful that our historical and future success depends on the strength of our relationships, we remain committed to our investors, advisors and executives in building high quality businesses in the healthcare sector. As always, we appreciate any introductions to new firms or individuals you meet in your travels that fit the EDG model.