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## EXCELLERE PARTNERS

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### Quarterly Overview

**Dear Friends:** Despite the recent run-up in the public markets it continues to be a challenging time for many middle-market businesses. The combination of continued tight liquidity and financials that reflect a full year of deteriorating operating performance are weighing heavily on businesses across industries. Excellere is pleased to report that its portfolio companies are experiencing strong organic growth, which is allowing the Firm to pursue new platform investments and add-on acquisitions. Excellere believes now is the ideal time for middle market businesses to pursue a buy and build strategy to enhance their value propositions to customers, accelerate growth and gain market share through the economic recovery period.

During the third quarter of 2009 Excellere has been working with its portfolio companies to enhance operations; invest in infrastructure and technology; and pursue three add-on acquisitions currently under letter of intent. In addition, Excellere negotiated a merger agreement to acquire a public company in a go-private transaction that is expected to close in the fourth quarter.

Excellere is immensely grateful for your support, knowledge and trust! Specifically, Excellere values its limited partners, portfolio management partners, intermediary partners, debt financing partners, and Project Experts, all of which support Excellere's mission of building enduring value with a spirit of partnership and excellence. As we look forward to an improved business environment in 2010, Excellere remains committed to aggressively pursuing transactions within its targeted industries, while continuing to drive organic growth and add-on acquisition opportunities within its expanding portfolio.

## Excellere Industry Segments

### BUSINESS SERVICES

- ▶ Business and government outsourcing
- ▶ Business process outsourcing
- ▶ Outsourced insurance services

### EDUCATION AND TRAINING

- ▶ Postsecondary
- ▶ Specialized career training
- ▶ Testing, assessment and support services

### HEALTHCARE

- ▶ Outpatient services
- ▶ Specialty distribution and consumables
- ▶ Outsourcing services and manufacturing

### INDUSTRIAL TECHNOLOGY AND SERVICES

- ▶ Infrastructure, environmental and utility services
- ▶ Highly engineered products
- ▶ Industrial safety and maintenance

### SPECIALTY FOODS

- ▶ Ingredients, additives and flavorings
- ▶ Organic/ethnic
- ▶ Prepared foods

### INVESTMENT DYNAMICS

- ▶ \$4-20 million in EBITDA
- ▶ Majority recapitalizations with significant rollover
- ▶ Management with vision for growth and desire for partnership
- ▶ Differentiated business model with compelling customer value proposition
- ▶ Potential for customer centric buy and build consolidation

## Food Flavorings

Excellere recently completed comprehensive research and developed an investment thesis for the food flavorings niche within the broader food industry. The firm's interest in this segment is driven by a compelling value proposition, stable growth characteristics and a strong buy and build opportunity.

**Overview:** The food flavors industry is comprised of flavor chemists working to further advance the field of flavor technology based on consumer tastes and market trends. Flavor chemists create economical combinations of essential oils, synthetic and natural flavor chemicals, aroma chemicals, juices, sweeteners, fruit preparations, meat, vegetables, and spices to enhance, replicate or invent new flavor blends that are sold primarily to industrial and foodservice customers.

**Compelling Value Proposition:** The food flavorings market is driven by product innovation and the ability to develop complex and exotic flavors to meet evolving consumer preferences. Although flavoring developers' unique blends represent only a small portion of a customer's total ingredient spend, consumer research indicates that product flavor is the number one determinant of whether or not a customer will repurchase a food product - making it a low-cost, high impact purchase for food manufacturers. Leading flavor developers and manufacturers have invested in sophisticated research and development capabilities and facilities that allow them to consistently produce high quality flavorings that meet the changing taste of consumers at a lower cost than competitors. Additionally, flavorings businesses are typically able to bring new products to market more quickly than large industrial foodservice companies that develop flavors as part of their non-core operations.

**Large and Growing Sector:** Food flavors comprise approximately 38%, or \$1.7 billion, of the \$4.4 billion flavors and fragrances market, which is projected to grow at an annual rate of 3.6% to \$5.2 billion through 2012.

**Buy and Build Opportunity:** The flavorings market is comprised of a small number of large multi-national corporations representing approximately 50% share of the market with the remaining market share being highly fragmented among small, niche players. By creating scale and investing in best-in-class development capabilities, there is an opportunity to create a focused provider of unique flavorings to a broad set of end customers. Additionally, flavor development is often done in partnership with the food manufacturer, offering a strong bond with customers and barriers to competitors. This provides an excellent opportunity for Excellere to execute a customer-centric, buy and build strategy to create a best-in-class provider of unique flavorings.

Please contact David Kessenich (303) 765-2405, Matthew Hicks (303) 765-2410 or Scott Friar (303) 765-2408 to discuss the food flavorings industry further. Excellere is pleased to pay a buy-side transaction fee to any intermediary who provides an introduction that results in a closed transaction.

## The Healthcare Debate and MedExpress

With the national spotlight focused on healthcare reform, Washington continues its quest to strike a balance between expanding healthcare coverage to more Americans, while maintaining cost control over the broader system. Regardless of the specific outcomes of the current reform efforts, the future sustainability of the U.S. healthcare system will be dependent on the ability to direct patients to the most cost effective, appropriate and efficient channels of care. A large part of this effort revolves around addressing time-sensitive, episodic healthcare needs in a manner that avoids the high costs associated with emergency rooms and the delays in accessing primary care. According to a 2005 study performed by the Center for Disease Control and Prevention, 84% of all visits to the emergency rooms were for non-emergent conditions, which could have been treated in a more cost-efficient setting appropriate for episodic care, such as an urgent care center.

As one of the leaders in the urgent care sector, MedExpress Urgent Care, Excellere's first platform investment, continues to demonstrate a strong value proposition to patients, payors, and healthcare providers, while enabling significant overall cost savings to the broader healthcare system. The Company, which has grown from seven centers in June 2007, currently provides high-quality episodic healthcare in 40 centers across four states. Centered on the principals of patient experience, access and affordability, MedExpress should continue to thrive in a healthcare environment dependent on solutions to provide cost-effective delivery of quality patient care.

### Access

- ▶ 40 centers in four states, open 12 hours per day, seven days per week
- ▶ No appointments necessary with a physician always on staff
- ▶ Average time from check-in to discharge less than 45 minutes
- ▶ Broad scope of services (x-ray, splinting, IV fluids, EKGs, etc.)
- ▶ Most insurance accepted, but not required

### Affordability

- ▶ Ability to treat approximately 80%+ of patients who would otherwise visit an emergency room
- ▶ Approximately one-fourth of the cost of similar care provided in an emergency room setting
- ▶ Lower cost co-pays reduce the burden on patients

Please contact David Kessenich (303) 765-2405 or Ryan Glaws (303) 765-2404 to learn more about MedExpress Urgent Care.

## Performing a Customer Audit

An important component of Excellere's buy and build strategy is enhancing the customer value proposition at each portfolio company. A compelling and differentiated value proposition will transform a company from the perception it is merely a vendor, into becoming a valuable partner that is an integral piece of a customer's strategy, thus creating loyalty and barriers to displacement by competition. When evaluating potential investments, Excellere places as much focus on validating a company's customer value proposition as analyzing the financial performance of the business. With this in mind, Excellere believes that in addition to the annual financial audit, a similarly rigorous review or "audit" of a company's customer relationships should be performed. Excellere has partnered with the Loyalty Research Center ("LRC"), an Excellere Project Expert, to develop a process to incorporate a customer audit as part of the due diligence process as well as during the investment hold period to validate and measure the enhancements to the customer value proposition identified in the original investment thesis.

LRC has developed a scientifically validated model that shows how a company's products and services, employees and processes, as well as company image, impact customer loyalty and ultimately customer retention. LRC's hierarchical model of loyalty helps companies understand, from their customers' perspective, what it takes to drive business success. This model demonstrates how daily interactions between customers and suppliers drive overall company perceptions that lead to attitudes of loyalty (or not) and behavior. Survey questions are built around each level of the model and are designed to elicit both strategic and tactical information. Understanding how customers perceive performance on each level of the model, and measuring the relative 'quantitative' impact of each on overall scores and loyalty are the keys to identifying critical actions to take.

In addition to understanding what actions to take, the model identifies three loyalty segments: loyal, neutral and vulnerable. The loyalty metric used to build these segments has been tested over time against actual customer behavior and is the strongest indicator of the customer/provider relationship. Understanding which customers are loyal, and which ones are neutral or vulnerable, allows companies to focus on retaining their loyalty; or, in the case of the neutral or vulnerable customer segments, taking action to migrate them to higher levels of loyalty. Upward migration of customers from one loyalty segment to another will drive shareholder value in a business. The loyalty framework provides the basis for identifying which aspects of the customer relationship need to be addressed. The strength of the relationship companies have with their customers and employees, and how to improve it, are quantified and analyzed to understand the voice of customers (and employees)--and how strategic use of customer and employee feedback can drive positive behaviors.

Excellere shares LRC's passion for scientifically validating customer relationships and identifying the actions necessary to build a strong base of loyal customers. Loyal customers served by a team of dedicated and engaged employees will recommend a partner, stay with a partner, and buy more from a partner. Together, the customer loyalty and value proposition validated in the customer audit will be demonstrated by the growth in the financial audit.

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## Overview of Excellere Portfolio Companies

### COMPANY



### DESCRIPTION

**Acquisition Solutions** provides outsourced support, advisory, training and productivity-enhancing tools to a diverse cross-section of federal clientele including civilian, defense and homeland security agencies.

### ACQUISITION STRATEGY

Seeking government acquisition consulting groups, staff augmentation firms and training providers.



**Advanced Pain Management** operates interventional pain medicine ambulatory surgery centers (“ASC”) and provides management and operational services to medical care clinicians at locations in the Midwest.

Seeking interventional pain management ASCs and physician groups desiring to join a highly scalable service platform.



**Javelin Learning Systems, Inc.** is a for-profit, postsecondary education institution located in Atlanta, GA and is one of the region's leading providers of allied health education services.

Seeking acquisition opportunities that accelerate its geographic and program expansion, particularly institutions with an emphasis in health and wellness programs.



**MedExpress** is a leading provider of outpatient urgent care services. The Company provides high-quality urgent care (including digital X-ray, laboratory work, EKGs, IV therapy, and minor surgery) in Colorado, Florida, Pennsylvania and West Virginia.

Seeking other urgent care or “walk-in” clinics within existing and new markets.

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