

Sunrise Medical Inc.

Executive Summary

On December 6, 2000, an investment group led by Vestar Capital Partners IV, L.P. ("Vestar") and Park Avenue Equity Partners, L.P. (the "Investor Group") invested in the management buyout of publicly-traded Sunrise Medical Inc. ("Sunrise" or the "Company"). The total enterprise value of \$365.4 million represents a multiple of 6.9x pro forma FY2000 (ended June 30, 2000) EBITDA of \$53.3 million and 5.5x projected FY2001 (ended June 30, 2001) EBITDA of \$68.9 million. The Investor Group invested \$162.6 million in the Company, of which Vestar invested approximately \$122 million, in a combination of preferred and common equity for a 76.0% fully-diluted common equity ownership stake.

Business Description

The Company designs, manufactures, and markets medical products that address the recovery, rehabilitation, and respiratory needs of the elderly and disabled. The Company has a portfolio of leading branded products, primarily serving the home care market, including: (i) mobility products, such as custom manual and power wheelchairs and related seating systems, (ii) respiratory products, such as compressor nebulizers and oxygen concentrators, (iii) personal care products, such as walkers, crutches and bath safety products, (iv) augmentative speech devices, and (v) beds.

Investment Merits

- **Large Portfolio of Brands with Leading Market Shares.** Sunrise maintains the number one or two global market position in its targeted business segments. The Company achieved its market leading positions through its strong brands, product line depth, and reputation for manufacturing high-quality, innovative products. The Company's leading brands include Quickie®, Breezy®, Sopur®, Devilbiss®, Guardian®, Hoyer®, and DynaVox®.
- **Strong Customer Loyalty.** The Company's reputation for manufacturing high quality, innovative products coupled with its commitment to customer service has resulted in strong customer loyalty. The Company has meaningful relationships with many of the major dealers in the home care industry including McKesson, Apria Healthcare, and National Seating & Mobility.
- **Significant Cost Savings Opportunity.** The Company has identified specific efficiencies and savings associated with (i) headcount and other operating expense reductions, (ii) direct labor and overhead reductions, (iii) material sourcing and procurement improvements, and (iv) consolidation of distribution facilities. In total, these identified initiatives are expected to result in annual savings of approximately \$31.0 million by the fourth quarter of Fiscal 2002.
- **Favorable Demographics.** According to the U.S. Census Bureau, the elderly population (65+ years) will double by 2030 to approximately 70 million, representing one in five Americans. In addition, increasing life expectancy and a higher incidence of chronic disease will continue to drive demand for home care medical equipment.
- **Shift Towards Home-based Health Care.** Key drivers creating a shift towards home-based healthcare include: the expansion of managed care, the constraints of the healthcare reimbursement system, the preference among most adults to recover from accidents and illnesses in their homes, and the cost-effective nature and improved patient responsiveness to home-based healthcare.
- **Experienced and Committed Senior Management Team.** The senior management team of the Company is led by Michael Hammes (who became CEO in February 2000), a two-year Sunrise board member who has overseen and successfully completed significant cost reduction and top line enhancement initiatives at several leading consumer durable and manufacturing companies. Supporting Mr. Hammes is a management team that has significant experience in consumer durable industries. In addition, the senior management team has demonstrated their commitment to the business by investing \$6.4 million into the transaction.

Pro Forma Financial Summary¹ (\$ in millions)

	FY 2000	LTM 12/31/00E	FY 2001P	Valuation Multiples (\$ in millions)	
Revenue	\$626.0	\$626.5	\$626.0	Total Enterprise Value	\$365.4
EBITDA (reported)	\$53.3	\$60.6	\$68.9	TEV / FY 2000 EBITDA	6.9x
EBITDA (period-end run-rate)	\$53.3	\$69.2	\$76.1	TEV / FY 2001P EBITDA	5.5x

Sources and Uses of Funds (\$ in millions)

Sources		Uses	
Senior Debt	\$173.4	Purchase Common Equity	\$239.0
Rollover Debt	9.2	Repayment of Existing Debt	121.3
Senior Subordinated Notes	40.0	Rollover Debt	9.2
Preferred Equity Units	105.0	Transaction Costs	22.1
Common Equity Units	64.0		
Total Sources	\$391.6	Total Uses	\$391.6

Post-closing Capitalization and Credit Statistics (\$ in millions)

	Amount	% of Total		
Senior Debt, net of cash ²	\$178.6	46.1%	LTM 12/31/00E EBITDA (run-rate) / P.F. Int. Exp.	2.4x
Senior Subordinated Notes	40.0	10.3	Senior Debt / LTM 12/31/00E EBITDA (run-rate)	2.6x
Preferred Equity Units	105.0	27.1	Total Debt / LTM 12/31/00E EBITDA (run-rate)	3.2x
Common Equity Units	64.0	16.5		
Total Capitalization	\$387.6	100.0%		

¹ Fiscal years ending June 30.

² Net of \$4.0 million of cash on hand.

Transaction Summary

On December 6, 2000, an investment group led by Vestar Capital Partners IV, L.P. ("Vestar") and including Park Avenue Equity Partners, L.P. (the "Investor Group") invested in the management buyout of publicly-traded Sunrise Medical Inc. ("Sunrise" or the "Company"). The Company designs, manufactures, and markets medical products that address the recovery, rehabilitation, and respiratory needs of the elderly and disabled. The Company has a portfolio of leading branded products, primarily serving the home care market, including: (i) mobility products, such as custom manual and power wheelchairs and related seating systems, (ii) respiratory products, such as compressor nebulizers and oxygen concentrators, (iii) personal care products, such as walkers, crutches and bath safety products, (iv) augmentative speech devices, and (v) beds.

Sunrise was formed through a build-up strategy under the direction of Dick Chandler, the Company's founder and former CEO. Chandler pursued acquisitions of medical equipment companies with leading brands in their respective markets, with the Company completing over 50 acquisitions since inception in 1983. Although the acquisitions strengthened the Company's product offerings and provided a broad, international distribution network, Chandler did not integrate the acquisitions into a unified company. Over time, Sunrise experienced below industry level operating margins and an eventual sagging stock price. In 1999, Sunrise's board of directors chose not to continue Chandler's build-up strategy, leading to his resignation. Subsequently, the board of directors hired Michael Hammes, a Sunrise board member since 1998, to lead the Company.

Hammes and the senior management team have developed a Cost Savings Program (as defined herein) that they believe will achieve over \$31 million in annual cost savings over the next two and one-half years. The Cost Savings Program rationalizes engineering, selling, general and administrative expenses, consolidates and reorganizes manufacturing and distribution operations, and unifies MIS operations onto a consistent platform. In addition to the Cost Savings Program, management has identified a series of initiatives that will revitalize the Company's product line and improve top line growth.

The buyout price of \$10.00 per share for the Company's common stock represented a 55% premium to the stock price as of October 16, 2000 (the date of announcement of the transaction) and an implied total enterprise value of \$365.4 million. The total enterprise value represents a multiple of 6.9x pro forma FY2000 (ending June 30, 2000) EBITDA of \$53.3 million and 5.5x projected FY2001 (ending June 30, 2001) EBITDA of \$68.9 million. The Investor Group invested \$162.6 million in the Company, of which Vestar invested approximately \$122 million, in a combination of preferred and common stock for a 76.0% fully-diluted common equity ownership stake. The senior management team invested \$6.4 million for an initial 10% ownership stake and will have the opportunity to increase their stake up to approximately 20% through a time-based and performance-based incentive plan. Additionally, holders of the senior subordinated notes will own 4% of the Company on a fully-diluted basis. The Investor Group's projected 5-year IRR on its investment is approximately 25%.

Home Care Industry

Home care is any type of assistance provided to an individual in his or her residence (as opposed to a nursing home or other institutional setting) because of the individual's physical inability to perform certain tasks owing to a physical or mental disability. The U.S. home care market is approximately \$42.4 billion in size of which approximately \$1.8 billion³ is related to durable medical equipment ("DME") and respiratory products. The home care market today benefits from several trends: (i) an increasing number of elderly with increasing life expectancy, (ii) growth in non-Medicare insurance alternatives, which provide less risk than insurance plans contingent on government regulation and offer future opportunities as providers continue to promote and expand their home care coverage plans, (iii) increasing technological and disease management capabilities that have made home care a safe and viable healthcare delivery option, and (iv) the economic and social preferences for medical treatment to be undertaken at home or in non-acute care environments.

The home care market consists of four broad segments: (i) durable medical equipment, (ii) respiratory products, (iii) infusion products, and (iv) rehabilitation services. The Company primarily operates in the durable medical equipment and respiratory products markets.

Durable Medical Equipment. The home care durable medical equipment market consists of (i) wheelchairs and scooters, (ii) commode and shower chairs, (iii) ambulatory aids, which include walkers, canes and crutches, (iv) patient lifts, (v) rehabilitation equipment, and (vi) specialty beds and support systems.

Revenue in 1999 for the U.S. home care durable medical equipment market totaled \$1.2 billion and is expected to grow at 7.3% per annum. DME products currently account for approximately 60% of the market for home care product revenue. Shares for the key DME product segments in 1999 were as follows: wheelchairs and scooters (35%), ambulatory aids (15%), rehabilitation equipment (13%) and specialty beds and support systems (37%). There are over 100 manufacturers operating in this segment with no single company currently competing in all product areas. Sunrise and Invacare (NYSE – IVC) are the preeminent players in this market with a combined share of nearly 50% in both the wheelchairs/scooters and ambulatory aid segments. The next most significant competitor has only a 10% share of the overall market.

Demand for home care durable medical equipment is driven by a number of key factors including: (i) shorter days of stay in acute care settings, (ii) increased care for patients at home, and (iii) increased risk and incidence of serious injuries associated with high-risk sporting activities.

Respiratory Therapy. The home care respiratory equipment market consists of (i) oxygen concentrators, (ii) liquid oxygen systems, (iii) compressed gas cylinders, (iv) oxygen conservers, (v) regulators, (vi) ventilators, (vii) Continuous Positive Airway Pressure devices, or CPAPs, and (viii) nebulizers. Oxygen system products, ventilators, CPAPs, and nebulizers represent 57%, 5%, 26% and 11%, respectively, of revenue in the respiratory equipment market.

Revenue in 1999 for the U.S. home care respiratory equipment market totaled \$578 million and is expected to grow at 8.4% per annum. The highest growth product segments are ventilators and CPAPs with expected annual growth rates of 13.5% and 16.1%, respectively. The home care respiratory equipment market has a significant

³ Does not include institutional market revenue of approximately \$460 million.

recurring revenue base through supplemental and replacement product sales due to the chronic nature of respiratory illnesses. Over 40 companies operate in one or all of the product lines within this market with leading companies including Tyco, Invacare, Respironics, and ResMed. Sunrise maintains the leading position in the nebulizer/compressor market with a 30% share and also maintains a 13% share of the oxygen systems market.

Assistive Technology. Assistive technology ("AT") devices accommodate certain disabilities (principally speech, vision and hearing impairment) by improving the patient's quality of life. For example, an AT device might enable a person with a speech disorder due to cerebral palsy, autism, multiple sclerosis or stroke to speak. With the advances in technology and increases in federal legislation promoting the quality of life for the disabled, the need for appropriate assistive technology devices for certain disabilities is becoming more pronounced. Growth estimates for the overall assistive device industry range from 10% to over 20% per year, as the gap between the total number of individuals with disabilities and those utilizing assistive technology devices narrows.

The Company is currently participating in the Augmentative and Alternative Communication ("AAC") segment of the assistive technology market. AAC devices enable non-speaking individuals to input commands into an electronic device, which uses sophisticated language software to convert these instructions into a life-like computer synthesized voice.

The AAC market in the U.S. is estimated at \$50 to \$75 million and serves 1.0 to 1.5 million individuals. Although the current penetration rate in the U.S. AAC segment is low, with a small number of eligible users having access to an AAC device, penetration is expected to increase as Medicare has recently agreed to begin funding the purchase of these devices. Currently, with \$20 million in product sales, the Company commands a leading position in the U.S. AAC market. The international market for these devices, which is significantly underdeveloped relative to the United States, may be significant in future years.

Institutional. The institutional business consists of the sale, rental, service, and support of patient care products including beds and furniture, for the acute, long-term, and ambulatory care settings. These products are typically sold and leased directly to hospitals and long-term care facilities.

During the past decade, the institutional business expanded rapidly with the growth in long-term care institutions. Medicare reimbursement reductions of 15-20% over the past three years, however, resulted in a number of bankruptcies of service providers, and severe financial and operational challenges for the remaining long-term care and nursing home providers. The Balanced Budget Refinement Act of 1999 (BBRA), which provided \$2.6 billion of relief to long-term care facilities, is expected to help strengthen demand for institutional products. The market is currently estimated to be \$460 million and growing at 9.5% per year.

Three companies capture the majority of this segment, led by Hillenbrand (24%), Kinetic Concepts (18%), and Gaymar (15%).

The Company

Founded in 1983 and based in Carlsbad, California, Sunrise is one of the largest home care medical equipment manufacturers in the world. The revenue breakdown of the Company's portfolio of leading global products is detailed below.

	Pro Forma Fiscal 2000 Sales	Percent of Total
	(\$ mm)	
Mobility Products	\$278	44%
Home Respiratory Products	118	19
Personal Care Products	145	23
Augmentative Speech Devices	22	4
Beds	63	10
Total	<u>\$626</u>	<u>100%</u>

Opportunities. The markets in which Sunrise competes are growing at attractive rates. Accordingly, a portion of management's plans for the Company involves increasing revenue across product lines through price increases and unit volume growth. However, profit improvement over the next two and one-half years is driven by a program to rationalize the Company's administrative, manufacturing and distribution infrastructure. This program is expected to result in \$31.0 million of annual savings by the fourth quarter of Fiscal 2002 (the "Cost Savings Program"). The Cost Savings Program can be divided into the following categories:

- **Headcount and other operating expense reductions.** From 1983 to 2000 the Company completed 52 acquisitions, which were not integrated, resulting in a high cost structure compared to industry peers. As a result, there are numerous duplicative administrative functions in the Company's research and development, finance, sales and marketing areas.
- **Direct labor and overhead reductions.** All European operations have recently transitioned from reporting to separate entities to reporting to a single unified group. As a result, the Company will implement the same manufacturing practices previously implemented in Germany at the Company's U.K. manufacturing facility resulting in direct labor and overhead savings. In addition, the Company has identified three small U.S.-based manufacturing operations that will be moved to lower cost locations resulting in cost savings from reductions in labor and lease rates.
- **Material sourcing and procurement.** The Company has identified low-cost Asian sources for a portion of its standard materials and components. Including shipping expenses, the sourcing of materials from Asian vendors represents significant savings versus the Company's current sources. Furthermore, management has identified additional material sourcing and procurement savings which will be implemented after Fiscal 2002 and which need to be met for management to achieve 100% of their incentive-based equity grants.
- **Consolidation and rationalization of distribution operations.** The Company intends to close two distribution facilities in the U.S. and convert two distribution facilities in Europe to sales operations. These actions will optimize the Company's distribution infrastructure resulting in significant freight savings.

While the Cost Savings Program is the primary near term focus of the management team, Sunrise has identified two avenues for future top line growth: (i) focusing on faster growing market segments; and (ii) leveraging its core competencies to introduce new products into existing markets.

Sunrise's leading branded products, global distribution network, and continuous product innovation provide the Company with a strong position in the home care medical equipment industry – a market that is expected to grow at 6-8% per year. At the high end of the industry's growth, with a 16% growth rate, are CPAPs that target a growing population that suffers from sleep apnea. Other opportunities exist to penetrate additional markets within the home care medical equipment industry through investment in standard wheelchairs (non-custom, commodity wheelchairs such as hospital wheelchairs), and home care beds. In addition, Sunrise's fastest growing segment, DynaVox, which develops and manufactures devices that enable non-speaking individuals to communicate, provides a platform for strategic acquisitions in the AT segment. As discussed above, the AT market has extremely favorable investment characteristics such as a low market penetration rate, high market fragmentation, and a double-digit growth rate. Investment opportunities span numerous AT segments including products to help the blind and vision impaired population.

Investment Merits

Large Portfolio of Brands with Leading Market Shares. Sunrise is a global leader in the design and manufacture of home care medical equipment products used by the disabled and the elderly. The Company maintains the number one or two global market position in its targeted business segments. The Company achieved its market leading positions through its strong brands, product line depth, and reputation for manufacturing high-quality, innovative products. Sunrise markets its products under well known brands including Quickie®, Breezy®, Sopur®, DeVilbiss®, Guardian®, Hoyer®, and DynaVox®.

Strong Customer Loyalty. The Company's reputation for manufacturing high quality, innovative products coupled with its commitment to customer service has resulted in strong customer loyalty. The Company has meaningful relationships with many of the major dealers in the home care industry including McKesson, Apria Healthcare, and National Seating & Mobility. The Company's relationships are further strengthened by the Company's ability to manufacture customized products with short lead times.

Significant Cost Savings Opportunity. The Company will realize significant cost reductions as a result of streamlining and optimizing its administrative, manufacturing and distribution infrastructure. In particular, the Company has identified specific efficiencies and savings associated with (i) headcount and other operating expense reductions, (ii) direct labor and overhead reductions, (iii) material sourcing and procurement improvements, and (iv) consolidation of distribution facilities. In total, these identified initiatives are expected to result in annual savings of approximately \$31.0 million by the fourth quarter of Fiscal 2002.

Favorable Demographics. Several favorable demographic trends will drive growth in the domestic home care medical equipment industry. According to the U.S. Census Bureau, the elderly population (65+ years) will double by 2030 to approximately 70 million, representing one in five Americans. In addition, increasing life expectancy and a higher incidence of chronic disease will continue to drive demand for home care medical equipment.

Shift Towards Home-based Health Care. The expansion of managed care and the constraints of the healthcare reimbursement system have forced hospitals to shorten patient stays and increase discharge rates, resulting in an increase in home-based healthcare. Further increasing this trend towards home-based healthcare is the preference among 70% of adults to recover from accidents and illnesses in their homes. The cost effective nature of home-based healthcare coupled with the associated

greater patient independence and improved patient responsiveness to treatment are also key drivers of this shift towards home-based healthcare.

Experienced and Committed Senior Management Team. The senior management team of the Company is led by Michael Hammes (who became CEO in February 2000), a two-year Sunrise board member who has overseen and successfully completed significant cost reduction and top line enhancement initiatives at leading consumer durable and manufacturing companies including Guide, The Coleman Company, Black & Decker, Chrysler, and Ford. Supporting Mr. Hammes is a management team that has significant experience in consumer durable industries. In addition, the senior management team has demonstrated their commitment to the business by investing \$6.4 million into the transaction.

Potential Risk Factors

Execution Risk of Cost Savings Program. The Company's Cost Savings Program is a dramatic and complex initiative to cut costs and realign the Company's operations. Management may find that certain cost savings may be difficult to realize or take longer to achieve than currently anticipated. In addition, the global consolidation of certain common functions and relocation of facilities may result in temporary disruptions to business operations and new product development.

MIS Implementation. The Company currently operates on several disparate MIS platforms. In connection with the Cost Savings Program, the Company plans to install new enterprise resource planning systems and information technology infrastructure to manage better its business and simplify and improve processes on a global basis. A successful implementation of a Company-wide MIS platform is critical to achieving a significant portion of the Cost Savings Program.

Financial Instability and Consolidation of Customer Base. In the United States, the Company primarily utilizes a network of independent, home health care dealers to distribute its products to home health agencies. These customers are susceptible to regulatory and reimbursement pressures which may adversely impact their businesses. For example, the financial impact of the BBA caused 2,800 home health agencies to leave the industry. Sunrise, however, has a well-diversified customer base with its largest customer representing approximately only 2% of sales.

Unpredictable Reimbursement and Political Environment. Although the current regulatory environment surrounding the home care medical equipment industry is favorable, the political nature of Medicare reimbursement rates always adds uncertainty to the reimbursement outlook.

Summary Financial Information

Due to the series of failed cost reduction initiatives under prior management (a 3-year re-engineering plan was instituted in 1995 during which the Company incurred costs of approximately \$65 million), the Company's recent financial performance and current cost structure may not be the best indication of the future performance of the Company. Detailed below is the Company's historical operating performance as well as the Company's projection for fiscal year 2001.

(\$ mm)	Fiscal Year Ended June 30,			
	1998	1999	2000PF	2001P
Revenues	\$657.2	\$660.2	\$626.0	\$626.0
% Growth	(2.0%)	0.5%	(5.2%)	0.0%
Gross Profit	\$205.5	\$199.5	\$193.7	\$196.4
% Margin	31.3%	30.2%	30.9%	31.4%
EBITDA (as reported)	\$52.7	\$45.2	\$53.3	\$68.9
% Margin	8.0%	6.8%	8.5%	11.0%
Incremental Annualized Cost Savings Achieved in Period	\$0.0	\$0.0	\$0.0	\$7.2
Period-end Run-rate EBITDA	\$52.7	\$45.2	\$53.3	\$76.1
% Margin	8.0%	6.8%	8.5%	12.2%
Capital Expenditures	\$16.5	\$15.8	\$16.3	\$25.4

Sources and Uses of Funds

Sources	Amount (\$ mm)	Uses	Amount (\$ mm)
Revolver ¹	\$8.4	Purchase Common Equity ²	\$239.0
Term Loan A	40.0	Repayment of Existing Debt ³	121.3
Term Loan B	125.0	Rollover Existing Debt	9.2
Rollover Existing Debt	9.2	Transaction Costs	22.1
Senior Subordinated Notes	40.0		
Preferred Equity Units ⁴	105.0		
Common Equity Units (Investor)	57.6		
Common Equity Units (Management)	6.4		
Total Sources	\$391.6	Total Uses	\$391.6

¹ Total availability of \$50.0 million. Excludes \$4.0 million of cash on hand at closing.

² Assumes 22.4 million shares outstanding purchased at \$10.00 per share, plus net options purchased.

³ Net of excess cash on balance sheet of \$2.6 million. Includes prepayment penalties and accrued interest associated with debt.

⁴ Preferred equity units contributed by the Investor Group are non-cash pay and accrete at a rate of 12.75%.

Pro Forma Capitalization and Credit Statistics

	Amount <i>at Closing</i> (\$ mm)	% of Total
Revolver, net of cash ¹	\$4.4	1.1%
Term Loan A	40.0	10.3
Term Loan B	125.0	32.3
Rollover Existing Debt	9.2	2.4
Total Senior Debt	178.6	46.1
Senior Subordinated Notes	40.0	10.3
Total Debt	218.6	56.4
Investor Group PIK Preferred Units	105.0	27.1
Investor Group Common Units	57.6	14.9
Management Common Units	6.4	1.6
Total Equity	169.0	43.6
Total Capitalization	\$387.6	100.0%
LTM 12/31/00E Run-rate EBITDA (\$69.2) / P.F. Interest Expense (\$29.1)		2.4x
Senior Debt / LTM 12/31/00E Run-rate EBITDA (\$69.2)		2.6x
Total Debt / LTM 12/31/00E Run-rate EBITDA (\$69.2)		3.2x

¹ Net of \$4.0 million of cash on hand.

Valuation

Total Enterprise Value ¹	\$365.4 million
As a Multiple of:	
FY 2000 Sales (\$626.0 mm)	0.6 x
FY 2000 Reported EBITDA (\$53.3 mm)	6.9 x
FY 2000 Reported EBITDA less Capex (\$16.3 mm)	9.9 x
LTM 12/31/00E Sales (\$626.5 mm)	0.6 x
LTM 12/31/00E Run-rate EBITDA (\$69.2 mm)	5.3 x
FY 2001P Sales (\$626.0 mm)	0.6 x
FY 2001P Reported EBITDA (\$68.9 mm)	5.3 x
FY 2001P Run-rate EBITDA (\$76.1 mm)	4.8 x

¹ Excludes transaction costs of \$22.1 million.

Pro Forma Ownership

	Fully-diluted Common Equity Ownership
Investor Group Common Equity Units	76.0%
Senior Subordinated Noteholder Warrants	4.0
Management Common Equity Units	8.4
Subtotal	88.4
Management Incentive Units	11.6
Total	100.0%

Due Diligence Process

Since February 2000, teams from Vestar and Park Avenue have conducted business and financial due diligence, including meeting with members of Sunrise's senior management on several occasions and touring several facilities. In addition, the Investor Group relied on the input of outside advisors with respect to the business, financial, regulatory, and legal issues facing the Company.

The Investor Group's (i) legal due diligence and contract negotiations were led by Simpson Thacher & Bartlett; (ii) accounting and tax due diligence and transaction structuring was led by Deloitte & Touche; (iii) environmental due diligence was conducted by Environ; and (iv) benefits and insurance due diligence was conducted by AON. With respect to the Company's strategic positioning and anticipated Cost Savings Program, Bain & Company evaluated and provided a detailed analysis of management's Cost Savings Program and conducted interviews with a number of the Company's customers. Furthermore, McDermott, Will & Emery served as special counsel regarding Medicare reimbursement and regulatory issues.

Conclusion

Sunrise represents an attractive opportunity for Vestar to invest in a global leader in an attractive market. The Company is one of the two largest manufacturers in the world of home medical equipment - a market that is experiencing attractive growth and has favorable prospects. In addition, Management's extensive industry and cost saving experience, coupled with their significant cash equity investment, are important attributes to the investment.

If you have questions, please feel free to call Jim Elrod at (212) 351-1609 or Steve Silver at (212) 351-1615.