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**Arsenal Capital Partners Acquires Source Refrigeration & HVAC, Inc.**

LOS ANGELES, CA – January 8, 2007 – Source Refrigeration & HVAC, Inc. (“Source”) announced today that it has been acquired by Arsenal Capital Partners, a New York-based private equity firm that invests in middle-market manufacturing and services companies. Arsenal acquired Source from Valor Equity Management and Denargo Capital LLC. Source’s management will continue to own a meaningful stake in the company.

Source is the leading independent provider of commercial refrigeration services in North America, serving customers in 12 contiguous Western states. Source’s unique expertise in complex commercial refrigeration systems has enabled it to develop substantial long-term relationships with the nation’s top supermarket chains and many of the largest convenience and retail food companies.

“Source has all of the characteristics we look for in an investment, including being a market leader in its niche, having highly recurring revenues, complexity and technical expertise in their offering, and an excellent growth profile,” commented Terrence Mullen, Managing Director of Arsenal Capital Partners. “We are excited to work with Brad Howard and his team to continue to build upon Source’s impressive heritage of growth.”

“We have been very pleased to work closely with the principals of Valor and Denargo who helped us achieve strong growth and expand our service offering and geographic footprint,” said Brad Howard, President and CEO of Source. “We are excited to now become a member of the Arsenal Capital portfolio of companies. We believe Arsenal has the expertise and resources to enable us to continue our profitable growth across the US. As we grow, our customers will benefit from a broader regional and national footprint, an expanded variety of service offerings, and a greater technical capacity and support.”

Equity financing for the transaction was provided from Arsenal Capital Partners’ \$500 million Fund II. Debt financing for the transaction was provided by Dymas Capital Management, L.L.C and Audax Mezzanine.

William Blair & Company was financial advisor and McKenna Long & Aldridge LLP was legal advisor to Source, Valor Equity Management and Denargo Capital on this transaction. Proskauer Rose LLP was legal advisor to Arsenal Capital Partners.

**About Arsenal Capital Partners**

Arsenal Capital Partners is a New York-based private equity firm that makes control investments in specialty manufacturing and service companies. Arsenal invests where it has substantial prior experience as well as broad operating and functional expertise that can support management teams to drive growth and improve productivity. Arsenal targets investments in growing, niche market leading companies in the specialty manufacturing & services, specialty materials, aerospace & defense, and healthcare industries. The firm currently has \$800 million of committed equity capital. For additional information on Arsenal Capital Partners please visit [www.arsenalcapital.com](http://www.arsenalcapital.com).

### **About Valor Equity Management**

Valor Equity Management is a private equity investor based in Chicago, Illinois. Valor Equity Management formed Valor Equity Partners L.P. to act as lead equity investor focused on investing in manufacturing and service companies in the lower middle-market. Valor Equity Partners, L.P. is a Small Business Investment Company licensed by the U.S. Small Business Administration. Valor acts as the general partner of Valor Equity Partners L.P., a \$120 million fund. The members of Valor have consistently focused on the lower middle-market and collectively possess over 65 years of investing experience. For additional information please visit [www.valorep.com](http://www.valorep.com).

### **About Denargo Capital LLC**

Denargo Capital LLC is a private equity investor based in Colorado. Denargo Capital LLC makes direct investments in private businesses where it acts as a catalyst to increase value and liquidity. It invests in management buyouts, re-capitalizations, industry consolidations and growth situations. Denargo Capital LLC (formerly Tamarac Capital LLC) was formed by principals from BACE Capital Partners and Rocky Mountain Capital Partners. Prior to forming Denargo, the principals were active in corporate finance and private equity for more than 20 years. For additional information please visit [www.denargocapital.com](http://www.denargocapital.com).

### **About Dymas Capital Management**

Dymas Capital was formed in April 2002 by affiliates of Cerberus Capital Management, L.P. and several former senior professionals from GE Capital's Merchant Banking Group and Heller Financial's Corporate Finance Group. Dymas provides senior, junior secured, mezzanine and equity capital financing with a focus on the middle market.

### **About Audax Mezzanine**

Audax Mezzanine is a middle market mezzanine lender based in New York that provides subordinated debt and junior capital securities to support leveraged and management buyouts, acquisition financings, recapitalizations and growth financings. Audax Mezzanine manages over \$1.1 billion of investment capital. For additional information on Audax Mezzanine, please visit [www.audaxgroup.com](http://www.audaxgroup.com).

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