For Immediate Release

US HealthWorks Reels In $150M Debt, $25M Equity For New Acquisitions

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U.S. HealthWorks Medical Group has raised $175 million in a combination financing package to support an aggressive acquisition strategy and provide an exit to longtime investor Salix Ventures.

The financing, which closed on Jan. 15, included $150 million, composed of first and second secured credit facilities worth $100 million and $25 million respectively, and a $25 million revolving line of credit. That capital was provided through a lending group led by GE Capital Healthcare Financial Services and Silver Point Finance.

The fund-raising also included $25 million in new equity provided by existing investors Altaris Capital Partners, Three Arch Partners and Daniel D. Crowley, chairman and chief executive of U.S. HealthWorks. Previous investor Altaris purchased Salix's ownership in addition to its new capital contribution, Crowley said, in what should provide a "great" return.

Salix, which did not return a call for comment, first invested in U.S. HealthWorks in 2001.

The new deal refinances U.S. HealthWorks' 2006 leveraged buyout, valued at $185 million. Companies have been seeking to take advantage of improving credit markets in the last six months, said Bob McCarrick, senior managing director of GE Capital Healthcare Financial Services, which represents a group of banks and institutional funds.

U.S. HealthWorks' new fund-raising is aimed at providing the company with fresh capital for acquisitions, Crowley said. U.S. HealthWorks, which operates 155 occupational health centers nationally, has closed on about 26 new locations in the last 18 months. The new funds should enable the company to continue that pace, with plans to add 35 new centers a year for the next two years.

The occupational health center market is ripe for this kind of consolidation as independent physician owners of centers increasingly look for acquirers when planning to settle their estates, Crowley said.

"The down economy is spurring more people to become a seller," Crowley said. "That spurred me to raise more money to become a consolidator."

In taking an independent center into its network, U.S. HealthWorks brings certain advantages, Crowley said, by saving costs through access to a larger corporate infrastructure and making it more affordable to add services by sharing specialists among various locations. That can result in new clients, growth that could result in a 15% field margin rising to almost 30% in less than a year, Crowley said.

U.S. HealthWorks was cash flow positive, with earnings before interest, taxes, depreciation and amortization up 20% in November from previous years, Crowley said. The company will likely consider new funding alternatives starting in 2011.

"Some would say that this is a company that could and would explore an IPO," Crowley said. "I don't envision us doing that in the near term. We would like to grow it and demonstrate our platform for awhile."

Three Arch Partner Wilf Jaeger credited Crowley for coming on and rejuvenating the company after its 2001 merger with HealthSouth's occupational medicine division proved more difficult than expected. Like Crowley, Jaeger sees potential for an eventual IPO or corporate acquisition in the company's future.

"When we looked at this company we decided there was considerable upside from where we are now," Jaeger said of the decision to participate in this transaction. Three Arch led the company's 2001 investment that also brought Salix on board.

U.S. HealthWorks plans to focus most of its expansion into existing state markets in Alaska, Arizona, California, Florida, Georgia, Indiana, Maine, New Jersey, North Carolina, Ohio, Pennsylvania, South Carolina, Texas and Washington. U.S. HealthWorks could close on eight new locations in the next two weeks, according to Crowley, including three centers in Arizona, three in southern California and two in northern California.

Salix General Partner David Ward has stepped down from U.S. HealthWorks' board.

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