



Q1 2014 REHABILITATION INDUSTRY UPDATE

| Private Equity Firm | Portfolio Company | Investment Date |
|---------------------------------------|---|-----------------|
| CI Capital Partners, InTandem Capital | Physical Therapy Network | 2013 |
| New Harbor Capital | PT Solutions | 2013 |
| 3 Rivers Capital | Phoenix Rehabilitation and Health Services | 2013 |
| Colchester Capital | Continuum Rehabilitation | 2013 |
| Post Capital Partners | Invo HealthCare Associates | 2013 |
| KRG Capital Partners | ATI Physical Therapy | 2012 |
| Glencoe Capital | Encore Rehabilitation Services | 2012 |
| GS Capital Partners | Drayer Physical Therapy Institute | 2012 |
| Court Square Capital | Physiotherapy Associates | 2012 |
| Shore Capital | Michigan Rehabilitation Services & Excel Rehabilitation Specialists | 2012 |
| Silver Oaks Capital | Physical Rehabilitation Network | 2012 |
| ABS Capital Partners | Athletes' Performance | 2012 |
| Great Point Partners | Professional Physical Therapy | 2011 |
| OMERS PE | Accelerated Rehab Centers | 2011 |

NOTEWORTHY TRANSACTIONS

| Month | Acquirer | Target Company | Details |
|---------------|---------------------------------------|---|--|
| March 2014 | NextImage Medical | WorkWell | NextImage Medical, backed by Chrysalis Ventures, acquired WorkWell, a provider of physical and occupational rehabilitation training focused on illness treatment and prevention solutions to the workforce. Financial terms of the transaction were not disclosed. |
| March 2014 | ATI Physical Therapy | Ocoee Physical Therapy | ATI Physical Therapy acquired Ocoee Physical Therapy to bring its total locations in Tennessee to eight. Financial terms of the transaction, which is ATI's first of the year, were not disclosed. |
| March 2014 | U.S. HealthWorks | Occupational Care Consultants and Therapy Works | U.S. HealthWorks acquired Occupational Care Consultants and Therapy Works, a provider of occupational care and physical therapy from four locations in Ohio. Financial terms of the deal were not disclosed. |
| March 2014 | Professional Physical Therapy | Gold Coast Physical Therapy | Professional Physical Therapy, a portfolio company of Great Point Partners, has acquired Gold Coast Physical Therapy for an undisclosed sum. Gold Coast Physical Therapy operates with four outpatient locations in Suffolk County, NY. |
| February 2014 | CI Capital Partners, InTandem Capital | Physical Therapy Network | CI Capital Partners and InTandem Capital announced the recapitalization of Physical Therapy Network, a 51 location outpatient physical therapy provider with locations in MD, DE, VA, WV, PA, NY and Washington D.C. The Company operates under clinic names including Maryland SportsCare & Rehab as well as Professional SportsCare & Rehab. Although the deal was announced in February, it originally closed in Q4 2013. |
| January 2014 | Physical Rehabilitation Network | RehabAuthority | Physical Rehabilitation Network (PRN), a portfolio company of Silver Oak Services Partners, completed the recapitalization of RehabAuthority. RehabAuthority is a 15 clinic outpatient PT practice with locations in Idaho and North Dakota, treating over 46,000 patients per year. Terms of the transaction were not disclosed. |
| January 2014 | HealthPRO Rehabilitation | Rehab Solutions, Inc. | HealthPRO Rehabilitation acquired Rehab Solutions for an undisclosed sum. Rehab Solutions is a NC-based contract therapy provider to senior living providers in ten states. With the acquisition, HealthPRO employs over 5,000 associates in twenty-four states. |

Market Update

Maintaining the momentum from the second half of 2013, the first quarter of 2014 involved seven transactions across a mix of sectors in the rehabilitation industry. HealthPRO Rehabilitation expanded its footprint in the senior living contract therapy sector with the acquisition of Rehab Solutions, which had operations in ten states. There were two transactions in the occupational rehabilitation industry as providers continue to consolidate to better handle demand from employers looking for cost-effective prevention and rehabilitation of injured workers. The quarter also included four outpatient physical therapy acquisitions, three of which were add-on deals for private equity-backed strategics, and one deal included the recapitalization of a multi-state provider by CI Capital Partners and InTandem Capital.

The Physical Therapy Network recapitalization adds to the extensive list of private equity investments in the rehab sector since 2011, as noted in the chart to the left. The industry continues to see increased investor interest and is becoming one of the more active sectors within healthcare services in terms of institutional investment. This is largely driven by the highly fragmented market, especially within the outpatient sector, which has led to explosive growth through acquisitions and large returns on investment for private equity groups that have exited PT portfolio companies, such as Shore Capital Partners (Michigan Rehabilitation Specialists), GTCR (ATI Physical Therapy), KRG Capital Partners (ATI Physical Therapy), and Gryphon Investors (Accelerated Rehabilitation Centers). With the eight largest outpatient providers accounting for just 11.5% of the U.S. market, all indications are that the private equity interest and consolidation in the outpatient rehab sector is just beginning.