Private Equity Stakeholder Project

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DIVIDEND RECAPITALIZATIONS IN HEALTH CARE: HOW PRIVATE EQUITY RAIDS CRITICAL HEALTH CARE INFRASTRUCTURE FOR SHORT TERM PROFIT

Dividend recapitalizations have long been a tactic of private equity firms to generate quick returns on investments without needing to make substantive operating improvements

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DIVIDEND RECAPITALIZATIONS

Dividend recapitalizations—transactions by which private equity firms add debt to their portfolio companies' balance sheets in order to collect dividends for themselves—have long been a tactic of private equity firms to generate quick returns on investments without needing to make substantive operating improvements.[1]

There has been substantial debate over the years about whether dividend recapitalizations are a valid tool for private equity firms to generate returns from portfolio companies. Critics point out that the tactic puts the portfolio companies, not the private equity owners, on the hook for the interest payments on the loans while reducing the private equity owners' capital at risk. The added debt may

KEY POINTS

- **Dividend recapitalizations are transactions by which private equity firms add debt to their portfolio companies' balance sheets in order to collect dividends for themselves.**
- **Dividend recapitalizations at private equity-owned health care companies benefit private equity owners often at the expense of the companies, their patients, their employees, and the communities they serve.**
- **Many health care companies draw a substantial portion of their revenue from publicly funded programs such as Medicare and Medicaid. Now, billions more dollars are flowing into the industry through stimulus funding aimed to address the COVID-19 pandemic. As taxpayer-funded programs continue to provide valuable resources to the health care industry, it is essential to examine the role of private equity-backed dividend recapitalizations to ensure that that money goes where it is intended—and not primarily to benefit wealthy investors.**
- **Case study: TRIDENTUSA, previously owned by AUDAX GROUP and FRAZIER HEALTHCARE and then sold to FORMATION CAPITAL, paid multiple debt-financed dividends while under investigation for illegal kickback schemes, and then filed for bankruptcy after paying an $8.5 million settlement to the Federal government.**
- **Case study: MILLENNIUM HEALTH, owned by TA ASSOCIATES and its founder, paid its owners $1.3 billion in debt-funded dividends in the year leading up to its bankruptcy.**

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Dividend Recapitalizations in Health Care

hurt the long-term value of companies by weakening their credit ratings and diverting money that could be invested in improving operations.[2] In some cases, overly aggressive dividend recapitalizations may leave companies susceptible to market conditions that could force a restructuring or drive them into bankruptcy.[3]

The practice is attractive to private equity firms in part because dividend recapitalizations can inflate a fund's Internal Rate of Return (IRR). IRR is a total return on equity, including dividends, over the investment's time horizon. Returns distributed earlier in the life of a fund cause the IRR to appear higher, and thus allows the private equity firm to make distributions and incentive compensation (i.e. carried interest) sooner. A higher IRR makes a fund and its general partner appear more successful, and it gets the general partner paid more.[4]

Private equity lobby groups like the American Investment Council tout the industry's mission as "creating value" with portfolio companies by improving their performance through "changing the business strategy, injecting new managerial expertise, or improving sales and marketing, production, distribution or sourcing…." Dividend recapitalizations do little beyond enriching wealthy investors.[5]

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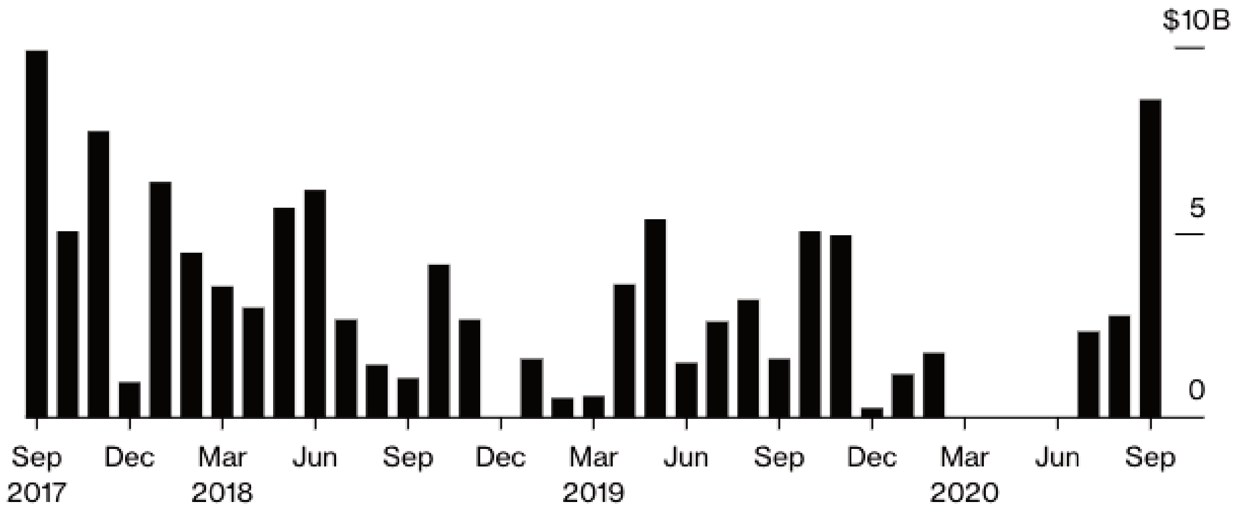
- **Case Study: PROSPECT MEDICAL HOLDINGS has paid its LEONARD GREEN & PARTNERS-led ownership group at least $658 million in fees and dividends despite poor quality ratings, operating challenges, declining financial performance, and substantially underfunded pensions.**
- **Case Study: ASPEN DENTAL, owned by ARES CAPITAL and LEONARD GREEN & PARTNERS, has paid hundreds of millions of dollars in dividends despite numerous consumer complaints and allegations that its profit-driven business practices directly impacted patient care.**
- **Case Study: STERIGENICS, a medical sterilization company owned by WARBURG PINCUS and GTCR, has paid its owners at least $1.17 billion in debt-financed dividends since 2016. It is currently facing hundreds of lawsuits related to its cancer-causing emissions, some of which allege that the private equity owners extracted the dividends in order to insulate their capital from anticipated litigation.**
- **A table of other health care dividends follows in the appendix of this report.**
- **Policymakers can address the negative impacts of dividend recapitalizations by requiring greater transparency for private equity firms operating in the health care industry and placing limits on dividends and leverage.**

DIVIDEND DEALS SOAR

September marks most loan launches backing shareholder payouts since 2017



Source: Bloomberg
Note: Reflects loan-launch volume, not size of dividends; September 2020 includes launches through 17th of month.

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Defenders of dividend recapitalizations offer little justification for the practice except that dividend recapitalization deals favor companies that are well-positioned to handle the added debt; theoretically, private equity firms will only undertake dividend recapitalizations at companies with strong enough financials to support the additional debt. However, as the examples in this report illustrate, there are many circumstances where that is not the case.[6] Still, the industry plows ahead in initiating debt-funded dividends—despite negative impacts on companies—with impunity.

The prevalence of dividend recapitalizations as a tactic of private equity ebbs and flows with fluctuations in interest rates, the availability of other attractive deal opportunities and the opportunities that exist to sell or otherwise exit companies they are invested in. When the COVID-19 pandemic hit the United States, dividend recapitalizations largely stopped.[7] However, over the last few months asset managers have quietly returned to the practice, ushering in a flurry of new dividend recapitalizations of companies they own.[8]

The first half of September saw at least $8.6 billion of dividend recapitalizations, putting the month on track to be one of the largest for dividend recapitalizations since the 2008 financial crisis.[9] Almost 24% of the money raised in the leveraged loan market in the first half of September was used for dividend recapitalizations, up from an average of 4% over the last two years.[10]

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RAIDING CRITICAL HEALTH CARE INFRASTRUCTURE

Given the concerns over the impact of dividend recapitalizations on the viability of companies, it is especially troubling that private equity investors would reap debt-funded dividends from their health care portfolio companies. Siphoning cash from providers of critical health services, such as hospitals, nursing homes, dental offices, mental health clinics, and others, may negatively impact affordability, quality, staffing, and access to care.[11]


Bloomberg

Private Equity Lands Billion-Dollar Backdoor Hospital Bailout

KKR, Apollo, Cerberus own medical-services companies that received no-interest loans from HHS

By David Kocieniewski and Caleb Melby

June 2, 2020, 4:00 AM EDT

Many health care companies draw a substantial portion of their revenue from publicly funded programs such as Medicare and Medicaid. Now, billions more dollars are flowing into the industry through stimulus funding aimed to address the COVID-19 pandemic; as of August 2020, a total of $175 billion has been designated to the Provider Relief Fund established by Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and the Paycheck Protection Program (PPP) and Health Care Enhancement Act.[12]

Private equity-backed health care companies are taking full advantage of the stimulus funding. An analysis by Bloomberg found that $2.5 billion in COVID-19 aid has gone to just three private equity-backed hospital companies—LifePoint Health (Apollo Global Management), Steward Health Care (Cerberus Capital Management), and Prospect Medical Holdings (Leonard Green & Partners).[13]

In July, the U.S. House of Representatives passed a bill that would require companies seeking loans from Medicare to disclose whether they are owned by a private equity firm. The bill also recommends that the U.S. Department of Health and Human Services (HHS) forbid private equity-owned hospitals and health systems from furloughing employees or cutting benefits.[14]

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In a letter to Centers for Medicare and Medicaid Services (CMS) regarding the Medicare loans, Representatives Bill Pascrell, Katie Porter, and Rose DeLauro expressed their concern about private equity-backed companies collecting COVID-19 stimulus aid:

"…we are disturbed that CMS is focusing time and resources approving loans for private equity backed providers. These private equity firms can provide funding that other hospitals lack. Instead of looking to their for-profit owners for investments, private equity owned hospitals are abandoning their responsibilities to patients and communities. By giving health care companies owned by wealthy private equity firms interest-free loans, you are enabling these destructive decisions."[15]

As taxpayer-funded programs continue to provide valuable resources to the health care industry, it is essential to examine the role of private equity-backed dividend recapitalizations to ensure that that money goes where it is intended—and not primarily to benefit wealthy investors.

CASE STUDIES

It is not possible based on publicly available data to know every dividend recapitalization that takes place in the health care industry. Companies that file with the US Securities and Exchange Commission (SEC) may disclose dividends in their filings, and ratings agencies may make note of dividends when they rate the debt used to finance them; however, many dividend recapitalizations are not publicly disclosed, and their impact on companies remains unknown.

The following examples from the last several years examine some of the potential effects of these aggressive financial policies on health care companies. A longer list of health care dividend recapitalizations is available in the appendix to this report.

Trident USA –Audax Group, Frazier Healthcare, Formation Capital

Trident USA provides mobile diagnostic services to nursing homes and assisted living, hospice and correctional facilities. In February 2019, Trident filed for Chapter 11 bankruptcy protection and subsequently paid a $8.5 million settlement as a result of a lawsuit by the U.S. Department of Justice alleging kickback schemes. In the years leading up to the bankruptcy, Trident's private equity owners loaded the company with debt and paid themselves dividends.

In September 2019, Trident paid $8.5 million to settle two Federal whistleblower lawsuits alleging illegal kickbacks schemes. The U.S. Department of Justice alleged that between June 2006 and September 2019, Trident engaged in illegal "swapping" arrangements. Trident allegedly "provided mobile X-rays to skilled nursing facilities at prices below cost, or below fair market value, in exchange for referrals of lucrative federal health care business."[16]

Audax Group and Frazier Healthcare, Trident's private equity owners between 2008 and 2013, allegedly knew about the kickback schemes. The US Department of Justice's lawsuit alleged:

"Trident's owners began a campaign of encumbering Trident with debt in order to siphon out its cash (by declaring dividends and taking fees) to line their own pockets in an effort to protect their own financial interests should Trident be responsible for a large judgment or settlement under the False Claims Act."[17]

For example, in 2012, Trident took on up to $325 million in debt in part to pay the owners a $144 million dividend.[18]

The following year, Audax Group and Frazier Healthcare sold a majority stake in the company to Formation Capital but maintained minority ownership. The transaction was financed in part with a $570 million loan to Trident, of which $236 million went to Audax and Frazier. Thus, the DOJ's lawsuit claimed, "Trident's owners pulled out a total of $380 million of cash from Trident in less than 18 months to protect themselves from financial responsibility for the kickback scheme."[19]

Department of Justice

U.S. Attorney's Office

Eastern District of Pennsylvania

FOR IMMEDIATE RELEASE — Wednesday, September 25, 2019

Trident USA Health Services LLC to Pay $8.5 Million to Resolve False Claims Act Liability for Alleged Kickback Scheme

PHILADELPHIA, PA – First Assistant U.S. Attorney Jennifer Arbittier Williams announced today an $8.5 million civil settlement to resolve two False Claims Act cases, *United States et al. ex rel. Ravi Srivastava v. Trident USA Health Services LLC, Symphony Diagnostic Services No. 1, Inc. dba MobilexUSA*, Civil Action No. 16-2956 (E.D. Pa.), and *United States ex rel. Peter Goldman v. Symphony Diagnostic Services No. 1, LLC, d/b/a MobilexUSA*, Civil Action No. 19-cv-01603 (E.D. Pa.). The lawsuits were filed by whistleblowers Ravi Srivastava and Peter Goldman, respectively, on behalf of the United States. The defendant is MobilexUSA, also known as Trident USA Health Services, LLC (Trident).

Trident's financial situation steadily declined over the following years. According to data provider Pitchbook, Trident paid out another dividend in January 2018.[20] The same month, Moody's downgraded Trident's Corporate Family Rating (CFR), citing its "severe liquidity situation, the very

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high refinancing risk, and increased leverage beyond Moody's previous expectations….The company's total net leverage ratio now exceeds 7.5x – the maximum level permitted within the leverage covenant in its bank credit facilities."[21]

Trident filed for Chapter 11 bankruptcy on February 10, 2019.[22] In the 2018 whistleblower lawsuit, the U.S. Attorney claimed that in bankruptcy, Trident attempted to prevent the government from collecting damages or penalties in connection with the kickback scheme.[23]

Trident appears to have laid off at least 400 employees in the months following its bankruptcy filing. In May 2019, the company reported having 5,600 employees;[24] by June 2019, Trident reported having just 5,300 employees.[25] In November 2019, Trident closed down two labs in Florida, resulting in 102 lost jobs.[26]

Millennium Health - TA Associates Management

Millennium is one of the largest urine testing companies in the U.S. It primarily provides medication monitoring and drug testing services.[27]

Millennium was owned by TA Associates and company founder James Slattery. TA Associates invested in Millennium in in 2010.[28]

In November 2015, Millennium filed for Chapter 11 bankruptcy after agreeing to pay a $256 million settlement with the U.S. government for billing Medicare and Medicaid for unnecessary testing from 2008 through 2015. The company allegedly coerced physicians into ordering costly and unnecessary tests, using aggressive sales tactics to over-exaggerate necessity of certain diagnostic testing services. In a press release, the US Attorney wrote: "Millennium promoted indiscriminate and unnecessary testing that increased medical costs without serving patients' real medical needs."[29]

In the year leading up to the bankruptcy, Millennium paid its owners a total of $1.3 billion in debt-funded dividends. Millennium also paid a $300 million dividend to the owners in 2012, bringing the total dividends paid out to $1.6 billion.[30] Private equity owner TA Associates took dividends from Millennium while it was under investigation by the US Department of Justice, knowingly taking out a $1.8 billion loan on the company to finance the dividends despite the potential litigation.[31]

Millennium's final approved bankruptcy plan, which required Millennium's owners to pay $325 million to creditors, included a provision that shielded TA Associates and James Slattery from any future lawsuits stemming from litigation related to the $1.8 billion loan.[32]

Even after paying a $256 million settlement to the U.S. government and $325 million to creditors, Millennium's owners appear to have walked away from the company with over a $1 billion of the $1.6 billion in dividends they collected from the company.[33]

Prospect Medical Holdings – Leonard Green & Partners

Leonard Green & Partners owns Prospect Medical Holdings, a safety net hospital chain operating 17 hospitals in 5 states. Over the course of its 10-year ownership, the Leonard Green-led investor group has collected at least $658 million in fees and dividends from Prospect despite declining financial performance, substantially underfunded pensions, and poor quality ratings at its hospitals.[34]

Since 2017, Prospect has received an average of $1.6 billion in Medicare and Medicaid funding annually, representing approximately 55% of its annual net revenue.[35] This year, Prospect has received $375 million in COVID-19 federal stimulus aid: $234 million in loans and $141 million in federal grants.[36]

Leonard Green is now attempting to sell its majority stake in Prospect for just $12 million, indicating a troublingly low valuation of the hospital company.[37] Leonard Green will


Investors Extracted $400 Million From a Hospital Chain That Sometimes Couldn't Pay for Medical Supplies or Gas for Ambulances

Prospect Medical, which mostly serves low-income patients, has suffered a litany of problems: broken elevators, dirty surgical gear, bedbugs and more. Its owners, including Leonard Green & Partners and Prospect's CEO, have cashed in.

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Our Lady of Fatima Hospital, North Providence

leave behind a safety net hospital chain with hundreds of millions of dollars less to serve communities in need.

Prospect's owners collected the largest dividend after representing to regulators in Rhode Island that Prospect would not pay additional dividends. In its decision to approve the Prospect's acquisition of several Rhode Island hospitals, the Rhode Island Office of the Attorney General wrote: "Prospect's management and representatives have given assurances that this was a one-time event and that there are no plans to make a similar distribution in the foreseeable future."[38]

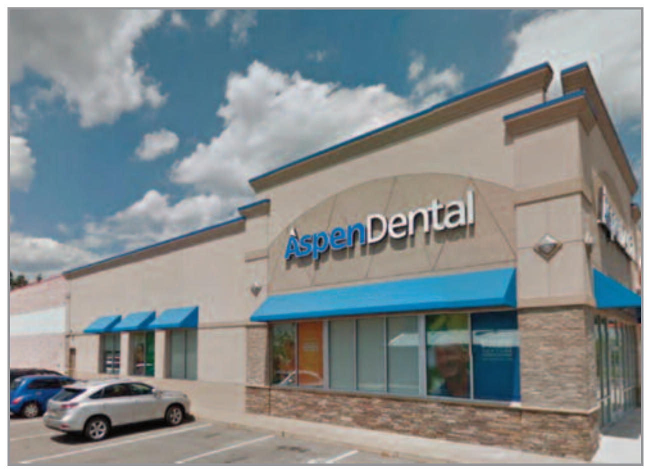
In 2018 –just four years later—Prospect paid a $457 million dividend to its ownership group, even as its financial performance was declining. That year Prospect generated a $244 million net loss.[39] By early 2019, Prospect had run out of cash. Ratings agency Moody's noted that "Prospect exited its first quarter ending December 31, 2018 without any unrestricted cash and $20 million of availability on its ABL facility."[40]

In mid-2019, in an effort to pay down some of the existing $1.1 billion debt it had accrued in part to fund dividends, Prospect sold much of its hospitals' real estate to health care REIT Medical Properties Trust and leased it back.[41] The sale-leaseback replaced debt with lease liabilities and left Prospect with fewer assets.[42] Following the 2018 dividend Prospect's liabilities dramatically outstripped its assets, a situation that persisted after the sale-leaseback.[43]

By the end of 2019, Prospect completely closed down all of its five health facilities in Texas, laying off nearly 1,000 workers.[44] It then sold the downtown hospital real estate to a hotel developer.[45]

While Leonard Green was paying itself dividends, Prospect's employees saw their pensions depleted. Between 2016 and 2019, the funded ratio of the Prospect Medical Holdings' pension funds fell from 68.3% funded to 59.9% funded. Prospect had an unfunded pension liability of $307 million as of September 2019.[46] In Rhode Island, Prospect's pensioners are suing the company and other defendants for allegedly hiding the pension plan's poor health to shield its own liability from regulators.[47]

After years of private equity ownership, Prospect's hospitals have among the lowest quality ratings from the Centers for Medicare and Medicaid Services (CMS); of the ten Prospect hospitals evaluated by CMS, nine have a two-star rating or below. Seven of the ten hospitals' ratings have declined under Prospect's ownership.[48]



Aspen Dental – Leonard Green & Partners, Ares Capital and American Securities

Aspen Dental is a dental services organization (DSO) that has been owned by a combination of private equity firms Ares Capital, Leonard Green & Partners, and American Securities since 2006.[49] Aspen has paid its owners hundreds of millions of dollars in debt-financed dividends despite facing scrutiny for numerous consumer complaints and allegations that its profit-driven business practices negatively impacted patient care.[50]

Aspen has paid at least $1.7 million in settlements with state attorneys general since 2010.[51]

In 2015, the New York Attorney General's office found that Aspen incentivized and otherwise pressured staff to increase sales of dental services and products and implemented revenue-oriented patient scheduling systems.[52]

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Other consumer complaints regarding Aspen Dental included poor quality of care, misleading advertising, and unclear or incomplete terms for the financing of dental care.[53]

In December 2014 Aspen agreed to pay a $1 million settlement as a result of an investigation by the Massachusetts Attorney General's Office for misleading advertising and marketing practices that occurred between September 2009 and December 2013. Aspen allegedly ran confusing advertising and charged customers for services months before they were provided. It also allegedly advertised "free" services that in reality were not free and refused to provide patients refunds for services not performed.[54]

Despite these lawsuits, Aspen dental has paid over $212 million in dividends to its owners in the last eight years: in February 2012 it paid $127 million and in April 2018 it paid an addition $85 million.[55] Aspen appears to have paid another dividend as recently as February 2020 of an undisclosed amount.[56]

Data released by the U.S. Small Business Administration (SBA) on its Paycheck Protection Program (PPP) reveals that Aspen received millions of dollars in PPP loans intended to provide relief to small businesses facing challenges posed by the COVID-19 pandemic. Private equity-owned companies are generally prohibited from receiving the PPP loans as they were specifically created to support small businesses.[57] Despite being the second largest dental services company in the U.S., serving 815 affiliated dental offices across 41 states, Aspen facilities managed to receive between $8.85 million and $21.35 million in PPP loans.[58]

Sterigenics/Sotera Health - Warburg Pincus, GTCR

Sterigenics is a leading provider of medical sterilization and lab services. It is owned by private equity firms Warburg Pincus and GTCR through its parent company Sotera Health. GTCR first acquired Sterigenics in 2011. Warburg Pincus recapitalized the company in 2015, becoming the majority owner with GTCR staying on with a minority stake.[59]

Since Warburg Pincus became majority owner of Sterigenics, the Warburg Pincus-led ownership group appears to have paid itself approximately $1.17 billion in debt-financed dividends from the company. During that time, Sterigenics has come under growing scrutiny for emitting ethylene oxide, a toxic chemical known to cause cancer, at dangerous volumes.

Sterigenics currently faces hundreds of lawsuits filed in 2019 and 2020 related to ethylene oxide emissions from its medical sterilization facilities. A 2019 report by the Environmental Protection Agency (EPA) found that toxic emissions from a Sterigenics facility were responsible for long-term cancer risks up to 10 times what the EPA considers acceptable.[60]

More than 700 cases relate specifically to its facility in Willowbrook, IL, which closed last year due to the emissions.[61] The group of lawsuits alleges that the company's emissions caused cancers, miscarriages and other health problems for people who lived and worked near the Willowbrook facility.[62]

The spate of recent lawsuits also includes more than four dozen warehouse employees in Cobb County, GA handling Sterigenics equipment alleging that the company exposed them to ethylene-oxide poisoning.[63] The Cobb County facility temporarily was temporarily shut down last year and remains closed while undergoing construction to reduce emissions.[64]

Ethylene oxide has long been on the federal list of carcinogens, but in 2016 the EPA released conclusive evidence linking the gas to breast cancer, leukemia and lymphomas at extremely low levels of exposure, and reclassified it as a "known" carcinogen.[65] Beginning in October 2016, the Warburg Pincus and GTCR-led ownership group began taking dividends from Sterigenics:

- **October 2016:** Sterigenics paid a $340 million debt-funded dividend to the Warburg Pincus and GTCR ownership group —57% of the company's revenue for the year ending June 2016.[66]
- **November 2017:** Paid a debt-financed dividend of up to $203 million to the ownership group.

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- **July 2019:** Paid a $320 million debt-funded dividend to the ownership group.[67]
- **November 2019:** Undertook $2.9 billion refinancing in part to fund a $309 million dividend to the Warburg Pincus and GTCR group. Moody's noted the company's "high financial leverage with debt/EBITDA around 7.7 pro forma at closing" and "very aggressive financial policies given multiple debt funded dividends over the past several years." The dividend represented approximately 40% of the company's $770 million revenue.[68]

The Illinois lawsuits allege that Sterigenics' owners intentionally began moving money out of the company through the dividend recapitalizations in order to insulate their capital from potential lawsuits related to the emissions. In their amended complaint, the legal group leading the lawsuit wrote that Sterigenics "has effectively placed the companies' cash and other assets out of Plaintiffs' reach, prevented Sterigenics from investing in emission control equipment, and dangerously de-stabilized the Sterigenics companies, thereby jeopardizing the companies' viability and the likelihood that Plaintiffs will receive just compensation for their injuries."[69]

POLICY RECOMMENDATIONS

Policymakers should seek to mitigate the negative impacts of dividend recapitalizations at private equity-backed health care companies to ensure that patients, communities and workers are protected from the kinds of extractive financial policies that reduce quality and access to care. Moreover, these protections should ensure that public funding from aid packages and tax-payer-supported programs are invested wisely.

Increased transparency requirements combined with limitations on dividends and leverage can provide important safeguards. The following are steps that policymakers can take to rein aggressive financial policies that may hurt health care providers, patients, and other stakeholders.

TRANSPARENCY: Greater transparency around disclosures for private equity-owned health care companies can strengthen the public's understanding of the impact of their financial policies and allow improved monitoring.

Financial disclosures should include dividends paid by health care companies to their owners, current levels of debt/leverage used, gross and net-of-fees returns reported to investors, and any transaction, monitoring, and other fees collected by the private equity firm from the health care portfolio company.

In taking dividends from health care companies, private equity firms should also disclose investors in the relevant fund that owns the company so that the public is aware who is benefitting from the dividends.

Private equity managers should also make disclosures regarding health-care-related political spending, including spending by health care portfolio companies, the private equity firms themselves, and investment professionals at the private equity firms.

Additionally, disclosures that reflect patient care where applicable, including up-to-date quality ratings (such as star ratings from the Centers for Medicare and Medicaid Services) and staffing ratios.

DIVIDENDS: Using debt to pay dividends to owners should be prohibited. Health care companies should be limited to paying dividends that represent a reasonable share of the company's net profit.

LEVERAGE: Unnecessarily aggressive use of debt should be limited and/or private equity owners of health care companies should be responsible for debts incurred by health care companies they own, either by imposing restrictions on additional borrowing above a set debt-to-EBITDA ratio or by requiring that private equity firms and their general partners be jointly responsible for the liabilities of their health care portfolio companies.

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APPENDIX: Selection of Health Care Dividend Recapitalizations Since 2010

COMPANY	OWNERS	YEAR	EMPLOYEES ACQUIRED	DESCRIPTION
APRIA HEALTHCARE Home Respiratory Services	Blackstone Group	2008	6,500	**2008:** Apria payed Blackstone an $18.7 million transaction fee for its own acquisition. **March 2010:** Blackstone attempted to collect a $500 million dividend from Apria but failed to receive consent from bondholders. Ratings agency Moody's downgraded Apria credit rating nonetheless, citing the risk that Blackstone might pursue a similar transaction in the future. **June 2019:** Blackstone completed a dividend recapitalization of Apria that included a $100 million revolving credit line and a $150 million term loan. Apria subsequently paid a dividend of an undisclosed amount to Blackstone. Per its Transaction and Management Fee Agreement, dated as of October 28, 2008, Apria pays Blackstone an annual management fee of equal to the greater of $7.0 million or 2.0% of the Company's consolidated EBITDA for the preceding year. Under the agreement, Apria also pays a transaction fee equal to 1% the value of any transactions (e.g. acquisition, divestiture, disposition, merger, consolidation, restructuring, refinancing, recapitalization).
ASPEN DENTAL Dental Services Organization	Ares Capital, Leonard Green & Partners, American Securities	2006	5,000	Aspen dental has paid over $212 million in dividends to its owners in the last eight years: **February 2012:** Aspen paid owners a $127 million dividend. Aspen paid owners $85 million dividend. **February 2020:** Aspen paid owners a dividend of an undisclosed amount.
CARESTREAM HEALTH Dental and Medical Imaging	Onex Corp	2007	6,000	**2011:** Carestream received $2 billion in debt financing and paid Onex a $200 million dividend **2013:** Onex attempted to sell Carestream but failed to find a buyer. When the auction fell through, Onex completed a $2.5 billion recapitalization in part to finance a dividend to Onex of up to $750 million. Credit rating agency Moody's downgraded Carestream's credit rating as a result of the of the "significant increase in leverage" caused by the dividend.
CHG HEALTHCARE Health Care Staffing	Leonard Green & Partners, Ares Capital	2012	3,000	Over the course of their ownership of CHG, Leonard Green and Ares have taken out at least $978 million in debt-funded dividends: **June 2013:** CHG paid owners a $165 million special dividend. **May 2016:** CHG issued $1.37 billion in new debt to in part to pay a $525 million dividend. **November 2016:** CHG issued additional debt to pay another $288 million dividend. According to S&P, CHG also paid a "small" dividend in 2015 of an unknown amount.
CLEARBALANCE HEALTHCARE Provider of Health Care Loans and Financing	Angelo Gordon & Company	2012	N/A	**2015:** Completed a dividend recapitalization including $50 million in financing and subsequently paid a dividend to Angelo Gordon.
COVENANT CARE Nursing and Assisted Living Services	Center Partners Management Stockwell Capital	2008	4,500	**2014:** Completed a dividend recapitalization and subsequently provided a dividend to Stockwell Capital and other undisclosed shareholders.
HEALTHPRO HERITAGE Outsourcing Services to Nursing Homes and Long-term Care Facilities	Beecken Petty O'Keefe & Company	2016	10,000	**October 2019:** HealthPRO Heritage completed a dividend recapitalization including $30 million in debt financing, and paid a dividend to owners of an undisclosed amount.

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COMPANY	OWNERS	YEAR	EMPLOYEES ACQUIRED	DESCRIPTION
HOME CARE ASSISTANCE Provider of Home Case Services	Summit Partners	2015	10,000	**November 2019:** Completed a dividend recapitalization including $116.48 million of debt financing and provided a dividend to Summit Partners.
INTERIM HEALTHCARE Home Care, Hospice, and Healthcare Staffing Facilities	Levine Leichtman Capital Partners (formerly owned by Halifax Group)	2015	10,000	**March 2014:** Under Halifax Group's ownership, Interim completed a dividend recapitalization and subsequently provided a dividend to shareholders of an undisclosed amount. September 2018: Under LLCP's ownership, Interim Healthcare completed another dividend recapitalization and paid a dividend to investors of an undisclosed amount.
MDVIP Concierge subscriber based Private Health Care Services	Leonard Green & Partners	2017	1,000	**2019:** Completed a dividend recapitalization including $45 million financing and subsequently provided a dividend to Crescent Capital BDC, Leonard Green & Partners and Summit Partners.
MILLENNIUM HEALTH Medical Urine Testing	TA Associates	2010	N/A	Millennium paid out $1.6 billion in debt-financed dividends to its owners, including a $300 million dividend in 2012 and a $1.3 billion dividend in 2014.
MULTIPLAN Medical Billing Services	Hellman & Friedman, Leonard Green & Partners, GIC	2016	2,000	**May 2016:** Hellman & Friedman, alongside co-investors Leonard Green & Partners, and GIC, Singapore's Sovereign Wealth Fund, acquired Multiplan for $7.5 billion. **November 2017:** Multiplan issued $1.3 billion in new debt to fund a $1.3 billion cash dividend to its owners. Moody's downgraded MultiPlan's ratings due to the dividend, noting "very high financial leverage and aggressive financial policies as this is the second large debt funded dividend the company has taken since the LBO in June 2016."
Pharmaceutical Product Development Pharmaceutical Development	Hellman & Friedman, The Carlyle Group	2011	23,000	Between their acquisition and PPD's IPO in early 2020, the owners took $2.15 billion in fees and dividends from the company: **2015:** PPD issued $4 billion in debt to finance a $400 dividend to Carlyle and H&F. **2016:** PPD's borrowed $459 million to pay a $486 million dividend. **May 2019:** PPD issued $900 million debt to fund a $1.09 billion dividend. **November 2019:** PPD paid an additional $160 million dividend to shareholders. PPD paid management fees to H&F and Carlyle. According to SEC filings, PPD paid $16 million in fees between 2016 and the end of 2019.
PROSPECT MEDICAL HOLDINGS Hospitals	Leonard Green & Partners	2010	17,000	Prospect paid the Leonard Green-led ownership group approximately $658 million in fees and debt-backed dividends: **2012:** Paid an $88 million dividend **2013:** Paid a $100 million dividend **2018:** Paid a $457 million dividend **2010-2019:** Paid management and transaction fees totaling $13.5 million.
PT SOLUTIONS Physical Therapy Provider	Lindsay Goldberg	2018	N/A	Completed dividend recapitalizations in November 2019 and March 2020, paying dividends to Lindsay Goldberg of undisclosed amounts.

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APPENDIX: Selection of Health Care Dividend Recapitalizations Since 2010

COMPANY	OWNERS	YEAR	EMPLOYEES ACQUIRED	DESCRIPTION
SCRIBEAMERICA (FKA HEALTHCHANNELS) Medical Scribe Services	Vesey Street Capital	2017	13,000	**March 2018:** HealthChannels paid a $100 million dividend to investors.
SMILE BRANDS Dental Services Organization (DSO)	Gryphon Investors, GMB Mezzanine Capital, Triangle Capital	2016	5,000	**October 2018:** Smile Brands completed a $300 million recapitalization and subsequently provided a dividend to Gryphon Investors and Triangle Capital. Gryphon attempted to sell Smile Brands in late 2019 but reportedly struggled to find a buyer as of January 2020.
SOTERA HEALTH/ STERIGENICS Health Sciences, Lab Services and Sterilization Solutions for the Healthcare Industry	Warburg Pincus, GTCR	2011 (GTCR) 2015 (Warburg Pincus)	2,600	The Warburg Pincus and GTCR-led ownership group appear to have paid themselves approximately $1.17 billion in debt-financed dividends from Sterigenics since 2016: **October 2016:** Sterigenics paid a $340 million debt-funded dividend to the Warburg Pincus and GTCR ownership group —57% of the company's revenue for the year ending June 2016. **November 2017:** Paid a debt-financed dividend of up $203 million to the ownership group. **July 2019:** Paid a $320 million debt-funded dividend to the ownership group. **November 2019:** Undertook $2.9 billion refinancing in part to fund a $309 million dividend to the Warburg Pincus and GTCR group. Moody's noted the company's "high financial leverage with debt/EBITDA around 7.7 pro forma at closing" and "very aggressive financial policies given multiple debt funded dividends over the past several years." The dividend represented approximately 40% of the company's $770 million revenue.
TRIDENTUSA Mobile Diagnostic Services	Audax Group, Frazier Healthcare, Formation Capital	2008	5,300	**In 2012**, Trident took on up to $325 million in debt in part to pay the owners a $144 million dividend.
UPSTREAM REHABILITATION Outpatient Rehabilitation Centers	Revelstroke Capital Partners, Athyrium Capital Management	2015	5,000	**2018:** Paid a $140 million debt-financed dividend to Revelstroke.
US ANESTHESIA PARTNERS Anesthesia Services	Welsh, Carson, Anderson & Stowe	2012	N/A	**In October 2018**, USAP paid a $369 million debt-funded dividend to its owners. Moody's rated the dividend "credit negative" because it increased leverage and decreased liquidity.
WORLDWIDE CLINICAL TRIALS Provider of Contract Clinical Research Services	The Jordan Company	2007	1,700	**2019:** Completed a dividend recapitalization including $60 million financing and subsequently paid a dividend to The Jordan Company.

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