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Apria acquires major Midwest provider

MAUMEE, Ohio -- Apria completed its third head-turning deal in less than a year when it closed June 3 on Young Medical Equipment, a major independent provider here owned by former AAHomecare Chairman Tim Pontius.

Early this year, Apria, acquired Topeka, Kan.-based Knoll Patient Supply, owned by another former AAHomecare chairman, Steve Knoll. Last fall, the national picked up New England powerhouse LifePlus, whose president, April Mason, was one of the industry's most visible boosters. (Apria acquired 27 companies last year and seven in the first quarter of 2005.)

"We all go in cycles," said Pontius, who ended his year as AAHomecare chairman last week. "I think there's a bunch of young guns out there growing their businesses, and in five or six years they are going to be in the same boat we are and making the same decisions."

The last time three such high-profile independents sold in short order to a national company occurred in 1998, when Don Kirson, David Wine and Jim Liken all sold to Lincare. Like now, those deals followed large Medicare reimbursement cuts that required publicly traded HMEs to grow through the reductions via acquisitions.

This time around, Pontius -- echoing Knoll and Mason -- said Apria made him a good offer. Terms of the deal were not disclosed, but industry watchers estimate Young Medical generates between \$10 million and \$20 million annually, primarily through home respiratory services and IV therapy.

"It seemed like the right time (to sell)," Pontius said. "It was at the point where I was going to have to go out and do another acquisition or risk the company starting to go flat-line or go down in sales."

Doing an acquisition did not appeal to him. He did not want to take on more debt, nor did he want to seek outside venture capital to finance the growth.

Pontius, 52, has agreed to stay on and help run the company for two years.

"Tim took some cash off the table and keeps his role with the company," said Rick Glass, president of Steven Richards & Associates, which brokered the deal. "Sometimes you can have more fun playing with someone else's money."

Selling his company, Pontius said, does not mean he sees the future as any less promising for independent HME providers.

"I think smaller companies will always have an advantage," he said. "Healthcare is local. They can react faster, make changes faster, and inherently they are going to have a lower cost structure. Other than on inventory costs and things like that, where there are volume opportunities, that is the way it has always been, and I don't see that changing. We just need to make sure that congress doesn't legislate away the entire industry."