

US CAPITAL PARTNERS

LENDING AND INVESTMENT BANKING FOR SMALL & MIDDLE MARKET COMPANIES

Case Study: Consensus Orthopedics

Specialist Advisory and Financial Restructuring Services

US Capital Partners looks for the best possible financing solution for its clients. Sometimes the pathway to refinancing is clear; at other times it is less so. At US Capital Partners, we not only provide funding as a direct lender, co-lender, and lead financial arranger, but also offer specialist advisory and financial restructuring services. Our ability to assess complex or special situations quickly and provide solutions outside the bankable box has made us one of the most innovative small to middle-market investment banks in the country.

About Consensus Orthopedics

Consensus Orthopedics, Inc. (“Consensus”) is a US-based medical device manufacturer with global distribution. Founded in 1992 and headquartered in El Dorado Hills, CA, the company designs, manufactures, markets, and sells orthopedic implant devices, such as artificial knee and hip joints, worldwide. Today, it offers a full line of quality hip and knee products designed by its team of engineering experts in conjunction with input from leading orthopedic surgeons in the United States, Europe, Australia, and the Middle East.

The Problem

Like many companies, Consensus’s growth was being slowed down by insufficient working capital. The company also wanted to finance the acquisition of new equipment. The problem was that Consensus had not yet become profitable, which rendered additional financing unattractive to its current bank, a bigger “marquee lender.” Consensus had no line of credit on its inventory assets with its bank, and its accounts receivable revolving line of credit was at less than 50% loan to value. Also, the company had no line of credit on its foreign receivables.

Marquee lenders or commercial banks are often unable to offer their clients suitable alternatives. Due to regulatory issues, they insist that their clients fit into their fixed criteria, or “bankable box.” As a result, clients are frequently locked into an inappropriate structure. Like many businesses, Consensus needed an affordable financing solution that provided more working capital, tailored to its specific needs. In particular, Consensus wanted to avoid raising additional equity at low valuations while the business was still pre-profitable, as this would significantly dilute its current shareholders. Consensus was therefore looking primarily for debt financing rather than equity financing, and the company approached US Capital Partners for advice and assistance.

The Optimal Financing Solution

At US Capital Partners, we have a wide financial product offering. This allows us to create solutions tailored to the client’s needs. We started by looking at Consensus’s debt financing needs very carefully. By examining every

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aspect of a business, US Capital Partners is able to offer management a choice of the best available pathways to optimal financing.

In the first year, US Capital Partners arranged alternative financing on Consensus's receivables, and included its foreign receivables. US Capital Partners also provided Consensus with term-loan growth capital through the Breakwater Structured Growth Opportunities Fund, a \$100 million open-ended private investment partnership focused primarily on debt financing for smaller growth-oriented companies. As US Capital Partner's financial modeling showed, this injection of fresh capital allowed Consensus to be profitable for the first time since its inception. This in turn allowed US Capital Partners to secure additional inventory financing for Consensus—at the height of the credit crisis.

US Capital Partners also strategically advised Consensus on a \$2 million equity raise, which was effected with minimal dilution. By this stage, the company had good debt financing in place, significant and scalable increases in working capital, and was showing healthy profits. Consensus now fitted into the “bankable box,” and was well-positioned to return to a commercial bank. In early 2010, US Capital Partners therefore moved the company from a strict asset-based lender to a commercial bank, by introducing Consensus to Bridge Bank. This relationship with a commercial bank now provided Consensus with still more financing but at a greatly reduced cost. The additional savings in interest costs over the asset-based line of credit replaced by Bridge Bank allowed US Capital Partners to provide Consensus with a further tranche of term-loan growth capital, through the Breakwater Structured Growth Opportunities Fund.

Summary

Over the past four years, US Capital Partners has worked with Consensus as an advisor, direct lender, co-lender, and sole arranger to secure \$7.5 million in additional financing for the company. Consensus is now optimally financed, turning a healthy profit, and expanding its domestic and international footprint. US Capital Partners is now in the process of arranging working capital financing for Consensus's Turkish subsidiary, which the company has been unable to secure locally with Turkish banks.

“We have continued to turn to US Capital Partners to assist us in financing our working capital needs over the past four years due to their breadth of experience in asset-based lending,” said Colleen Gray, CEO of Consensus. “US Capital Partners has successfully structured and financed credit facilities on our behalf that increase our capital availability while decreasing our cost of capital.”

US Capital Partners fully understands the financing needs of its commercial clients. It also fully understands the various specific criteria of individual marquee lenders and alternative lenders for small businesses. This detailed, specialized knowledge of the marketplace allows US Capital Partners to engineer affordable financing for its clients quickly and efficiently.

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Lee Shodiss, Senior Vice President and Manager of Bridge Bank's Capital Finance Division (BCFG), affirmed this. "Bridge Bank is committed to working with great partners like US Capital Partners who bring us into quality relationships such as Consensus," he said. "US Capital Partners did an excellent job understanding our underwriting criteria and presenting the deal in a professional and cooperative manner. US Capital Partners' initial underwriting and efficient process was critical in getting this deal closed."

Consensus has been an advisory client of US Capital Partners for the past four years. It has recently signed up for advisory services for a further three years.

About US Capital Partners, Inc.

Since 1998, US Capital Partners has been providing prompt, innovative, and reliable financing solutions including lending, corporate financing, advisory, and debt re-structuring to businesses across the United States and abroad. US Capital is a private investment bank, direct lender, co-lender, and lead financial arranger that specializes in asset-based debt for small- to middle-market private and public companies. The company's innovative approach allows them to provide the best financing available, not only for companies in excellent financial condition, but also for companies who may have been refused credit by traditional lenders.

If you would like to know more about how your business can secure the funding it needs, visit <http://www.uscapitalpartners.net> or call (415) 882-7160.

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