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INSIDE FINANCIAL SERVICES

N.Y. fund awash with area hospital laundry

By Becky Yerak

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A New York private-equity firm hopes to clean up in the hospital laundry services business in the Chicago area.

Blue Wolf Capital Management, founded in 2005 by two former officials with the New York City comptroller's office, has bought the assets of Wheeling-based **Hospital Laundry Services** and Rockford-based **Northern Illinois Hospital Services** from not-for-profit hospital consortia that included **Advocate Health Care** and **NorthShore University HealthSystem**.

The merged company, called **Healthcare Laundry Systems**, will be led by Hospital Laundry's former management and will provide linen to more than 50 hospitals and 600 clinics.

The Village of Wheeling's Web site lists Hospital Laundry as its ninth-biggest employer, with 400 workers. **Josh Wolf-Powers**, a Blue founding partner, declined to reveal the new company's revenue or employment.

It's the first deal for Blue's second fund, which a source close to the firm said has raised \$118 million and has a target of \$250 million. It invests in companies affected significantly by

government policies or that get subsidies, have labor issues or are in financial distress.

Blue learned about Hospital Laundry Services a year ago.

"Our friends at the textiles workers union, Unite Here, called and told us that a company employing a couple hundred members was for sale," said Wolf-Powers.

"The employees are represented by three labor unions, and in addition to entering into two new collective bargaining agreements as part of the transaction, we also negotiated terms on which our new entity could continue to employ Teamsters while the predecessor employer was withdrawing from an underfunded pension fund."

The deal took more than a year to complete. Such complexity is not unusual these days, even as lots of potential deals cross private-equity firms' desks.

"Seller expectations in general have not yet reconciled themselves with the economic situation or to the availability of credit," Wolf-Powers said. "This is both a potentially resource-rich environment and a really challenging environment because of so much uncertainty."

Wolf-Powers previously was managing director of private markets for the Big Apple's comptroller, overseeing the city's retirement system's alternative investments. He also spent five years at **KPS Capital Partners**, which invests in distressed businesses.

In a way, tight credit markets should make it easier for private-equity firms to do deals, he said.

For example, "the absence of [debtor in possession] financing for companies seeking to file for bankruptcy protection presents a theoretical opportunity to deploy capital in profitable ways, but whether that's matched by actual opportunities is an open question," he said.

Debtor in possession financing is the loan made to a company after it files for bankruptcy.

Two degrees of Obama: **Joshua Gotbaum** is a Blue Wolf operating partner. Last month, President-elect **Barack Obama** named the former Clinton White House official to the transition team overseeing the new administration's takeover of the Treasury Department, The New York Times reported.

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