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## Area health care companies bring potential to VC firm

Nashville Business Journal - by [Dave Raiford](#) Nashville Business Journal

When Jeff Villwock looks at the landscape of investment banking firms, he doesn't see signs of expansion.

But [Harpeth Capital Atlanta](#), a firm he helped start a little more than a year ago, is showing plenty of life.

"I think we're one of the only, if not the only one in Atlanta that is hiring right now," he says.

Villwock recently hired Alan Haig out of Raleigh, N.C., to scout for deals in the health care staffing business, which is booming because of the nursing shortage. Villwock says a lot of companies are emerging to bring nurses, hospitals and other health care operators together.

If Harpeth Capital is out to increase its level of activity, there's some reasonable assurance that a portion of it is going to be happening in Nashville or at least have a Music City connection.

Atlanta may be Villwock's home base, but when the subject of conversation turns to the health care industry, Nashville quickly comes up.

"I would say probably half of the assignments we've taken on have been either Nashville-based or connected to Nashville," he says.

Villwock moved to Atlanta in 1997 to lead the health care research group for the Robinson-Humphrey Co., then a \$600 million investment bank owned by Salomon Smith Barney Inc. Two years later, he left Robinson-Humphrey to create a health care services investment fund with a focus on distressed health care assets. Soon after, he found himself working on a Nashville project that became the genesis of Harpeth Atlanta.

"I got a call from Dick Ragsdale, and he asked me to raise equity to buy some hospitals out of bankruptcy," he says. "That introduced me to Harpeth Capital."

Harpeth, an affiliate of Nashville investment management firm Clayton Associates, was working with Tim Hill, then CFO of bankrupt New American Healthcare Corp., to buy hospitals from New American and create a new company. Ragsdale, a co-founder of Community Health Systems, was among the backers of what would become HealthMont Inc. Hill is now CEO of the hospital company.

"We own one-third of Harpeth Atlanta. The other two-thirds is owned by partners," says Turney Stevens, chairman and managing partner of Harpeth Capital. "It's really something like a franchisee relationship. They function as a licensee, although it is a separate company."

Villwock raised \$9.5 million in equity for the new company, a deal that led to the creation of Harpeth Atlanta, which opened in January 2001, focused solely on the health care industry.

Villwock was joined at Harpeth Atlanta by Geoffrey Faux, who had left a senior executive spot with Orthodontic Centers of America to be president of an Atlanta early-stage health care services company. Prior to OCA, Faux spent 15 years working on Wall Street with investment banking firms Bear, Stearns & Co., Drexel Burnham Lambert Inc. and Prudential Securities Inc.

"Like me, he wanted to get back into finance and didn't want to go to New York," Villwock says.

Harpeth Atlanta handles mergers and acquisitions, raises equity for clients and gives strategic advice, but it's also in the business of bringing new companies into existence. Sitting at a restaurant table in Brentwood, Villwock pointedly counts on his fingers the ingredients for businesses he'd like to create -- smart money, smart management and a solid business platform.

"That's the proactive part of our business, which is unusual for our investment banking firm," he says. "We will start almost from scratch with the right management team to find the right capital and the right platform, then move to create a company."

Villwock says he's working on such a deal now in Nashville. The management team is in place and he's found the kind of capital he needs. Now it's a matter of putting the pieces together.

The time is right for deals to be made. The venture capital markets are starting to thaw and it's bringing a spring of opportunity, particularly for the health care industry, he says. That's good news for a city with the heavy-hitter presence in the business.

"Starting in 1998, investors started to shun health care because of the impact of the Balanced Budget Act. It's only in the recent past, i.e. the past six months, that investors have really started to look for good health care deals again," Villwock says. "That's a huge change, particularly for Nashville. There's a real opportunity for good quality companies and management teams to grow their companies and tap the venture capital markets to do that."

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