

Congress of Physician-Owned MEDICAL PROPERTIES

2022



This copy of the CPOMP 2022 session slides are presented as they were during the conference. Over the next few weeks, annotated versions of the slides will be uploaded that highlight some of the outcomes from each presentation and panel discussion.

02a

Steps in Creating & Implementing an Operating Agreement to Align Your Real Estate and Practice Objectives: Framing the Issues

Nicole Banning, VP Southern Region, Orthopedic Centers of Colorado

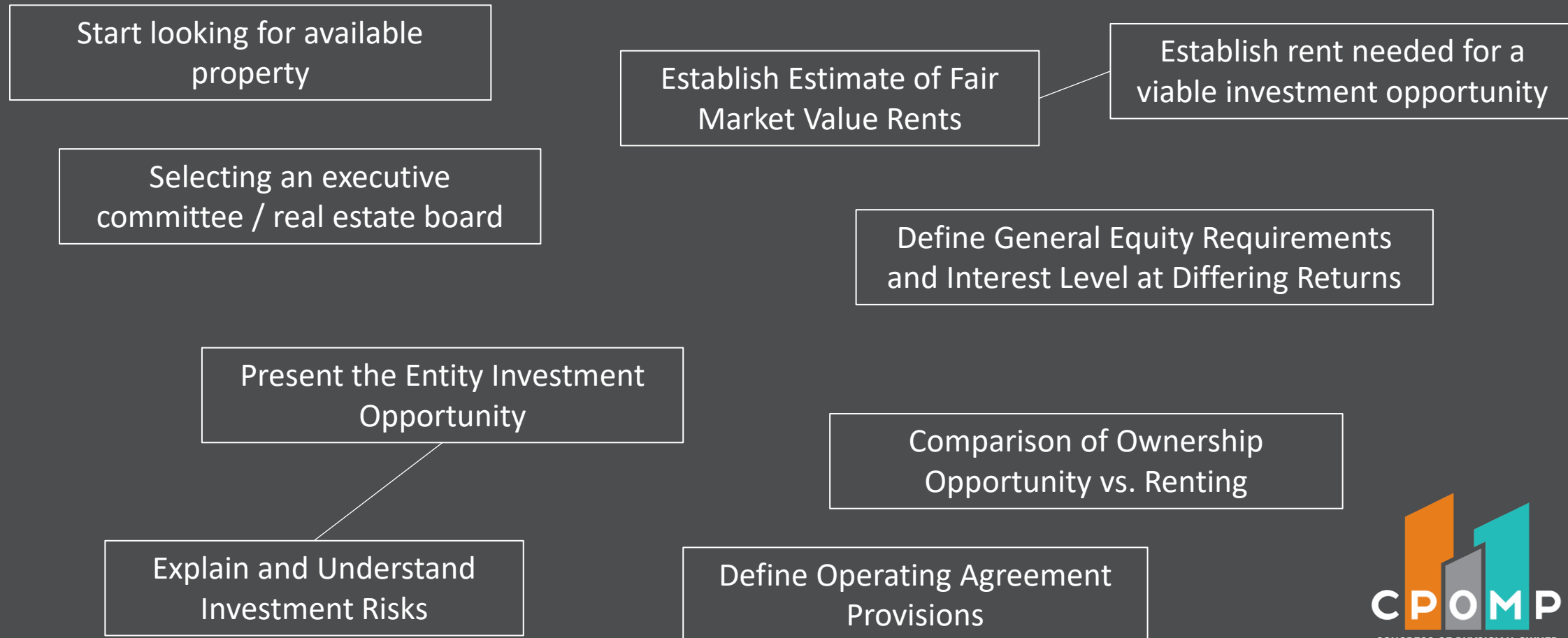
Quinanna Robins, CEO, Northwest Orthopaedic Specialists

Mike McCaslin, CPA, Principal, Somerset CPAs & Advisors

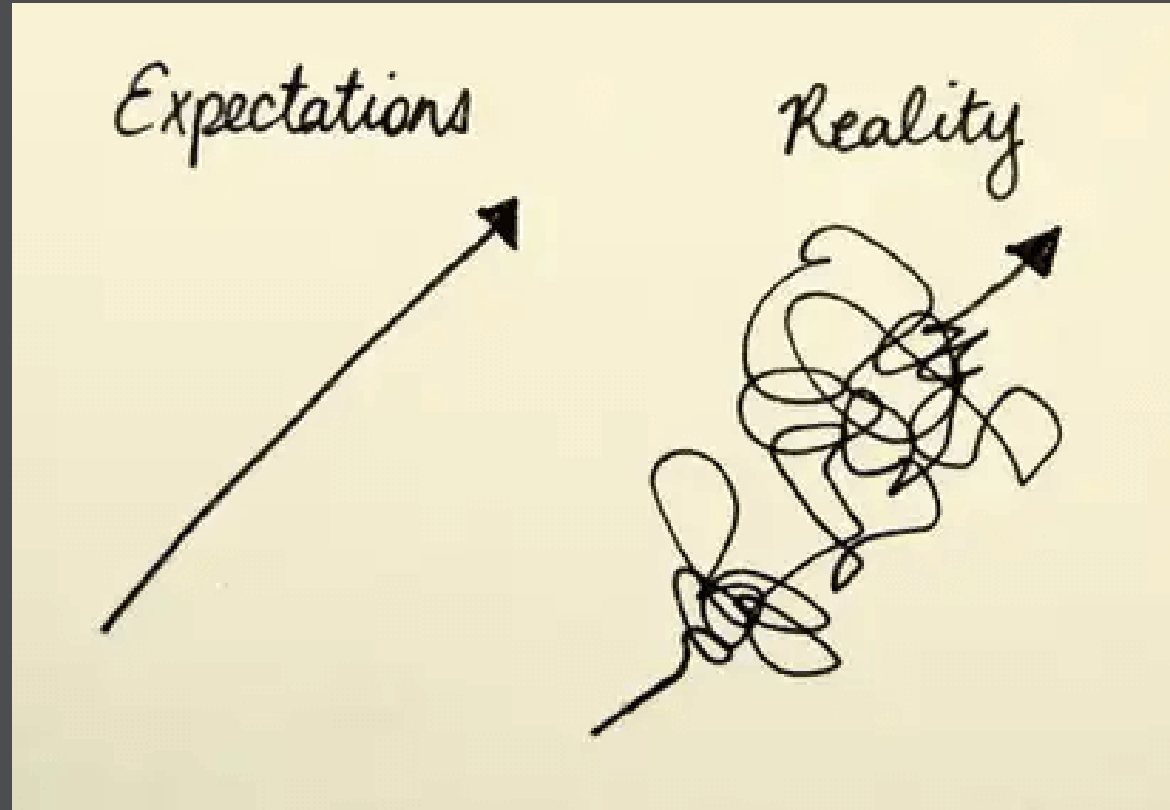
Eric Nuttall, CPA, Partner, EideBailly



Steps Before Making Final Commitment



Expectations vs. Reality



Recapping CPOMP 2021: General Consensus on Points

1. *“Alignment of ownership interests = Improved Risk”*
2. *“Bring in new partners = sustainability”*
3. *“Physicians paying rent = Physicians receiving rental income”*
4. *“Appraised value vs. Minority Discount”*
5. *“Model Buyout “Clusters””*

These were thoughts of the panelists at the CPOMP 2021 meeting brought out through discussion and at the time reflected what they believed to be industry best practices. This does not imply that there is only one method of managing and operating the real estate investment effectively.



Further Consideration of Lessons Learned...

1. *Alignment of ownership interests = Improved Risk*
2. *Bring in new partners = sustainability*
3. *Physicians paying rent = Physicians receiving rental income*
4. *Appraised value vs. Minority Discount*
5. *Model Buyout “Clusters”*

How do we?...

- Promote Full (or close to full) Partner Participation
 - Entry of new shareholders
 - Partners close to retirement (in or out)
- Continue to Make the Investment Affordable AND Appealing
- Manage Investment Expectations
- Create Glue
- Create Investment Sustainability

02b

Steps in Creating & Implementing an Operating Agreement to Align Your Real Estate and Practice Objectives: Making a Change

Dr. David Musante, President, Emerge Ortho – Triangle Region

Rob Simmons, CEO, Tennessee Orthopaedic Alliance

Nick Zaunbrecher, CFO, Cardiovascular Institute of the South



Making an Adjustment: 3 Examples

1 Recognizing the problem

2 Making the adjustment

3 Assessing the change

Dr. David Musante, President, Emerge Ortho – Triangle Region

- *EmergeOrtho Real Estate Experience*
- *History*
- *Challenges*
- *Current Structure*
- *Transition*
- *Remaining unresolved issues*



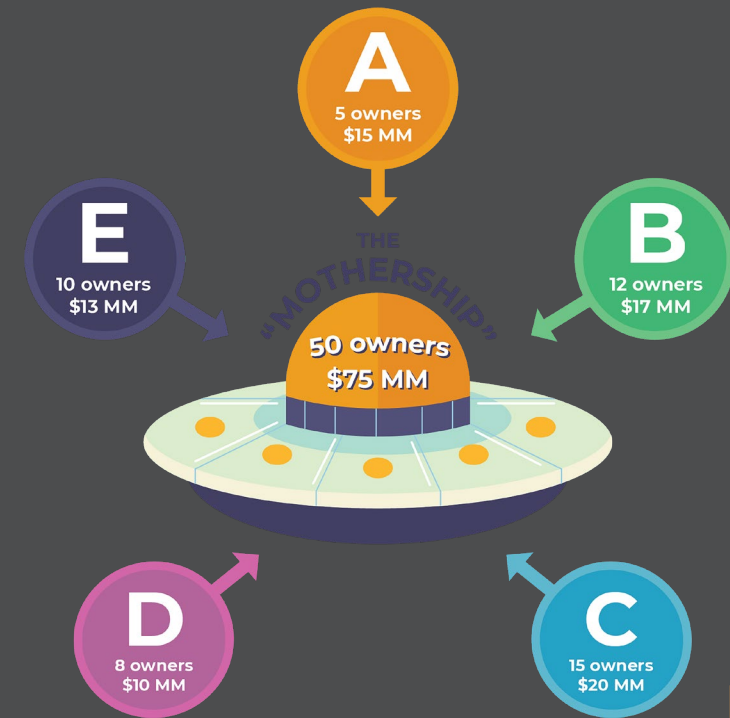
Rob Simmons, CEO, Tennessee Orthopaedic Alliance

- *First real estate investment in 2018*
- *Now three buildings with the same operating agreements*

Some of the issues being addressed

1. *No mechanism to bring in new partners*
2. *Misaligned ownership with each building and the practice*
3. *Continued Ownership into Retirement*

The Mothership



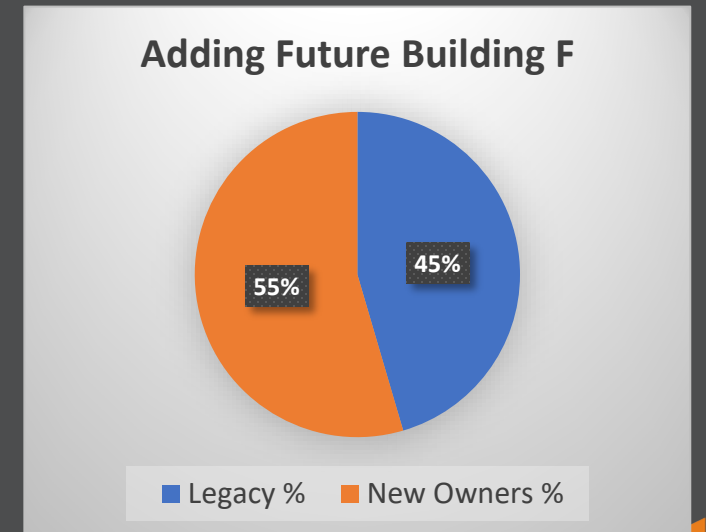
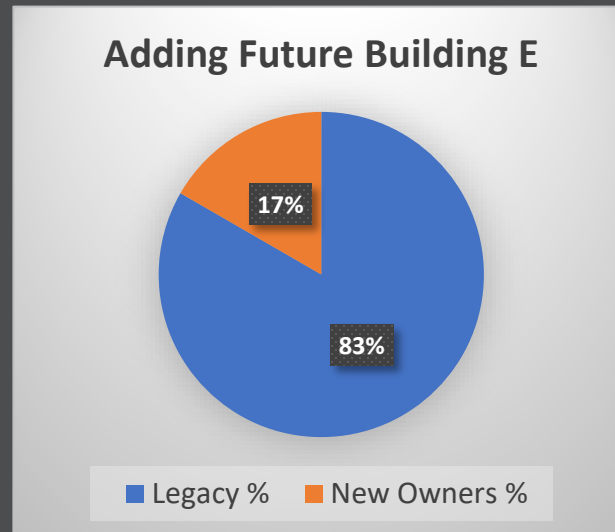
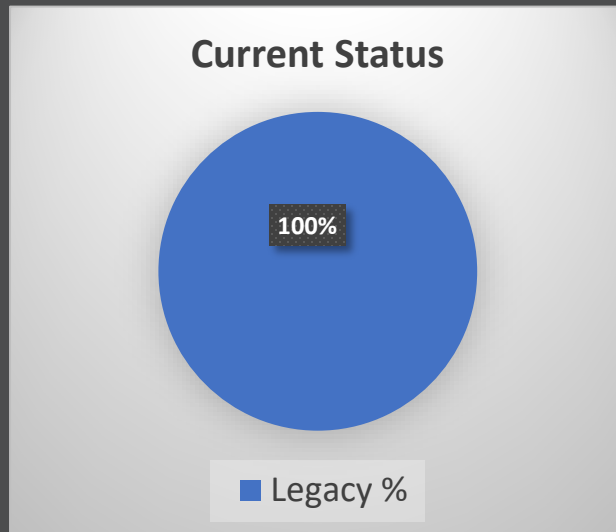
Ownership Transition Using that Structure

Current Status	
Starting Portfolio Equity – Legacy Owners	\$6MM

Adding Future Building E	
Equity Added from New Owners for Building E	\$1.2MM
Plus Starting Portfolio Equity from Legacy Owners	\$6MM
Total Portfolio Equity	\$7.2MM

Adding Future Building F	
Equity Added from New Owners for Building F	\$6MM
Plus Existing Portfolio Equity	\$7.2MM
Total Portfolio Equity	\$13.2MM

Legacy Owners Static Equity	\$6MM
New Owners Equity	\$7.2MM



For simplicity, appreciation of the asset and repayment of debt have not been realized in the equity

Nick Zaunbrecher, CFO, Cardiovascular Institute of the South

Create an investment opportunity for CIS owners into Property Holding Company:

- Is Affordable and Achievable
- Produces an excellent cash-on-cash return /return on equity
- Allows all owners to build equity in the Real Estate and ensures surety of exit strategy

Achieved through,

- Restructuring the current ownership
- Leveraging the current locations to facilitate new partners buying in
- Securing superior financing to improve returns