

# Congress of Physician-Owned MEDICAL PROPERTIES

2022



# 03

## The Birth of the CPOMP Physicians' Equity Fund A Concept By Doctors, For Doctors

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Andy Johnson, Fund General Manager, CPOMP Fund

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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.

# The Need

- Cash shortfalls to fund new projects
- Current options often result in:
  - Inequitable sharing of lease-created value
  - Loss of control in managing for practice benefit
  - Incompatible long-term objectives

# The Fund's Origin



- Advisory Board – recognized a need
- Saw potential of outside physicians as compatible equity partners
- CPOMP board member from CMAC offered to organize and act as GP
- Andy Johnson selected as General Fund Manager

# The CPOMP Answer

- Bring outside physicians as “temporary” partners
  - “Placeholder” equity concept (vs. permanent partner) - Defined formulaic sale back to practice docs
  - Returns to Fund doctors “capped”
  - Results in upside to practice doctors being “unleashed”
  - Practice doctors keep control of the RE

# The Fund's Capital

- Physicians & Practice Executives - 100% of the LPs
- ~\$14MM raised and ready for deployment\*

\*Please note that the Fund is NOT currently raising capital; the Fund is closed to new investors and is fully capitalized at this time.

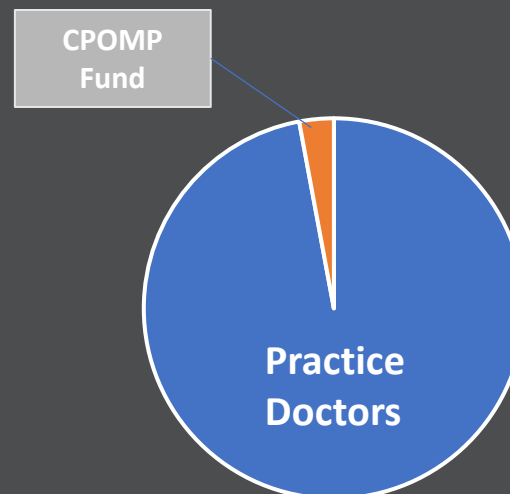
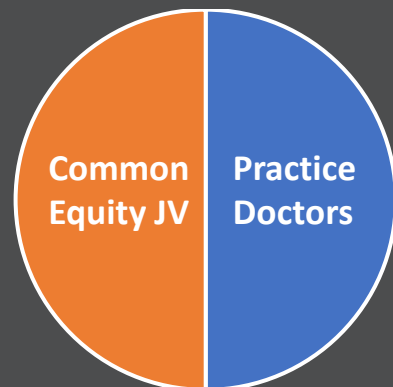
# The Example

Project Cost	\$40,000,000
Sale Value in Dollars	\$74,000,000
Gain Attributable to Practice Lease (Before cost of sale)	\$34,000,000

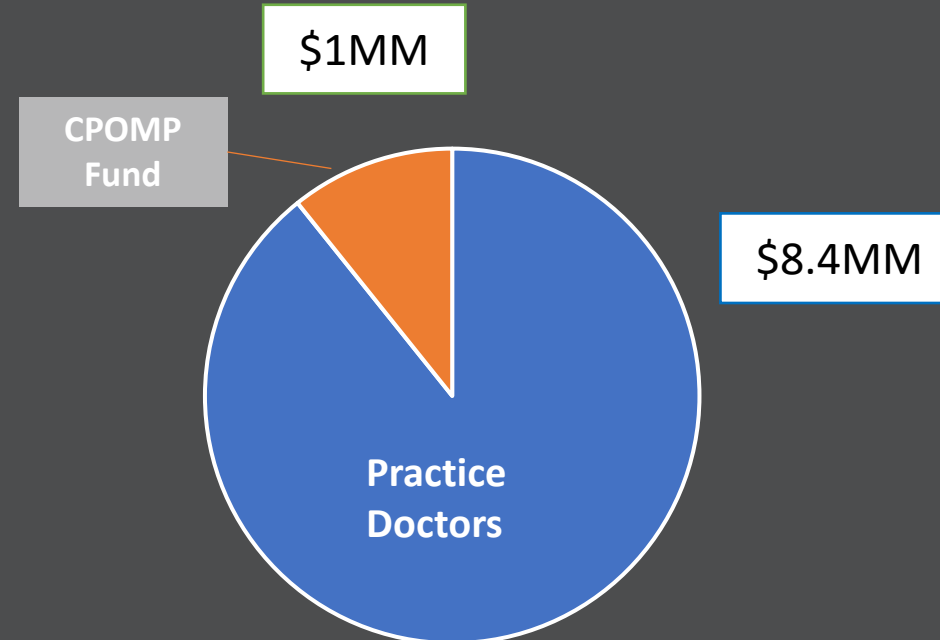
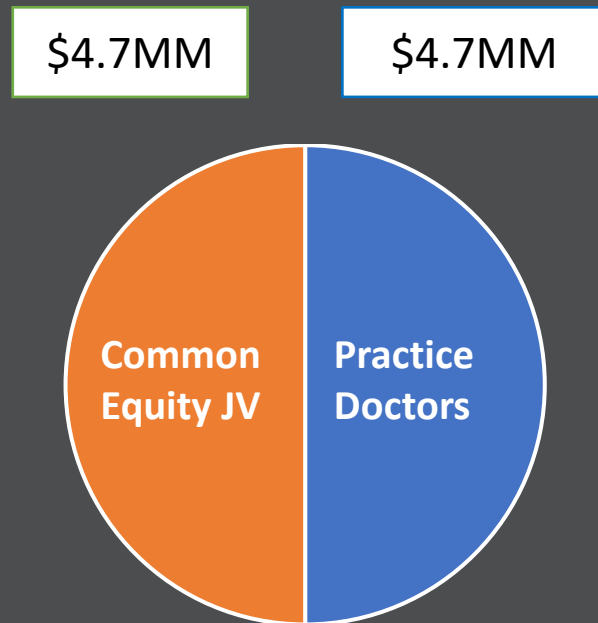


# The Impact

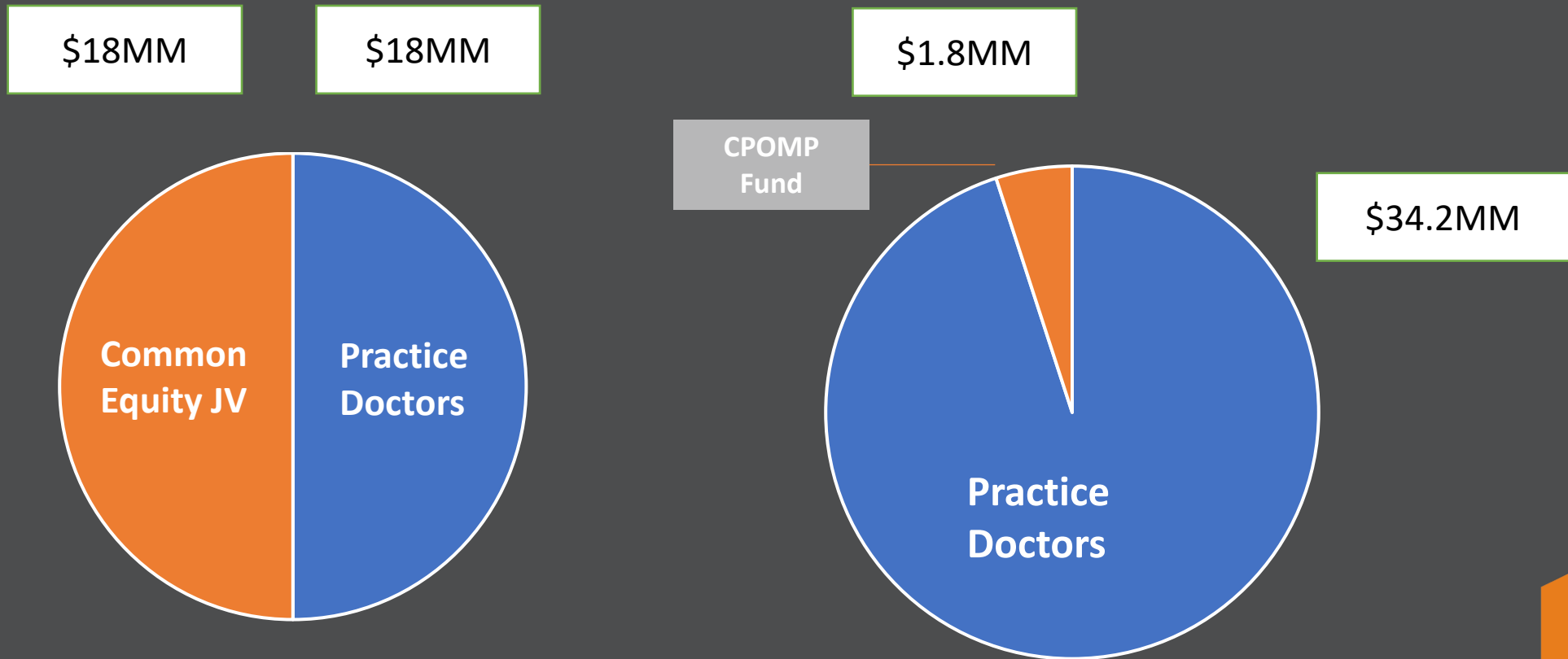
	Common Equity Partner	CPOMP Fund
Gain on Sale (Net of Cost of Sale)	\$32,000,000	\$32,000,000
Due to JV Partner (above return of equity) at Sale	\$16,000,000	\$1,000,000
Total Gain to Practice Partners	\$16,000,000	\$31,000,000



# The Impact – If the Building Actually Sold for ~~\$74MM~~ \$50MM



# The Impact – If the Building Actually Sold for \$74MM in Year 6



# Why the Fund Forgoes Upside

- Preferred payout at sale or refinance
- Exchange reduced downside for capped upside

# The Structure

- The Fund – CPOMP Physicians' Equity Fund 2022A
- Limited Partners - Physicians and Practice Executives
  - Includes investors from Cancer Specialists of North Florida, Cardiovascular Institute of the South, Des Moines Orthopedic Surgeons, Olympia Ortho, Ortho Specialists of SW Florida, Reno Ortho, Sierra Pacific Ortho, Slocum Center for Ortho, SportsMED, Tennessee Ortho Alliance, TSAOG Ortho, Tulsa Bone & Joint, Virginia Eye Institute, and several more
- General Partner – Greg Warren and Andy Johnson
- Fund Manager – CPOMP Fund Management, Andy Johnson
- Initial Contact and Due Diligence - CMAC Partners, Mariela Araujo, Fund Liaison
- Acceptance and Term Negotiation – CMAC Managers with advice from CPOMP Fund Advisory Committee

# The CPOMP Fund Liaison

Applicants can go to the Fund page at [www.cpomp.org/fund](http://www.cpomp.org/fund) to request a meeting

*Mariela Araujo, CPOMP Fund Liaison*



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# Additional Applications



- ❑ To supplement lack of equity available from partners in real estate development or acquisition
- ❑ Avoiding capital calls to fund expansion
- ❑ Leveraging equity – when the group has the equity but prefers to hold and apply some part for another purpose
- ❑ To fund buyout obligations to retired partners

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