



TY COBB REGIONAL MEDICAL CENTER PROJECT SUMMARY 2011

This summary outlines an innovative healthcare delivery model that is one solution for the rural healthcare crisis in America. The new hospital under construction in northeast GA is located in Lavonia, GA and fronts I-85. It will serve an expanded 8-county area, bounded by the SC/GA line and dissected by I-85. Two existing hospitals will close and the new Ty Cobb Regional Medical Center, LLC (“TCRMC”) will open. The project is characterized as a “*partnership*” between Physicians, the not-for-profit Ty Cobb Healthcare System (“TCHS”), and the local jurisdictions (cities and county) *collaborating* to develop a new hospital.

Federal and State Compliance

The core of this new model is real estate ownership based. A co-management company between the Physicians, MPA and TCHS is planned. ***It is important to note, that the Physicians will not own in the hospital operating company. There is no current or proposed Federal or State prohibition against Physicians owning healthcare real estate or in a hospital co-management company. This new healthcare delivery model has been deemed to be regulatory compliant including Stark and the new Federal healthcare reform bill.***

Project Overview

This project represents a joint venture with NE GA physicians and the Ty Cobb Healthcare System (“TCHS”) of Royston, GA. The project will create 3 entities: a) real estate company / landlord to develop and own the hospital (land and building), (b) operator / tenant, a hospital operating company and (c) a new co-management company. The real estate company, NGTC Properties, LLC (“NGTC”) was formed by MPA of Georgia, LLC (“MPA” the developer) for the purpose of acquiring land (39 acres) and to develop and own a new hospital (the “bricks and mortar”). The 2nd entity formed is the operating company, TCRMC, owned by TCHS. The 3rd entity to be formed will be a joint venture between Physicians and TCHS to manage TCRMC.

TCHS has 3 divisions; a hospital division, a long-term care division and a home health division. The hospital division received a \$300,000 grant from the State of GA to assess operations and locations to conceive a plan for a replacement hospital. As a result, TCHS will close its 2 hospitals, Hart County (Hartwell, GA) and Cobb Memorial (Royston, GA) and open the new hospital.

This project represents an opportunity for qualified physicians practicing in NE GA to participate in this joint venture. Sixty (60) Physicians have subscribed through a syndication offering with an investment in NGTC. The Physician specialties include anesthesiology, cardiology, family practice, gastroenterology, vascular surgery, hospitalist, internal medicine, neurosurgery, oncology, orthopedic surgery, ophthalmology, otolaryngology, pathology, podiatry, pulmonology, and urology.

The State of GA granted the Certificate of Need on June 7, 2010.

Hospital Real Estate Company

- The hospital real estate company, NGTC, was formed through an equity raise to develop and own \$57mm in real estate. The equity stack (32%) is comprised of \$8.28mm cash, plus \$980K in land, \$300K Franklin County infrastructure improvements, and \$8.5mm in PILOT bonds guaranteed by the County. The project received \$39mm (68%) in debt financing, Recovery Zone Facility Bonds. Additionally, Franklin County Industrial Building Authority (“FCIBA”) has granted 35 years tax abatement for real estate and 35 years for capital equipment, plus \$3.0mm in road improvements, \$75,000 in cash and through a Federal grant \$225K in utility infrastructure improvements.
- Phase 1 of the hospital consists of 154,500 gross square feet, including 56 private beds (8 ICU beds, 3 labor delivery recovery post-partum). The core hospital campus is 39 acres with multiple expansion pads for medical office and other complementary uses.
- Ownership: 60 Physicians 77%, MPA 6%, and TCHS 17%.



Hospital Operating Company

TCHS has formed TCRMC, a not-for-profit limited liability company to operate the new hospital. Physicians and TCHS will create a joint venture company to co-manage the new TCRMC.

Medical Office Building (“MOB”)

- The 1st MOB company is forming now
- Physicians will own 94% and MPA 6%

Investment Summary

- \$57mm – General acute care hospital
- \$25mm – Hospital operating company
- \$164mm – 1st year new GDP for NE Georgia
- 35-year lease – Executed by TCRMC with NGTC
- \$8mm – First medical office building
- December 13, 2010 – Ground breaking
- December 23, 2010 – Loan closing and funding
- 250+ acre interstate interchange master planning is underway
- Largest 2011 NE Georgia private investment

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