



MEDICAL EQUITY INVESTOR MEMORANDUM

CMAC Equity Partners (CMACEP) has created a program under which certain of its investor groups will partner with physicians in Medical Office Buildings or Ambulatory Surgery Centers. The properties must be leased to the occupying doctors or their practices. The group's objective is to accumulate between 300,000 and 400,000 SF of medical property in the Southeast. The exit strategy is to market and sell the portfolio of properties to an institutional investor in the next four to six years at a cap rate that would be superior to that obtained in sales of individual properties.

Model Overview

The Equity Partners (EP) will provide 100% of the capital required to fund the project and the Physician Partners will pay 1% of the project cost as a part of CMACEP's compensation. As a part of that equity and to facilitate a project, EP will fund the purchase of the land for the project with cash. Debt financing will be secured for between 70% and 80% of the total capital required and 100% of the remaining dollars required will be funded by EP. The Physician Partners (PP) will sign leases having a term of not less than 10 years and will sign as personal guarantors on the note. Any additional financial support required will be provided by the EP. In consideration of the leases and guarantees, the PP will be given a 50% interest in the real estate and the EP will have the remaining 50%. CMACEP will receive 5% of the 50% as the balance of its compensation.

The equity investment of the EP will have a coupon providing an annual return to the EP of between 8 and 10%. This return will only be paid out of cash flow remaining after debt service and any insufficiency will be added to the coupon and carried forward in the calculation of the interest due. At any time of cash out resulting from a sale or refinancing of the real estate, this coupon payment will have preference in the disbursements, as will the principal amount of the EP's preferred investment.

Although the EP will have control over the sale of the property, the PP will also have options under which any individual PP may sell his or her interest to the EP as well as an option for the PP group to buy out the EP at a predetermined return.

Any member of the PP may co-invest on equal status with the EP. The EP has an agreement with a Development Partner (DP) that has the responsibility of sourcing, conducting due diligence and managing the investments. In consideration of these functions, DP takes a part of the some interest either in the EP's coupon or share of the real estate. For the purposes of this memorandum and any attached models, we have assumed a 20% interest of the EP side.

In those projects that are new developments, the DP will also serve in the role of the developer and take an appropriate development fee ranging from three to five percent of the total project costs. The fee will not be paid up front but rather over development period of the project. The development responsibilities will include the coordination of the financing, construction and operational facets of the project.

When applying the model to existing / operating properties, the same basic principals will be applied and modifications made in negotiation to achieve the objectives of the EP and PP groups. Under this scenario, a market value for the real estate will be agreed upon by the parties. Existing financing may be kept in place or new financing may be secured. The difference between the financing and the market price is the equity required by the EP. The PP may elect to take a cash distribution or apply any portion of their share as part of the EP.

SUMMARY

Cash Contribution

- Physician Partners – 1% of project cost to CMACEP
- Equity Partners 100% of project equity

Ownership

- Equity Partners – 50%
- Physician Partners - 50% - with CMAC having a 5% of the 50% participation

Return on Equity Investment from Coupon

- 8 – 10%
- Paid only to extent of available cash
- Remainder added to-the principal balance of the investment
- Coupon and / or principal balance of the preferred payment upon sale or refinance as available

Physician Partners

- Sign leases of not less than 10 years
- Personally guarantee debt
- Disbursement of interest at sale
- May elect to become part of Investment Group in addition
- May sell their interest any time to Investment Group per contract
- May buy out Investment Group per contract

Investment Group

- Will pay a portion of the coupon and / or gain (est 20%) to Administrator / Developer
- Determines time and conditions of refinance or sale

Exit Strategy

- Accumulate portfolio of 300,000 – 400,000 SF of medical real estate
- Sell portfolio to Institutional Investor at cap rate superior to what would be achieved on individual sales

Existing / Operating Real Estate (versus a new project)

- Arrive at market price
- Difference between debt and market price is equity requirement
- Other terms negotiated