

**THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION**

ACTION REQUEST

Subject: Establishment of Orthopedic Joint Venture and Sale of 1900 Metro Court & 1980 Metro Court, Wyoming, Michigan

Action

Requested: Authorization to Establish Joint Venture and Sell Real Estate

Background:

Orthopaedic Associates of Grand Rapids, P.C. (“OAM”) is the primary orthopedic provider at Metropolitan Hospital d/b/a University of Michigan Health – West (“UM Health West”). OAM is a well-established, highly reputable orthopedics group in West Michigan. OAM, through a subsidiary entity (“ASC Company”), currently operates an ambulatory surgery center (“ASC”). OAM is planning to build a new ASC that would replace and expand its existing ASC. UM Health West and OAM would like to partner in the ownership and operations of the new ASC. Orthopedic surgeries continue to migrate to outpatient settings as we seek to provide care for patients in more convenient and lower cost settings; UM Health West desires to advance this important care.

Once the ASC is complete, UM Health West would obtain a minority ownership interest in the ASC Company. The ASC Company will be governed by a board of six managers (three appointees from each of UM Health West and OAM) that provides OAM with majority board voting control. Reserved powers for significant decisions will require unanimous approval of all managers. If the ASC Company is co-branded, associated marketing plan will be developed, and the parties will enter into license agreements to allow use of their respective marks.

In furtherance of the ASC opportunity, UM Health West and Metro Land, LLC (also collectively referred to as “UM Health West”) own a vacant parcel of land located at 1900 Metro Court, Wyoming, MI and an adjacent single-story general office building located at 1980 Metro Court, Wyoming, MI (collectively, the “Wyoming Property”). UM Health West has no future plans to use or develop the Wyoming Property.

UM Health West is proposing to sell the Wyoming Property for \$5,990,000 to a single purpose entity, 1900 and 1980 Metro Court, LLC, owned by OAM physician investors and OAM executive leadership (“RE OAM Subsidiary”). The location of the new ASC on the Wyoming Property will allow for seamless care for UM Health West’s orthopedic patients. The RE OAM Subsidiary will develop the Wyoming Property into the new ASC. While the ASC Company will be jointly owned by OAM and UM Health West, the Wyoming Property and ASC building will be owned by the RE OAM Subsidiary. UM Health West will have a right of first refusal to re-purchase the Wyoming Property.

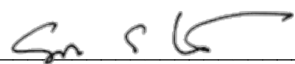
The Wyoming Property is located on Metro Court and consists of 3.9 acres of unimproved land, as well as a general office building situated on 5 acres of land. The office building was constructed in 2008 and contains 30,767 SF of space. UM Health West acquired the Wyoming Property in March 2017. Both buyer and seller obtained independent appraisals to value the Wyoming Property. Leveraging the appraisals and using UM Health West’s negotiation expertise, UM Health West desires to enter into a purchase

agreement with the RE OAM Subsidiary to sell the Wyoming Property at the market value price of \$5,990,000. From a high-level balance sheet perspective, this sale would result in an increase in cash of \$5,990,000, a decrease in net property, plant, and equipment of \$3,800,00, and an increase in non-operating gain on sale of asset of approximately \$2,190,000.

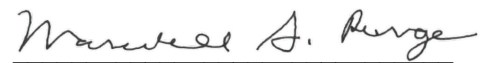
UM Health West is progressing toward finalizing a contribution agreement for its investment in the ASC Company, a purchase agreement related to the sale of property described above, and all related documents (including an operating agreement, any license agreements, and related services agreement) (the "Transaction Documents"), all to be negotiated and agreed upon among the parties, subject to board approval.

We recommend that UM Health West sell the property located at 1900 and 1980 Metro Court, Wyoming, MI for \$5,990,000 and move forward with establishing the ASC joint venture upon terms and conditions acceptable to the University. Accordingly, we request that the Board of Regents authorize the Executive Vice President and Chief Financial Officer and the Executive Vice President for Medical Affairs and Dean of the Medical School, and such other officers as they may designate (the "Designated Officers") to: (a) execute and deliver the Transaction Documents, all as approved by the Designated Officers; (b) take any other actions necessary or desirable to consummate the transactions described in this action request and in the Transaction Documents; and (c) to obtain or make, as applicable, all governmental and third-party approvals, consents, notices and authorizations that may be necessary.

Respectfully submitted,



Geoffrey S. Chatas
Executive Vice President and
Chief Financial Officer



Marschall S. Runge
Executive Vice President for Medical
Affairs and Dean, Medical School

June 2025

Attachment

