OBJECTIVES

• Anatomy of a deal (10 Steps)

• Motivation and timing

• My personal experience as Founder and CEO of Kure
GOING ON A DATE
STEP 1 – BUILDING A COMPANY
KURE

• 2003
  Advanced Pain Management Specialists
  Paul W. Davies MD

• 2006
  Bay Surgery Centers – Annapolis

• 2008
  Damean Freas, DO (2nd Doctor)

• 2009
  Bill Hughes, MBA, MPH  Chief Operating Officer
STEP 1 – BUILDING A COMPANY KURE

• 2010

  Kent Island KPM + BSC opened 2\textsuperscript{nd} Site
  Glen Burnie KPM + BSC opened (3rd Site)
  Chestertown office opened (4\textsuperscript{th} Site)

• 2011

  Easton Satellite opened (5\textsuperscript{th} Site)
  Annapolis Physical Therapy Office (6\textsuperscript{th} Site)

Internal growth – leadership recruitment and infrastructure
STEP 1 – BUILDING A COMPANY KURE

• 2012

Waldorf KPM + BSC opened (7th Site)
Leonardtown office opened (8th Site)

*Internal growth - leadership recruitment and infrastructure*

• 2013

Highly complex laboratory (9th site)
Name change to “Kure Pain Management”
Search for private equity partner

*Internal growth – leadership recruitment and infrastructure*
STEP 1 – BUILDING A COMPANY
KURE

• 2014
  Kent Island Physical Therapy
  Search for private equity partner
  Centralized administrative services site identified and developed

• 2015
  Private Equity partners, New Harbor Capital
  Negotiations for offices in Olney MD, Delaware and New York
Building a management team

• Human Resources Director
• Finance Director
• Business Development Director
• Operations Director,
• Laboratory Director
• Call Center Supervisor
STEP 1 – BUILDING A COMPANY
KURE

Sales and Marketing

KURE Pain Management
THE SPINE SPECIALISTS

CALL NOW:
877.621.1269

HOME LOCALLATIONS ABOUT US CONDITIONS TREATMENTS PHYSICAL THERAPY PATIENTS RESOURCES

SYMPATHETIC to Your Pain
Prompt, Individualized Attention
High Quality Staff
Successful Treatment
Exceptional Customer Service
Featured In...

"I had a sudden onset of severe neck pain, KURE Pain Management saw me right away. They helped me get back to work quickly." - Actual KURE patient

PAIN WE TREAT
TREATMENT OPTIONS
LOCATIONS
SUCCESS STORIES
STEP 1 – BUILDING A COMPANY
KURE

SEO Optimization

Google search results for "back pain annapolis"
STEP 1 – BUILDING A COMPANY

KURE IS CONNECTED!
STEP 1 – BUILDING A COMPANY

KURE

Relief From Pain’s Tyranny
Multidisciplinary approach can provide fast and lasting results

**Positive Outcomes**
A multidisciplinary approach worked for patient Paul Gates:

“Tennis elbow really bothering me. I was in a lot of pain and discomfort. I couldn’t lift, swing or do anything. My doctor suggested physical therapy, which didn’t help. That’s when I heard about KURE. They offered an interdisciplinary approach. After a few treatments, I was able to go back to work and play tennis again.”

Paul Gates

KURE, The Spine Specialists

As Seen In Good Housekeeping, Redbook, Woman’s Day, Baltimore Sun, and WHATS
Up Annapolis, Eastern Shore, and West County magazines.

CONDITIONS
TREATMENTS
PHYSICAL THERAPY
PATIENTS RESOURCES

Best of WHATS
Magazines

2013

Annapolis | Eastern Shore | West County
KURE – THE COMPANY

• Established = multi site/multi provider
• Demonstrated year over year growth
• Strong sales + marketing team
• Mature management team
• Strong leadership
KURE’S MOTIVATION TO DO A DEAL

• Accelerate growth

• Increase access to quality pain care

• Diversify owners risk
OTHER MOTIVATIONS TO DO A DEAL

• Practice Medicine (not administration)

• Exit strategy (usually retirement)
KURE’S TIMING TO DO THE DEAL

Company was growing:

Revenue
Profits
Patients
OTHER TIMES TO DO A DEAL

• Exit Strategy (3-5 Years before retirement)

• Practice that could financially benefit from sophisticated billing and management services

No perfect time
TYPES OF DEAL

• Platform company
  • Multi-doctor, Multi-site,
  • Various revenue lines (ASC’s, PT, Lab)
  • Mature management team

• Add-on acquisitions
  • 1 – 2 Doctors
  • Office manager and support staff
TIMEFRAME

6 months – 3+ years

Decision to partner

Closing Day
STEP 2
FIND A BROKER / INVESTMENT BANKER

• Market Knowledge
• Review the company and financials
• Approximate sale value
• Identify potential partners
STEP 2
FIND A BROKER / INVESTMENT BANKER

• Non disclosure Agreement (NDA)

• Commission agreement
  • Paid at time of sale
  • No up front fees
STEP 3
PREPARATION FOR A DEAL

Just like painting the house before putting it on the market
STEP 3
PREPARATION FOR A DEAL

• 3 years minimum of financial statements

• Qualifications to do business

• Tax returns up to date
STEP 3
PREPARATION FOR A DEAL

• Ownership records organized

• Litigation / disputes resolved

• Compliance with government agencies and regulations
STEP 3
PREPARATION FOR A DEAL

• Assemble a team of M&A experts

• Broker, Accountant, Attorney, Tax Expert, Financial Advisor, Estate Planner
AND PUT THEM ON SPEED DIAL
STEP 4
FINDING A PARTNER

• Boutique Offering
  • Private
  • Find appropriate buyers
  • Court one at a time

• Auction
  • Exposure to many potential buyers
STEP 4
FINDING A PARTNER

• Site visit
  • Meet owners / Key management team members
  • Understand motivation for a sale / alignment of interests

• NDA and review financials

• Formulate an offer
STEP 5
LETTER OF INTENT

• Non legally binding letter

• Lays out the terms of the deal
STEP 5
LETTER OF INTENT

VERY IMPORTANT DOCUMENT

DON’T UNDERESTIMATE ITS SIGNIFICANCE

LAYS OUT THE TERMS OF DEAL
STEP 5
LETTER OF INTENT

Terms of transaction

Purchase price

Form of payment (cash, stock, note)

Earn out (existence and conditions)
STEP 5
LETTER OF INTENT

Terms of transaction

• Working capital (existence and calculation)

• Non-compete

• Employees contractual commitments
Terms of transaction

- Employee bonuses for past performance/future retention

- Conditions to closing, i.e. Financing

- Tax structure, “Stock” or “Asset”
Terms of transaction

• “Deductibles” and “caps” (obligations to indemnify breaches of representations and warranties)

• Exclusivity agreement
STEP 5
DUE DILIGENCE

UNDER THE MAGNIFYING GLASS
STEP 6
DUE DILIGENCE
STEP 6
DUE DILIGENCE

• Legal (corporate records)
• Financial (audited vs unaudited)
• Indebtedness
• Assets (ownership and condition)
• Contracts (payors/physicians)

Kathleen Roney; 10 Necessary Points for Due Diligence Checklist, December 07, 2012 Becker’s Hospital Review
STEP 6
DUE DILIGENCE

• Regulatory (permits to operate)
• Environmental (hazardous waste)
• Employee (contracts/benefits)
• Insurance (policies/claims hx)
• Litigation

Kathleen Roney; 10 Necessary Points for Due Diligence Checklist, December 07, 2012 Becker’s Hospital Review
STEP 6
DUE DILIGENCE

Kure’s experience:

• Communicate - Open, honest, non-emotive

• Rely on your experts to resolve issues
STEP 7
CLOSING DOCUMENTS

Prepared simultaneously with due diligence
STEP 7
CLOSING DOCUMENTS
STEP 7
CLOSING DOCUMENTS

Purchase Agreement

• Securities Purchase Agreement

• Asset Purchase Agreement
STEP 7
CLOSING DOCUMENTS

Primary document
governing
terms and conditions
of sale
STEP 7
CLOSING DOCUMENTS

Exhibits to Purchase Agreement

Employment agreements
Non-compete agreements
List of employee agreements
STEP 7
CLOSING DOCUMENTS

Exhibits to Purchase Agreement

- Escrow agreements
- Promissory notes
- Security agreements
STEP 7
CLOSING DOCUMENTS

Exhibits to Purchase Agreement

List of contracts
List of liabilities assumed
Disclosure of claims and liens
List of trademarks
Disclosure of license and permits
List of existing warranty claims
Obligations to brokers/finders
Opinion of legal counsel
STEP 8
CLOSING DAY
STEP 8
CLOSING DAY
STEP 6
CLOSING DOCUMENTS
Step 8
Closing Day
STEP 9
FINANCIAL PREPARATIONS

• Investing proceeds
• Tax preparation
• Estate planning
• Buying nice things
STEP 10
POST-CLOSING - KURE

• Paul W Davies MD       Chairperson
• Damean Freas DO        CEO
• Bill Hughes            CDO
• Daniel Bowan           CFO
STEP 10
POST CLOSING - KURE

• Olney, Maryland office opened
• Manhattan offices opened
• Doctor added in Maryland
• Continued negotiations in other States
• Multiple other growth projects
2\textsuperscript{ND} BITE OF THE APPLE