

SUPPLEMENTAL MATERIAL – ITEM 24

Affiliation Agreement with Renown Health, University of Nevada, Reno School of Medicine

June 7, 2021

Re: **Financial Position of ICS** (University of Nevada, Reno School of Medicine Integrated Clinical Services, Inc.)

The audited financials for the period ending June 30, 2020 for the University of Nevada, Reno School of Medicine Integrated Clinical Services, Inc. (“ICS”) and its subsidiaries shows net assets of \$1.8m. This follows a net operating loss in 2020 of approximately \$1.15m.

In the proposed Member Substitution of ICS (replacing the current Members, UNR Med Faculty, with a new member, Renown Health) it is anticipated that ICS will have Net Working Capital of \$0 on the Member Substitution date. This is identified in Section 3.7 of the Affiliation Agreement. If the Board of Regents approves the Agreement, it is anticipated that the current assets of ICS will be spent, following the approval and immediately before the Member Substitution of ICS, on the following items:

- Repayment of outstanding debt to UNR for faculty salaries
- Repayment of outstanding debt to UNR Med for back Academic Support (Dean’s) Tax
- Payment of attorney and consultant fees from the Affiliation Agreement process
- Repayment of outstanding SBA loans taken during COVID-19
- Purchase of Representations and Warranties Insurance (or similar substitute insurance) to protect against unknown past liabilities of ICS.
- Contingency set aside for patient refunds
- Contingency for legacy medical records in Las Vegas and Pharmacy records in Reno
- Contingency/payment of FY 2021 audit and partial FY 2022 audit
- Continued operations, which may be at a loss, through Member Substitution.

While it is possible that some amount of funds would remain at the Member Substitution, which would transfer to Renown with the Member Substitution, this is not expected to be a significant amount. Further, the Affiliation Agreement does identify “consideration” for the Member substitution in Section 3.6:

3.6 Consideration. As consideration for UNR’s entry into the Affiliation, ICS’ and MSAN’s conveyance of the Transferred Clinical Operations to Renown and UNR Med’s resulting assignment of its rights as beneficiary to ICS’ assets as a result of such conveyance of the Transferred Clinical Operations to Renown, Renown shall make the financial, operational and other commitments described herein in furtherance of the Affiliation’s growth and mission. In addition, Renown shall designate the Dean of UNR Med as Renown’s Chief Academic Officer, and appoint the UNR President to serve as an

ex officio, voting member of the Renown Board of Directors as described in Article IX (Governance), in each case effective as of the Affiliation Effective Date.

In addition to the governance considerations (e.g. the President of UNR as an ex-officio member of the Renown Board and the Dean of UNR Med serving as the Chief Academic Officer of Renown), the financial commitments of Renown in the Affiliation Agreement include, but are not limited to:

- Ongoing support of the clinical portion of faculty salaries, benefits and malpractice (\$7,696,356 in FY 2020)
- Ongoing operation of the clinical practice (\$7,349,935 in FY 2020)
- Academic Support Payments of at least \$1,500,000/year for the term of the Affiliation Agreement
- Continued financial support of Graduate Medical Education, which is currently around \$9,500,000/year.
- Support of fifty percent (50%) of the salary and benefits of (i) the Dean/CAO, (ii) Senior Associate Dean for Admin Finance; (iii) the Dean/CAO's Chief of Staff, and (iv) other administrative positions supporting the Affiliation as agreed between the Parties. This amounts to at least \$530,000 annually.

These amounts exceed the current financial benefits that UNR Med receives from the current operations of ICS.