

THE EVERETT CLINIC, PLLC

CERTIFICATE OF NEED APPLICATION  
PROPOSING TO ESTABLISH A CERTIFICATE OF NEED APPROVED  
AMBULATORY SURGERY CENTER IN EDMONDS, WASHINGTON

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**APPLICATION FOR CERTIFICATE OF NEED**  
**Health Care Facility Projects**  
*(excluding nursing home, hospital, or CCRC related projects)*

Certificate of Need applications must be submitted with a fee in accordance with Washington Administrative Code (WAC) 246-310-990.

Application is made for a Certificate of Need in accordance with provisions in Revised Code of Washington (RCW) 70.38 and WAC 246-310, rules and regulations adopted by the Washington State Department of Health. I hereby certify that the statements made in this application are correct to the best of my knowledge and belief.

<p>Signature and Title of Responsible Officer</p>  <p>Shawn L. Slack, M.D., President</p>	<p>Date March 23, 2018</p> <p>Telephone Number (425) 317-3978</p>
<p>Legal Name of Applicant</p> <p>The Everett Clinic, PLLC</p> <p>Address of Applicant</p> <p>3901 Hoyt Avenue Everett, WA 98201</p>	<p>Type of Application:</p> <p><input checked="" type="checkbox"/> Ambulatory Surgical Facility  <input type="checkbox"/> Kidney Disease Treatment Center</p> <p>Type of Project (check all that apply)</p> <p><input checked="" type="checkbox"/> New Health Care Facility  <input type="checkbox"/> Capital expenditure over expenditure minimum  <input type="checkbox"/> Pre-development Expenditure  <input type="checkbox"/> Increase in the number of dialysis stations in a kidney disease center</p>
<p>Intended date of incurring contractual obligation to construct, acquire, lease or finance capital asset:</p> <p>Estimated capital expenditure: \$150,000</p>	<p>Intended date of undertaking project:</p> <p>Upon issuance of certificate of need</p> <p>Intended date for beginning to offer services or operate completed project:</p> <p>Project Summary: Certificate of need approval to establish and operate a freestanding ambulatory surgical facility with three operating rooms</p>



**Certificate of Need Application  
The Everett Clinic, PLLC**

*I. APPLICANT DESCRIPTION:*

*a. Legal name(s) of applicant(s)*

*Note: The term “applicant” for this purpose is defined as any person or individual with a ten percent or greater financial interest in a partnership or corporation or other comparable legal entity that engage in any undertaking which is subject to review under provisions of RCW 70.38.*

The legal name of the applicant is The Everett Clinic, PLLC (“The Everett Clinic”).

The Everett Clinic’s three operating room ambulatory surgical facility (the “Proposed ASC”) is located in Edmonds, Washington.

*b. Name and address of the proposed/existing facility.*

The name of the Proposed ASC will be The Everett Clinic at Edmonds, and its address is currently and will continue to be 21401 72nd Avenue West, Edmonds, WA 98026.

*c. Type of ownership (public/private/corporation, etc.).*

The Everett Clinic is a Washington professional limited liability company.

*d. Name and address of owning entity at completion of project (unless same as applicant).*

The name of the owning entity is the same as the applicant. Its address is 3901 Hoyt Avenue, Everett, WA 98201.

*e. Name, title, address, and telephone number of the person to whom questions regarding this application should be directed.*

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- f. Corporate structure and related parties. Attach chart showing organizational relationship to related parties.*

The Everett Clinic is owned by DaVita Everett Physicians, Inc. P.S. Shawn L. Slack, M.D. (MD00032937) is the sole owner and shareholder of DaVita Everett Physicians, Inc. P.S. Dr. Slack leased the facility of the Proposed ASC in 2016. An organizational chart for The Everett Clinic is attached as Exhibit 1.

- g. Name and address of operating entity at completion of project (unless same as applicant).*

The name and address of the operating entity is the same as the applicant.

- h. General description and address of each facility owned and/or operated by applicant.*

A listing of facilities owned by and/or operated by The Everett Clinic is attached as Exhibit 2.

- i. Facility licensure/accreditation status.*

The Everett Clinic has filed an application with the Department of Health for the licensure of the Proposed ASC pursuant to chapter 70.230 RCW. The application process cannot be completed until a certificate of need ("CN") is issued for the Proposed ASC. The Proposed ASC will also be certified by the Centers for Medicare and Medicaid Services.

- j. Is applicant reimbursed for services under Titles V, XVIII, and XIX of Social Security Act?*

The Everett Clinic is reimbursed for services under Titles V, XVIII, and XIX of the Social Security Act.

- k. Geographic identification of primary service area.*

Consistent with WAC 246-310-270(3), the Southwest Snohomish County secondary health services planning area is the primary service area for this project.

- l. List physician specialties represented on active medical staff and indicate number of active staff per specialty.*

The Everett Clinic's employed providers are identified in Exhibit 3. Table 1 below contains the specialties represented on the active medical staff of The Everett Clinic and the number of active medical staff per specialty.

**Table 1<sup>1</sup>**  
**The Proposed ASC's Active Medical Staff Per Specialty**

Anesthesia (including CRNAs)	12
Bariatric surgery*	3
Dermatology/Mohs	1
Gastroenterology	12
General surgery*	7
Hand surgery*	5
OBGYN surgery	14
Ophthalmic surgery	6
Orthopedic surgery	8
Otolaryngologic surgery	5
Pain management	1
Physiatry	6
Plastic surgery*	1
Podiatric surgery	7
Spine surgery	1
Urologic surgery	4

\* Four physicians are listed in more than one category. There are 89 total physicians and CRNAs listed.

Ethan R Rosenberg, M.D. (MD60153759) will be the Medical Director of the Proposed ASC. A copy of the current medical director agreement is included in Exhibit 4.

*m. List all other generally similar providers currently operating in the primary service area.*

Hospitals in the Southwest Snohomish County secondary health services planning area include the following: Swedish Edmonds.<sup>2</sup>

CN-approved ambulatory surgical facilities in the Southwest Snohomish County secondary health services planning area include the following: None.

CN-exempt ambulatory surgical facilities in the Southwest Snohomish County secondary health services planning area include the following: Alderwood Surgery Center; Baxter Plastic Surgery;

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<sup>1</sup> Source: Applicant.

<sup>2</sup> Source: Department of Health.

Cosmetic Surgical Arts Center; Edmonds Center of Outpatient Surgery; Edmonds Endoscopy Center; Premier Orthopedic Group; Proliance Center for Outpatient Spine and Joint Replacement Surgery of Puget Sound; Puget Sound Surgical Clinic PS d/b/a EVIVA; Sound Urological Associates; Urology Northwest Surgery Center; Virginia Mason Lynnwood Ambulatory Surgical Center; and Washington Spine Diagnostics and Treatment Center.<sup>3</sup>

*n. For existing facilities, provide applicant's overall utilization for the last five years, as appropriate.*

- 1. Ambulatory Surgical Facility - surgeries per year;*
- 2. Kidney Disease Treatment Center - dialyses and/or transplants per year;*

This question is not applicable.

*o. Describe the history of applicant entity with respect to criminal convictions related to ownership/operation of health care facility, license revocations, and other sanctions described in WAC 246-310-230(5)(a). If there have been no such convictions or sanctions, please state.*

The Everett Clinic has no history with respect to the criteria described in WAC 246-310-230(5)(a). None of The Everett Clinic's owners or employees has any history with respect to the criteria described in WAC 246-310-230(5)(a).

## *II. PROJECT DESCRIPTION*

*Include the following elements in the project description. Be aware that an amendment to a Certificate of Need is required for certain project modifications as described in WAC 246-310-100(1).*

*a. Describe the project for which Certificate of Need approval is sought.*

The Everett Clinic's three operating room ambulatory surgical facility, the Proposed ASC, is located in Edmonds, Washington. The Everett Clinic is seeking approval to operate the Proposed ASC as a CN-approved facility.

*b. Total estimated capital expenditures.*

The total estimated capital expenditure associated with this project is \$150,000.

*c. Total estimated operating expense for the first and second years of operation (please show separately).*

The total estimated operating expenses for the first two years of operation are as follows:

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<sup>3</sup> *Id.*

Year 1: \$\$2,493,000; Year 2: \$10,348,000.

d. *New services/changes in services represented by this project.*

If it obtains CN approval, the Proposed ASC will offer the following ambulatory surgical services: bariatric surgery; dermatology/Mohs; gastroenterology; general surgery; gynecologic surgery; ophthalmic surgery; orthopedic surgery, including hand surgery; otolaryngological surgery; pain management; physiatry; plastic surgery; podiatric surgery; spine surgery; urologic surgery.

e. *General description of types of patients to be served by the project.*

The Proposed ASC will serve patients ranging in age from 9 month and up.

f. *Projected utilization of service(s) for the first and second year of operation following project completion (please show separately). This should be expressed in appropriate workload unit measures.*

Total utilization for the first two years of operation (number of surgery cases/procedures) as follows: Year 1: 1,219 (three months of 2018); Year 2: 5,993 (2019).

Cases	2018 (Oct - Dec)	2019	2020	2021	2022	2023
Otolaryngological Surgery	81	324	371	383	383	383
General Surgery	107	427	466	476	476	476
Hand Surgery	83	331	356	362	362	362
Gynecologic Surgery	69	276	276	276	276	276
Orthopedic Surgery	162	647	694	707	707	707
Physiatry	100	401	459	475	475	475
Podiatric Surgery	15	60	69	72	72	72
Gastroenterology	39	1,281	2,484	3,312	3,312	3,312
Ophthalmic Surgery	414	1,656	1,656	1,656	1,656	1,656
Urologic Surgery	23	92	92	92	92	92
Pain Management	35	138	138	138	138	138
Bariatric Surgery	35	138	138	138	138	138
Orthopedic Surgery - Total Joint	29	115	115	115	115	115
Spine Surgery	27	107	107	107	107	107

g. *A copy of the letter of intent, per WAC 246-310-080.*

A copy of the letter of intent is contained in Exhibit 5.

- h. Sources of patient revenue (Medicare, etc.) with anticipated percentage of revenue from each source. Estimate the percentage of change for each of the sources of revenue by payer that will result from this project.*

Projected sources of revenue by payer include:

Medicare	29.5%
Medicaid	5.8%
Other Government	4.8%
Commercial	59.0%
Other	0.8%
<b>Total</b>	<b>100%</b>

- i. Source(s) of financing.*

The capital expenditure will be financed through existing cash flows of The Everett Clinic.

- j. Equipment proposed:*

- 1. Description of equipment proposed.*
- 2. Description of equipment to be replaced, including cost of the equipment, and salvage value (if any) or disposal, or use of the equipment to be replaced.*

<u>Equipment Description:</u>	<u>Cost:</u>
Endogator Pump (EGP-100)	\$1,000.00
Erbe VIO 200 (10140-400)	\$11,500.00
Cart Tower (Used @ NWS)	\$300.00
Olympus Video System	\$45,000.00
APC System	\$25,000.00
Olympus Colonoscope	\$39,600.00
Provation Software License	\$4,500.00
SafeGuide Dilation System Full Set (1214-00)	\$3,500.00
Scope Storage Cabinet	\$2,860.00
Stryker Fifth Wheel Stretchers (Fifth Wheel, 3)	\$12,871.59
Miscellaneous	\$3,868.41

- k. Drawings:*

- 1. Single line drawings, at least approximately to scale, of current locations which identify current department and services.*

2. *Single line drawings, at least approximately to scale, of proposed locations which identify proposed services and departments.*
3. *Total net and gross square feet of project.*
4. *Describe any changes in dialysis station capacity proposed as part of this project.*

Single line drawings of the Proposed ASC are contained in Exhibit 6. The Proposed ASC contains 9,116 net square feet, and the building in which it is located has a total of 14,322 gross square feet.

- l. Anticipated dates of both commencement and completion of project.*

This project is expected to commence upon CN approval, or approximately October 1, 2018.

- m. Describe the relationship of this project to the applicant's long-range plan and long-range financial plan (if any).*

The Everett Clinic's three operating room ambulatory surgical facility is located in Edmonds, Washington and is built out and ready to operate. However, the Department determined that the facility is ineligible for an exemption from the CN review requirement. Therefore, in order to operate and be available for use by The Everett Clinic physicians and their patients, the Proposed ASC needs to obtain a CN.

Without a CN, The Everett Clinic cannot make available the Proposed ASC, which is built out and ready to operate, to its physicians and their patients. These patients are currently experiencing significant delays in receiving needed care. In certain cases, these patients are being forced to travel significant distances to receive services that could be conveniently provided at the Proposed ASC.

If a CN is granted, The Everett Clinic will continue to offer the same high quality, cost-effective services it currently offers and also make outpatient surgical services available locally to its patients who are in need of such services.

In addition to helping to reduce delays for patients seeking needed care, CN approval for the Proposed ASC will help patient choice in the Southwest Snohomish County secondary health services planning area. A CN approved ambulatory surgical facility will allow patients the option of receiving services in a significantly less expensive and a significantly more cost-effective setting than the local hospital.

- n. Describe any of the following which would currently restrict usage of the proposed site and/or alternate site for the proposed project: (a) mortgages; (b) liens; (c) assessments; (d) mineral or mining rights; (e) restrictive clauses in the instrument of conveyance; (f) easements and right-of-ways; (g) building restrictions; (h) water and sewer access; (i) probability of flooding; (j) special use restrictions; (k) existence of access roads; (l) access*

*to power and/or electricity sources; (m) shoreline management/environmental impact; (n) others (please explain).*

None of the above will affect or limit the use of the site for the Proposed ASC.

- o. Provide documentation that the proposed site may be used for the proposed project. Documentation may include, but not limited to a letter from any appropriate municipal authority, zoning information, and signed letter from leasing agent or realtor attesting to appropriate usage.*

A copy of the Sublease between The Everett Clinic, PLLC and Everett MSO, Inc. dated September 27, 2016 is contained in Exhibit 7.

- p. Provide documentation that the applicant has sufficient interest in the site or facility proposed.  
“Sufficient interest” includes but not limited to one of the following:*
  - a. clear legal title to the proposed site;*
  - b. a lease for at least one year with, options to renew for not less than a total of five years;*
  - c. a draft lease for at least one year with, options to renew for not less than a total of five years. A draft is acceptable only if all parties identified in the draft agreement provide a signed “Letter of Intent to finalize” the agreement.*
  - d. an earnest money agreement provided all parties identified in the agreement have signed it.*
  - e. a letter signed by a duly authorized representative of the property owner attesting to the property owners intent to sale the site as represented in the application.*

A copy of the Sublease between The Everett Clinic, PLLC and Everett MSO, Inc. dated September 27, 2016 is contained in Exhibit 7.

### *III. PROJECT RATIONALE*

*Provide documentation to establish conformance of this project with applicable review criteria.*

- A. Need (WAC 246-310-210)*
  - 1. Identify and analyze the unmet health services needs and/or other problems toward which this project is directed.*
    - a. Unmet health services needs of the defined populations should be differentiated from physical plant and operating (service delivery) deficiencies that are related to present arrangements.*
    - b. The negative impact and consequences of unmet needs and deficiencies should be identified.*



The Everett Clinic's three operating room ambulatory surgical facility is located in Edmonds, Washington and is built out and ready to operate. However, the Department determined that the facility is ineligible for an exemption from the CN review requirement. Therefore, in order to operate and be available for use by The Everett Clinic physicians and their patients, the Proposed ASC needs to obtain a CN.

Without a CN, The Everett Clinic cannot make available the Proposed ASC, which is built out and ready to operate, to its physicians and their patients. These patients are currently experiencing significant delays in receiving needed care. In certain cases, these patients are being forced to travel significant distances to receive services that could be conveniently provided at the Proposed ASC.

#### Need for Services

CN approval for the Proposed ASC will help create patient choice in the Southwest Snohomish County secondary health services planning area. A CN-approved ambulatory surgical facility will allow patients the option of receiving services in a significantly less expensive setting than the local hospital in the health services planning area. It would not only be more costly, but also more disruptive to establish a new ambulatory surgical facility in the health services planning area to address this need for services.

#### Need for Additional Capacity

The Department uses the numeric methodology outlined in WAC 246-310-270 for determining the need for additional ambulatory surgical facilities in Washington State. The numeric methodology provides a basis of comparison of existing operating room capacity for both outpatient and inpatient operating rooms in a planning area using the current utilization of existing providers. The methodology separates Washington State into 54 secondary health services planning areas. The Proposed ASC would be located in the in Southwest Snohomish County secondary health services planning area.

The numeric methodology estimates operating room need in a planning area using steps defined in WAC 246-310-270(9). This methodology relies on a variety of assumptions and initially determines existing capacity of dedicated outpatient and mixed-use operating rooms in the planning area, subtracts this capacity from the forecast number of surgeries to be expected in the planning area in the target year, and examines the difference to determine:

- 1) Whether a surplus or shortage of operating rooms is predicted to exist in the target year.
- 2) If a shortage of operating rooms is predicted, the shortage of dedicated outpatient and mixed-use operating rooms are calculated. Preference is given to dedicated outpatient operating rooms.

- 3) Data used to make these projections specifically exclude specialty purpose rooms, such as open-heart surgery rooms, delivery rooms, cystoscopic rooms, and endoscopic rooms.

Exhibit 8 contains the Proposed ASC's need methodology evaluation. The evaluation shows that there is a need for an additional 14.48 outpatient operating rooms by the year 2022 in the Southwest Snohomish County secondary health services planning area. Currently there is a shortage of 14.48 outpatient operating rooms in the Southwest Snohomish County secondary health services planning area.

The Everett Clinic has 89 providers who will use the Proposed ASC. See Exhibit 3.

A CN would allow all patients a choice between a hospital outpatient surgery department and a free-standing ambulatory surgery center. The cost per procedure for the patient as well as his or her insurance company is significantly less in a free-standing surgery center.

For the above reasons, we believe that the proposed project meets applicable need criteria.

In addition to the above reasons that demonstrate the Proposed ASC meets applicable need criteria, The Everett Clinic requests that, if needed, the Department exercise its discretion under WAC 246-310-270(4) to grant a CN for the Proposed ASC. Without a CN, The Everett Clinic cannot make available the Proposed ASC, which is built out and ready to operate, to its physicians and their patients, who are currently experiencing significant delays in receiving needed care. Issuing a CN to the Proposed ASC will allow these patients to receive the care they need and to receive that care locally.

2. *Define the population that is expected to be served by the project. The specific manner of definition is of necessity based on the specific project proposed, and may require definitions for different elements of the project.*

*In all cases, provide Office of Fiscal Management population forecasts for the next ten years, broken down into age and gender categories.*

*In the case of an existing facility, include a patient origin analysis for at least the most recent three month period, if such data is maintained, or provide patient origin data from the last statewide patient origin study. Patient origin is to be indicated by zip code. Zip codes are to be grouped by city and county, and include a zip code map illustrating the service area.*

*The population expected to be served can be defined according to specific needs and circumstances of patients (e.g., alcoholism treatment, renal dialysis), or by the number of persons who prefer to receive the services of a particular recognized school or theory of medical care.*

3. *Provide utilization forecasts for each service included in the project. Include the following:*

- a. *Utilization forecasts for at least five years following project completion.*
- b. *The complete quantitative methodology used to construct each utilization forecast.*
- c. *Identify and justify all assumptions related to changes in use rate, market share, intensity of service, and others.*
- d. *Evidence of the number of persons now using the service(s) who will continue to use the service(s). Utilization experience for existing services involved in the project should be reported for up to the last ten years, as available. Such utilization should be reported in recognized units of measure appropriate to the service.*
- e. *Evidence of the number of persons who will begin to use the services(s).*

The methodology in WAC 216-310-270(9) divides Washington State into 54 secondary health services planning areas. The Proposed ASC is located in the Southwest Snohomish County secondary health services planning area, which is defined using the zip codes in Table 2.

**Table 2<sup>4</sup>**  
**Southwest Snohomish County Secondary Health Services Planning Area Zip Codes**

<b>Zip Code</b>	<b>City</b>
98020	Edmonds
98036	Lynnwood
98043	Mountlake Terrace
98012	Bothell
98021	Bothell
98026	Edmonds
98037	Lynnwood
98087	Lynnwood

The population data for the Southwest Snohomish County secondary health services planning area included in Exhibit 9 demonstrates that the current total population of approximately 278,732 continues to grow and is expected to increase to 299,364 in 2022, an increase of 20,632.

The Everett Clinic has developed this proposed project to ensure that there is sufficient capacity in the planning area to meet current and projected need. There is no construction, renovation or expansion associated with this project. The Proposed ASC's operating rooms are fully built-out and operational. Without a CN, however, The Everett Clinic cannot make available the Proposed ASC, to its patients. These patients, in turn, are experiencing significant delays in receiving needed care or are being forced to travel significant distances to receive the care.

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<sup>4</sup> Source: Office of Financial Management.

Table 3 below shows an increase in the total number of cases from 1,219 (3 months) in 2018 to 8,309 in 2022. Conservatively, The Everett Clinic projects there will be at least an increase of 2,316 procedures performed annually from 2019 (full year) to 2022. In addition to making the Proposed ASC available to The Everett Clinic’s employees and their patients, which will account for the number of procedures performed at the Proposed ASC, population growth will also cause an increase in the number of procedures to be performed. Accordingly, The Everett Clinic could also make the Proposed ASC available to other qualified, credentialed and privileged physicians in good standing.

The Everett Clinic has taken a conservative approach in estimating growth, and the projections are far below the likely increase in utilization.

**Table 3<sup>5</sup>**  
**Proposed ASC**  
**Projected Utilization**

Year	Number of Procedures
2018	1,219 (3 months)
2019	5,993
2020	7,421
2021	8,309
2022	8,309
2023	8,309

4.
  - a. *Provide information on the availability and accessibility of similar existing services to the defined population expected to be served. This section should concentrate on other facilities and services which “compete” with the applicant.*
    - i. *Identify all existing providers of services similar to those proposed and include sufficient utilization experience of those providers that demonstrates that such existing services are not available in sufficient supply to meet all or some portion of the forecaster utilization.*
    - ii. *If existing services are available to the defined population, demonstrate that such services are not accessible to that population. Time and distance factors, among others, are to be analyzed in this section.*
    - iii. *If existing services are available and accessible to the defined population, justify why the proposed project does not constitute an unnecessary duplication of services.*

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<sup>5</sup> Source: Applicant.

As noted in other sections of this application, the establishment of the Proposed ASC is being undertaken to provide additional capacity for the planning area. The Proposed ASC will not duplicate services, but will expand the existing services The Everett Clinic presently offers.

We believe the only other providers of outpatient surgical services in the Southwest Snohomish County secondary health services planning area are the following: Swedish Edmonds; Baxter Plastic Surgery; Edmonds Center of Outpatient Surgery; Puget Sound Surgical Clinic PS d/b/a EVIVA; and Virginia Mason Lynnwood Ambulatory Surgical Center.

- b. In the context of the criteria contained in WAC 246-310-210(1)(a) and (b), document the manner in which:*
- i. Access of low-income persons, racial and ethnic minorities, women, mentally handicapped persons, and other under-served groups to the services proposed is commensurate with needs for the health services.*

A copy of the Proposed ASC's proposed charity care and admission policies are included as Exhibit 10. Consistent with the requirements of WAC 246-310-270(7), the Proposed ASC projects to provide the average charity care for Southwest Snohomish County.

- ii. In the case of the relocation of a facility or service, or the reduction or elimination of a service, the present needs of the defined population for that facility or service, including the needs of under-served groups, will continue to be met by the proposed relocation by alternative arrangements.*

This project does not propose the relocation, reduction or elimination of existing services. As such, this question is not applicable.

*Applicants should include the following:*

- Copy of admissions policy;*
  - Copy of community service policy;*
  - Copy of its charity care policy;*
  - Reference appropriate access problems and discuss how this project addresses such problems;*
  - As appropriate, reference health facility related access problems of under-served groups noted in social services plan documents;*
  - Other information as appropriate*
- 5. As applicable, substantiate the following special needs and circumstances that the proposed project is to serve.*

- a. *The special needs and circumstances of entities such as medical and other health professions' schools, multi-disciplinary clinics, and specialty centers that provide a substantial portion of their services, resources, or both, to individuals not residing in the health services areas in which the entities are located or in adjacent health services areas.*
- b. *The special needs and circumstances of biomedical and behavioral research projects which are designed to meet a national need and for which local conditions offer special advantages.*
- c. *The special needs and circumstances of osteopathic hospitals and non-allopathic services with which the proposed facility/service would be affiliated.*

This question is not applicable to this project.

**B. *Financial Feasibility (WAC 246-310-220)***

1. *Proposed capital expenditures should be broken out in detail and should account for at least the following:*
  - *Land acquisition;*
  - *Site survey, tests, inspections;*
  - *Construction contract;*
  - *Financial feasibility studies, architectural fees/engineering fees/consulting fees;*
  - *Fixed equipment (not in construction contract);*
  - *Movable equipment;*
  - *Freight and delivery charges;*
  - *Sales tax;*
  - *Cost of tuning up and trial runs;*
  - *Reconditioning costs (in case of used asset);*
  - *Cost of title investigations, legal fees, brokerage commissions;*
  - *Other activities essential to the acquisition, improvement, expansion, or replacement of plant and equipment due to the project; and*
  - *Financing costs, including interim interest expense, reserve account, interest expense, and other financing costs.*
2. *The method and sources for calculating construction costs and other estimated capital expenditures should be fully explained.*
3. *Documentation of project impact on (a) capital costs, and (b) operating costs and charges for health services.*
4. *Source(s) of financing (loan, grant, gifts, etc.). Provide all financing costs, including reserve account, interest expense, and other financing costs. If acquisition of the asset is to be by lease, copies of any lease agreements, and/or maintenance repair contracts should be*

*provided. The proposed lease should be capitalized with interest expense and principal separated. For debt amortization, provide a repayment schedule showing interest and principal amount for each year over which the debt will be amortized.*

5. *Provide a cost comparison analysis of the following alternative financing methods: purchase, lease, board-designated reserves, and interfund loan or bank loan. Provide the rationale for choosing the financing method selected.*
6. *Provide a pro forma balance sheet and the accounting statement, statement of changes in financial position of unrestricted funds and changes in components of working capital.*

Exhibit 11 contains the pro forma income statement.

7. *Provide a capital expenditure budget through the project completion and for three years following completion of the project.*
8. *The expected sources of revenues for the applicant's total operations (e.g., Medicaid, Blue Cross, Labor and Industries, etc.) with anticipated percentage of revenue from each source.*

Projected sources of revenue by payer include:

Medicare	29.5%
Medicaid	5.8%
Other Government	4.8%
Commercial	59.0%
Other	0.8%
<b>Total</b>	<b>100%</b>

9. *Expense and revenue statements for the last three full years.*

Exhibit 12 contains The Everett Clinic's income statements for the last three full years.

NOTE: This exhibit represents the unofficial and unaudited income statements of The Everett Clinic. This exhibit is confidential and proprietary to The Everett Clinic and should not be used for any purpose other than evaluation of this certificate of need application.

10. *Cash flow statement for the last three full years.*

Exhibit 13 contains The Everett Clinic's cash flow statement for the last three full years. This exhibit is confidential and proprietary to The Everett Clinic and should not be used for any purpose other than evaluation of this certificate of need application.

NOTE: This exhibit represents the unofficial and unaudited cash flow statements of The Everett Clinic. This exhibit is confidential and proprietary to The Everett Clinic and should not be used for any purpose other than evaluation of this certificate of need application.

11. *Balance sheets detailing the assets, liabilities, and net worth of facility for the last three full fiscal years.*

Exhibit 14 contains The Everett Clinic's balance sheets detailing the assets, liabilities, and net worth of facility for the last three full fiscal years. This exhibit is confidential and proprietary to The Everett Clinic and should not be used for any purpose other than evaluation of this certificate of need application.

NOTE: This exhibit represents the unofficial and unaudited balance sheets of The Everett Clinic. This exhibit is confidential and proprietary to The Everett Clinic and should not be used for any purpose other than evaluation of this certificate of need application.

12. *Indicate the reduction or addition of FTEs with the salaries, wages, employee benefits for each FTE affected.*

Table 4 identifies the projected staffing, by FTE, for each of the first three years of operation. Information regarding the salaries, wages and employee benefits is included in the pro forma financials contained in Exhibit 11.

**Table 4**  
**Proposed ASC**  
**Estimated Total Staffing 2018-2022<sup>6</sup>**

Position	2018	2019	2020	2021	2022
Clinical Director/Charge Nurse	0.75	0.75	1.00	1.00	1.00
Registered Nurse	14.95	15.50	20.25	23.25	23.25
LPN/Techs/MA	9.60	10.00	13.10	15.00	15.00
Registration/Receptionist	2.25	2.25	2.75	2.75	2.75
<b>Total</b>	<b>27.55</b>	<b>28.50</b>	<b>37.10</b>	<b>42.00</b>	<b>42.00</b>

- C. *Structure and Process (Quality) of Care (WAC 246-310-230)*

*Please document the following associated with structure and process of care.*

1. *The availability of sufficient numbers of qualified health manpower and management personnel. If the staff availability is a problem, describe the manner in which the problem will be addressed.*

---

<sup>6</sup> Source: Applicant.



The Proposed ASC intends to continue employment of all its staff in good standing. A sufficient number of qualified health manpower and management personnel are already in place and will be added, as needed, in accordance with Table 4.

2. *Identify the facility's Medical Director, Director of Nursing, and other key staff. For each provide their professional license number for Washington. If they are also licensed in other states, provide their license number for those states.*

Ethan R. Rosenberg, M.D. (MD60153759) is the Proposed ASC's Medical Director. Lynette M. Wachholz, ARNP (Washington: AP30002206; Wisconsin: 92195-30) is the Proposed ASC's Director of Nursing.

3. *For the Medical Director indicate if he/she will be an employee of the facility or contractual. If performing his/her duties through a contract, provide a copy. A draft is acceptable only if all parties identified in the draft agreement provide a signed "Letter of Intent to finalize" the agreement and all terms and costs are included.*

Ethan R. Rosenberg, M.D. (MD60153759) is the Proposed ASC's Medical Director. Lynette M. Wachholz, ARNP (Washington: AP30002206; Wisconsin: 92195-30) is the Proposed ASC's Director of Nursing.

4. *The relationship of ancillary and support services to proposed services, and the capability of ancillary and support services to meet the service demands of the proposed project.*

The Everett Clinic will offer all of the necessary ancillary and support services on site.

Exhibit 15 contains a copy of the executed Patient Transfer Agreements, including:

- Providence Health & Services – Washington and The Everett Clinic, PLLC dated December 2, 2013;
  - King County Public Hospital District No. 2 and The Everett Clinic, PLLC dated February 27, 2017;
  - Seattle Children's Hospital and The Everett Clinic dated January 30, 2017; and
  - Swedish Edmonds and The Everett Clinic dated December 1, 2016.
5. *The specific means by which the proposed project will promote continuity in the provision of health care to the defined population and avoid unwarranted fragmentation of services. This section should include the identification of existing and proposed formal working relationships with hospitals, nursing homes, and other health service resources serving your primary service area. This description should include recent, current, and pending cooperative planning activities, shared services agreements, and transfer agreements. Copies of relevant agreements and other documents should be included.*

The Everett Clinic will offer all of the necessary ancillary and support services on site.

Exhibit 15 contains a copy of the executed Patient Transfer Agreements, including:

- Providence Health & Services – Washington and The Everett Clinic, PLLC dated December 2, 2013;
- King County Public Hospital District No. 2 and The Everett Clinic, PLLC dated February 27, 2017;
- Seattle Children’s Hospital and The Everett Clinic dated January 30, 2017; and
- Swedish Edmonds and The Everett Clinic dated December 1, 2016.

6. *Fully describe any history of the applicant entity with respect to the actions noted in Certificate of Need rules and regulations WAC 246-310-230 (5)(a). If there is such history, provide clear, cogent, and convincing evidence that the proposed project will be operated in a manner that ensures safe and adequate care to the public to be served and in conformance with applicable federal and state requirements.*

The Everett Clinic has no history with respect to the actions described in CN criteria WAC 246-310-230(5)(a).

7. *Services to be provided will be provided (a) in a manner that ensures safe and adequate care, and (b) in accord with applicable federal and state laws, rules, and regulations.*

The Everett Clinic operates all existing programs in conformance with applicable state and federal laws, rules and regulations.

D. *Cost Containment (WAC 246-310-240)*

*Please document the following associated with cost containment.*

1. *Exploration of alternatives to the project you have chosen to pursue, including postponing action, shared service arrangements, merger, contract services, and different methods of service provision, including different spacial configurations you have evaluated and rejected.*

*Each alternative should be analyzed by application of the following:*

- *Decision making criteria (cost limits, availability, quality of care, legal restriction, etc.);*
- *Advantages and disadvantages, and whether the sum of either the advantages or the disadvantages outweigh each other by application of the decision-making criteria;*
- *Capital costs;*

- *Staffing impact.*

As discussed above, there is significant net need for outpatient surgery operating rooms in the Southwest Snohomish County secondary health services planning area. The Proposed ASC will improve access, a key criterion for a certificate of need. The Proposed ASC will also provide a low cost, freestanding ambulatory surgical facility in the health planning area to meet the needs of patients and help residents of the planning area avoid wait times for procedures and lower health care costs.

The Everett Clinic has a presence in the Southwest Snohomish County secondary health services planning area, and the Proposed ASC will build upon this presence and offer the Proposed ASC and other patients convenient access to surgical services. The Everett Clinic is committed to providing high quality, affordable care in the Southwest Snohomish County secondary health services planning area, and the Proposed ASC will help accomplish this goal. The proposed project promotes continuity of care with The Everett Clinic's other services as well as cost containment. Making the Proposed ASC available to qualified, credentialed and privileged physicians in good standing is significantly less costly than building a new ambulatory surgical facility to address waiting times for surgical services.

The Everett Clinic is requesting a CN for the Proposed ASC so that its employed providers can use the facility, which is fully built-out and ready to operate. In addition, other qualified, credentialed and privileged physicians in good standing can utilize this facility. As part of its due diligence, The Everett Clinic examined alternatives to the proposed project and evaluated those alternatives. The alternatives are addressed below.

#### Alternative 1: "Do Nothing"

The Everett Clinic rejected a "do nothing" alternative. The Southwest Snohomish County secondary health services planning area currently has too few outpatient operating rooms. Planning area residents are underserved relative to the forecasted demand for surgical services and must travel or wait to obtain care. The Everett Clinic has a presence in the Southwest Snohomish County secondary health services planning area and can add value to community health services by extending its continuum of care to additional residents of the community and other patients. A "do nothing" alternative strategy is detrimental to the community, in that such a strategy would do nothing to reduce the wait times for surgical services, would further restrict needed health care services within the health planning area, and would not improve the cost effectiveness of care delivery. There is no advantage to the "do nothing" alternative, so it was not considered feasible.

#### Alternative 2: Request Approval for a Freestanding ASC, i.e., The Proposed Project

In contrast to the "do nothing" approach, the advantages of a CN-approved ambulatory surgical facility are clear. A CN-approved ambulatory surgical facility would afford increased access and

local choice for the health planning area residents and local, independent physicians. It would increase physicians' and patients' ease of access and improve their ability to deliver and receive high quality care. This alternative model reduces the overall cost of care and passes these relative cost and efficiency advantages of a freestanding ambulatory surgical facility to patients and payers.

There are no disadvantages to granting The Everett Clinic's request for CN approval. The facility is built out and ready to operate. The data demonstrates there would not be a duplication of services, given a projected net demand of over 14.48 outpatient operating rooms in the health planning area.

A CN-approved ambulatory surgical facility would better serve the interests of the planning area residents and achieve Southwest Snohomish County secondary health services planning area's desire to reduce wait times for outpatient surgical services.

2. *The specific ways in which the project will promote staff or system efficiency or productivity.*

The primary objective of the proposed project is to provide needed access to a high quality, low cost ambulatory surgical facility in the planning area where there is clear demonstrated need. Patients who need outpatient surgery will have the option to have their procedure in an ambulatory surgical facility where they can obtain the same quality surgical experience, but at a lower cost. This Proposed ASC will offer care that is both affordable and local. The Proposed ASC will be available to The Everett Clinic's physicians and their patients. In addition, The Everett Clinic could also make the Proposed ASC available to other qualified, credentialed and privileged physicians in good standing.

3. *In the case of construction, renovation, or expansion, capital cost reductions achieved by architectural planning and engineering methods and methods of building design and construction. Include an inventory of net and gross square feet for each service and estimated capital cost for each proposed service. Reference appropriate recognized space planning guidelines you have employed in your space allocation activities.*

There is no construction, renovation or expansion associated with this project. The Proposed ASC's operating rooms are fully built-out and ready to operate.

4. *In the case of construction, renovation or expansion, an analysis of the capital and operating costs of alternative methods of energy consumption, including the rationale for choosing any method other than the least costly. For energy-related projects, document any efforts to obtain a grant under the National Energy Conservation Act.*

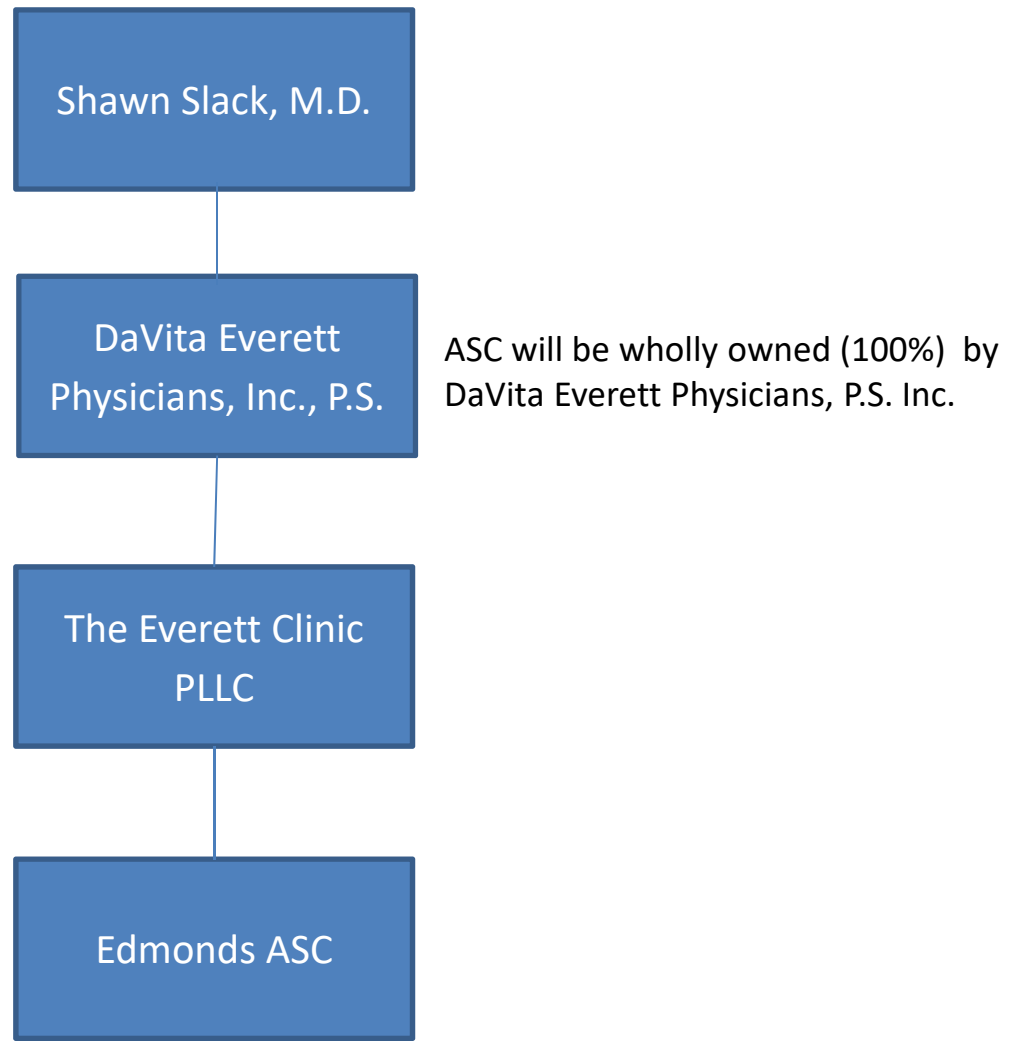
There is no construction, renovation or expansion associated with this project. The Proposed ASC's operating rooms are fully built-out and ready to operate.

# EXHIBIT 1

## THE EVERETT CLINIC, PLLC

### ORGANIZATIONAL CHART

## Proposed ASC Ownership Structure



Source: Organizational chart documented on 3.23.18

EXHIBIT 2  
LISTING OF FACILITIES OWNED BY  
AND/OR OPERATED BY THE EVERETT  
CLINIC, PLLC

Clinic	Address
The Everett Clinic - Harbour Pointe	4410 106TH ST SW MUKILTEO, WA 98275-4700
The Everett Clinic - Marysville	4420 76TH ST NE MARYSVILLE, WA 98270-3726
The Everett Clinic - 4004 Colby Building	4004 COLBY AVE EVERETT, WA 98201-6203
The Everett Clinic - Totem Lake	12303 NE 130TH LN STE 400 KIRKLAND, WA 98034-3041
The Everett Clinic - Spine Physiatry Center	1303 PACIFIC AVE EVERETT, WA 98201-4234
The Everett Clinic - Founders Building	3901 HOYT AVE EVERETT, WA 98201-4918
The Everett Clinic - Snohomish	401 2ND ST SNOHOMISH, WA 98290-3008
The Everett Clinic - Harbour Pointe Pediatrics	4410 106TH ST SW MUKILTEO, WA 98275-4700
The Everett Clinic - Mill Creek	15418 MAIN ST MILL CREEK, WA 98012-9030
The Everett Clinic - Lake Stevens	8910 VERNON ROAD LAKE STEVENS, WA 98258
The Everett Clinic - Stanwood	7205 265TH ST NW STANWOOD, WA 98292-6221
The Everett Clinic - Cancer Partnership	1717 13TH ST EVERETT, WA 98201-1621
The Everett Clinic - Silver Lake	1818 121ST ST SE EVERETT, WA 98208-5985
The Everett Clinic - Mohs and Skin Surgery	3726 COLBY AVE EVERETT, WA 98201-4911
The Everett Clinic - Gunderson Building	3927 RUCKER AVE EVERETT, WA 98201-4833
The Everett Clinic - Pavilion for Women and Children	900 PACIFIC AVE EVERETT, WA 98201-4168
The Everett Clinic - Medical Office Building	1330 ROCKEFELLER AVE EVERETT, WA 98201-1684
The Everett Clinic - Vision Center	3802 COLBY AVE EVERETT, WA 98201-4940
The Everett Clinic - Comprehensive Pain Center	4027 HOYT AVE EVERETT, WA 98201-4972
The Everett Clinic - Smokey Point	2901 174TH ST NE MARYSVILLE, WA 98271-4743
The Everett Clinic - Shoreline	1201 N 175TH ST SHORELINE, WA 98133-5064
The Everett Clinic - Edmonds	21401 72ND AVE W EDMONDS, WA 98026-7702
The Everett Clinic - Thomas Lake	3916 148TH ST SE MILL CREEK, WA 98012-4751



The Everett Clinic - Woodinville	17000 140TH AVE NE UNIT 101 WOODINVILLE, WA 98072-6928
The Everett Clinic - Bothell	18505 BOTHELL WAY NE STE 215 BOTHELL, WA 98011-3717
The Everett Clinic - Kemp Surgery Center	3927 RUCKER AVE SUITE101 EVERETT, WA 98201-4833
The Everett Clinic - Marina Village	1728 West Marine View Drive Suite 106 Everett WA 98201

EXHIBIT 3  
THE EVERETT CLINIC  
SURGERY/PROCEDURAL PROVIDERS

## **Surgery/Procedural Physicians (excluding ACP's)**

Bauer, Edward CRNA  
Cantrell, Dawn MD  
Elhardt, Robert CRNA  
Foisy, Edgar CRNA  
Miura, Hiroko CRNA  
O'hare, Debbie CRNA  
Remey, Carol CRNA  
Rosenberg, Ethan MD  
Sweeney, Littie CRNA  
Uso, Londres MD  
Walczak, Dariusz MD  
Wesner, Heather CRNA

### **Total - Anesthesia**

Andre, Robert E  
Rogers, Clifford W

### **Total - Gynecology MOB**

Chia, Benjamin  
Kawamura, David H  
Larsen, Meredith  
Rehse, Dagmar H  
Su, Cynthia

### **Total - Hand Center**

Anholm, Anne C  
Dau, Quan M  
Heshmati, Nariman  
Jacobsen, Judith A  
Jordan, John D  
Koo, Christine  
McLennan, Dori  
McSorley, Meghan  
Nicolov, Laurent  
Vold, Leif G

Worjolah-Clemens, Ayaba

Yokoe, Dawn H

**Total - OB/GYN**

Bhandari, Anuja

Furlan, Julie

Hsu, Maylon

Kim, Bryan

Kim, Soo Y

Shayesteh, Yasmin

**Total - Ophthalmology**

Friedman, Mark

Frost, D. Whitney

Hou, Clifford

Reynolds, Paul

Schaaf, Scott A

Skalley, Thomas C

Thiel, Brent G

Urvater, Joshua H

**Total - Orthopedics**

Abson, Paul A

Adams, Jeffery R

Mulligan, Lisa

Taliercio, Salvatore

Higgins, Natalie P

**Total - ENT**

Laghaeian, Sean S

Lee, Hsing-Hsi

Lund, Jessica L

Kang, Jonathan

Korab, Jeff M

Kurtz Barrido, Elizabeth A

Wilder, Megan

**Total - Podiatry**

Carpenter, Michael D  
Chrisman, Andrew  
Jalali, Amir S  
Lee, Suk B  
Oei, Melina E  
Weaver, Kelly

**Total - Psychiatry**

Drosdeck, Joseph  
Graves, Timothy A  
Martinez, Steve R  
Millie, Michael P  
Soriano, Perry A  
Truong, William  
Worden, Sara M

**Total - General Surgery**

Chen, Tony  
Hempel, Christopher R  
Mock, Stephen  
Yoon, Jeong H

**Total - Urology**

Frances, Vijay

**Total - Comprehensive Pain Center**

de Imus, Gail

**Total – MOHS**

Cheng, Jianfeng  
Gupta, Maneesh  
Hecker, Lonny M  
King, Janet C  
Ko, Yoojin J  
Palmer, Robert A

Parikh, Dhavan  
Pereira, Arema A  
Rajvanshi, Pankaj  
Robinson O'Neill, Darby E  
Shaw, Steven M  
Wang, James  
**Total - GI**

Stonecipher, Thomas  
**Total - Pacific Spine**

Su, Cynthia  
**Total - Plastic Surgery**

Drosdeck, Joseph  
Truong, William  
Millie, Michael  
**Total - Bariatric Surgery**

EXHIBIT 4  
PROPOSED ASC MEDICAL DIRECTOR  
AGREEMENT

## **THE EVERETT CLINIC AT EDMONDS MEDICAL DIRECTOR AGREEMENT**

THIS AGREEMENT (this “Agreement”) is made and entered into effective as of the Effective Date (as defined in Section 1 below) by and between The Everett Clinic, PLLC, a Washington professional limited liability company (“TEC”) and Ethan Rosenberg, MD (the “Medical Director”). TEC and Medical Director are each referred to as a “Party” and collectively as the “Parties.”

### **WITNESSETH**

WHEREAS, TEC owns and operates The Everett Clinic at Edmonds, which includes the Edmonds Ambulatory Surgery Center and the Office-Based Surgery Facility (“OBS”) (together referred to as “the Edmonds Facility”);

WHEREAS, Medical Director is a physician employee of TEC and the current Medical Director of the Kemp Ambulatory Surgery Center.

WHEREAS, TEC desires to appoint Medical Director as the Medical Director of the Edmonds Facility; and

WHEREAS, Medical Director desires to provide those Medical Director Services set forth in this Agreement.

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein, TEC and Medical Director agree as follows:

#### **1. APPOINTMENT OF MEDICAL DIRECTOR**

- 1.1 Effective February 21, 2018, TEC hereby appoints Medical Director as the Medical Director of the Edmonds Facility. Medical Director shall provide Medical Director Services (as defined in Section 2.1 below) to the Edmonds Facility in accordance with the requirements of this Agreement.

#### **2. MEDICAL DIRECTOR SERVICES AND QUALIFICATIONS**

2.1 Medical Director Services. TEC agrees that the Medical Director will provide the following Medical Director Services, which include performance of the following services:

(a) Providing medical direction with respect to all clinical activities performed in connection with or related to all medical procedures performed at the Edmonds Facility and all administrative activities related thereto and ensuring that such activities are performed in conformity with TEC's policies and procedures, as amended from time to time by TEC and the Edmonds Governance Committee, and all applicable laws, rules, regulations, standards and guidelines promulgated by all applicable regulatory authorities.

(b) Consulting with and rendering advice to TEC, the medical staff of the Edmonds Facility, the Director of the Edmonds Facility and all other personnel at the Edmonds Facility



regarding the timely and complete documentation of all clinical records and other data and, where appropriate, reviewing such records.

(c) Consulting with and rendering advice to TEC, the Support Staff of the Edmonds Facility, and all clinical personnel at the Edmonds Facility regarding, and assisting in the development and implementation of, quality treatment programs, clinical programs, new program development and modalities to meet the needs of the Edmonds Facility and its patients.

(d) Consulting with and rendering advice to TEC, the Support Staff of the Edmonds Facility regarding, and participating in, the Edmonds Facility's Quality Assurance and Improvement Program and risk management programs to include review of QA information.

(e) Consulting with and rendering advice to TEC, the Support Staff of the Edmonds Facility, and all clinical and nursing personnel at the Edmonds Facility regarding, and assisting in the development and coordination of and participating in, all continuing in-service education and training programs for the Support Staff and all clinical and nursing personnel at the Edmonds Facility with respect to the performance of all medical procedures at the Edmonds Facility

(f) Consulting with and rendering advice to TEC regarding the maintenance of quality, well trained clinical and nursing personnel at the Edmonds Facility. In this regard, the Medical Director shall report to the Chief Medical Officer of TEC all material and relevant facts and information known to the Medical Director or which, after reasonable investigation by the Medical Director, leads the Medical Director to reasonably believe that an individual performing clinical activities and services at the Edmonds Facility has failed to meet the competency standards that are customary and usual with respect to an individual performing such clinical activities and services and those that may specifically be required to be met, from time to time, by TEC, the Support Staff of the Edmonds Facility, or TEC Policies and Procedures. Notwithstanding the foregoing, the final authority for all employment and personnel decisions concerning the Edmonds Facility's Support Staff shall lie solely with TEC, which shall have full and final discretion in all such matters.

(g) Conducting periodic evaluations of the adequacy and appropriateness of the medical procedures performed at the Edmonds Facility and consulting with and rendering advice to TEC with respect to selection and acquisition of equipment, outside vendors, supplies and support services with respect to the performance of such procedures.

(h) At the reasonable request of TEC, attending administrative meetings and accepting appointments to ad-hoc and standing committees of the Edmonds Facility.

(i) Serving as a member of the Medical Staff of the Edmonds Facility and attending all meetings as scheduled.

2.2 Medical Director Qualification. Medical Director shall possess all of the qualifications necessary to remain an employed physician in good standing at The Everett Clinic by fulfilling all TEC credentialing requirements and meeting all qualifications established by

policy. Medical Director shall immediately notify TEC in writing (i) of any restriction, limitation, or revocation of the Medical Director's professional licenses, certificates, or qualifications; (ii) of any censures or disciplinary proceedings instituted against Medical Director; (iii) of any malpractice claims or actions instituted against Medical Director, including any threat to institute any such proceedings; (iv) of any proposed or effectuated adverse action, whether final or not, taken by any hospital, institution, insurance company, managed care organization, governmental agency, or professional review organization against Medical Director; (v) of any report that has been filed regarding Medical Director with the Washington Medical Quality Assurance Commission, the Medical Board of any other state in which Medical Director is licensed (if any), or with the National Practitioner Data Bank. For purposes hereof, the term "adverse action" means any action by a hospital, medical, insurance, quasi-governmental or governmental organization, or other entity, which results in, or which provides notice that it may result in, the reduction, restriction, suspension, revocation, denial, or failure to renew clinical privileges or membership of Medical Director in a health care entity.

### **3. TEC RESPONSIBILITIES**

3.1 Space, Utilities, Supplies and Equipment. TEC shall provide space, utilities, supplies and equipment necessary for the proper function of the Edmonds Facility, subject to annual budgetary limitations and overall TEC strategic plans.

3.2 Annual Review. On an annual basis, Medical Director and TEC shall develop measurable goals, objectives and standards related to Medical Director Services and work together to ensure said goals, objectives and standards are met and/or implemented.

### **4. TERM AND TERMINATION OF AGREEMENT**

4.1 Term. The Term of this Agreement shall commence on the Effective Date and shall continue thereafter until it is terminated or replaced according to this Section 4.

4.2 Termination. This Agreement shall terminate:

4.2.1 upon the termination of Medical Director employment relationship with TEC;

4.2.2 upon Medical Director's desire to vacate the position so long as Medical Director provides 60 days' prior written notice to TEC;

4.2.3 upon TEC's desire to replace Medical Director with another employed physician of TEC, upon 60 days' prior written notice to Medical Director; and

4.2.4 immediately upon Medical Director's breach of any obligation under this Agreement.

5. Entire Agreement. The Agreement constitutes the entire understanding and obligation of the parties and supersedes any prior agreement, writings, or understandings of the parties, whether oral or written, in each case with respect to the subject matter of the Agreement.

6. Counterparts. This Agreement may be executed in two counterparts, both of which taken together shall constitute a single agreement between the parties.
7. Severability. If any provision of this Agreement is held to be void or unenforceable, the remaining provisions are considered to be severable and their enforceability is not affected or impaired in any way by reason of such law or holding.
8. Modification and Changes. This Agreement cannot be changed or modified except by another Agreement in writing executed by both Parties.

IN WITNESS WHEREOF, the Parties have executed this Agreement, as of the Effective Date.

TEC:

The Everett Clinic, PLLC

By: \_\_\_\_\_  
Albert Fisk, MD – Chief Medical Officer

Medical Director:

By: \_\_\_\_\_  
Ethan Rosenberg, MD

# EXHIBIT 5

## LETTER OF INTENT

# The Everett Clinic

For the whole you.

3901 Hoyt Avenue ■ Everett, WA 98201 ■ (425) 259-0966

[www.everettclinic.com](http://www.everettclinic.com)

December 19, 2017

Janis Sigman, Manager  
Certificate of Need Program  
Department of Health  
P.O. Box 47852  
Olympia, WA 98504-7852

RECEIVED

DEC 21 2017

CERTIFICATE OF NEED PROGRAM  
DEPARTMENT OF HEALTH

**Re: Letter of Intent**

Dear Ms. Sigman,

In accordance with WAC 246-310-080, The Everett Clinic, PLLC intends to file an application for a certificate of need to open an ambulatory surgical facility ("ASF") in Snohomish County.

In conformance with the WAC, the following information is provided:

1. A Description of the Extent of Services Proposed:

The Everett Clinic is proposing to establish an ambulatory surgery facility in Edmonds, WA. The ASC will have 3 operating rooms.

2. Estimated Cost of the Proposed Project:

The total estimated capital expenditure is \$150,000.00. Please note that this does not include any costs associated with bringing the ASF into compliance with licensing regulations after the property was leased in 2016.

3. Description of the Service Area:

The primary service area will be Southwest Snohomish County.

Thank you for your interest in this matter. If you have any questions, please contact Lynette Wachholz at (425) 257-1426

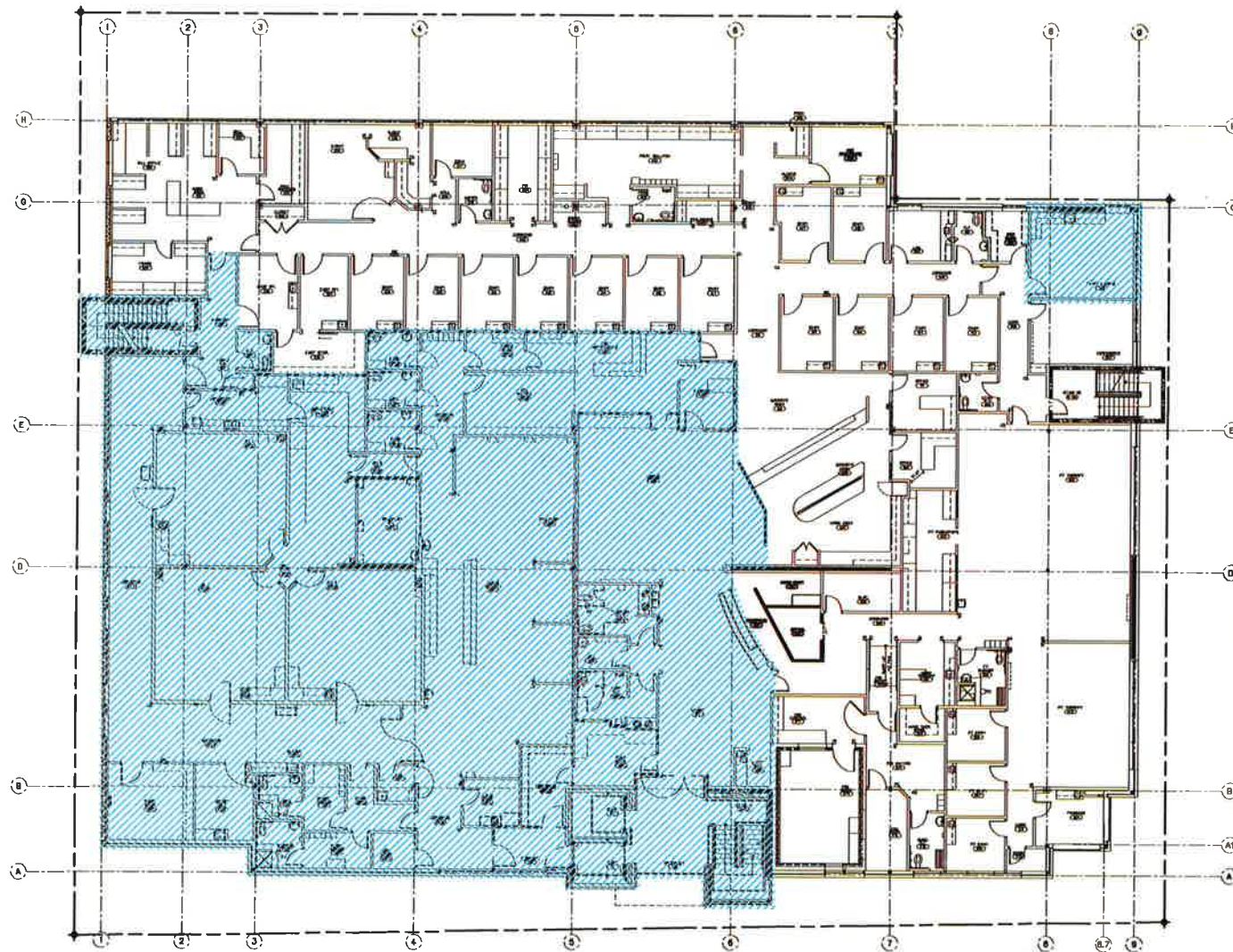
Sincerely,



Shawn Slack, MD  
President

# EXHIBIT 6

## PROPOSED ASC SINGLE LINE DRAWINGS



AREA OF  
AMBULATORY  
SURGERY CENTER

① THIRD FLOOR  
DOH SCOPE PLAN  
NOT TO SCALE



The Everett Clinic  
For it's whole you.

**AWI**  
architectural works, inc.  
11416 93rd Avenue NE, Suite 200, Everett, WA 98033  
P: 425.833.3244 W: www.awi.com

NO.	DATE	DESCRIPTION
1	10/1/03	ISSUED FOR PERMIT
2	10/1/03	ISSUED FOR PERMIT
3	10/1/03	ISSUED FOR PERMIT
4	10/1/03	ISSUED FOR PERMIT
5	10/1/03	ISSUED FOR PERMIT
6	10/1/03	ISSUED FOR PERMIT
7	10/1/03	ISSUED FOR PERMIT
8	10/1/03	ISSUED FOR PERMIT
9	10/1/03	ISSUED FOR PERMIT
10	10/1/03	ISSUED FOR PERMIT
11	10/1/03	ISSUED FOR PERMIT
12	10/1/03	ISSUED FOR PERMIT
13	10/1/03	ISSUED FOR PERMIT
14	10/1/03	ISSUED FOR PERMIT
15	10/1/03	ISSUED FOR PERMIT
16	10/1/03	ISSUED FOR PERMIT
17	10/1/03	ISSUED FOR PERMIT
18	10/1/03	ISSUED FOR PERMIT
19	10/1/03	ISSUED FOR PERMIT
20	10/1/03	ISSUED FOR PERMIT

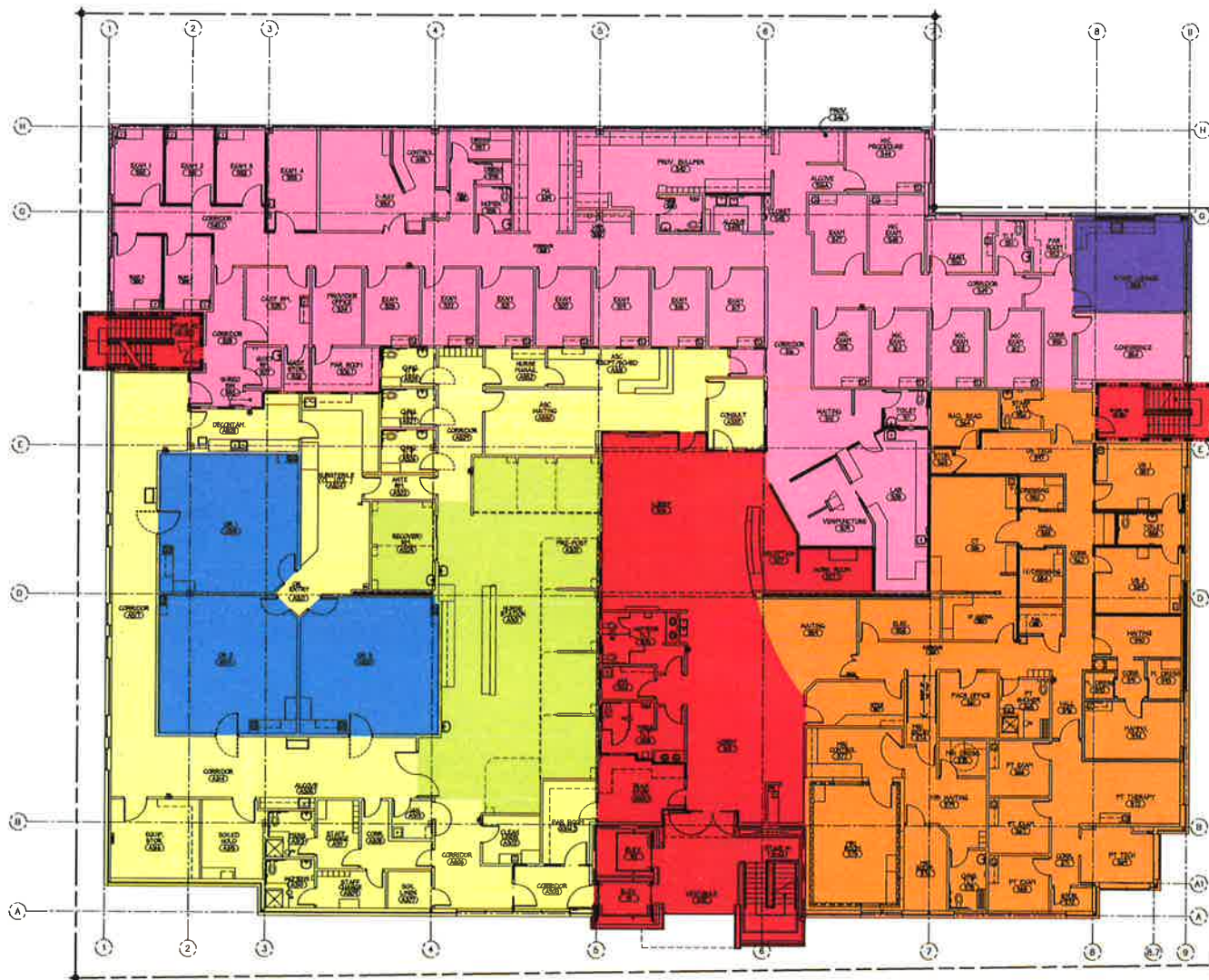
The Everett Clinic  
11416 93rd Avenue NE, Suite 200  
Everett, WA 98033

TEC - Edmonds  
Tenant Improvement  
11416 93rd Avenue NE, Suite 200  
Everett, WA 98033

3RD FLR, DOH  
SCOPE PLAN PHASE 1  
REAL

SC-3





**PUBLIC**

LOBBY & PUBLIC SPACES

**AMBULATORY SURGERY CENTER**

GENERAL AMBULATORY CENTER

OPERATING ROOMS

PRE-POST SURGICAL

SHARED STAFF SPACE USED BY ASC

**CLINICAL**

CLINICAL

ADVANCED IMAGING & PHYSICAL THERAPY

① THIRD FLOOR PLAN  
SCALE: 1/8" = 1'-0"

0 10 20



The Everett Clinic  
For the whole you

**AWI**  
architectural works, inc.  
11416 98th Avenue NE, Suite 200 Kirkland, WA 98033  
P: 425.823.2244 W: www.awi.com

The Everett Clinic  
2001 Roy Avenue  
Everett, WA 98201

TEC - Edmonds  
Tenant Improvement  
2140 73rd Avenue NE  
Edmonds, WA 98149

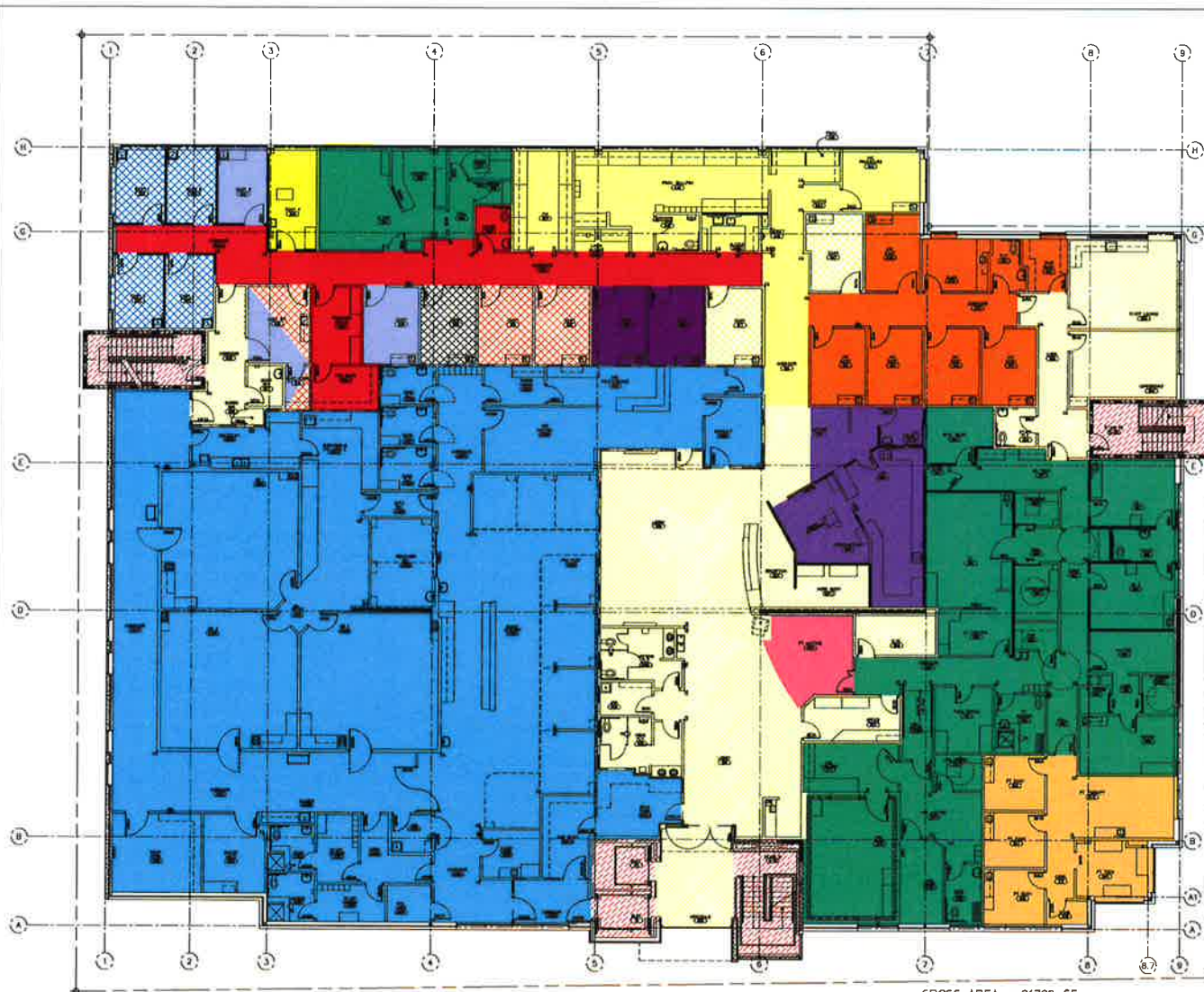
FLOOR PLAN  
PHASE 2

SEAL

2000  
REGISTERED  
ARCHITECT  
JAMES H. HARRIS  
STATE OF WASHINGTON

1407  
A-101





GROSS AREA = 26729 SF  
 DEPT. AREA + SHARED AREA = 26729 SF

① THIRD FLOOR PLAN  
 SCALE: 1/8" = 1'-0"  
 0 12 5 10 15 20

# APPROXIMATE DEPARTMENTAL SQUARE FOOTAGE

	VERTICAL CIRCULATION	925 SF
	ASC	9116 SF
	PHYSICAL THERAPY	917 SF
	ADVANCED IMAGING	4449 SF
	SHARED BTWN PT & AI	220 SF
	AUDIOLOGY	177 SF
	SHARED AREA ALL DEPTS.	4253 SF
	LAB	735 SF
	W.I.C.	1259 SF
	SPECIALTY CLINIC SHARED	1083 SF
	SHARED BTWN SPECIALTY CLINIC & W.I.C.	1506 SF
	ENT	527 SF
	ORTHO	392 SF
	HAND	405 SF
	PODIATRY	151 SF
	PHYSIATRY	304 SF
	SPECIALTY	310 SF

The Everett Clinic  
 For the whole you.

**AWI**  
 architectural works, inc.  
 11416 96th Avenue NE, Suite 200, Kirkland, WA 98033  
 P: 425.823.2344 W: www.awi.com

DATE	NO.
01.11.2017	001
02.13.2017	002
03.13.2017	003

The Everett Clinic  
 2001 1st Avenue  
 Everett, WA 98201

TEC - Edmonds  
 Tenant Improvement  
 2147 72nd Avenue  
 Everett, WA 98201

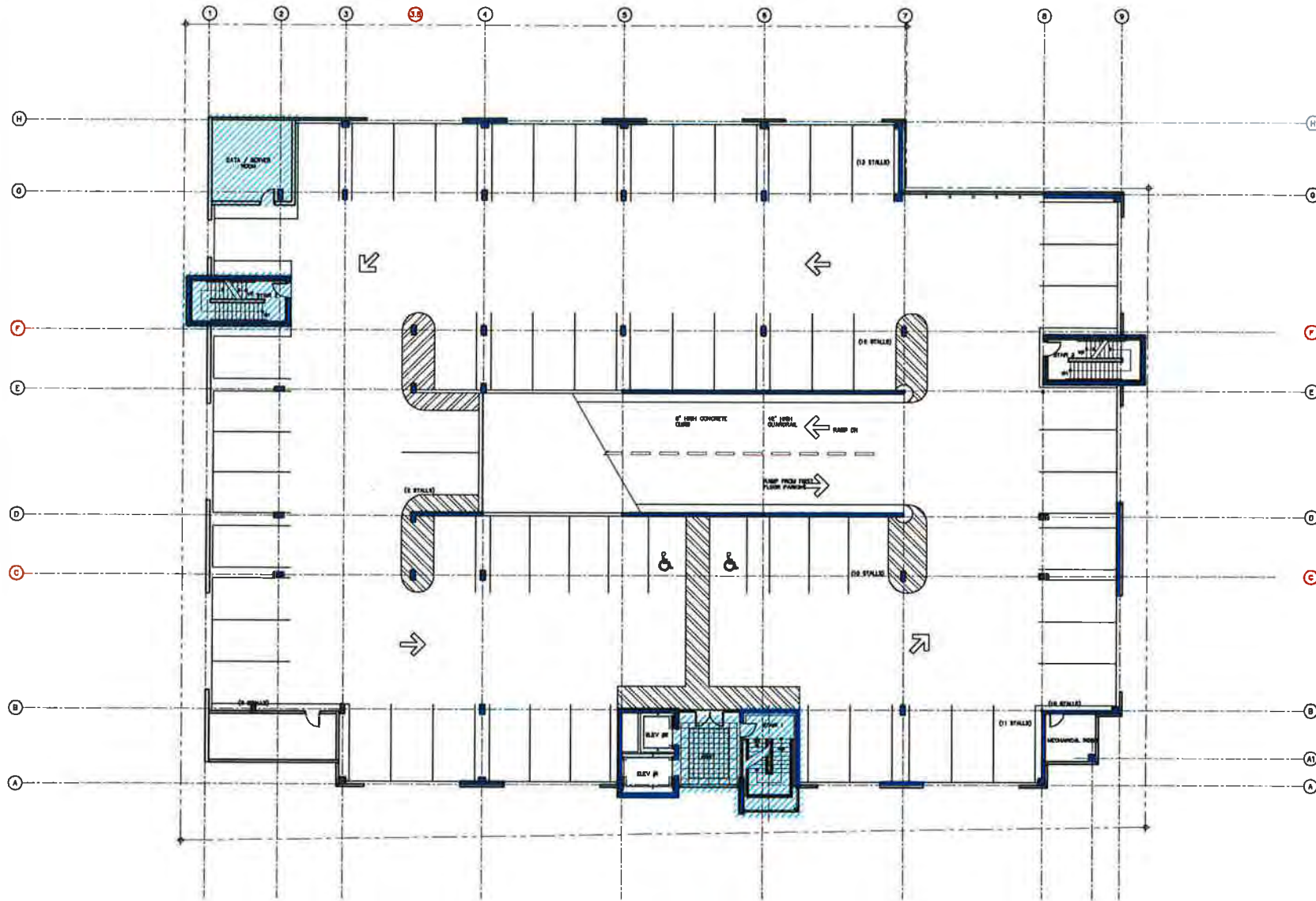
FLOOR PLAN  
 PHASE 2

SEAL:

1307  
 A-101







AREA OF  
AMBULATORY  
SURGERY CENTER

① SECOND FLOOR  
DOH SCOPE PLAN  
SCALE 1/8" = 1'-0"



The Everett Clinic  
For a whole you

**AWI**  
architectural works, inc.  
11416 Main Avenue NE, Suite 200  
Edmonds, WA 98033  
P: 425.823.3244  
W: www.awi.com



The Everett Clinic  
300 1st Avenue  
Everett, WA 98201

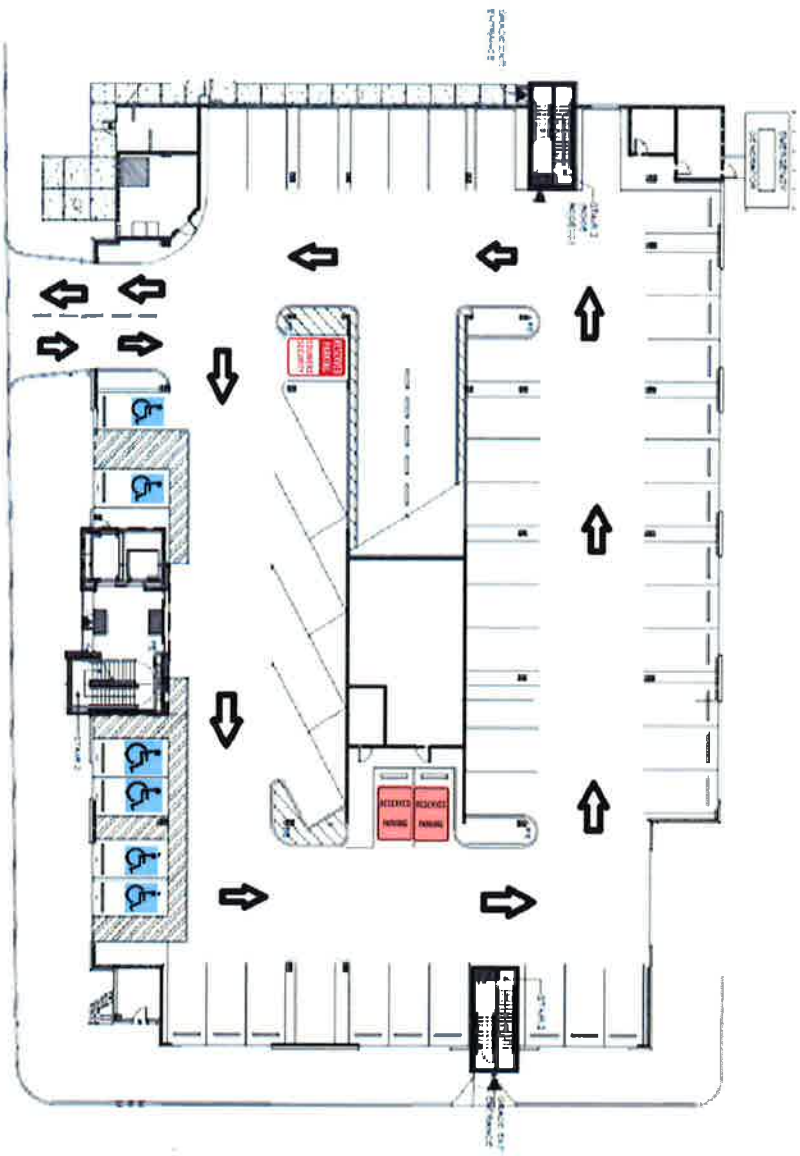
TEC - Edmonds  
Tenant Improvement  
21401 Third Ave NE  
Edmonds, WA 98222

2ND FLR. DOH  
SCOPE PLAN PHASE 1

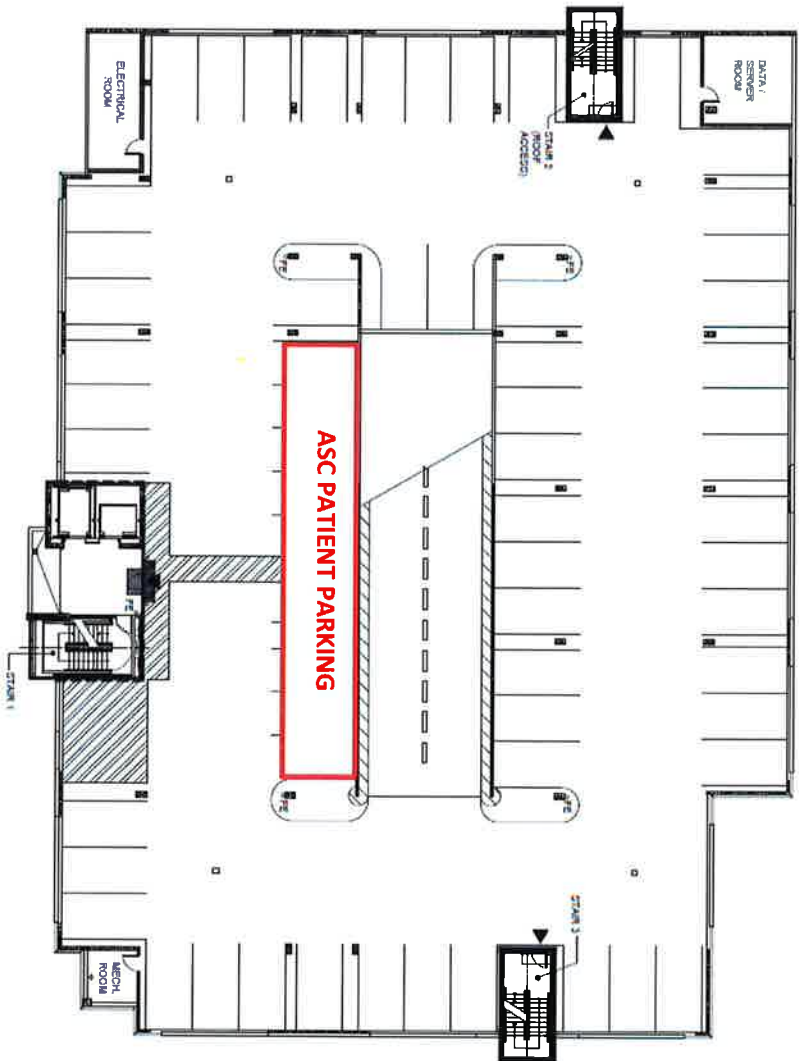
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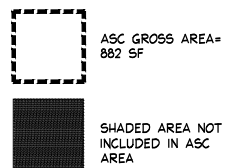
SC-2

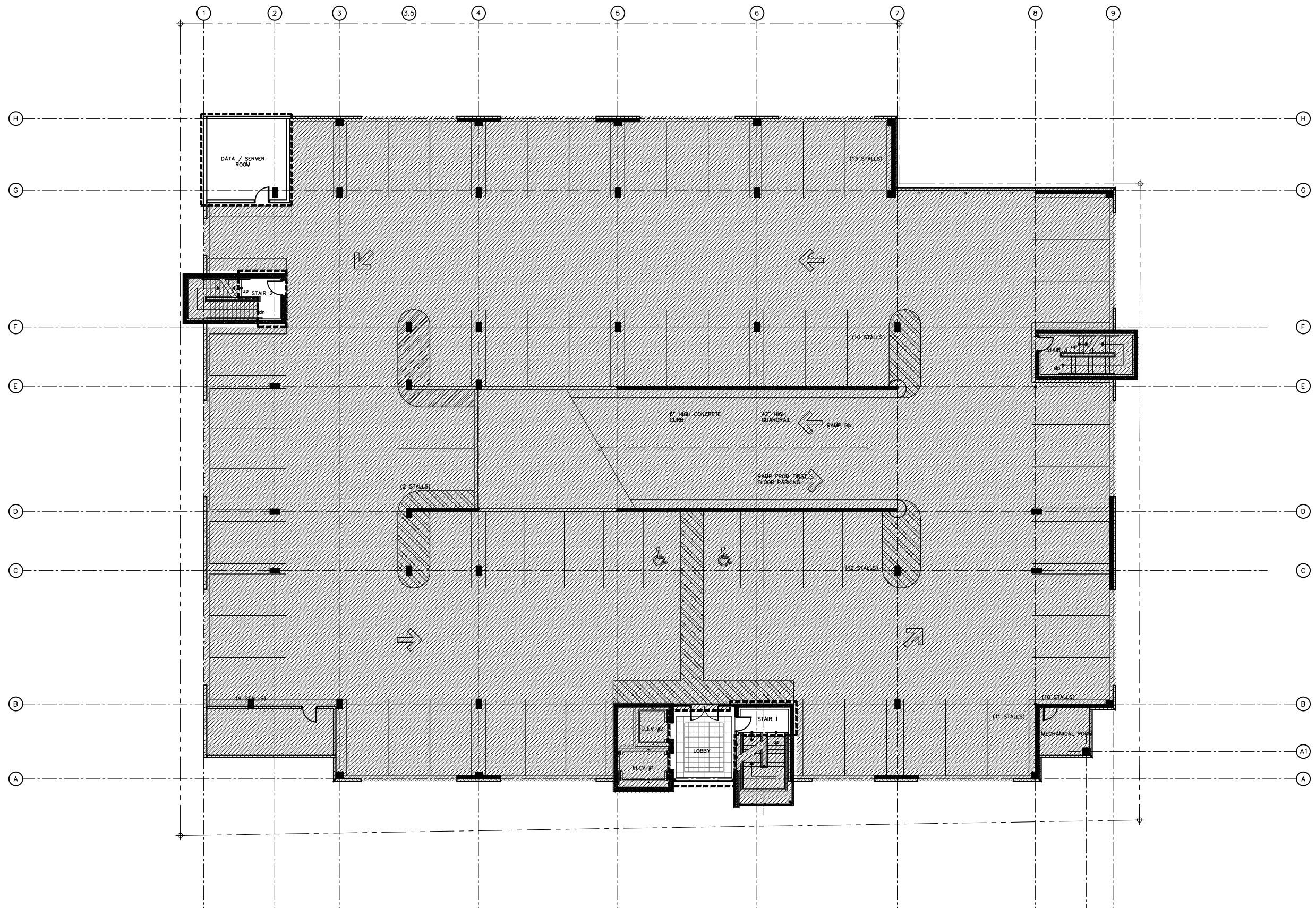
**1<sup>st</sup> Floor - Patient Only Parking**





**2<sup>nd</sup> Floor - Staff Parking EXCEPT for Spaces Directly Across from the Elevator (ASC Patient Parking)**







 ASC GROSS AREA= 671 SF  
 SHADED AREA NOT INCLUDED ASC AREA

① SECOND FLOOR  
 DOH SCOPE PLAN  
 SCALE: 1/8" = 1'-0"  
 0 1 2 5 10 15 20



DATE	REVISION
08.11.2016	

DATE	REVISION

OWNER  
 The Everett Clinic  
 3801 114th Avenue  
 Everett, WA 98201

PROJECT  
 TEC - Edmonds  
 Tenant Improvement  
 21801 72nd Ave West  
 Edmonds, WA 98026

SHEET TITLE  
 2ND FLR. DOH  
 SCOPE PLAN PHASE 1

SEAL:

7297 REGISTERED ARCHITECT  
 JANET L. MONDA  
 STATE OF WASHINGTON

50

SC-2



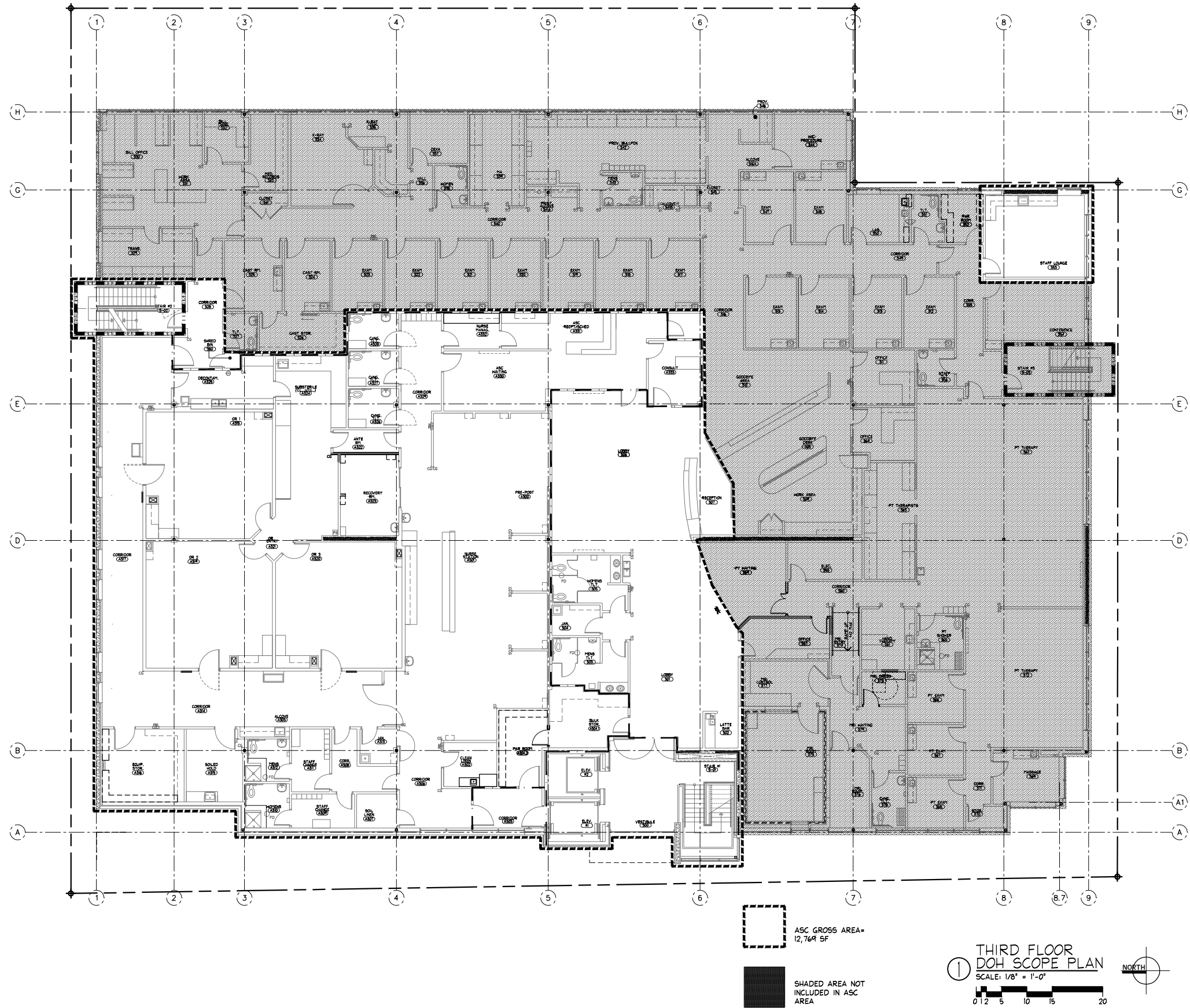


EXHIBIT 7  
SUBLEASE BETWEEN THE EVERETT  
CLINIC, PLLC AND EVERETT MSO, INC.



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**SUBLEASE**

**by and between**

**Everett MSO, Inc.**, a Washington corporation

**("Sublandlord")**

and

**The Everett Clinic, PLLC**, a Washington professional limited liability company

**("Subtenant")**

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## SUBLEASE AGREEMENT

This **SUBLEASE AGREEMENT** (this "**Sublease**") is entered into to have effect as of September 27, 2016 (the "**Sublease Date**"), between **Everett MSO, Inc.**, a Washington corporation ("**Sublandlord**"), and **The Everett Clinic, PLLC**, a Washington professional limited liability company ("**Subtenant**"). Sublandlord is the Tenant under that certain Lease Agreement dated as of September 27, 2016, a copy of which is attached hereto as Exhibit A and incorporated herein by this reference (as amended, the "**Master Lease**"), pursuant to which Sublandlord leases certain premises from Edmonds Medical Building Associates, LLC, a Washington limited liability company ("**Master Landlord**"). Capitalized terms used but not defined in this Sublease have the meanings given in the Master Lease.

### 1. Basic Sublease Information.

- |     |                                 |   |
|-----|---------------------------------|---|
| (a) | Property                        | As defined in the Master Lease.   |
| (b) | Premises                        | As depicted on <u>Exhibit B</u> attached hereto.  |
| (c) | Premises Area                   | 31,507 rentable square feet   |
| (d) | Base Rent                       | Amounts of Base Rent (as defined in the Master Lease) payable from time to time under the Master Lease.   |
| (e) | Management Fee                  | 3% of Base Rent   |
| (f) | Permitted Use                   | The Permitted Use as provided in the Master Lease, in compliance with <u>Section 6</u> .  |
| (g) | Operating Expenses              | All amounts payable by Sublandlord for Property Charges, Taxes, and Insurance (each as defined in the Master Lease), together with all costs and expenses of any kind or description whatsoever incurred or accrued each calendar year by Sublandlord with respect to the Premises and the Master Lease.  |
| (h) | Subtenant's Proportionate Share | 100%  |
| (i) | Excluded Provisions             | Sections 2, 3 (except to the extent it defines Base Rent and except for the last paragraph of Section 3), 4 (except to the extent Tenant under the Master Lease exercises a renewal option, such renewal term shall be considered part of the Term of the Master Lease), 5, 7, 8.4, 12 (except for the last two paragraphs of Section 12.5), 16, 17, 20.1, 21, 22, 23, 32, 37, 38 and 48 of the Master Lease. |
| (j) | Rent Payment Address            | Everett MSO, Inc.<br>c/o DaVita Inc.<br>2000 16 <sup>th</sup> Street<br>Denver, CO 80202  |

(k) Sublandlord Address      Everett MSO, Inc.  
c/o DaVita Inc.  
2000 16<sup>th</sup> Street  
Denver, CO 80202

With a copy to: [relegal@davita.com](mailto:relegal@davita.com), and such email shall include the following re line "Edmonds, WA (21401 72<sup>nd</sup> Avenue West)"

(l) Subtenant Address      The Everett Clinic  
3901 Hoyt Ave  
Everett, WA 98201  
Attention: TEC Administration

(m) Master Landlord Address      Edmonds Medical Building Associates, LLC  
Attn: Mack DuBose  
8129 Lake Ballinger Way, Suite 104  
Edmonds, WA 98026

## **2. Sublease; Master Lease Terms.**

**2.1 Sublease.** On and subject to all of the terms and conditions of this Sublease, Sublandlord subleases the Premises to Subtenant, and Subtenant subleases the Premises from Sublandlord. Except as may be specifically excluded under this Sublease, (a) Subtenant shall keep and observe in favor of Sublandlord and Master Landlord all of the obligations and covenants under the Master Lease applicable to the lessee of the Premises, (b) Sublandlord shall have with respect to Subtenant all of the rights under the Master Lease applicable to the lessor of the Premises, and (c) unless specifically set forth herein, Sublandlord shall have no obligation or liability to perform any of the obligations or liabilities of Master Landlord under the Master Lease as the lessor of the Premises. Subtenant acknowledges and agrees that Master Landlord shall be solely responsible for providing all services and performing all duties and obligations of the Master Landlord under the Master Lease with respect to the Premises.

### **2.2 Master Lease.**

**2.2.1** This Sublease is subject to all of the terms and conditions of the Master Lease, and all of the covenants, agreements, provisions and conditions thereof are made a part of and incorporated into this Sublease as if fully set forth herein; provided, that with respect to the payment of Base Rent and Operating Expenses, Subtenant's obligations shall be governed by the terms of this Sublease. As between Sublandlord and Subtenant only, if a conflict exists between the terms of the Master Lease and the terms of this Sublease, the terms of this Sublease shall control. Subtenant shall not commit, or permit to be committed, any act or omission that would violate any term or condition of the Master Lease or constitute cause for termination of the Master Lease by Master Landlord.

**2.2.2** Any provision of the Master Lease granting Sublandlord rights regarding expansion of the Premises or extension of the term of the Master Lease are expressly excluded from this Sublease. Unless expressly set forth in or modified under this Sublease, Subtenant shall have no rights or obligations under or with respect to any of the Excluded Provisions.

**2.2.3** Subtenant shall not commit or permit the commission of any act that requires Master Landlord's consent under the Master Lease without first obtaining the consent of Master Landlord and Sublandlord. Notwithstanding anything to the contrary herein or in any other agreement between Sublandlord and Subtenant, Sublandlord shall have no obligation to obtain Master Landlord's consent on behalf of Subtenant, and shall not be liable for any failure of Master Landlord to grant its consent.

This Sublease is subordinate to the Master Lease and to all matters to which the Master Lease is now or hereafter made subordinate. Subtenant's interest in the Premises and rights under this Sublease are derivative of Sublandlord's rights under the Master Lease, and, notwithstanding anything to the contrary in this Sublease, Subtenant's rights hereunder and with respect to the Premises shall be no greater than those of Sublandlord as lessee of the Premises pursuant to the Master Lease.

**3. Premises.** Subtenant has inspected the Premises, is satisfied with their condition and hereby accepts the Premises in their "AS IS" condition.

**4. Rent.** **Base Rent.** The first month's Base Rent shall be due and payable on the Commencement Date as defined in the Master Lease (the "**Commencement Date**"), and thereafter Subtenant shall pay to Sublandlord in advance, without demand, abatement, deduction or set-off, monthly installments of Base Rent on or before the first day of each calendar month during the Term, in lawful money of the United States of America, at the Rent Payment Address, or to such other Person or at such other place as Sublandlord may from time to time designate in a Notice, payments of Base Rent for any fractional calendar month, including any partial calendar month in which the Commencement Date or Expiration Date occurs, shall be prorated.

#### **4.2 Intentionally Omitted.**

**4.3 Additional Rent.** In addition to Base Rent, Subtenant shall pay to Sublandlord as additional rent ("**Additional Rent**" and together with Base Rent, "**Rent**"): (a) the amounts described in Section 4.4, and (b) any and all other amounts Subtenant is or becomes obligated to pay under this Sublease.

#### **4.4 Other Charges.**

##### **4.4.1 Operating Expenses.**

(a) Subtenant shall pay to Sublandlord, Subtenant's Proportionate Share of all Operating Expenses during the Term. Sublandlord shall deliver to Subtenant, statements ("**Charge Statements**") showing the amounts of Operating Expenses due from Subtenant. If a Charge Statement includes information from statements to Sublandlord from Master Landlord ("**Master Lease Statements**"), Sublandlord shall have no liability to Subtenant for any error or omission in the Master Lease Statements. Subtenant shall pay to Sublandlord, Subtenant's Proportionate Share of all Operating Expenses within 30 days after receipt of a Charge Statement, provided that with respect to Operating Expenses reflected on Master Lease Statements, Subtenant shall pay such amounts to Sublandlord not less than five Business Days prior to the date that Sublandlord is obligated to pay such Operating Expenses to Master Landlord as reflected on the applicable Charge Statement.

(b) If and to the extent Master Landlord notifies Sublandlord of an adjustment in Operating Expenses payable by Sublandlord under the Master Lease, appropriate adjustments will be made to Operating Expenses payable by Subtenant. If Master Landlord delivers a statement in

accordance with the Master Lease reflecting that excess Operating Expenses have been paid, then Subtenant shall receive a credit against Operating Expenses next coming due under this Sublease in an amount equal to such overpayment by Subtenant. If Master Landlord delivers a statement in accordance with the Master Lease reflecting that Operating Expenses have been underpaid, Subtenant shall pay all such additional amounts within 10 Business Days of delivery to Subtenant of a statement setting forth the appropriate amount of Operating Expenses payable by Subtenant hereunder.

**4.4.2 Management Fee.** Concurrent with payment of each installment of Base Rent, Subtenant shall pay to Sublandlord the Management Fee.

**4.4.3 Subtenant Taxes.** Subtenant shall pay, prior to delinquency, all taxes, levies, assessments and governmental charges (collectively, "**Subtenant Taxes**") imposed by any federal, state, regional, municipal, local or other governmental authority or agency or quasi-public agencies (including business improvement districts) (each a "**Governmental Authority**") on any personal property or trade fixtures placed by Subtenant in the Premises. Upon Notice from Sublandlord, Subtenant shall instead pay such Subtenant Taxes directly to Sublandlord within 10 Business Days of delivery to Subtenant of a statement setting forth the amount thereof, and Sublandlord shall cause such Subtenant Taxes to be satisfied with the applicable Governmental Authority.

**4.4.4 Extraordinary Charges and Utilities.** Subtenant shall pay to Sublandlord within 10 Business Days after receipt of an invoice therefor, the amount Sublandlord is required to pay to Master Landlord pursuant to the Master Lease, other than with respect to the Operating Expenses, with respect to utilities, services, and other miscellaneous items provided directly to Subtenant or the Premises and any amounts paid by Sublandlord pursuant to Section 8.3 of the Master Lease.

**5. Term.** The "Term" of this Sublease shall commence on the Commencement Date and shall continue through the expiration or earlier termination of the term of the Master Lease (the "Expiration Date"). Sublandlord shall have no liability to Subtenant in connection with any early termination of the Master Lease.

**6. Use.**

**6.1 Laws.** The Premises shall be used for the Permitted Use in compliance with all laws, statutes, ordinances, regulations, codes, orders, judgments, directives, permits, licenses, directives and requirements of Governmental Authorities (collectively, "**Laws**") applicable to the Premises or the use and occupancy thereof. Within three days after Notice from Sublandlord, Subtenant shall discontinue any use of the Premises that has been declared by a Governmental Authority to be in violation of applicable Laws.

**6.2 Restrictions.** Subtenant shall use the Premises in a careful, safe and proper manner and shall not commit waste or subject the Premises to uses that would damage the Premises. Subtenant shall not use or permit the Premises to be used for any purpose or in any manner that would void Subtenant's, Sublandlord's or Master Landlord's insurance. Subtenant shall reimburse Sublandlord within ten days after written demand for any additional premium charged under any insurance policy applicable to the Premises by reason of Subtenant's failure to comply with the provisions of this Section or otherwise caused by Subtenant's use and/or occupancy of the Premises.

**6.3 Modifications under Laws.** Subtenant, at its sole cost and expense, shall make or cause to be made any alterations or modifications to the Premises that are required by applicable Laws and arise out of Subtenant's use or occupancy of the Premises. Subtenant shall be responsible for all demands, claims, liabilities, losses, costs, expenses, actions, causes of action, damages or judgments, and all reasonable expenses incurred in investigating or resisting the same (including reasonable attorneys' fees, charges and disbursements and costs of suit) (collectively, "**Claims**") arising out of or in connection with Laws applicable to the Premises and Subtenant's use and occupancy of thereof. Subtenant indemnifies and agrees to defend, hold and save Sublandlord and Master Landlord harmless from and against any and all Claims arising out of the failure of the Premises to comply with Laws applicable to the Premises and Subtenant's use and occupancy of thereof.

**6.4 Abatement.** If, through no fault of Subtenant or any of Subtenant's officers, directors, employees, constituent owners, managers, agents, invitees, licensees and contractors (together with Subtenant, collectively, "**Subtenant Parties**"), Subtenant is prevented from using all or a portion of the Premises as a result of (a) a failure in the provision of services, utilities or access to the Premises as required under this Sublease; (b) a Casualty or a Taking, or (c) the presence of Hazardous Materials at or under the Premises other than as a result of an act or omission of a Subtenant Party (each an "**Abatement Event**"), then Rent shall be abated in such amount and for such period of time that Sublandlord's rental obligations are abated under the Master Lease.

**6.5 Access.** Subtenant shall have exclusive access to and use of the Premises 24 hours per day, seven days per week, year round during the Term.

## **7. Utilities; Services.**

**7.1 Services.** Except to the extent it is the obligation of the Master Landlord under the Master Lease, (a) Sublandlord shall, at Subtenant's cost, activate and maintain electric, water and sewage utilities (collectively, "**Utilities**") from the appropriate providers in at least such amounts as required for the performance of Subtenant's obligations under this Sublease and the lessee's obligations under the Master Lease, and (b) Subtenant shall be solely responsible for, at Subtenant's sole cost, such telephone, telecommunications, janitorial, refuse, landscape and property maintenance and repair services and any other service as required for the performance of Subtenant's obligations under this Sublease and, the lessee's obligations under the Master Lease (collectively, "**Services**").

**7.2 Payment.** Except to the extent it is the obligation of the Master Landlord under the Master Lease, Subtenant shall pay directly to the applicable provider thereof, and prior to delinquency, all charges for Utilities and Services furnished to Subtenant at the Premises.

## **8. Alterations and Subtenant's Property.**

**8.1 Alterations.** All alterations, additions, or improvements to the Premises made by or on behalf of Subtenant ("**Alterations**") shall be subject to (a) Sublandlord's prior written consent, which consent may be given or withheld in Sublandlord's sole discretion, and (b) to the extent required under the Master Lease, Master Landlord's prior written consent.

### **8.2 Intentionally Omitted.**

**8.3 Compliance with Requirements.** Subtenant shall cause, at its sole cost and expense, all Alterations to comply with the terms of this Sublease, insurance requirements and

applicable Laws and shall implement at its sole cost and expense all alterations and modifications inside or outside the Premises required by applicable Laws as a result of Alterations. Subtenant shall reimburse Sublandlord for, and indemnify and hold Sublandlord and Master Landlord harmless from, all Claims arising out of faulty work done by Subtenant or its contractors.

**8.4 Additional Alteration Obligations.** In addition to complying with all requirements under the Master Lease applicable to Alterations, Subtenant shall (a) complete all Alterations free and clear of liens, and (b) on completion of an Alterations project, deliver to Sublandlord "as built" plans for such Alterations.

**8.5 Removal and Restoration Obligations.**

**8.5.1 "Subtenant's Property"** means and includes all trade fixtures, furniture, machinery, equipment, millwork, cabinets, files and other personal property of Subtenant that may be removed from the Premises without material damage to the Premises, or thereafter by written agreement of Sublandlord and Subtenant. Subtenant shall remove Subtenant's Property immediately following the expiration or earlier termination of the Term (each, a **"Termination"**).

**8.5.2** All (a) property not consisting of Subtenant's Property that is built into the Premises so as to become an integral part of the Premises (collectively, **"Installations"**), and (b) personal property of Sublandlord located at the Premises shall not be removed by Subtenant at any time during the Term, and shall remain on or be surrendered with the Premises as a part thereof following a Termination and in accordance with, in the case of Installations, the Master Lease.

**8.5.3** Subtenant shall be required to remove or restore Alterations and Installations to the extent required in the Master Lease and in any consent of Sublandlord or Master Landlord to the applicable Alterations or Installations.

**8.5.4** Subtenant shall restore all damage caused by or arising as a result of Subtenant's property removal or surrender activities at the Premises. If any such activities extend beyond a Termination, Subtenant shall pay Rent (at the rate in effect immediately prior to the Termination) from the date of the Termination through the date such activities are completed.

**9. Inspection and Access.**

**9.1** Each of Master Landlord and its officers, directors, employees, constituent owners, managers, agents, invitees, licensees and contractors (together with Master Landlord, collectively, **"Master Landlord Parties"**) and Sublandlord and its officers, directors, employees, constituent owners, managers, agents, invitees, licensees and contractors (together with Sublandlord, collectively, **"Sublandlord Parties"**), shall have the right to enter the Premises during all reasonable hours and upon at least 24 hours' prior notice (except in cases of emergency) to perform its obligations under the Master Lease and this Sublease, examine the Premises or, in the six month period immediately preceding the Expiration Date, to exhibit the Premises to potential tenants.

**9.2** Subtenant, at its sole cost and expense, shall have the right to escort the Master Landlord Parties while the same are in the Premises.

**9.3** Sublandlord and Master Landlord shall not enter any areas of the Premises designated by Subtenant as locations where patient medical records are kept or stored or where



such entry is prohibited by applicable state or federal health care privacy Laws unless escorted by Subtenant at all times.

**9.4** Sublandlord acknowledges that Subtenant or affiliates of Subtenant are subject to the provisions of the Health Insurance Portability and Accountability Act of 1996 and related regulations ("**HIPAA**") and that in order for Subtenant to comply with HIPAA, the portions of the Premises where patient medical records are kept or stored shall be secured areas. All other areas of the Premises where entry by any Master Landlord Party or Sublandlord Party is prohibited by applicable state or federal health care privacy Laws shall also be secured areas. Sublandlord shall comply, and shall cause the other Sublandlord Parties to comply, with the provisions of HIPAA and all applicable medical privacy Laws in connection with entry into the Premises.

## **10. Repairs and Maintenance.**

**10.1 Sublandlord's Obligations.** Sublandlord shall have no obligation to operate, maintain, or repair the Premises or the Property except to the extent the specific obligation of Sublandlord as lessee under the Master Lease. Subtenant shall have the right to notify Sublandlord of any needed maintenance or repairs that are the obligation of Master Landlord under the Master Lease, and Sublandlord shall notify Master Landlord of such items as provided for under the Master Lease. Unless specifically provided in this Sublease, there shall be no abatement of Rent with respect to, and Sublandlord shall not be liable for, any injury to or interference with Subtenant's business arising from any repairs, maintenance, alteration, or improvement in or to any portion of the Property, including the Premises, or in or to the fixtures, appurtenances, and equipment therein. Sublandlord shall have no obligation to alter, remodel, improve, repair, decorate or paint the Premises or any part thereof in connection with Subtenant's occupancy thereof.

**10.2 Subtenant Obligations.** Except for any obligations of Sublandlord under this Sublease and of Master Landlord under the Master Lease that are specifically assumed by Sublandlord in this Sublease, Subtenant, at its expense, shall repair, replace and maintain in good condition and as required under the Master Lease all portions of the Premises, subject to ordinary wear and tear and insured damage (collectively, "**Subtenant Repairs**"). If (a) Sublandlord determines that any maintenance and/or repair of the Premises is required under the Master Lease, or (b) any maintenance and/or repair to the Premises or the Property is required by reason of the negligent act or omission or willful misconduct of a Subtenant Party, and Sublandlord or Master Landlord performs the required maintenance or repair work, Subtenant shall pay to Sublandlord or Master Landlord (as applicable) the Actual Cost of such maintenance and repair. "**Actual Cost**" means the actual out-of-pocket cost, exclusive of any overhead or administrative markup, of the applicable item, task or service.

**11. Mechanic's Liens.** Within ten Business Days after Subtenant receives Notice of the filing thereof, Subtenant shall discharge, by bond or otherwise, any mechanic's lien filed against the Premises for work claimed to have been done for, or materials claimed to have been furnished to, Subtenant, and Subtenant shall otherwise keep the Premises free from any liens arising out of work performed, materials furnished or obligations incurred by, or alleged to have been performed or furnished to, Subtenant. If Subtenant fails to discharge any lien described as and when required herein, Sublandlord shall have the right, but not the obligation, to pay such claim or post a bond or otherwise provide security to eliminate the lien as a claim against the Premises and the cost thereof shall be due from Subtenant on written demand therefor. If Subtenant leases or finances the acquisition of equipment, furnishings, or other personal property of a removable nature, any Uniform Commercial Code Financing Statement in connection with such financing

shall reflect that such financing statement is applicable only to removable personal property of Subtenant located within the Premises.

## **12. Insurance.**

**12.1 Sublandlord's Insurance.** During the Term, Sublandlord shall procure and maintain in full force and effect with respect to the Premises such insurance as is required of the lessee under the Master Lease. Subtenant shall reimburse Sublandlord for the commercially reasonable cost of such insurance, not to exceed the cost of insurance premiums charged by third party commercial providers, as Additional Rent. Any additional insurance obtained by Subtenant shall be at Subtenant's sole cost and expense.

**12.2 Subtenant's Insurance.** Subtenant shall obtain and keep in force with respect to the Premises and Subtenant's use thereof commercial general liability insurance in a minimum amount of \$1,000,000.00 per occurrence and \$3,000,000.00 in the aggregate for both bodily injury and property damage. Subtenant covenants and agrees to keep Subtenant improvements and Subtenant's contents in the Premises insured for full replacement value, under a Special Form 'All Risk' policy. In no event shall Subtenant's insurance provide coverage or indemnity to Sublandlord for any claim, loss, suit, action or other legal proceeding in which any Sublandlord Party bears responsibility. Rather, it is the intent of this Section to provide general liability coverage to Sublandlord, as an additional insured, when it is made a party to a claim, loss, suit, action or other legal proceeding for which it bears no responsibility. In the event that both Sublandlord and Subtenant bear responsibility for the claim, loss, suit, action or other legal proceeding, then each party will look to its own insurance for coverage. Subtenant may carry any insurance required by this Sublease under a blanket policy or under a policy containing a self-insured retention.

**12.3 General Requirements.** All policies of insurance required to be carried by Subtenant under this Sublease shall be written by companies rated A- VII or better in Best's Key Rating Guide. Upon written request, Sublandlord and Subtenant shall each furnish to the other a certificate evidencing the insurance required to be maintained pursuant to this Sublease. Subtenant and Sublandlord shall endeavor to give to any party listed as insured or an additional insured 30 days written notice prior to any cancellation of the applicable policy. If Subtenant fails to procure and maintain insurance as required by this Sublease, Sublandlord may obtain that insurance and keep it in effect. If Sublandlord procures insurance on Subtenant's behalf, then Subtenant shall pay to Sublandlord the premium cost for that insurance, upon demand and as Additional Rent.

## **12.4 Subrogation.**

**12.4.1** Sublandlord releases each Subtenant Party, to the extent of the parties' property insurance coverage hereunder, from any and all liability for any loss or damage that may be inflicted upon the property of Sublandlord even if such loss or damage shall be brought about by the fault or negligence of a Subtenant Party.

**12.4.2** Subtenant releases each Sublandlord Party, to the extent of the parties' property insurance coverage hereunder, from any and all liability for any loss or damage that may be inflicted upon the property of Subtenant even if such loss or damage shall be brought about by the fault or negligence of a Sublandlord Party.

**12.4.3** The releases in this Section 12.4 shall be effective only with respect to loss or damage occurring during such time as the appropriate policy of insurance shall contain a clause

to the effect that this release shall not affect said policy or the right of the insured to recover thereunder. If any policy does not permit such a waiver, and if the party to benefit therefrom requests that such a waiver be obtained, the other party agrees to obtain an endorsement to its insurance policies permitting such waiver of subrogation if it is commercially available and if such policies do not provide therefor. If an additional premium is charged for such waiver, the party benefiting from the waiver, if it desires to have the waiver, shall pay the amount of such additional premium promptly upon being billed therefor.

### **13. Casualty; Condemnation.**

#### **13.1 Casualty.**

**13.1.1** If the Premises are damaged or destroyed by fire or other insured casualty ("**Casualty**"), (a) Subtenant shall have no right to share in any proceeds from an insurance policy maintained by Master Landlord or Sublandlord, and (b) the continuation of this Sublease shall be subject to the rights of Sublandlord and Master Landlord under the Master Lease and this Sublease shall continue if and to the extent that the Master Lease continues; provided that Sublandlord shall have no obligation to cause the Master Lease to continue.

**13.1.2** If this Sublease continues following a Casualty, then (a) Rent shall be abated in the manner provided in the Master Lease, and except for such abatement, if any, Subtenant shall have no claim against Sublandlord for any losses suffered by reason of any Casualty, and (b) Subtenant shall be responsible, at its sole expense, for all repairs and restoration to the Premises not required to be performed by Sublandlord or Master Landlord.

**13.1.3** This Section 13.1 constitutes an express agreement between Sublandlord and Subtenant with respect to any and all damage to, or destruction of, all or any part of the Premises and any statute or regulation that is now or hereafter in effect shall have no application to this Sublease or any damage or destruction to all or any part of the Premises, the parties hereto expressly agreeing that this Sublease sets forth their entire understanding and agreement with respect to such matters.

#### **13.2 Condemnation.**

**13.2.1** If all or any part of the Premises is taken for any public or quasi-public use under Laws or by right of eminent domain, or by private purchase in lieu thereof (a "**Taking**"), (a) Subtenant shall have no right to share in any price or award from such Taking to Sublandlord or Master Landlord and Subtenant assigns to Sublandlord Subtenant's interest, if any, in such award; provided that Subtenant shall have the right, to the extent the same shall not diminish Sublandlord's or Master Landlord's award, to make a separate claim against the condemning authority (but not Sublandlord or Master Landlord) for such compensation as may be separately awarded or recoverable by Subtenant for moving expenses and damage to Subtenant's Property, and (b) the continuation of this Sublease shall be subject to the rights of Sublandlord and Master Landlord under the Master Lease, provided that Sublandlord shall have no obligation to cause the Master Lease to continue.

**13.2.2** If this Sublease continues following a Taking, then (a) Rent shall be abated in the manner provided in the Master Lease, and except for such abatement, if any, Subtenant shall have no claim against Sublandlord for any losses suffered by reason of any Taking, and (b) Subtenant shall be responsible, at its sole expense, for all repairs and restoration to the Premises not required to be performed by Sublandlord or Master Landlord.

**14. Subtenant Default.** Each of the following events shall be a "Default" by Subtenant under this Sublease. Any Notice required to be given in connection with a Default shall specify the alleged default and the required cure.

**14.1** Subtenant shall fail to pay any installment of Rent when due.

**14.2** Subtenant or any guarantor or surety of Subtenant's obligations hereunder (a) makes a general assignment for the benefit of creditors; (b) commences any case, proceeding or other action seeking to have an order for relief entered on its behalf as a debtor or to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or of any substantial part of its property (collectively, a "**Proceeding for Relief**"); (c) becomes the subject of any Proceeding for Relief that is not dismissed within 90 days of its filing or entry; or (d) is dissolved or otherwise fails to maintain its legal existence.

**14.3** The occurrence of any breach or default of the terms of the Master Lease by Subtenant, beyond applicable cure periods, if any, under the Master Lease with respect to such breach or default.

**14.4** Subtenant fails timely to perform or comply with, as applicable, any provision of this Sublease other than those specifically referred to in Sections 14.1, 14.2 and 14.3, and, except as otherwise expressly provided herein, such failure continues for 30 days after Notice thereof from Sublandlord to Subtenant; provided that if the nature of Subtenant's default is such that it cannot be cured by the payment of money and reasonably requires more than 30 days to cure, then no Default shall have occurred so long as Subtenant commences such cure within such 30-day period and thereafter diligently prosecutes the same to completion on or before the earlier of (a) 90 days after the date of the original Notice thereof, or (b) such earlier date as is required under the Master Lease.

**15. Sublandlord's Remedies.**

**15.1 Payment By Sublandlord; Default Rate.** Following a Default by Subtenant, Sublandlord may, without waiving or releasing any obligation of Subtenant under this Sublease, make such payment or perform such act that is the subject of the Default. All sums so paid or incurred by Sublandlord, together with interest thereon from the date such sums were paid or incurred at the annual rate equal to 5% per annum or the highest rate permitted by Laws (the "**Default Rate**"), whichever is less, shall be payable to Sublandlord on demand.

**15.2 Late Payment Amounts.** Late payment by Subtenant to Sublandlord of Rent will cause Sublandlord to incur costs not contemplated by this Sublease, the exact amount of which will be extremely difficult and impracticable to ascertain. Therefore, if any installment of Rent is not received within five days after the date due, Subtenant shall pay to Sublandlord an additional sum equal to 2% of the overdue Rent as a late charge; provided that, so long as no other Default is continuing, no such late charge shall be payable on the first late payment of Rent in any 12 month period. The parties agree that this late charge represents a fair and reasonable estimate of the costs Sublandlord will incur by reason of late payment by Subtenant. In addition to the late charge, Rent not paid when due shall bear interest at the Default Rate from the fifth day after the date due until paid.

**15.3 Remedies.** The occurrence of a Default by Subtenant under this Sublease shall also entitle Sublandlord to each and all of the rights and remedies afforded Master Landlord upon the occurrence of a default or breach under the Master Lease, or otherwise available at law or in equity.

**15.4 Effect of Exercise.** Exercise by Sublandlord of any remedies hereunder or otherwise available shall not be deemed to be an acceptance or surrender of the Premises and/or a Termination except to the extent Sublandlord has specifically elected to terminate this Sublease, it being understood that a Termination can be effected only by the express written agreement of Sublandlord and, if applicable, Subtenant. Receipt by Sublandlord of Rent or other payment shall not be deemed a waiver of any breach, and no waiver by Sublandlord of any provision of this Sublease shall be deemed to have been made unless in writing and signed by Sublandlord. Sublandlord shall not be liable for, nor shall Subtenant's obligations hereunder be diminished because of, Sublandlord's failure to relet the Premises or collect rent due in respect of such reletting or otherwise to mitigate any damages arising by reason of a Default.

## **16. Subtenant's Remedies.**

**16.1 Sublandlord Default.** Sublandlord shall not be in default hereunder unless Sublandlord fails to perform any of its obligations hereunder within 30 days after Notice from Subtenant specifying such failure (unless such performance will, due to the nature of the obligation, require a period of time in excess of 30 days, then after such period of time as is reasonably necessary so long as Sublandlord commences to cure within such 30 day period and thereafter diligently prosecutes such cure to completion).

### **16.2 Intentionally Omitted.**

**16.3 Limitation on Sublandlord's Liability.** All obligations of Sublandlord under this Sublease will be binding on Sublandlord only during the period it is the lessee under the Master Lease. The term "**Sublandlord**" in this Sublease means the then lessee under the Master Lease. On the transfer by a lessee of its interest in the Master Lease, such transferring entity shall be released and discharged from all obligations of "**Sublandlord**" under this Sublease accruing after such transfer, and all such obligations shall then be binding on the new lessee under the Master Lease for the duration of such entity's position as lessee.

## **17. Assignment and Subletting.**

**17.1 General Prohibition.** Without (a) Sublandlord's prior written consent, which shall not be unreasonably withheld or conditioned, and (b) if required by the terms of the Master Lease, the consent and approval of Master Landlord pursuant to the terms thereof (each a "**Transfer Consent**"), Subtenant shall not, directly or indirectly, voluntarily or by operation of law, assign this Sublease or further sublease the Premises or any part thereof or grant any concession or license within the Premises (each a "**Transfer**"), and any attempted Transfer without all required Transfer Consents shall be void and of no effect. If Subtenant is a legal entity and its ownership interests are not actively traded on a public stock exchange or in the over-the-counter market, a transfer or series of transfers within any 12 month period whereby more than 50% of the voting control of Subtenant is transferred to Persons who were not owners of ownership interests of the entity comprising Subtenant at the commencement of such 12 month period shall be deemed a Transfer requiring Transfer Consents. Subtenant shall reimburse Sublandlord on demand as Additional Rent for all of Sublandlord's reasonable out-of-pocket expenses in connection with Sublandlord's and Master Landlord's consideration of any proposed Transfer.

## **17.2 Intentionally Omitted.**

**17.3 Discretionary Transfers.** If Subtenant desires to Transfer this Sublease (a "Discretionary Transfer"), then:

**17.3.1** At least 10 Business Days, but not more than 60 Business Days, before the date Subtenant desires the Discretionary Transfer to be effective (a "**Transfer Date**"), Subtenant shall give Sublandlord a Notice (a "**Transfer Notice**") containing (a) details about the proposed assignee or sublessee, including the proposed use of the Premises, the Transfer Date and the material terms of such Discretionary Transfer, (b) a copy of the proposed assignment or sublease document substantially in its final form, and (c) such other information as Sublandlord or Master Landlord may reasonably require to evaluate the Discretionary Transfer. Sublandlord shall approve or disapprove the proposed Discretionary Transfer in writing within 20 days after Sublandlord's receipt of the Transfer Notice. If Sublandlord fails timely to notify Subtenant of such approval or disapproval, Sublandlord shall be deemed to have disapproved the Discretionary Transfer.

**17.3.2** Notwithstanding anything to the contrary in this Section 17.3, with respect to each Discretionary Transfer for which Master Landlord's consent is a required Transfer Consent, the Transfer Date shall be not less than ten days prior to the date required under the Master Lease for delivery of request for Master Landlord's consent and the Transfer Notice shall comply with all applicable requirements of the Master Lease. In no event shall Subtenant deliver a Transfer Notice to Master Landlord.

**17.4 Additional Conditions.** With respect to any Transfer, whether or not Transfer Consents are required, Sublandlord shall have the right to require that the assignee or subtenant agree in writing that if Sublandlord gives such party notice that Subtenant is in Default, such party shall thereafter make all payments otherwise due to Subtenant directly to Sublandlord, which payments will be received by Sublandlord without any liability except to credit such amounts against those due from Subtenant under this Sublease.

**17.5 No Release of Subtenant.** Notwithstanding any Transfer, Subtenant and any guarantor or surety of Subtenant's obligations under this Sublease shall at all times remain fully and primarily responsible and liable for the payment of Rent and for compliance with all of Subtenant's other obligations under this Sublease.

**17.6 No Waiver.** The consent by Sublandlord or Master Landlord to a Transfer shall not relieve Subtenant or any assignees of this Sublease or any sub-sublessees of the Premises from obtaining the consent of Sublandlord or Master Landlord to any further Transfer nor shall it release Subtenant from full and primary liability under this Sublease. The acceptance by Sublandlord of Rent, or the acceptance of performance of any other term, covenant, or condition hereof, from any Person other than Subtenant shall not be deemed to be a waiver of any of the provisions of this Sublease or a consent to any Transfer.

**17.7 Occupancy by Others.** To the extent permitted under the Master Lease, Subtenant shall have the right without the need to obtain Sublandlord's consent to permit the occupancy of portions of the Premises to Persons providing services to Subtenant or an affiliate of Subtenant ("**Subtenant's Occupants**"); provided that such occupancy shall not shall not relieve Subtenant of any liability under this Sublease, and Subtenant shall indemnify and hold Sublandlord harmless from, all Claims arising out of the use or occupancy of the Premises by Subtenant's Occupants.

**17.8 Transfer by Sublandlord.** Sublandlord shall have the right to transfer all or any part of its interest in the Premises or the Master Lease to the extent permitted by the Master Lease. In the event of any such transfer, Sublandlord shall be relieved of any and all obligations and liabilities hereunder accruing from and after the date of such transfer.

**18. Holding Over.**

**18.1** If Subtenant retains possession of the Premises after a Termination with Sublandlord's written consent, (a) unless otherwise agreed in such written consent, such possession shall be as a month-to-month tenant, (b) Subtenant shall pay Base Rent in the amount of 150% of the Base Rent in effect on the date of such Termination, and (c) all other terms and provisions of this Sublease shall remain in full force and effect (excluding any expansion or renewal option or other similar right or option) during such holdover period.

**18.2** If Subtenant remains in possession of the Premises after a Termination without the written consent of Sublandlord, Subtenant shall immediately become a tenant at sufferance under the terms of this Sublease except that the monthly rental shall be equal to 150% of the Rent in effect during the last 30 days of the Term.

**19. Surrender.** On a Termination, Subtenant shall surrender the Premises to Sublandlord (a) in good condition and repair, subject to any Alterations or Installations permitted to remain in the Premises under the terms of this Sublease and otherwise in accordance with Section 8.5 and the Master Lease, and (b) broom clean, ordinary wear and tear and Casualty and Takings excepted and otherwise as required by the Master Lease. Any of Subtenant's Property, Alterations or Installations or other property not removed by Subtenant as and when required herein shall be deemed abandoned if Subtenant fails to remove the same on or prior to the date of Termination.

**20. Estoppel Certificates.**

**20.1 Subtenant Estoppel.** Subtenant shall, within 10 Business Days after Notice from Sublandlord, execute and deliver a certificate certifying (a) that this Sublease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Sublease as so modified is in full force and effect) and the dates to which Rent has been paid, (b) that there are no uncured defaults on the part of Sublandlord hereunder, or specifying such defaults if any are claimed, and (c) such further factual information as may be requested thereon with respect to the status of this Sublease or the Premises that is not reflected in this Sublease. Subtenant's failure timely to deliver such statement shall constitute a Default, and shall be conclusive on Subtenant that this Sublease is in full force and effect and without modification except as may be represented by Sublandlord in any certificate prepared by Sublandlord and delivered to Subtenant for execution.

**20.2 Sublandlord Estoppel.** Sublandlord shall, within 10 Business Days after Notice from Subtenant, execute and deliver a certificate certifying (a) that this Sublease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Sublease as so modified is in full force and effect) and the dates to which Rent has been paid, (b) that there are no uncured defaults on the part of Subtenant, or specifying such defaults if any are claimed, and (c) such further factual information as may be requested thereon with respect to the status of this Sublease or the Premises that is not reflected in this Sublease.

**21. Subordination.** This Sublease and Subtenant's interest and rights hereunder are and shall be subject and subordinate at all times to the lien of any deeds of trust, mortgages, security

instruments and financing statements and any other encumbrances on the Premises or the Master Lease now existing or hereafter created on or against the Premises, and all amendments, restatements, renewals, modifications, consolidations, refinancing, assignments and extensions thereof as and to the extent required under the Master Lease.

## **22. Environmental Requirements.**

**22.1 Prohibition/Compliance.** Except for Hazardous Materials contained in products customarily used for or otherwise generated, handled or transported in connection with the Permitted Use, Subtenant shall not cause or knowingly permit any party to bring Hazardous Materials on the Premises or use, store, handle, treat, generate, manufacture, transport, release or dispose of Hazardous Materials in, on or from the Premises without Sublandlord's prior written consent, which may be withheld in Sublandlord's sole discretion. Subtenant, at its sole cost and expense, shall operate its business in the Premises in strict compliance with all Environmental Requirements and shall remove or remediate in compliance with applicable Laws and the Master Lease all Hazardous Materials released on or from the project by any Subtenant Party in violation of Environmental Requirements. "**Environmental Requirements**" means all applicable Laws regulating or relating to the environment or the health, safety or environmental conditions on, under, or about the Premises. "**Hazardous Materials**" means asbestos, petroleum products, natural gas liquids, liquefied natural gas, synthetic gas usable for fuel (or mixtures of natural gas and such synthetic gas) and any substance, material, waste, pollutant, or contaminant listed or defined as hazardous or toxic, or regulated by reason of its adverse impact on persons, animals and/or the environment under any Environmental Requirements. As defined in Environmental Requirements, Subtenant is and shall be deemed to be the "**operator**" of Subtenant's "**facility**" and the "**owner**" of all Hazardous Materials brought on the Premises by any Subtenant Party, and the wastes, by-products, or residues generated, resulting, or produced therefrom. Sublandlord shall be and remain responsible to Subtenant for any Hazardous Materials introduced to the Premises or generated by any Sublandlord Party.

**22.2 Environmental Indemnity.** Subtenant indemnifies and shall defend and hold the Sublandlord Parties and the Master Landlord Parties harmless from any and all Claims, damages (including punitive damages and damages based on diminution in value of the Premises or the project, or the loss of, or restriction on, use of the Premises or any portion of the project), expenses (including reasonable attorneys', consultants' and experts' fees, court costs and amounts paid in settlement of any claims or actions), civil, administrative or criminal penalties, and costs incurred in connection with any investigation of site conditions or any cleanup, remedial, removal, or restoration work required by any Government Authority, or liabilities or losses (collectively, "**Environmental Claims**") that arise during or after the Term as a result of (a) contamination in, on or from the Premises during the Term, unless such contamination is introduced or generated by any Sublandlord Party or Master Landlord Party, as applicable, and (b) contamination, in on or about the Premises caused by any Subtenant Party. Without limiting the foregoing, if the presence of any Hazardous Materials on the Premises or any adjacent property caused or knowingly permitted by any Subtenant Party results in any contamination of the Premises or any adjacent property, Subtenant shall promptly take all actions at its sole cost and expense as are required by Environmental Requirements and the Master Lease with respect to the Premises or such adjacent property as a result of such presence of Hazardous Materials.

**22.3 Survival.** Subtenant's obligations under this Section 22 shall survive a Termination. During any period after a Termination required by Subtenant or Sublandlord to complete the removal from the Premises of any Hazardous Materials as a result of (a) contamination in on or about the Premises or any portion thereof during the Term, except to the



extent introduced or generated by any Sublandlord Party or Master Landlord Party, as applicable, and (b) contamination in, on or about the Premises caused by any Subtenant Party that prevents Sublandlord or Master Landlord from reletting or otherwise using the Premises, Subtenant shall continue to pay Rent for any portion of the Premises not relet, which Rent shall be prorated daily.

**22.4 Notices.** Sublandlord and Subtenant shall each promptly deliver to the other copies of all notices delivered to or received from any state, county, municipal or other agency having authority to enforce any Environmental Requirements or from the United States Occupational Safety and Health Administration or the local equivalent in the state where the Premises are located (each an "**Enforcement Agency**") concerning Hazardous Substances at Environmental Claims with respect to the Premises.

**23. Regulatory Compliance** Sublandlord represents and warrants to Subtenant that Sublandlord is not a "referring physician" or a "referral source" as to Subtenant for services paid for by Medicare or a state health care program, as the terms are defined under any federal or state health care anti-referral or anti-kickback, regulation, interpretation or opinion ("Referral Source"). Sublandlord covenants, during the Term, it will not knowingly (i) take any action that would cause it to become a Referral Source as to Subtenant, or (ii) sell, exchange or transfer the Premises to any individual or entity who is a Referral Source as to Subtenant without complying with all other provisions of this Sublease.

Each party represents and warrants that: (1) it is not currently excluded from participation in any federal health care program, as defined under 42 U.S.C. Section 1320a-7b; (2) it is not currently excluded, debarred, suspended, or otherwise ineligible to participate in federal procurement and non-procurement programs; or (3) it has not been convicted of a criminal offense that falls within the scope of 42 U.S.C. Section 1320a-7(a), but has not yet been excluded, debarred, suspended or otherwise declared ineligible (each, an "**Exclusion**"), and agrees to notify the other party within two business days of learning of any such Exclusion or any basis therefore. In the event of learning of such Exclusion, either party shall have the right to immediately terminate this Sublease without further liability. Sublandlord agrees that Subtenant may screen Sublandlord against applicable Exclusion databases on an annual basis.

**In the event Sublandlord, or Sublandlord's successors or assigns, become a Referral Source as described in this Section 23 above, the following Sections 23.1 and 23.2 shall apply but shall have no effect until such time:**

**23.1 Compliance.** Sublandlord and Subtenant agree that it is not the purpose of this Sublease to exert any influence over the reason or judgment of any party with respect to the referral of patients or other business between Sublandlord and Subtenant, but that it is the parties' expectation that any referrals which may be made between the parties shall be and are based solely upon the medical judgment and discretion of the patient's physician. The parties further agree and acknowledge that (a) Base Rent is (i) set forth in advance; (ii) consistent with fair market value in an arms-length transaction; (iii) does not take into account the volume or value of any referrals or other business generated between the parties; and (iv) would be reasonable even if no referrals were made between the parties, and (b) the Premises Rentable Area does not exceed the reasonable square footage needed for the legitimate business plans of Subtenant.

**23.2 Compliance with Law.** The parties enter into this Sublease with the intent of conducting their relationship in full compliance with applicable federal, state and local Laws, including, without limitation, the Anti-Kickback Statute and agree and certify that neither party shall violate the Anti-Kickback Statute in performing under this Sublease. Notwithstanding any

unanticipated effect of any provisions of this Sublease, neither party will intentionally conduct itself under the terms of this Sublease in a manner that would violate any such Law. Sublandlord agrees not to request an advisory opinion related to the legality of this Sublease without the concurrence and approval of Subtenant. Subtenant shall have the right to terminate this Sublease if a change in applicable health care Laws or reimbursement systems affects the legality of this Sublease. Sublandlord shall notify Subtenant of, and cooperate with, any request from a duly authorized government representative (e.g., Secretary of Health and Human Services, Comptroller General) for access to books, documents and/or records related to this Sublease, and to indemnify Subtenant from any liability arising out of the party's refusal to grant such access.

**24. Indemnification.** Subtenant indemnifies and agrees to defend and hold the Master Landlord Parties and the Sublandlord Parties harmless from and against any and all Claims for injury or death to persons or damage to property occurring within or about the Premises, arising out of the use or occupancy of the Premises or a breach or default by Subtenant in the performance of its obligations hereunder, except to the extent caused by the willful misconduct or gross negligence of the applicable indemnified party.

**25. Limitation on Liability.** At no time shall either Master Landlord or Sublandlord be responsible or liable to Subtenant for any lost profits, lost economic opportunities or any other form of consequential or punitive damages (collectively, "Consequential Damages") as the result of any actual or alleged breach by Master Landlord or Sublandlord of its obligations under the Master Lease or this Sublease, as applicable; provided that this provision shall not limit or otherwise affect liability with respect to claims of gross negligence, fraud or willful misconduct.

**26. Miscellaneous**

**26.1 Notices.** All notices, consents, approvals, requests, invoices or statements provided for or permitted to be given under this Sublease ("**Notices**") shall (a) be in writing unless oral notice is specifically permitted, and (b) be delivered to the addresses for the applicable party in the Basic Sublease Information, or such replacement or additional address as such party designates from time to time on not less than 30 days prior Notice. Notices shall be (i) sent by certified U.S. Mail with return receipt requested; (ii) delivered via FedEx, UPS or other nationally recognized overnight courier; or (iii) personally delivered (including delivery by private courier services). All delivery charges must be satisfied by the sending party. Notices shall be deemed duly given when received or delivery is refused; provided that if the day of receipt or refusal is not a Business Day, such Notice shall be deemed duly given as of the next succeeding Business Day

Notwithstanding anything contained in this Sublease to the contrary, any written notice by either Sublandlord or Subtenant to the other party may be transmitted by electronic transmission, and that the electronic copies of such party's signature shall have the same effect as if it were an original signature.

**26.2 Quiet Enjoyment.** So long as no Default exists, Subtenant shall, subject to the terms of this Sublease, at all times during the Term, have peaceful and quiet enjoyment of the Premises against any Person claiming by, through or under Sublandlord.

**26.3 Confidential and Protected Information.**

**26.3.1 Nondisclosure.** Subtenant and Sublandlord acknowledge that the contents of this Sublease and any related documents are confidential information. Except to the extent disclosure is required by Laws, court order or is otherwise required to enforce the terms of

this Sublease, the parties shall keep such confidential information strictly confidential and shall not disclose such confidential information to any Person other than their respective financial, legal and property consultants, and insurance brokers and insurers, provided, that Subtenant may disclose the terms to prospective subtenants or assignees under this Sublease and Sublandlord, may disclose the terms to any prospective lender or purchaser of the Premises.

**26.3.2 Protected Health Information.** Sublandlord acknowledges and agrees that from time to time during the Term, the Sublandlord Parties may be exposed to, or have access to, Protected Health Information, as defined by HIPAA, 45 CFR Parts 160 and 164 ("**PHI**"). Sublandlord shall not use or disclose, and Sublandlord shall cause the other Sublandlord Parties not to use or disclose, PHI for any purpose unless in accordance with the requirements of HIPAA and all other applicable medical privacy Laws.

**26.3.3 Subtenant Information.** Sublandlord shall preserve, and cause the other Sublandlord Parties to preserve, all business, financial, personal or technical information relating to Subtenant and the business or other activities of Subtenant and affiliates of Subtenant at the Premises that Sublandlord obtains in connection with this Sublease (collectively, "**Subtenant Information**"). Without first obtaining Subtenant's prior written consent, Sublandlord shall not, and shall cause the other Sublandlord Parties not to, disclose to any Person, or use for its own benefit, any Subtenant Information during and after the Term, unless such Subtenant Information is required to be disclosed by a court of competent jurisdiction or by a Governmental Authority.

**26.4 Consent.** Except to the extent expressly stated to the contrary herein, whenever Sublandlord's or Subtenant's consent is required under this Sublease, such consent shall not be unreasonably withheld, conditioned or delayed.

**26.5 Prorations.** All prorations required or permitted to be made hereunder shall be made on the basis of a 365-day year and if for a calendar month, then based on the actual number of days in such month ("**Prorated**" or "**Prorations**").

**26.6 Force Majeure.** Other than in connection with the obligation to pay money, no party shall be held responsible for delays in the performance of its obligations hereunder when caused by strikes, lockouts, labor disputes, weather, natural disasters, inability to obtain labor or materials or reasonable substitutes therefor, governmental restrictions, governmental regulations, governmental controls, delay in issuance of permits, enemy or hostile governmental action, civil commotion, fire or other casualty, and other causes beyond the reasonable control of such party ("**Force Majeure**"). Force Majeure shall not include any events or causes that can be avoided or minimized by the payment of commercially reasonable amounts.

## **26.7 Brokers.**

**26.7.1** Sublandlord represents and warrants that it has not dealt with any broker, agent or other Person (collectively, "**Broker**") in connection with this Sublease and that no Broker brought about this Sublease on behalf of Sublandlord. Sublandlord indemnifies and agrees to hold Subtenant harmless from and against any Claims by any Broker claiming a commission or other form of compensation by virtue of having dealt with Sublandlord with regard to this lease transaction.

**26.7.2** Subtenant represents and warrants that it has not dealt with any Broker in connection with this Sublease and that no Broker brought about this Sublease on behalf of Subtenant, Except with respect to Subtenant's Broker, Subtenant indemnifies and agrees to hold

Sublandlord harmless from and against any Claims by any Broker claiming a commission or other form of compensation by virtue of having dealt with Subtenant with regard to this lease transaction.

**26.8 Entire Agreement, Amendment.** This Sublease constitutes the complete agreement of Sublandlord and Subtenant with respect to the subject matter hereof and supersedes any and all prior representations, inducements, promises, agreements, understandings and negotiations that are not contained herein. This Sublease may not be amended except by an instrument in writing signed by both Sublandlord and Subtenant and, if required by the Master Lease, consented to in writing by Master Landlord.

**26.9 Recordation.** Neither this Sublease nor any memorandum hereof shall be filed or recorded in any public record.

**26.10 Interpretation.** Sublandlord and Subtenant have jointly prepared this Sublease, each with access to counsel, and (a) none of the provisions hereof shall be construed against one party on the ground that such party is the author of this Sublease or any part hereof; and (b) the usual rule of contract construction that resolves ambiguities against the drafter shall not apply. All defined terms have the meanings given them for all purposes, and such meanings are equally applicable to both the singular and plural forms of the terms defined. Any agreement, instrument or applicable Laws defined or referred to herein (i) means such agreement or instrument or applicable Laws as from time to time amended, modified or supplemented, including (in the case of agreements or instruments) by waiver or consent and (in the case of applicable Laws) by succession of comparable successor applicable Laws; and (ii) includes (in the case of agreements or instruments) references to all attachments thereto and instruments incorporated therein. References to a Person are also to its successors and permitted assigns. The word "**or**" is deemed to mean "**and/or**". Any term defined in this Sublease by reference to any other agreement or instrument has such meaning whether or not such agreement or instrument is in effect. Regardless of the referenced gender, pronouns used in this Sublease shall include Persons of every kind and character. References to "**\$**" or to "**dollars**" shall mean the lawful currency of the United States of America. The words "**including**" and "**includes**" and terms of similar import shall be deemed to mean "**including, without limitation**". "**Business Days**" means all days other than Saturday, Sunday and other days on which neither banks nor the U.S. postal service are open for business in the state where the Premises are located. "**Person**" means a natural person or a legal entity.

**26.11 Limitations on Interest.** It is expressly the intent of Sublandlord and Subtenant at all times to comply with applicable Laws governing the maximum rate or amount of any interest payable on or in connection with this Sublease. If applicable Laws are ever judicially interpreted so as to render usurious any interest called for under this Sublease, or contracted for, charged, taken, reserved, or received with respect to this Sublease, then it is Sublandlord's and Subtenant's express intent that all excess amounts theretofore collected by Sublandlord be credited on the applicable obligation (or, if the obligation has been or would thereby be paid in full, refunded to Subtenant), and the provisions of this Sublease immediately shall be deemed reformed and the amounts thereafter collectible hereunder reduced, without the necessity of the execution of any new document, so as to comply with the applicable Laws, but so as to permit the recovery of the fullest amount otherwise called for hereunder.

**26.12 Choice of Law.** Construction and interpretation of this Sublease shall be governed by the internal laws of the state in which the Premises are located, excluding any principles of conflicts of laws.

**26.13 Severability.** If any clause or provision of this Sublease is illegal, invalid or unenforceable under present or future laws, then the remainder of this Sublease shall not be affected thereby. In lieu of each clause or provision of this Sublease that is illegal, invalid or unenforceable, there shall be added, as a part of this Sublease, a clause or provision as similar in effect to such illegal, invalid or unenforceable clause or provision as shall be legal, valid and enforceable.

**26.14 Time.** Time is of the essence under this Sublease.

**26.15 Incorporation by Reference.** All exhibits, schedules and addenda attached to this Sublease are incorporated into this Sublease and made a part hereof. If there is any conflict between such exhibits, schedules or addenda and the terms of this Sublease, the terms of this Sublease shall control.

**26.16 No Third Party Beneficiaries.** Sublandlord and Subtenant do not intend for any Person to be a third party beneficiary of this Sublease, and the provisions of this Sublease shall not impart any legal or equitable right, remedy or claim enforceable by any Person other than the parties that are signatories to this Sublease and their successors and permitted assigns. Master Landlord's rights with respect to this Sublease are as provided for in the Master Lease.

**26.17 No Waiver.** Failure or forbearance by any party to exercise any of its rights or remedies under this Sublease shall not constitute a waiver of such rights or remedies in that or other instance. Neither party shall be deemed to have waived any right or remedy resulting from such failure to perform unless it has made such waiver specifically in writing.

**26.18 Counterparts; Imaged Documents.** This Sublease may be executed in one or more counterparts, each of which shall be an original but all of which, taken together, shall constitute only one legal instrument. It shall not be necessary in making proof of this Sublease to produce or account for more than one counterpart. The delivery of an executed counterpart of this Sublease electronically or by facsimile shall be deemed to be valid delivery thereof with the same effect as delivery of an original executed counterpart. This Sublease may be imaged and stored electronically and (a) such imaged Sublease may be introduced as evidence in any proceeding as if it was an original, and (b) no party shall contest the admissibility of such imaged document as evidence in any proceeding.

**26.19 Cooperation with Sublandlord's Cost Reporting Responsibilities.** Subtenant's full cooperation with applicable authorities in connection with cost reporting is essential for Sublandlord's continued operation of its business. Therefore, Subtenant agrees to provide to Sublandlord, within 30 days of Sublandlord's request, any and all information that is reasonably necessary for Sublandlord to fulfill its cost reporting requirements to such applicable authorities.

**26.20 Waiver of Jury Trial.** SUBTENANT AND SUBLANDLORD WAIVE ANY RIGHT TO TRIAL BY JURY OR TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, BETWEEN SUBLANDLORD AND SUBTENANT ARISING OUT OF THIS SUBLEASE OR ANY OTHER INSTRUMENT, DOCUMENT, OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith OR THE TRANSACTIONS RELATED HERETO.

*[Signatures on next page]*

IN WITNESS WHEREOF, Sublandlord and Subtenant have executed this Sublease Agreement as of the day and year first above written.

SUBLANDLORD:

Everett MSO, Inc., a Washington corporation

By: Andrea Rodwald  
 Printed Name: Andrea Rodwald  
 Title: CFO  
 Date: 2/8/2018

State of Washington

County of Snohomish

I certify that I know or have satisfactory evidence that Andrea Rodwald is the person who appeared before me, and said person acknowledged that ~~he/she~~ signed this instrument, on oath stated that ~~he/she~~ was authorized to execute the instrument and acknowledged it as the CFO of the Everett MSO, Inc. to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: February 8, 2018



Britta K. Anderson  
 (Signature)

Notary Public  
 Title

My appointment expires 11/09/2019


FOR SUBLANDLORD'S INTERNAL USE ONLY:

APPROVED TO FORM:

DocuSigned by:  
Sumaya Vanderhorst  
 F95868443E3447B...  
 By: \_\_\_\_\_  
 Name: Sumaya Vanderhorst  
 Title: Assistant General Counsel

SUBTENANT:

The Everett Clinic, PLLC, a Washington  
professional limited liability company

By:   
Printed Name: \_\_\_\_\_  
Title: Albert W. Fisk, MD  
Chief Medical Officer  
The Everett Clinic

State of Washington

County of Snohomish

I certify that I know or have satisfactory evidence that Albert W. Fisk is the person who appeared before me, and said person acknowledged that he/she signed this instrument, on oath stated that he/she was authorized to execute the instrument and acknowledged it as the of The Everett Clinic, PLLC to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: February 14, 2018



  
(Signature)

Notary Public  
Title

My appointment expires 11-09-2019

**Exhibit A**  
**Master Lease**  
**(attached)**



**LEASE AGREEMENT**

**BY AND BETWEEN**

**EDMONDS MEDICAL BUILDING ASSOCIATES, LLC ("LANDLORD")**

**AND**

**EVERETT MSO, INC. ("TENANT")**

**FOR SPACE AT**

**21401 72<sup>ND</sup> Avenue West, Edmonds, Washington 98020**

**Dated:** September 27, 2016

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## **EXHIBITS**

- EXHIBIT A            -    LEGAL DESCRIPTION**
- EXHIBIT B            -    PREMISES/BUILDING SITE PLAN**
- EXHIBIT C            -    FORM OF COMMENCEMENT DATE MEMORANDUM**
- EXHIBIT D            -    FORM OF SUBORDINATION, NON-DISTURBANCE AND  
ATTORNMEN T AGREEMENT**
- EXHIBIT E            -    FORM OF ESTOPPEL CERTIFICATE**
- EXHIBIT F            -    WORK LETTER**
- EXHIBIT G            -    FORM OF MEMORANDUM OF LEASE**
- EXHIBIT H            -    FORM OF BILL OF SALE**
- EXHIBIT I            -    GUARANTY**

**DATA SHEET**

**Landlord:** EDMONDS MEDICAL BUILDING ASSOCIATES, LLC,  
a Washington limited liability company

**Address of Landlord:** Edmonds Medical Building Associates, LLC  
Attn: Mack DuBose  
8129 Lake Ballinger Way, Suite 104  
Edmonds, WA 98026

**Address for Payment of Rent:** Edmonds Medical Building Associates, LLC  
Attn: Clay Crippen  
8129 Lake Ballinger Way, Suite 104  
Edmonds, WA 98026

**Tenant:** EVERETT MSO, INC., a Washington corporation

**Address of Tenant:** c/o DaVita Inc.  
Attn: Real Estate Legal  
2000 16th Street  
Denver, CO 80202

with a copy to:  
[relegal@davita.com](mailto:relegal@davita.com)  
Subject: DMG – Edmonds, WA

**Premises Address:** 21401 72<sup>nd</sup> Avenue West, Edmonds, Washington 98020

**Premises Rentable Area:** approximately 31,507 rentable square feet

**Fair Market Rental Value  
("FMRV"):** Defined in Section 4 below

**Base Rent After Commencement:**

<b>Period</b>	<b>Base Rent per s/f/yr</b>	<b>Monthly Base Rent</b>	<b>Annual Base Rent</b>
Months 1 through 12, inclusive	\$41.75	\$109,618.10	\$1,315,417.25
Months 13 through 24, inclusive	\$43.01	\$112,926.34	\$1,355,116.07
Months 25 through 36, inclusive	\$44.31	\$116,339.60	\$1,396,075.17
Months 37 through 48, inclusive	\$45.64	\$119,831.62	\$1,437,979.48
Months 49 through 60, inclusive	\$47.02	\$123,454.93	\$1,481,459.14
Months 61 through 72, inclusive	\$48.44	\$127,183.26	\$1,526,199.08
Months 73 through 84, inclusive	\$49.90	\$131,016.61	\$1,572,199.30
Months 85 through 96, inclusive	\$51.40	\$134,954.98	\$1,619,459.80
Months 97 through 108, inclusive	\$52.95	\$139,024.64	\$1,668,295.65
Months 109 through 120, inclusive	\$54.55	\$143,225.57	\$1,718,706.85

v

Edmonds, WA – 21401 72<sup>nd</sup> Avenue West

Period	Base Rent per s/f	Monthly Base Rent	Annual Base Rent
Option 1			
Full months 1 through 12 inclusive:	FMRV	FMRV	FMRV
Full months 13 through 24 inclusive:	FMRV	FMRV	FMRV
Full months 25 through 36 inclusive:	FMRV	FMRV	FMRV
Full months 37 through 48 inclusive:	FMRV	FMRV	FMRV
Full months 49 through 60 inclusive:	FMRV	FMRV	FMRV
Option 2			
Full months 1 through 12 inclusive:	FMRV	FMRV	FMRV
Full months 13 through 24 inclusive:	FMRV	FMRV	FMRV
Full months 25 through 36 inclusive:	FMRV	FMRV	FMRV
Full months 37 through 48 inclusive:	FMRV	FMRV	FMRV
Full months 49 through 60 inclusive:	FMRV	FMRV	FMRV
Option 3			
Full months 1 through 12 inclusive:	FMRV	FMRV	FMRV
Full months 13 through 24 inclusive:	FMRV	FMRV	FMRV
Full months 25 through 36 inclusive:	FMRV	FMRV	FMRV
Full months 37 through 48 inclusive:	FMRV	FMRV	FMRV
Full months 49 through 60 inclusive:	FMRV	FMRV	FMRV

## LEASE AGREEMENT

**THIS LEASE AGREEMENT** (this "Lease"), made and entered into as of \_\_\_\_\_, 2016 (the "Effective Date") by and between EDMONDS MEDICAL BUILDING ASSOCIATES, LLC, a Washington limited liability company ("Landlord"), and EVERETT MSO, INC., a Washington corporation ("Tenant").

### WITNESSETH:

**WHEREAS**, Landlord desires to demise, lease and rent unto Tenant, and Tenant desires to rent and lease from Landlord a single tenant building consisting of approximately 31,507 rentable square feet (the "Premises"), located on that certain real property known as 21401 72<sup>nd</sup> Avenue West, Edmonds, Washington 98020 (the "Property"), together with all improvements thereon and appurtenant rights thereto including, without limitation, parking areas, easements, declarations and rights of way. The Property is more particularly described on the attached Exhibit A, and the Premises are depicted on the attached Exhibit B;

**NOW, THEREFORE**, for and in consideration of the mutual covenants, promises and agreements herein contained, Landlord does hereby demise, lease and rent unto Tenant and Tenant does hereby rent and lease from Landlord the Premises, under and pursuant to the following terms and conditions:

1. **Demise; Premises.** Landlord leases to Tenant, and Tenant leases from Landlord, the Premises and all easements and appurtenances related to the Property, for the rents, covenants and conditions (including limitations, restrictions and reservations) hereinafter provided, together with parking for Tenant's employees, patients and invitees.

2. **Term and Delivery of Premises.**

2.1 **Term.** The term of this Lease shall be for 120 months (the "Term") and shall commence upon the earlier of the occurrence of the following events (the "Commencement Date"): (a) 60 days after the Effective Date; (b) that date that Tenant opens for normal business operations in the Premises; or (c) November 1, 2016. The expiration date of the Term shall be the last day of the 120<sup>th</sup> month following the Commencement Date (the "Expiration Date"), unless the Term is renewed in which event the Expiration Date shall extend to the end of such exercised renewal period(s). Each 12 month period beginning on the Commencement Date or any anniversary thereof shall hereinafter be called a "Lease Year." Upon determination of the Possession Date and Commencement Date, Landlord shall complete, execute and forward a Commencement Date Memorandum in the form attached as Exhibit C to Tenant for Tenant's approval and execution. In the event the Possession Date does not fall on the first day of the month, Base Rent and Additional Rent shall be prorated for any partial month and Tenant shall pay for such proration on the first day of the month following the Commencement Date.

**2.2 Estimated Possession Date; Delay in Delivery.** Landlord shall deliver possession of the Premises to Tenant on or before that date which is three (3) business days following the Effective Date (the "Estimated Possession Date"). If the date Landlord actually delivers the Premises to Tenant (the "Possession Date") is later than the Estimated Possession Date (the "Outside Delivery Date"), Tenant shall receive a rent credit in an amount equal to one day Base Rent and Additional Rent (both as defined below, in an amount equal to the applicable rate for periods following any rent abatement) for each day or part thereof that the Possession Date is later than the Estimated Possession Date. Tenant may, but shall not be obligated to, accept possession of the Premises prior to the Estimated Possession Date. Furthermore, in no event shall the time period used for calculating the Commencement Date begin to accrue prior to the Estimated Possession Date (as such date may be extended). If the Possession Date has not occurred by the date which is 30 days following the Effective Date, Tenant may terminate this Lease.

Landlord shall deliver the Premises on the Possession Date containing all the furniture and equipment located within the Premises (the "In-Place Equipment"), ownership of which shall be transferred to Tenant via a Bill of Sale executed concurrently with this Lease, in the form attached as Exhibit H. In addition, the Premises shall contain that certain MRI machine ("MRI") which Landlord will facilitate the assumption of the existing Lease between the original tenant (Kruger Clinic Orthopedics, P.L.L.C. and Siemens Financial Services, Inc., dated 6/6/2012 ("MRI Equipment Lease"). Landlord shall pre-pay all amounts due under the MRI Equipment Lease (with the exception of the service contracts which Tenant will contract and maintain) through the end of the remaining MRI Equipment Lease Term, and shall assign (or cause to be assigned) to Tenant, and Tenant shall assume, all of Lessee's rights and obligations under the MRI Lease, including without limitation the right to purchase the MRI for fair market value at the end of the MRI Lease term. Tenant shall be responsible for all maintenance and repair obligations of Lessee under the MRI Lease. At the end of the Term of the Lease, whether such term ends at the end of the Term or due to an early termination, if available, any In-Place Equipment that Tenant may abandon in the Premises, if any, will be deemed a Fixture (as defined in Section 37) and will be surrendered with the Premises at the termination of the Lease and the ownership of such In-Place Equipment shall automatically transfer from Tenant to Landlord without the need for any further documentation between the parties.

From the Possession Date until the Commencement Date, Tenant shall be bound by the provisions of the Lease, except that neither Base Rent nor Additional Rent shall be due and payable until the Commencement Date, as set forth below.

**3. Rent.** Beginning on the Commencement Date, Tenant shall pay as initial annual base rent ("Base Rent") the amount set forth in the Data Sheet, in advance, on the first day of each calendar month during the Term, such monthly installment and any Additional Rent or other charges to be prorated for any partial calendar month in which the Commencement Date or Expiration Date occurs. As a condition to payment of Base



Rent, Additional Rent, or other charges, Landlord shall provide Tenant with a completed Form W-9 Request for Taxpayer Information and Certification, a fully executed Commencement Date Memorandum, and for Additional Rent, Landlord's initial estimate of Operating Expenses. Upon any assignment by Landlord of its rights, title and interest in and to this Lease, Landlord shall cause such successor Landlord to deliver a completed Form W-9 to Tenant.

Actual rentable square footage for the Premises will be determined with all measurements computed in accordance with Office Buildings: BOMA Standard Method TWO of Measurement (ANSI/BOMA Z65.5-2010), as promulgated by The Building Owners and Managers Association International. Tenant may elect to have the space measured prior to the Commencement Date. If the rentable square footage is found to be greater or less than the rentable square footage shown in this Lease, Base Rent, Additional Rent and other provisions of this Lease which are based on the Premises Rentable Area shall be adjusted accordingly.

Except as otherwise provided in this Lease, it is the intention of the parties that Landlord shall receive Base Rent, Additional Rent, and all sums payable by Tenant under this Lease free of all taxes, expenses, charges, damages and deductions of any nature whatsoever (except as otherwise provided herein).

4. Renewals. Tenant shall have the right and option to renew this Lease for three additional periods of five years each, next immediately ensuing after the expiration of the initial Term and any subsequent renewal period by notifying Landlord in writing not more than 24 months and not less than six months before the expiration of the immediately preceding initial Term or subsequent renewal Term of Tenant's intention to exercise its option to renew. Notwithstanding prior delivery of such notice, the notice shall be effective, notwithstanding anything to the contrary in such notice, not earlier than six months before the expiration of the immediately preceding initial Term or subsequent renewal Term. In addition, and notwithstanding any provision of this Lease or any statutory or case law to the contrary, Tenant specifically acknowledges and agrees that any grace period for exercise of any option to extend shall not exceed thirty (30) days. In the event that Tenant so elects to extend this Lease, then, for such extended period of the Term, all of the terms, covenants and conditions of this Lease shall continue to be, and shall be, in full force and effect during such extended period of the Term, except that Base Rent for any such extended period shall be the annual Fair Market Rental Value ("FMRV") of the Premises (after taking into consideration 100% of the rent inducements then given to new tenants in comparable medical office buildings in the Edmonds, Washington area). If Landlord and Tenant fail to agree upon the FMRV within 15 days after the date of Tenant's renewal notice, then FMRV shall be determined by two appraisers, one selected by Landlord and one selected by Tenant within 30 days from receipt of Tenant's notice of renewal. If either party fails to appoint such appraiser within such timeframe, the appraiser appointed by such other party shall make the FMRV determination. The appraisers shall issue their reports within ten days of appointment. If the higher of the two appraisals is less than or equal to 110% of the

lower, then FMRV shall be the average of the two; if not, then within ten days after the date of the latest report, the two appraisers shall mutually select a third appraiser who shall, within ten days after appointment, determine which of the original two appraisers' determination is closest to FMRV and such determination shall be deemed to be the FMRV of the applicable renewal term's Base Rent. Landlord shall pay the cost of the appraisal by the appraiser selected by Landlord and Tenant shall pay the cost of the appraisal by the appraiser selected by Tenant. Landlord and Tenant shall equally bear the cost of the third appraisal.

5. Condition of Premises. Tenant acknowledges that it has inspected the Premises and accepts the same in "as-is" and "where-is" condition as of the Effective Date, except as may be provided below or elsewhere in the Lease. Notwithstanding the foregoing to the contrary, Landlord warrants to Tenant that on the Possession Date, the Premises will be (a) water tight; (b) free from all structural or latent defects, and (c) with respect to the Premises and the Property, free from any Hazardous Substances (as defined in Section 12). Tenant shall give written notice to Landlord of any existing condition which Tenant reasonably determines to be other than as represented by Landlord herein. Landlord will, upon receipt of such notice from Tenant, promptly repair such condition, at Landlord's cost and expense, which shall not be an Operating Expense (as defined in Section 8). With respect to subsections (b) and (c) above, Landlord shall be responsible for correcting, at Landlord's sole cost and expense, any condition that may be discovered at any time during the Term.

6. Use of Premises. Tenant may exclusively occupy and use the Premises during the Term for purposes of: (i) medical or related health care practices and the provision of services that are generally ancillary, related to, or associated with Tenant's medical or related health care practices, including the use of any imaging modalities, surgery center, orthopedic services, physical therapy, the provision of laboratory services or pharmacy services and the operation of a primary/urgent care clinic and specialty medical services clinics, and (ii) administrative office activities in support of Tenant's medical or related health care practices, or for any other lawful purposes, with Landlord's reasonable consent (the "Permitted Use"). Tenant may operate during such days and hours as Tenant may determine, without the imposition of minimum or maximum hours of operation by Landlord, and Tenant shall have exclusive use of and full-time access to the Premises, and may operate, up to 24 hours per day, seven days per week, year-round. Tenant shall control access of its employees, patients, and service providers to be consistent with its operational needs, in Tenant's discretion.

7. Assignment/Subletting. Except for a Permitted Transfer (as defined below), and provided that Tenant is not in default of any monetary obligation in the Lease, Tenant shall not assign this Lease, or sublet the Premises, or any part thereof, without Landlord's prior written consent which consent shall not be unreasonably withheld, conditioned or delayed. Any denial by Landlord of such sublease or assignment by Tenant must be predicated upon a commercially reasonable basis for such denial, including but not limited to the net worth of the proposed assignee or

sublessee being reasonably acceptable to Landlord. Prior to any sublease or assignment, Tenant shall first notify Landlord in writing of its election to sublease all or a portion of the Premises or to assign this Lease or any interest hereunder. At any time within 30 days after service of such notice, Landlord shall notify Tenant that it consents or refuses to consent to the sublease or assignment. A failure by Landlord to respond within such 30-day period shall be deemed to be a consent.

Notwithstanding the foregoing, provided that Tenant is not in default of any monetary obligation in the Lease, no consent of Landlord is required for Tenant to assign, sublet or otherwise transfer (by operation of law or otherwise) this Lease or any of its rights hereunder to: (a) any person, corporation, partnership or other entity which acquires all or substantially all of the business or assets of Tenant or equity in Tenant; (b) any person, corporation, partnership or other entity which controls, is controlled by or is under common control with Tenant; (c) any affiliate (within the meaning of such term as set forth in Rule 501 of Regulation D under the Federal Securities Act of 1933, as amended) of Tenant; or (d) any physician, person, corporation, partnership or other entity subleasing a portion of the Premises for purposes consistent with Tenant's Permitted Use (each a "Permitted Transfer").

No assignment, sublease or other transfer, in whole or in part, of any Tenant's rights or obligations under this Lease shall release Tenant hereunder and Tenant shall remain responsible for performing Tenant's obligations hereunder should Tenant's assignee, subtenant or transferee fail to perform any such obligations, unless specifically provided otherwise by Landlord in writing. Landlord shall have no right to recapture any sublease or assignment space.

## **8. Operating Expenses and Utilities.**

8.1 Tenant shall pay 100% of all Taxes (as defined below), costs and expenses directly attributable to the maintenance and management of the Property (the "Property Charges"), and insurance premiums actually paid to a third party insurer for the insurance on the Property ("Insurance"), in advance, in equal monthly installments at the time of the payment of Base Rent. Taxes, Property Charges and Insurance are collectively referred to as the "Operating Expenses." As used herein, all Operating Expenses shall be net of all rebates, fees and incentives that are paid by a provider or vendor to Landlord. Tenant's payments shall be based on Landlord's annual estimate of the Taxes, Property Charges and Insurance for the applicable calendar year in question. Promptly after the actual Operating Expenses for a calendar year are determined by Landlord, but in no event later than 120 days from the end of each calendar year, Landlord shall provide Tenant with a statement of such actual Operating Expenses for such calendar year (the "Annual Reconciliation Statement"). If the actual Operating Expenses for such calendar year are greater than the amount of Operating Expenses previously paid by Tenant, Tenant, within 30 days of receipt of such Annual Reconciliation Statement, shall pay to Landlord any deficiency. If such statement shows an overpayment by Tenant, then any surplus paid by Tenant shall be credited to

Tenant's next monthly installments of Base Rent and Operating Expenses or, if this Lease has expired or been terminated for reasons other than Tenant's breach or default, be paid to Tenant within 30 days after the end of the Term. The reconciliation obligations under this Section 8.1 shall survive the termination or expiration of this Lease.

"Taxes" shall mean real property taxes, public charges and assessments assessed or imposed during the Term upon the Premises or the Property; provided, however, that any one-time (as opposed to on-going) special assessment for public improvements having a useful economic life exceeding the remaining Term shall be prorated between Landlord and Tenant using a straight-line method, based on the proportion of that economic life falling within the remaining Term. Taxes shall not include any penalties or interest for late or partial payment nor any income, franchise, margin, inheritance, estate, transfer, excise, gift or capital gain taxes that are or may be payable by Landlord or that may be imposed against Landlord or against the rents payable hereunder. Landlord shall pay all Taxes prior to delinquency and take advantage of any savings in Taxes that may be achieved by early payment or payment in installments. Should Landlord choose not to contest any Taxes, Tenant shall have the right to contest the Taxes in Landlord's name and with Landlord's reasonable cooperation, at no expense to Landlord. Landlord, at Tenant's sole expense, shall join in any such contestation proceedings if any Law shall so require.

8.2 Notwithstanding anything to the contrary contained herein, beginning on the Commencement Date, in no event shall Operating Expenses (excluding Taxes, Insurance and utilities for the Property) chargeable to Tenant increase more than 5% percent annually over Operating Expenses (excluding Taxes, Insurance and utilities) for the immediately preceding calendar year, on a non-cumulative basis

8.3 Tenant shall pay the net cost (after applying any discounts or incentives) of all utilities and other services necessary in the operation of the Premises, including but not limited to, gas, fuel oil, electrical, telephone and other utility charges, janitorial services. Tenant shall contract directly with all utility providers such that all utilities for the Premises shall be in Tenant's name.

8.4 Landlord shall make available at the Property or other designated place near the Property, true and accurate records of items that constitute Operating Expenses, calculated in accordance with GAAP and prudent real estate management practices, consistently applied. Such records shall be open for inspection from time to time by Tenant or its duly authorized representative for a period of three years after receipt of Landlord's Annual Reconciliation Statement for such calendar year. If any audit of Landlord's submitted reports discloses an overcharge, Landlord shall promptly pay to Tenant, within 30 days demand by Tenant, the amount of such overcharge, and if such audit discloses an overcharge of more than five percent, Landlord shall reimburse Tenant its actual costs incurred in connection with Tenant's review or audit.

8.5 Operating Expenses and other charges due from Tenant to Landlord pursuant to this Lease shall be deemed to be Additional Rent and, in the event that Base Rent shall be prorated or abated pursuant to the terms of this Lease, then such Additional Rent shall be prorated or abated to the same extent and in the same manner, unless otherwise specifically provided for in this Lease.

8.6 Notwithstanding anything to the contrary contained in this Lease, Operating Expenses shall not include the following:

(a) depreciation of the Premises and any equipment, fixtures, improvements and facilities used in connection therewith;

(b) payments of principal, interest, loan fees, penalties, attorney's fees or amortization relating to any debt Landlord may have incurred or will incur in the future relating to the ownership, operation and/or maintenance of the Premises or the Property;

(c) fees and expenses (including legal and brokerage fees, advertising, marketing and promotional costs) paid by Landlord in connection with the lease of the Premises, except as otherwise provided herein;

(d) all costs incurred by Landlord in connection with any negotiations or disputes and/or litigation with prospective tenants of the Premises;

(e) expenses or costs incurred by Landlord relating to any violation by Landlord of the terms and conditions of any Law;

(f) the cost of any capital improvement, repair or replacement which would be required to be capitalized under generally accepted accounting principles, including without limitation the cost of renting any equipment or materials, which cost would be so capitalized if the equipment or materials were purchased, not rented;

(g) the costs and expenses of any item included in Operating Expenses to the extent that Landlord is actually reimbursed for such cost by an insurance company, a condemning authority, another tenant or any other party;

(h) payments of ground rents and related sums pursuant to a ground lease in favor of a ground landlord;

(i) wages, salaries or other compensation paid to any employees above the grade of building manager;

(j) Landlord's general overhead and administrative expenses which are not chargeable to Operating Expenses of the Property or the equipment, fixtures and facilities used in connection with the Property, in accordance with generally accepted accounting principles, including salaries and expenses of Landlord's executive

officers, except that Landlord may charge a management fee in an amount not to exceed five percent (5%) of Operating Expenses;

(k) the cost of correcting latent defects in the construction of the Premises or in the Premises equipment, except that conditions (other than construction defects) resulting from ordinary wear and tear shall not be considered defects for purposes hereof;

(l) any costs representing an amount paid to an entity related to Landlord which is in excess of the commercially reasonable amount which would have been paid absent such relationship;

(m) any entertainment, dining or travel expenses of Landlord for any purpose;

(n) costs related to maintaining Landlord's existence, either as a corporation, partnership or other entity;

(o) any expenses for repairs or maintenance to the extent covered by warranties or service contracts;

(p) any type of utility service which is separately metered to or separately charged or paid by Tenant;

(q) the cost of any environmental remediation for which Landlord is responsible under Section 12;

(r) all ad valorem taxes paid or payable by Tenant (i) for personal property and (ii) on the value of the leasehold improvements in the Premises (in this connection it is agreed that Tenant shall be responsible for the payment of ad valorem taxes on Tenant's own leasehold improvements and all personal property taxes on Tenant's own personal property);

(s) all items and services for which Tenant pays third parties;

(t) the cost of any item which is an expense or cost to Landlord in connection with any work by Landlord to prepare the Premises for occupancy by Tenant including any allowances or credits granted to Tenant in lieu of a payment by Landlord;

(u) except as otherwise provided in this Lease, parking area or heating, ventilation, and air conditioning ("HVAC") replacement;

(v) the cost of repairing or restoring any portion of the Property damaged by a hazard or taken in condemnation (provided that the amount of any deductible of \$5,000 or less paid by Landlord shall be included in Operating Expenses);

(w) any costs or expenses which is expressly stated in this Lease to be at Landlord's sole cost and expense; and

(x) any item which is included in the Operating Expenses which, but for this provision, would be included twice.

9. Landlord's Work. Intentionally Omitted.

10. Tenant Improvements/Signage. Beginning on the Possession Date, Tenant may construct its tenant improvements to the Premises (the "Tenant Improvements"). Tenant shall contract for the installation of Tenant Improvements with a contractor of Tenant's choice. Landlord and Tenant shall mutually approve the plans and specifications of Tenant Improvements prior to the commencement of such work. Landlord shall not charge Tenant a fee or other charges for the supervision and/or overhead associated with the construction of the Tenant Improvements. Tenant shall not permit any mechanics' or other liens to attach to the Property, and shall deliver copies lien releases from Tenant's contractors.

Tenant shall have the right to place a generator and biomedical waste container outside of and in close proximity to the Premises. In the event the generator is located within the Premises, Tenant, at Tenant's cost and expense, shall have the right to install exhaust venting for such generator from the interior of the Premises to the outside of the Project and a transfer switch to service the generator. In addition, Tenant shall have the right to install a UPS system (including any respective structural reinforcing, if required) and, unless alternative backup power is provided by Landlord, a diesel back-up generator or power cells of sufficient size to run its operations in the Premises. Tenant shall comply with all Laws related to fuel storage and maintenance.

To the maximum extent permitted by applicable Laws, Landlord hereby waives any rights which Landlord may have, as to any of Tenant's furniture, fixtures, equipment, personal property, tenant improvements and alterations, in the nature of a landlord's lien, security interest or otherwise and further waives the right to enforce any such lien or security interest.

Tenant shall have the exclusive right to erect, affix and display such signage as Tenant may consider necessary or desirable on the exterior and interior walls, doors and windows of the Premises (including directional and designated parking signage in parking areas) and a sign on the exterior of the Premises. Tenant shall also have the exclusive right to install signage on the monument sign. All such signs shall comply with all applicable zoning and other Laws. Tenant shall obtain Landlord's prior approval for signs on the exterior of the Premises and each monument sign, which approval shall not be unreasonably withheld, conditioned or delayed, for the location and design of such signs.

11. Alterations. Tenant shall have the right to make such interior, non-structural alterations, additions and improvements to the Premises that it shall deem

desirable for the operation of its business, in value up to \$75,000.00, without Landlord's consent, provided that any such alterations, additions or improvements shall not diminish the value of the Premises nor impair the structural integrity of the Premises or the Building ("Alterations"). Such Alterations, additions or improvements shall be in conformance to applicable governmental codes. All other Alterations shall require Landlord's prior written consent, such consent not to be unreasonably withheld, conditioned or delayed. Tenant shall not allow any mechanic's or other liens to attach to the Property, and shall provide copies of lien releases from Tenant's contractors and service providers, to the extent reasonable and customary.

## 12. Environmental.

12.1 Tenant shall not cause or permit any hazardous or toxic substances, materials or waste, including, without limitation, medical waste and asbestos ("Hazardous Substances") to be used, generated, stored or disposed of in, on or under, or transported to or from, the Premises in violation of any applicable local, state, and federal laws, ordinances, statutes, rules, regulations, executive orders, judgments, decrees, case law, and/or other determinations of an arbitrator or a court or other governmental authority, in each case applicable to or binding upon such person or any of its property or to which such person or any of its property is subject ("Laws"), whether now in existence or hereafter adopted, relating to Hazardous Substances or otherwise pertaining to the environment ("Environmental Laws"). Tenant shall periodically cause to be removed from the Premises such Hazardous Substances placed thereon by Tenant or Tenant's agents, servants, employees, guests, invitees or independent contractors in accordance with good business practices, such removal to be performed by persons or entities duly qualified to handle and dispose of Hazardous Substances. Without limiting the generality of the foregoing, Landlord acknowledges that the following Hazardous Substances, among others, are required for Tenant's business operations: bleach, cidex, hibiclens, metricide, hydrogen peroxide and formaldehyde. Upon the expiration or earlier termination of this Lease, Tenant shall cause all Hazardous Substances placed on the Premises by Tenant to be removed from the Premises, at Tenant's cost and expense and disposed of in strict accordance with Environmental Laws.

12.2 Tenant shall indemnify, defend (by counsel reasonably acceptable to Landlord) and hold Landlord harmless, from and against any and all claims, liabilities, penalties, fines, judgment, forfeitures, losses, costs (including clean-up costs) or expenses (including reasonable attorney's fees, consultant's fees and expert's fees) for the death of or injury to any person or damage to any property whatsoever, arising from or caused in whole or in part, directly or indirectly, by (a) the presence after the Possession Date in, on, under or about the Premises and the Property of any Hazardous Substances caused by Tenant or its agents, servants, employees, guests, invitees or independent contractors; (b) any discharge or release by Tenant or its agents, servants, employees, guests, invitees or independent contractors after the Possession Date in or from the Premises or the Property of any Hazardous Substances;



(c) Tenant's use, storage, transportation, generation, disposal, release or discharge after the Possession Date of Hazardous Substances to, in, on, under, about or from the Premises or the Property; or (d) Tenant's failure to comply with any Environmental Law.

12.3 Landlord shall indemnify, defend (by counsel reasonably acceptable to Tenant) and hold Tenant harmless, from and against any and all claims, liabilities, penalties, fines, judgment, forfeitures, losses, costs (including clean-up costs) or expenses (including reasonable attorney's fees, consultant's fees and expert's fees) for the death of or injury to any person or damage to any property whatsoever, arising from or caused in whole or in part, directly or indirectly, by (a) the presence on or prior to the Possession Date in, on, under or about the Premises or the Property of any Hazardous Substances; (b) any discharge or release on or prior to the Possession Date in or from the Premises or Property of any noxious or Hazardous Substances; (c) the use, storage, transportation, generation, disposal, release or discharge of Hazardous Substances by Landlord or its agents, servants, employees, guests, invitees, or independent contractors to, in, on, under, about or from the Premises or the Property; or (d) Landlord's failure to comply with any Environmental Law. Landlord agrees to remediate, at Landlord's cost and expense, immediately upon receipt of notice from Tenant any condition described in (a) through (d) of the previous sentence. The indemnities set forth in this Section 12 shall survive termination or expiration of this Lease.

12.4 Landlord represents and warrants to Tenant that (a) to the best of Landlord's knowledge, there are no Hazardous Substances in, on, under or about the Premises or the Property, including without limitation asbestos or mold, and (b) Landlord has received no notice from any governmental or private entity relating to Hazardous Substances in, on, under or about the Premises or the Property.

12.5 Landlord hereby covenants and agrees that if Tenant discovers mold at the Premises, attributable to the period on or prior to the Possession Date or which has been caused by Landlord's failure to comply with any warranty, maintenance or repair obligation in the Lease, Landlord shall, upon written notice from Tenant, promptly remediate the mold. If Landlord shall not commence such remediation within five days following written notice from Tenant, and Tenant determines, in Tenant's sole discretion, that such remediation is necessary for the safety of Tenant's patients and employees, Tenant may, at its option, cause such remediation work to be performed, at Landlord's cost and expense. Upon the completion of the remediation work, Tenant shall furnish Landlord with a written statement of the cost of the remediation work, and Landlord shall reimburse Tenant for such cost of such remediation work within 30 days of Landlord's receipt of Tenant's statement. Should Landlord fail to reimburse Tenant within the 30 day period, then Tenant may, at its option, offset such amount against Base Rent and Additional Rent.

Tenant shall promptly deliver to Landlord copies of all notices made by Tenant to, or received by Tenant from, any state, county, municipal or other agency having authority

to enforce any Environmental Law ("Enforcement Agency") or from the United States Occupational Safety and Health Administration concerning environmental matters or Hazardous Substances at the Premises or the Property. Landlord shall promptly deliver to Tenant copies of all notices received by Landlord from any Enforcement Agency or from the United States Occupational Safety and Health Administration concerning environmental matters or Hazardous Substances at the Premises or the Property.

Tenant agrees at all times to properly store, handle and dispose of all medical, biological and related garbage and waste materials (collectively, "Medical Waste") generated by Tenant or otherwise used and/or located on the Premises, and to comply with all applicable rules, regulations, laws and ordinances (including without limitation applicable rules, regulations and recommendations of the American Medical Association, Washington State Department of Health, and local medical associations) relating to Medical Waste and related materials.

13. Damage to Premises by Fire or Casualty. In the event the Premises shall be damaged by fire or other casualty during the Term, whereby the same shall be rendered untenable, then:

13.1 if the damage to the Premises is so substantial that either: (a) the repair, restoration or rehabilitation of such damage cannot reasonably be expected to be substantially completed within 210 days from the date of such damage or (b) so much of the Premises is destroyed or rendered untenable by such fire or other casualty as to make use of at least 50% of the Premises impracticable, then Tenant may elect to terminate this Lease by giving written notice to Landlord within 30 days of the date of such fire or casualty; or

13.2 if (a) the damage to the Premises is so substantial that the estimated repair costs exceed \$100,000.00 and such damage has occurred within the final 180 days of the then current Term and Tenant has not exercised its next available renewal option, if any or (b) the Premises is damaged to the extent of 50% or more of the monetary value thereof and Landlord elects not to rebuild the Premises, then Landlord may elect to terminate this Lease by giving written notice to Tenant within 30 days of the date of such fire or casualty.

If not so terminated, Landlord shall proceed with all due diligence to repair, restore or rehabilitate the Premises, to substantially its former condition immediately prior to such damage or destruction, at Landlord's cost and expense. Notwithstanding the foregoing, in the event regulatory changes occurring on or after the Effective Date, applicable to sprinklers serving the Premises, require changes to the Premises in order for Tenant to continue operating its business, then Landlord shall incorporate such changes into the repair and restoration of the Premises.

If the Premises are rendered untenable by fire or other casualty, there shall be an abatement of Base Rent and Additional Rent due Landlord by Tenant for the period of time during which the Premises is untenable. If the restoration is not substantially

completed within 210 days of such damage, Tenant shall have the option to terminate this Lease by written notice to Landlord. In the event of any termination of this Lease, Base Rent and Additional Rent shall be paid only to the date of such fire or casualty.

In the event that the Premises are partially but not substantially damaged by fire or other casualty, then Landlord shall immediately proceed with all due diligence to repair and restore the Premises to substantially its former condition immediately prior to such damage, at Landlord's cost and expense (excluding restoration of any Tenant Improvements or Alterations which are the responsibility of Tenant hereunder), and Base Rent and Additional Rent shall abate in proportion to that portion of the Premises that is untenantable during the period of restoration. Notwithstanding the foregoing, in the event regulatory changes occurring on or after the Effective Date, applicable to sprinklers serving the Premises, require changes to the Premises or the Building in order for Tenant to continue operating its business, then Landlord shall incorporate such changes into the repair and restoration of the Premises.

Notwithstanding the foregoing provisions of this Section 13, in the event that insurance proceeds applicable to Alterations or tenant improvements constructed by Tenant at its expense are made available to Tenant, Tenant shall be responsible for restoring such Alterations or tenant improvements; provided, however, that Base Rent and Additional Rent abatement shall continue during such period of restoration so long as Tenant is diligently pursuing the completion of such restoration. In the event that Landlord does not restore the Premises, Tenant shall retain all insurance proceeds applicable to Alterations and tenant improvements constructed by Tenant at its expense.

In addition, and notwithstanding anything to the contrary contained in this Section 13, in the event of any damage to the Premises that is not covered, and not required to be covered, by insurance maintained by Landlord, and the cost to repair the same exceeds \$250,000.00, Landlord shall have the right to terminate this Lease upon written notice to Landlord; provided, Tenant shall have the right, by notice in writing given to Landlord within thirty days after Landlord's notice of termination, to void Landlord's election to terminate, in which event Tenant shall pay the cost of repairs to the extent of any uninsured portion.

#### **14. Eminent Domain.**

**14.1 Taking.** If by any lawful authority through condemnation or under the power of eminent domain: (a) the whole of the Premises shall be permanently taken; (b) less than the entire Premises shall be permanently taken, but the remainder of the Premises are not, in Tenant's sole judgment, fit for Tenant to carry on the normal operation of Tenant's business therein; (c) Tenant determines, in its reasonable judgment, that after such taking adequate parking space will not be available near the Premises; (d) there is any substantial impairment of ingress or egress from or to or visibility of the Premises; or (e) all or any portion of the common areas shall be taken resulting in a material interference with the operations of or access to Tenant's

business, then in any such event, Tenant may terminate this Lease by written notice, effective as of the date of such taking, and Rent and Additional Rent shall be prorated as of the date of such termination.

**14.2 Rent Adjustment.** Unless this Lease is terminated as provided in Section 14.1, commencing on the date possession is acquired by a condemning authority, Rent and Additional Rent shall be reduced by the then applicable per rentable square foot Rent and Additional Rent multiplied by the number of rentable square feet taken, and Landlord shall restore the Premises, including but not limited to the common areas and parking areas, at Landlord's cost and expense (but only to the extent that condemnation proceeds are made available to Landlord), to a complete architectural unit. During such period of restoration Rent and Additional Rent shall be abated to the extent the Premises are rendered untenable.

**14.3 Awards.** All compensation awarded or paid in any such eminent domain proceeding shall belong to and be the property of Landlord without any participation by Tenant, except that nothing contained herein shall preclude Tenant from prosecuting any claim directly against the condemning authority in such eminent domain proceeding for its relocation costs, its unamortized leasehold improvements and trade fixtures, loss of business and the like provided that any such award to Tenant shall not reduce the award otherwise payable to Landlord.

**15. Right of Entry by Landlord.** Subject to Landlord's obligations under Section 35, Landlord, or any of its agents, shall have the right to enter the Premises during all reasonable hours and upon at least 24 hours prior notice (except in cases of emergency) to perform its obligations under this Lease, examine the Premises or, in the six month period immediately preceding the Expiration Date, to exhibit the Premises to potential tenants. Landlord shall make reasonable efforts to conform any work or other services to Tenant's operational needs. Any restoration work or alteration work at the Premises which is necessitated by or results from Landlord's entry, including, without limitation, any work necessary to conceal any element whose presence is permitted hereunder, shall be performed by Landlord at its expense or, at Tenant's election, by Tenant on Landlord's behalf and at Landlord's cost and expense. Landlord shall be liable for all loss, damage or injury to persons or property and shall indemnify and hold Tenant harmless from all claims, losses, costs, expenses and liability, including reasonable attorney's fees resulting from Landlord's entry except to the extent caused by the negligent or intentional act of Tenant or its contractors, agents, employees or licensees. In the exercise of Landlord's rights pursuant to this Section, Landlord shall make all reasonable efforts to minimize interference with Tenant's operations. If Landlord's entry into the Premises interferes with the conduct by Tenant of its business to such an extent that Tenant, in the exercise of its reasonable business judgment, must close the Premises or is unable to use 75% of the Premises for three or more business days, then Rent and Additional Rent shall totally abate for each day or portion thereof that such interference continues.

Landlord acknowledges that Tenant is subject to the provisions of the Health Insurance Portability and Accountability Act of 1996 and related regulations ("HIPAA") and in order for Tenant to comply with HIPAA, Tenant must restrict access to the portions of the Premises where patient medical records are kept or stored. Landlord hereby agrees that, notwithstanding the rights granted to Landlord pursuant to this Lease including this Section 15, except when accompanied by an authorized representative of Tenant, neither Landlord nor its employees, agents, representatives or contractors shall be permitted to enter those areas of the Premises designated by Tenant as locations where patient medical records are kept and/or stored or where such entry is prohibited by applicable state or federal health care privacy Laws. Landlord further agrees to comply with the provisions of HIPAA and all applicable medical privacy Laws in connection with Landlord's entry into the Premises.

16. **Indemnity.** Tenant agrees to indemnify Landlord and save Landlord harmless from any and all liability, claims and loss for personal injury or property damage, or both, sustained or claimed to have been sustained by any person or persons, or property in, upon or about the Premises or the Property caused or brought about by the act or neglect of Tenant or its agents, servants, patients, or employees. Landlord agrees to indemnify Tenant and save Tenant harmless from any and all liability, claims and loss for personal injury or property damage, or both, sustained or claimed to have been sustained by any person or persons, or property in, upon or about the Premises or the Property caused or brought about by the act or neglect of Landlord or its agents, servants or employees. The indemnities set forth in this Section 16 shall survive termination or expiration of this Lease.

17. **Default and Remedies.**

**17.1 Defaults.** The occurrence of any one or more of the following events shall constitute a "Default" and breach of this Lease by Tenant:

**17.1.1** The failure by Tenant to make any payment required to be made by Tenant hereunder, as and when due where such failure shall continue for a period of five (5) business days after written notice of such default.

**17.1.2** The failure by Tenant to observe or perform any of the provisions of this Lease (other than the payment of money) to be observed or performed by Tenant where such failure shall continue for a period of thirty (30) days after receipt of written notice thereof from Landlord to Tenant; provided, however, that if the nature of Tenant's default is such that more than thirty (30) days are reasonably required for its cure, then Tenant shall not be deemed to be in default if Tenant commenced such cure within said thirty (30) day period and thereafter diligently prosecutes such cure to completion.

**17.1.3** (i) The filing by or against Tenant of a petition to have Tenant adjudged a bankrupt or petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant, the same is dismissed within sixty (60) days); (ii) the appointment of a trustee or receiver to take

possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within thirty (30) days; or (iii) the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where such seizure is not discharged within sixty (60) days.

**17.2 Remedies on Default.** Upon the occurrence of a Default by Tenant, Landlord, with notice to Tenant may do any one or more of the following, subject to Landlord's obligation to utilize commercially reasonable efforts to mitigate its damages:

**17.2.1 Termination of Right to Possess.** Terminate Tenant's right to possession of the Premises at any time by any lawful means, in which case this Lease shall terminate and Tenant shall immediately surrender possession of the Premises to Landlord. In such event, Landlord shall be entitled to recover from Tenant all damages incurred by Landlord by reason of Tenant's default, including (i) the worth at the time of the award of the unpaid rent and other charges which Landlord had earned at the time of the termination; (ii) the worth at the time of the award of the amount by which the unpaid Base Rent, Additional Rent and other charges which Landlord would have earned after termination until the time of the award exceeds the amount of such rental loss that Tenant proves Landlord could have reasonably avoided; (iii) the worth at the time of the award of the amount by which the unpaid Base Rent, Additional Rent and other charges which Tenant would have paid for the balance of the Term (excluding any unexercised options to extend) of this Lease after the time of award exceeds the amount of such rental loss that Tenant proves Landlord could have reasonably avoided, provided, however that such amount will not exceed two years of Base Rent and Additional Rent; and (iv) any other amount reasonably necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease, including, but not limited to, any reasonable costs or expenses Landlord incurs in maintaining or preserving the Premises after such default, the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation or alteration of the Premises only to the extent of the condition of the Premises at completion of the initial tenant improvements less ordinary wear and tear, Landlord's reasonable attorneys' fees and court costs incurred in connection therewith and any real estate commissions paid or payable. In such event, Landlord shall use reasonable efforts to mitigate its damages resulting from termination of Tenant's right to possession, in accordance with the law of the state in which the Premises is located. As used in subparts (i) and (ii) above, the "worth at the time of the award" is computed by allowing interest on unpaid amounts at the rate of eight percent (8%) per annum, or such lesser amount as may then be the maximum lawful rate ("Default Rate"). As used in subpart (iii) above, the "worth at the time of the award" is computed by discounting such amount at the discount rate of the Federal Reserve Bank situated nearest to the location of the Premises at the time of award plus 1%; and

**17.2.2 Continuation of Lease.** Maintain Tenant's right to possession, in which case this Lease shall continue in effect whether or not Tenant has abandoned the

**Premises.** Landlord shall be entitled to enforce all of Landlord's rights and remedies under this Lease, including the right to recover the Rent as it becomes due. During the period Tenant is in default, Landlord may enter the Premises and relet it, or any part of it, to third parties for Tenant's account. Tenant shall be liable to Landlord for all reasonable costs Landlord incurs in reletting the Premises, including brokers' commissions, expenses of remodeling the Premises required by the reletting, and similar costs. Reletting can be for a period shorter or longer than the remaining term of this Lease, provided, however, that Tenant is only liable and will be released under the terms of this Lease at the end of the then-current Term regardless of the length of term of the reletting. Tenant shall pay to Landlord the Rent due under this Lease on the dates the Rent is due, less the rent Landlord receives from reletting. No act by Landlord allowed by this Section 17.2.2 will terminate this Lease unless Landlord notifies Tenant in writing that Landlord elects to terminate this Lease. If Landlord elects to relet the Premises as provided in this Section 17.2.2, rent that Landlord receives from reletting will be applied to the payment of: (I) first, any indebtedness from Tenant to Landlord other than rent due from Tenant; (II) second, all costs, including costs for maintenance, incurred by Landlord in reletting; and (III) third, rent due and unpaid under the Lease. After deducting the payments referred to in this Section 17.2.2, any sum remaining from the rent Landlord receives from reletting will be held by Landlord and applied in payment of future rent, as Rent becomes due under this Lease. If, on the date Rent is due under this Lease, the rent received from the reletting is less than the Rent due on that date, Tenant will pay to Landlord, in addition to the remaining rent due, all costs, including for maintenance, Landlord incurred in reletting which remain after applying the rent received from the reletting. After Tenant's default, if Tenant obtains Landlord's prior written consent, Tenant will have the right to assign or sublet its interest in this Lease, but Tenant will not be released from liability; and/or

**17.2.3 Pursue.** Any other remedy at law or in equity now or hereafter available to Landlord under the laws or judicial decisions of the state in which the Premises is located.

### **17.3 Intentionally Deleted.**

**17.4 Miscellaneous.** If Landlord elects to terminate this Lease pursuant to Section 17.2.1 above, following the default of Tenant, Landlord may relet the Premises or any part thereof, alone or together with other premises, for such term or terms (which may be greater or less than the period which otherwise would have constituted the balance of the current Term) and on such terms and conditions (which may include concessions or free rent, alterations of the Premises and payment of brokers) as Landlord, in its reasonable discretion, may determine, and the costs thereof shall be included in the total of Landlord's Termination Damages which shall be paid by Tenant, provided that Landlord complies with all applicable state of Washington mitigation laws and otherwise complies with the terms of this Lease. Nothing contained in this Lease shall limit or prejudice the right of Landlord to prove for and obtain, in proceedings for the termination of this Lease by reason of bankruptcy or insolvency, an amount equal to

the maximum allowed by any statute or rule of law in effect at the time when, and governing the proceedings in which, the damages are to be proved, whether or not the amount be greater, equal to, or less than the amount of the loss or damages referred to above. Landlord shall use commercially reasonable efforts to relet the Premises if Landlord elects to terminate this Lease following the default of Tenant.

**17.5 Landlord Default and Tenant Remedies.** Subject to the terms and provisions below, and in addition to any other remedy expressly available to Tenant pursuant to this Lease or at law or in equity, should Landlord fail to perform any term or covenant under this Lease (each and any such failure, a "Landlord Default") and if any such Landlord Default is not cured and continues for 30 days (unless a shorter notice and cure period is expressly provided herein, in which case such shorter period shall govern) following written notice by Tenant to Landlord of such Landlord Default (unless such default is not reasonably capable of being cured within such expressed period and Landlord is diligently prosecuting such cure to completion), then Tenant shall have the option, (at Tenant's sole discretion), of (a) terminating this Lease, or (b) remedying such Landlord Default and, in connection therewith, incurring expenses for the account of Landlord, and any and all such sums expended or obligations incurred by Tenant in connection therewith shall be paid by Landlord to Tenant upon demand, together with interest at the Default Rate, and if Landlord fails to immediately reimburse and pay same to Tenant, Tenant may, in addition to any other right or remedy that Tenant may have under this Lease, deduct such amount (together with interest thereon at the maximum rate permitted by applicable Law from the date of any such expenditure by Tenant until the date of repayment thereof by Landlord to Tenant) from subsequent installments of Base Rent and Additional Rent that from time to time become due and payable by Tenant to Landlord hereunder; provided, however that such deduction shall not exceed in any month more than 50% of the Base Rent payable unless there are insufficient months remaining in the Term for Tenant to fully recoup such amounts owed and in that event Tenant may deduct the maximum amount per month to ensure full reimbursement.

**17.6 Cure by Landlord.** Landlord, at any time after Tenant commits a default and following providing the appropriate notice and opportunity to cure, may, but shall not be obligated to, cure the default at Tenant's cost and, if Landlord at any time pays any sum or does any act that requires the payment of any sum pursuant to this Section 16.6, repayment of the sum paid by Landlord shall be due immediately from Tenant together with interest at the Default Rate.

**17.7 No Waiver.** No failure by Landlord or by Tenant to insist upon the performance of any of the terms of this Lease or to exercise any right or remedy upon a breach thereof, and no acceptance by Landlord of full or partial rent from Tenant or any third party during the continuance of any such breach, shall constitute a waiver of any such breach or of any of the terms of this Lease. None of the terms of this Lease to be kept, observed or performed by Landlord or by Tenant, and no breach thereof, shall be waived, altered or modified except by a written instrument executed by Landlord and/or



by Tenant, as the case may be. No waiver of any breach shall affect or alter this Lease, but each of the terms of this Lease shall continue in full force and effect with respect to any other then existing or subsequent breach of this Lease. No waiver of any default of Tenant herein shall be implied from any omission by Landlord to take any action on account of such default, if such default persists or is repeated and no express waiver shall affect any default other than the default specified in the express waiver and that only for the time and to the extent therein stated. One or more waivers by Landlord shall not be construed as a waiver of a subsequent breach of the same covenant, term or condition.

**17.8 Tenant's Bankruptcy.** Landlord and Tenant (as either debtor or debtor-in possession) agree that if a petition ("Petition") is filed by or against Tenant under any chapter of Title 11 of the United States Code (the "Bankruptcy Code"), the following provisions shall apply, subject to and if permitted by the Bankruptcy Code:

**17.8.1** The sum of all amounts payable by Tenant to Landlord under this Lease constitutes reasonable compensation for the occupancy of the Premises by Tenant.

**17.8.2** Tenant or Trustee shall give Landlord at least thirty (30) days written notice of any abandonment of the Premises or any proceeding relating to administrative claims. If Tenant abandons without notice, Tenant or Trustee shall stipulate to entry of an order for relief from stay to permit Landlord to reenter and relet the Premises.

**17.8.3** If Tenant failed to timely and fully perform any of its obligations under this Lease before the filing of the Petition, whether or not Landlord has given Tenant written notice of that failure and whether or not any time period for cure expired before the filing of the Petition, Tenant shall be deemed to have been in default on the date the Petition was filed for all purposes under the Bankruptcy Code.

**17.8.4** For the purposes of Section 365(b)(1) of the Bankruptcy Code, prompt cure of defaults shall mean cure within 30 days after assumption.

**17.8.5** For the purposes of Section 365(b)(1) and 365(f)(2) of the Bankruptcy Code, adequate assurance of future performance of this Lease by Tenant, Trustee or any proposed assignee will require that Tenant, Trustee or the proposed assignee deposit three months of Basic Monthly Rent and Additional Rent into an escrow fund (to be held by the court or an escrow agent approved by Landlord and the court) as security for such future performance. In addition, if this Lease is to be assigned, adequate assurance of future performance by the proposed assignee shall require that: (i) the assignee have a tangible net worth not less than the net worth of Tenant as of the Commencement Date or that such assignee's performance be unconditionally guaranteed by a person or entity that has a tangible net worth not less than the net worth of Tenant as of the Commencement Date; (ii) the assignee demonstrate that it possesses a history of success in operating a business of similar

size and complexity in a similar market as Tenant's business; and (iii) assignee assume in writing all of Tenant's obligations relating to the Premises or this Lease.

**17.8.6** If Tenant or Trustee intends to assume and/or assign this Lease, Tenant or Trustee shall provide Landlord with thirty (30) days written notice of the proposed action, separate from and in addition to any notice provided to all creditors. Notice of a proposed assumption shall state the assurance of prompt cure, compensation for loss and assurance of future performance to be provided to Landlord. Notice of a proposed assignment shall state: (i) the name, address, and federal tax identification and registration numbers of the proposed assignee; (ii) all of the terms and conditions of the proposed assignment, and (iii) the assignee's proposed adequate assurance of future performance to be provided to Landlord.

**17.8.7** If Tenant is in default under this Lease when the Petition is filed, Landlord shall not be required to provide Tenant or Trustee with services or supplies under this Lease or otherwise before Tenant assumes this Lease, unless Tenant compensates Landlord for such services and supplies in advance.

If Landlord is or becomes a Referral Source (as defined in Section 33 below) and if this Lease is terminated for any reason before the first anniversary of the Commencement Date, then Landlord and Tenant shall not enter into any similar agreement with each other for the Premises before the first anniversary of the Commencement Date.

## **18. Insurance.**

**18.1 Landlord's Insurance.** During the Term, Landlord shall procure and maintain in full force and effect with respect to the Premises and the Property (a) a policy or policies of property insurance (including, to the extent required, sprinkler leakage, vandalism and malicious mischief coverage, and any other endorsements required by the holder of any fee or leasehold mortgage and earthquake, terrorism and flood insurance to the extent Landlord reasonably deems prudent and/or to the extent required by any mortgagee) for full replacement value; and (b) a policy of commercial liability insurance in a minimum amount of \$1,000,000.00 per claim and \$3,000,000.00 in the aggregate for both bodily injury and property damage insuring Landlord's activities with respect to the Premises and the Property for loss, damage or liability for personal injury or death of any person or loss or damage to property occurring in, upon or about the Premises or the Property.

**18.2 Tenant's Insurance.** Tenant shall obtain and keep in force with respect to the Premises, the Property, and Tenant's use thereof commercial general liability insurance in a minimum amount of \$1,000,000.00 per claim and \$3,000,000.00 in the aggregate for both bodily injury and property damage. In no event shall Tenant's insurance provide coverage or indemnity to Landlord for any claim, loss, suit, action or other legal proceeding in which Landlord or its agents, servants, employees, guests, invitees, or independent contractors bear responsibility. Rather, it is the intent of this Section to provide general liability coverage to Landlord when it is made a party to a

claim, loss, suit, action or other legal proceeding for which it bears no responsibility. In the event that both Landlord and Tenant bear responsibility for the claim, loss, suit, action or other legal proceeding, then each party will look to its own insurance for coverage. Tenant may carry any insurance required by this Lease under a blanket policy or under a policy containing a self-insured retention.

19. **Subrogation.** Each of the parties hereto hereby releases the other and the other's partners, agents and employees, to the extent of each party's property insurance coverage, from any and all liability for any loss or damage which may be inflicted upon the property of such party even if such loss or damage shall be brought about by the fault or negligence of the other party or its partners, agents or employees; provided, however, that this release shall be effective only with respect to loss or damage occurring during such time as the appropriate policy of insurance shall contain a clause to the effect that this release shall not affect said policy or the right of the insured to recover thereunder. If any policy does not permit such a waiver, and if the party to benefit therefrom requests that such a waiver be obtained, the other party agrees to obtain an endorsement to its insurance policies permitting such waiver of subrogation if it is commercially available and if such policies do not provide therefor. If an additional premium is charged for such waiver, the party benefiting from the waiver, if it desires to have the waiver, agrees to pay to the other the amount of such additional premium promptly upon being billed therefor.

20. **Repairs and Maintenance.**

**20.1 Landlord's Maintenance Responsibilities.**

(a) Landlord shall, at Landlord's sole cost and expense, maintain and keep in good order and repair and promptly make any necessary replacements to the following structures and systems of the Premises (including, without limitation, the Premises and the Property): concrete slab, footings, foundation, structural components (including the structural components of the roof), exterior utility lines, and exterior and interior load bearing walls. In addition, Landlord shall be solely responsible for: (i) the costs of replacing the roof during the initial Term of the Lease, and (ii) the costs of major repairs and replacement of HVAC systems serving the Premises during the first five (5) years of the Lease Term. The costs set forth in in the foregoing subsections (i) and (ii) may be considered reimbursable Operating Expenses after the initial Term and the first five years of the initial Term, respectively, subject to the limitations set forth in Section 8.6 of this Lease. Landlord shall, at its sole cost and expense, make any repairs or replacements to the parking areas and building systems which are required to be capitalized under generally accepted accounting principles (collectively "Capital Repairs"), which are not necessitated by the actions of Tenant, its employees, agents or contractors or required to be made under Section 20.2 below by Tenant.

(b) Landlord, at its cost and expense but which shall be reimbursable as Operating Expenses, subject to the limitations set forth in Section 8, shall timely maintain and keep in good order and repair and promptly make any necessary

replacements to the roof, roof membrane, roof covering (subject to subsection (a) above), parking areas, sidewalks, driveways, loading areas, exterior doors and windows, structural flooring, landscaping, retaining walls, and storm water systems on the Property. Notwithstanding the provisions of Section **Error! Reference source not found.**, if Landlord shall not commence such repairs or make necessary replacements within 15 days following written notice from Tenant that such repairs or replacements are necessary, or within five days following written notice from Tenant of roof leaks or other water damage or leaks, then Tenant may, at its option, cause such Landlord's repairs or replacements to be made and shall furnish Landlord with a statement of the cost of such repairs or replacements upon substantial completion thereof. Landlord shall reimburse Tenant for the cost of such repairs or replacements plus a service charge to cover Tenant's expenses in an amount equal to ten percent of the cost of such repairs or replacements within ten days of the date of the statement from Tenant setting forth the amount due; provided, however, should Landlord fail to reimburse Tenant within the ten day period, then Tenant may, at its option, offset such amount against subsequent Base Rent and Additional Rent due under this Lease.

**20.2 Tenant's Maintenance Responsibilities.** Subject to Sections 20.1(a) and (b) above and except for any damage caused by the acts of negligence by Landlord or its agents, servants, employees, guests, invitees or independent contractors within the Premises, Tenant shall maintain and keep in good order and repair the interior, non-structural portions of the Premises in the good condition, order and repair as they are at the commencement of the Term, excepting therefrom ordinary wear and tear arising from the use thereof and damage by fire or other casualty. Tenant shall maintain a contract for the routine and periodic maintenance and regular inspection of such HVAC systems and all other mechanical systems servicing the Premises, the replacement of filters as recommended and the performance of other recommended periodic servicing in accordance with applicable manufacturer's standards and recommendations.

21. **Brokers.** Landlord and Tenant each represent to the other that it has had no dealings with any real estate broker or agent in connection with the negotiation of this Lease, except for Cushman & Wakefield and Leibsohn & Company, representing Tenant (collectively, the "Tenant's Broker"), and CRBE, Inc., representing Landlord. Landlord shall pay Tenant's Broker a brokerage commission pursuant to a separate agreement.

22. **Emergency.** If Landlord is unable or unwilling to take action which it is obligated to take hereunder where an emergency has occurred with respect to the Premises, then Tenant may take such action as is reasonably necessary to protect the Premises and persons or property in the Premises and Landlord shall, within 15 days after written notice thereof from Tenant reimburse Tenant for its reasonable out-of-pocket expenses incurred in curing such emergency; provided, however, should Landlord fail to reimburse Tenant within the 15 day period, then Tenant may, at its option, offset such amount against Rent and Additional Rent due under this Lease.

23. Title and Parking. Landlord hereby represents to Tenant that Landlord is the owner in fee simple of the Premises, including the Property and all improvements thereon and has the right and authority to enter into this Lease. Landlord hereby represents to Tenant that no covenants, restrictions, liens or other encumbrances affecting the Property interfere with or adversely affect Tenant's Permitted Use of the Premises. Landlord further represents that Landlord and those signatories executing this Lease on behalf of Landlord have full power and authority to execute this Lease.

Landlord shall not make any material modifications to the Property or the Premises (including, without limitation, the parking areas, driveways and walks) without Tenant's prior written consent, such consent not to be unreasonably withheld, conditioned or delayed. Tenant shall be entitled to the exclusive use of the entire parking area on the Property, which consists of 119 parking stalls.

24. Compliance with Laws. Both parties shall comply with all applicable Laws throughout the Term. Landlord represents and warrants to Tenant that as of the Possession Date the Premises and the Property, including but not limited to the parking areas, are in compliance with all Laws, including, without limitation, applicable zoning Laws and with all applicable instruments affecting title to the Property. Landlord further represents that it has received no notices or communications from any public authority having jurisdiction alleging violation of any Laws relating to the Premises or the Property and has received no notices alleging violation of any title instrument. Without limiting the generality of the foregoing, Landlord represents and warrants to Tenant that, to Landlord's actual knowledge as of the Possession Date (a) the use of the Premises and the Property for purposes of operation of a medical office and/or a clinic is permitted by and will not violate private restrictions or applicable Laws, including without limitation zoning Laws, and does not constitute a "non-conforming use" thereunder, or if such use is a "non-conforming use" thereunder then such use is permitted pursuant to a conditional use permit or other variance issued by the appropriate governmental agency or authority, and (b) the Premises and the Property, including but not limited to the parking areas, comply with all applicable Laws relating to handicapped accessibility, including, without limitation, the Americans with Disabilities Act (ADA) of 1990, as amended, 42 U.S.C. §§12101 *et seq.* (1990).

If at any time or from time to time any alterations, including, without limitation, structural alterations, are required in order for the Premises or the Property to comply with any generally applicable Laws from time to time applicable to the Premises, Landlord shall immediately make such alterations at its sole cost and expense. Provided, however, if at any time or from time to time any alterations, including, without limitation, structural alterations, are required in order for the Premises to comply with any Laws specifically applicable to the Premises due to Tenant's use as a medical office or clinic and not due to any act by Landlord, Tenant shall immediately make such alterations, at its sole cost and expense.

25. Right of First Option. Intentionally Omitted.

26. Tenant to Subordinate. Tenant shall, upon request of the holder of a mortgage or deed of trust in the nature of a mortgage on the Premises ("Mortgagee") subordinate any interest which it has by virtue of this Lease, and any extensions and renewals thereof to any mortgages or deeds of trust placed upon the Premises by Landlord, if and only if such Mortgagee shall execute, deliver and record in the appropriate registry of deeds a recognition and non-disturbance agreement in form and content provided in Exhibit D. Landlord shall, at or prior to the Commencement Date, secure from Landlord's present Mortgagee a non-disturbance agreement and Landlord shall secure from any future Mortgagee or lienholder of Landlord a non-disturbance agreement in a form substantially similar to Exhibit D. If Landlord shall not obtain such non-disturbance agreement, then this Lease shall not be subordinate to any such future lien, mortgage, or refinancing.

27. Quiet Enjoyment. Tenant shall, upon payment of the Rent and Additional Rent, subject to all applicable notice and cure periods and subject to all of the terms and covenants of this Lease, on Tenant's part to be kept, observed and performed, shall quietly have and enjoy the Premises and the Property during the Term. Landlord agrees that Tenant shall have continuous, peaceful, uninterrupted and exclusive possession and quiet enjoyment of the Premises and the Property during the Term.

28. Memorandum of Lease. Landlord agrees to enter into and have recorded a recordable memorandum or notice of this Lease in the form attached as Exhibit G or in form otherwise reasonably satisfactory to Tenant upon Tenant's written request. Tenant shall be responsible for the preparation thereof, recording and the cost of recording the same. Upon Landlord's written request, Tenant shall execute and deliver to Landlord a Release of Memorandum of Lease ("Release") upon the expiration or earlier termination of this Lease. Landlord shall be responsible for the cost of recording the Release.

29. Notices. All notices, demands and requests which may be or are required to be given by either party to the other shall be in writing and shall be either (a) sent by registered or certified mail, return receipt requested, postage prepaid, (b) delivered, by hand, or (c) sent by overnight courier such as Federal Express. All notices to Landlord should be addressed to Landlord at 8129 Lake Ballinger Way, suite 104, Edmonds, WA 98026, Attn: Mack DuBose, Telephone: 425-329-0848; concurrently via email to: [mack@fwdinc.com](mailto:mack@fwdinc.com) or at such other place as Landlord may from time to time designate in written notice to Tenant. All notices to Tenant shall be addressed to Tenant c/o DaVita Inc., Attention: Real Estate Legal, 2000 16<sup>th</sup> Street, Denver, CO 80202, Telephone: (303) 876-2800, concurrently to: [relegal@davita.com](mailto:relegal@davita.com), *Subject: DMG- Edmonds, WA*, or to any such other place as Tenant may from time to time designate in written notice to Landlord. In addition, all correspondence to Tenant related to Taxes, Insurance, Rent or Additional Rent shall be sent to P.O. Box 1476, Tacoma, WA 98401-1476; Attention: Rent Department, concurrently to [RentDepartment@davita.com](mailto:RentDepartment@davita.com). All notices, demands and requests which shall be

served upon Landlord and Tenant in the manner aforesaid shall be deemed sufficiently served or given for all purposes hereunder. Notwithstanding anything contained in this Lease to the contrary, any written notice by either Landlord or Tenant to the other party may be transmitted by facsimile or electronic transmission, and that the facsimile or electronic copies of such party's signature shall have the same effect as if it were an original signature, provided that the party providing such notice obtains a confirmation page or delivery confirmation email and further provided that within three business days after the electronic transmission of any such notice, Landlord or Tenant shall execute and deliver to the other party an original copy of the notice via one of the methods provided in this Section.

30. Estoppel Certificate. Each of Landlord and Tenant agrees at any time and from time to time upon not less than 15 business days' prior written request by the other to execute, acknowledge and deliver to the other an estoppel certificate in the form attached as Exhibit E certifying that (a) this Lease is unmodified and in full force and effect (or if there have been modifications that the same is in full force and effect as modified and stating the modifications), (b) the dates to which Base Rent and other charges have been paid in advance, if any, and (c) all of the defaults of Landlord or Tenant hereunder, if any, (and if there are no defaults a statement to that effect), it being intended that any such estoppel certificate delivered pursuant to this Section 30 may be relied upon by any prospective purchaser of the Premises or any mortgagee or assignee of any mortgage upon the fee or leasehold of the Premises or by any prospective assignee of this Lease or subtenant of the whole or any portion of the Premises and/or by other party interested in the Premises or any part thereof.

31. Landlord's Sale of the Project. Upon Landlord's transfer of interest in the Property and the Premises (the "Sale"), Landlord shall be released from all liability to Tenant and Tenant's successors and assigns arising from this Lease because of any act, occurrence or omission of Landlord occurring after such Sale, and Tenant shall look solely to Landlord's successor in connection with the same; provided, however, that Landlord shall not be released from liability to Tenant and Tenant's successors and assigns from its obligations under this Lease because of any act, occurrence or omission of Landlord occurring prior to such Sale or for any offsets due Tenant under this Lease in the event the successor in interest is a mortgagee which has not assumed liability for offsets, unless such liability is expressly assumed by Landlord's successor-in-interest in the Property and Premises. Within 30 days prior to the effective date of a Sale, Landlord shall notify Tenant whether Landlord's successor-in-interest and assignee to this Lease would or would not be a Referral Source as described in Section 33 below.

32. Tenant's Satellite and Cable Rights; Roof Penetrations. Tenant shall have the right to place a satellite dish and a microwave dish on the roof and run appropriate electrical cabling from the Premises to such satellite dish and microwave dish and/or install cable service to the Premises at no additional fee. Landlord shall reasonably cooperate with Tenant's satellite or cable provider to ensure there is no

delay in acquiring such services. Landlord shall use commercially reasonable efforts to ensure that any subsequent rooftop user does not impair Tenant's data transmission and reception and shall cooperate with Tenant in eliminating any interference caused by any other party using the roof. Tenant shall also have the right to run appropriate electrical cabling from the Premises to connect its electrical generator and associated transfer switch. Tenant shall not have the right to make roof penetrations of any kind or nature or for any purpose whatsoever without the prior written consent of Landlord, which consent shall not be unreasonably withheld, provided, however that Landlord may make such approval subject to such conditions as Landlord deems reasonably appropriate to protect any roof warranty and/or the integrity of the roof. In the event Landlord shall consent to a roof penetration, (a) Tenant shall not be allowed on the roof without at least two days' prior written notice to Landlord of the date and time of such entry, (b) unless waived in writing by Landlord, Tenant shall not enter upon the roof except in the company of a representative of Landlord, (c) Tenant's entry onto the roof shall at all times comply with and not violate the terms and conditions of any warranty applicable to the roof, (d) the materials, techniques and plans and specifications relating to any permitted roof penetrations shall be subject to the prior written approval of Landlord, and (e) Tenant shall be responsible for repairing, and shall indemnify and hold Landlord harmless from and against, any and all damage to the roof and/or the Premises resulting from or in any way arising out of Tenant's entry onto the roof and/or the installation and/or existence of such roof penetrations.

33. Regulatory Compliance. Landlord represents and warrants to Tenant that Landlord is not a "referring physician" or a "referral source" as to Tenant for services paid for by Medicare or a state health care program, as the terms are defined under any federal or state health care anti-referral or anti-kickback, regulation, interpretation or opinion ("Referral Source"). Landlord covenants, during the Term, it will not knowingly (i) take any action that would cause it to become a Referral Source as to Tenant, or (ii) sell, exchange or transfer the Premises to any individual or entity who is a Referral Source as to Tenant without complying with all other provisions of this Lease.

**In the event Landlord, or Landlord's successors or assigns, become a Referral Source as described in this Section 33 above, the following portion of Section 33 shall apply but shall have no effect until such time:**

33.1 **Compliance.** Landlord and Tenant agree that it is not the purpose of this Lease to exert any influence over the reason or judgment of any party with respect to the referral of patients or other business between Landlord and Tenant, but that it is the parties' expectation that any referrals which may be made between the parties shall be and are based solely upon the medical judgment and discretion of the patient's physician. The parties further agree and acknowledge that (a) Base Rent is (i) set forth in advance; (ii) consistent with fair market value in an arms-length transaction; (iii) does not take into account the volume or value of any referrals or other business



generated between the parties; and (iv) would be reasonable even if no referrals were made between the parties, and (b) the Premises Rentable Area does not exceed the reasonable square footage needed for the legitimate business plans of Tenant.

**33.2 Representations.** Each party represents and warrants that: (i) it is not currently excluded from participation in any federal health care program, as defined under 42 U.S.C. Section 1320a-7b; (ii) it is not currently excluded, debarred, suspended, or otherwise ineligible to participate in Federal procurement and non-procurement programs; or (iii) it has not been convicted of a criminal offense that falls within the scope of 42 U.S.C. Section 1320a-7(a), but has not yet been excluded, debarred, suspended or otherwise declared ineligible (each, an "Exclusion"), and agrees to notify the other party within two (2) business days of learning of any such Exclusion or any basis therefore. In the event of learning of such Exclusion, either party shall have the right to immediately terminate this Lease without further liability. Landlord agrees that Tenant may screen Landlord against applicable Exclusive databases on an annual basis. Tenant shall have the right to terminate the Lease if a change in applicable health care laws or reimbursement systems affects the legality of the Lease. Landlord shall notify Tenant of, and cooperate with, any request from a duly authorized government representative (e.g., Secretary of HHS, Comptroller General) for access to books, documents and/or records related to the Lease, and to indemnify Tenant from any liability arising out of the party's refusal to grant such access.

**33.3 Compliance with Law.** The parties enter into this Lease with the intent of conducting their relationship in full compliance with applicable federal, state and local laws, including, without limitation, the Anti-Kickback Statute and agree and certify that neither party shall violate the Anti-Kickback Statute in performing under this Lease. Notwithstanding any unanticipated effect of any provisions of this Lease, neither party will intentionally conduct itself under the terms of this Lease in a manner that would violate any such law. Landlord agrees not to request an advisory opinion related to the legality of the Lease without the concurrence and approval of Tenant.

**34. Cooperation with Tenant's Cost Reporting Responsibilities.** Landlord's full cooperation with applicable authorities in connection with cost reporting is essential for Tenant's continued operation of its business. Therefore, Landlord agrees to provide to Tenant, within 30 days of Tenant's request, any and all information that is reasonably necessary for Tenant to fulfill its cost reporting requirements to such applicable authorities.

**35. Protected Health Information.**

**35.1** Landlord acknowledges and agrees that from time to time during the Term, Landlord and/or its employees, representatives or assigns may be exposed to, or have access to, Protected Health Information ("PHI"), as defined by HIPAA, 45 CFR Parts 160 and 164. Landlord agrees that it will not use or disclose, and Landlord shall cause its employees, or assigns not to use or disclose, PHI for any purpose unless

in accordance with the requirements of HIPAA and all other applicable medical privacy Laws.

35.2 Landlord shall preserve, and cause any of its employees, agents and representatives to preserve, any "Confidential Information" of or pertaining to Tenant and shall not, without first obtaining Tenant's prior written consent, disclose to any person or organization, or use for its own benefit, any Confidential Information of or pertaining to Tenant during and after the Term, unless such Confidential Information is required to be disclosed by a court of competent jurisdiction or by any governmental authority. As used herein, the term "Confidential Information" shall mean any business, financial, personal or technical information relating to the business or other activities of Tenant that Landlord obtains in connection with the Lease.

36. Landlord's Consent. Unless otherwise expressly stated herein, whenever Landlord's consent is required under this Lease, such consent shall not be unreasonably withheld, conditioned or delayed, and Landlord's reasonable satisfaction shall be sufficient for any matters under this Lease.

37. Surrender of Premises. At the expiration of the Term, whether by expiration of time or otherwise, Tenant shall surrender the Premises to Landlord in broom clean condition free of debris and rubbish, excepting damage caused by ordinary wear and tear, fire, acts of God, Landlord, condemnation, and/or other casualty or the elements. All Alterations which may be made by Tenant shall be the property of Tenant and Tenant shall be entitled to remove from the Premises during the Term all Tenant Improvements and any and all furniture, removable trade fixtures, equipment and personal property ("Fixtures") installed or located on or in the Premises provided that Tenant repair any and all damage caused by the removal of the foregoing. Any Tenant Improvements or Fixtures which Tenant does not elect to remove at or prior to the expiration of the Term shall be surrendered with the Premises at the termination of this Lease.

38. Holding Over. In the event Tenant remains in possession of the Premises after the expiration of the Term, or any extensions hereof without the written consent of Landlord, this Lease shall continue on a month-to-month basis, terminable by either party upon 30 days' prior written notice and Tenant shall be obligated to pay Rent at 125% the then current rate at the end of the Term (including all adjustments), with all other sums then payable hereunder prorated on a daily basis for each day that Landlord is kept out of possession of the Premises. Notwithstanding the foregoing, in the event that applicable Law, including without limitation applicable health care Law, limits the period of any such holdover, both parties shall comply with such applicable Law. Tenant shall during any such holdover period continue to pay any Additional Rent that would otherwise be payable under this Lease.

39. Binding Effect. All covenants, agreements, stipulations, provisions, conditions and obligations set forth herein shall extend to, bind and inure to the benefit of, as the case may require, the successors and assigns of Landlord and Tenant

respectively, as fully as if any such successor or assign was referenced to wherever reference to Landlord or Tenant, as the case may be, occurs in this Lease.

40. Severability. If any term, covenant or condition of this Lease or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term, covenant or condition to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby and each term, covenant or condition of this Lease shall be valid and be enforced to the fullest extent permitted by Law.

41. Applicable Law. The Laws of the State where the Premises are located shall govern the validity, performance and enforcement of this Lease, without regard to such State's conflict-of-law principles.

42. Force Majeure. Whenever a day is appointed herein on which, or a period of time is appointed within which, either party hereto is required to do or complete any act, matter or thing (excluding payments of amounts due hereunder), the time for the doing or completion thereof shall be extended by a period of time equal to the number of days on or during which such party is prevented from, or is interfered with, the doing or completion of such act, matter or thing because of strikes, lock-outs, embargoes, unavailability of labor or materials, wars, insurrections, rebellions, civil disorder, declaration of national emergencies, acts of God or other causes beyond such party's reasonable control.

43. Complete Agreement. Any stipulations, representations, promises or agreements, oral or written, made prior to or contemporaneously with this agreement shall have no legal or equitable consequences and the only agreement made and binding upon the parties with respect to the leasing of the Premises is contained herein, and it is the complete and total integration of the intent and understanding of Landlord and Tenant with respect to the leasing of the Premises. No amendment or modification of this Lease shall be valid or binding unless reduced to writing and executed by the parties hereto in the same manner as the execution of this Lease.

44. Counterparts. This Lease may be executed in any number of counterparts via facsimile or electronic transmission or otherwise, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

45. Incorporation of Exhibits. This Lease is subject to the provisions of the attached Exhibits A-H inclusive, which exhibits are hereby made a part of this Lease.

46. Costs of Enforcement. If Landlord or Tenant defaults under this Lease or there is a dispute under this Lease, then the defaulting party or the party not prevailing in such dispute shall pay, on demand, the out-of-pocket costs and expenses incurred by the other party in enforcing or establishing its rights hereunder, including, without limitation, court costs and reasonable attorneys' fees.


48. Guaranty. Simultaneously with execution of this Lease, Tenant shall cause its parent, DaVita Inc., to execute and deliver to Landlord a guaranty of this Lease, such guaranty to be in the form attached hereto as Exhibit I, which guaranty shall automatically extinguish and be of no further force or effect on expiration of the initial ten-year term of this Lease.

[Signature pages follow]

IN TESTIMONY WHEREOF, Landlord and Tenant have caused this Lease to be executed as of the dates set forth below.

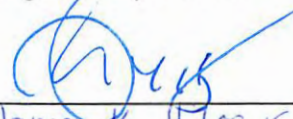
**LANDLORD:**

EDMONDS MEDICAL BUILDING  
ASSOCIATES, LLC,  
a Washington limited liability company  
By: SDDP Associates, LLC, Manager

By:   
Name: MAC K H DUBOSE  
Title: MANAGER  
Date: 9.27.2016


**TENANT:**

EVERETT MSO, INC.,  
a Washington corporation

By:   
Name: James K. Hilger  
Title: Interim CFO & CAO  
Date: 9.21.16

FOR TENANT'S INTERNAL PURPOSES  
ONLY:

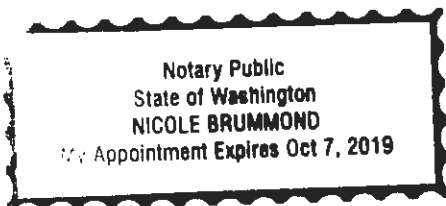
**APPROVED AS TO FORM ONLY:**

By:   
Name: Nicole Brennan  
Title: Assistant General Counsel

STATE OF Washington )  
 ) ss.  
COUNTY OF King )

On this day personally appeared before me Jamark Hilger, to me known to be the CAO of Everett MSO, Inc., the corporation that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that he/she was authorized to execute the same instrument.

GIVEN under my hand and official seal this 21 day of September, 2016.



Nicole Brummond  
Nicole Brummond

(print notary's name)

Notary Public in and for the State of Washington,  
residing at Puyallup, WA.  
My commission expires: 10.7.19.

Appointment Expires Oct 1, 2018  
MICHELLE BRUNNEN  
State of Washington  
Notary Public

STATE OF WASHINGTON )

) ss.

COUNTY OF Schmick )

On this day personally appeared before me Mack H. Luke to me known to be the Manager of **Edmonds Medical Building Associates, LLC**, the limited liability company that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said limited liability company, for the uses and purposes therein mentioned, and on oath stated that he/she was authorized to execute the same instrument.

GIVEN under my hand and official seal this 27 day of September, 2016.



Nanci Lee Busby  
(print notary's name)

Notary Public in and for the State of Washington,

residing at Edmonds.

My commission expires: 12-31-19.





**EXHIBIT A**

**LEGAL DESCRIPTION**

**New Parcel C, City of Edmonds Boundary Line Adjustment No. PLN20110037, recorded under Recording Number 201107215001, in Snohomish County, Washington.**

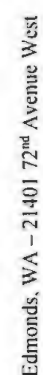
**A-1**

**Edmonds, WA – 21401 72<sup>nd</sup> Avenue West**

Edmonds, WA – 21401 72<sup>nd</sup> Avenue West

B-1

**EXHIBIT B**  
**PREMISES/BUILDING SITE PLAN**  
(attached)



**EXHIBIT C**

**FORM OF COMMENCEMENT DATE MEMORANDUM**

**COMMENCEMENT DATE MEMORANDUM**

With respect to that certain lease ("Lease") dated \_\_\_\_\_,  
between \_\_\_\_\_ ("Landlord") and \_\_\_\_\_  
("Tenant"), whereby Landlord leased to Tenant and Tenant leased from Landlord space  
located at \_\_\_\_\_ (the "Premises"). Tenant and  
Landlord hereby acknowledge as follows:

- (1) Landlord delivered possession of the Premises to Tenant on \_\_\_\_\_ (the "Possession Date").
- (2) The Term of the Lease commenced on \_\_\_\_\_ (the "Commencement Date").
- (3) The Termination Date of the Lease is \_\_\_\_\_.
- (4) It is agreed that the first Lease Year shall end on \_\_\_\_\_ and that each subsequent Lease Year shall end on \_\_\_\_\_.
- (5) Tenant shall commence payment of Base Rent and Additional Rent on \_\_\_\_\_.
- (6) The Premises contain \_\_\_\_\_ rentable square feet of space.
- (7) The last dates upon which the respective renewal options may be exercised are \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_.

All capitalized terms herein, not otherwise defined herein, shall have the meaning assigned in the Lease.

[Signature pages follow]

IN WITNESS WHEREOF, this Commencement Date Memorandum is executed the date(s) set forth below.

**LANDLORD:**

[LANDLORD ENTITY],

a \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**TENANT:**

[Everett MSO, Inc.],

a \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**FOR TENANT'S INTERNAL PURPOSES ONLY:**

**APPROVED AS TO FORM ONLY:**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT D**

**FORM OF SUBORDINATION, NON-DISTURBANCE  
AND ATTORNMENT AGREEMENT**

**[TO BE CONFORMED TO COUNTY RECORDING REQUIREMENTS]**

**SUBORDINATION, NON-DISTURBANCE  
AND ATTORNMENT AGREEMENT**

**THIS SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT** (this "Agreement") is entered into as of \_\_\_\_\_, 20\_\_\_\_ (the "Effective Date"), between \_\_\_\_\_ (the "Mortgagee"), and \_\_\_\_\_ (the "Tenant").

**WHEREAS**, by Lease dated \_\_\_\_\_, 20\_\_\_\_ (hereinafter called the "Lease"), \_\_\_\_\_ (hereinafter called "Landlord") has leased to Tenant and Tenant has rented from Landlord the approximately \_\_\_\_\_ rentable square feet of leased premises ("Tenant's Premises") located at \_\_\_\_\_ as more fully described in Exhibit A attached hereto and incorporated by reference (such real property, including all buildings, improvements, structures and fixtures located thereon, "Landlord's Premises").

**WHEREAS**, Mortgagee has made a loan to Landlord in the original principal amount of \$ \_\_\_\_\_ (the "Loan"); and

**WHEREAS**, To secure the Loan, Landlord has encumbered Landlord's Premises by entering into that certain [Mortgage and Security Agreement] dated \_\_\_\_\_, in favor of Mortgagee (as amended, increased, renewed, extended, spread, consolidated, severed, restated or otherwise changed from time to time, the "Mortgage") recorded on \_\_\_\_\_, under Clerk's File No. \_\_\_\_\_, in the Official Public Records of Real Property of the County of \_\_\_\_\_, State of \_\_\_\_\_.

**WHEREAS**, Tenant desires that Mortgagee recognize Tenant's rights under the Lease in the event of foreclosure of Mortgagee's lien, and Tenant is willing to agree to attorn to the purchaser at such foreclosure if Mortgagee will recognize Tenant's right of possession under the Lease.

**NOW, THEREFORE**, for and in consideration of their respective covenants herein made and the receipt of other good and valuable consideration, the receipt and sufficiency of which is acknowledged, the parties agree as follows:

**1. Definitions.**

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The following terms shall have the following meanings for purposes of this Agreement.

1.1 *Foreclosure Event.* A "*Foreclosure Event*" means: (a) foreclosure under the Mortgage; (b) any other exercise by Mortgagee of rights and remedies (whether under the Mortgage or under applicable Law, including bankruptcy Law) as holder of the Loan and/or the Mortgage, as a result of which Successor Landlord becomes owner of Landlord's Premises; or (c) delivery by Landlord to Mortgagee (or its designee or nominee) of a deed or other conveyance of Landlord's interest in Landlord's Premises in lieu of any of the foregoing.

1.2 *Former Landlord.* A "*Former Landlord*" means Landlord and any other party that was a landlord under the Lease at any time before the occurrence of any attornment under this Agreement.

1.3 *Offset Right.* An "*Offset Right*" means any right or alleged right of Tenant to any offset, defense (other than one arising from actual payment and performance, which payment and performance would bind a Successor Landlord pursuant to this Agreement), claim, counterclaim, reduction, deduction or abatement against Tenant's payment of Rent or performance of Tenant's other obligations under the Lease, arising (whether under the Lease or other applicable law) from Landlord's breach or default under the Lease.

1.4. *Rent.* The "*Rent*" means any fixed rent, base rent or additional rent under the Lease.

1.5 *Successor Landlord.* A "*Successor Landlord*" means any party that becomes owner of Landlord's Premises as the result of a Foreclosure Event.

1.6 *Termination Right.* A "*Termination Right*" means any right of Tenant to cancel or terminate the Lease or to claim a partial or total eviction arising (whether under the Lease or under applicable law) from Landlord's breach or default under the Lease.

2. **Subordination.**

The Lease shall be, and shall at all times remain, subject and subordinate to the lien of the Mortgage, and all advances made under the Mortgage.

3. **Non-disturbance, Recognition and Attornment.**

3.1 *No Exercise of Mortgage Remedies Against Tenant.* So long as the Lease has not been terminated on account of Tenant's default (an "Event of Default"), Mortgagee shall not name or join Tenant as a defendant in any exercise of Mortgagee's rights and remedies arising upon a default under the Mortgage unless applicable law requires Tenant to be made a party thereto as a condition to proceeding against



Landlord or prosecuting such rights and remedies. In the latter case, Mortgagee may join Tenant as a defendant in such action only for such purpose and not to terminate the Lease or otherwise adversely affect Tenant's rights under the Lease or this Agreement in such action. If Mortgagee joins Tenant in such action, Landlord, by executing the Consent hereinafter set forth, agrees to indemnify, defend and hold Tenant harmless from and against any loss, cost or expense incurred or suffered by Tenant, including without limitation, legal fees, in being a party to or arising from such action, which indemnity shall survive termination or expiration of this Agreement.

**3.2 *Non-disturbance and Attornment.*** If the Lease has not been terminated on account of an Event of Default by Tenant, then, when Successor Landlord takes title to Landlord's Premises: (a) Successor Landlord shall not terminate or disturb Tenant's possession or quiet enjoyment of Tenant's Premises under the Lease, except in accordance with the terms of the Lease and this Agreement; (b) Successor Landlord shall be bound to Tenant under all the terms and conditions of the Lease (except as provided in this Agreement); (c) Tenant shall recognize and attorn to Successor Landlord as Tenant's direct landlord under the Lease as affected by this Agreement; and (d) the Lease shall continue in full force and effect as a direct lease, in accordance with its terms (except as provided in this Agreement), between Successor Landlord and Tenant.

**3.3 *Further Documentation.*** The provisions of Section 3 shall be effective and self-operative without any need for Successor Landlord or Tenant to execute any further documents. Tenant and Successor Landlord shall, however, confirm the provisions of Section 3 in writing upon request by either of them.

**3.4 *Consent to Lease.*** Mortgagee hereby consents to the Lease and all of the terms and conditions thereof.

#### **4. *Protection of Successor Landlord.***

Notwithstanding anything to the contrary in the Lease or the Mortgage, Successor Landlord shall not be liable for or bound by any of the following matters:

**4.1 *Claims Against Former Landlord.*** Any Offset Right that Tenant may have against any Former Landlord relating to any event or occurrence before the date of attornment, including any claim for damages of any kind whatsoever as the result of any breach by Former Landlord that occurred before the date of attornment unless and to the extent that Mortgagee was furnished notice and opportunity to cure the same. (The foregoing shall not limit Tenant's right to exercise against Successor Landlord any Offset Right otherwise available to Tenant because of events occurring after the date of attornment, if any).

**4.2 *Prepayments.*** Any payment of Rent that Tenant may have made to Former Landlord more than thirty (30) days before the date such Rent was first due and

payable under the Lease with respect to any period after the date of attornment other than, and only to the extent that, the Lease expressly required such a prepayment.

**4.3 *Payment; Security Deposit.*** Any obligation: (a) to pay Tenant any sum(s) that any Former Landlord owed to Tenant or (b) with respect to any security deposited with Former Landlord, unless such security was actually delivered to Mortgagee.

**4.4 *Lease.*** Tenant hereby covenants and agrees that, so long as the Mortgage remains in force and effect:

- (a) **No Modification, Termination or Cancellation.** Tenant shall not consent to any material modification, termination or cancellation of the Lease without Mortgagee's prior written consent, which consent shall not be unreasonable withheld and shall be deemed given if Mortgagee fails to respond in writing within 15 days following receipt of written notice.
- (b) **Notice of Default.** Tenant shall notify Mortgagee in writing concurrently with any notice given to Landlord of any breach of or default by Landlord under the Lease. Tenant agrees that Mortgagee shall have the right (but not the obligation) to cure any breach or default specified in such notice within the time period set forth in the Lease for Landlord's performance.
- (c) **Assignment of Rents.** Upon receipt by Tenant of written notice from Mortgagee that Mortgagee has elected to terminate the license granted to Landlord to collect rents, as provided in the Mortgage, and directing Tenant to make payment thereof to Mortgagee, Tenant shall not be required to determine whether Landlord is in default under any obligations to Mortgagee before complying with such direction and shall not be liable to Landlord for failure to pay Landlord any sums that are paid instead to Mortgagee.

## **5. Miscellaneous.**

**5.1 *Notices.*** All notices or other communications required or permitted under this Agreement shall be in writing and given by certified mail (return receipt requested) or by nationally recognized overnight courier service that regularly maintains records of items delivered. Notices shall be effective the next business day after being sent by overnight courier service, and three (3) business days after being sent by certified mail (return receipt requested). Unless and until notice of a change of address is given under this Agreement, notices or other communications shall be given to Mortgagee and Tenant, respectively, at the following address:

Mortgagee:

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 Attn: \_\_\_\_\_

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Landlord: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attn: \_\_\_\_\_

Tenant: \_\_\_\_\_  
c/o DaVita Inc.  
Attention: Real Estate Legal  
2000 16<sup>th</sup> Street  
Denver, CO 80202

With a copy to: relegal@davita.com  
Subject: HCP [City, State]

**5.2 *Successors and Assigns.*** This Agreement shall bind and benefit the parties their successors and assigns, any Successor Landlord, and its successors and assigns.

**5.3 *Entire Agreement.*** This Agreement constitutes the entire agreement between Mortgagee and Tenant regarding the subordination of the Lease to the Mortgage and the rights and obligations of Tenant and Mortgagee as to the subject matter of this Agreement.

**5.4 *Interaction with Lease and with Mortgage.*** If this Agreement conflicts with the Lease, then this Agreement shall govern as between the parties to this Agreement and any Successor Landlord, including upon any attornment pursuant to this Agreement. This Agreement supersedes, and constitutes full compliance with, any provisions in the Lease that provide for subordination of the Lease to, or for delivery of non-disturbance agreements by the holder of the Mortgage. Mortgagee confirms that Mortgagee has consented to Landlord's entering into the Lease.

**5.5 *Interpretation; Governing Law.*** The interpretation, validity and enforcement of this Agreement shall be governed by and construed under the internal laws of the State where the Premises is located, including its principles of conflict of laws.

**5.6 *Amendments.*** This Agreement may be amended, discharged or terminated, or any of its provisions waived, only by a written instrument executed by all parties to this Agreement.

**5.7 *Execution.*** This Agreement may be executed electronically and in any number of counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

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**5.8 Representations.** Each party represents that it has full authority to enter into this Agreement and that those signatories executing this Agreement on its behalf have full power and authority to executed this Agreement. Mortgagee agrees to keep a copy of this Agreement in its permanent mortgage records with respect to the Loan. This Agreement shall be null and void unless Tenant receives a fully executed original counterpart hereof on or before the sixtieth (60<sup>th</sup>) day following the date of Tenant's execution.

**5.9 Recordation.** Upon full execution, this Agreement may be recorded in the real property records of the county in which the Premises is located by either party hereto, provided that the recording party delivers to the other party a copy of the recorded document. The recording party shall be responsible for the costs of recording this Agreement.

[Signature page follows.]

**IN WITNESS WHEREOF**, this Agreement has been duly executed by Mortgagee and Tenant as of the date(s) set forth below.

**MORTGAGEE:**

a \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: Evolution

Date: \_\_\_\_\_

STATE OF )  
 ) SS  
COUNTY OF )

I, \_\_\_\_\_, a Notary Public in and for the County and State  
aforesaid, do hereby certify that \_\_\_\_\_ the  
\_\_\_\_\_ of \_\_\_\_\_,  
who is personally known to me to be the same person whose name is subscribed to the  
foregoing instrument, appeared before me in person and acknowledged that he/she  
signed, sealed and delivered the said instrument as his/her own free and voluntary act  
and as the free and voluntary act of said \_\_\_\_\_, for the uses and  
purposes therein set forth.

Given under my hand and notarial seal this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

Notary Public

**My Commission Expires:** \_\_\_\_\_

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**TENANT:**

**Everett MSO, Inc.,  
a California limited liability company**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**Exhibit**

STATE OF \_\_\_\_\_ )  
 ) SS  
COUNTY OF \_\_\_\_\_ )

I, \_\_\_\_\_, a Notary Public in and for the County and State  
aforesaid, do hereby certify that \_\_\_\_\_ the  
\_\_\_\_\_ of \_\_\_\_\_,  
who is personally known to me to be the same person whose name is subscribed to the  
foregoing instrument, appeared before me in person and acknowledged that he/she  
signed, sealed and delivered the said instrument as his/her own free and voluntary act  
and as the free and voluntary act of said \_\_\_\_\_, for the uses and  
purposes therein set forth.

Given under my hand and notarial seal this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**Notary Public**

My Commission Expires: \_\_\_\_\_

**LANDLORD'S CONSENT**

Landlord consents and agrees to the foregoing Agreement (including without limitation, the provisions of Section 3.1 & 4.4), which was entered into at Landlord's request. The foregoing Agreement shall not alter, waive or diminish any of Landlord's obligations under the Mortgage or the Lease. The above Agreement discharges any obligations of Mortgagee under the Mortgage and related loan documents to enter into a non-disturbance agreement with Tenant and the obligations of Tenant to enter into a subordination agreement with Mortgagee.

**LANDLORD:**

[LANDLORD ENTITY],

a \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**ACKNOWLEDGMENT**

STATE OF \_\_\_\_\_ )

COUNTY OF \_\_\_\_\_ )

On \_\_\_\_\_, 20\_\_ before me, \_\_\_\_\_ personally appeared \_\_\_\_\_ (insert name and title of officer) who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

\_\_\_\_\_  
Notary Public

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**LANDLORD:**

[LANDLORD ENTITY],

a \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

My Commission expires: \_\_\_\_\_

**Exhibit**

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**EXHIBIT A TO**  
**SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT**

**Landlord's Premises**

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Edmonds, WA – 21401 72<sup>nd</sup> Avenue West

**EXHIBIT E****FORM OF ESTOPPEL CERTIFICATE****ESTOPPEL CERTIFICATE**

THIS ESTOPPEL CERTIFICATE is made as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_ by \_\_\_\_\_ in connection with that certain Lease Agreement dated \_\_\_\_\_ by and between \_\_\_\_\_, as Tenant and \_\_\_\_\_, as Landlord (the "Lease") for the premises located at \_\_\_\_\_ (the "Premises").

**Tenant** hereby certifies to the best of Tenant's knowledge to (Landlord or Lender or Both) as follows:

1. The Lease is now in full force and effect and has not been amended, modified, or assigned except by the \_\_\_\_\_ dated \_\_\_\_\_. There are no other oral or written agreements or understandings between Landlord and Tenant relating to the Premises. As of the date hereof, the Lease is in full force and effect.

2. To Tenant's knowledge and belief, the information set forth below is true and correct as of the date hereof:

(a) Approximate square footage of the Premises: \_\_\_\_\_ rentable square feet

(b) Monthly installment of Rent as of the date hereof: \$ \_\_\_\_\_

(c) Commencement Date: \_\_\_\_\_

(d) Termination date: \_\_\_\_\_

(e) Security deposit: \_\_\_\_\_

(f) Prepaid rent in the amount of: \_\_\_\_\_

(g) Renewal Options: \_\_\_\_\_

3. To the best of Tenant's actual knowledge and belief, without inquiry or investigation, there exists no default, or breach on the part of either Tenant or Landlord under the Lease. (except \_\_\_\_\_)

4. There are no credits, defenses, or offsets to the enforcement of the Lease, except, \_\_\_\_\_, as set forth in the Lease.

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5. No rent has been or will be paid more than 30 days in advance.
6. All legal notices to Tenant shall be sent to:

Tenant: \_\_\_\_\_  
c/o DaVita Inc.  
Attention: Real Estate Legal  
2000 16<sup>th</sup> Street  
Denver, CO 80202

With a copy to: relegal@davita.com  
Subject: [Clinic #, City, State]

IN WITNESS WHEREOF, \_\_\_\_\_ has executed  
this Estoppel Certificate as of the date first above written.

**TENANT:**

\_\_\_\_\_,  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**Exhibit**

Edmonds, WA – 21401 72<sup>nd</sup> Avenue West

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INTENTIONALLY OMITTED

WORK LETTER

EXHIBIT F

**EXHIBIT G**

# FORM OF MEMORANDUM OF LEASE

[TO BE CONFORMED TO COUNTY RECORDING REQUIREMENTS]

Prepared by and Return to:

---

---

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---

Parcel ID: \_\_\_\_\_

# MEMORANDUM OF LEASE

This Memorandum of Lease (this "Memorandum") is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, by and between \_\_\_\_\_, a \_\_\_\_\_ ("Landlord") and \_\_\_\_\_, a \_\_\_\_\_ ("Tenant"). Tenant and Landlord agree to and acknowledge the following matters:

1. Landlord and Tenant entered into that certain \_\_\_\_\_ Lease Agreement dated as of \_\_\_\_\_, 20\_\_\_\_ (the "Lease"), wherein Landlord has leased to Tenant, and Tenant has leased from Landlord, subject to the terms, covenants and conditions contained therein, space consisting of approximately \_\_\_\_\_ rentable square feet (the "Premises"), located at \_\_\_\_\_ in \_\_\_\_\_, \_\_\_\_\_, as legally described on Exhibit A, attached and incorporated herein by reference (the "Property").

2. The term of the Lease is for an initial period of \_\_\_\_\_ [weeks/months/years] commencing upon the earlier of the Possession Date or the Commencement Date, as defined in the Lease, (the "Lease Term"), subject to a right to extend and renew the Lease for \_\_\_\_\_ successive additional periods of \_\_\_\_\_ [weeks/months/years] each.

3. Pursuant to the Lease, subject to any rights of the occupant of the Existing Building in effect as of the Effective Date of the Lease, and so long as Tenant is then leasing the majority of the Premises, Tenant shall have the right of first option (as set forth more fully in the Lease) to lease space in the Existing Building should rentable space becomes from time to time during the Term available during the Term.

4. The Lease contains certain restrictions on Landlord's ability to sell, rent or permit any property owned, leased or controlled by Landlord or any affiliate of Landlord to a business that operates a medical office or clinic with ten (10) or more physicians or that directly competes in any way with Tenant's existing lines of business. Landlord

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shall not display or permit to be displayed in the Project any advertisement for any such business, other than Tenant's advertisement(s) for Tenant's business(es). For purposes of this paragraph only, the term "Tenant" includes any person, corporation, partnership or other entity which controls, is controlled by or is under common control with Tenant.

5. The address of Landlord is \_\_\_\_\_.

6. The address of Tenant is \_\_\_\_\_.

7. The purpose of this Memorandum is to give record notice to all persons that Tenant has a leasehold interest in the Premises with related use exclusivity rights, [and right of first refusal/options rights] pursuant to the Lease, in addition to other rights and obligations created therein, all of which are confirmed.

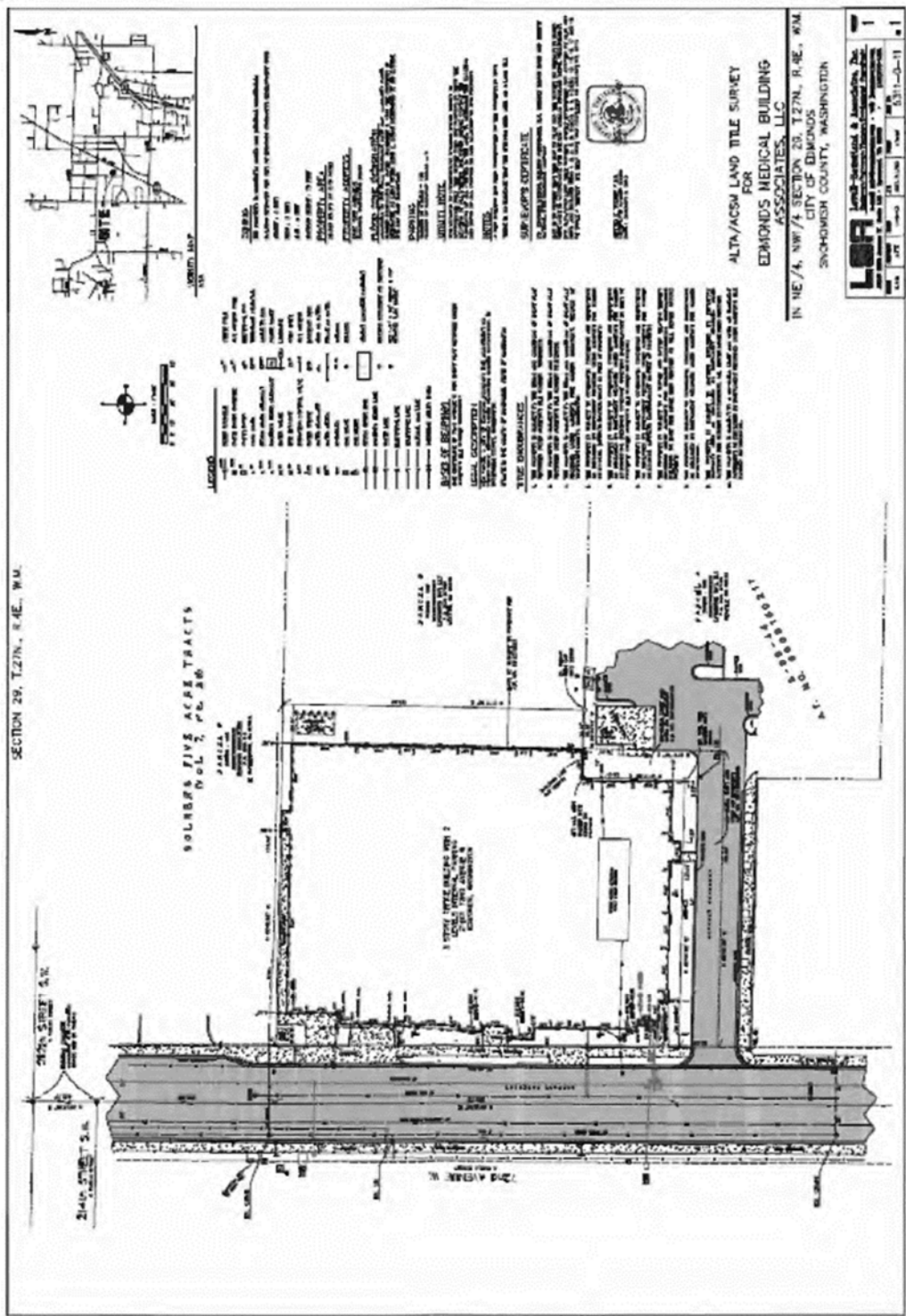
8. Any capitalized terms utilized herein that are not otherwise defined shall be deemed to have the same meaning as set forth in the Lease.

9. In the event of a conflict between the terms of the Lease and the terms of this Memorandum, the terms of the Lease shall control.

10. This Memorandum may be executed in any number of counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

[Signature pages follow]

Exhibit B  
Premises Floor Plan



Subleased Premises: 31,507 SF

## Certificate Of Completion

Envelope Id: AFFD48E0E4B149DE980676C57A9603C1	Status: Completed
Subject: Please DocuSign: Edmonds, WA (21401 72nd Ave.) - Sublease Agreement - Execution Copy.PDF	
Source Envelope:	
Document Pages: 87	Signatures: 1
Certificate Pages: 1	Initials: 0
AutoNav: Enabled	Envelope Originator:
Envelopeld Stamping: Enabled	Joni Smith
Time Zone: (UTC-05:00) Eastern Time (US & Canada)	495 N Keller Rd Ste 300
	Maitland, FL 32751-8656
	joni.smith@akerman.com
	IP Address: 104.129.200.81

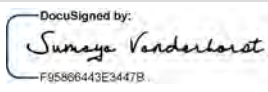
## Record Tracking

Status: Original	Holder: Joni Smith	Location: DocuSign
2/6/2018 5:59:22 PM	joni.smith@akerman.com	

## Signer Events

Sumaya Vanderhorst  
sumaya.vanderhorst@davita.com  
Assistant General Counsel  
Security Level: Email, Account Authentication (None)

## Signature

DocuSigned by:  
  
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Using IP Address: 73.203.108.199

## Timestamp

Sent: 2/6/2018 6:01:04 PM  
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Not Offered via DocuSign

## In Person Signer Events

## Signature

## Timestamp

## Editor Delivery Events

## Status

## Timestamp

## Agent Delivery Events

## Status

## Timestamp

## Intermediary Delivery Events

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## Carbon Copy Events

## Status

## Timestamp

## Notary Events

## Signature

## Timestamp

## Envelope Summary Events

## Status

## Timestamps

Envelope Sent	Hashed/Encrypted	2/6/2018 6:01:04 PM
Certified Delivered	Security Checked	2/6/2018 6:01:27 PM
Signing Complete	Security Checked	2/6/2018 6:01:34 PM
Completed	Security Checked	2/6/2018 6:01:34 PM

## Payment Events

## Status

## Timestamps



# EXHIBIT 8

## NEED METHODOLOGY EVALUATION

Need Calculation

Row	Facility	CN Exempt Facility	Special Procedure Rooms	Dedicated Inpatient ORs	Dedicated Outpatient ORs	Mixed Use ORs	Mixed Use min/case	Inpatient Cases in Mixed Use ORs	Inpatient Mins. in Mixed Use ORs	Outpatient Min/Case	Outpatient Cases	Outpatient Mins.	Data Source
1	Swedish Medical Center - Edmonds	No	4	-	-	8	108.55	4,221	458,176	N/A	-	-	CY2015 Data
2	Baxter Plastic Surgery	Yes	-	-	2	-	N/A	-	-	120.00	230	27,600	CY2016 Data
3	Edmonds Center of Outpatient Surgery	Yes	-	-	4	-	N/A	-	-	72.79	2,965	215,809	CY2016 Data
4	Puget Sound Surgical Clinic PS d/b/a EVIVA	Yes	1	-	1	-	N/A	-	-	95.61	612	58,514	CY2016 Data
5	Virginia Mason Lynnwood Ambulatory Surgical Center	Yes	2	-	-	-	N/A	-	-	N/A	-	-	CY2016 Data
6	Alderwood Surgery Center	Yes	-	-	2	-	N/A	-	-	50.00	2,754	137,700	ASF Detailed Information (Cases/Minutes per Statutory Assumption)
7	Cosmetic Surgical Arts Center	Yes	-	-	1	-	N/A	-	-	50.00	1,377	68,850	ASF Detailed Information (Cases/Minutes per Statutory Assumption)
8	Edmonds Endoscopy Center	Yes	-	-	-	-	N/A	-	-	-	-	-	Endoscopy Centers are Excluded
9	Proliance Center for Outpatient Spine and Joint Replacement Surgery	Yes	-	-	4	-	N/A	-	-	50.00	5,508	275,400	ASF Detailed Information (Cases/Minutes per Statutory Assumption)
10	Puget Sound												
10	Sound Urological Associates	Yes	-	-	1	-	N/A	-	-	10.30	890	9,167	CY2015 Data
11	Urology Northwest Surgery Center	Yes	-	-	2	-	N/A	-	-	45.00	198	8,910	CY2015 Data
12	Washington Spine Diagnostics and Treatment Center	Yes	-	-	2	-	N/A	-	-	50.00	2,754	137,700	ASF Detailed Information (Cases/Minutes per Statutory Assumption)
13	Total		7	-	19	8	108.55	4,221	458,176	54.35	17,288	939,650	

ORs counted in numeric methodology

Survey Data Year (1st Year)	2015	
Survey Data Year (2nd Year)	2016	
Year 1 of Operation	2018	
Year 3 of Operation	2020	
Total Surgeries	21,509	
Area Population 2015 Estimated	269,639	Claritas data and annual estimates using Claritas growth rates
Area Population 2016 Estimated	274,140	Claritas data and annual estimates using Claritas growth rates
Use Rate	78.5	
Planning Area Projected Population Year: 2020	290,922	Claritas data and annual estimates using Claritas growth rates
% Outpatient of Total Surgeries	80.38%	
% Inpatient of Total Surgeries	19.62%	

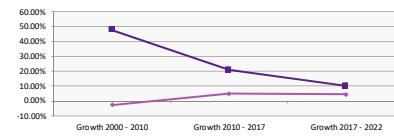
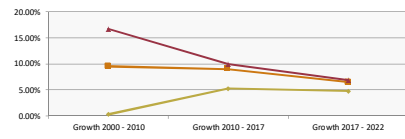
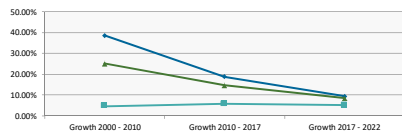


EXHIBIT 9  
SOUTHWEST SNOHOMISH COUNTY  
SECONDARY HEALTH SERVICES  
PLANNING AREA POPULATION DATA

## Demographics Trend

Population Summary

Population by:	98012 Bothell, WA		98020 Edmonds, WA		98021 Bothell, WA		98026 Edmonds, WA		98036 Lynnwood, WA		98037 Lynnwood, WA		98043 Mountlake Terrace, WA		98087 Lynnwood, WA		Total for Planning Area	
	Total Population	Population Growth	Total Population	Population Growth	Total Population	Population Growth	Total Population	Population Growth	Total Population	Population Growth	Total Population	Population Growth	Total Population	Population Growth	Total Population	Population Growth	Total Population	Population Growth
2022 Projection	71,915		20,632		33,300		39,714		41,721		30,459		21,971		39,652		299,364	
2017 Estimate	65,750		19,633		30,678		37,925		39,185		28,506		21,015		36,040		278,732	
2010 Census	55,348		18,567		26,747		36,043		35,947		25,934		20,038		29,811		248,435	
2000 Census	39,948		17,754		21,379		35,943		32,828		22,224		20,576		20,190		210,842	



Growth 2000 - 2010																		
Growth 2010 - 2017																		
Growth 2017 - 2022																		

Census Data	2010	55,348	18,567	26,747	36,043	35,947	25,934	20,038	29,811	248,435
Estimated Population	2015	62,593	19,322	29,499	37,377	38,231	27,746	20,731	34,138	269,639
	2016	64,152	19,477	30,083	37,650	38,705	28,124	20,873	35,076	274,140
	2017	65,750	19,633	30,678	37,925	39,185	28,506	21,015	36,040	278,732
	2018	66,939	19,829	31,185	38,276	39,680	28,886	21,203	36,735	282,733
	2019	68,150	20,027	31,701	38,631	40,180	29,272	21,392	37,444	286,796
	2020	69,383	20,226	32,225	38,988	40,687	29,662	21,583	38,166	290,922
	2021	70,637	20,428	32,758	39,350	41,201	30,058	21,776	38,902	295,111
	2022	71,915	20,632	33,300	39,714	41,721	30,459	21,971	39,652	299,364
2010-2017 Growth Rate		2.5%	0.8%	2.0%	0.7%	1.2%	1.4%	0.7%	2.7%	1.7%
2017-2022 Growth Rate		1.8%	1.0%	1.7%	0.9%	1.3%	1.3%	0.9%	1.9%	1.4%



Pop-Facts Demographics Trend  
 Claritas Pop-Facts Premier 2017  
 Report Generated: March 8, 2018 5:10:44 PM EST  
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EXHIBIT 10  
PROPOSED ASC'S PROPOSED CHARITY  
CARE POLICY AND ADMISSION POLICY

**Charity Care for the Edmonds Ambulatory  
Surgical Center (ASC)**  
BO-239



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**Date Effective:** 03/06/2018

**Date Revised:**

**Date Reviewed:**

(no changes made)

**Approved by:** Andrea Rodewald, Chief Financial Officer

---

**POLICY:**

The Everett Clinic is pleased to provide a charity care program to serve the needs of our community. As part of this program, patients who reside in The Everett Clinic (TEC) Edmonds ASC service area and who meet eligibility requirements may receive a partial or full adjustment on medical service charges related to facility fees. TEC will use reasonable efforts to provide charity care in an amount comparable to the average amount of charity care provided by local hospitals. Charity Care qualification criteria will be reviewed annually.

Patients may be referred to this program by provider or employee recommendation, patient/family initiation, or individual request. TEC does not discriminate based on sex, race, age, disability, color, creed, national origin or religion, or any other grounds unrelated to an individual's need for service.

**PURPOSE:**

*Charity Care:* Health care services rendered at TEC Edmonds ASC to persons whose family income is at or below 200 percent of the federal poverty level. Charity care is considered secondary to all other financial resources available to the patient including: medical plans, workers' compensation, Medicare, Medicaid, federal and military programs, third party liability situations and any other situation in which a person or entity may have a legal responsibility to pay for the cost of medical services.

**PROCEDURE:**

*Eligibility Determinations:*

All patient accounts that are preparing to receive services at TEC Edmonds ASC are eligible for charity care consideration. Patient eligibility will be identified prior to eligible provided services. Patient eligibility approval will be for a one-time adjustment of facility fees at TEC Edmonds ASC. Services eligible for charity care are defined as facility fees related to appropriate ASC-based medical services.

A Department of Social and Health Services (DSHS) coverage determination is required to be considered for this program. A [confidential financial statement application](#) will be completed by the patient including all the following:

- Most current year income tax return or SSI award letter
- Most recent pay stub
- Information (and proof) of all other income
- Determination notice from the Department of Social and Health Services (Medicaid)

The application (and attachments) must be returned to TEC's Business Services department for review.

To be considered for the program, a patient's household income cannot exceed 200% of the federal poverty level income guidelines. A patient's household income and corresponding sliding discount schedule are shown on the next page. Please note, the discount percentage applies to the patient responsibility portion of the facility fees.

*Ineligible services:*

Medical service charges related to provider professional fees at TEC Edmonds ASC.

*Review Process:*

Applications and other information obtained by the Business Services department will be reviewed as they are received. The Business Services department will notify the applicant of the decision in writing, within thirty (30) business days after the complete application has been received.

2018 Federal Poverty Level (FPL) Guideline Table						
	100% FPL	135% FPL	150% FPL	175% FPL	200% FPL	>200% FPL
	100% Discount	75% Discount	75% Discount	50% Discount	25% Discount	0% Discount
Family Size	Monthly Income Limit					
1	\$1,012	\$1,366	\$1,518	\$1,770	\$2,023	
2	\$1,372	\$1,852	\$2,058	\$2,400	\$2,743	
3	\$1,732	\$2,338	\$2,598	\$3,030	\$3,463	
4	\$2,092	\$2,824	\$3,138	\$3,660	\$4,183	
5	\$2,452	\$3,310	\$3,678	\$4,290	\$4,903	
6	\$2,812	\$3,796	\$4,218	\$4,920	\$5,623	
7	\$3,172	\$4,282	\$4,758	\$5,550	\$6,343	
8	\$3,532	\$4,768	\$5,298	\$6,180	\$7,063	
9	\$3,892	\$5,254	\$5,838	\$6,810	\$7,783	
10	\$4,252	\$5,740	\$6,378	\$7,440	\$8,503	

Paper Copies of this document may not be current and should not be relied on for official purposes. The current version is in the [Guidelines/Policies](#) page on the TEC intranet.

**Intranet Issues:**

- **Author/Department:** Eric Svoboda, Revenue Cycle Business Development Director
- **Contact:** Business Services
- **Reviewed by:** Janneen Lambert, Andrea Rodewald, Aaron DeBoer, Erin Schietinger, Michael Millie, MD, Yuliana Flores-Montes
- **Key Words:** discount, charity, charity care
- **Distributed to:** Clinicwide policy to TEC Managers, Supervisors & Leads & contact person



**Admission and Pre-Procedural Risk Assessment**  
Ambulatory Surgery Center #1223  
*Combined from #1223 and #1200*

**The Everett Clinic**  
For the whole you.

**Date Effective:** 7/16/13, 11/23/15,  
**Date Revised:** 4/15/2016, 2/1/18  
**Date Reviewed:** 6/17/13, 11/23/15, 7/6/16, 2/1/18  
(no changes made)  
**Approved by:** Lynette Wacholz, ASC Director  
Dr. Ethan Rosenberg, ASC Facility Medical Director

---

**PURPOSE:**

To describe appropriate preoperative selection of patients and outline the admission process for patients undergoing procedures at The Everett Clinic's (TEC) Ambulatory Surgery Center (ASC).

To meet requirements of Code of Federal Regulations (C.F.R.) Title 42 Part 416.42 (a) (1): Anesthetic Risk and Evaluation, CFR 416.52 (2): Patient Admission, Assessment and Discharge, as well as WAC Chapter 246-330-205: Patient Care Services.

**POLICY:**

The procedure below will outline the basis of criteria used to accept or exclude patients for procedures at TEC's Ambulatory Surgery Center and describe the admission process.

**PROCEDURE:**

All patients selected for care at the ASC will have equipment and medications appropriate to their condition and planned procedure and will be provided appropriate pre-op instructions including dietary restrictions and bathing instructions/supplies to reduce the risk of infection.

All procedures will be limited to those planned to not exceed twenty-three (23) hours and fifty-nine (59) minutes combined pre-operative, operative, and recovery time.

All procedures will be undertaken with the plan to discharge the patient home and not to transfer to a hospital. Patients may return to other low acuity settings such as assisted living, nursing facilities, and convalescent setting with appropriate surgical after care in place.

All patients will have an identification band placed upon admission to the ASC and surgical site will be marked by both patient and surgeon to prevent wrong site surgery.

All patients undergoing procedures at TEC's ASC will receive a pre-procedure evaluation by a physician under which they are being directly cared for.

The pre-procedure review will include the following:

- Review of allergies and other adverse reactions to drugs and biologicals

- An exam to determine if the patient's condition has significantly changed since the comprehensive H&P done within 30 days of surgery date
- A note documenting changes or no changes in the patient's condition since the comprehensive H&P (i.e. "interval note")
- Assessment and documentation of the patient's American Society of Anesthesiologists' (ASA) Physical Status Classification Score (See Form [160-114](#)) and other relevant criteria as an evaluation of anesthetic risk
- Assessment on day of surgery by qualified anesthesia provider with note documenting anesthesia assessment including relevant history, allergies, and physical findings.

An Anesthesia Chart Review may be requested prior to the day of surgery to evaluate for appropriateness of patient's selection in the ASA Class III and IV patient (See Form [160-076](#)). ASA Class V and VI patients are not acceptable at TEC Surgery Center. Anesthesia Chart Reviews will be conducted by physician anesthesiologists and a note documenting this review will be entered into the medical record.

Patients will be selected for procedures at the ASC according to the Patient Selection Criteria Form (see form [160-115](#)). For a complete list of conditions requiring an Anesthesia Consult for surgical patients, see Anesthesia Questionnaire (see form [160-088](#)), Anesthesia Consult Cataract (see form [160-094](#)) or Anesthesia Requirements for KSC GI (see form [160-129](#))

**REFERENCES:** Form 160-114, Form 160-076, Form 160-088, Form 160-094, Form 160-115, Form 160-129

**Paper copies of this document may not be current and should not be relied on for official purposes. The current version is in the Guidelines/Policies page on TEC intranet.**

- **Author:** Dr. Ethan Rosenberg
- **Contact:** Dr. Ethan Rosenberg, Lynette Wacholz, Linda Miller
- **Reviewed by:** Dr. Ethan Rosenberg, Lynette Wacholz, Linda Miller, Carrie Barradale
- **Key Words for Intranet Search Engine:** 1014.013, 1017.030, selection, patient, risk, assessment, pre-procedural, pre-procedure, ASA, classification, Anesthesia, CFR 416.42, CFR 416.52, WAC 246-330-205
- **Relevant Departments:** Surgery Departments
- **Approved by Group :** ASC Operations Committee
- **Distributed by department manager to:** OR personnel, POH/PACU personnel, GI Lab personnel

EXHIBIT 11  
PROPOSED ASC'S PRO FORMA INCOME  
STATEMENT

**The Everett Clinic**  
Edmonds ASC  
Financial Projections - 5 Year Business Plan

Edmonds Ambulatory Surgery Center - Calendar Year										
\$ in thousands	Projections		Projections		Projections		Projections		Projections	
	2018	% of Rev	2019	% of Rev	2020	% of Rev	2021	% of Rev	2022	% of Rev
Gross Charges	\$5,402		\$23,479		\$27,339		\$30,016		\$31,253	
Contractual Adjustments	-\$2,706		-\$11,780		-\$13,716		-\$15,060		-\$15,680	
Incremental Charity Care	-\$57		-\$230		-\$267		-\$293		-\$306	
Bad Debt Expenses	-\$52		-\$208		-\$243		-\$266		-\$277	
Prompt Pay Expenses	-\$1		-\$3		-\$3		-\$4		-\$4	
Total Deductions	-\$2,819		-\$12,234		-\$14,245		-\$15,640		-\$16,284	
Total Net Revenue	\$2,583	100.0%	\$11,245	100.0%	\$13,094	100.0%	\$14,376	100.0%	\$14,969	100.0%
Direct Operating Expenses										
Supplies & Goods Sold	-\$758	29.4%	-\$3,206	28.5%	-\$3,534	27.0%	-\$3,747	26.1%	-\$3,859	25.8%
Staff Salaries & Benefits	-\$658	25.5%	-\$2,800	24.9%	-\$3,750	28.6%	-\$4,369	30.4%	-\$4,500	30.1%
Provider Salaries & Benefits	-\$226	8.7%	-\$903	8.0%	-\$973	7.4%	-\$1,015	7.1%	-\$1,046	7.0%
Space Costs	-\$221	8.5%	-\$883	7.9%	-\$909	6.9%	-\$937	6.5%	-\$965	6.4%
Excise Taxes	-\$47	1.8%	-\$204	1.8%	-\$237	1.8%	-\$261	1.8%	-\$271	1.8%
Outside Services	-\$40	1.6%	-\$179	1.6%	-\$208	1.6%	-\$229	1.6%	-\$244	1.6%
Equipment Costs	-\$4	0.2%	-\$16	0.1%	-\$32	0.2%	-\$33	0.2%	-\$34	0.2%
All Other Expenses	-\$3	0.1%	-\$14	0.1%	-\$16	0.1%	-\$18	0.1%	-\$19	0.1%
Total Direct Expenses	-\$1,957	75.8%	-\$8,205	73.0%	-\$9,660	73.8%	-\$10,608	73.8%	-\$10,932	73.0%
Operating Income (Loss)	\$626	24.2%	\$3,040	27.0%	\$3,434	26.2%	\$3,768	26.2%	\$4,037	27.0%
Other Expenses										
General Administration Expenses	-\$489	18.9%	-\$1,957	17.4%	-\$2,278	17.4%	-\$2,502	17.4%	-\$2,605	17.4%
Physician Leadership	-\$9	0.4%	-\$38	0.3%	-\$39	0.3%	-\$40	0.3%	-\$41	0.3%
Total Other Expenses	-\$499	19.3%	-\$1,995	17.7%	-\$2,317	17.7%	-\$2,542	17.7%	-\$2,646	17.7%
EBITDA	\$128	4.9%	\$1,045	9.3%	\$1,117	8.5%	\$1,227	8.5%	\$1,391	9.3%
Depreciation	-\$37	1.4%	-\$148	5.7%	-\$148	1.1%	-\$148	1.0%	-\$148	1.0%
Interest Expense	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Net Income/(Loss)	\$91	3.5%	\$898	8.0%	\$969	7.4%	\$1,079	7.5%	\$1,243	8.3%
Surgical Cases	1,219		5,993		7,421		8,309		8,309	
Avg Staff FTE	6.89		28.50		37.10		42.00		42.00	
Surgical Cases to Staff FTE	177		210		200		198		198	
Revenue Per Case	\$2,119		\$1,877		\$1,765		\$1,730		\$1,802	
Direct Costs Per Case	\$1,605		\$1,369		\$1,302		\$1,277		\$1,316	

Calendar Year Variable Assumptions	
Revenue Inflation	2%
Cost Inflation	3%
Salary & Benefits Inflation Rate	3%
CY Start Date	Oct-18
Incremental Charity Care Adjustments as % of Net Revenue	2%
Square Footage Increase	0
Remodel Expenses	\$0
Physician Benefits as a % of Salary Expenses	18%
Staff Benefits as a % of Salary Expenses	25%
General Administration / Indirect / Overhead Expenses as a % of Net Revenue	17%
Anesthesiologist /CRNA FTE Mix	50%
Future Capital Expenditures for GI Equipment	\$150,000
Depreciation Schedule in Years for Medical Equipment	5
Depreciation Schedule in Years for Construction	15
Sales Tax - Edmonds, WA	10.3%
Physician Leadership FTE	0.1
Discount Rate	7%
Corporate Tax Rate	21%

Calendar Year Staff FTE					
Description	2018	2019	2020	2021	2022
ASC Director	0.25	0.25	0.25	0.25	0.25
ASC OR Supervisor					
ASC Scheduler Application Spec					
ASC Surgery Scheduler					
Central Sterilization Technician	1.50	1.50	2.00	2.00	2.00
Central Sterilization Technician II					
Certified Pharmacy Tech II					
Clinical Coordinator II	1.75	1.75	2.00	2.00	2.00
Clinical Supervisor III	0.50	0.50	0.75	0.75	0.75
Clinical Trainer II	0.40	0.40	0.50	0.50	0.50
CSSPD Manager					
Data Specialist I	0.10	0.10	0.25	0.25	0.25
Endoscopy Technician	0.10	0.50	1.60	2.50	2.50
Lead RN ASC					
Medical Assistant I	2.00	2.00	2.00	2.00	2.00
Medical Assistant II	2.25	2.25	3.25	4.25	4.25
POH PACU OR Assistant					
Radiology Technologist II	0.25	0.25	0.25	0.25	0.25
RN					
RN ASC Infection Prevention NE					
RN II ASC	14.95	15.50	20.25	23.25	23.25
RN Infection Preventionist					
RNFA					
Surgical Technician I	3.50	3.50	4.00	4.00	4.00
<b>Total</b>	<b>27.55</b>	<b>28.50</b>	<b>37.10</b>	<b>42.00</b>	<b>42.00</b>

	2018	2019	2020	2021	2022
Anesthesia Provider FTE	2.45	2.45	2.58	2.62	2.62

Calendar Year Surgical Case Counts					
Department	2018	2019	2020	2021	2022
Bariatric Surgery	35	138	138	138	138
ENT	81	324	371	383	383
General Surgery	107	427	466	476	476
GI	39	1,281	2,484	3,312	3,312
GYN	69	276	276	276	276
Hand Center	83	331	356	362	362
Ophthalmology	414	1,656	1,656	1,656	1,656
Ortho	162	647	694	707	707
Pain Management	35	138	138	138	138
Physiatry	100	401	459	475	475
Podiatry	15	60	69	72	72
Spine Surgery	27	107	107	107	107
Total Joint Replacement	29	115	115	115	115
Urology	23	92	92	92	92
<b>Total</b>	<b>1,217</b>	<b>5,993</b>	<b>7,421</b>	<b>8,309</b>	<b>8,309</b>

EXHIBIT 12  
THE EVERETT CLINIC, PLLC'S EXPENSE  
AND REVENUE STATEMENTS

The Everett Clinic PSO Co. 001 Unaudited Income Statement	YTD February 2018 Actual	YTD December 2017 Actual	YTD Mar - Dec 2016 Actual
<b>Revenue</b>			
Patient Revenue	121,580,154	705,595,451	530,812,360
Contractual Allowance	(47,292,127)	(268,625,930)	(200,017,962)
<b>Net Patient Revenue</b>	<b>74,288,027</b>	<b>436,969,521</b>	<b>330,794,398</b>
<b>Total Revenue</b>	<b>74,288,027</b>	<b>436,969,521</b>	<b>330,794,398</b>
<b>Expenses</b>			
Non-Physician Salary & Wages	16,346,783	1,573,983	1,502,007
Employee Benefits	3,296,049	340,797	10,345
Professional & Purchased Services	18,706,496	204,873,444	156,449,538
Supplies and Medicines	10,805,510	61,269,156	46,272,291
Occupancy & Use	549,684	3,247,130	2,726,724
Depreciation	7,500	33,750	-
General and Administrative	462,645	2,768,636	2,782,308
Business Taxes	1,094,843	6,530,042	4,930,995
Professional Liability	563,846	3,820,718	2,974,415
<b>Total Operating Expenses</b>	<b>51,833,357</b>	<b>284,457,655</b>	<b>217,648,623</b>
<b>Income from Oper. before Provider Salaries &amp; Benefits</b>	<b>22,454,670</b>	<b>152,511,866</b>	<b>113,145,775</b>
Advanced Care Provider Salaries	3,279,828	18,862,447	14,743,615
Advanced Care Provider Benefits	683,882	3,328,049	2,171,520
Physician Salaries	18,983,650	118,576,791	92,921,222
Physician Benefits	3,162,116	11,637,325	7,844,394
<b>Total Provider Salaries &amp; Benefits</b>	<b>26,109,476</b>	<b>152,404,613</b>	<b>117,680,751</b>
<b>Income from Operations</b>	<b>(3,654,806)</b>	<b>107,253</b>	<b>(4,534,977)</b>
401K Match	764,715	3,137,959	2,085,468
Interest Expense	401,528	2,484,028	2,082,500
Interest (Income)	-	14,602	(51,258)
(Gain) Loss on Sale of Capital Assets	-	1,862	-
Miscellaneous (Income)	34,096	(344,687)	(315,447)
Other Miscellaneous (Income)	(36,867)	63,726	(26,433)
<b>Total Other (Income)/Expense</b>	<b>1,163,472</b>	<b>5,357,489</b>	<b>3,774,830</b>
<b>Income (Loss) Before Profit Sharing</b>	<b>(4,818,278)</b>	<b>(5,250,236)</b>	<b>(8,309,807)</b>
Profit Sharing Contributions	-	-	-
<b>Income (Loss) Before Provision for Fed Income Tax</b>	<b>(4,818,278)</b>	<b>(5,250,236)</b>	<b>(8,309,807)</b>
Federal Income Tax	(62,017)	(1,612,811)	(2,949,202)
<b>Net Income (Loss)</b>	<b>\$ (4,756,261)</b>	<b>\$ (3,637,425)</b>	<b>\$ (5,360,605)</b>

EXHIBIT 13  
THE EVERETT CLINIC, PLLC'S CASH FLOW  
STATEMENTS



The Everett Clinic PSO	YTD February	YTD December	YTD Mar - Dec
Co. 001	2018	2017	2016
Unaudited Statement of Cash Flows	Actual	Actual	Actual

#### CASH FLOWS FROM OPERATING ACTIVITIES

Net income (loss): \$ (4,756,261) \$ (3,637,425) \$ (5,360,605)  
Adjustments to reconcile net Income to net cash from Operating activities

Depreciation'  
Amortizations of other assets  
Gain on sale of assets  
Gain on investment of affiliates  
Deferred income taxes - 1,189,252 (464,618)

#### Change in operating assets and liabilities

Patient accounts receivable (net) (5,844,226) (4,838,901) 4,261,373  
Other receivable (828,108) (2,912,679) 6,574,713  
Inventory 955,944 (1,149,735) (796,039)  
Prepaid expenses 270,759 (13,346) (257,413)  
Accounts payable (208,163) 2,179,408 (514,934)  
Related party accounts payable 6,788,246 (321,410) (28,204,039)  
Deferred compensation (334,511) 172,249 -  
Retirement plan contribution payable - - (1,149,436)  
Accrued payroll and related taxes 4,407,280 (4,934,226) (65,393,917)  
Other current liabilities (458,461) 503,583 (3,877,422)  
Other long term assets 7,500 (582,247) -

Net Cash from Operating Activities 0 \$ (14,345,477) \$ (95,182,337)

#### CASH FLOWS FROM INVESTING ACTIVITIES

Net sales /proceeds from investments 3,991,006

NET CASH FLOWS FROM INVESTING ACTIVITIES \$ 3,991,006

#### Cash Flows FROM FINANCING ACTIVITIES

Repayment Of long term debt (21,828,310)  
Stock redemption (2,249,125)  
Equity changes from DaVita purchase 67,574,880

Net Cash Flows FROM FINANCING ACTIVITIES - - \$ 43,497,445

Net Change in Cash and Cash Equivalents' \$ - \$ (14,345,477) \$ (47,693,886)

CASH AND Cash Equivalents, beginning of year \$ 27,590 \$ 14,373,067 \$ 62,066,953

CASH AND Cash Equivalents, end of year \$ 27,590 \$ 27,590 \$ 14,373,067

EXHIBIT 14  
THE EVERETT CLINIC, PLLC'S BALANCE  
SHEETS

The Everett Clinic PSO Co. 001 Unaudited Comparative Balance Sheets	Feb 2018	Dec 2017	Dec 2016
<b>Current Assets</b>			
Cash & Cash Equivalents	27,590	27,590	14,373,067
ST Investments	0	0	0
Accounts Receivable, net	51,000,570	45,156,344	40,317,443
Related Party Receivable	(19,833,223)	(13,044,976)	(13,366,386)
Other Receivables	8,125,399	7,297,291	4,384,612
Federal Income Tax Receivable	0	0	0
Inventory	2,949,308	3,905,252	2,755,517
Prepaid Expenses	0	270,759	257,413
<b>Total Current Assets</b>	<b>42,269,643</b>	<b>43,612,260</b>	<b>48,721,665</b>
Land, Buildings & Equipment	0	0	0
Accumulated Depreciation	0	0	0
<b>Land, Buildings and Equipment, net</b>	<b>0</b>	<b>0</b>	<b>0</b>
Investment in Affiliates	112,081	112,081	112,081
Long Term Investments, net of current portion	0	0	0
Other Assets	574,747	582,247	(0)
<b>Total Assets</b>	<b>\$ 42,956,471</b>	<b>\$ 44,306,588</b>	<b>\$ 48,833,746</b>
<b>Current Liabilities</b>			
Accounts Payable	8,487,014	8,695,177	6,515,770
Profit Sharing	0	334,511	162,262
Accrued Payroll	8,473,569	4,066,288	9,000,514
Other Current Liabilities	1,899,545	2,358,006	1,854,424
Deferred Federal Income Tax	0	0	0
Current Portion Long Term Debt	0	0	1
Federal Income Tax Payable	0	0	0
<b>Total Current Liabilities</b>	<b>18,860,128</b>	<b>15,453,983</b>	<b>17,532,970</b>
Deferred Federal Income Tax	724,634	724,634	(464,619)
Long Term Debt, net of current portion	35,000,000	35,000,000	35,000,000
Other Long Term Liabilities	0	0	0
<b>Total Liabilities</b>	<b>54,584,761</b>	<b>51,178,617</b>	<b>52,068,351</b>
<b>Stockholder's Equity</b>			
Common Stock	2,126,000	2,126,000	2,126,000
Common Stock Subscribed	0	0	0
Additional Paid in Capital	0	0	0
Retained Earnings (excluding Net Income)	(8,998,029)	(5,360,604)	46,927,333
Net Income	(4,756,261)	(3,637,425)	(52,287,938)
<b>Total Retained Earnings</b>	<b>(13,754,290)</b>	<b>(8,998,029)</b>	<b>(5,360,605)</b>
Unrealized Gain (Loss) on Investments	0	0	0
<b>Total Stockholder's Equity</b>	<b>(11,628,290)</b>	<b>(6,872,029)</b>	<b>(3,234,605)</b>
<b>Total Liabilities and Stockholder's Equity</b>	<b>\$ 42,956,471</b>	<b>\$ 44,306,588</b>	<b>\$ 48,833,746</b>

# EXHIBIT 15

## PROPOSED ASC TRANSFER AGREEMENTS

## PATIENT TRANSFER AGREEMENT

This Patient Transfer Agreement ("**Agreement**") is between King County Public Hospital District No. 2 d/b/a EvergreenHealth, a Washington municipal corporation, ("**EvergreenHealth**") and The Everett Clinic, a Washington professional limited liability company ("**Transfer Facility**") and is effective as of the date of the last signature below ("**Effective Date**").

### Recitals

A. EvergreenHealth is a public hospital district that provides healthcare services to residents of the district and others through a network of healthcare facilities that includes general acute care hospitals, emergency rooms, ambulatory facilities, and primary, urgent and specialty care clinics.

B. Transfer Facility operates one or more healthcare facilities in EvergreenHealth's service areas and, from time to time, may need to provide for the transfer of patients requiring emergency services.

C. EvergreenHealth agrees to receive patients transferred by Transfer Facility ("**Patients**") and to provide emergency services and continuity of care for such Patients, as provided herein.

### Agreement

NOW THEREFORE, the parties agree as follows:

#### 1. Patient Transfers.

1.1. General. Only patients that are medically stable will be transferred under the terms and conditions of this Agreement. If, in the judgment of a patient's attending physician ("**Transferring Physician**"), the patient is not medically stable, the patient should always be transferred to the closest available hospital. For purposes of this Agreement the term "**medically stable**" means that, in the judgment of the Transferring Physician, the patient is: (a) hemodynamically stable and (b) not in any known life threatening condition. If a Transferring Physician determines a patient requires transfer to EvergreenHealth, EvergreenHealth agrees to accept the patient as promptly as possible, so long as it has the available space, qualified personnel and appropriate services for treatment of the patient ("**Patient**").

#### 1.2. Standard Procedures for Transfers: In the case of a transfer:

1.2.1. Transfer Facility shall notify the EvergreenHealth Admissions Department and, if appropriate, the EvergreenHealth Emergency Department in advance of an intended transfer.

1.2.2. To the extent practicable, Patients shall be fully informed of and consent to the transfer. Transfer Facility is responsible for obtaining any necessary consents from Patients or their authorized representatives.

1.2.3. Transfer Facility shall be responsible for transferring the Patient to EvergreenHealth, using qualified personnel and all necessary equipment, including medically appropriate life support measures, during the transfer. EvergreenHealth shall not be not responsible for transport fees for any Patient transferred under this Agreement.

1.2.4. Transfer Facility agrees to provide EvergreenHealth with appropriate documentation as necessary to ensure continuity of patient care, which shall include at a

minimum, the Patient's medical record (including a summary of physician findings, nursing notes, flow sheets, lab and radiology finding, films or underlying studies, copies of EKG, any relevant transfer forms, signed consent for transfer, etc.). The documentation will be sent at the time of the transfer or as promptly thereafter as reasonably possible.

1.2.5. The Transferring Physician may elect to be the patient's attending physician at EvergreenHealth if the Transferring Physician is credentialed with the EvergreenHealth Medical Center Medical Staff; otherwise, the Transferring Physician will be responsible to arrange for a credentialed physician to serve as the patient's attending physician at EvergreenHealth.

2. No Payment. There will be no payment between the parties for services provided under this Agreement. Each party is responsible for billing services they provide to the Patient and neither party will be responsible for any services rendered to a Patient by the other party.

3. Term and Termination. This Agreement shall commence upon the Effective Date and shall continue for successive one-year terms, unless and until terminated as provided herein. Either party may terminate this Agreement without cause or penalty by providing written notice to the other party.

4. Amendments to Comply with Law. If for any reason the performance of this Agreement should become a risk to either party's licensure, the participation of either party in, or payment or reimbursement from Medicare, Medicaid, or other government reimbursement or payment programs, either party's full accreditation by any state or nationally recognized accrediting organization, the tax exempt status of EvergreenHealth, compliance with limitations applicable to tax exempt bond financing, or constitute a violation of any statute, ordinance, or regulation, then notwithstanding anything herein to the contrary, the parties shall immediately initiate negotiations to resolve the matter through amendments to this Agreement. If the parties are unable to resolve the matter within thirty (30) days thereafter, either party may, at its option, terminate this Agreement immediately by providing written notice thereof to the other party.

5. Independent Contractors. The relationship created by this Agreement is one of independent contractors. Nothing in this Agreement shall be construed to create an employer/employee relationship, a joint venture, a partnership, or any relationship other than independent contractor, and neither Party will be responsible for the debts or obligations of the other. By virtue of this Agreement, neither party nor its personnel will have any claims against the other party for vacation pay, sick leave, retirement benefits, Social Security benefits, worker's compensation, disability benefits, unemployment insurance benefits, or employee benefits of any kind

6. Governing Law/Venue. This Agreement shall be interpreted, construed and enforced pursuant to the laws of the State of Washington, without regard to principles of conflicts of law. Exclusive venue for all actions arising from or relating to this Agreement will be the state and federal courts in and for King County, Washington; the parties consent to the personal jurisdiction of such courts for such purposes.

7. Notices. Any notice required or permitted by this Agreement shall be in writing; shall be delivered by (i) personal delivery, (ii) certified mail return receipt requested, (iii) facsimile transmission with a confirming copy sent first class mail, or (iv) a nationally recognized overnight night courier service; and shall be addressed as follows:

If to the EvergreenHealth:  
EvergreenHealth  
Attn: District General Counsel  
12040 NE 128th Street, MS #115  
Kirkland, WA 98034  
Facsimile: (425) 899-2588

If to Transfer Facility:  
The Everett Clinic  
Attn: Albert W. Fisk, MD, CMO  
3901 Hoyt Avenue  
Everett, WA 98201  
Facsimile: (425) 339-5405

Notices are effective upon delivery during the recipient's normal business hours (otherwise on the next business day). A party may change their address by notice in any reasonable manner that is actually received by the other party, including in any amendment to this Agreement.

8. Assignment. This Agreement may not be assigned or the duties hereunder transferred without the prior written approval of the non-transferring party. This Agreement shall bind and inure to the benefit of the parties, their successors and permitted assigns.

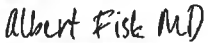
9. Entire Agreement/Waiver/Amendment. This Agreement contains the entire understanding of the Parties with respect to the subject matter hereof, and supersedes all prior agreements and understandings, express or implied, written or oral. Any failure to enforce a provision of this Agreement shall not constitute a waiver thereof or of any other provision. This Agreement may not be amended, nor any obligation waived, except by a writing signed by both parties. If any provision of the Agreement or its application to any person or circumstance is held unenforceable, the remainder of the Agreement, or the application of the provision to other persons or circumstances, will not be affected.

10. Survival. Termination of this Agreement does not affect rights and obligations that accrued prior to the termination. Provisions that by their nature or by their terms contemplate continuing rights or obligations will survive expiration or earlier termination of this Agreement for any reason.

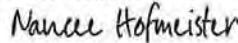
11. Counterparts. This Agreement may be signed in counterparts and with facsimile, email or electronic signatures and each is an original and all of them are one agreement; provided that all terms and conditions, including any "click-throughs," necessary for one party to access the other party's electronic signing solution are hereby rejected and shall not be binding on the party even if accepted.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives

**THE EVERETT CLINIC**

DocuSigned by:  
  
3876DA9943504A9...  
Albert W. Fisk, MD  
Chief Medical Officer  
Date: 2/27/2017

**EVERGREENHEALTH**

DocuSigned by:  
  
8C98806A376C4F5...  
Nancee Hofmeister  
Vice President and CNO  
Date: 2/17/2017

## PATIENT TRANSFER AGREEMENT

This Patient Transfer Agreement ("Agreement") is entered into this 2nd day of December, 2013 (the "Effective Date"), between Providence Health & Services – Washington d/b/a Providence Regional Medical Center ("Hospital"), and The Everett Clinic ("Transferring Facility").

To facilitate continuity of patient care and the timely transfer of patients and records from Transferring Facility to Hospital, the parties agree as follows:

1. If a determination is made by the attending physician that a patient requires transfer from the Transferring Facility to the Hospital, Hospital agrees to admit the patient as promptly as possible, as long as it has the available space, qualified personnel and appropriate services for the treatment of the patient, and the requirements of (i) Hospital's applicable policies/protocols, and (ii) applicable federal and state laws and regulation are met.
2. Transferring Facility has the responsibility for transferring the patient to the Hospital and agrees to use qualified personnel and necessary equipment, including medically appropriate life support measures, during the transfer.
3. Transferring Facility agrees to provide the Hospital with appropriate documentation as necessary to ensure continuity of patient care. This information should include, as a minimum, the patient's medical record (i.e., summary of physician findings, nursing notes, flow sheets, lab and radiological findings, including films or underlying studies, copy of EKG, relevant transfer forms, signed consent for transfer, etc.). This documentation will be sent to the Hospital at the time of transfer unless doing so would jeopardize the patient; in which case, the documentation will be sent as promptly as possible after the transfer.
4. To the extent possible, patients will be stabilized prior to transfer to ensure the transfer will not, within reasonable medical probability, result in harm to the patient or jeopardize their survival.
5. All transfers will be done in accordance with (i) Hospital's applicable policies/protocols, (ii) applicable federal and state laws and regulations and (iii) in accordance with the standards of The Joint Commission.
6. Transferring Facility will be responsible for the transfer or other appropriate disposition of the patient's personal effects, particularly money and valuables.
7. Charges for services performed by either party shall be collected by the party rendering the service from the patient, third party payor, or other sources normally billed by the



party. Neither party shall have any liability to the other for such charges, except to the extent such liability would exist separate from this Agreement. The parties shall cooperate with each other in exchanging information about financial responsibility for services rendered by them to patients transferred to the Hospital.

8. Transferring Facility shall indemnify, hold harmless and defend the Hospital, its agents and employees from and against any claim, loss damage, cost, expense or liability, including reasonable attorney's fees, arising out of or related to the performance or nonperformance by the Transferring Facility, its agents and employees of any duty or obligation of the Transferring Facility under this Agreement.

9. Hospital shall indemnify, hold harmless and defend the Transferring Facility, its agents and employees from and against any claim, loss damage, cost, expense or liability, including reasonable attorney's fees, arising out of or related to the performance or nonperformance by the Hospital, its agents and employees of any duty or obligation of the Hospital under this Agreement.

10. The parties shall maintain at their own expense comprehensive general and professional liability insurance and property damage insurance adequate to insure them against risks arising out of this Agreement, with limits no less than those customarily carried by similar facilities. Upon request, each party shall furnish the other party with evidence of such insurance. During the term of this Agreement, each party shall immediately notify the other of any material change in such insurance.

11. Nothing in this Agreement shall be construed as limiting the rights of either party to contract with any other facility or entity on a limited or general basis.

12. Transferring Facility represents and warrants that neither Transferring Facility nor Transferring Facility's shareholders, owners, principals, partners or members (if applicable) are presently debarred, suspended, proposed for debarment, declared ineligible, or excluded from participation in any federally funded health care program, including Medicare and Medicaid. Transferring Facility agrees to immediately notify Hospital of any threatened, proposed, or actual debarment, suspension, or exclusion from any federally funded health care program, including Medicare and Medicaid.

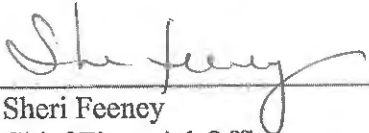
13. This Agreement shall be in effect on the date it is signed by both parties and shall continue until terminated as follows: (i) either party may terminate this Agreement immediately upon a breach of its terms by the other party, or (ii) either party may terminate this Agreement without cause by giving the other party not less than ninety (90) days written notice.

14. This Agreement may be signed in counterparts each of which will be considered an original.

15. This Agreement shall be interpreted and construed in accordance with laws of the state in which Hospital is located. Venue for any action to enforce its terms shall be in the county in which Hospital is located. This Agreement embodies the entire agreement of the parties relating to transfer of patients from Transferring Facility to Hospital, and supercedes all prior agreements, representations and understandings of the parties. This Agreement may only be modified or amended in writing. Amendments and modifications must be signed by both parties to be effective.

**SIGNATURES APPEAR ON NEXT PAGE.**

HOSPITAL:  
PROVIDENCE HEALTH & SERVICES -  
WASHINGTON D/B/A PROVIDENCE  
REGIONAL MEDICAL CENTER  
EVERETT

By:   
Name: Sheri Feeney  
Title: Chief Financial Officer

TRANSFERRING FACILITY:  
THE EVERETT CLINIC

By:   
Name: Mark Mantei  
Title: Chief Operating Officer

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PATIENT TRANSFER AGREEMENT  
BETWEEN

AND  
SEATTLE CHILDREN'S HOSPITAL

This Patient Transfer Agreement is made and executed this 30<sup>th</sup> day of January 2017 by and between The Everett Clinic and Seattle Children's Hospital, 4800 Sand Point Way N.E., Seattle, Washington (Children's).

To facilitate continuity of care and the timely transfer of patients and records from The Everett Clinic to Children's, the parties hereby agree to the following:

1. Patient Transfer. When the transferring physician determines that a patient should be transferred to Children's, and the patient has been accepted by the receiving physician at Children's, Children's agrees to admit the patient as promptly as circumstances permit, provided admission requirements are met in accordance with federal and state laws and regulations.
2. Patient Medical Records. The Everett Clinic will send with each patient at the time of transfer, or in the case of an emergency, as promptly as possible, the complete transfer and referral forms mutually agreed upon to provide the medical and administrative information necessary to determine the appropriateness of the placement and to enable continuing care to the patient. The transfer and referral forms will include such information as current medical findings, diagnosis, and a brief summary of the course of medical treatment already administered.
3. Transfer of Patient Personal Effects. The Everett Clinic will be responsible for the transfer or other appropriate disposition of the patient's personal effects, including without limitation, money and valuables, and information related to these items.
4. Transportation of Patient. The Everett Clinic, in consultation with the referring physician, shall select the means to physically relocate the patient to Children's through Children's transport team or by other means of transportation. If The Everett Clinic elects to use the Children's transport team, then Children's will be responsible to provide appropriate and safe transportation in accordance with Children's transport protocols. If The Everett Clinic elects to use other means of transportation, then The Everett Clinic will be responsible for appropriate and safe transportation, including the use of necessary and medically appropriate life support measures during the transfer, and for instructing transport personnel appropriately.
5. Patient Consent. The Everett Clinic shall have the responsibility for obtaining the patient's consent for the transfer to Children's prior to the transfer, if the patient is competent. If the patient is not competent, The Everett Clinic shall obtain

appropriate surrogate consent. If such consent is not possible, the transferring physician shall notify the receiving physician of the circumstances, review the clinical necessity for transfer, and obtain agreement to receive the patient without a signed transfer consent. Written documentation concerning the transfer shall be provided by both the transferring and receiving physicians and shall be maintained by Children's.

6. Financial Arrangements. Charges for services performed by either party shall be collected by the institution rendering such services directly from the patient, third party payor, or other sources normally billed by the institution. Neither party shall have any liability to the other for such charges. The parties shall cooperate with each other in the exchange of information about financial responsibility for services rendered by them to patients who are transferred.

7. Confidentiality. Each party agrees to hold all individually identifiable patient health information ("Protected Health Information") that may be shared, transferred, transmitted, or otherwise obtained pursuant to this Agreement strictly confidential, and provide all reasonable protections to prevent the unauthorized disclosure of such information, including, without limitation, the protection afforded by applicable federal, state and local laws and/or regulations regarding the security and the confidentiality of patient health care information including, without limitation, any regulations, standards, or rules promulgated pursuant to the authority of the Health Insurance Portability and Accountability Act of 1996 (HIPAA). Specifically, each party agrees as follows: (1) to maintain safeguards as necessary to ensure that the Protected Health Information is not used or disclosed except as provided herein; (2) to ensure that any subcontractors or agents to whom it provides Protected Health Information received from the other party will agree to the same restrictions and conditions that apply with respect to such information; (3) to make available respective internal practices, books and records relating to the use and disclosure of Protected Health Information received from the other to the Department of Health and Human Services or its agents; (4) to incorporate any amendments or corrections to Protected Health Information when notified by the other that the information is inaccurate or incomplete; (5) to return or destroy all Protected Health Information received from the other that it still maintains in any form and not to retain any such Protected Health Information in any form upon termination of the Agreement; (6) to ensure applicable policies are in place for providing access to Protected Health Information to the subject of that information; and (7) to report to the other any use or disclosure of Protected Health Information that is not provided for in this Agreement. If at any time after the effective date of this Agreement it is determined that a party is in breach of this Section, the other, in its sole discretion, may immediately terminate this Agreement.

8. Independent Contractors. Each party is an independent contractor with respect to the other party, and neither is authorized or permitted to act or to claim to act as an agent or employee of the other. Nothing in this Agreement shall be construed as limiting the rights of either party to contract with any other facility on a limited or general basis.

9. Liability. Each party shall be responsible for its own acts and omissions and shall not be responsible for the acts and omissions of the other party.

10. Indemnification. Each party agrees to indemnify, defend, and hold the other harmless from any and all claims or losses, arising out of or in any way related to the indemnifying party's performance or non-performance under the terms of this Agreement or the negligent or intentional acts or omissions of its employees, contractors, and agents.

11. Insurance. The parties shall maintain at their own expense comprehensive general and professional liability insurance and property damage insurance adequate to insure them against risks arising out of this Agreement with limits no less than those customarily carried by similar facilities. Upon request, both parties shall furnish each other with evidence of such insurance. During the term of this Agreement, each party shall immediately notify the other of any material change in such insurance.

12. Term. This Agreement shall be effective upon execution and shall remain in effect unless terminated for by either party as set forth herein.

13. Termination. Each party may terminate this Agreement without cause upon sixty (60) days written notice to the other.

14. Governing Law; Enforcement. This Agreement shall be governed and construed in accordance with the laws of the State of Washington, and any suit related thereto shall be filed in King County, Washington. If any litigation is brought to enforce, or arises out of, the Agreement or any term, clause, or provision hereof, the prevailing party shall be awarded its reasonable attorney fees together with expenses and costs incurred with such litigation, including necessary fees, costs, and expenses for services rendered, as well as subsequent to judgment in obtaining execution thereof.

15. Entire Agreement. This Agreement constitutes the entire agreement between the parties. There are no understandings, agreements or representations, oral or written, not specified herein regarding this Agreement. No amendment, consent, or waiver of terms of this Agreement shall bind either party unless in writing and signed by all parties.

16. Authorization. The parties, by the signature below of their authorized representatives, acknowledge having read and understood the Agreement and agree to be bound by its terms and conditions.

17. No Exclusion. Each party hereby represents and warrants that neither it nor its principals (if applicable) are presently debarred, suspended, proposed for debarment, declared ineligible, or excluded from participation in any federally funded health care program, including Medicare and Medicaid. Each party hereby agrees to immediately notify the other of any threatened, proposed, or actual debarment,

suspension, or exclusion from any federally funded health care program, including Medicare and Medicaid. In the event that a party is debarred, suspended, proposed for debarment, declared ineligible, or excluded from participation in any federally funded health care program during the term of this Agreement, or at any time after the effective date of the Agreement, it is determined that a party is in breach of this Section, this Agreement shall, as of the effective date of such action or breach, automatically terminate.

THE EVERETT CLINIC

SEATTLE CHILDREN'S HOSPITAL

By:



~~Erica V. Peavy, M.D., CPE~~  
Chief Transformation Officer

Albert W. Fisk, MD  
Chief Medical Officer  
The Everett Clinic

Date 1/30/2017

By:



~~Cindy Evans~~ Gazecki  
Senior VP, Hospital Operations

5/4/17  
Date

## PATIENT TRANSFER AGREEMENT

This Patient Transfer Agreement ("Agreement") is entered into this 13<sup>th</sup> day of December 2016 (the "Effective Date"), between Swedish Edmonds ("Hospital"), and The Everett Clinic ("Transferring Facility").

To facilitate continuity of patient care and the timely transfer of patients and records from Transferring Facility to Hospital, the parties agree as follows:

1. If a determination is made by the attending physician that a patient requires transfer from the Transferring Facility to the Hospital, Hospital agrees to admit the patient as promptly as possible, as long as it has the available space, qualified personnel and appropriate services for the treatment of the patient, and the requirements of (i) Hospital's applicable policies/protocols, and (ii) applicable federal and state laws and regulation are met.
2. Transferring Facility has the responsibility for transferring the patient to the Hospital and agrees to use qualified personnel and necessary equipment, including medically appropriate life support measures, during the transfer.
3. Transferring Facility agrees to provide the Hospital with appropriate documentation as necessary to ensure continuity of patient care. This information should include, as a minimum, the patient's medical record (i.e., summary of physician findings, nursing notes, flow sheets, lab and radiological findings, including films or underlying studies, copy of EKG, relevant transfer forms, signed consent for transfer, etc.). This documentation will be sent to the Hospital at the time of transfer unless doing so would jeopardize the patient; in which case, the documentation will be sent as promptly as possible after the transfer.
4. To the extent possible, patients will be stabilized prior to transfer to ensure the transfer will not, within reasonable medical probability, result in harm to the patient or jeopardize their survival.
5. All transfers will be done in accordance with (i) Hospital's applicable policies/protocols, (ii) applicable federal and state laws and regulations and (iii) in accordance with the standards of The Joint Commission.
6. Transferring Facility will be responsible for the transfer or other appropriate disposition of the patient's personal effects, particularly money and valuables.
7. Charges for services performed by either party shall be collected by the party rendering the service from the patient, third party payor, or other sources normally billed by the



party. Neither party shall have any liability to the other for such charges, except to the extent such liability would exist separate from this Agreement. The parties shall cooperate with each other in exchanging information about financial responsibility for services rendered by them to patients transferred to the Hospital.

8. Transferring Facility shall indemnify, hold harmless and defend the Hospital, its agents and employees from and against any claim, loss damage, cost, expense or liability, including reasonable attorney's fees, arising out of or related to the performance or nonperformance by the Transferring Facility, its agents and employees of any duty or obligation of the Transferring Facility under this Agreement.

9. Hospital shall indemnify, hold harmless and defend the Transferring Facility, its agents and employees from and against any claim, loss damage, cost, expense or liability, including reasonable attorney's fees, arising out of or related to the performance or nonperformance by the Hospital, its agents and employees of any duty or obligation of the Hospital under this Agreement.

10. The parties shall maintain at their own expense comprehensive general and professional liability insurance and property damage insurance adequate to insure them against risks arising out of this Agreement, with limits no less than those customarily carried by similar facilities. Upon request, each party shall furnish the other party with evidence of such insurance. During the term of this Agreement, each party shall immediately notify the other of any material change in such insurance.

11. Nothing in this Agreement shall be construed as limiting the rights of either party to contract with any other facility or entity on a limited or general basis.

12. Each party represents and warrants that neither it nor its shareholders, owners, principals, partners or members (if applicable) are presently debarred, suspended, proposed for debarment, declared ineligible, or excluded. Each party agrees to immediately notify the other party of any threatened, proposed, or actual debarment, suspension, or exclusion from any federally funded health care program, including Medicare and Medicaid.

13. This Agreement shall be in effect on the date it is signed by both parties and shall continue until terminated as follows: (i) either party may terminate this Agreement immediately upon a breach of its terms by the other party, or (ii) either party may terminate this Agreement without cause by giving the other party not less than ninety (90) days written notice.

14. This Agreement may be signed in counterparts each of which will be considered an original.


15. This Agreement shall be interpreted and construed in accordance with laws of the state in which Hospital is located. Venue for any action to enforce its terms shall be in the county in which Hospital is located. This Agreement embodies the entire agreement of the parties relating to transfer of patients from Transferring Facility to Hospital, and supercedes all prior agreements, representations and understandings of the parties. This Agreement may only be modified or amended in writing. Amendments and modifications must be signed by both parties to be effective.

**SIGNATURES APPEAR ON NEXT PAGE.**

HOSPITAL:  
SWEDISH EDMONDS

By:   
Name: Jennifer Graves  
Title: Chief Executive  
10/10/2016

TRANSFERRING FACILITY:  
THE EVERETT CLINIC

By:   
Name: Albert W. Fisk, MD  
Title: Chief Medical Officer

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