



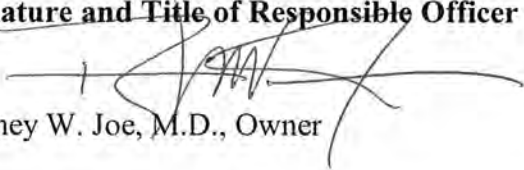
STATE OF WASHINGTON
DEPARTMENT OF HEALTH

Olympia, Washington 98504

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.

Signature and Title of Responsible Officer  Rodney W. Joe, M.D., Owner	Date August 9, 2018 Telephone Number (360) 413-8250
Legal Name of Applicant Gastroenterology Associates, LLC Address of Applicant 500 Lilly Road N.E., Suite 204 Olympia, WA 98506	Type of Application: <input checked="" type="checkbox"/> Ambulatory Surgical Facility <input type="checkbox"/> Kidney Disease Treatment Center Type of Project (check all that apply) <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

Intended date of incurring contractual obligation to construct, acquire, lease or finance capital asset:

The intended commencement date of the Lease of the Proposed ASC between GA Development, LLC and Gastroenterology Associates, LLC is April 1, 2020.

Estimated capital expenditure:

\$371,281.00

Intended date of undertaking project:

The intended date Gastroenterology Associates, LLC will move into its new facility is May 1, 2020. Gastroenterology Associates, LLC intends to serve patients in the new facility a few days after the move in date (approximately May 3, 2020).

Intended date for beginning to offer services or operate completed project:

The intended date to begin to offer services to the patients in the new facility is May 3, 2020.

Project Summary:

Gastroenterology Associates, LLC proposes to relocate its current Certificate of Need approved endoscopy center ("ASC") to a new location (the "Proposed ASC"). Gastroenterology Associates, LLC will lease the Proposed ASC from GA Development, LLC. GA Development, LLC owns the land and is building the facility to house the Proposed ASC with completion date anticipated in the Spring of 2020. The Proposed ASC will operate substantially the same as the current ASC with one exception. The Proposed ASC will have an additional procedure room, for a total of four (4) procedure rooms and additional space for admit and recovery to account for additional patient flow due to the additional procedure room in the Proposed ASC.

Application Instructions

The department will use the information in your application to determine if your project meets the applicable review criteria. These criteria are included in state law and rules. (RCW 78.38.115, WAC 246-310-210, WAC 246-310-220, WAC 246-310-230, WAC 246-310-240. For kidney disease treatment centers-WAC 246-310-280 thru 289, and for ambulatory surgery centers- WAC 246-310-270.

General Instructions:

- Include a table of contents for major application sections and appendices
- Number **all** pages consecutively
- **Do not** bind or 3-hole punch the application.
- Make the narrative information complete and to the point.
- Cite all data sources.
- Provide copies of articles, studies, etc. cited in the application.
- Place extensive supporting data in an appendix.
- Provide detailed descriptions of assumptions used for all projections.
- Use **non-inflated** dollars for **all** cost projections
- **Do not** include a general inflation rate for these dollar amounts.
- **Do** include current contract cost increases such as union contract staff salary increases. You must identify each contractual increase in the description of assumptions included in the application.
- **Do not** include a capital expenditure contingency.

Submission Instructions:

- Number of Copies-Initial application:
 - original,
 - one electronic (pdf) version
- Number of Copies-all other submissions:
 - Original
 - one electronic (pdf) version

To be accepted, the application must include:

- A completed and signed Certificate of Need application face sheet
- The review fee of:
 - **\$20,427** for Ambulatory Surgical Centers. Make check payable to **Department of Health**
 - **\$25,054** for Kidney Disease Treatment Centers. Make check payable to **Department of Health**
- Send application to:

Mailing Address:

Department of Health
Certificate of Need Program
P.O. Box 47852
Olympia, Washington 98504-7852

Other Than By Mail:

Department of Health
Certificate of Need Program
111 Israel Road SE
Tumwater, Washington 98501

Health Care Facility Projects
(excluding nursing home, hospital, home health,
hospice, and CCRC related projects)

SECTION 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 Gastroenterology Associates, LLC ("GA"). GA does business as Gastroenterology Associates Endoscopy Center.

The following individuals each hold an 11.11% ownership interest in GA:

- 1) Rodney W. Joe, M.D.
- 2) Bruce A. Silverman, M.D.
- 3) Kathryne A. Wagner, M.D.
- 4) Harpreet S. Brar, M.D.
- 5) Meimin Xie, M.D.
- 6) Kristine Y. Zhang, M.D.
- 7) David J. Owens, M.D.
- 8) Mark D. Cumings, M.D.
- 9) Nicholas K. Weber, M.D.

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

The name of the Proposed ASC is Gastroenterology Associates, LLC d/b/a Gastroenterology Associates Endoscopy Center. This is also the name of the existing ASC.

The Proposed ASC will be located at 209 Lilly Road NE, Olympia, WA 98506. The existing ASC is located at 500 Lilly Road NE Suite 150, Olympia, WA 98506.

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

GA is a Washington limited liability company.

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

GA Development, LLC is the entity that owns the property where the Proposed ASC will be located, and will own the facility which will house the Proposed ASC at the

completion of the project. GA will lease the Proposed ASC from GA Development, LLC and GA will hold the Certificate of Need.

The draft Lease Agreement between GA Development, LLC and GA is attached hereto as **Exhibit A**. The Statutory Warranty Deed to the property showing ownership of property as well as a print out from the Thurston County Assessor's website showing the zoning of the property are included in Exhibit A.

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

Please direct questions regarding this application to:

Rodney W. Joe, M.D.
500 Lilly Road NE, Suite 204
Olympia, Washington 98506
Phone: (360) 413-8250

With a copy to:

Mark A. Peternell
Bean, Gentry, Wheeler & Peternell, PLLC
910 Lakeridge Way SW
Olympia, WA 98501
Phone: (360) 357-2852

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

GA currently owns and operates a Certificate of Need Approved (CON #1618) endoscopy center specializing in gastroenterology (hereinafter "ASC"). GA's members practice medicine through Gastroenterology Associates Clinical Practice, PLLC (herein after "Clinical Practice"). GA's members are also members of the Clinical Practice. Clinical Practice is a member of Washington Gastroenterology, PLLC ("WAGI"). WAGI has no ownership interest in the project or facility to be built.

GA currently leases space from CMK Olympia, LLC for its ASC as well as its clinical practice (the clinical practice office location houses exam rooms, doctor offices, and administrative offices). Some, but not all, of the members of GA and Clinical Practice have formed a limited liability company, GA Development, LLC to purchase land and construct a facility to house the Proposed ASC and Clinical Practice. Upon Certificate of Need approval, GA will lease the space from GA Development, LLC and will move the ASC to the Proposed ASC.

GA is owned by its Members: Rodney W. Joe, M.D., Bruce A. Silverman, M.D., Kathrynne A. Wagner, M.D., Harpreet S. Brar, M.D. Meimin Xie, M.D., Kristine Y. Zhang, M.D., David J. Owens, M.D., Mark D. Cumings, M.D., and Nicholas K. Weber, M.D. (individual "Member" and collectively "Members").

There is a management committee that controls GA's day-to-day business. The management committee is: Rodney W. Joe, M.D., Kathryne A. Wagner, M.D. and David J. Owens, M.D.

The Members and one employee physician (employed by WAGI and assigned to the Clinical Practice Division of WAGI) are the only physicians with the ability to perform gastroenterology procedures at the ASC. The physicians have, and will continue to have in the Proposed ASC, staff privileges at the ASC. The ASC has, and will have in the Proposed ASC, a Medical Director Services Agreement with a physician who is a member of Clinical Practice for Medical Director Services, attached as **Exhibit B**.

The Practice Administrator is Kelly Auvinen, but this will be changing to Jeneka Moss on September 1, 2018.

See **Exhibit C**, a current organizational chart for GA.

Clinical Practice is owned by its Members: Rodney W. Joe, M.D., Bruce A. Silverman, M.D., Kathryne A. Wagner, M.D., Harpreet S. Brar, M.D. Meimin Xie, M.D., Kristine Y. Zhang, M.D., David J. Owens, M.D., Mark D. Cumings, M.D., and Nicholas K. Weber, M.D.

Clinical Practice is a member of WAGI. WAGI has three members: Gastroenterology Associates Clinical Practice, PLLC; Digestive Health Specialists, P.S.; and Northwest Gastroenterology Associates, Inc., P.S. Each of the three members operate as a distinct and separate division of WAGI. WAGI has no ownership interest in the project or facility to be built.

There is a management committee that controls Clinical Practice's day-to-day business. The management committee is: Rodney W. Joe, M.D., Kathryne A. Wagner, M.D. and David J. Owens, M.D.

The Practice Administrator is Kelly Auvinen, but this will be changing to Jeneka Moss on September 1, 2018.

See **Exhibit D**, a current organizational chart for Clinical Practice.

GA Development, LLC is owned by its Members: Rodney W. Joe, M.D., Kathryne A. Wagner, M.D., Harpreet S. Brar, M.D., Meimin Xie, M.D., David J. Owens, M.D., and Nicholas K. Weber, M.D.

See **Exhibit E**, a current organizational chart for GA Development, LLC.

See **Exhibit F**, a current organizational chart showing the organizational relationship of all related parties (GA, Clinical Practice, WAGI, GA Development, LLC).

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

The name of the operating entity at the completion of the project will be the same as the applicant (Gastroenterology Associates, LLC d/b/a Gastroenterology Associates Endoscopy Center).

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

A health care facility, per CN WAC 246-310-010 (26) means *hospitals, psychiatric hospitals, nursing homes, kidney disease treatment centers including freestanding dialysis units, ambulatory surgical facilities, continuing care retirement communities, hospices and home health agencies*. GA does not own or operate a health care facility other than the one described in this application.

The purpose of this application is to physically move an existing dedicated outpatient endoscopy CN-approved ASC to a different location. The Proposed ASC will house a dedicated outpatient endoscopy CN-approved ASC that will be the same as the current CN-approved ASC except that the proposed CN-approved ASC will have one additional procedure room for a total of four (4) procedure rooms) and additional space for admit and recovery to account for additional patient flow due to the additional procedure room, whereas the current ASC has three (3) procedure rooms (hereinafter "Proposed ASC").

The Proposed ASC will be located at 209 Lilly Road NE, Olympia, WA 98506. The existing ASC is located at 500 Lilly Road NE Suite 150, Olympia, WA 98506.

i. Facility licensure/accreditation status.

The ASC is licensed as an Ambulatory Surgical Facility ("ASF") under WAC 246-330. The ASC is not accredited by the American Association for Ambulatory Health Care. The ASC is Medicare certified only.

The Proposed ASC will also be licensed as an Ambulatory Surgical Facility ("ASF") under WAC 246-330. The Proposed ASC will not be accredited by the American Association for Ambulatory Health Care. The Proposed ASC will be Medicare certified only.

The following are GA's Medicare and Medicaid provider numbers. These numbers are currently in use at the ASC and will be used at the Proposed ASC.

Table 1
Gastroenterology Associates, LLC Medicare/Medicaid Numbers

Name	WA Medicare	DSHS (Medicaid)
Gastroenterology Associates LLC, GA Endoscopy Center	AB20216	7107873

Source: Applicant

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

The ASC is currently and the Proposed ASC will continue to be reimbursed for services under Titles V, XVIII and XIX of the Social Security Act. No change is anticipated.

k. Geographic identification of primary service area.

The ASC's primary service areas are, and the Proposed ASC's primary service areas will remain, Thurston, Mason and Lewis counties. The ASC (and Proposed ASC will) also serves existing patients from Grays Harbor and North Pacific counties. GA's long-range plan for the Proposed ASC is to provide timely services to an unlimited south Puget Sound area, so the anticipated primary service area will be south Puget Sound.

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

Table 2, below, lists all physicians who are on active medical staff with the ASC and will continue to be on active medical staff with the Proposed ASC. All of the physicians are board certified in gastroenterology. Table 2 also provides the professional license number of each physician, the board certification and whether the physician is an owner or employee.

Dr. Kathyne Wagner currently serves as the Medical Director of the ASC and her current term expires on December 31, 2018 pursuant to the Medical Director Services Agreement. The Medical Director Services Agreement automatically renews for additional one (1) year terms(s), and therefore the Medical Director Services Agreement will automatically renew yearly through the projection period discussed within this application. See **Exhibit B**, Medical Director Services Agreement.

GA does not by this application seek to expand the number or makeup of the active medical staff of the ASC and Proposed ASC. If this application is approved, the Proposed ASC will not be open to outside physicians. The only physicians who will be able to use the Proposed ASC are physicians who are members of GA and the Clinical Practice or employed physicians of WAGI who are assigned to the Clinical Practice Division.

See Table 2 on following page.

Table 2
Ambulatory Surgery Center
Active Medical Staff

Name	Professional License Number	Board Certified/Eligible	Owner/Employee
Harpreet S. Brar, MD	MD00031629	Board Certified	Owner
Mark D. Cumings, MD	MD00043468	Board Certified	Owner
Rodney W. Joe, MD	MD00031073	Board Certified	Owner
Benjamin Merrifield, MD	MD00044510	Board Certified	Employee
David J. Owens, MD	MD00043136	Board Certified	Owner
Bruce A. Silverman, MD	MD00023325	Board Certified	Owner
Kathryne A. Wagner, MD	MD00029477	Board Certified	Owner
Meimin Xie, MD	MD00047414	Board Certified	Owner
Kristine Y. Zhang, MD	MD00045083	Board Certified	Owner
Nicholas Weber, MD	MD60445962	Board Certified	Owner

Source: Applicant

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

Applicant is aware of four (4) other physicians currently operating in the primary service area. They are: Marshall McCabe, M.D., Darien Heap, M.D., John Kucynski, M.D., and Michelle B. Thompson, D.O., all of whom provide services through Olympia Multi-Specialty Clinic and its Ambulatory Procedure Center.

Source: Public Records

- 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;**

Table 3 below sets forth the ASC's annual procedures for the last five (5) years. Esophagogastroduodenoscopy ("EGD") and Colonoscopy volume increased in 2015 after extending procedure day hours from 7:30 a.m. - 3:15 p.m. to 7:30 a.m. - 4:30 p.m. This increase in hours allowed for two (2) additional procedures in three (3) procedure rooms each day.

See Table 3 on following page.

Remainder of page intentionally left blank.

Table 3
Gastroenterology Associates, PLLC
Annual Procedures, 2013-2017

Annual Procedures 2013-2017				
Year	EGD	Colon	Flex Sig	Total
2013	2,099	6,684	7	8,790
2014	1,998	6,782	17	8,797
2015	2,057	7,326	23	9,406
2016	2,525	7,097	35	9,657
2017	2,189	7,555	43	9,787
Total	10,868	35,444	125	46,437

Source: Applicant

Key: EGD: Esophagogastroduodenoscopy
Colon: Colonoscopy
Flex Sig: Flexible Sigmoidoscopy

- 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.**

There have been no convictions or sanctions related to ownership and/or operation of a health care facility, license revocations, or other sanctions described in the above noted WAC of any physician employed by GA, nor have there been any convictions or sanctions of any physician owner of the same.

SECTION 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.**

GA proposes to relocate its current Certificate of Need approved ASC to the Proposed ASC. The Proposed ASC will be in a free standing building with the Proposed ASC on the first floor, and the medical offices and administrative offices on the second floor (which operate under a separate entity from the ASC). The Proposed ASC will have four (4) procedure rooms (one more than currently) and additional admit and recovery space to facilitate additional patient flow of one more procedure room, but will operate substantially the same as the current ASC.

- b. Total estimated capital expenditures.**

The total estimated capital expenditures of GA are: \$371,281. Table 4, below, provides the total estimated capital expenditures and total estimated operating expense for the first and second years of operation.

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

Table 4, below, provides the total estimated capital expenditures and total estimated operating expense for the first and second years of operation.

Table 4
Total Estimated Capital Expenditure and Operating Expense
for First and Second Years of Operating

Project Impact - Capital Expenditure/Operating Costs			
	2017	2020	2021
Capital Expenditure		\$226,721	\$144,560
Operating Costs	\$3,361,250	\$3,387,992	\$4,058,754
Overall Impact	\$3,361,250	\$3,614,713	\$4,203,314

Source: Applicant

Charges for services are based on contractual agreements with payers. These are renegotiated on a rotating basis, approximately every 3-5 years per contract. Volume of charges will increase in direct proportion to increase in procedure volume in 2020 and 2021.

The projected Capital Expenditure noted above equals a total Capital Expenditure of \$371,281 as previously mentioned in this Application.

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

Services provided by GA will remain the same at the Proposed ASC. The ability to perform more of the same services will be available due to the extra admit/recovery space and procedure room and so more people in need of gastrointestinal procedures in the community will have their needs met.

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

Patients needing outpatient endoscopic procedures will be served by the Proposed ASC.

The Patient Admission Policy is attached as **Exhibit G**.

- 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.**

Applicant anticipates an increase in volume over current numbers, as the Proposed ASC will have one (1) more procedure room than the current ASC has. The Proposed ASC will also have a larger Admit/Recovery space, allowing for more individuals to be served even with only three procedure rooms in use because of the ability to have more people in admit and recovery space than the current ASC allows. The current ASC has a total of 9 bays (3 for admit, 3 for procedure, and 3 for recovery) whereas the Proposed ASC will have 15 bays (4 for admit, 4 for procedure, and 7 for recovery). Services offered at the new facility will otherwise remain the same. The current ASC operates at capacity. The following projected utilization of services for the first and second year of operation is

based on the total possible procedures based on eighteen (18) procedures per room per day. GA anticipates utilizing three (3) procedure rooms in 2020, and four (4) procedure rooms in 2021. GA rarely fills one hundred percent (100%) of the open slots due to late cancellations and no-shows. It is impossible to estimate what the percentage of missed appointment numbers will be, but historically and typically the missed appointment/late cancellations are approximately 5-10% of total capacity. Therefore, the calculations in Table 5 below are based on each procedure room being used at maximum capacity with a deduction of 7.5% (average between 5-10%) to account for an approximate number of cancellations and no-shows.

Table 5
Projected Utilization of Services

Projected Procedures 2020-2021				
Year	EGD	Colon	Flex Sig	Total
2020	2.911	9.681	63	12.655
2021	3.881	12.908	85	16.874
Total	6.792	22.590	148	29.529

*Projection includes 7% expected no-show/missed appt rate

Source: Applicant

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

A copy of the letter of intent is attached in **Exhibit H**.

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

Current and projected sources of patient revenue are documented below. The anticipated percentage of revenue from each source changes slightly on an annual basis due to changes in patient population and changes in patient insurance. The payer mix is not expected to change significantly in the future, although the Medicare population has steadily increased over the past five to seven years.

Table 6
Current and Projected Sources of Patient Revenue

Current and Projected Payer Mix (based off of data from 2017)	
Payer	Percentage
Commercial and Contracted Insurances	43%
Medicare	49%
Medicaid	5%
Private Pay	0.09%
HMO	0%
Other Government	2.91%
Total	100%

Source: Applicant

i. Source(s) of financing.

GA anticipates it will finance the capital expenditures through operating capital. If necessary, GA may request capital from its Member physicians or seek a loan to cover the capital expenditures. However, the amount of planned capital expenditures is minimal enough that it likely can be covered by GA, and if a loan is required, GA does not anticipate any problem in obtaining it.

A financial statement of GA is attached as **Exhibit Q** that demonstrates GA has sufficient cash to pay for and cover the capital expenditures through its operating capital.

j. Equipment proposed: See below.

1. Description of equipment proposed.

Additional equipment proposed is related to the additional procedure volume, additional bays and the fourth procedure room, and includes the following:

Table 7

Three Year Endoscopy Center Capital Expenditures Projection					
	Each	2020	2021	2022	Total
Waiting room guest chairs (31)	\$900	\$27,900		\$0	\$27,900
Waiting room lounge chairs (4)	\$1,500	\$6,000		\$0	\$6,000
Waiting room bariatric chairs (2)	\$1,200	\$2,400		\$0	\$2,400
Waiting room barstools (tech bar) (4)	\$350	\$1,400		\$0	\$1,400
Waiting room side tables (12)	\$600	\$7,200		\$0	\$7,200
Waiting room coffee tables (3)	\$1,200	\$3,600		\$0	\$3,600
Discharge Inst room chairs (4)	\$350	\$1,400		\$0	\$1,400
Endo Admin offices guest chairs (4)	\$300	\$1,200		\$0	\$1,200
Clean Supply Floor Track System (1)	\$12,000	\$12,000		\$0	\$12,000
Furniture Delivery and Installation	\$3,000	\$3,000		\$0	\$3,000
Waiting room artwork (14)	\$250	\$3,500		\$0	\$3,500
Waiting room television (1)	\$700	\$700		\$0	\$700
Moving fees	\$10,000	\$10,000		\$0	\$10,000
Price Increase over two years -10%	\$8,030	\$8,030		\$0	\$8,030
Stretchers (5) additional	\$4,000	\$12,000	\$8,000	\$0	\$20,000
Recovery recliner (1)	\$4,000		\$4,000	\$0	\$4,000
Computer/Monitor (Rm 4)	\$2,500		\$2,500	\$0	\$2,500
Fujinon Video Processor (Rm 4)	\$25,630		\$25,630	\$0	\$25,630
Fujinon Light Source (Rm 4)	\$14,250		\$14,250	\$0	\$14,250
Fujinon Video Monitor (Rm 4)	\$6,500		\$6,500	\$0	\$6,500
Cautery/Bi-Cap Unit (Rm 4)	\$7,000		\$7,000	\$0	\$7,000
Irrigator Unit (Rm 4)	\$3,500		\$3,500	\$0	\$3,500
Wheeled Scope Tower (1)	\$1,500		\$1,500	\$0	\$1,500
Colonoscopes (2) additional	\$32,670	\$32,670	\$32,670	\$0	\$65,340
EGD scope (1) additional	\$7,100		\$7,100	\$0	\$7,100
Vital Signs Monitors (9) additional	\$3,800	\$19,000	\$15,200	\$0	\$34,200
Vital Signs Monitor rolling stands (2)	\$700		\$1,400	\$0	\$1,400
Oxygen Manifold	\$1,500	\$1,500		\$0	\$1,500

Oxygen Regulators (7) additional	\$50	\$250	\$100	\$0	\$350
Oxygen Annunciator Panel	\$1,200	\$1,200		\$0	\$1,200
Suction Manifold	\$3,000	\$3,000		\$0	\$3,000
Suction Regulators (9)	\$50	\$350	\$100	\$0	\$450
Laptops (9) additional	\$800	\$4,000	\$3,200	\$0	\$7,200
Privacy Curtains (23)		\$20,000		\$0	\$20,000
Linen Hampers w/Lids (3) additional	\$96	\$192	\$96	\$0	\$288
Endoscope Leak Tester (1) additional	\$1,300	\$1,300		\$0	\$1,300
Scope Buddy (1) additional	\$1,200	\$1,200		\$0	\$1,200
Copier/Fax (1) additional	\$200	\$200		\$0	\$200
Laundry Carts (1) additional	\$500	\$500		\$0	\$500
Nurse Call Bell system (wireless)	\$2,500	\$2,500		\$0	\$2,500
Emergency Generator	\$20,000	\$20,000		\$0	\$20,000
Subtotal		\$208,192	\$132,746	\$0	\$340,938
Tax		\$18,529	\$11,814	\$0	\$30,343
Total		\$226,721	\$144,560	\$0	\$371,281

Source: Applicant

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.

There is no plan to replace equipment when the ASC moves to the Proposed ASC. When the ASC moves to the Proposed ASC, GA will move the equipment it currently uses and then add/replace with new and additional equipment only as necessary. GA currently replaces equipment throughout the year as needed, and so this is not a deviation from current practices.

k. Drawings:

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

The single line drawing of the current facility is attached as Exhibit I.

2. Single line drawings, at least approximately to scale, of proposed locations which identify proposed services and departments.

The single line drawing of the proposed location is attached as Exhibit J.

3. Total net and gross square feet of project.

The total net and gross square footage of the Proposed ASC is:

- Gross Square Footage of Proposed ASC: 9,160
- Net Square Footage of Proposed ASC: 8,894

4. Describe any changes in dialysis station capacity proposed as part of this project.

This question is not applicable to this application.

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

GA Development, LLC will be commencing and building the facility. GA Development, LLC anticipates breaking ground on this project in March, 2019. Because GA Development, LLC is not the applicant of this CON, this question is not applicable to this application.

GA anticipates a move in date (after completion of the project) to the Proposed ASC of May 1, 2020, and an anticipated possession/commencement date of the Lease of April 1, 2020.

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

GA's long range plan is to be able to provide timely gastroenterology services to an unlimited south Puget Sound area.

In 2016, due to long wait times for office visits and procedures, GA had to limit its new patient referrals to those patients residing in Thurston and Mason counties. Over time, this allowed GA's wait times to return to an acceptable range. In July 2018, GA opened to new referrals from Lewis County. GA expects this change to increase wait times but feels strongly that serving the greater rural region surrounding the Olympia area will be beneficial for the community due to the current need for gastroenterology procedures. GA would eventually like to open to referrals from any county of residence and having a larger Endoscopy Center that allows more procedures per day and the option of an additional procedure room should allow this to occur without increasing procedure wait times.

GA believes the volume of potential procedures from accepting referrals from any county will support additional cases in three procedure rooms and the eventual opening of a fourth procedure room. Plans for opening the fourth room can be adjusted if there is not a need, but GA wants to have the option available for future needs. Further, GA is currently operating at capacity and has been doing so for a number of years, and so believes that the need for additional capacity is already present. GA's intent is to open to three rooms the first year in the Proposed ASC, adding cases to the same hours GA is currently open (18 patients per room per day instead of the current 13). The additional patients per room per day at the Proposed ASC will be feasible because the Proposed ASC will also have a larger Admit/Recovery space, allowing for more individuals to be served; the current ASC has a total of 9 bays (3 for admit, 3 for procedure, and 3 for recovery) where the Proposed ASC will have 15 bays (4 for admit, 4 for procedure, and 7 for recovery). GA cannot add patients in the current location with the current hours because the current ASC lacks enough admit and recovery bay space to do so. Once GA

has maxed out additional cases in three procedure rooms in the Proposed ASC, then GA plans to open the fourth procedure room as needed.

- 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).**

GA will be leasing the Proposed ASC from GA Development, LLC. GA Development, LLC has provided a letter to the Department of Health Certificate of Need Division attached to this Certificate of Need Application as **Exhibit K** that provides GA Development, LLC has the funds or access to the funds to complete the development and build the facility and that there are no restrictions regarding usage on the proposed site that would restrict the usage of the proposed site.

- 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.**

GA Development, LLC owns the property where the facility that will house the Proposed ASC will be built. The property in question is zoned use code 65 – Service-Professional, which allows a facility such as the Proposed ASC to be built on the site of the property. See letter from GA Development, LLC attached as **Exhibit K**.

- 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.**

Pursuant to option "c" above, see the Draft Lease Agreement, Deed to the Property showing ownership of the same and a print off of from the Thurston County Assessor's website showing the zoning for the property attached as **Exhibit A** and the Letter of Intent to Finalize attached as **Exhibit L** from GA

Development, LLC attesting that GA Development, LLC intends to develop the property and lease it to GA pursuant to the draft Lease Agreement.

SECTION 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 existing ASC is currently addressing both community and clinical needs. GA is submitting this application in order to physically move the ASC to the Proposed ASC location. The only change in the facility will be to increase the procedure rooms from three to four and additional admit and recovery space to account for the additional procedure room.

The ASC is currently operating at capacity and has operated at capacity for many years. Because the ASC is currently operating at capacity, GA does not have the ability to provide additional procedures to the community members in need of such in the current ASC. In fact, GA has had to limit the patients it serves to only patients from certain counties because the demand for services is so high.

As demonstrated below, the population in Thurston County continues to grow and there is great need for an additional procedure room to provide additional gastrointestinal procedures to our community. As noted in the question below, all age cohorts in Thurston County are expected to grow by 2020, however, the age cohort that will see the highest growth is age sixty-five and over (65+), which will grow by twenty-five and one tenths percent (25.1%) (+10,031). This and the combined age cohort of forty-five and over (45+) (in other words, the higher utilizers of gastroenterology services) are expected to grow faster than the population at large (35.3% versus 8.3%). Therefore, because GA does not have the physical capacity to service any more patients than it currently does in the ASC, GA continually has wait lists and greater demand for procedures than it can currently accommodate and the population needing gastroenterology services is expected to grow at a rate of 35.3%, without

an additional procedure room in the Proposed ASC, there will be an unmet health need for the population of Thurston County and surrounding counties most in need of gastroenterology services.

Dedicated outpatient endoscopy ASCs are deliberately excluded from the numeric methodology described in WAC 246-310-270(9). *See Mid-Columbia Endoscopy Center, LLC Certificate of Need Determination, 2010 at page 8.* In its place, the Department of Health focuses on the specific need for the endoscopy services proposed in the Application. Here, there is a demonstrated need for the ASC to not only continue providing the current level of services but also for an ability to provide an increasing number of services (which will be accomplished with an additional procedure room).

The ASC, and the Proposed ASC will continue to provide a valuable and necessary service to the growing local population in the south Puget Sound area. Since 2000, the ASC has provided essential gastroenterology procedures such as symptomatic and screen colonoscopies, EGD and flexible sigmoidoscopy to the community. GA's expertise and focus on patient care is well known throughout the region. If a Certificate of Need for the Proposed ASC is not approved, more than nine thousand (9,000) procedures each year would need to be performed in other facilities.

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 categorizes.

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.

The population data for Thurston County contained in Table 8, below, demonstrates that the 2020 projected total population of over two hundred eighty-eight thousand (+288,000) is projected to grow by another six and eight tenths percent (6.8%) (+19,655) by 2025. This increase in population supports the plan for an additional procedure room in the Proposed ASC. While all age cohorts are expected to grow by 2025, the age cohort that will see the highest percentage growth between 2020 – 2025 is age sixty-five and over (65+), which will grow by

eighteen and nine tenths percent (18.9%) (+9,455). This and the combined age cohort of forty-five and over (45+) (in other words, the higher utilizers of gastroenterology services) are expected to grow faster than the population at large (8.8% versus 6.8%).

Table 8
Thurston County Secondary Health Services Area Population, 2015, 2020 and 2025

	2015 Projected	Pct of Tot Pop	2020 Projected	Pct of Tot Pop	Pct Chg 2015- 2020	2025 Projected	Pct of Tot Pop	Pct Chg 2020- 2025
Tot. Pop.	266,224	100.0%	288,265	100.0%	8.3%	307,930	100.0%	6.8%
0-19	66,081	24.8%	70,189	24.3%	6.2%	73,711	24.0%	5.0%
20-44	87,835	33.0%	94,354	32.7%	7.4%	99,581	32.3. %	5.5%
45-64	72,368	27.2%	73,751	25.6%	1.9%	75,212	24.4%	3.9%
65-74	24,309	9.1%	31,031	10.8%	27.7%	34,317	11.1%	10.6%
75-84	10,585	4.0%	13,593	4.7%	28.4%	19,161	6.2%	41%
85+	5,046	1.9%	5,347	1.9%	6.0%	5,948	1.9%	11.2%
Tot. 0-64	226,284	85.0%	238,294	82.7%	5.3%	248,504	80.7%	4.3%
45+	112,308	42.2%	123,722	43.0%	10.2%	134,638	43.7%	8.8%
Tot. 65+	39,940	15.0%	49,971	17.3%	25.1%	59,426	19.3%	18.9%

Source: Washington State OFM, 2012 County Age and Sex Projections, five-year intervals and age groups.

The population data for Mason County contained in Table 9, below, demonstrates that the 2020 projected total population of over sixty-seven thousand (+67,000) is projected to grow by another six and five tenths percent (6.5%) (+4,384) by 2025. While all age cohorts but one are expected to grow by 2025, the age cohort that will see the highest growth is age sixty-five and over (65+), which will grow by twenty and one tenth percent (20.1%) (+3,202).

Table 9
Mason County Secondary Health Services Area Population, 2000, 2010, 2015 and 2020

	2015 Projected	Pct of Tot Pop	2020 Projected	Pct of Tot Pop	Pct Chg 2015- 2020	2025 Projected	Pct of Tot Pop	Pct Chg 2020- 2025
Tot. Pop.	63,203	100.0%	67,545	100.0%	6.9%	71,929	100.0%	6.5%
0-19	14,053	22.2%	14,798	22.0%	5.3%	15,803	22.0%	6.8%
20-44	17,066	27.0%	17,956	26.6%	5.2%	19,313	26.9%	7.3%
45-64	19,071	30.2%	18,827	27.9%	(1.3%)	17,647	24.5%	(6.4%)
65-74	7,570	12.0%	9,496	14.1%	25.4%	11,328	15.7%	19.3%
75-84	3,982	6.3%	4,742	7.0%	19.1%	5,751	8.0%	21.3%
85+	1,461	2.3%	1,726	2.6%	18.1%	2,087	2.9%	20.9%
Tot. 0-64	50,190	79.4%	51,581	76.4%	2.8%	52,763	73.4%	2.3%
45+	32,084	50.8%	34,791	51.5%	8.4%	36,813	51.2%	5.8%
Tot. 65+	13,013	20.6%	15,964	23.6%	22.7%	19,166	26.6%	20.1%

Source: Washington State OFM, 2012 County Age and Sex Projections, five-year intervals and age groups.

The population data for Grays Harbor County contained in Table 10, below, demonstrates that the 2020 projected total population of over seventy-four thousand (+74,000) is projected to grow by another one and five tenths percent (1.5%) (+1,121) by 2025. The age cohort that will see the highest growth is age sixty-five and over (65+), which will grow by fifteen and five tenths percent (15.5%) (+2,465). This group, which utilizes much higher rates of

gastroenterology services than the population at large, has a much higher expected rate of growth than that of the population at large (15.5% versus 1.5%).

Table 10
Grays Harbor County Secondary Health Services Area Population, 2000, 2010, 2015 and 2020

	2015 Projected	Pct of Tot Pop	2020 Projected	Pct of Tot Pop	Pct Chg 2015- 2020	2025 Projected	Pct of Tot Pop	Pct Chg 2020- 2025
Tot. Pop.	73,575	100.0%	74,408	100.0%	1.1%	75,529	100.0%	1.5%
0-19	17,428	23.4%	17,195	23.1%	(1.3%)	17,478	23.1%	1.6%
20-44	21,212	28.8%	21,121	29.4%	(0.4%)	21,281	28.2%	0.08%
45-64	21,255	28.9%	20,143	28.4%	(5.2%)	18,356	24.3%	(8.9%)
65-74	8,133	11.1%	9,635	12.9%	18.5%	10,614	14.1%	10.2%
75-84	3,950	5.4%	4,648	6.2%	17.7%	5,801	7.7%	24.8%
85+	1,597	2.2%	1,666	2.2%	4.3%	1,999	2.6%	20%
Tot. 0-64	59,895	81.4%	58,459	78.6%	(2.4%)	57,115	75.6%	(2.3%)
45+	34,935	47.5%	36,092	48.5%	3.3%	36,770	48.7%	(1.9%)
Tot. 65+	13,680	18.6%	15,949	21.4%	16.6%	18,414	24.4%	15.5%

Source: Washington State OFM, 2012 County Age and Sex Projections, five-year intervals and age groups.

The population data for Lewis County contained in Table 11, below, demonstrates that the 2020 projected total population of over eighty thousand (+80,000) is projected to grow by another three and two tenths percent (3.2%) (+2,539) by 2025. While most age cohorts are expected to continue to grow through 2025, the age cohort that will see the highest growth is age sixty-five and over (65+), which will grow by thirteen and eight tenths percent (13.8%) (+2,287). This group, which utilizes much higher rates of gastroenterology services than the population at large, has a much higher expected rate of growth than that of the population at large (13.8% versus 3.2%).

Table 11
Lewis County Secondary Health Services Area Population, 2015, 2020 and 2025

	2015 Projected	Pct of Tot Pop	2020 Projected	Pct of Tot Pop	Pct Chg 2015- 2020	2025 Projected	Pct of Tot Pop	Pct Chg 2020- 2025
Tot. Pop.	77,621	100.0%	80,385	100.0%	3.6%	82,924	100.0%	3.2%
0-19	19,522	25.2%	20,062	25.0%	2.8%	21,088	25.4%	5.1%
20-44	22,121	28.5%	23,134	28.8%	4.6%	23,813	28.7%	2.9%
45-64	21,420	27.6%	20,662	25.7%	(3.5%)	19,209	23.2%	(7.0%)
65-74	8,248	10.6%	9,484	11.8%	15.0%	10,651	12.8%	12.3%
75-84	4,384	5.6%	5,033	6.3%	14.8%	5,907	7.1%	17.4%
85+	1,926	2.5%	2,010	2.5%	4.4%	2,256	2.7%	12.2%
Tot. 0-64	63,063	81.2%	63,858	79.4%	1.8%	64,110	77.3%	3.9%
45+	35,978	46.4%	37,189	46.3%	3.4%	38,023	45.9%	2.2%
Tot. 65+	14,558	18.8%	16,527	20.6%	13.5%	18,814	22.7%	13.8%

Source: Washington State OFM, 2012 County Age and Sex Projections, five-year intervals and age groups.

The population data for Pacific County contained in Table 12, below, demonstrates that the 2020 projected total population of over twenty thousand (+20,000) is projected to grow by another one and three tenths percent (1.3%) (+271) by 2025. While most age cohorts are expected to continue to grow

through at least 2025, the age cohort that will see the highest growth is age sixty-five and over (65+), which will grow by nine and nine tenths percent (9.9%) (+662). This group, which utilizes much higher rates of gastroenterology services than the population at large, has a much higher expected rate of growth than that of the population at large (9.9% versus 1.3%).

Table 12
Pacific County Secondary Health Services Area Population, 2000, 2010, 2015 and 2020

	2015 Projected	Pct of Tot Pop	2020 Projected	Pct of Tot Pop	Pct Chg 2015-2020	2025 Projected	Pct of Tot Pop	Pct Chg 2020- 2025
Tot. Pop.	20,860	100.0%	20,990	100.0%	0.6%	21,261	100.0%	1.3%
0-19	3,860	18.5%	3,886	18.5%	0.6%	4,041	19.0%	4.0%
20-44	4,729	22.7%	4,817	22.9%	1.9%	5,028	23.6%	4.4%
45-64	6,445	30.9%	5,608	26.7%	(13.0%)	4,851	22.8%	(13.5%)
65-74	3,299	15.8%	3,740	17.8%	13.4%	3,974	18.7%	6.3%
75-84	1,818	8.7%	2,134	10.2%	17.4%	2,425	11.4%	13.6%
85+	709	3.4%	805	3.8%	13.5%	942	4.4%	17.0%
Tot. 0-64	15,034	72.1%	14,311	68.2%	(4.8%)	13,920	65.5%	(2.7%)
45+	12,201	58.5%	12,287	58.5%	0.7%	12,192	57.3%	(0.8%)
Tot. 65+	5,826	27.9%	6,679	31.8%	14.6%	7,341	34.5%	9.9%

Source: Washington State OFM, 2012 County Age and Sex Projections, five-year intervals and age groups.

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.

GA's ASC procedure and patient volume has steadily grown over the last sixteen years. In the last few years, the ASC has operated at its maximum capacity and at times, GA has had lengthy wait times for patients to be seen at the ASC. The number of procedures the ASC is able to accommodate each year is based on the number of days the ASC is able to be open (which differs slightly each year due to leap year, holidays falling within a week, and whether there are inclement weather closures). In the last five years, the ASC has been open from 248-253 days per year based on the above cited variables.

Table 13 below projects maximum capacity in the Proposed ASC utilizing three (3) procedure rooms during the first year of operation (2020). The Proposed ASC, even operating with three (3) procedure rooms will have the ability to accommodate eighteen (18) procedures per procedure room per day because of a larger admit and recovery space (to accommodate more patients during the admit and recovery periods). GA anticipates opening the fourth procedure room in 2021, and based on the demand for services and the growing population numbers in Thurston County and surrounding counties, anticipates that once four procedure rooms are open, the ASC will continue to operate at capacity. Thurston County population

growth projections show an increase in population of 8.3% by 2020 and the age cohort that will see the highest growth by 2020 is age sixty-five and over (65+) which will grow by twenty-five and one tenths percent (25.1%) (+10,031). The higher utilizers of gastroenterology services of forty-five years and older and sixty-five years and older are expected to grow faster than the population at large (35.3% versus 8.3%). *Source: Washington State OFM, Postcensal Estimates of April 1 Population by Age and Sex: 2000-Present and May 2012 Projections.*

Table 13
5 Year Projected Utilization of Services

Year	Projected Procedures 2020-2024				
	OR Rooms in use	EGD	Colon	Flex Sig	Total
2020	3	2911	9681	63	12655
2021	4	3881	12908	85	16874
2022	4	4173	13880	91	18144
2023	4	4173	13880	91	18144
2024	4	4173	13880	91	18144

Source: Applicant

b. The complete quantitative methodology used to construct each utilization forecast.

The calculations provided in Table 13 and the utilization forecast are based on maximum capacity for the Proposed ASC both utilizing three and then four procedure rooms and the hours of operation the Proposed ASC will be open. As previously noted, the ASC, over the last five years, has been open from 248-253 days per year (due to leap year, when holidays fall during a week, and whether there are inclement weather closures each year).

c. Identify and justify all assumptions related to changes in use rate, market share, intensity of service, and others.

The assumption that the number of procedures will remain at maximum capacity is made based on the fact that Thurston County population growth projects an 8.3% increase in population by 2020. *Source: Washington State OFM, Postcensal Estimates of April 1 Population by Age and Sex: 2000-Present and May 2012 Projections.* With an increased population in Thurston County (as well as the surrounding counties), it is assumed that the number of gastrointestinal procedures that will be necessary to meet the needs of the increased population will increase. Further, the assumption is made based on the fact that the current ASC has had a sixteen year history of steadily increasing patient volumes, and at times, lengthy wait times for patients seeking gastrointestinal services at the ASC. Based on these factors, GA assumes that it will be able to fill the maximum available appointment slots based on past trends and need.

- 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.

The number of people now using the services of GA will remain the same and with the additional procedure spots open, the number of people utilizing the services will likely increase. As stated above, GA has been operating at capacity and has at times had long wait times for appointment spots. Evidence that supports current and future use numbers increasing include: an increased population in Thurston County and surrounding counties, a consistent healthcare and job market in Thurston County, and the fact that colonoscopies are recommended every 3-10 years for all adults ages 50-75, dependent upon family and personal history of polyps. Therefore, the number of people using the services of the current ASC will likely increase when additional space and times become available, as the Thurston County population ages (resulting in more people between the ages of 50-75), and patients continue to need recommended procedures every 3-10 years.

Table 14 below shows the patient origin data that includes patients outside of Thurston County to demonstrate current patient encounters by county of residence.

Table 14
Percentage of Patient Encounters by County of Residence

GA Endoscopy Center			
Percentage of Patient Encounters by County of Residence			
County	2017	2016	2015
Thurston	74%	70%	70%
Mason	11%	10%	9%
Grays Harbor	5%	9%	9%
Lewis	3%	4%	4%
Other	7%	7%	7%

- e. **Evidence of the number of persons who will begin to use the services(s).**

Based on GA's sixteen year history of steadily increasing referrals along with increasing local adult population, there is an assumption of increased referrals for routine and diagnostic gastrointestinal procedures in future years. GA's ASC has operated, and currently operates at its maximum capacity, and many times with a long waitlist for patients to receive services. Increased referrals as well as an increased number of procedure rooms will allow GA to serve patients in Thurston County and surrounding counties that are in need to gastrointestinal procedures without having extreme wait times to obtain services.

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.**

Applicant is aware of four (4) other physicians currently operating in the primary service area. They are: Marshall McCabe, M.D., Darien Heap, M.D., John Kucynski, M.D., and Michelle B. Thompson, D.O., all of whom provide services through Olympia Multi-Specialty Clinic and its Ambulatory Procedure Center.

Source: Public Records

This project proposes to physically move an existing dedicated outpatient endoscopy CN-approved ASC to a different location and it will remain a dedicated outpatient endoscopy CN-approved ASC. The ASC is currently operating with the physicians listed above in the area. The ASC has had to limit the patients it accepts to only those from certain counties. The need to serve more patients (and patients from other counties) is present. Therefore, it can be assumed that there will not be unnecessary duplication of services. In fact, if this project is not approved, more than nine thousand (9,000) procedures per year would need to be performed in other facilities, and Thurston, Mason, Grays Harbor, North Pacific and Lewis County residents would experience reduced access to diagnostic and therapeutic endoscopy procedures.

Applicant is the largest GI practice in the Thurston, Mason, Grays Harbor, North Pacific and Lewis County areas that accepts Medicaid. The Olympia Multi-Specialty Clinic and its Ambulatory Procedure Center referenced above does not accept Medicaid and instead refers Medicaid patients to Applicant for services.

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.**

GA serves patients regardless of income, race, ethnicity, sex or physical or mental disability and fully intends to continue observing the same policy.

Charitable adjustments by GA for the last full five (5) years is listed below. The adjustments listed below include patient adjustments only for hardship, bankruptcy, and deceased patients.

Table 15
Charitable Adjustments

GAEC Hardship Adjustments	
2013	\$55
2014	\$133
2015	\$2,697
2016	\$146
2017	\$5,899
5 Year Total	\$8,931

Source: Applicant

- 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.**

The applicant is proposing to relocate the ASC within one mile of its current location. The needs of under-served groups will continue to be met in the Proposed ASC in a similar manner as the current ASC. The Proposed ASC will be located on the same road as the current ASC (Lilly Road), will be served by the same bus line(s), and will continue to maintain the same charity care policy as the current ASC. If anything, the Proposed ASC will be able to better meet the needs of the population, including the needs of under-served groups, because of the increased space and procedure room, allowing GA to see more patients than it currently has the capacity to see.

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

Attached as **Exhibit M** are copies of GA's: (1) Non-Discrimination Policy; (2) Financial Payment Policy, which contains provisions addressing payment for patients with financial hardship; and (3) Patient Rights and Responsibilities Policy.

5. As applicable, substantiate the following special needs and circumstances that the proposed project is to serve.

- 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.**
- 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.**
- 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.

Table 16
Proposed Capital Expenditures

Three Year Endoscopy Center Capital Expenditures Projection					
	Each	2020	2021	2022	Total
Land acquisition	\$ -	\$ -	\$ -	\$ -	\$ -
Site survey, tests, inspections	\$ -	\$ -	\$ -	\$ -	\$ -
Construction contract	\$ -	\$ -	\$ -	\$ -	\$ -
Financial feasibility studies, architectural fees, engineering fees/consulting fees	\$ -	\$ -	\$ -	\$ -	\$ -
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	\$ -	\$ -	\$ -	\$ -	\$ -
Financing costs, including interim interest expense, reserve account, interest expense, and other financing costs	\$ -	\$ -	\$ -	\$ -	\$ -
Waiting room guest chairs (31)	\$ 900	\$ 27,900	\$ -	\$ -	\$ 27,900
Waiting room lounge chairs (4)	\$ 1,500	\$ 6,000	\$ -	\$ -	\$ 6,000
Waiting room bariatric chairs (2)	\$ 1,200	\$ 2,400	\$ -	\$ -	\$ 2,400
Waiting room bar stools (tech bar) (4)	\$ 350	\$ 1,400	\$ -	\$ -	\$ 1,400
Waiting room side tables (12)	\$ 600	\$ 7,200	\$ -	\$ -	\$ 7,200
Waiting room coffee tables (3)	\$ 1,200	\$ 3,600	\$ -	\$ -	\$ 3,600
Discharge list room chairs (4)	\$ 350	\$ 1,400	\$ -	\$ -	\$ 1,400
Endo Admin offices guest chairs (4)	\$ 300	\$ 1,200	\$ -	\$ -	\$ 1,200
Clean Supply Floor Track System (1)	\$ 12,000	\$ 12,000	\$ -	\$ -	\$ 12,000
Freight Delivery and Installation	\$ 3,000	\$ 3,000	\$ -	\$ -	\$ 3,000
Waiting room artwork (14)	\$ 250	\$ 3,500	\$ -	\$ -	\$ 3,500
Waiting room television (1)	\$ 700	\$ 700	\$ -	\$ -	\$ 700
Moving fees	\$ 10,000	\$ 10,000	\$ -	\$ -	\$ 10,000
Price Increase over two years -10%	\$ 8,030	\$ 8,030	\$ -	\$ -	\$ 8,030
Stretchers (5) additional	\$ 4,000	\$ 12,000	\$ 8,000	\$ -	\$ 20,000
Recovery recliner (1)	\$ 4,000	\$ -	\$ 4,000	\$ -	\$ 4,000
Computer/Monitor (Rm 4)	\$ 2,500	\$ -	\$ 2,500	\$ -	\$ 2,500
Fujinon Video Processor (Rm 4)	\$ 25,630	\$ -	\$ 25,630	\$ -	\$ 25,630
Fujinon Light Source (Rm 4)	\$ 14,250	\$ -	\$ 14,250	\$ -	\$ 14,250
Fujinon Video Monitor (Rm 4)	\$ 6,500	\$ -	\$ 6,500	\$ -	\$ 6,500
Cautery/Bi-Cap Unit (Rm 4)	\$ 7,000	\$ -	\$ 7,000	\$ -	\$ 7,000
Irrigator Unit (Rm 4)	\$ 3,500	\$ -	\$ 3,500	\$ -	\$ 3,500
Wheeled Scope Tower (1)	\$ 1,500	\$ -	\$ 1,500	\$ -	\$ 1,500
Colonoscopes (2) additional	\$ 32,670	\$ 32,670	\$ 32,670	\$ -	\$ 65,340
EGD scope (1) additional	\$ 7,100	\$ -	\$ 7,100	\$ -	\$ 7,100
Vital Signs Monitors (9) additional	\$ 3,800	\$ 19,000	\$ 15,200	\$ -	\$ 34,200
Vital Signs Monitor rolling stands (2)	\$ 700	\$ -	\$ 1,400	\$ -	\$ 1,400
Oxygen Manifold	\$ 1,500	\$ 1,500	\$ -	\$ -	\$ 1,500
Oxygen Regulators (7) additional	\$ 50	\$ 250	\$ 100	\$ -	\$ 350
Oxygen Annunciator Panel	\$ 1,200	\$ 1,200	\$ -	\$ -	\$ 1,200
Suction Manifold	\$ 3,000	\$ 3,000	\$ -	\$ -	\$ 3,000
Suction Regulators (9)	\$ 50	\$ 350	\$ 100	\$ -	\$ 450
Laptops (9) additional	\$ 800	\$ 4,000	\$ 3,200	\$ -	\$ 7,200
Privacy Curtains (23)	\$ -	\$ 20,000	\$ -	\$ -	\$ 20,000
Linen Hampers w/Lids (3) additional	\$ 96	\$ 192	\$ 96	\$ -	\$ 288
Endoscope Leak Tester (1) additional	\$ 1,300	\$ 1,300	\$ -	\$ -	\$ 1,300
Scope Buddy (1) additional	\$ 1,200	\$ 1,200	\$ -	\$ -	\$ 1,200
Copier/Fax (1) additional	\$ 200	\$ 200	\$ -	\$ -	\$ 200
Laundry Carts (1) additional	\$ 500	\$ 500	\$ -	\$ -	\$ 500
Nurse Call Bell system (wireless)	\$ 2,500	\$ 2,500	\$ -	\$ -	\$ 2,500
Emergency Generator	\$ 20,000	\$ 20,000	\$ -	\$ -	\$ 20,000
Subtotal		\$ 208,192	\$ 132,746	\$ -	\$ 340,938
Sales Tax		\$ 18,529	\$ 11,814	\$ -	\$ 30,343
Total		\$ 226,721	\$ 144,560	\$ -	\$ 371,281

There are no landlord hardcosts associated with this project because the building will be owned by GA Development, LLC, and leased to GA. GA Development, LLC is a distinct and separate entity from GA. GA Development, LLC will be responsible for all construction costs necessary to make the facility ready for use as an ASC. Therefore, the only capital expenditures GA anticipates are for additional equipment necessary for a larger ASC as well as moving fees, and fees associated with a new facility (i.e. additional chairs for the larger waiting room, artwork for waiting room, equipment for the additional procedure room). In the interest of full disclosure, the total cost to GA Development, LLC for the purchase of the property and construction costs for the proposed facility is: \$9,788,978.00. Applicant has included a letter to the CON Division from GA Development, LLC providing its assurance that GA Development, LLC has access to the funds necessary to complete the construction and facility.

2. The method and sources for calculating construction costs and other estimated capital expenditures should be fully explained.

Not applicable to this project, as applicant will not be constructing the facility.

3. Documentation of project impact on (a) capital costs, and (b) operating costs and charges for health services.

This project will result in capital costs of \$371,281 as documented in this Application.

GA currently collects a facility fee that will continue after the move to the Proposed ASC.

The project will have an impact on operating costs due to the increased number of procedures that will be able to be completed due to additional admit/recovery space and an additional procedure room. Table 17 below demonstrates the increase in Operating Costs, which is a direct result of increasing the number of procedures per year, and the need for additional staffing, supplies, etc. to provide the additional procedures.

Table 17

Project Impact - Capital Costs/Operating Costs			
	2017	2020	2021
Capital Costs		226,721	144,560
Operating Costs	\$3,361,250	\$3,387,992	\$4,058,754
Overall Impact	\$3,361,250	\$3,614,713	\$4,203,314

Source: Applicant

The average cost and charge per surgery will remain the same at the new facility (or until each individual payer contract is renegotiated every 3-6 years, which is what has historically happened and what would happen if GA does not move to

the Proposed ASC). The average charge per surgery is \$2,583.99. The average adjustment per surgery is: \$1,604.70. The average cost per surgery is \$345.00. Applicant does not anticipate these amounts will change significantly after moving to the Proposed ASC.

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.**

GA anticipates it will finance the capital expenditures through operating capital. If necessary, GA may request capital from its Member physicians or seek a loan to cover the capital expenditures. However, the amount of planned capital expenditures is minimal enough that it likely can be covered by GA, and if a loan is required, GA does not anticipate any concern obtaining it.

See Exhibit Q, the financial statement of GA showing sufficient cash to pay for the capital expenditures.

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.**

Not applicable.

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.**

See Table 18 on following page.

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Table 18
Pro Forma Balance Sheet/Forecast
GA Endoscopy Center LLC, ASC Income Statement
Financial Forecast 2020-2023

	Year 1 2020	Year 2 2021	Year 3 2022	Year 4 2023
Gross Revenues	\$32,699,649	\$43,490,533	\$43,925,438	\$44,364,693
Deductions from Revenue:				
Medicare	\$10,225,148	\$13,599,446	\$13,735,441	\$13,872,795
Medicaid	\$1,593,564	\$2,119,440	\$2,140,635	\$2,162,041
Commerical	\$8,848,259	\$11,768,185	\$11,885,867	\$12,004,725
Charity Care	\$350,000	\$465,500	\$470,155	\$474,857
Bad Debts	\$2,247	\$2,989	\$3,019	\$3,049
Patient Refunds	\$111,305	\$148,036	\$149,516	\$151,011
Total Deductions from Revenue	\$21,130,523	\$28,103,596	\$28,384,632	\$28,668,478
Total Revenues	\$11,569,126	\$15,386,937	\$15,540,807	\$15,696,215
Expenses				
Accounting	\$5,549	\$5,660	\$5,773	\$5,889
Advertising	\$3,232	\$3,297	\$3,363	\$3,430
Answering Service	\$3,422	\$3,490	\$3,560	\$3,631
Auto Expenses - Staff	\$279	\$285	\$290	\$296
Computer	\$27,838	\$28,395	\$28,962	\$29,542
Depreciation	\$26,758	\$26,758	\$26,758	\$26,758
Consultant Fees	\$23,666	\$24,139	\$24,622	\$25,114
Dues/Subscriptions	\$3,874	\$3,951	\$4,030	\$4,111
Medical Supplies	\$561,247	\$746,458	\$761,388	\$776,615
Drugs	\$19,694	\$26,193	\$26,717	\$27,252
EMR Expenses	\$11,995	\$12,235	\$12,479	\$12,729
Equipment Lease	\$83,356	\$83,356	\$83,356	\$83,356
General Liability Ins	\$10,401	\$10,609	\$10,821	\$11,037
Interest Expense	\$65	\$67	\$68	\$69
Laundry/Cleaning	\$62,417	\$83,015	\$84,675	\$86,369
Legal Fees	\$8,963	\$9,142	\$9,325	\$9,512
Licenses - Med/Business	\$1,501	\$1,531	\$1,562	\$1,593
Maintenance	\$72,728	\$74,182	\$75,666	\$77,179
Taxes - Business	\$15,916.56	\$21,169	\$21,592	\$22,024
Taxes- Pers Property	\$16	\$16	\$17	\$17
Office Misc	\$13,104	\$17,428	\$17,777	\$18,132
Office Supplies	\$11,388	\$15,145	\$15,448	\$15,757
Meals/Entertainment	\$1,405	\$1,615	\$1,648	\$1,681
Pagers	\$103	\$106	\$108	\$110
Postage	\$13,969	\$18,578	\$18,950	\$19,329
Staff Development	\$6,143	\$7,065	\$7,206	\$7,350
Rent	\$185,898	\$189,616	\$193,408	\$197,276
Repairs	\$761	\$776	\$791	\$807
Telephone	\$9,611	\$9,803	\$9,999	\$10,199
Travel - Staff	\$5,214	\$5,996	\$6,116	\$6,239
Utilities	\$24,869	\$25,366	\$25,873	\$26,391
Patient Forms	\$37,284	\$49,588	\$50,579	\$51,591
Capital Expenses	\$226,721	\$144,560		
Total Expenses	\$1,252,666	\$1,505,032	\$1,532,931	\$1,561,387
Net Income	\$10,316,460	\$13,881,905	\$14,007,876	\$14,134,828

The assumptions that factor into the pro forma financial statements include the following:

The Pro Forma Financial Statements included as Table 18 show financial predictions for the Proposed ASC for four years. The financial predictions are made based on a variety of assumptions provided below. However, it is important to note that these assumptions are based on actual numbers and how the ASC is run today, with the only change being an increased number of procedures able to be completed due to additional admit/recovery space and an additional procedure room (and corresponding increase in staffing and supplies to staff for an increased number of procedures).

Assumptions that factor into the Pro Forma Financial Statements (based on past history) regarding volume of services include:

- Maintaining the same hours of operation, but the ability to increase number of procedures able to be completed due to additional space/beds in the Proposed ASC.
 - Monday-Friday business week and 30-minute single procedure/45-minute double procedure appointments.
 - There is no plan to change hours, business days of the week or procedure appointment time allowances.
- Maintaining stable patient volumes and utilization of services and increasing with increased procedure space available:
 - Procedure volumes were steadily maintained from 2009-2014 at 8500-8800 procedures annually, then increased to 9406 in 2015 and 9657 in 2016. These increases were due to an extension of business hours which started in July 15. Upon increasing the business hours, the ASC was easily able to fill the additional procedure spots, and maintained operating at maximum capacity.
 - The Proposed ASC will have additional admit and recovery space which will allow fifteen (15) additional procedures per day with the use of three procedure rooms. When GA opens the fourth procedure room, it will allow an additional eighteen (18) procedures per day. The Pro Forma Financial Statements assume that, as historically has been the case, GA will be able to continue to fill the additional procedure slots and will continue to operate at maximum capacity with the additional procedure slots available.
 - Historically, the Center has had a 90-92% utilization rate of procedure slots, with unutilized slots due to no-shows and late cancellations (day prior) which cannot be filled on short notice due to preparations required for procedures.

- The ASC has a stable and large primary care and specialty referral base as well as a procedure recall base (for surveillance) which was formed over the past sixteen years of business.
- The ASC accepts a broad range of insurances including Medicare and Medicaid.
- The ASC is approved by CMS and WA State DOH ASF survey.
- Thurston-Mason county areas and the surrounding communities will continue to expand in population, so presumably the need for gastrointestinal procedures and services will continue to increase.
- Colonoscopy remains the gold standard for colon cancer screening and polyp removal as well as for surveillance in patients with certain medical conditions.

Assumptions that factor into the Pro Forma Financial Statements (based on past history) regarding ASC financials include:

- Procedure costs increase annually. This is based on predictable and unpredictable increases in a variety of fixed and variable expenses such as building lease, employee cost of living raises, benefits, supply costs, equipment purchase, new regulations that increase requirements, etc.
 - Itemized expenses for the ASC have increased annually over the past 3 years as follows:
 - ❖ 2015: \$3,147,036
 - ❖ 2016: \$2,210,485
 - ❖ 2017: \$3,361,250
 - Cost per procedure has increased annually over the past 3 years as follows:
 - ❖ 2015: \$335
 - ❖ 2016: \$344
 - ❖ 2017: \$345
- Procedure charges will remain stable and possibly increase slightly. Charges are variable per negotiated payer contracts. Contracts are negotiated from the starting point of 1.1x the highest payer allowable for each CPT (current procedural terminology) for the facility fee of the highest current RVU multiplied by 80. Payer contracts are typically 2-3 years in term and typically auto-renew at the end of a term. Center charges, payments and adjustments history for the past three years (show below) outlines a steady increase in charges, payments and adjustments as allowables increase:

Table 19
Charges/Payments/Adjustments

Year	Charges	Payments	Adjustments
2015	\$21,805,625	\$8,464,768	\$13,328,866
2016	\$23,676,758	\$8,667,501	\$14,570,655
2017	\$24,849,098	\$9,024,230	\$15,705,232

- No significant increase in charity care or bad debt is anticipated. GA serves patients regardless of income, race, ethnicity, sex or physical or mental disability and fully intends to continue observing the same policy.

Hardship Adjustments by GA for the last full five (5) years is listed below. These adjustments listed below include patient adjustments only for hardship, bankruptcy and deceased patients.

Table 20
Hardship Adjustments

GAEC Hardship Adjustments	
2013	\$55
2014	\$133
2015	\$2,697
2016	\$146
2017	\$5,899
5 Year Total	\$8,931

Remainder of page intentionally left blank.

7. Provide a capital expenditure budget through the project completion and for three years following completion of the project.

Table 21

Three Year Endoscopy Center Capital Expenditures Projection					
	Each	2020	2021	2022	Total
Land acquisition	\$ -	\$ -	\$ -	\$ -	\$ -
Site survey, tests, inspections	\$ -	\$ -	\$ -	\$ -	\$ -
Construction contract	\$ -	\$ -	\$ -	\$ -	\$ -
Financial feasibility studies, architectural fees/engineering fees/consulting fees	\$ -	\$ -	\$ -	\$ -	\$ -
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	\$ -	\$ -	\$ -	\$ -	\$ -
Financing costs, including interim interest expense, reserve account, interest expense, and other financing costs	\$ -	\$ -	\$ -	\$ -	\$ -
Waiting room guest chairs (31)	\$ 900	\$ 27,900	\$ -	\$ -	\$ 27,900
Waiting room lounge chairs (4)	\$ 1,500	\$ 6,000	\$ -	\$ -	\$ 6,000
Waiting room bariatric chairs (2)	\$ 1,200	\$ 2,400	\$ -	\$ -	\$ 2,400
Waiting room bar stools (tech bar) (4)	\$ 350	\$ 1,400	\$ -	\$ -	\$ 1,400
Waiting room side tables (12)	\$ 600	\$ 7,200	\$ -	\$ -	\$ 7,200
Waiting room coffee tables (3)	\$ 1,200	\$ 3,600	\$ -	\$ -	\$ 3,600
Discharge Inst room chairs (4)	\$ 350	\$ 1,400	\$ -	\$ -	\$ 1,400
Endo Admin offices guest chairs (4)	\$ 300	\$ 1,200	\$ -	\$ -	\$ 1,200
Clean Supply Floor Track System (1)	\$ 12,000	\$ 12,000	\$ -	\$ -	\$ 12,000
Freight Delivery and Installation	\$ 3,000	\$ 3,000	\$ -	\$ -	\$ 3,000
Waiting room artwork (14)	\$ 250	\$ 3,500	\$ -	\$ -	\$ 3,500
Waiting room television (1)	\$ 700	\$ 700	\$ -	\$ -	\$ 700
Moving fees	\$ 10,000	\$ 10,000	\$ -	\$ -	\$ 10,000
Price Increase over two years -10%	\$ 8,030	\$ 8,030	\$ -	\$ -	\$ 8,030
Stretchers (5) additional	\$ 4,000	\$ 12,000	\$ 8,000	\$ -	\$ 20,000
Recovery recliner (1)	\$ 4,000	\$ -	\$ 4,000	\$ -	\$ 4,000
Computer/Monitor (Rm 4)	\$ 2,500	\$ -	\$ 2,500	\$ -	\$ 2,500
Fujinon Video Processor (Rm 4)	\$ 25,630	\$ -	\$ 25,630	\$ -	\$ 25,630
Fujinon Light Source (Rm 4)	\$ 14,250	\$ -	\$ 14,250	\$ -	\$ 14,250
Fujinon Video Monitor (Rm 4)	\$ 6,500	\$ -	\$ 6,500	\$ -	\$ 6,500
Cautery/Bi-Cap Unit (Rm 4)	\$ 7,000	\$ -	\$ 7,000	\$ -	\$ 7,000
Irrigator Unit (Rm 4)	\$ 3,500	\$ -	\$ 3,500	\$ -	\$ 3,500
Wheeled Scope Tower (1)	\$ 1,500	\$ -	\$ 1,500	\$ -	\$ 1,500
Colonoscopes (2) additional	\$ 32,670	\$ 32,670	\$ 32,670	\$ -	\$ 65,340
EGD scope (1) additional	\$ 7,100	\$ -	\$ 7,100	\$ -	\$ 7,100
Vital Signs Monitors (9) additional	\$ 3,800	\$ 19,000	\$ 15,200	\$ -	\$ 34,200
Vital Signs Monitor rolling stands (2)	\$ 700	\$ -	\$ 1,400	\$ -	\$ 1,400
Oxygen Manifold	\$ 1,500	\$ 1,500	\$ -	\$ -	\$ 1,500
Oxygen Regulators (7) additional	\$ 50	\$ 250	\$ 100	\$ -	\$ 350
Oxygen Annunciator Panel	\$ 1,200	\$ 1,200	\$ -	\$ -	\$ 1,200
Suction Manifold	\$ 3,000	\$ 3,000	\$ -	\$ -	\$ 3,000
Suction Regulators (9)	\$ 50	\$ 350	\$ 100	\$ -	\$ 450
Laptops (9) additional	\$ 800	\$ 4,000	\$ 3,200	\$ -	\$ 7,200
Privacy Curtains (23)	\$ -	\$ 20,000	\$ -	\$ -	\$ 20,000
Linen Hampers w/Lids (3) additional	\$ 96	\$ 192	\$ 96	\$ -	\$ 288
Endoscope Leak Tester (1) additional	\$ 1,300	\$ 1,300	\$ -	\$ -	\$ 1,300
Scope Buddy (1) additional	\$ 1,200	\$ 1,200	\$ -	\$ -	\$ 1,200
Copier/Fax (1) additional	\$ 200	\$ 200	\$ -	\$ -	\$ 200
Laundry Carts (1) additional	\$ 500	\$ 500	\$ -	\$ -	\$ 500
Nurse Call Bell system (wireless)	\$ 2,500	\$ 2,500	\$ -	\$ -	\$ 2,500
Emergency Generator	\$ 20,000	\$ 20,000	\$ -	\$ -	\$ 20,000
Subtotal		\$ 208,192	\$ 132,746	\$ -	\$ 340,938
Sales Tax		\$ 18,529	\$ 11,814	\$ -	\$ 30,343
Total		\$ 226,721	\$ 144,560	\$ -	\$ 371,281

There are no landlord hardcosts associated with this project because the building will be owned by GA Development, LLC, and leased to GA. GA Development, LLC is a distinct and separate entity from GA. GA Development, LLC will be responsible for all construction costs necessary to make the facility ready for use as an ASC. Therefore, the only capital expenditures GA anticipates are for additional equipment necessary for a larger ASC as well as moving fees, and fees associated with a new facility (i.e. additional chairs for the larger waiting room, artwork for waiting room, equipment for the additional procedure room). In the interest of full disclosure, the total cost to GA Development, LLC for the purchase of the property and construction costs for the proposed facility is: \$9,788,978.00. Applicant has included a letter to the CON Division from GA Development, LLC providing its assurance that GA Development, LLC has access to the funds necessary to complete the construction and facility.

8. The expected sources of revenue 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 are documented below. The anticipated percentage of revenue from each source changes slightly on an annual basis due to change in patient population and changes in patient insurance. The payer mix is not expected to change significantly in the future, although the Medicare population has steadily increased over the past five to seven years.

Table 22
Projected Payer Mix

Projected Sources of Revenue (based off of data from 2017)	
Payer	Percentage
Commercial and Contracted Insurances	43%
Medicare	49%
Medicaid	5%
Private Pay	0.09%
HMO	0%
Other Government	2.91%
Total	100%

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

Financial statements (Expense and Revenue Statements and Balance Sheets) for the ASC for the last three (3) full years are attached as **Exhibit N**.

Please note that the Financial Statements include both the ASC and Clinical Practice combined. Prior to January 1, 2018, the ASC and Clinical Practice both operated through Gastroenterology Associates, PLLC. The ASC and Clinical Practice operated under the same entity and so the financials were combined. Therefore, the Financial Statements provided have both GA ASC and Clinical

Practice numbers combined. There is no way, retroactively, to separate the two and provide accurate GA ASC only numbers.

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

Financial statements for the ASC are attached as **Exhibit N.**

Please note that the Financial Statements include both the ASC and Clinical Practice combined. Prior to January 1, 2018, the ASC and Clinical Practice both operated through Gastroenterology Associates, PLLC. The ASC and Clinical Practice operated under the same entity and so the financials were combined. Therefore, the Financial Statements provided have both GA ASC and Clinical Practice numbers combined. There is no way, retroactively, to separate the two and provide accurate GA ASC only numbers.

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

Financial statements for the ASC for the last three (3) full fiscal years are attached as **Exhibit N.**

Please note that the Financial Statements include both the ASC and Clinical Practice combined. Prior to January 1, 2018, the ASC and Clinical Practice both operated through Gastroenterology Associates, PLLC. The ASC and Clinical Practice operated under the same entity and so the financials were combined. Therefore, the Financial Statements provided have both GA ASC and Clinical Practice numbers combined. There is no way, retroactively, to separate the two and provide accurate GA ASC only numbers.

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

Table 23
Staffing Forecast

	Staffing Forecast				
	Current	Year 2	Year 3	Year 4	Year 5
	2018	2019	2020	2021	2022
Number of Operating Rooms	3	3	3	4	4
Maximum Procedure Volume	9828	9828	13608	18144	18144
Number of FTE's per Year (Productive)					
RN Manager	1	1	1	1	1
RNs	8.4	8.4	10	11	11
LPNs	5.8	5.8	7	8	8
GI Assistants (MA-Registered)	6	6	7	8	8
Front Desk Reception	1	1	1	2	2
Total FTEs	22.2	22.2	26	30	30
Total Wages and Salaries					
Manager	\$95,950	98,349	100,807	103,328	105,911
RNs	\$663,761	697,832	850,720	959,130	964,850
LPNs	\$324,642	\$332,725	\$411,466	\$481,894	\$493,875
GI Assistants (MA-Registered)	\$209,290	\$214,531	\$256,547	\$300,518	\$308,006
Front Desk Reception	\$33,342	\$34,174	\$35,027	\$71,802	\$73,590
Total Employee Salaries	\$1,326,986	\$1,377,611	\$1,654,567	\$1,916,672	\$1,946,232
Employee Benefits @ 30%	\$398,096	\$413,283	\$496,370	\$575,001	\$583,870
Total Salaries and Benefits	\$1,725,081	\$1,790,894	\$2,150,938	\$2,491,673	\$2,530,102

Source: Applicant

The above numbers include average wages, based on current wages GA pays and increases at 2.5% annually. Benefit numbers are based on thirty percent (30%) of wages which is accurate in value of benefits with wages currently, and therefore increase naturally with the annual wage increases.

FTE volume in 2020, which will be the first year in the Proposed ASC, will increase by 3.8 FTE due to the additional procedures able to be accommodated with the larger bay capacity (from 13 procedures per procedure room/per day to 18 procedures per procedure room/per day).

FTE volume in 2021, the second year in the Proposed ASC, would increase by an additional 4 FTE due to the addition of the fourth procedure room (and calculating at 18 procedures per room/per day).

Physicians are not included in the above table as the physicians all have staff privileges at the ASC and so are not paid by the ASC.

Further, GA leases administrative and billing staff through WAGI via a Management Services Agreement attached as **Exhibit R**.

For further clarification and information, the following are the various license types that are held by “GI Assistants (Techs)”:

“GI Assistants” are staff with:

- a GED or high school diploma;
- six (6) hours of HIV training;
- have been trained on-the-job under the supervision of their RN manager and a physician;
- have ongoing competency training; and
- currently, GA is in the process of licensing GI Assistants through WA State DOH as Medical Assistant-registered personnel.

To provide additional historic insight, below is a historical lookback from the past three years:

Table 24
Historical FTE Lookback

Position	Number of FTEs		
	Dec-17	Dec-16	Dec-15
RN*	9.4	9.9	9.9
LPN	5.3	5.3	5.3
GI Assistant (tech)	6	6	7
PCC (Front Desk)	1.2	1.2	1
Total	21.9	22.4	23.2

*Includes 1.0 RN Manager and 1.0 RN Charge Nurse

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.**

The ASC anticipates slowly increasing its staff pursuant to Table 23, “Staffing Forecast” above. The increase of number of staff is minimal, and GA anticipates increasing staff by a total of 7.8 FTE over the next four years. This will include an additional 2.6 FTE RNs, 2.2 FTE LPNs, 2 FTE GI Assistants and 1 FTE Receptionist. GA offers competitive wages and benefits and has not had a concern attracting qualified individuals to work at its ASC in the past and does not anticipate a concern attracting qualified individuals in the future.

Further, as noted in the Staffing Forecast, the number of RN Managers for the ASC will remain the same.

- 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.

Medical Director/Endoscopy Supervisor: Kathyne Wagner, M.D., License No. MD 00029477

Endoscopy Manager, Johnathan Moore, RN

- 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.**

The Medical Director is and will continue to be an employee of WAGI (Clinical Practice Division) and a physician owner of the Clinical Practice and ASC. The Medical Director provides and will provide her services to the ASC and Proposed ASC under the Medical Director Services Agreement (Exhibit B). The Medical Director Job Description is attached hereto as Exhibit O.

- 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.**

This project does not propose the addition of any new services. Existing ancillary and support services are already established and sufficiently meet the service demands of the existing ASC and will continue to meet the service demands of the Proposed ASC.

The current ASC utilizes the following ancillary and support services. It is anticipated that the Proposed ASC will utilize the same ancillary and support services:

- Radiology
 - GA at times sends patients with incomplete colonoscopy to radiology for a barium enema. GA uses TRA and South Sound Radiology, both of which accept Medicare and Medicaid.
- Pathology
 - GA sends specimens taken during the endoscopy procedure to Cellnetix to be plated and for the pathology services/pathology read. Cellnetix accepts Medicare/Medicaid.
- Lab
 - GA, in extremely rare circumstances, will utilize a lab for blood testing following an endoscopy. GA utilizes LabCorp or WAGI Lab for this service. LabCorp and WAGI labs accept Medicare/Medicaid.

Please note that the above ancillary and support services are currently in use by GA and the ASC, and will continue to be used by GA and the Proposed ASC, assuming receipt of the Certificate of Need.

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.**

GA's ASC already exists; this Certificate of Need Application is requesting to move the ASC less than a mile from its current location and increase the number of procedure rooms by one. The Proposed ASC as a Certificate of Need approved facility will promote continuity in the provision of health care to the defined population and avoid unwarranted fragmentation of service. This is due to a number of reasons: the Clinical Practice will be physically moving locations to the new facility, and so having the Proposed ASC in the same facility as the Clinical Practice promotes continuity and is easier for patients to use. The current ASC is currently located directly to the east of Providence Health & Services – Washington d/b/a Providence St. Peter Hospital (“St. Peter Hospital”), whereas the Proposed ASC will be located directly to the south of St. Peter Hospital, allowing continuity and unwarranted fragmentation of services should patients be required to be transferred to St. Peter Hospital. It is only if this project is not approved for a Certificate of Need that continuity would be interrupted and fragmentation would occur.

The Emergency Patient Transfer Agreement (titled “Patient Transfer Agreement”) between St. Peter Hospital and GA is attached as **Exhibit P**.

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.**

GA and the individual owners thereof have no history of criminal conviction of any kind, nor have they received a denial or revocation of a license to operate a health care facility, to practice a health profession, or a decertification as a provider of services in the Medicare or Medicaid program.

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 ASC currently is, and the Proposed ASC will continue to be, operated in a manner that ensures safe and adequate care, and in accord with applicable federal and state 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.**

GA has operated its ASC for sixteen years and the increase in need for gastrointestinal procedures in the Thurston County area and surrounding communities has outgrown the space available in its current facility. Alternatives to moving would be to continue to operate in its current facility which poses a number of problems. First, GA is not able to serve the needs of the patients of Thurston County and surrounding communities with only three procedure rooms. Second, the Clinical Practice will be moving and so to maintain the ASC in its current location would present a number of concerns including but not limited to: patient fragmentation and lack of continuity of services because patients would need to physically go between two different locations, as well as difficulty for physicians to go between the clinical practice location and the Proposed ASC.

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

The project will promote system efficiency specifically by increasing the admit and recovery bed availability. The increase in these two areas will allow the Proposed ASC to serve more patients (using both the three and four procedure room options) because additional patients will be able to be in admit and/or recovery while the procedure room(s) are in use. The increase in patient flow will promote system efficiency and productivity.

The ASC uses staff efficiently and in creating the staffing forecast for the Proposed ASC, will continue to use staff efficiently. GA continuously re-evaluates its methods to ensure that the most efficient and productive uses of its resources (including staff) are used. GA will continue to do so in the Proposed ASC.

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.

GA will be leasing the Proposed ASC from GA Development, LLC, therefore, GA will not incur any construction, renovation or expansion costs with this project.

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.

Not applicable to this proposal.

EXHIBIT A
LEASE AGREEMENT BETWEEN GA AND GA DEVELOPMENT, LLC

LEASE AGREEMENT
(Multi-Tenant Gross Lease)

THIS LEASE AGREEMENT (the "Lease") is entered into and effective as of _____ (date),
between **GA Development LLC** ("Landlord"),
and **Gastroenterology Associates LLC** (Tenant).
Landlord and Tenant agree as follows:

1. LEASE SUMMARY.

a. Leased Premises. The leased commercial real estate i) consists of an agreed area of 13,320 rentable square feet and is outlined on the floor plan attached as Exhibit A (the "Premises"); ii) located on the land legally described on attached Exhibit B; and iii) is commonly known as **209 Lilly Rd NE, Suite A (first floor) Olympia, WA 98506** (suite number and address). The Premises do not include, and Landlord reserves, the exterior walls and roof of the Premises; the land beneath the Premises; the pipes and ducts, conduits, wires, fixtures, and equipment above the suspended ceiling; and the structural elements of the building in which the Premises are located (the "Building"). The Building, the land upon which it is situated, all other improvements located on such land, and all common areas appurtenant to the Building are referred to as the "Property." The Building and all other buildings on the Property as of the date of this Lease consist of an agreed area of 25,280 rentable square feet.

b. Lease Commencement Date. The term of this Lease shall be for a period of 126 months and shall commence on January 1, 2020 or such earlier or later date as provided in Section 3 (the "Commencement Date"). Tenant shall have no right or option to extend this Lease, unless otherwise set forth in a rider attached to this Lease (e.g., Option to Extend Rider, CBA Form OR).

c. Lease Termination Date. The term of this Lease shall expire at midnight on June 30, 2030 or such earlier or later date as provided in Section 3 (the "Termination Date")

d. Base Rent. The base monthly rent shall be (check one): ☐ \$_____, or ☒ according to the Rent Rider attached hereto ("Base Rent"). Rent shall be payable at Landlord's address shown in Section 1(h) below, or such other place designated in writing by Landlord.

e. Prepaid Rent. Upon execution of this Lease, Tenant shall deliver to Landlord the sum of \$_____ as prepaid rent, to be applied to the Rent due for months _____ through _____ of the Lease.

f. Security Deposit. Upon execution of this Lease, Tenant shall deliver to Landlord the sum of \$_____ to be held as a security deposit pursuant to Section 5 below. The security deposit shall be in the form of (check one): ☐ cash, or ☐ letter of credit according to the Letter of Credit Rider (CBA Form LCR) attached hereto.

g. Permitted Use. The Premises shall be used only for Medical Office

and for no other purpose without the prior written consent of Landlord (the "Permitted Use").

h. Notice and Payment Addresses.

Landlord: GA Development LLC

Fax No.: _____
Email: _____

LEASE AGREEMENT
(Multi-Tenant Gross Lease)

Tenant: Gastroenterology Associates LLC

Fax No.: _____
Email: _____

2. PREMISES.

a. Lease of Premises. Landlord leases to Tenant, and Tenant leases from Landlord the Premises upon the terms specified in this Lease.

b. Acceptance of Premises. Except as specified elsewhere in this Lease, Landlord makes no representations or warranties to Tenant regarding the Premises, including the structural condition of the Premises or the condition of all mechanical, electrical, and other systems on the Premises. Except for any tenant improvements to be completed by Landlord as described on attached Exhibit C (the "Landlord's Work"), Tenant shall be responsible for performing any work necessary to bring the Premises into a condition satisfactory to Tenant. By signing this Lease, Tenant acknowledges that it has had adequate opportunity to investigate the Premises; acknowledges responsibility for making any corrections, alterations and repairs to the Premises (other than the Landlord's Work); and acknowledges that the time needed to complete any such items shall not delay the Commencement Date.

c. Tenant Improvements. Attached Exhibit C sets forth all of Landlord's Work, if any, and all tenant improvements to be completed by Tenant (the "Tenant's Work"), if any, that will be performed on the Premises. Responsibility for design, payment and performance of all such work shall be as set forth on attached Exhibit C. If Tenant fails to notify Landlord of any defects in the Landlord's Work within thirty (30) days of delivery of possession to Tenant, Tenant shall be deemed to have accepted the Premises in their then condition. If Tenant discovers any major defects in the Landlord's Work during this 30-day period that would prevent Tenant from using the Premises for the Permitted Use, Tenant shall notify Landlord and the Commencement Date shall be delayed until Landlord has notified Tenant that Landlord has corrected the major defects and Tenant has had five (5) days to inspect and approve the Premises. The Commencement Date shall not be delayed if Tenant's inspection reveals minor defects in the Landlord's Work that will not prevent Tenant from using the Premises for the Permitted Use. Tenant shall prepare a punch list of all minor defects in Landlord's Work and provide the punch list to Landlord, which Landlord shall promptly correct.

3. TERM. The term of this Lease shall commence on the Commencement Date specified in Section 1, or on such earlier or later date as may be specified by notice delivered by Landlord to Tenant advising Tenant that the Premises are ready for possession and specifying the Commencement Date, which shall not be less than _____ days (thirty (30) days if not filled in) following the date of such notice.

a. Early Possession. If Landlord permits Tenant to possess and occupy the Premises prior to the Commencement Date specified in Section 1, then such early occupancy shall not advance the Commencement Date or the Termination Date set forth in Section 1, but otherwise all terms and conditions of this Lease shall nevertheless apply during the period of early occupancy before the Commencement Date.

b. Delayed Possession. Landlord shall act diligently to make the Premises available to Tenant; provided, however, neither Landlord nor any agent or employee of Landlord shall be liable for any damage or loss due to Landlord's inability or failure to deliver possession of the Premises to Tenant as provided in this Lease. If possession is delayed, the Commencement Date set forth in Section 1 shall also be delayed. In addition, the Termination Date set forth in Section 1 shall be modified so that the length of the Lease term remains the same. If Landlord does not deliver possession of the Premises to Tenant within _____ days (sixty (60) days if not filled in) after the Commencement Date specified in Section 1, Tenant may elect to cancel this

LEASE AGREEMENT
(Multi-Tenant Gross Lease)

Lease by giving notice to Landlord within ten (10) days after such time period ends. If Tenant gives notice of cancellation, the Lease shall be cancelled, all prepaid rent and security deposits shall be refunded to Tenant, and neither Landlord nor Tenant shall have any further obligations to the other. The first "Lease Year" shall commence on the Commencement Date and shall end on the date which is twelve (12) months from the end of the month in which the Commencement Date occurs. Each successive Lease Year during the initial term and any extension terms shall be twelve (12) months, commencing on the first day following the end of the preceding Lease Year. To the extent that the tenant improvements are not completed in time for the Tenant to occupy or take possession of the Premises on the Commencement Date due to the failure of Tenant to fulfill any of its obligations under this Lease, the Lease shall nevertheless commence on the Commencement Date set forth in Section 1.

4. RENT.

a. Payment of Rent. Tenant shall pay Landlord without notice, demand, deduction or offset, in lawful money of the United States, the monthly Base Rent stated in Section 1 in advance on or before the first day of each month during the Lease term beginning on (check one): ☐ the Commencement Date, or ☒ July 1, 2020 (if no date specified, then on the Commencement Date), and shall also pay any other additional payments due to Landlord ("Additional Rent") (collectively, "rent" or "Rent") when required under this Lease. Payments for any partial month at the beginning or end of the Lease shall be prorated. All payments due to Landlord under this Lease, including late fees and interest, shall also constitute Additional Rent, and upon failure of Tenant to pay any such costs, charges or expenses, Landlord shall have the same rights and remedies as otherwise provided in this Lease for the failure of Tenant to pay rent.

b. Late Charges; Default Interest. If any sums payable by Tenant to Landlord under this Lease are not received within five (5) business days after their due date, Tenant shall pay Landlord an amount equal to the greater of \$100 or five percent (5%) of the delinquent amount for the cost of collecting and handling such late payment in addition to the amount due and as Additional Rent. All delinquent sums payable by Tenant to Landlord and not paid within five (5) business days after their due date shall, at Landlord's option, bear interest at the rate of fifteen percent (15%) per annum, or the highest rate of interest allowable by law, whichever is less (the "Default Rate"). Interest on all delinquent amounts shall be calculated from the original due date to the date of payment.

c. Less Than Full Payment. Landlord's acceptance of less than the full amount of any payment due from Tenant shall not be deemed an accord and satisfaction or compromise of such payment unless Landlord specifically consents in writing to payment of such lesser sum as an accord and satisfaction or compromise of the amount which Landlord claims. Any portion that remains to be paid by Tenant shall be subject to the late charges and default interest provisions of this Section 4.

5. SECURITY DEPOSIT. Upon execution of this Lease, Tenant shall deliver to Landlord the security deposit specified in Section 1 above. Landlord's obligations with respect to the security deposit are those of a debtor and not of a trustee, and Landlord may commingle the security deposit with its other funds. If Tenant breaches any covenant or condition of this Lease, including but not limited to the payment of Rent, Landlord may apply all or any part of the security deposit to the payment of any sum in default and any damage suffered by Landlord as a result of Tenant's breach. Tenant acknowledges, however, that the security deposit shall not be considered as a measure of Tenant's damages in case of default by Tenant, and any payment to Landlord from the security deposit shall not be construed as a payment of liquidated damages for Tenant's default. If Landlord applies the security deposit as contemplated by this Section, Tenant shall, within five (5) days after written demand therefor by Landlord, deposit with Landlord the amount so applied. If Tenant complies with all of the covenants and conditions of this Lease throughout the Lease term, the security deposit shall be repaid to Tenant without interest within thirty (30) days after the surrender of the Premises by Tenant in the condition required by Section 12 of this Lease.

LEASE AGREEMENT
(Multi-Tenant Gross Lease)

6. USES. The Premises shall be used only for the Permitted Use specified in Section 1 above, and for no other business or purpose without the prior written consent of Landlord. No act shall be done on or around the Premises that is unlawful or that will increase the existing rate of insurance on the Premises, the Building, or the Property, or cause the cancellation of any insurance on the Premises, the Building, or the Property. Tenant shall not commit or allow to be committed any waste upon the Premises, or any public or private nuisance. Tenant shall not do or permit anything to be done on the Premises, the Building, or the Property which will obstruct or interfere with the rights of other tenants or occupants of the Property, or their employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees, or to injure or annoy such persons.

7. COMPLIANCE WITH LAWS. Tenant shall not cause or permit the Premises to be used in any way which violates any law, ordinance, or governmental regulation or order. Landlord represents to Tenant that as of the Commencement Date, to Landlord's knowledge but without duty of investigation, and with the exception of any Tenant's Work, the Premises comply with all applicable laws, rules, regulations, or orders, including without limitation, the Americans With Disabilities Act, if applicable, and Landlord shall be responsible to promptly cure at its sole cost any noncompliance which existed on the Commencement Date. Tenant shall be responsible for complying with all laws applicable to the Premises as a result of the Permitted Use, and Tenant shall be responsible for making any changes or alterations as may be required by law, rule, regulation, or order for Tenant's Permitted Use at its sole cost and expense. Otherwise, if changes or alterations are required by law, rule, regulation, or order unrelated to the Permitted Use, Landlord shall make changes and alterations at its expense.

8. UTILITIES AND SERVICES. Landlord shall provide the Premises the following services: water and electricity for the Premises seven (7) days per week, twenty-four (24) hours per day, and heating, ventilation and air conditioning from _____ a.m. to _____ p.m. Monday through Friday; _____ a.m. to _____ p.m. on Saturday; and _____ a.m. to _____ p.m. on Sunday, and Landlord shall also provide janitorial service to the Premises and Building five (5) nights each week, exclusive of holidays. Heating, ventilation and air conditioning services will also be provided by Landlord to the Premises during additional hours on reasonable notice to Landlord, at Tenant's sole cost and expense, at an hourly rate reasonably established by Landlord from time to time and payable by Tenant, as and when billed, as Additional Rent. If water and electricity services are not separately metered to the Premises, Tenant shall pay its proportionate share of all charges for any utilities that are jointly metered based on the ratio which the rentable square feet of the Premises bears to the total rentable square feet served by the joint meters. Notwithstanding the foregoing, if Tenant's use of the Premises incurs utility charges which are above those usual and customary for the Permitted Use, Landlord reserves the right to require Tenant to pay a reasonable additional charge for such usage.

Tenant shall furnish all other utilities (including, but not limited to, telephone, Internet, and cable service if available) and other services which Tenant requires with respect to the Premises, and shall pay, at Tenant's sole expense, the cost of all utilities separately metered to the Premises and of all other utilities and other services which Tenant requires with respect to the Premises, except those to be provided by Landlord as described above. Landlord shall not be liable for any loss, injury or damage to person or property caused by or resulting from any variation, interruption, or failure of utilities due to any cause whatsoever, and Rent shall not abate as a result thereof.

9. TAXES. Tenant shall pay all taxes, assessments, liens and license fees ("Taxes") levied, assessed or imposed by any authority having the direct or indirect power to tax or assess any such liens, related to or required by Tenant's use of the Premises as well as all Taxes on Tenant's personal property located on the Premises. Landlord shall pay all Taxes with respect to the Building and the Property, including any Taxes resulting from a reassessment of the Building or the Property due to a change of ownership or otherwise.

LEASE AGREEMENT
(Multi-Tenant Gross Lease)

10. COMMON AREAS.

a. Definition. The term "Common Areas" means all areas, facilities and building systems that are provided and designated from time to time by Landlord for the general, non-exclusive use and convenience of Tenant with other tenants and which are not leased or held for the exclusive use of a particular tenant. To the extent that such areas and facilities exist within the Property, Common Areas include hallways, entryways, stairs, elevators, driveways, walkways, terraces, docks, loading areas, restrooms, trash facilities, parking areas and garages, roadways, pedestrian sidewalks, landscaped areas, security areas, lobby or mall areas, common heating, ventilating and air conditioning systems, common electrical service, equipment and facilities, and common mechanical systems, equipment and facilities. Tenant shall comply with reasonable rules and regulations concerning the use of the Common Areas adopted by Landlord from time to time. Without advance notice to Tenant and without any liability to Tenant, Landlord may change the size, use, or nature of any Common Areas, erect improvements on the Common Areas or convert any portion of the Common Areas to the exclusive use of Landlord or selected tenants, so long as Tenant is not thereby deprived of the substantial benefit of the Premises. Landlord reserves the use of exterior walls and the roof, and the right to install, maintain, use, repair and replace pipes, ducts, conduits, and wires leading through the Premises in areas which will not materially interfere with Tenant's use thereof.

b. Use of the Common Areas. Tenant shall have the non-exclusive right, in common with such other tenants to whom Landlord has granted or may grant such rights, to use the Common Areas. Tenant shall abide by rules and regulations adopted by Landlord from time to time and shall use its best efforts to cause its employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees, to comply with those rules and regulations, and not interfere with the use of Common Areas by others.

c. Maintenance of Common Areas. Landlord shall maintain the Common Areas in good order, condition and repair. In performing such maintenance, Landlord shall use reasonable efforts to minimize interference with Tenant's use and enjoyment of the Premises.

11. ALTERATIONS. Tenant may make alterations, additions or improvements to the Premises, including any Tenant Work identified on attached Exhibit C (the "Alterations"), only with the prior written consent of Landlord, which, with respect to Alterations not affecting the structural components of the Premises or utility systems therein, shall not be unreasonably withheld, conditioned, or delayed. Landlord shall have thirty (30) days in which to respond to Tenant's request for any Alterations so long as such request includes the names of Tenant's contractors and reasonably detailed plans and specifications therefor. The term "Alterations" shall not include the installation of shelves, movable partitions, Tenant's equipment, and trade fixtures that may be performed without damaging existing improvements or the structural integrity of the Premises, the Building, or the Property, and Landlord's consent shall not be required for Tenant's installation or removal of those items. Tenant shall perform all work at Tenant's expense and in compliance with all applicable laws and shall complete all Alterations in accordance with plans and specifications approved by Landlord, using contractors approved by Landlord, and in a manner so as to not unreasonably interfere with other tenants. Tenant shall pay, when due, or furnish a bond for payment (as set forth in Section 19) all claims for labor or materials furnished to or for Tenant at or for use in the Premises, which claims are or may be secured by any mechanics' or materialmen's liens against the Premises or the Property or any interest therein. Tenant shall remove all Alterations at the end of the Lease term unless Landlord conditioned its consent upon Tenant leaving a specified Alteration at the Premises, in which case Tenant shall not remove such Alteration, and it shall become Landlord's property. Tenant shall immediately repair any damage to the Premises caused by removal of Alterations.

LEASE AGREEMENT
(Multi-Tenant Gross Lease)

12. REPAIRS AND MAINTENANCE; SURRENDER. Tenant shall, at its sole expense, maintain the Premises in good condition and promptly make all non-structural repairs and replacements necessary to keep the Premises safe and in good condition, including all HVAC components and other utilities and systems to the extent exclusively serving the Premises. Landlord shall maintain and repair the Building structure, foundation, subfloor, exterior walls, roof structure and surface, and HVAC components and other utilities and systems serving more than just the Premises, and the Common Areas. Tenant shall not damage any demising wall or disturb the structural integrity of the Premises, the Building, or the Property and shall promptly repair any damage or injury done to any such demising walls or structural elements caused by Tenant or its employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees. Notwithstanding anything in this Section to the contrary, Tenant shall not be responsible for any repairs to the Premises made necessary by the negligence or willful misconduct of Landlord or its employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees therein. If Tenant fails to perform Tenant's obligations under this Section, Landlord may at Landlord's option enter upon the Premises after ten (10) days' prior notice to Tenant and put the same in good order, condition and repair and the cost thereof together with interest thereon at the default rate set forth in Section 4 shall be due and payable as Additional Rent to Landlord together with Tenant's next installment of Base Rent. Upon expiration of the Lease term, whether by lapse of time or otherwise, Tenant shall promptly and peacefully surrender the Premises, together with all keys, to Landlord in as good condition as when received by Tenant from Landlord or as thereafter improved, reasonable wear and tear and insured casualty excepted.

13. ACCESS AND RIGHT OF ENTRY. After twenty-four (24) hours' notice from Landlord (except in cases of emergency, when no notice shall be required), Tenant shall permit Landlord and its agents, employees and contractors to enter the Premises at all reasonable times to make repairs, inspections, alterations or improvements, provided that Landlord shall use reasonable efforts to minimize interference with Tenant's use and enjoyment of the Premises. This Section shall not impose any repair or other obligation upon Landlord not expressly stated elsewhere in this Lease. After reasonable notice to Tenant, Landlord shall have the right to enter the Premises for the purpose of (a) showing the Premises to prospective purchasers or lenders at any time, and to prospective tenants within one hundred eighty (180) days prior to the expiration or sooner termination of the Lease term, and (b) posting "for lease" signs within one hundred eighty (180) days prior to the expiration or sooner termination of the Lease term.

14. SIGNAGE. Tenant shall obtain Landlord's written consent as to size, location, materials, method of attachment, and appearance, before installing any signs upon the Premises. Tenant shall install any approved signage at Tenant's sole expense and in compliance with all applicable laws. Tenant shall not damage or deface the Premises in installing or removing signage and shall repair any injury or damage to the Premises caused by such installation or removal.

15. DESTRUCTION OR CONDEMNATION.

a. Damage and Repair. If the Premises or the portion of the Building or the Property necessary for Tenant's occupancy are partially damaged but not rendered untenable, by fire or other insured casualty, then Landlord shall diligently restore the Premises and the portion of the Property necessary for Tenant's occupancy to the extent required below and this Lease shall not terminate. Tenant may, however, terminate the Lease if Landlord is unable to restore the Premises within six (6) months of the casualty event by giving twenty (20) days notice of termination.

The Premises or the portion of the Building or the Property necessary for Tenant's occupancy shall not be deemed untenable if twenty-five percent (25%) or less of each of those areas are damaged. If insurance proceeds are not available or are not sufficient to pay the entire cost of restoring the Premises, or if Landlord's

LEASE AGREEMENT
(Multi-Tenant Gross Lease)

lender does not permit all or any part of the insurance proceeds to be applied toward restoration, then Landlord may elect to terminate this Lease and keep the insurance proceeds, by notifying Tenant within sixty (60) days of the date of such casualty.

If the Premises, the portion of the Building or the Property necessary for Tenant's occupancy, or fifty percent (50%) or more of the rentable area of the Property are entirely destroyed, or partially damaged and rendered untenantable, by fire or other casualty, Landlord may, at its option: (a) terminate this Lease as provided herein, or (b) restore the Premises and the portion of the Property necessary for Tenant's occupancy to their previous condition to the extent required below; provided, however, if such casualty event occurs during the last six (6) months of the Lease term (after considering any option to extend the term timely exercised by Tenant) then either Tenant or Landlord may elect to terminate the Lease. If, within sixty (60) days after receipt by Landlord from Tenant of notice that Tenant deems the Premises or the portion of the Property necessary for Tenant's occupancy untenantable, Landlord fails to notify Tenant of its election to restore those areas, or if Landlord is unable to restore those areas within six (6) months of the date of the casualty event, then Tenant may elect to terminate the Lease upon twenty (20) days' notice to Landlord unless Landlord, within such twenty (20) day period, notifies Tenant that it will in fact restore the Premises or actually completes such restoration work to the extent required below, as applicable.

If Landlord restores the Premises or the Property under this Section, Landlord shall proceed with reasonable diligence to complete the work, and the base monthly rent shall be abated in the same proportion as the untenantable portion of the Premises bears to the whole Premises, provided that there shall be a Rent abatement only if the damage or destruction of the Premises or the Property did not result from, or was not contributed to directly or indirectly by the act, fault or neglect of Tenant, or Tenant's employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees. No damages, compensation or claim shall be payable by Landlord for inconvenience, loss of business or annoyance directly, incidentally or consequentially arising from any repair or restoration of any portion of the Premises or the Property. Landlord shall have no obligation to carry insurance of any kind for the protection of Tenant; any alterations or improvements paid for by Tenant; any Tenant Work identified in Exhibit C (regardless of who may have completed them); Tenant's furniture; or on any fixtures, equipment, improvements or appurtenances of Tenant under this Lease, and Landlord's restoration obligations hereunder shall not include any obligation to repair any damage thereto or replace the same.

b. Condemnation. If the Premises, the portion of the Building or the Property necessary for Tenant's occupancy, or 50% or more of the rentable area of the Property are made untenantable by eminent domain, or conveyed under a threat of condemnation, this Lease shall terminate at the option of either Landlord or Tenant as of the earlier of the date title vests in the condemning authority or the condemning authority first has possession of the Premises or the portion of the Property taken by the condemning authority. All Rents and other payments shall be paid to that date.

If the condemning authority takes a portion of the Premises or of the Building or the Property necessary for Tenant's occupancy that does not render them untenantable, then this Lease shall continue in full force and effect and the base monthly rent shall be equitably reduced based on the proportion by which the floor area of any structures is reduced. The reduction in Rent shall be effective on the earlier of the date the condemning authority first has possession of such portion or title vests in the condemning authority. The Premises or the portion of the Building or the Property necessary for Tenant's occupancy shall not be deemed untenantable if twenty-five percent (25%) or less of each of those areas are condemned. Landlord shall be entitled to the entire award from the condemning authority attributable to the value of the Premises or the Building or the Property and Tenant shall make no claim for the value of its leasehold. Tenant shall be permitted to make a

LEASE AGREEMENT
(Multi-Tenant Gross Lease)

separate claim against the condemning authority for moving expenses if Tenant may terminate the Lease under this Section, provided that in no event shall Tenant's claim reduce Landlord's award.

16. INSURANCE.

a. Tenant's Liability Insurance. During the Lease term, Tenant shall pay for and maintain commercial general liability insurance with broad form property damage and contractual liability endorsements. This policy shall name Landlord, its property manager (if any), and other parties designated by Landlord as additional insureds using an endorsement form acceptable to Landlord, and shall insure Tenant's activities and those of Tenant's employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees with respect to the Premises against loss, damage or liability for personal injury or bodily injury (including death) or loss or damage to property with a combined single limit of not less than \$2,000,000, and a deductible of not more than \$10,000. Tenant's insurance will be primary and noncontributory with any liability insurance carried by Landlord. Landlord may also require Tenant to obtain and maintain business income coverage for at least six (6) months, business auto liability coverage, and, if applicable to Tenant's Permitted use, liquor liability insurance and/or warehouseman's coverage.

b. Tenant's Property Insurance. During the Lease term, Tenant shall pay for and maintain special form causes of loss coverage property insurance (with coverage for earthquake if required by Landlord's lender and, if the Premises are situated in a flood plain, flood damage) for all of Tenant's personal property, fixtures and equipment in the amount of their full replacement value, with a deductible of not more than \$10,000.

c. Miscellaneous. Tenant's insurance required under this Section shall be with companies rated A-/VII or better in Best's Insurance Guide, and which are admitted in the state in which the Premises are located. No insurance policy shall be cancelled or reduced in coverage and each such policy shall provide that it is not subject to cancellation or a reduction in coverage except after thirty (30) days prior notice to Landlord. Tenant shall deliver to Landlord upon commencement of the Lease and from time to time thereafter, copies of the insurance policies or evidence of insurance and copies of endorsements required by this Section. In no event shall the limits of such policies be considered as limiting the liability of Tenant under this Lease. If Tenant fails to acquire or maintain any insurance or provide any policy or evidence of insurance required by this Section and such failure continues for three (3) days after notice from Landlord, Landlord may, but shall not be required to, obtain such insurance for Landlord's benefit and Tenant shall reimburse Landlord for the costs of such insurance upon demand. Such amounts shall be Additional Rent payable by Tenant hereunder and in the event of non-payment thereof, Landlord shall have the same rights and remedies with respect to such non-payment as it has with respect to any other non-payment of Rent hereunder.

d. Landlord's Insurance. Landlord shall carry special form causes of loss coverage property insurance of the Building shell and core in the amount of their full replacement value, and such other insurance of such types and amounts as Landlord, in its discretion, shall deem reasonably appropriate.

e. Waiver of Subrogation. Landlord and Tenant hereby release each other and any other tenant, their agents or employees, from responsibility for, and waive their entire claim of recovery for any loss or damage arising from any cause covered by property insurance required to be carried or otherwise carried by each of them. Each party shall provide notice to the property insurance carrier or carriers of this mutual waiver of subrogation, and shall cause its respective property insurance carriers to waive all rights of subrogation against the other. This waiver shall not apply to the extent of the deductible amounts to any such property policies or to the extent of liabilities exceeding the limits of such policies.

LEASE AGREEMENT
(Multi-Tenant Gross Lease)

17. INDEMNIFICATION.

a. Indemnification by Tenant. Tenant shall defend, indemnify, and hold Landlord harmless against all liabilities, damages, costs, and expenses, including attorneys' fees, for personal injury, bodily injury (including death) or property damage arising from any negligent or wrongful act or omission of Tenant or Tenant's employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees on or around the Premises or the Property, or arising from any breach of this Lease by Tenant. Tenant shall use legal counsel reasonably acceptable to Landlord in defense of any action within Tenant's defense obligation.

b. Indemnification by Landlord. Landlord shall defend, indemnify and hold Tenant harmless against all liabilities, damages, costs, and expenses, including attorneys' fees, for personal injury, bodily injury (including death) or property damage arising from any negligent or wrongful act or omission of Landlord or Landlord's employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees on or around the Premises or the Property, or arising from any breach of this Lease by Landlord. Landlord shall use legal counsel reasonably acceptable to Tenant in defense of any action within Landlord's defense obligation.

c. Waiver of Immunity. Landlord and Tenant each specifically and expressly waive any immunity that each may be granted under the Washington State Industrial Insurance Act, Title 51 RCW. Neither party's indemnity obligations under this Lease shall be limited by any limitation on the amount or type of damages, compensation, or benefits payable to or for any third party under the Worker Compensation Acts, Disability Benefit Acts or other employee benefit acts.

d. Exemption of Landlord from Liability. Except to the extent of claims arising out of Landlord's gross negligence or intentional misconduct, Landlord shall not be liable for injury to Tenant's business or assets or any loss of income therefrom or for damage to any property of Tenant or of its employees, officers, agents, servants, contractors, customers, clients, visitors, guests, other licensees or invitees, or any other person in or about the Premises or the Property.

e. Survival. The provisions of this Section shall survive expiration or termination of this Lease.

18. ASSIGNMENT AND SUBLETTING. Tenant shall not assign, sublet, mortgage, encumber or otherwise transfer any interest in this Lease (collectively referred to as a "Transfer") or any part of the Premises, without first obtaining Landlord's written consent, which shall not be unreasonably withheld, conditioned, or delayed. No Transfer shall relieve Tenant of any liability under this Lease notwithstanding Landlord's consent to such Transfer. Consent to any Transfer shall not operate as a waiver of the necessity for Landlord's consent to any subsequent Transfer. In connection with each request for consent to a Transfer, Tenant shall pay the reasonable cost of processing same, including attorneys fees, upon demand of Landlord, up to a maximum of \$1,250.

If Tenant is a partnership, limited liability company, corporation, or other entity, any transfer of this Lease by merger, consolidation, redemption or liquidation, or any change in the ownership of, or power to vote, which singularly or collectively represents a majority of the beneficial interest in Tenant, shall constitute a Transfer under this Section.

As a condition to Landlord's approval, if given, any potential assignee or sublessee otherwise approved by Landlord shall assume all obligations of Tenant under this Lease and shall be jointly and severally liable with Tenant and any guarantor, if required, for the payment of Rent and performance of all terms of this Lease. In connection with any Transfer, Tenant shall provide Landlord with copies of all assignments, subleases and assumption agreement and documents.

LEASE AGREEMENT
(Multi-Tenant Gross Lease)

19. LIENS. Tenant shall not subject the Landlord's assets to any liens or claims of lien. Tenant shall keep the Premises free from any liens created by or through Tenant. Tenant shall indemnify and hold Landlord harmless from liability for any such liens including, without limitation, liens arising from any Alterations. If a lien is filed against the Premises by any person claiming by, through or under Tenant, Tenant shall, within ten (10) days after Landlord's demand, at Tenant's expense, either remove the lien or furnish to Landlord a bond in form and amount and issued by a surety satisfactory to Landlord, indemnifying Landlord and the Premises against all liabilities, costs and expenses, including attorneys' fees, which Landlord could reasonably incur as a result of such lien(s).

20. DEFAULT. The following occurrences shall each constitute a default by Tenant (an "Event of Default"):

- a. Failure To Pay.** Failure by Tenant to pay any sum, including Rent, due under this Lease following five (5) days' notice from Landlord of the failure to pay.
- b. Vacation/Abandonment.** Vacation by Tenant of the Premises (defined as an absence for at least fifteen (15) consecutive days without prior notice to Landlord), or abandonment by Tenant of the Premises (defined as an absence of five (5) days or more while Tenant is in breach of some other term of this Lease). Tenant's vacation or abandonment of the Premises shall not be subject to any notice or right to cure.
- c. Insolvency.** Tenant's insolvency or bankruptcy (whether voluntary or involuntary); or appointment of a receiver, assignee or other liquidating officer for Tenant's business; provided, however, that in the event of any involuntary bankruptcy or other insolvency proceeding, the existence of such proceeding shall constitute an Event of Default only if such proceeding is not dismissed or vacated within sixty (60) days after its institution or commencement.
- d. Levy or Execution.** The taking of Tenant's interest in this Lease or the Premises, or any part thereof, by execution or other process of law directed against Tenant, or is taken upon or subjected to any attachment by any creditor of Tenant, if such attachment is not discharged within fifteen (15) days after being levied.
- e. Other Non-Monetary Defaults.** Breaching by Tenant of any agreement, term or covenant of this Lease other than one requiring the payment of money and not otherwise enumerated in this Section or elsewhere in this Lease, which breach continues for a period of thirty (30) days after notice by Landlord to Tenant of the breach.
- f. Failure to Take Possession.** Failure by Tenant to take possession of the Premises on the Commencement Date or failure by Tenant to commence any Tenant Improvement in a timely fashion.

Landlord shall not be in default unless Landlord fails to perform obligations required of Landlord within a reasonable time, but in no event less than thirty (30) days after notice by Tenant to Landlord. If Landlord fails to cure any such default within the allotted time, Tenant's sole remedy shall be to seek actual money damages (but not consequential or punitive damages) for loss arising from Landlord's failure to discharge its obligations under this Lease. Nothing herein contained shall relieve Landlord from its duty to perform of any of its obligations to the standard prescribed in this Lease.

Any notice periods granted herein shall be deemed to run concurrently with and not in addition to any default notice periods required by law.

21. REMEDIES. Landlord shall have the following remedies upon an Event of Default. Landlord's rights and remedies under this Lease shall be cumulative, and none shall exclude any other right or remedy allowed by law.

LEASE AGREEMENT
(Multi-Tenant Gross Lease)

a. Termination of Lease. Landlord may terminate Tenant's interest under the Lease, but no act by Landlord other than notice of termination from Landlord to Tenant shall terminate this Lease. The Lease shall terminate on the date specified in the notice of termination. Upon termination of this Lease, Tenant will remain liable to Landlord for damages in an amount equal to the rent and other sums that would have been owing by Tenant under this Lease for the balance of the Lease term, less the net proceeds, if any, of any re-letting of the Premises by Landlord subsequent to the termination, after deducting all of Landlord's Reletting Expenses (as defined below). Landlord shall be entitled to either collect damages from Tenant monthly on the days on which rent or other amounts would have been payable under the Lease, or alternatively, Landlord may accelerate Tenant's obligations under the Lease and recover from Tenant: (i) unpaid rent which had been earned at the time of termination; (ii) the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of rent loss that Tenant proves could reasonably have been avoided; (iii) the amount by which the unpaid rent for the balance of the term of the Lease after the time of award exceeds the amount of rent loss that Tenant proves could reasonably be avoided (discounting such amount by the discount rate of the Federal Reserve Bank of San Francisco at the time of the award, plus 1%); and (iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under the Lease, or which in the ordinary course would be likely to result from the Event of Default, including without limitation Reletting Expenses described below.

b. Re-Entry and Reletting. Landlord may continue this Lease in full force and effect, and without demand or notice, re-enter and take possession of the Premises or any part thereof, expel the Tenant from the Premises and anyone claiming through or under the Tenant, and remove the personal property of either. Landlord may relet the Premises, or any part of them, in Landlord's or Tenant's name for the account of Tenant, for such period of time and at such other terms and conditions, as Landlord, in its discretion, may determine. Landlord may collect and receive the rents for the Premises. To the fullest extent permitted by law, the proceeds of any reletting shall be applied: first, to pay Landlord all Reletting Expenses (defined below); second, to pay any indebtedness of Tenant to Landlord other than rent; third, to the rent due and unpaid hereunder; and fourth, the residue, if any, shall be held by Landlord and applied in payment of other or future obligations of Tenant to Landlord as the same may become due and payable, and Tenant shall not be entitled to receive any portion of such revenue. Re-entry or taking possession of the Premises by Landlord under this Section shall not be construed as an election on Landlord's part to terminate this Lease, unless a notice of termination is given to Tenant. Landlord reserves the right following any re-entry or reletting, or both, under this Section to exercise its right to terminate the Lease. Tenant will pay Landlord the rent and other sums which would be payable under this Lease if repossession had not occurred, less the net proceeds, if any, after reletting the Premises and after deducting Landlord's Reletting Expenses. "Reletting Expenses" are defined to include all expenses incurred by Landlord in connection with reletting the Premises, including without limitation, all repossession costs, brokerage commissions and costs of securing new tenants, attorneys' fees, remodeling and repair costs, costs for removing persons or property, costs for storing Tenant's property and equipment, and costs of tenant improvements and rent concessions granted by Landlord to any new Tenant, prorated over the life of the new lease.

c. Waiver of Redemption Rights. Tenant, for itself, and on behalf of any and all persons claiming through or under Tenant, including creditors of all kinds, hereby waives and surrenders all rights and privileges which they may have under any present or future law, to redeem the Premises or to have a continuance of this Lease for the Lease term or any extension thereof.

d. Nonpayment of Additional Rent. All costs which Tenant is obligated to pay to Landlord pursuant to this Lease shall in the event of nonpayment be treated as if they were payments of Rent, and Landlord shall have the same rights it has with respect to nonpayment of Rent.

LEASE AGREEMENT
(Multi-Tenant Gross Lease)

e. Failure to Remove Property. If Tenant fails to remove any of its property from the Premises at Landlord's request following an uncured Event of Default, Landlord may, at its option, remove and store the property at Tenant's expense and risk. If Tenant does not pay the storage cost within five (5) days of Landlord's request, Landlord may, at its option, have any or all of such property sold at public or private sale (and Landlord may become a purchaser at such sale), in such manner as Landlord deems proper, without notice to Tenant. Landlord shall apply the proceeds of such sale: (i) to the expense of such sale, including reasonable attorneys' fees actually incurred; (ii) to the payment of the costs or charges for storing such property; (iii) to the payment of any other sums of money which may then be or thereafter become due Landlord from Tenant under any of the terms hereof; and (iv) the balance, if any, to Tenant. Nothing in this Section shall limit Landlord's right to sell Tenant's personal property as permitted by law or to foreclose Landlord's lien for unpaid rent.

22. MORTGAGE SUBORDINATION AND ATTORNMENT. This Lease shall automatically be subordinate to any mortgage or deed of trust created by Landlord which is now existing or hereafter placed upon the Premises including any advances, interest, modifications, renewals, replacements or extensions ("Landlord's Mortgage"). Tenant shall attorn to the holder of any Landlord's Mortgage or any party acquiring the Premises at any sale or other proceeding under any Landlord's Mortgage provided the acquiring party assumes the obligations of Landlord under this Lease. Tenant shall promptly and in no event later than fifteen (15) days after request, execute, acknowledge and deliver documents which the holder of any Landlord's Mortgage may reasonably require as further evidence of this subordination and attornment. Notwithstanding the foregoing, Tenant's obligations under this Section to subordinate in the future are conditioned on the holder of each Landlord's Mortgage and each party acquiring the Premises at any sale or other proceeding under any such Landlord's Mortgage not disturbing Tenant's occupancy and other rights under this Lease, so long as no uncured Event of Default by Tenant exists.

23. NON-WAIVER. Landlord's waiver of any breach of any provision contained in this Lease shall not be deemed to be a waiver of the same provision for subsequent acts of Tenant. The acceptance by Landlord of Rent or other amounts due by Tenant hereunder shall not be deemed to be a waiver of any previous breach by Tenant.

24. HOLDOVER. If Tenant shall, without the written consent of Landlord, remain in possession of the Premises and fail to return the Premises to Landlord after the expiration or termination of this Lease, the tenancy shall be a holdover tenancy and shall be on a month-to-month basis, which may be terminated according to Washington law. During such tenancy, Tenant agrees to pay to Landlord 150% of the rate of rental last payable under this Lease, unless a different rate is agreed upon by Landlord. All other terms of the Lease shall remain in effect. Tenant acknowledges and agrees that this Section does not grant any right to Tenant to holdover, and that Tenant may also be liable to Landlord for any and all damages or expenses which Landlord may have to incur as a result of Tenant's holdover.

25. NOTICES. All notices under this Lease shall be in writing and effective (i) when delivered in person or via overnight courier to the other party, (ii) three (3) days after being sent by registered or certified mail to the other party at the address set forth in Section 1; or (iii) upon confirmed transmission by facsimile to the other party at the facsimile numbers set forth in Section 1. The addresses for notices and payment of rent set forth in Section 1 may be modified by either party only by notice delivered in conformance with this Section.

26. COSTS AND ATTORNEYS' FEES. If Tenant or Landlord engage the services of an attorney to collect monies due or to bring any action for any relief against the other, declaratory or otherwise, arising out of this Lease, including any suit by Landlord for the recovery of Rent or other payments or possession of the Premises, the losing party shall pay the prevailing party a reasonable sum for attorneys' fees in such action, whether in mediation or arbitration, at trial, on appeal, or in any bankruptcy proceeding.

LEASE AGREEMENT
(Multi-Tenant Gross Lease)

27. ESTOPPEL CERTIFICATES. Tenant shall, from time to time, upon written request of Landlord, execute, acknowledge and deliver to Landlord or its designee a written statement specifying the following, subject to any modifications necessary to make such statements true and complete: (i) the total rentable square footage of the Premises; (ii) the date the Lease term commenced and the date it expires; (iii) the amount of minimum monthly Rent and the date to which such Rent has been paid; (iv) that this Lease is in full force and effect and has not been assigned, modified, supplemented or amended in any way; (v) that this Lease represents the entire agreement between the parties; (vi) that all obligations under this Lease to be performed by either party have been satisfied; (vii) that there are no existing claims, defenses or offsets which the Tenant has against the enforcement of this Lease by Landlord; (viii) the amount of Rent, if any, that Tenant paid in advance; (ix) the amount of security that Tenant deposited with Landlord; (x) if Tenant has sublet all or a portion of the Premises or assigned its interest in the Lease and to whom; (xi) if Tenant has any option to extend the Lease or option to purchase the Premises; and (xii) such other factual matters concerning the Lease or the Premises as Landlord may reasonably request. Tenant acknowledges and agrees that any statement delivered pursuant to this Section may be relied upon by a prospective purchaser of Landlord's interest or assignee of any mortgage or new mortgagee of Landlord's interest in the Premises. If Tenant shall fail to respond within ten (10) days to Landlord's request for the statement required by this Section, Landlord may provide the statement and Tenant shall be deemed to have admitted the accuracy of the information provided by Landlord.

28. TRANSFER OF LANDLORD'S INTEREST. This Lease shall be assignable by Landlord without the consent of Tenant. In the event of any transfer or transfers of Landlord's interest in the Premises, other than a transfer for security purposes only, upon the assumption of this Lease by the transferee, Landlord shall be automatically relieved of obligations and liabilities accruing from and after the date of such transfer, including any liability for any retained security deposit or prepaid rent, for which the transferee shall be liable, and Tenant shall attorn to the transferee.

29. LANDLORD'S LIABILITY. Anything in this Lease to the contrary notwithstanding, covenants, undertakings and agreements herein made on the part of Landlord are made and intended not as personal covenants, undertakings and agreements for the purpose of binding Landlord personally or the assets of Landlord, but are made and intended for the purpose of binding only the Landlord's interest in the Premises, as the same may from time to time be encumbered. In no event shall Landlord or its partners, shareholders, or members, as the case may be, ever be personally liable hereunder.

30. RIGHT TO PERFORM. If Tenant shall fail to timely pay any sum or perform any other act on its part to be performed hereunder, Landlord may make any such payment or perform any act on Tenant's behalf. Tenant shall, within ten (10) days of demand, reimburse Landlord for its expenses incurred in making such payment or performance. Landlord shall (in addition to any other right or remedy of Landlord provided by law) have the same rights and remedies in the event of the nonpayment of sums due under this Section as in the case of default by Tenant in the payment of Rent.

31. HAZARDOUS MATERIAL. As used herein, the term "Hazardous Material" means any hazardous, dangerous, toxic or harmful substance, material or waste including biomedical waste which is or becomes regulated by any local governmental authority, the State of Washington or the United States Government, due to its potential harm to the health, safety or welfare of humans or the environment. Landlord represents and warrants to Tenant that, to Landlord's knowledge without duty of investigation, there is no Hazardous Material on, in, or under the Premises as of the Commencement Date except as may otherwise have been disclosed to Tenant in writing before the execution of this Lease. If there is any Hazardous Material on, in, or under the Premises as of the Commencement Date which has been or thereafter becomes unlawfully released through no fault of Tenant, then Landlord shall indemnify, defend and hold Tenant harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses including without limitation sums paid in settlement of claims, attorneys' fees, consultant fees and expert fees, incurred or suffered by Tenant either during or after the Lease term as the result of such contamination.

LEASE AGREEMENT
(Multi-Tenant Gross Lease)

Tenant shall not cause or permit any Hazardous Material to be brought upon, kept, or used in or about, or disposed of on the Premises or the Property by Tenant, its employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees, except with Landlord's prior consent and then only upon strict compliance with all applicable federal, state and local laws, regulations, codes and ordinances. If Tenant breaches the obligations stated in the preceding sentence, then Tenant shall indemnify, defend and hold Landlord harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses including, without limitation, diminution in the value of the Premises or the Property; damages for the loss or restriction on use of rentable or usable space or of any amenity of the Premises or the Property, or elsewhere; damages arising from any adverse impact on marketing of space at the Premises or the Property; and sums paid in settlement of claims, attorneys' fees, consultant fees and expert fees incurred or suffered by Landlord either during or after the Lease term. These indemnifications by Landlord and Tenant include, without limitation, costs incurred in connection with any investigation of site conditions or any clean-up, remedial, removal or restoration work, whether or not required by any federal, state or local governmental agency or political subdivision, because of Hazardous Material present in the Premises, or in soil or ground water on or under the Premises. Tenant shall immediately notify Landlord of any inquiry, investigation or notice that Tenant may receive from any third party regarding the actual or suspected presence of Hazardous Material on the Premises.

Without limiting the foregoing, if the presence of any Hazardous Material brought upon, kept or used in or about the Premises or the Property by Tenant, its employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees, results in any unlawful release of any Hazardous Material on the Premises or the Property, Tenant shall promptly take all actions, at its sole expense, as are necessary to return the Premises and the Property to the condition existing prior to the release of any such Hazardous Material; provided that Landlord's approval of such actions shall first be obtained, which approval may be withheld at Landlord's sole discretion. The provisions of this Section shall survive expiration or termination of this Lease.

32. QUIET ENJOYMENT. So long as Tenant pays the Rent and performs all of its obligations in this Lease, Tenant's possession of the Premises will not be disturbed by Landlord or anyone claiming by, through or under Landlord.

33. MERGER. The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, shall not work a merger and shall, at the option of Landlord, terminate all or any existing subtenancies or may, at the option of Landlord, operate as an assignment to Landlord of any or all of such subtenancies.

34. GENERAL.

a. Heirs and Assigns. This Lease shall apply to and be binding upon Landlord and Tenant and their respective heirs, ~~executors, administrators, successors and assigns.~~

b. Brokers' Fees. Tenant represents and warrants to Landlord that except for Tenant's Broker, if any, described and disclosed in Section 36 of this Lease), it has not engaged any broker, finder or other person who would be entitled to any commission or fees for the negotiation, execution or delivery of this Lease and shall indemnify and hold harmless Landlord against any loss, cost, liability or expense incurred by Landlord as a result of any claim asserted by any such broker, finder or other person on the basis of any arrangements or agreements made or alleged to have been made by or on behalf of Tenant. Landlord represents and warrants to Tenant that except for Landlord's Broker, if any, described and disclosed in Section 36, it has not engaged any broker, finder or other person who would be entitled to any commission or fees for the negotiation, execution or delivery of this Lease and shall indemnify and hold harmless Tenant against any loss, cost, liability or expense incurred by Tenant as a result of any claim asserted by any such broker, finder or other person on the basis of any arrangements or agreements made or alleged to have been made by or on behalf of Landlord.

LEASE AGREEMENT
(Multi-Tenant Gross Lease)

c. Entire Agreement. This Lease contains all of the covenants and agreements between Landlord and Tenant relating to the Premises. No prior or contemporaneous agreements or understandings pertaining to the Lease shall be valid or of any force or effect and the covenants and agreements of this Lease shall not be altered, modified or amended except in writing, signed by Landlord and Tenant.

d. Severability. Any provision of this Lease which shall prove to be invalid, void or illegal shall in no way affect, impair or invalidate any other provision of this Lease.

e. Force Majeure. Time periods for either party's performance under any provisions of this Lease (excluding payment of Rent) shall be extended for periods of time during which the party's performance is prevented due to circumstances beyond such party's control, including without limitation, fires, floods, earthquakes, lockouts, strikes, embargoes, governmental regulations, acts of God, public enemy, war or other strife.

f. Governing Law. This Lease shall be governed by and construed in accordance with the laws of the State of Washington.

g. Memorandum of Lease. Neither this Lease nor any memorandum or "short form" thereof shall be recorded without Landlord's prior consent.

h. Submission of Lease Form Not an Offer. One party's submission of this Lease to the other for review shall not constitute an offer to lease the Premises. This Lease shall not become effective and binding upon Landlord and Tenant until it has been fully signed by both of them.

i. No Light, Air or View Easement. Tenant has not been granted an easement or other right for light, air or view to or from the Premises. Any diminution or shutting off of light, air or view by any structure which may be erected on or adjacent to the Building shall in no way effect this Lease or the obligations of Tenant hereunder or impose any liability on Landlord.

j. Authority of Parties. Each party signing this Lease represents and warrants to the other that it has the authority to enter into this Lease, that the execution and delivery of this Lease has been duly authorized, and that upon such execution and delivery, this Lease shall be binding upon and enforceable against the party on signing.

k. Time. "Day" as used herein means a calendar day and "business day" means any day on which commercial banks are generally open for business in the state where the Premises are situated. Any period of time which would otherwise end on a non-business day shall be extended to the next following business day. Time is of the essence of this Lease.

35. EXHIBITS AND RIDERS. The following exhibits and riders are made a part of this Lease, and the terms thereof shall control over any inconsistent provision in the sections of this Lease:

Exhibit A Floor Plan/Outline of the Premises
Exhibit B Legal Description of the Property
Exhibit C Tenant Improvement Schedule

CHECK THE BOX FOR ANY OF THE FOLLOWING THAT WILL APPLY. CAPITALIZED TERMS USED IN THE RIDERS SHALL HAVE THE MEANING GIVEN TO THEM IN THE LEASE.

- ☒ Rent Rider
- ☐ Arbitration Rider
- ☐ Letter of Credit Rider
- ☐ Guaranty of Tenant's Lease Obligations Rider
- ☐ Parking Rider
- ☒ Option to Extend Rider
- ☐ Rules and Regulations

LEASE AGREEMENT
(Multi-Tenant Gross Lease)

36. AGENCY DISCLOSURE. At the signing of this Lease, Landlord is represented by

NA

(insert both the name of the Broker and the Firm as licensed) (the "Landlord's Broker"), and Tenant is represented by **NA**

(insert both the name of the Broker and the Firm as licensed) (the "Tenant's Broker").

This Agency Disclosure creates an agency relationship between Landlord, Landlord's Broker (if any such person is disclosed), and any managing brokers who supervise Landlord Broker's performance (collectively the "Supervising Brokers"). In addition, this Agency Disclosure creates an agency relationship between Tenant, Tenant's Broker (if any such person is disclosed), and any managing brokers who supervise Tenant's Broker's performance (also collectively the "Supervising Brokers"). If Tenant's Broker and Landlord's Broker are different real estate licensees affiliated with the same Firm, then both Tenant and Landlord confirm their consent to that Firm and both Tenant's and Landlord's Supervising Brokers acting as dual agents. If Tenant's Broker and Landlord's Broker are the same real estate licensee who represents both parties, then both Landlord and Tenant acknowledge that the Broker, his or her Supervising Brokers, and his or her Firm are acting as dual agents and hereby consent to such dual agency. If Tenant's Broker, Landlord's Broker, their Supervising Brokers, or their Firm are dual agents, Landlord and Tenant consent to Tenant's Broker, Landlord's Broker and their Firm being compensated based on a percentage of the rent or as otherwise disclosed on an attached addendum. Neither Tenant's Broker, Landlord's Broker nor either of their Firms are receiving compensation from more than one party to this transaction unless otherwise disclosed on an attached addendum, in which case Landlord and Tenant consent to such compensation. Landlord and Tenant confirm receipt of the pamphlet entitled "The Law of Real Estate Agency."

37. COMMISSION AGREEMENT. If Landlord has not entered into a listing agreement (or other compensation agreement with Landlord's Broker), Landlord agrees to pay a commission to Landlord's Broker (as identified in the Agency Disclosure paragraph above) as follows:

- ☐ \$ _____
☐ _____% of the gross rent payable pursuant to the Lease
☐ \$ _____ per square foot of the Premises
☐ Other _____

Landlord's Broker ☐ shall ☐ shall not (shall not if not filled in) be entitled to a commission upon the extension by Tenant of the Lease term pursuant to any right reserved to Tenant under the Lease calculated ☐ as provided above or ☐ as follows _____ (if no box is checked, as provided above). Landlord's Broker ☐ shall ☐ shall not (shall not if not filled in) be entitled to a commission upon any expansion of the Premises pursuant to any right reserved to Tenant under the Lease, calculated ☐ as provided above or ☐ as follows _____ (if no box is checked, as provided above).

Any commission shall be earned upon execution of this Lease, and paid one-half upon execution of the Lease and one-half upon occupancy of the Premises by Tenant. Landlord's Broker shall pay to Tenant's Broker (as identified in the Agency Disclosure paragraph above) the amount stated in a separate agreement between them or, if there is no agreement, \$ _____ or _____% (complete only one) of any commission paid to Landlord's Broker, within five (5) days after receipt by Landlord's Broker.

LEASE AGREEMENT
(Multi-Tenant Gross Lease)

If any other lease or sale is entered into between Landlord and Tenant pursuant to a right reserved to Tenant under the Lease, Landlord ☐ shall ☐ shall not (shall not if not filled in) pay an additional commission according to any commission agreement or, in the absence of one, according to the commission schedule of Landlord's Broker in effect as of the execution of this Lease. Landlord's successor shall be obligated to pay any unpaid commissions upon any transfer of this Lease and any such transfer shall not release the transferor from liability to pay such commissions.

38. BROKER PROVISIONS.

LANDLORD'S BROKER, TENANT'S BROKER AND THEIR FIRMS HAVE MADE NO REPRESENTATIONS OR WARRANTIES CONCERNING THE PREMISES, THE MEANING OF THE TERMS AND CONDITIONS OF THIS LEASE, LANDLORD'S OR TENANT'S FINANCIAL STANDING, ZONING, COMPLIANCE OF THE PREMISES WITH APPLICABLE LAWS, SERVICE OR CAPACITY OF UTILITIES, OPERATING COSTS, OR HAZARDOUS MATERIALS. LANDLORD AND TENANT ARE EACH ADVISED TO SEEK INDEPENDENT LEGAL ADVICE ON THESE AND OTHER MATTERS ARISING UNDER THIS LEASE.

IN WITNESS WHEREOF, this Lease has been executed the date and year first above written.

LANDLORD

TENANT

LANDLORD

TENANT

BY

BY

ITS:

ITS:

LEASE AGREEMENT
(Multi-Tenant Gross Lease)

STATE OF WASHINGTON

COUNTY OF _____

ss.

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

Dated this _____ day of _____, _____,

(Signature of Notary)

(Legibly Print or Stamp Name of Notary)

Notary public in and for the state of Washington

Residing at _____

My appointment expires _____

STATE OF WASHINGTON

COUNTY OF _____

ss.

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

Dated this _____ day of _____, _____,

(Signature of Notary)

(Legibly Print or Stamp Name of Notary)

Notary public in and for the state of Washington

Residing at _____

My appointment expires _____

LEASE AGREEMENT
(Multi-Tenant Gross Lease)

STATE OF WASHINGTON

COUNTY OF _____

ss.

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

Dated this _____ day of _____, _____,

(Signature of Notary)

(Legibly Print or Stamp Name of Notary)

Notary public in and for the state of Washington

Residing at _____

My appointment expires _____

STATE OF WASHINGTON

COUNTY OF _____

ss.

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

Dated this _____ day of _____, _____,

(Signature of Notary)

(Legibly Print or Stamp Name of Notary)

Notary public in and for the state of Washington

Residing at _____

My appointment expires _____

Exhibit "B"
209 Lilly

PARCEL A:

THE NORTH HALF OF THAT PART OF THE SOUTHEAST QUARTER OF THE NORTHEAST QUARTER OF SECTION 18, TOWNSHIP 18 NORTH, RANGE 1 WEST, W.M., DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT 663.21 FEET NORTH AND 87.64 FEET WEST OF THE EAST QUARTER CORNER OF SAID SECTION 18; RUNNING THENCE NORTH 1°44' EAST 331.4 FEET, MORE OR LESS, TO THE NORTH LINE OF THE SOUTH THREE QUARTERS OF SAID SOUTHEAST QUARTER OF NORTHEAST QUARTER; THENCE WESTERLY ALONG SAID NORTH LINE 1,000.35 FEET; THENCE SOUTH 0°43' WEST 328.5 FEET, MORE OR LESS, AND SOUTH 89°22' EAST 995.96 FEET, MORE OR LESS, TO THE POINT OF BEGINNING. EXCEPTING THEREFROM THE EAST 350 FEET.

PARCEL B:

AN EASEMENT FOR INGRESS AND EGRESS OVER THE SOUTH 30 FEET OF THE EAST 350 FEET OF THE NORTH HALF OF THAT PART OF THE SOUTHEAST QUARTER OF THE NORTHEAST QUARTER OF SECTION 18, TOWNSHIP 18 NORTH, RANGE 1 WEST, W.M., DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT 663.21 FEET NORTH AND 87.64 FEET WEST OF THE EAST QUARTER CORNER OF SAID SECTION 18; RUNNING THENCE NORTH 1°44' EAST 331.4 FEET, MORE OR LESS, TO THE NORTH LINE OF THE SOUTH THREE QUARTERS OF SAID SOUTHEAST QUARTER OF NORTHEAST QUARTER; RUNNING THENCE WESTERLY ALONG SAID NORTH LINE 1,000.35 FEET; THENCE SOUTH 0°43' WEST 328.5 FEET, MORE OR LESS, AND SOUTH 89°22' EAST 995.96 FEET, MORE OR LESS, TO THE POINT OF BEGINNING.

PARCEL C:

PORTION OF THE SOUTHEAST QUARTER OF THE NORTHEAST QUARTER OF SECTION 18, TOWNSHIP 18 NORTH, RANGE 1 WEST, W.M., DESCRIBED AS FOLLOWS: A 60 FOOT WIDE STRIP OF LAND THE EASTERLY MARGIN OF WHICH IS DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE NORTH LINE OF SAID SOUTHEAST QUARTER OF THE NORTHEAST QUARTER AT THE NORTHWEST CORNER OF A TRACT OF LAND CONVEYED BY JOHN STOLL TO L. ENSIGN AND WIFE BY DEED RECORDED IN VOLUME 177 OF DEEDS AT PAGE 73, SAID POINT BEING 237.4 FEET, MORE OR LESS, EASTERLY OF THE NORTHWEST CORNER OF SAID SOUTHEAST QUARTER OF THE NORTHEAST QUARTER; RUNNING THENCE SOUTH 0°43' WEST TO A POINT ON THE NORTH LINE OF THE SOUTH THREE-QUARTERS OF SAID SOUTHEAST QUARTER OF THE NORTHEAST QUARTER AND THE TRUE POINT OF BEGINNING; THENCE CONTINUING SOUTH 0°43' WEST TO A POINT THAT LIES 966.9 FEET SOUTH 0°43' WEST OF SAID NORTHWEST CORNER OF ENSIGN TRACT AND THE TERMINUS OF THIS MARGIN DESCRIPTION. EXCEPTING THEREFROM ANY PORTION LYING WITHIN COUNTY ROAD KNOWN AS MARY ELDER RD ON THE SOUTH.

IN THURSTON COUNTY, WASHINGTON.

Purpose of Appraisal

The purpose of this appraisal was to estimate the Market Value a buyer would be justified in paying for the subject property, fee simple estate, as of February 5, 2018 and "as proposed" as of February 5, 2019.



LEASE AGREEMENT
(Multi-Tenant Gross Lease)

EXHIBIT C
[Tenant Improvement Schedule]

1. Tenant Improvements to be Completed by Landlord

Landlord will be completing at its sole cost and expense the improvements needed to create a dedicated outpatient endoscopy CN-approved ASC with four (4) procedure rooms and additional space for admit and recovery. See Addendum #1.

2. Tenant Improvements to be Completed by Tenant

Tenant will be providing at its sole cost and expense all furniture and equipment needed for Tenant's intended use of the Premises.

EXHIBIT C

RENT RIDER

This Rent Rider ("Rider") is made part of the Lease Agreement dated _____, (the "Lease") between GA Development LLC ("Landlord") and Gastroenterology Associates LLC ("Tenant") concerning the space commonly known as 209 Lilly Rd NE Suite A, Olympia, WA 98506 (the "Premises"), located at the property commonly known as 209 Lilly Rd NE, Olympia, WA 98506 (the "Property").

- ☒ 1. **BASE MONTHLY RENT SCHEDULE.** Tenant shall pay Landlord base monthly rent during the Lease Term according to the following schedule:

Lease Year (Stated in Years or Months)	Base Monthly Rent Amount
<u>Months 1- 6, 2020</u>	<u>\$ 0</u>
<u>Months 7- 12, 2020</u>	<u>\$ 44,400.00</u>
<u>3% annual increase thereafter</u>	<u>\$</u>
<u></u>	<u>\$</u>
<u></u>	<u>\$</u>
<u></u>	<u>\$</u>
<u></u>	<u>\$</u>
<u></u>	<u>\$</u>
<u></u>	<u>\$</u>
<u></u>	<u>\$</u>

- ☐ 2. **CONSUMER PRICE INDEX ADJUSTMENT ON BASE MONTHLY RENT.** The base monthly rent shall be increased on the first day of the second year of the Lease and on the first day of each year of the Lease thereafter (each, an "Adjustment Date") during the term of this Lease (but not during any extension term(s) unless specifically set forth elsewhere in the Lease or another Rider attached thereto). The increase shall be determined in accordance with the increase in the United States Department of Labor, Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers (all items for the geographical statistical area in which the Premises is located on the basis of 1982-1984 equals 100) (the "Index"). The base monthly rent payable immediately prior to the applicable adjustment date shall be increased by the percentage that the Index published for the date nearest preceding the applicable Adjustment Date has increased over the Index published for the date nearest preceding the first day of the Lease Year from which the adjustment is being measured. Upon the calculation of each increase, Landlord shall notify Tenant of the new base monthly rent payable hereunder. Within twenty (20) days of the date of Landlord's notice, Tenant shall pay to Landlord the amount of any deficiency in Rent paid by Tenant for the period following the subject Adjustment Date, and shall thereafter pay the increased Rent until receiving the next notice of increase from Landlord. If the components of the Index are materially changed after the Commencement Date, or if the Index is discontinued during the Lease term, Landlord shall notify Tenant of a substitute published index which, in Landlord's reasonable discretion, approximates the Index, and shall use the substitute index to make subsequent adjustments in base monthly rent. In no event shall base monthly rent be decreased pursuant to this Rider.

INITIALS: LANDLORD _____ DATE _____ TENANT _____ DATE _____
LANDLORD _____ DATE _____ TENANT _____ DATE _____

OPTION TO EXTEND RIDER

This Option to Extend Rider ("Rider") is made part of the lease agreement dated _____;
(the "Lease") between GA Development LLC ("Landlord") and
Gastroenterology Associates LLC ("Tenant")
concerning the leased space commonly known as 209 Lilly Rd NE Suite A, Olym pia, WA 98506 (the
"Premises"), located at the property commonly known as
209 Lilly Rd NE, Olym pia, WA 98506 (the "Property").

1. **Extension of Lease.** Provided Tenant is not in default of any provision of the Lease at the time that Tenant exercises the right to extend the Lease or at the time the new term begins, Tenant shall have four (4) (zero if not completed) successive options to extend the term of the Lease for five (5) years each. The term of the Lease shall be extended on the same terms, conditions and covenants set forth in the Lease, except that (i) the amount of the Base Rent stated in the Lease shall be adjusted as set forth below (provided, however, that Base Rent shall not be decreased); (ii) there shall be no free or abated rent periods, tenant improvement allowances or other concessions that may have been granted to Tenant at the beginning of the initial term hereof; and (iii) after exercise of Tenant's final extension term option, there shall be no further extension or renewal term options.
2. **Notice.** To extend the Lease, Tenant shall deliver written notice to Landlord not less than one hundred eighty (180) days prior to the expiration of the then-current Lease term. Time is of the essence of this Rider.
3. **Monthly Rent.** Landlord and Tenant shall make a good faith effort to determine and agree on the fair market value of rent for the Premises for the next term of the Lease.
 - a. **Failure to Agree on Rent.** If Landlord and Tenant are unable to agree on the fair market rental value for the Premises within thirty (30) days after Tenant gives notice to extend, they shall then have ten (10) days to select or appoint one real estate appraiser to determine the fair market value of rent for the Premises. All appraisers selected or appointed pursuant to this Rider shall be a Member of the American Institute of Real Estate Appraisers ("M.A.I.") with at least ten (10) years experience appraising commercial properties in the commercial leasing market in which the Premises are located, or equivalent. The appraiser appointed shall determine the fair market rental value for the Premises within twenty (20) days of appointment, which determination shall be final, conclusive, and binding upon both Landlord and Tenant, and Base Rent shall be adjusted accordingly for the new term. The appraiser's fees and expenses shall be shared equally between the parties.
 - b. **Failure to Appoint One Appraiser.** If Landlord and Tenant cannot mutually agree upon an appraiser, then either party may give the other party written notice that it has selected and appointed an M.A.I. appraiser, complete with the name, address, and other identifying information about the appraiser. The party receiving such notice shall then have ten (10) days to select and appoint its own M.A.I. appraiser and respond by giving written notice to the other party, complete with the name, address, and other identifying information about the appraiser. If, however, the responding party fails to select and appoint an appraiser and give notice to the other party within ten (10) days, the determination of the appraiser first appointed shall be final, conclusive and binding upon both parties, and Base Rent shall be adjusted accordingly for the new term. The appraiser's fees and expenses shall be shared equally between the parties.

INITIALS: LANDLORD _____ DATE _____ TENANT _____ DATE _____
LANDLORD _____ DATE _____ TENANT _____ DATE _____

OPTION TO EXTEND RIDER
(Continued)

- c. **Method of Determining Rent.** The appraisers appointed shall proceed to determine fair market rental value within twenty (20) days following their appointment. The conclusion shall be final, conclusive and binding upon both Landlord and Tenant. If the appraisers should fail to agree, but the difference in their conclusions as to fair market rental value is ten percent (10%) or less of the lower of the two appraisals, then the fair market rental value shall be deemed to be the average of the two, and Base Rent shall be adjusted accordingly for the new term. If the two appraisers should fail to agree on the fair market rental value, and the difference between the two appraisals exceeds ten percent (10%) of the lower of the two appraisals, then the two appraisers shall appoint a third M.A.I.-qualified appraiser. If they fail to agree on a third appraiser within ten (10) days after their individual determination of the fair market rental value, either party may apply to the courts for the county in which the Premises are located, requesting the appointment of a third M.A.I.-qualified appraiser. The third appraiser shall promptly determine the fair market rental value of the Premises. The parties shall then take the average of the two appraisals that are closest in value, which shall then constitute the fair market value; shall be final, conclusive and binding upon both parties; and Base Rent shall be adjusted accordingly for the new term. Each party shall pay the fees and expenses for its own appraiser. In the event a third appraiser must be appointed, his or her fees and expenses shall be borne equally by Landlord and Tenant.

INITIALS: LANDLORD _____ DATE _____ TENANT _____ DATE _____
LANDLORD _____ DATE _____ TENANT _____ DATE _____

Thurston County Assessor

Parcel Number: 11818140600

Date: 7/26/2018

Situs Address: 205 LILLY RD NE STE A TO C

Sect/Town/Range: 18 18 1W

Owner: GA DEVELOPMENT LLC
Address: 500 LILLY RD NE STE 204
OLYMPIA, WA 98506Size: 1.33 Acres
UseCode: 65 Service - Professional
TCA Number: 114
Neighborhood: 3MFB
Property Type: MED
Taxable: YES
Active Exemptions: None
School District: NORTH THURSTON S.D. #3Abbreviated Legal: Section 18 Township 18 Range 1W Quarter SE NE
APPRAISAL COMBINATION FOR TAX PURPOSES ONLY
Parcel 1: THE E 350F OF THE N HLF OF THAT PART OF THE
SE QTR OF THE NE QTR DAF: BAAP 663.21 FT N &

Market Values

Tax Year	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Assessment Year	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Market Value Land	\$682,500	\$514,400	\$430,200	\$754,600	\$686,000	\$583,100	\$583,100	\$651,700	\$651,700	\$551,600
Market Value Buildings	\$1,076,600	\$990,200	\$1,280,100	\$1,076,400	\$1,183,100	\$1,084,300	\$1,119,700	\$1,197,000	\$1,240,000	\$1,287,700
Market Value Total	\$1,759,100	\$1,504,600	\$1,710,300	\$1,831,000	\$1,869,100	\$1,667,400	\$1,702,800	\$1,848,700	\$1,891,700	\$1,839,300

Commercial Structures

Building	Year Built	Floor	Square Feet	No. Floors	Total Sq. Ft.	Quality	Condition
MEDICAL-OFC	1970	1	4000	1	4000	AVERAGE	AVERAGE
MEDICAL-OFC	1990	1	2112	1	2112	AVERAGE	AVERAGE
MEDICAL-OFC	1990	1	5104	1	5104	AVERAGE	AVERAGE
					----- 11216		

Detached Structures

Structure	Year Built	Square Feet	Quality	Condition
PVNG-ASPHALT	1990	24075	FAIR	AVERAGE
PVNG-CONCRTE	1990	1100	AVERAGE	AVERAGE

Land Characteristics

Land Flag	4010	Land Influence(s)	FE-FAIR EXPOSURE FA-FAIR ACCESS
Lot Square Footage	57934		
Lot Acreage	1.33		
Effective Frontage	Not Listed		
Effective Depth	Not Listed		
Water Source	Not Listed		
Sewer Source	Not Listed		

Sales

Sale Date:	04/03/2018	05/17/2013	10/31/2008
Price:	\$1,531,250		
Excise:	387004	375390	706978
Sale Type:	STATUTRY WARNTY DEED	QUIT CLAIM DEED	QUIT CLAIM DEED
Recording Number:	4620172	4341507	4045837
Seller:	205 LILLY ROAD ASSOCIATES		
Buyer:	GA DEVELOPMENT LLC	205 LILLY ROAD ASSOCIATES	205 LILLY ROAD ASSOCIATES
Multiple Parcel Sale:	N	N	N
Sale Date:	10/28/2008	10/21/2008	10/21/2008
Price:			
Excise:	706980	706981	706979

Sale Type:	QUIT CLAIM DEED	QUIT CLAIM DEED	QUIT CLAIM DEED
Recording Number:	4045839	4045840	4045838
Seller:			
Buyer:	205 LILLY ROAD ASSOCIATES	205 LILLY ROAD ASSOCIATES	205 LILLY ROAD ASSOCIATES
Multiple Parcel Sale:	N	N	N
Sale Date:	10/17/2008	10/16/2008	
Price:			
Excise:	706982	706977	
Sale Type:	QUIT CLAIM DEED	QUIT CLAIM DEED	
Recording Number:	4045841	4045836	
Seller:			
Buyer:	205 LILLY ROAD ASSOCIATES	205 LILLY ROAD ASSOCIATES	
Multiple Parcel Sale:	N	N	

The Assessor's Office maintains property records on approximately 112,000 parcels in Thurston County for tax purposes. Though records are updated regularly, the accuracy and timeliness of published data cannot be guaranteed. Any person or entity that relies on information obtained from this website does so at his or her own risk. Neither Thurston County nor the Assessor will be held liable for damage or losses caused by use of this information. ***All critical information should be independently verified.***

Office of the Assessor

Steven J. Drew, Assessor

2000 Lakeridge Drive SW - Olympia, WA 98502

Customer Service (360)867-2200 -- Fax (360)867-2201 -- TDD (360)754-2933

When recorded return to:

GA DEVELOPMENT, LLC

Thurston County Treasurer

Real Estate Excise Tax Paid 7898.25

By [Signature] Deputy

THURSTON COUNTY TITLE CO
STATUTORY WARRANTY DEED (40) TH 9254

TH9254

The Grantor, **OLYMPIA MEDICAL PARTNERS LLC, a Washington Limited Liability Company**

for and in consideration of **Ten Dollars and other valuable consideration**

in hand paid, conveys, and warrants to **GA DEVELOPMENT, LLC, a Washington Limited Liability Company**

the following described real estate, situated in the County of Thurston, State of Washington:

SEE ATTACHED EXHIBIT "A"

Abbreviated Legal: **PTN. SE 1/4 NE 1/4 18-18-1W & PTN. PCL. B BLA-SS-5478**

Tax Parcel Numbers(s): **118-18-140700 , 118-18-140901**

SUBJECT TO THOSE EXCEPTIONS AS SHOWN ON EXHIBIT "B" ATTACHED HERETO AND BY THIS REFERENCE MADE A PART HEREOF.

Dated: **April 03, 2018**

OLYMPIA MEDICAL PARTNERS LLC

[Signature]
PATRICK C. RANTS, Member



STATE OF **Washington**

} ss.

COUNTY OF **Thurston**

I certify that I know or have satisfactory evidence that **PATRICK C. RANTS** (is/are) the person(s) who appeared before me, and said person(s) acknowledged that he signed this instrument, on oath stated that he is authorized to execute the instrument and acknowledge it as the **MEMBER** of **OLYMPIA MEDICAL PARTNERS LLC** to be the free and voluntary act of such party(ies) for the uses and purposes mentioned in this instrument.

Dated:

4/6/18



Darla J. Wilkins
Notary Public in and for the State of Washington
Residing at **OLYMPIA**
My appointment expires: **9/15/2019**



EXHIBIT "A"

PARCEL A:

THE NORTH HALF OF THAT PART OF THE SOUTHEAST QUARTER OF THE NORTHEAST QUARTER OF SECTION 18, TOWNSHIP 18 NORTH, RANGE 1 WEST, W.M., DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT 663.21 FEET NORTH AND 87.64 FEET WEST OF THE EAST QUARTER CORNER OF SAID SECTION 18; RUNNING THENCE NORTH 1°44' EAST 331.4 FEET, MORE OR LESS, TO THE NORTH LINE OF THE SOUTH THREE QUARTERS OF SAID SOUTHEAST QUARTER OF NORTHEAST QUARTER; THENCE WESTERLY ALONG SAID NORTH LINE 1,000.35 FEET; THENCE SOUTH 0°43' WEST 328.5 FEET, MORE OR LESS, AND SOUTH 89°22' EAST 995.96 FEET, MORE OR LESS, TO THE POINT OF BEGINNING. EXCEPTING THEREFROM THE EAST 350 FEET.

PARCEL B:

AN EASEMENT FOR INGRESS AND EGRESS OVER THE SOUTH 30 FEET OF THE EAST 350 FEET OF THE NORTH HALF OF THAT PART OF THE SOUTHEAST QUARTER OF THE NORTHEAST QUARTER OF SECTION 18, TOWNSHIP 18 NORTH, RANGE 1 WEST, W.M., DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT 663.21 FEET NORTH AND 87.64 FEET WEST OF THE EAST QUARTER CORNER OF SAID SECTION 18; RUNNING THENCE NORTH 1°44' EAST 331.4 FEET, MORE OR LESS, TO THE NORTH LINE OF THE SOUTH THREE QUARTERS OF SAID SOUTHEAST QUARTER OF NORTHEAST QUARTER; RUNNING THENCE WESTERLY ALONG SAID NORTH LINE 1,000.35 FEET; THENCE SOUTH 0°43' WEST 328.5 FEET, MORE OR LESS, AND SOUTH 89°22' EAST 995.96 FEET, MORE OR LESS, TO THE POINT OF BEGINNING.

PARCEL C:

PORTION OF THE SOUTHEAST QUARTER OF THE NORTHEAST QUARTER OF SECTION 18, TOWNSHIP 18 NORTH, RANGE 1 WEST, W.M., DESCRIBED AS FOLLOWS: A 60 FOOT WIDE STRIP OF LAND THE EASTERLY MARGIN OF WHICH IS DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE NORTH LINE OF SAID SOUTHEAST QUARTER OF THE NORTHEAST QUARTER AT THE NORTHWEST CORNER OF A TRACT OF LAND CONVEYED BY JOHN STOLL TO L. ENSIGN AND WIFE BY DEED RECORDED IN VOLUME 177 OF DEEDS AT PAGE 73, SAID POINT BEING 237.4 FEET, MORE OR LESS, EASTERLY OF THE NORTHWEST CORNER OF SAID SOUTHEAST QUARTER OF THE NORTHEAST QUARTER; RUNNING THENCE SOUTH 0°43' WEST TO A POINT ON THE NORTH LINE OF THE SOUTH THREE-QUARTERS OF SAID SOUTHEAST QUARTER OF THE NORTHEAST QUARTER AND THE TRUE POINT OF BEGINNING; THENCE CONTINUING SOUTH 0°43' WEST TO A POINT THAT LIES 966.9 FEET SOUTH 0°43' WEST OF SAID NORTHWEST CORNER OF ENSIGN TRACT AND THE TERMINUS OF THIS MARGIN DESCRIPTION. EXCEPTING THEREFROM ANY PORTION LYING WITHIN COUNTY ROAD KNOWN AS MARY ELDER RD ON THE SOUTH.

IN THURSTON COUNTY, WASHINGTON.

Exhibit "B"

SUBJECT TO:

1. **LIABILITY FOR FUTURE ASSESSMENTS FOR IMPROVEMENTS LOCATED ON SAID LAND WHICH MAY BE ASSESSED FOR THE YEAR 2017.**
2. **RIGHTS GRANTED THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY IN EASEMENT FOR COMMUNICATION LINES INCLUDING UNDERGROUND CONDUITS, ETC., DATED APRIL 17, 1941 AND RECORDED UNDER FILE NO. 351620.**
3. **TERMS AND CONDITIONS OF EASEMENT AND EASEMENT AGREEMENT GRANTED TO WILLIAM JONES AND RICHARD GILLINGHAM, AS RECORDED JUNE 13, 1968 AND FEBRUARY 10, 1971 UNDER FILE NOS. 783058 AND 836334.**
4. **DECLARATION OF BOUNDARY LINE ADJUSTMENT NO. BLA-SS-5478 AND COVENANTS;**
RECORDED: July 03, 1989
AUDITOR'S FILE NO.: 8907030027
5. **MATTERS DISCLOSED BY SURVEY RECORDED June 20, 2000 UNDER FILE NO. 3299059 WHICH INCLUDE ROCK WALL, LAWN USAGE, AND FENCE.**
6. **EASEMENT AND THE TERMS AND CONDITIONS THEREOF:**
GRANTEE: COMCAST OF WASHINGTON IV, INC.
PURPOSE: TO CONSTRUCT, USE, MAINTAIN, OPERATE, ALTER, ADD TO, REPAIR, REPLACE, RECONSTRUCT, INSPECT AND REMOVE AT ANY TIME AND FROM TIME TO TIME A BROADBAND COMMUNICATIONS SYSTEM
RECORDED: October 12, 2006
AUDITOR'S FILE NO.: 3872134
AREA AFFECTED: SAID PREMISES
7. **POSSIBLE NON-COMPLIANCE WITH OR VIOLATION OF STATE LAW OR ANY LOCAL ORDINANCES OR REGULATIONS RELATING TO SUBDIVISION.**

EXHIBIT B
MEDICAL DIRECTOR SERVICES AGREEMENT

MEDICAL DIRECTOR AGREEMENT

This **MEDICAL DIRECTOR AGREEMENT** ("Agreement") is made and entered into as of the January 1, 2018 ("Effective Date"), by and between **WASHINGTON GASTROENTEROLOGY, PLLC**, a Washington professional limited liability company ("WAGI") and **KATHRYNE WAGNER, M.D.** ("Physician").

I. BACKGROUND

WHEREAS, WAGI is a duly formed professional limited liability company in the state of Washington with the purpose of operating a medical and surgical practice specializing in gastroenterology and associated surgical care, and ancillary services in connection therewith.

WHEREAS, WAGI provides management and staffing services, including services of a Medical Director, for Gastroenterology Associates LLC's ambulatory endoscopy center located at 500 Lilly Road NE, Suite 150, Olympia, Washington (the "Facility").

WHEREAS, WAGI desires to retain Physician to act as the Medical Director of the Facility to provide those administrative and professional services required of a Medical Director.

WHEREAS, WAGI and Physician have mutually determined that by entering into this Agreement, WAGI can promote quality and efficiency.

WHEREAS, Physician is duly licensed and certified to practice medicine in the state of Washington, and desires to offer his or her services to WAGI.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants set forth herein, the parties agree as follows:

II. AGREEMENT

1. SERVICES.

- (a) Medical Director Services. Physician shall act as the Medical Director of Facility ("Medical Director"), and perform such duties set forth in Exhibit A attached hereto (the "Medical Director Services") or as otherwise specified in this Agreement, and Physician hereby accepts such engagement. The Physician shall coordinate his/her activities under this Agreement with Facility's Executive Committee or designee. The Medical Director Services that are provided by the Physician will be limited to those Medical Director Services which are reasonable and necessary for the position of Medical Director which the Parties agree is a legitimate business purpose of Facility. The Physician shall devote ten (10) hours per month to providing the Medical Director Services, not to exceed one hundred twenty (120) hours (ten (10) hours per month) on an annual basis.

- (b) Compliance with Laws and Standards. Physician shall provide the Medical Director Services in a competent and qualified manner in accordance with the applicable standard of care in Facility's community. Physician shall comply with: (i) all federal, state and local laws applicable to the Medical Director Services; (ii) the applicable standards of The Centers for Medicare and Medicaid Services; (iii) the Medical Staff Bylaws and other regulations of Facility; and (iv) the policies and procedures of the Facility.
- (c) Administrative Decisions. Facility acknowledges that all final decisions as to funds, staffing, operations, budgets and other administrative matters at Facility shall be within the sole authority of Facility.
- (d) Medical Records. Physician shall maintain full and complete medical records in a manner consistent with requirements under applicable procedure codes, legal and professional standards and Facility's Medical Staff Bylaws, including but not limited to, proper documentation of all patient visits and appropriate support and explanation for billing and claims to third-party payers, including Medicare, Medicaid and other governmental health care programs.
- (e) Business Associate Agreement. The Parties shall enter into the Business Associate Agreement attached as Exhibit B.

2. COMPENSATION. In consideration for providing the Services, WAGI shall compensate Physician as follows:

- (a) Medical Director Services. In consideration for performance of the Medical Director Services, WAGI shall pay Physician One Hundred and 00/100 Dollars (\$100.00) per hour for Medical Director Services. The parties acknowledge that the rate is intended to reflect fair market value for the Services provided pursuant to this Agreement and does not and shall not be modified to take into account the volume or value of any referrals or business generated.

3. TERM AND TERMINATION.

- (a) Term. This Agreement shall commence as of the Effective Date and shall continue for a period of one (1) year (the "Term") unless sooner terminated as permitted herein. Thereafter, this agreement shall automatically renew for additional one (1) year term(s) ("Renewal Term") unless terminated as hereinafter set forth.
- (b) Termination.
 - (i) *Termination Without Cause.* Either party shall have the right to terminate this Agreement at any time without cause upon thirty (30) days written notice to the other party.
 - (ii) *Termination for Cause.* WAGI shall have the right to terminate this

Agreement immediately in the event of a material breach by Physician. Physician shall have thirty (30) days after receipt of written notice to cure such breach if, in WAGI's sole discretion, cure is possible.

- (c) Effect of Early Termination. In the event this Agreement is terminated prior to the end of the Term, the parties acknowledge and agree that they shall not enter into an arrangement the same as, or substantially similar to, the one described in this Agreement for the remaining portion of the Term.
- (d) Return of Information. Upon termination of this Agreement, for any reason, Physician shall return any and all written information disclosed pursuant to this Agreement.
- (e) Termination by Facility. Facility may terminate this Agreement immediately and without notice upon conduct by Physician that Facility reasonably considers to be unethical, unprofessional, fraudulent, unlawful or adverse to the interest, reputation or business of Facility or to its patients. Further, Facility may terminate this Agreement immediately if Facility, in its sole direction, or federal or state regulatory authorities reasonably determine that the Services provided under this Agreement fail to meet applicable professional standards and principles or are not being provided on a timely basis. Facility may terminate this Agreement immediately if there is a breach of warranty or an event described in Section 5.

4. BILLING. Physician shall not bill for or collect from Facility or WAGI for any fees or charges for services furnished outside the scope of this Agreement.

5. REPRESENTATIONS, WARRANTIES AND DISCLOSURES.

- (a) Physician shall at all times during this Agreement be a qualified, professionally competent, duly licensed physician under the laws of the state of Washington, and have a current DEA registration number. Said license and registration must be clear, having not been suspended, revoked or restricted in any manner. Physician shall submit all necessary credentialing documentation to Facility.
- (b) Physician shall comply with all laws, statutes, ordinances, rules and regulations, whether federal, state, local, and/or Facility, which may from time to time be applicable to Physician's obligations hereunder. Physician shall do nothing that would jeopardize the licensure of Facility, its participation in Medicare, Medicaid, or other reimbursement or payment program, or its accreditation by any state or nationally recognized accrediting organization.
- (c) Physician warrants and represents that all information contained in Physician's resume and any other material required to be provided under this Agreement is true, correct and current. Should Physician become aware of any inaccuracy or misrepresentation in any information provided to Facility under this Agreement, Physician assumes a

continuing duty to disclose such information upon becoming aware of it.

(d) Warranty of Past Events and Disclosure Requirements.

- (i) Physician warrants none of the events listed in this Section have occurred prior to execution of this Agreement, or that if such an event has occurred he has disclosed the facts surrounding that event to Facility in advance of the execution of this Agreement.
- (ii) Physician assumes and represents that he or she is under a continuing duty to immediately notify Facility and WAGI of his or her discovery of a past occurrence of any event listed in this Section.
- (iii) Physician assumes and represents that he or she is under a continuing duty to immediately notify Facility and WAGI upon the occurrence of any event listed in this Section at any time during the term of this Agreement.

- (e) Physician has disclosed and will immediately notify Facility and WAGI in writing the following matters, whether occurring at any time prior to or during the term of this Agreement: (i) the exclusion or suspension of Physician from any federal program; (ii) the imposition of any fines, civil or monetary penalties, administrative sanctions, or other remedies (including, without limitation, any settlements) related to the any alleged violation of any law or regulation related to the provision of medical services or other services hereunder; (iii) entered into a Corporate Integrity Agreement with the federal government; (iv) any malpractice suit, claim (whether or not filed in court), settlement, settlement allocation, judgement, verdict or decree against Physician within the last five (5) years; (v) any disciplinary, peer review or professional review investigation, proceeding or action instituted against Physician by any license board, hospital, medical school health care facility or entity, professional society or association, third party payor, peer review or professional review committee or body, or governmental agency; (vi) any criminal complaint involving moral turpitude, indictment or criminal proceeding involving moral turpitude in which Physician is named as a defendant; (vii) any investigation or proceeding, whether administrative, civil or criminal, relating to an allegation against Physician of filing false health care claims, violating anti-kickback or referral laws, or engaging in other billing improprieties; (viii) any organic or mental illness or condition that impairs or may impair Physician's ability to practice medicine; (ix) any dependency on, habitual use or episodic abuse of, alcohol or controlled substances, or any participation in any alcohol or controlled substance detoxification, treatment, recovery, rehabilitation, counseling, screening or monitoring program; (x) any allegation, or any investigation or proceeding based on any allegation, against Physician, of violating professional ethics or standards, or engaging in illegal, immoral or other misconduct (of any nature or degree), relating to the practice of medicine; and (xi) any denial or withdrawal of

any application in any state for licensure as a physician for medical staff privileges at any hospital or other health care entity, for board certification or re-certification, for participation in any third party payment program, for state or federal controlled substances registration, or for malpractice insurance.

6. INSURANCE.

- (a) Insurance coverage will be provided by Facility for liability arising from Physician's Administrative duties. Facility will ensure adequate professional liability and general liability insurance is provided with companies insuring Facility and Physician for liability arising out of or resulting from alleged negligent acts or omissions in the performance or nonperformance of Director's administrative duties and obligations under the terms of this Agreement. If so requested by the Physician, Facility shall provide Physician with evidence of such coverage.

7. COMPLIANCE WITH LAW. Each party shall comply with all applicable federal, state and local laws in performing its respective obligations under this Agreement.

8. ACCESS TO RECORDS. If applicable, the parties shall comply with the provisions of Section 1861(v)(1)(i) of the Social Security Act (as amended) and any regulations promulgated thereunder, and shall make available, upon written request of the Comptroller General of the United States or the Secretary of the Department of Health and Human Services or any of their duly-authorized representatives, any books, documents, and records that are necessary to verify the nature and extent of costs incurred by either party under this Agreement.

9. EFFECTS OF LAW. In the event of any of the following, either party may give to the other party notice of intent to amend this Agreement in order to: (i) accommodate the terms and intent of this Agreement to the greatest extent possible consistent with the requirements of law; (ii) achieve the least burdensome alternative for the parties which brings this Agreement into compliance with law; and (iii) render this Agreement in compliance with law and alleviate a material adverse legal or financial consequence. If this Agreement is not so amended in writing within thirty (30) business days after said notice is given, this Agreement shall terminate as of midnight of the thirtieth (30th) business day after said notice is given. The triggering events are:

- (a) A provision of law invalidates or otherwise is inconsistent with the terms of this Agreement;
- (b) A provision of law would cause one or both of the parties to be in violation of law;
- (c) A provision of this Agreement is ruled by a court or other tribunal of competent jurisdiction to be in violation of law; or
- (d) In the written opinion of a reputable attorney who is demonstrably familiar with health care law and is otherwise qualified and mutually agreed upon by the parties, any federal, state, or local government or agency passes, issues, or promulgates any law,

rule, regulation, standard, or interpretation that would render this Agreement illegal, or that could cause significant or material adverse legal and/or financial consequences for any party hereto.

10. MASTER LIST. WAGI maintains a master list of contracts that is updated centrally and available for review by the Secretary of the Department of Health and Human Services upon request. The master list is maintained in a manner that preserves the historical records of contracts. If WAGI, and Physician have entered into more than one (1) arrangement that meets the requirements of the personal service arrangements exception noted in 42 C.F.R. §411.357(d), the master list maintained by WAGI is intended to conform to the requirements of 42 C.F.R. §411.357(d)(ii).

11. DISCLOSURE OF CONFIDENTIAL INFORMATION.

- (a) General. Physician shall, and shall ensure that all of his or her agents hold all confidential and proprietary information of Facility in confidence and shall not disclose such information to any person or entity without the prior written consent of Facility and WAGI; provided, however, that the foregoing shall not apply to information which: (i) is generally available to the public; (ii) becomes available on a non-confidential basis from a source other than Facility or WAGI or its affiliates or agents, which source was not itself bound by a confidentiality agreement; or (iii) is required to be disclosed by law or pursuant to court order. Facility shall be entitled to injunctive relief to prevent a breach or threatened breach of this Section, all information and documentation relating to residents, governance, business, operations, policies, procedures, and practices of Facility and its affiliated organizations shall be deemed Facility's confidential and proprietary information. This Section shall survive termination or suspension of this Agreement.
- (b) Health Insurance Portability and Accountability Act of 1996. Physician shall maintain confidentiality of all patient information in accordance with any and all applicable federal, state, or other confidentiality laws, regulations, rules, or guidelines, including Health Insurance Portability and Accountability Act of 1996, Pub. L. No. 104-191 ("HIPAA") requirements and the prevailing confidentiality rules as established by Facility.

12. MISCELLANEOUS.

- (a) Independent Contractor Status/Control Over Care. The relationship between WAGI and Physician pursuant to this Agreement shall that be of independent contractors and Physician shall not be an employee of WAGI or Facility for any purpose, including pension, health or similar benefits that WAGI or Facility may make available to its employees from time-to-time. Physician shall have sole responsibility for providing treatment rendered to patients in accordance with the duties under this Agreement.
- (b) Entire Agreement. This Agreement constitutes the entire agreement of the parties as

to the subject matter herein, and supersedes all prior agreements, negotiations or representations concerning its subject matter, whether written or oral.

- (c) Assignment. This Agreement is personal in nature and may not be assigned by Physician. WAGI may assign this Agreement to any affiliate or successor entity.
- (d) Amendment. This Agreement may be modified only by a writing signed by both parties.
- (e) Notices. Any notice required or permitted by this Agreement shall be deemed given upon delivery to the party, or in lieu of personal delivery, three (3) days after being mailed by certified or registered mail, return receipt requested, postage prepaid, to the following addresses or to such other address that a party may designate from time to time in writing:

If to WAGI: Washington Gastroenterology, PLLC

 Attention: _____

If to Physician: Name: Dr. Kathryne Wagner

- (f) Applicable Law. This Agreement shall be construed in accordance with and governed by the laws of the state of Washington.
- (g) Mediation. In lieu of litigation, the parties agree that any dispute that cannot be resolved between them shall be submitted to mediation with the American Health Lawyers Association, and if unavailable, with a mutually agreed upon mediation association or mediator. Each party shall be solely responsible for its costs and expenses incurred in Mediation, and they shall share equally the fees and costs payable to the Mediator. Settlements reached at mediation may be entered in, and enforced through, any court of competent jurisdiction. IF mediation is not successful, then the dispute shall be resolved by arbitration under the auspices of the Thurston County Superior Court rules for mandatory arbitration, regardless of the amount in controversy. Either party may request the Thurston County Superior Court to appoint an arbitrator if the parties cannot reach agreement between themselves. Arbitration fees shall be as awarded by the arbitrator to the extent that she or he finds one or more parties prevail. The award shall include fees and costs of whatever nature incident to said arbitration.
- (h) Severability. If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, it shall be ineffective to the extent of such invalidity, illegality or unenforceability, and the validity, legality and enforceability of the

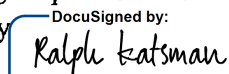
remaining provisions contained in this Agreement shall remain in effect.

- (i) Counterparts. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.
- (j) No Waiver. No waiver or partial waiver of a breach of any provision of this Agreement will be construed to be a waiver of any other breach of this Agreement, whether of a similar or dissimilar nature.
- (k) Survival. Any provisions of this Agreement creating obligations extending beyond the term of this Agreement will survive the expiration or termination of this Agreement, regardless of the reason for such termination.

[Signature page to follow]

WAGI:

Washington Gastroenterology, PLLC, a
Washington professional limited liability
company

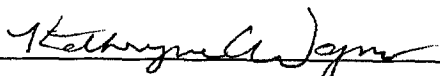
By:  DocuSigned by:
BA305751368C40E

Name: Ralph Katsman

Title: President

Date: 12/28/2017

PHYSICIAN:

By: 

Name: Dr. Kathryne Wagner

Title: Physician and Medical Director

Date: 12/15/17

Signature page for Medical Director Agreement

EXHIBIT A

BUSINESS ASSOCIATE AGREEMENT

This Business Associate Agreement (“Agreement”) is entered into by and between Washington Gastroenterology, PLLC (“Covered Entity”) and Kathryn Wagner, M.D. (“Business Associate”), effective as of the date last signed below (“Effective Date”).

RECITALS

WHEREAS, the parties contemplate one (1) or more arrangements (collectively, the “Arrangement”) whereby Business Associate provides services to Covered Entity, and Business Associate creates, receives, maintains, transmits, or has access to Protected Health Information in order to provide those services;

WHEREAS, Covered Entity is subject to the Administrative Simplification requirements of the Health Insurance Portability and Accountability Act of 1996 (“HIPAA”), and regulations promulgated thereunder, including the Standards for Privacy and for Security of Individually Identifiable Health Information codified at 45 Code of Federal Regulations (“CFR”) Parts 160, 162, and 164 (“Privacy Regulations” and “Security Regulations”); and

WHEREAS, the Privacy Regulations and Security Regulations require Covered Entity to enter into a contract with Business Associate in order to mandate certain protections for the privacy and security of Protected Health Information, and those Regulations prohibit the disclosure or use of Protected Health Information by or to Business Associate if such a contract is not in place.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties agree as follows:

I. DEFINITIONS

1.1 Terms used, but not otherwise defined, in this Agreement shall have the same meaning as set forth in 45 CFR 160, 162, and 164.

II. OBLIGATIONS OF BUSINESS ASSOCIATE

2.1 Permitted Uses and Disclosures of PHI. Except as otherwise limited in this Agreement, Business Associate may Use and Disclose PHI to perform functions, activities, or services for, or on behalf of, Covered Entity, provided that such Use or Disclosure of PHI would not violate the Privacy Regulations or Security Regulations if done by Covered Entity. Business Associate agrees not to Use or Disclose PHI other than as permitted or required by this Agreement, or as required by law.

2.2 Adequate Safeguards for PHI. Business Associate warrants that it shall implement and maintain appropriate safeguards to prevent the Use or Disclosure of PHI in any manner other than as permitted by this Agreement or as required by law.

2.3 Adequate Safeguards for EPHI. Business Associate warrants that it shall implement and maintain administrative, physical, and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of any EPHI that it creates, receives, maintains, or transmits on behalf of Covered Entity. Business Associate further warrants that it shall comply with the HIPAA Security Regulations, where applicable, with respect to EPHI to prevent the Use or Disclosure of EPHI other than as permitted by this Agreement.

2.4 Reporting Non-Permitted Use or Disclosure, Security Incident, or Breach.

(a) Business Associate shall immediately in writing notify Covered Entity of any Use or Disclosure of PHI not provided for by this Agreement of which Business Associate becomes aware.

(b) Business Associate shall report to Covered Entity any Security Incident of which it becomes aware as follows: (a) reports of successful unauthorized access shall be made immediately; and (b) reports of attempted unauthorized access shall be made in a reasonable time and manner considering the nature of the information to be reported.

(c) Business Associate shall report to Covered Entity a Breach of Unsecured Protected Health Information without unreasonable delay, but not later than five (5) days, following Business Associate's discovery of such Breach, where such report will include the identification of each individual whose Unsecured PHI has been or is reasonably believed to have been breached and other information as requested by Covered Entity. For purposes of the foregoing obligation, "Breach" shall mean the acquisition, access, Use, or Disclosure of PHI in a manner not permitted under the HIPAA Privacy Regulations which compromises the security or privacy of such information, as further defined in 45 CFR 164.402.

2.5 Availability of Internal Practices, Books and Records to Government Agencies. Business Associate agrees to make its internal practices, books, and records relating to the Use and Disclosure of PHI received from, or created or received by Business Associate on behalf of Covered Entity available to the Secretary of the federal Department of Health and Human Services for purposes of determining Covered Entity's compliance with the Privacy Regulations. Business Associate shall immediately in writing notify Covered Entity of any requests made by the Secretary and provide Covered Entity with copies of any documents produced in response to such request.

2.6 Access to and Amendment of PHI. Within ten (10) days of receiving a request from Covered Entity for access to PHI about an individual contained in a Designated Record Set, Business Associate shall: (a) make the PHI specified by Covered Entity available to the individual(s) identified by Covered Entity as being entitled to access and copy that PHI, and (b) make PHI available to Covered Entity for amendment purposes and incorporate such amendments into the PHI.

2.7 Accounting of Disclosures. Within ten (10) days of receiving a request from Covered Entity, Business Associate shall provide to Covered Entity an accounting, as referenced in 45 CFR 164.528, of each Disclosure of PHI made by Business Associate or its employees, agents, representatives, or subcontractors.

Any accounting provided by Business Associate under this Section 2.7 shall include: (a) the date of Disclosure; (b) the name, and address, if known, of the entity or person who received the

PHI; (c) a brief description of Disclosed PHI; and (d) a brief statement of the purpose of Disclosure. For each Disclosure that could require an accounting under this Section 2.7, Business Associate shall document the information specified in (a) through (d), above, and shall securely retain this documentation for six (6) years from the date of Disclosure.

2.8 Use of Subcontractors. Business Associate may disclose PHI to a subcontractor, and may allow the subcontractor to create, receive, maintain, or transmit PHI on its behalf, provided by Business Associate obtains satisfactory assurances that the subcontractor will appropriately safeguard the information. Without limiting the generality of the foregoing, Business Associate shall require each of its subcontractors that create, receive, maintain, or transmit PHI on behalf of Business Associate to execute a written agreement obligating the subcontractor to comply with all terms of this Agreement and to agree to the same restrictions and conditions that apply to Business Associate with respect to the PHI.

(a) Business Associate shall not be in compliance with the Privacy Regulations if Business Associate knew of a pattern of activity or practice of a subcontractor that constituted a material breach or violation of the subcontractor's obligation under the written agreement with Business Associate, unless Business Associate took reasonable steps to cure the breach or end the violation, and if such steps were unsuccessful, terminate the contract, if feasible.

2.9 Agreement to Mitigate. Business Associate agrees to mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a Use or Disclosure of PHI by Business Associate in violation of the requirements of this Agreement, and to promptly communicate to Covered Entity any actions taken pursuant to this paragraph.

2.10 Business Associate Practices, Policies and Procedures. Business Associate's privacy and security policies and practices shall meet current standards set by applicable state and federal law for the protection of PHI including, without limitation, user authentication, data encryption, monitoring and recording of database access, internal privacy standards and a compliance plan, all designed to provide assurances that the requirements of this Agreement are met.

2.11 Compliance with Covered Entity Obligations. To the extent Business Associate carries out Covered Entity's obligations under the Privacy Regulations and Security Regulations, Business Associate shall comply with the requirements of such regulations that apply to Covered Entity in the performance of such obligations.

2.12 HITECH Act Compliance. Business Associate will comply with the requirements of the HITECH Act, codified at 42 U.S.C. §§ 17921–17954, which are applicable to business associates, and will comply with all regulations issued by the Department of Health and Human Services (HHS) to implement these referenced statutes, as of the date by which business associates are required to comply with such referenced statutes and HHS regulations.

III. OBLIGATIONS OF COVERED ENTITY

3.1 Covered Entity shall, upon request, provide Business Associate with its current Notice of Privacy Practices adopted in accordance with the Privacy Regulations.

IV. ADDITIONAL PERMITTED USES

4.1 Except as otherwise limited in this Agreement or the Arrangement, Business Associate may use PHI for the following additional purposes:

(a) Use of Information for Management, Administration and Legal Responsibilities. Business Associate may Use PHI for the proper management and administration of the Business Associate or to carry out the legal responsibilities of the Business Associate.

(b) Disclosure of Information for Management, Administration and Legal Responsibilities. Business Associate may Disclose PHI for the proper management and administration of the Business Associate or to carry out the legal responsibilities of the Business Associate if the Disclosure is required by law, or Business Associate obtains reasonable assurances from the person to whom the information is Disclosed that it will be held confidentially and Used or further Disclosed only as required by law or for the purpose of which it was Disclosed, and the person notifies Business Associate of any instances of which it is aware where confidentiality of the information has been breached.

V. TERM AND TERMINATION

5.1 Term and Termination. This Agreement shall commence as of the Effective Date and shall continue in effect until all obligations of Covered Entity and Business Associate have been met, unless terminated under this Section 5.1. Covered Entity may immediately terminate this Agreement, without cause or penalty, if Covered Entity determines, in its sole discretion, that Business Associate has breached any material term of this Agreement. Alternatively, Covered Entity may choose to: (i) provide Business Associate with ten (10) days written notice of the alleged material breach; and (ii) afford the Business Associate an opportunity to cure said alleged material breach. Failure of Business Associate to cure to the satisfaction of the Covered Entity is grounds for the immediate termination of this Agreement. Business Associate's obligations under Sections 2.4, 2.5, 2.6, 2.7, 2.8, 2.9, 5.2, and 6.4 of this Agreement shall survive the termination of this Agreement.

5.2 Disposition of PHI upon Termination. Upon termination of this Agreement, Business Associate shall either return or destroy all PHI maintained in any form by Business Associate or its agents and subcontractors, and shall retain no copies of such PHI unless directed to do so by Covered Entity. However, if Covered Entity determines that neither return nor destruction of PHI is feasible, Business Associate may retain PHI provided that Business Associate: (a) continues to comply with the provisions of this Agreement for as long as it retains PHI, and (b) limits further Uses and Disclosures of PHI to those purposes that make the return or destruction of PHI infeasible.

VI. GENERAL TERMS

6.1 No Third Party Beneficiaries. There are no third party beneficiaries to this Agreement.

6.2 Relationship to Agreement Provisions. In the event that a provision of this Agreement is contrary to a provision of any other agreement between the parties, the provisions of this Agreement shall control.

6.3 Legal Compliance. The parties hereto shall comply with applicable laws and regulations governing their relationship, including, without limitation, the Privacy Regulations, the Security Regulations, and any other applicable federal or state laws or regulations governing the privacy, confidentiality, or security of patient health information.

6.4 Data Ownership. Business Associate acknowledges and agrees that Covered Entity owns all rights, interests, and title in and to its data, including all PHI, and title shall remain vested in Covered Entity at all times.

6.5 Severability. If a provision of this Agreement is held invalid under any applicable law, such invalidity will not affect any other provision of this Agreement that can be given effect without the invalid provision. Further, all terms and conditions of this Agreement will be deemed enforceable to the fullest extent permissible under applicable law, and, when necessary, the court is requested to reform any and all terms or conditions to give them such effect.

6.6 Governing Law and Venue. This Agreement shall be governed and construed under the laws of the State of Washington. The venue for any dispute arising out of this Agreement shall be King County in the State of Washington.

6.7 Amendment. Upon request by Covered Entity, Business Associate agrees to promptly enter into negotiations with Covered Entity concerning the terms of an amendment to this Agreement embodying written assurances consistent with the standards and requirements of the Privacy Regulations, Security Regulations, or other applicable laws. Covered Entity may terminate this Agreement upon thirty (30) days written notice to Business Associate in the event: (a) Business Associate does not promptly enter into negotiations to amend this Agreement when requested by Business Associate pursuant to this Section, or (b) Business Associate does not enter into an amendment of this Agreement providing assurances regarding the safeguarding of PHI that Covered Entity, in its sole discretion, deems sufficient to satisfy the standards and requirements of the Privacy Regulations, Security Regulations, or other applicable laws.

6.8 Independent Contractor. Business Associate and Covered Entity are and shall be independent contractors to one another, and nothing herein shall be deemed to cause this Agreement to create an agency, partnership, or joint venture between the parties. No acts performed or words spoken by either party with respect to any third party shall be binding upon the other. Any and all obligations incurred by either party in connection with the performance of any of its obligations hereunder shall be solely at that party's own risk. Each party agrees that it shall not represent itself as the agent or legal representative of the other for any purpose whatsoever.

6.9 Entire Agreement. This Agreement is the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior or contemporaneous agreements, written or oral, with respect to such subject matter.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the date last signed below.

Business Associate:

Kathryne Wagner, M.D.

By: Kathryne Wagner

Print Name: Kathryne A. Wagner, M.D.

Title: Managing Partner, Medical Director

Dated: 12/15/17

Covered Entity:

Washington Gastroenterology, PLLC

DocuSigned by:
Ralph Katsman

By: BA305751368C40E...

Print Name: Ralph Katsman

Title: President

Dated: 12/27/2017

(Signature page for Business Associate Agreement)

EXHIBIT C
ORGANIZATIONAL CHART OF GA

Gastroenterology Associates LLC d/b/a Gastroenterology Associated Endoscopy Center

Organizational Chart

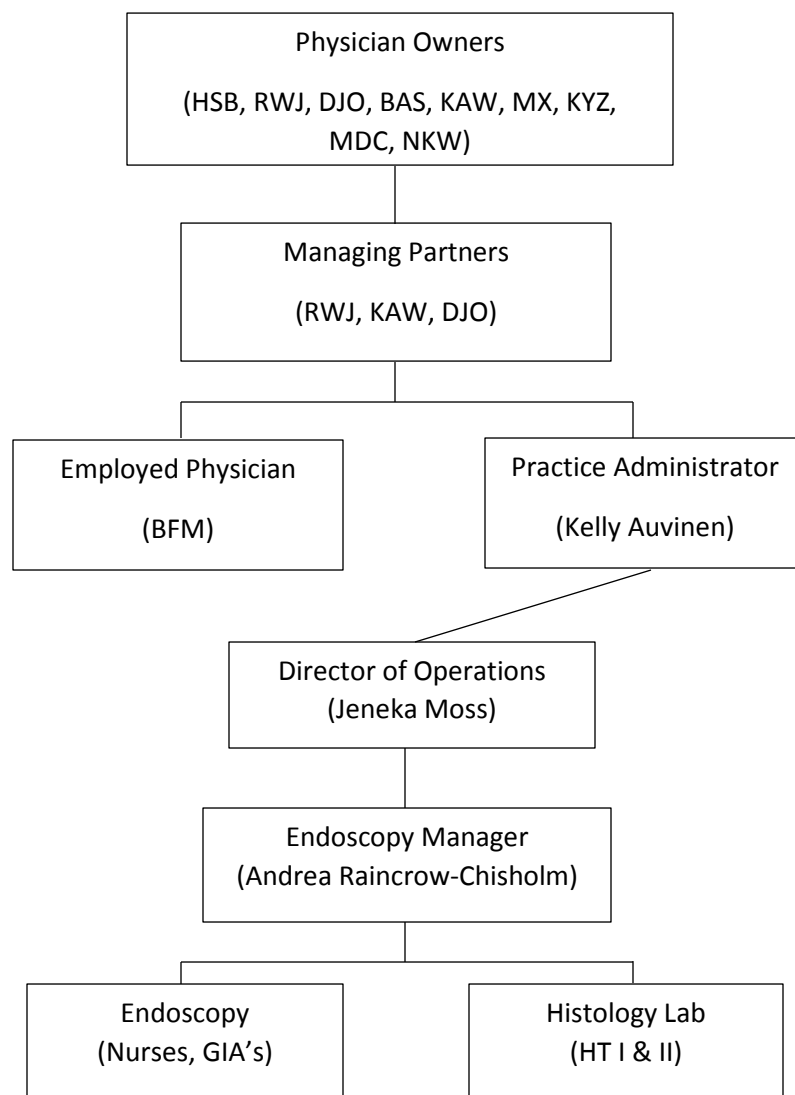


EXHIBIT D
ORGANIZATIONAL CHART OF CLINICAL PRACTICE

GASTROENTEROLOGY ASSOCIATES CLINICAL PRACTICE PLLC (OFFICE)

ORGANIZATIONAL CHART

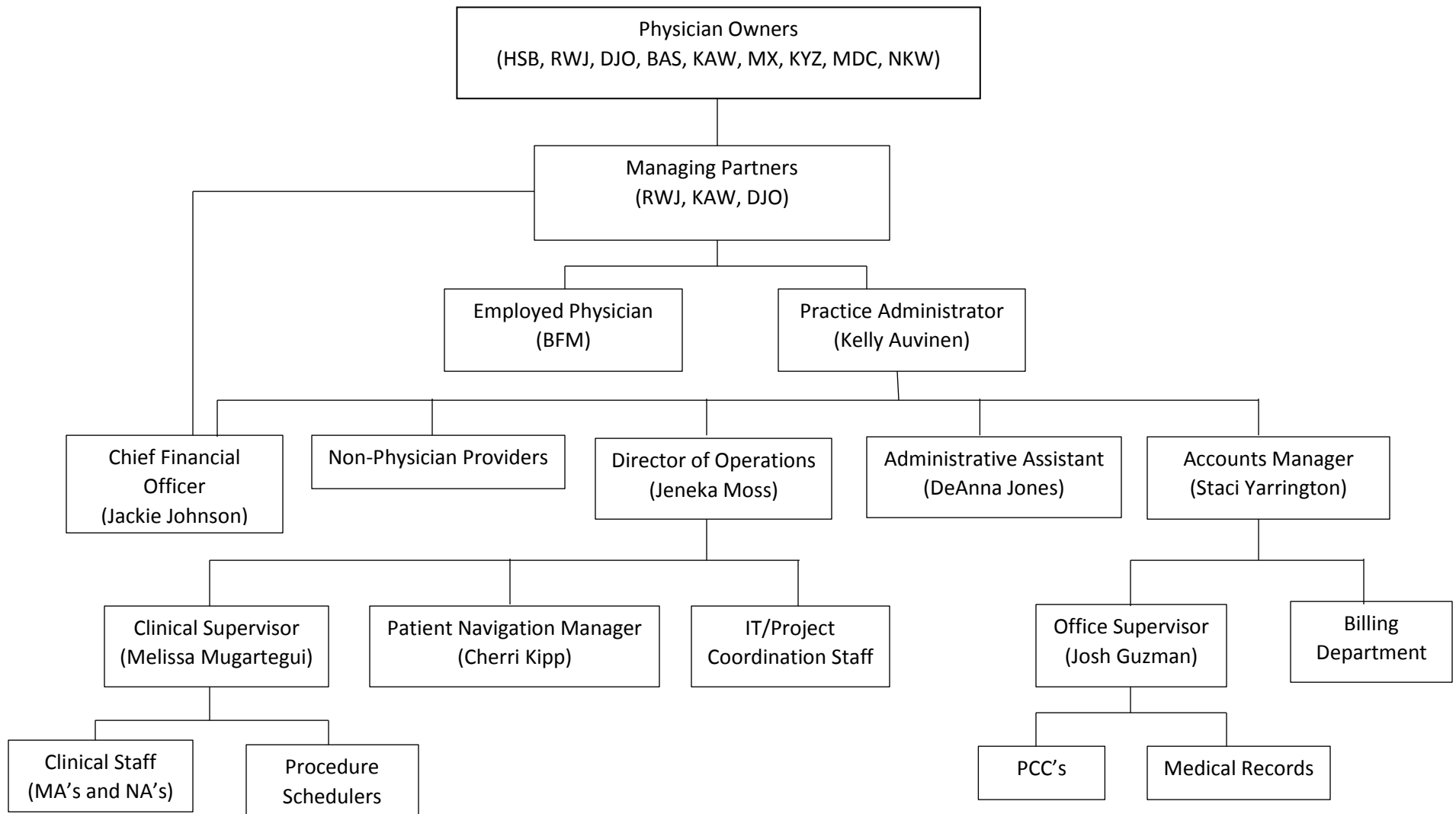


EXHIBIT E
ORGANIZATIONAL CHART OF GA DEVELOPMENT, LLC

GA DEVELOPMENT, LLC

ORGANIZATIONAL CHART

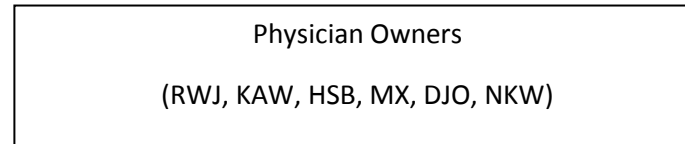


EXHIBIT F
ORGANIZATIONAL CHART OF RELATED PARTIES

PROPOSED ORGANIZATIONAL CHART/AFTER MOVE IN

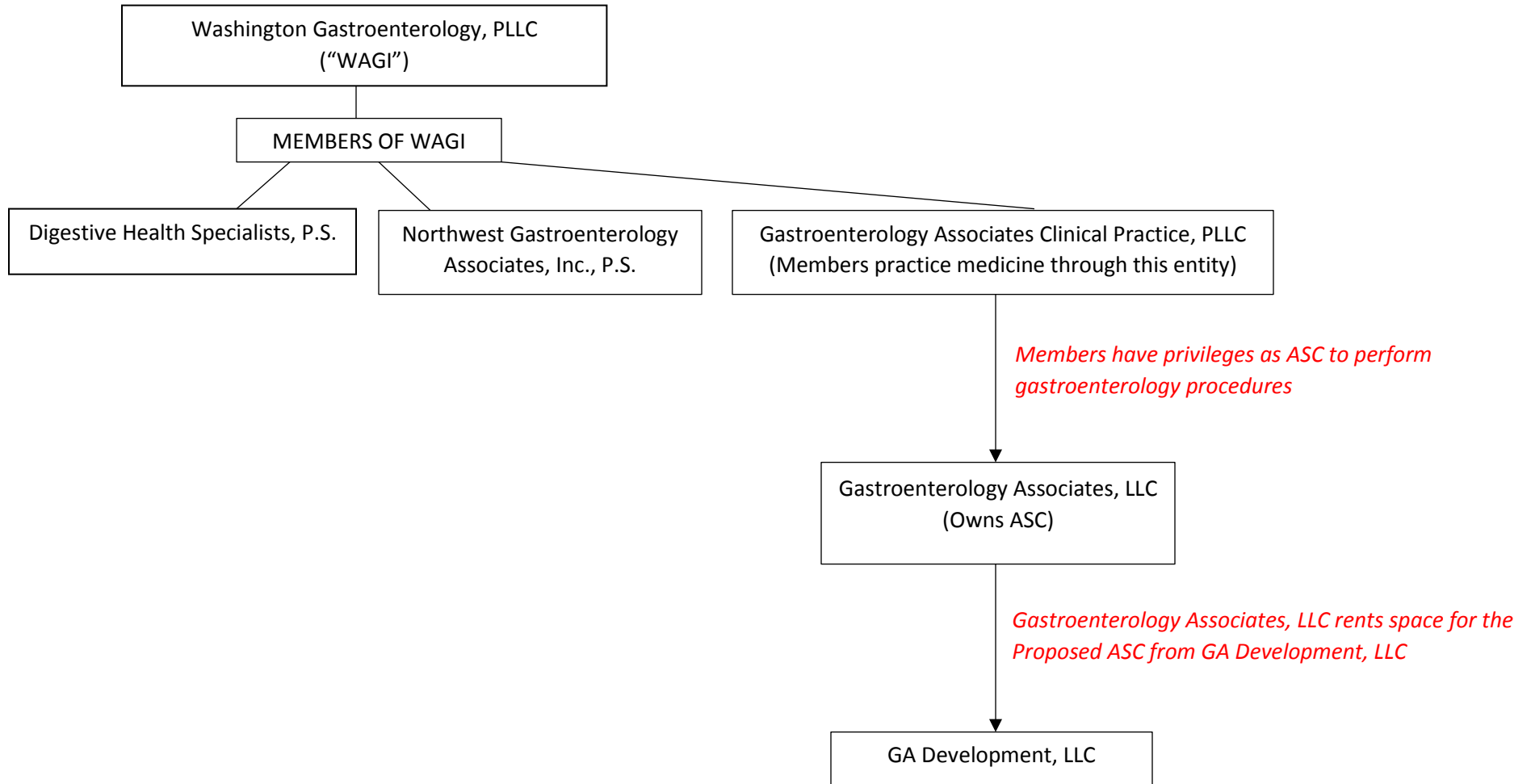


EXHIBIT G
PATIENT ADMISSION POLICY

Gastroenterology Associates

Policy: Admission Criteria	Policy #	Origination Date: 7-1-01
Category: GAEC	Page 1 of 1	Revision Date: 5-18-11
<i>Jackie Johnson</i> 5-19-11 Signature Date Administrator	<i>Dr. Dennis M. Smith</i> 5-18-11 Signature Date Physician	<i>Kelly Auwiler</i> 5-18-11 Signature Date Department Manager

I. Policy:

Patients admitted to GAEC must meet established criteria.

II. Purpose:

To ensure consistency in patient care and safety.

III. Process:

1. Patients may be self-referred or referred by a primary or other specialty healthcare provider.
2. Patients established as being appropriate for admission to GAEC include:
 - a. Patient must meet ASA Risk Classification I, II or III at commencement of procedure.
 - b. Patient and/or legally responsible person signing the consent for diagnostic, therapeutic/treatment procedures must agree with the concept of outpatient procedures/sedation and must exhibit the ability to use judgment and follow instructions.
 - c. Patient's physical and emotional status must be conducive to a successful outcome.
 - d. Patient must weigh <350lbs.
 - e. Patient must be able to weight bear and pivot without assistance and dress/undress unassisted.
 - f. Patient must be ≥18 years of age.
 - g. Patient must not have an internal automated defibrillator (with the exception of an EGD patient with no planned cautery or indication that would infer the potential need for cautery).
3. Patients must either:
 - a. Meet open access criteria and have a Pre-Procedure Questionnaire in the medical record, completed within the previous six (6) months.
 - b. Be an established GA office patient with history and physical in the medical record, completed within the past six (6) months. Established office patients who delay scheduling >6 months beyond their last visit (including History and Physical) will be screened utilizing Pre-Procedure Questionnaire for new problems.

EXHIBIT H
LETTER OF INTENT

Gastroenterology Associates, LLC
dba Gastroenterology Associates Endoscopy Center

July 9, 2018

VIA EMAIL AND USPS MAIL DELIVERY

Janis R. Sigman, Program Manager
Washington State Department of Health
Office of Certification & Enforcement
Certificate of Need Program
111 Israel Road SE
Tumwater, WA 98501

Re: Letter of Intent – Ambulatory Surgery Center – Olympia, WA

Dear Ms. Sigman:

In accordance with WAC 246-310-080, Gastroenterology Associates, LLC (“GA”) respectfully submits this Letter of Intent (“LOI”) proposing to operate GA’s ambulatory surgery center (“ASC”) in a new facility and location in Thurston County. GA’s ASC has operated under Certificate of Need #1618 since January 1, 2018, and prior to that, as a certificate of need exempt ASC.

1. Description of proposed services: GA proposes to operate a free-standing ASC in Thurston County, Washington. GA plans to move from its current location (at 500 Lilly Road NE, Olympia, Washington) to the new location, less than one mile from its current location. By this LOI and subsequent CON application, GA is proposing to physically move its existing dedicated outpatient endoscopy ASC. Nothing in this application seeks to change the physician staffing, ownership, operation of, or scope and type of services offered by, the ASC. The ASC will remain a dedicated outpatient endoscopy ASC. The planned ASC will have four (4) procedure rooms, which is one (1) more than GA currently operates under Certificate of Need #1618.
2. Estimated cost of proposed project: The total estimated capital expenditure is \$371,281.
3. Service Area: GA is located in, and will continue to be located in, Thurston County, and will serve patients from Thurston County and the surrounding areas.

Please let me know if there are any questions regarding this LOI. I can be reached by telephone at (360) 413-8250 or by email to rjoe@washgi.com. You may also contact our Practice Administrator, Kelly Auvinen, by telephone at (360) 413-8155 or by email at

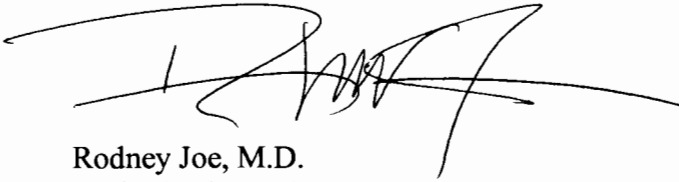
Janis R. Sigman, Program Manager
Washington State Department of Health
Office of Certification & Enforcement
Certificate of Need Program
Re: Letter of Intent – Ambulatory Surgery Center – Olympia, WA
Page 2

kauvinen@washgi.com. Please copy our practice attorney, Mark A. Peternell of Bean, Gentry, Wheeler & Peternell, PLLC, on all correspondence or questions at mpeternell@bgwp.net.

Thank you for your assistance in this matter.

Sincerely,

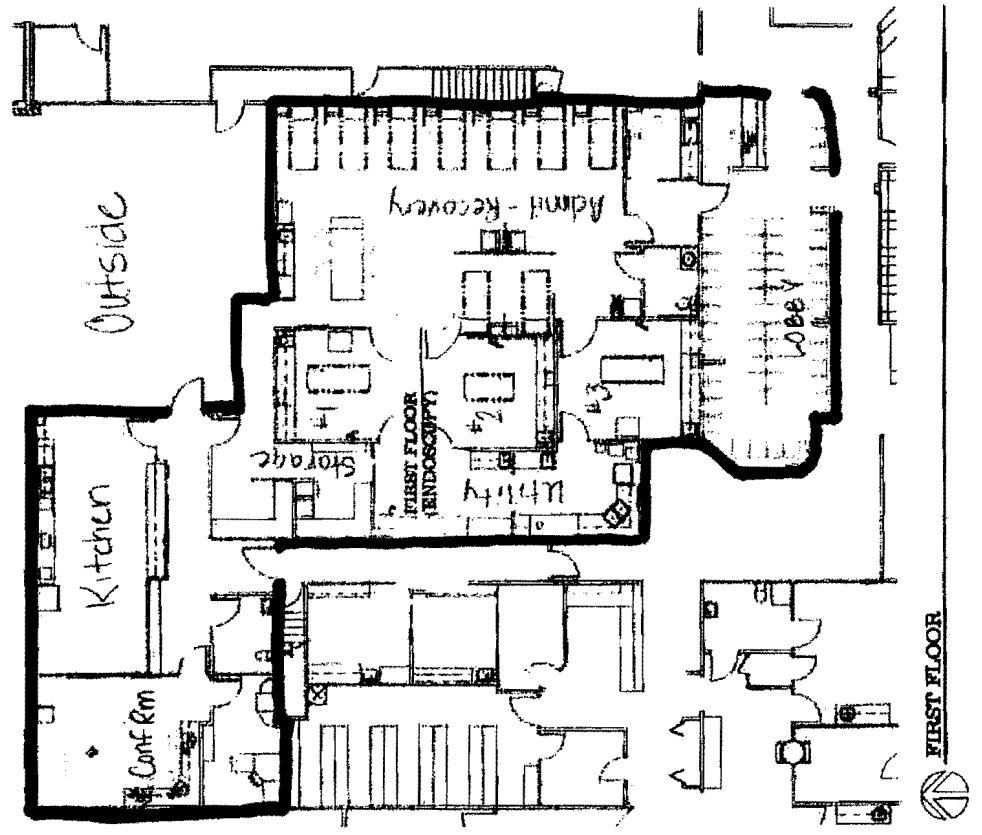
GASTROENTEROLOGY ASSOCIATES, LLC

A handwritten signature in black ink, appearing to read 'Rodney Joe', with a long horizontal line extending to the right.

Rodney Joe, M.D.
Authorized Member

cc: Beth Harlow, Department of Health Certificate of Need Program

EXHIBIT I
DRAWING OF CURRENT ASC



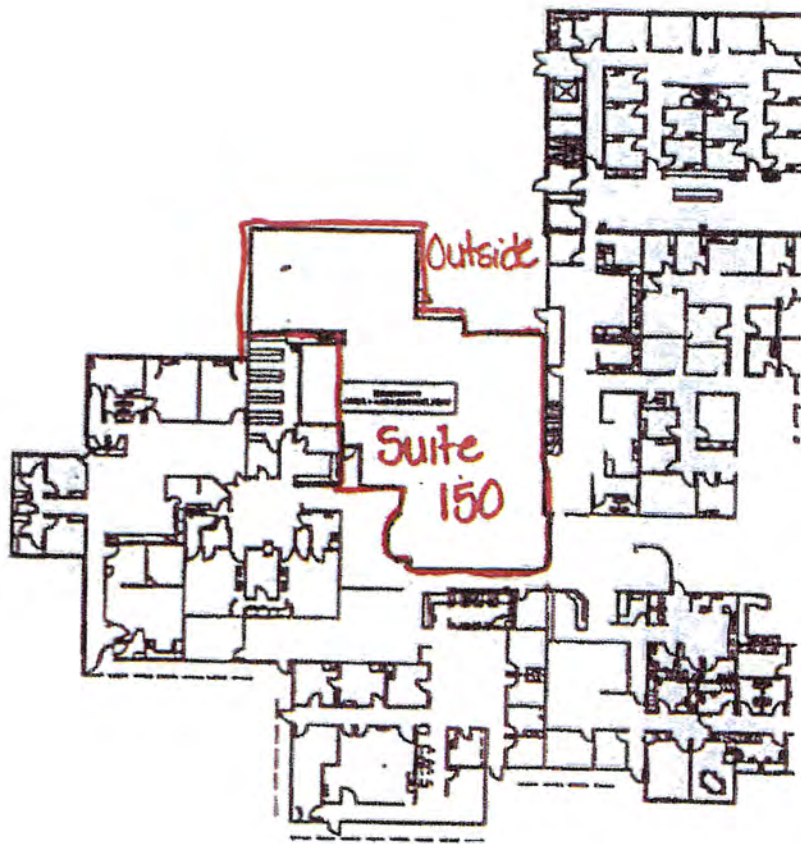
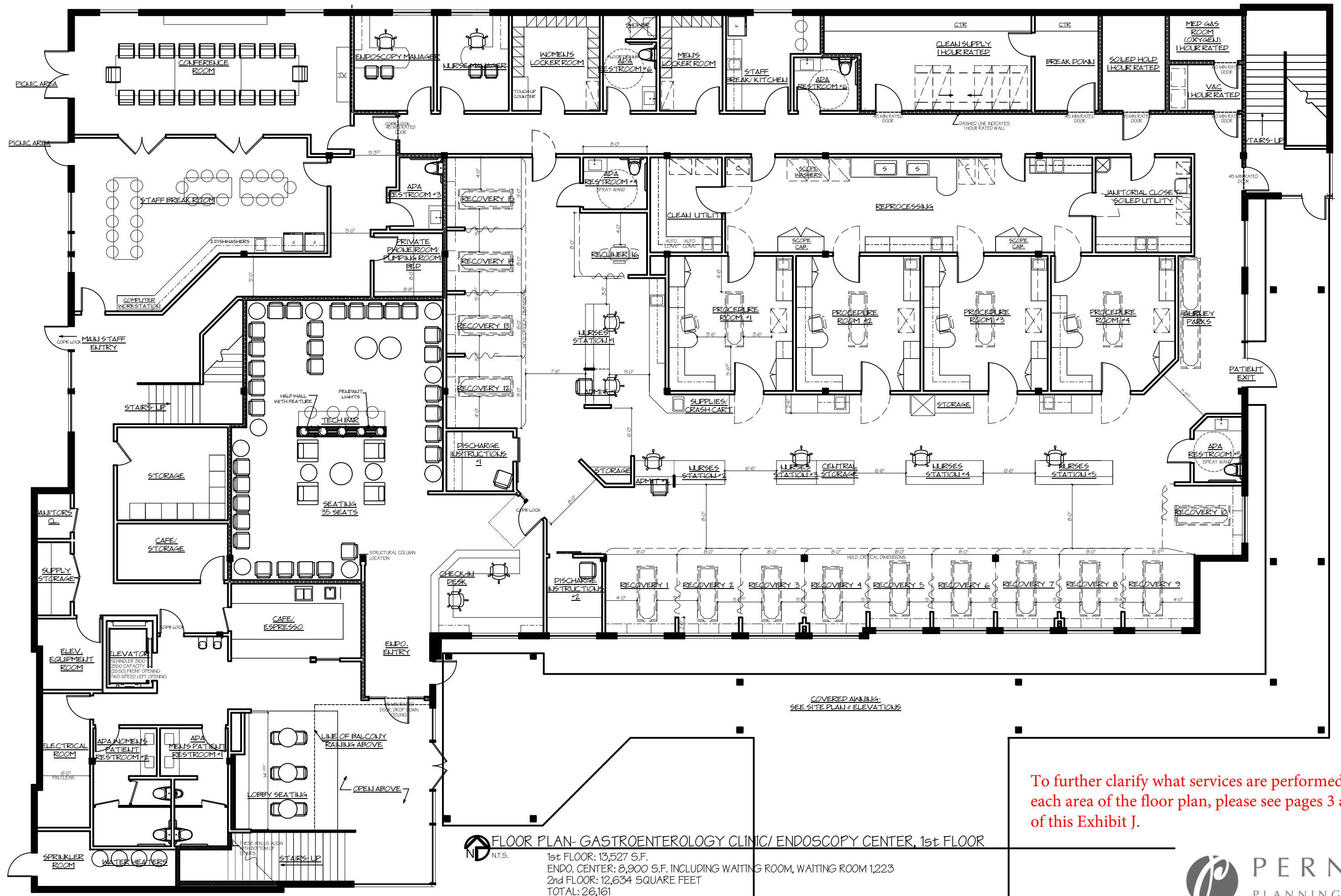
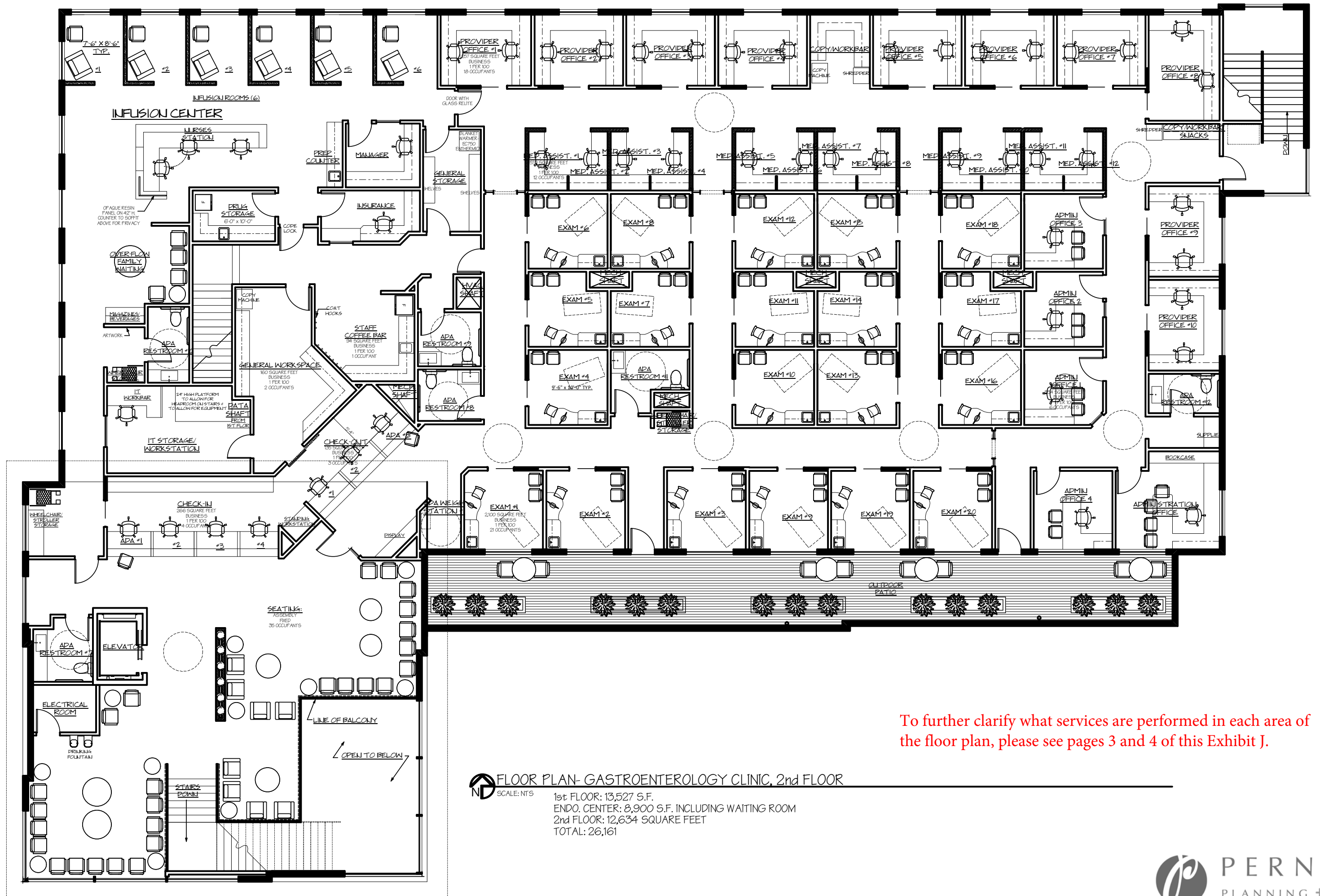


EXHIBIT J
DRAWING OF PROPOSED ASC



To further clarify what services are performed in each area of the floor plan, please see pages 3 and 4 of this Exhibit J.



To further clarify what services are performed in each area of the floor plan, please see pages 3 and 4 of this Exhibit J.

Gross Square footage: 9,160
Net Square footage: 8,894
Building Square footage: 26,161

- **“Check In Desk”** in the Endoscopy Center lobby is used for:
 - Patient check in (registration paperwork and/or payments);
 - A communication center if patients or their drivers have questions while they are using the lobby; and
 - To make patient appointments for follow-up as they leave.
- **“Admit Desks”** are used to complete admitted patient’s paperwork when the patient first arrives in the unit, prior to changing clothes and lying on stretcher.
- **“ADA Restroom” (#4 and #5)** are typically for patient use only, for admission and recovering patients. Occasionally these may be used by staff in the immediate area.
- **“Storage”** and **“Central Storage”** in the admit/recovery area is for storage of daily use items to keep them handy to the nursing staff. Items such as linen, IV start and discontinue supplies, emergency equipment, clean linen carts, soiled linen covered containers, etc.
- **“Recovery” bays (#1 through #15)** will have stretchers in them:
 - Some recovery bays are used to admit patients (Admit/Recovery bays) and others are used for recovery post-procedure.
 - Upon admit, patients will change privately (behind curtains), placing their clothing in a container that is stored on the bottom shelf of the stretcher.
 - After changing clothes, patients lie down on the stretcher.
 - Final pre-procedure education is given by the nurse as he/she starts the patients IV.
 - Post-procedure recovery occurs in these bays. During post-procedure phase, vital signs are monitored via automatic monitor with alarms and nurses check on patients every 5-10 minutes to ensure recovery progress and now untoward outcomes. Patients have call bell system if nurse is needed while not in the bay.
 - Once discharge criteria have been met, patients IV is removed by the nurse and patient is assisted with dressing and ambulation (or via wheelchair) to discharge.
- **“Nurses Station”** are desks for the nurses to use to complete charting, review schedules, answer incoming calls, communicate with the front desk staff, etc.
- **“Recliner #16”** may be used either for admit overflow (i.e., a patient having completed admission paperwork at the admit desk but who is waiting for an available stretcher) or recovery overflow (i.e., a patient who is recovered but waiting for a driver).
- **“Procedure” rooms (#1, #2, #3, and #4):**
 - These are the private “operating rooms” where the endoscopic procedures (colonoscopy, EGD and flexible sigmoidoscopy) are performed. This is also where initial vital signs are taken, procedure time out occurs and sedation is given prior to and during the procedure.
 - The endoscope towers are in these rooms – the equipment the endoscopes connect too, as well as the cautery, oxygen and suction equipment.
 - Some endoscopes will be stored in each room, in closed/ventilated cabinets.
 - Immediate initial cleaning/suctioning of the equipment occurs in these rooms post-procedure.

- **“Supplies/Crash Cart”** is where the mobile crash cart for the Center is located. This is used in the event of a life-threatening respiratory or cardiac event.
- **“Clean Utility”** is where autoclaving occurs and where clean procedure tools are stored and where clean endoscope trays for new patients are prepared.
- **“Reprocessing”** room is where endoscopes, tools and equipment is reprocessed. This involves manual cleaning, cleaning in a machine reprocessor and/or wrapping for autoclaving. Disposable equipment is disposed of here.
- **“Janitorial Closet/Soiled Utility”** room is where the janitorial supplies are stored, where liquid waste is disposed of (in the hopper), and where soiled linen hampers and waste receptacles are located.
- **“Discharge Instructions”** rooms (**#1 and #2**) are private areas for the physician to discuss the findings with the patient and/or their driver post-procedure but prior to patient discharge from the facility.
- Patients will be discharge through the **“Patient Exit”** door to their escort who will have been previously directed to pull their car around to that location.
- **“Endoscopy Manager”** office is for the Endoscopy Manager
- **“Nurse Manager”** office is for the Charge Nurse and/or other Administrative staff
- **“Women’s Locker Room”** is a space for female staff to change clothing and/or store their personal effects during the work day.
- **“ADA restroom” (#6 with shower and #6 without shower)** are for employee use. Shower is for staff who may want to ride their bike to work or exercise on their lunch hour.
- **“Men’s Locker Room”** is a space for male staff to change clothing and/or store their personal effects during the work day.
- **“Staff Break/Kitchen”** is a space for staff to use to store and/or eat food on their breaks and lunches.
- **“Clean Supply”** is a room to be used to store 1-2 weeks’ worth of Endoscopy supplies such as IV solution, tubing, 4x4’s, tissue, patient linen, etc.
- **“Breakdown”** room is where supplies will be delivered by delivery personnel. Delivery personnel will enter this area by staff escort from side entrance. Supplies may be stored here temporarily until staff have time to unbox them and store in Clean Supply room.
- **“Soiled Hold”** room is to hold bagged garbage and bagged soiled linen until it may be disposed of and/or picked up. Linen is picked up on a twice weekly schedule. Garbage will be taken to dumpster daily.
- **“Med Gas”** room is the oxygen storage room for the inline oxygen system.
- **“Vac”** room is the storage room for the inline suction system.

EXHIBIT K
LETTER FROM GA DEVELOPMENT, LLC REGARDING FUNDS



Harpreet S. Brar, MD

Mark D. Cumings, MD

Rodney W. Joe, MD

Benjamin F. Merrifield, MD

William J. Mitchell, MD

David J. Owens, MD

Bruce A. Silverman, MD

Kathryne A. Wagner, MD

Meimin Xie, MD

Kristine Y. Zhang, MD

Michelle Chiu, ARNP

Stephanie F. Mitchell, ARNP

Samantha R. Moore, PA-C

Victoria M. Moore, PA-C

Sarah B. Poppe, ARNP

Adrienne E. Wasserman, ARNP

Janelisa K. Williams, PA-C

Patrick C. Williams, PA-C

OLYMPIA OFFICE

500 Lilly Road NE, Suite 204
Olympia, WA 98506
phone 360/413-8250
fax 360/413-8830

YELM OFFICE

phone 360/413-8250
fax 360/413-8830

August 9, 2018

Janis R. Sigman, Program Manager
Washington State Department of Health
Office of Certification & Enforcement
Certificate of Need Program
111 Israel Road SE
Tumwater, WA 98501

Re: GA Development, LLC / Certificate of Need Application

Dear Ms. Sigman:

This letter is to confirm the intent of GA Development, LLC ("GA Development") to construct a new facility located at 209 Lilly Road NW, Olympia, Washington 98506 (the "Property"). The new facility will house Gastroenterology Associates Clinical Practice, PLLC. GA Development also plans to build out an ambulatory surgery center ("ASC") that it will lease to Gastroenterology Associates, LLC d/b/a Gastroenterology Associates Endoscopy Center.

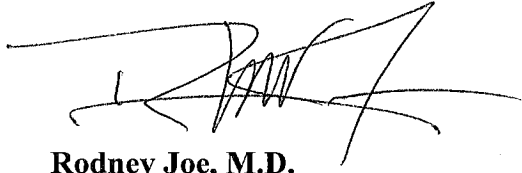
GA Development purchased the property on April 3, 2018, and is in the process of designing the building. The Property is zoned use code 65 – Service-Professional (see enclosure of printout from Thurston County Assessor's website) and has been used for medical professional buildings in recent history. There does not appear to be any encumbrances on the Property that would prohibit GA Development to move forward with the construction of its anticipated facility.

The total capital expenditures anticipated for the purchase of the Property and construction of the new facility is \$9,500,000. GA Development hereby certifies that it has the funds, or access to the funds, necessary to construct this new facility. GA Development has capital funds obtained from its members and has obtained a loan from Heritage Bank for the remainder.

GA Development is happy to answer questions related to the building of the facility in conjunction with Gastroenterology Associates, LLC's application for a Certificate of Need to move its current ASC to the Property.

Thank you,

GA DEVELOPMENT, LLC

A handwritten signature in black ink, appearing to be 'Rodney Joe', with a large, sweeping flourish extending to the right.

Rodney Joe, M.D.
Authorized Member

cc: Beth Harlow, Department of Health Certificate of Need Program

Thurston County Assessor

Parcel Number: 11818140600

Date: 7/26/2018

Situs Address: 205 LILLY RD NE STE A TO C

Sect/Town/Range: 18 18 1W

Owner: GA DEVELOPMENT LLC
Address: 500 LILLY RD NE STE 204
OLYMPIA, WA 98506Size: 1.33 Acres
UseCode: 65 Service - Professional
TCA Number: 114
Neighborhood: 3MFB
Property Type: MED
Taxable: YES
Active Exemptions: None
School District: NORTH THURSTON S.D. #3Taxpayer: GA DEVELOPMENT LLC
Address: 500 LILLY RD NE STE 204
OLYMPIA, WA 98506

Abbreviated Legal: Section 18 Township 18 Range 1W Quarter SE NE
APPRAISAL COMBINATION FOR TAX PURPOSES ONLY
Parcel 1: THE E 350F OF THE N HLF OF THAT PART OF THE
SE QTR OF THE NE QTR DAF: BAAP 663.21 FT N &

Market Values

Tax Year	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Assessment Year	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Market Value Land	\$682,500	\$514,400	\$430,200	\$754,600	\$686,000	\$583,100	\$583,100	\$651,700	\$651,700	\$551,600
Market Value Buildings	\$1,076,600	\$990,200	\$1,280,100	\$1,076,400	\$1,183,100	\$1,084,300	\$1,119,700	\$1,197,000	\$1,240,000	\$1,287,700
Market Value Total	\$1,759,100	\$1,504,600	\$1,710,300	\$1,831,000	\$1,869,100	\$1,667,400	\$1,702,800	\$1,848,700	\$1,891,700	\$1,839,300

Commercial Structures

Building	Year Built	Floor	Square Feet	No. Floors	Total Sq. Ft.	Quality	Condition
MEDICAL-OFC	1970	1	4000	1	4000	AVERAGE	AVERAGE
MEDICAL-OFC	1990	1	2112	1	2112	AVERAGE	AVERAGE
MEDICAL-OFC	1990	1	5104	1	5104	AVERAGE	AVERAGE
					----- 11216		

Detached Structures

Structure	Year Built	Square Feet	Quality	Condition
PVNG-ASPHALT	1990	24075	FAIR	AVERAGE
PVNG-CONCRTE	1990	1100	AVERAGE	AVERAGE

Land Characteristics

Land Flag	4010	Land Influence(s)	FE-FAIR EXPOSURE FA-FAIR ACCESS
Lot Square Footage	57934		
Lot Acreage	1.33		
Effective Frontage	Not Listed		
Effective Depth	Not Listed		
Water Source	Not Listed		
Sewer Source	Not Listed		

Sales

Sale Date:	04/03/2018	05/17/2013	10/31/2008
Price:	\$1,531,250		
Excise:	387004	375390	706978
Sale Type:	STATUTRY WARNTY DEED	QUIT CLAIM DEED	QUIT CLAIM DEED
Recording Number:	4620172	4341507	4045837
Seller:	205 LILLY ROAD ASSOCIATES		
Buyer:	GA DEVELOPMENT LLC	205 LILLY ROAD ASSOCIATES	205 LILLY ROAD ASSOCIATES
Multiple Parcel Sale:	N	N	N
Sale Date:	10/28/2008	10/21/2008	10/21/2008
Price:			
Excise:	706980	706981	706979

Sale Type:	QUIT CLAIM DEED	QUIT CLAIM DEED	QUIT CLAIM DEED
Recording Number:	4045839	4045840	4045838
Seller:			
Buyer:	205 LILLY ROAD ASSOCIATES	205 LILLY ROAD ASSOCIATES	205 LILLY ROAD ASSOCIATES
Multiple Parcel Sale:	N	N	N
Sale Date:	10/17/2008	10/16/2008	
Price:			
Excise:	706982	706977	
Sale Type:	QUIT CLAIM DEED	QUIT CLAIM DEED	
Recording Number:	4045841	4045836	
Seller:			
Buyer:	205 LILLY ROAD ASSOCIATES	205 LILLY ROAD ASSOCIATES	
Multiple Parcel Sale:	N	N	

The Assessor's Office maintains property records on approximately 112,000 parcels in Thurston County for tax purposes. Though records are updated regularly, the accuracy and timeliness of published data cannot be guaranteed. Any person or entity that relies on information obtained from this website does so at his or her own risk. Neither Thurston County nor the Assessor will be held liable for damage or losses caused by use of this information. ***All critical information should be independently verified.***

Office of the Assessor

Steven J. Drew, Assessor

2000 Lakeridge Drive SW - Olympia, WA 98502

Customer Service (360)867-2200 -- Fax (360)867-2201 -- TDD (360)754-2933

EXHIBIT L
LETTER OF INTENT TO FINALIZE



Harpreet S. Brar, MD

Mark D. Cumings, MD

Rodney W. Joe, MD

Benjamin F. Merrifield, MD

William J. Mitchell, MD

David J. Owens, MD

Bruce A. Silverman, MD

Kathryne A. Wagner, MD

Meimin Xie, MD

Kristine Y. Zhang, MD

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OLYMPIA OFFICE

500 Lilly Road NE, Suite 204
Olympia, WA 98506
phone 360/413-8250
fax 360/413-8830

YELM OFFICE

phone 360/413-8250
fax 360/413-8830

August 9, 2018

Janis R. Sigman, Program Manager
Washington State Department of Health
Office of Certification & Enforcement
Certificate of Need Program
111 Israel Road SE
Tumwater, WA 98501

Re: GA Development LLC / Certificate of Need Application
Letter of Intent to Finalize [Lease]

Dear Ms. Sigman:

This letter of intent to finalize is provided to the Department of Health Certificate of Needs Division to provide a formal written document expressing GA Development, LLC and Gastroenterology Associates, LLC d/b/a Gastroenterology Associates Endoscopy Center's intent to finalize and enter into the draft Lease Agreement for the endoscopy center located at 209 Lilly Road NW, Olympia, Washington 98506, in the building that will be owned by GA Development, LLC.

The draft Lease Agreement has been provided to the Certificate of Need Division at the Department of Health with the Certificate of Need application. It is both parties' intention to enter into this Lease Agreement and for Gastroenterology Associates, LLC d/b/a Gastroenterology Associates Endoscopy Center on April 1, 2020 and for Gastroenterology Associates, LLC d/b/a Gastroenterology Associates Endoscopy Center to begin performing procedures in the Proposed ASC on May 1, 2020.

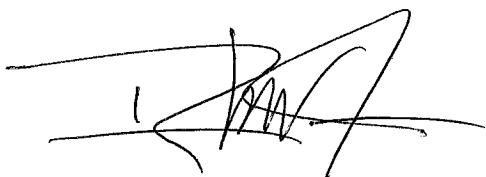
If you have any questions, please let me know.

Yours very truly,

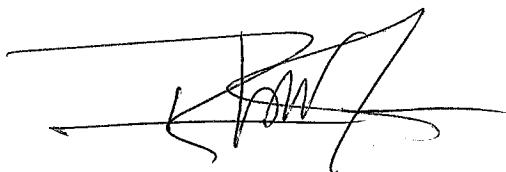
GA DEVELOPMENT, LLC
ASSOCIATES, LLC

GASTROENTEROLOGY

d/b/a
GASTROENTEROLOGY
ASSOCIATES
ENDOSCOPY CENTER

A handwritten signature in black ink, appearing to be 'Rodney Joe', written over a horizontal line.

Rodney Joe, M.D.
Authorized Member

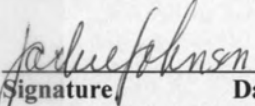
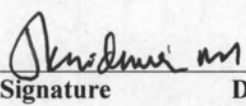
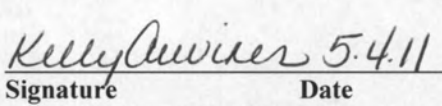
A handwritten signature in black ink, appearing to be 'Rodney Joe', written over a horizontal line.

Rodney Joe, M.D.
Authorized Member

cc: Beth Harlow, Department of Health Certificate of Need Program

EXHIBIT M
NONDISCRIMINATION POLICY, FINANCIAL PAYMENT POLICY, AND PATIENT
RIGHTS AND RESPONSIBILITIES POLICY

Gastroenterology Associates

Policy: Non-discrimination	Policy #	Origination Date: 5-04-11
Category: GA	Page 1 of 1	Revision Date:
 5-5-11 <div style="display: flex; justify-content: space-between;">SignatureDate</div> <p style="text-align: center;">Administrator</p>	 5/4/11 <div style="display: flex; justify-content: space-between;">SignatureDate</div> <p style="text-align: center;">Physician</p>	 5.4.11 <div style="display: flex; justify-content: space-between;">SignatureDate</div> <p style="text-align: center;">Department Manager</p>

I. Policy:

Gastroenterology Associates does not discriminate in offering access to medical care or employment opportunities on the basis of race, color, gender, national origin, age, religion, creed, disability, veteran's status, sexual orientation, gender identity or gender expression.

II. Purpose:

To outline conformity with WA State and federal laws regarding non-discrimination and assure that only relevant factors are considered in offering access to medical care and employment opportunities and that equitable and consistent standards of care, conduct and performance are applied.

III. Process:

In the event a concern regarding discrimination arises, the GA Grievance Process policy and/or Incident Report policy will be followed, dependent upon how the issue presents, and the concern will be thoroughly investigated.

Gastroenterology Associates

Policy: Financial Payment Policy		Policy #	Origination Date: 5-30-08	
Category: GA		Page 1 of 2	Revision Date: 6-2-08; 3-6-09, 10-17-13, 7-21-16	
<i>Kelly Quinn</i> 7-21-16 Signature Date Administrator	Signature Date Physician	<i>Staci Yarnington</i> 7-21-16 Signature Date Department Manager		

I. Policy:

To collect fees for services rendered in a consistent manner in accordance with regulatory guidelines.

II. Purpose:

To outline the financial payment policies of Gastroenterology Associates (GA).

III. Process:

1. All patients must provide current copies of their insurance cards, showing policy and identification numbers, and demographic information. GA will bill insurance plan(s) when the patient provides us with the information.
2. Patients are responsible for payment of the following:
 - a. Annual deductibles
 - b. Co-payments
 - c. Co-insurance
 - d. Charges for non-covered services*

*Patients will be asked to sign a waiver of liability form if the service provided is known to be a non-covered service
3. A new patient is one who has not received any professional service(s) from any GA provider within the past three years. New patients may be charged a higher fee on the first visit to cover the costs associated with establishing care with the Practice. Subsequent visits at the same level of care may be charged a lesser fee.
4. Although insurance benefits estimates may be provided as a courtesy for endoscopy procedures, they are the responsibility of the patient to confirm. Benefit estimates are not a guarantee of final charges and are subject to change based on insurance contract changes and/or changes in appointment/procedure indications and procedure findings.
5. For patients who have no insurance coverage GA requires:
 - a. For office visits:
 - 1) If the estimated total charge is paid in full at the appointment, the patient will receive a 10% discount.
 - 2) A partial pre-payment of \$100 is required and must be paid on the day of the appointment.
 - 3) Any remaining balance is due in full 16 days after the date the statement is mailed.
 - b. For procedures:
 - 1) If the total estimated charge is paid in full before the procedure, the patient will receive a 15% discount.
 - 2) A partial pre-payment of \$500 is required and must be received at least 3 business days prior to the procedure.
 - 3) Any remaining balance is due in full 16 days after the date the statement is mailed.

Gastroenterology Associates

6. Financial Hardship:

When a patient states they have limited income and cannot pay for services at GA, the following applies:

- a. An Accounts Representative will work with the patient to attempt to agree upon a payment plan.
- b. Patients with no insurance coverage who cannot pay the balance in full before the date of service will have their account evaluated by the Patient Acct-Collections Coordinator or Account Manager.
- c. The GA provider may deem the service(s) a financial hardship for the patient. In this case:
 - 1) The patient will be required to complete the GA financial form documenting the status of current income vs. current debt.
 - 2) Patients are required to show proof of denial from a state Medicaid plan stating they are denied medical coverage through a Medicaid plan
 - 3) Proof of family income is required; i.e., copy of patient and spouse current pay stub(s), copy of additional monthly income including SSI, workers compensation or military income, or copy of most recent tax return. The amount reported will be total monthly income prior to taxes.
 - 4) The patient's income will be compared to the current Federal Poverty Level guidelines. Adjustment may be made based on qualifications of income and size of family.
 - 5) Final determination of financial hardship will be made by the Account Manager after all financial data is provided by the patient.

7. Additional charges:

- a. An additional \$40.00 fee will be charged to the account for all NSF (Non-Sufficient Funds) checks.
- b. Co-payment is due at the time of appointment. A \$15.00 fee may be charged for co-payment not made by appointment.

8. Professional and Employee Discounts:

No discounts on services, including co-payments and deductibles, will be given to GA employees, their relatives or to other professionals.

9. Collection Process for Unpaid Patient Responsibility:

Overdue accounts will be addressed through the collections process. This process includes:

- a. Contacting the patient by telephone and mail.
- b. Attempting to collect payment through an agreed upon payment plan.
- c. If unable to reach patient and/or they do not agree to or follow a payment plan, the account may be turned over to a designated collection agency.
- d. Patients in collections process with designated collection agency will not be scheduled at any GA location until financial obligation has been met.
 - 1) Patients that are referred by PSPH ER will be reviewed by Accounts Manager or Patient Acct-Collections Coordinator and will be required to pay \$100 down for visit—with the exception of Medicare and DSHS patients.

Gastroenterology Associates

Gastroenterology and Hepatology

PATIENT RIGHTS AND RESPONSIBILITIES

As a patient, you have the right to:

- Be treated and cared for with dignity and respect.
- Confidentiality, privacy, security, complaint resolution, spiritual care, and communication.
- Be protected from abuse and neglect.
- Access protective services.
- Complain about your care and treatment without fear of retribution or denial of care.
- Timely complaint resolution: Concerns may be reported to the G.A. Endoscopy Manager at (360) 413-8671. Complaint investigations at G.A. are completed within 14 days. You may also contact the WA State Department of Health, Health Systems Quality Assurance (HSQA), Complaint Intake, P.O. Box 47857, Olympia, WA 98504-7857, 360-236-4700, HSQAComplaintIntake@doh.wa.gov
- Be involved in all aspects of your care including refusing care and treatment and resolving problems with care decisions.
- Be informed of unanticipated outcomes in accordance with WA State law.
- Be informed and agree to your care.
- Have family input in care decisions, in compliance with your existing legal directives or existing court-issued legal orders.
- Information regarding after hours and emergency care: For issues related to your care at G.A., contact (360) 413-8250. If after hours and urgent, press the option to be connected with the answering service to reach the on-call physician. For emergency issues, please be seen at the nearest hospital emergency room.
- Information and forms regarding Advance Directives.
- Receive an explanation of your bill, regardless of source of payment. Information about the estimated charges of your health services is available upon request.

As a patient, you have the responsibility to:

- Provide accurate and complete information about your health care status including medications, past or present medical problems and accurate insurance information.
- Cooperate with your G.A provider and staff by following G.A. policies and procedures and staff directions, by asking questions if something is unclear and by informing a staff member if you choose to refuse treatment.
- Report changes in your condition or symptoms, including pain, to a member of the health care team.
- Act in a considerate and cooperative manner and respect the rights of others.
- Inform G.A. in advance if you must cancel your appointment.
- Pay your bills and, if necessary, to make an arrangement with G.A. to meet your financial obligations.

Gastroenterology Associates Endoscopy Center is a physician owned ambulatory surgical facility.

Olympia (main) Office / 500 Lilly Road N.E., Suite 204, Olympia, WA 98506 / (360) 413-8250
GA Endoscopy Center / 500 Lilly Road N.E., Suite 150, Olympia, WA 98506 / (360) 413-8250
Shelton Office / (360) 427-2733
Yelm Office / (360) 413-8250

EXHIBIT N
FINANCIAL STATEMENTS

Gastroenterology Associates PLLC, 17-18
Balance Sheet
December 31, 2017

ASSETS


Current Assets		
Petty Cash	\$	675.00
Regular Checking Account		500,971.63
Rec-Building		99,385.61
		<hr/>
Total Current Assets		601,032.24
Property and Equipment		
Furniture and Fixtures		153,434.92
Equipment		1,595,032.94
Leasehold Improvements		438,689.25
Construction		769,759.49
Accum. Depreciation		(2,678,160.67)
Goodwill - JFK		50,000.00
Goodwill - WM		50,000.00
		<hr/>
Total Property and Equipment		378,755.93
Other Assets		
Accounts Rec. - Dr. Merrifield		27,030.52
AR - Cumings		122,255.80
AR - Weber		55,049.49
Pathology Remodel		145,381.80
EMR Expenses		276,894.71
Accum. Amortiz. - Goodwill JFK		(23,331.33)
Investment in WAGI		160,000.00
		<hr/>
Total Other Assets		763,280.99
Total Assets	\$	<u>1,743,069.16</u>

LIABILITIES AND CAPITAL

Current Liabilities		
Pension Payable	\$	548,007.41
Due to Partner		18,055.53
		<hr/>
Total Current Liabilities		566,062.94
Long-Term Liabilities		
Lease Payable-South Sound Bank		60,375.44
		<hr/>
Total Long-Term Liabilities		60,375.44
Total Liabilities		<u>626,438.38</u>

Gastroenterology Associates PLLC, 17-18
Balance Sheet
December 31, 2017

Capital

Beg Year Capital - Brar	139,691.00
Beg Year Capital - Joe	175,556.73
Beg Year Capital - Silverman	152,738.81
Beg Year Capital - Wagner	158,024.31
Beg Year Capital - Xie	160,232.80
Beg Year Capital - Zhang	168,266.37
Beg Year Capital - Owens	116,154.57
Beg Year Capital - Cumings	45,966.19
Retained Earnings	(4,034,875.12)
Net Income	 { 4,034,875.12

Total Capital 1,116,630.78

Total Liabilities & Capital \$ 1,743,069.16

Gastroenterology Associates PLLC, 17-18
Combined Comparison Income Statement
For the Twelve Months Ending December 31, 2017

	Current Month This Year	Current Month Last Year	Year to Date This Year	Year to Date Last Year
Revenues				
Professional Fees-Olympia	\$ 128,836.43	\$ 153,235.99	\$ 975,983.87	\$ 1,087,981.98
Professional Fees-St. Peters	55,821.33	59,724.68	756,815.31	723,853.17
Endo Facility Fees	416,649.70	454,762.53	5,647,083.05	5,453,869.81
Professional Fees-Shelton	100.00	4,316.06	8,268.47	60,535.79
Professional Fees-AEC	255,451.08	235,413.69	3,452,512.10	3,296,688.19
Professional fees-PSHS	25,000.00	31,909.28	400,000.00	353,869.28
NPP Revenue	101,560.00	105,924.93	1,260,977.17	1,138,493.66
E H R Incentive	0.00	0.00	0.00	17,640.00
Pathology Income	21,548.03	59,002.68	574,173.46	671,515.61
Professional Fees-Yelm	1,352.73	1,880.98	23,866.53	21,038.35
PSPH Director fees	0.00	0.00	17,810.00	25,095.00
Miscellaneous Income	25,000.00	5,525.00	25,000.00	5,525.00
MMP Telephone Reimbursement	0.00	0.00	65.28	1,722.83
Shelton Exp Reimbursement	0.00	5,277.46	2,638.73	37,850.62
Yelm Exp Reimbursement	35.39	35.39	424.68	424.68
Interest Income	26.77	165.99	2,400.28	1,978.64
Patient Refunds	(8,321.29)	(10,276.91)	(107,254.99)	(125,908.58)
Gain/Loss on Sale of Assets	(2,977.00)	0.00	(2,977.00)	0.00
Total Revenues	1,020,083.17	1,106,897.75	13,037,786.94	12,772,174.03
Gross Profit	1,020,083.17	1,106,897.75	13,037,786.94	12,772,174.03
Expenses				
Accounting Fees	0.00	0.00	40,625.50	29,545.00
Advertising Expense	439.00	35.00	6,784.70	11,343.32
Amortization Expense	6,666.00	3,333.00	6,666.00	3,333.00
Answering Service Expense	959.08	303.60	9,960.96	7,993.11
Auto Expenses - Staff	1,109.42	211.42	4,773.46	3,728.38
Charitable Contributions Exp	132.00	0.00	8,932.52	9,355.00
Political Contributions	0.00	0.00	100.00	200.00
Non-deductible Contributions	0.00	0.00	(85,250.00)	20,000.00
Merger Expenses	0.00	0.00	101,345.62	0.00
Computer Expense	6,974.06	13,590.29	77,832.01	123,205.97
Depreciation Expense	(116.00)	19,811.00	139,361.00	175,315.00
Consultant Fees	6,120.84	0.00	80,933.53	34,309.85
Dues and Subscriptions	445.00	150.00	26,925.82	32,851.30
Employee Benefit Programs Exp	(8,476.32)	39,657.11	347,659.66	398,413.40
Profit Sharing Expense	(31,272.59)	42,847.57	260,007.41	326,059.57
Medical Supplies	40,719.47	34,092.71	522,126.99	486,585.69
Drugs	0.00	2,991.90	14,674.05	44,363.68
EMR Expenses	0.00	1,153.32	53,251.18	61,006.74
Equipment Lease	5,720.16	5,752.19	70,930.19	71,910.90
Gifts Expense	0.00	0.00	1,499.47	0.00
Gifts Expense Non Deductable	0.00	0.00	0.00	2,000.00
Hospital & Staff Fees	0.00	0.00	0.00	100.00
Hospital & Staff Fees	0.00	100.00	4,700.00	425.00
Insurance-Malpractice & Busine	5,479.88	40,722.00	95,512.37	139,672.38
Interest Expense	0.00	32.44	2,151.14	1,274.07
Laundry and Cleaning Exp	4,376.82	3,805.79	47,443.56	62,249.98
Legal and Professional Expense	13,100.00	3,284.50	106,788.00	32,537.00
License Exp-Medical & Business	735.00	20,427.00	9,529.78	28,634.78
Maintenance Expense	4,537.99	342.41	96,251.83	62,058.28
Taxes-Payroll	26,504.99	24,746.93	395,572.23	398,630.38

Gastroenterology Associates PLLC, 17-18
Combined Comparison Income Statement
For the Twelve Months Ending December 31, 2017

	Current Month This Year	Current Month Last Year	Year to Date This Year	Year to Date Last Year
Payroll Expenses - Paychex	1,202.16	1,186.25	3,262.36	15,597.05
Taxes-Business	18,577.68	17,891.34	235,000.09	223,541.53
Taxes-Personal Property	0.00	0.00	80.77	8,863.79
Penalties & Fines Exp	0.00	0.00	66.79	0.00
Office Miscellaneous	23,462.99	3,962.94	89,459.19	64,560.85
Office Supplies	1,528.46	2,059.95	26,912.83	41,917.15
Employee Activities	394.86	995.41	23,874.99	24,131.30
Meals & Entertainment Expense	45.74	26.07	3,855.77	2,539.76
Pagers Expense	158.43	158.19	1,922.91	1,935.54
Postage Expense	0.00	0.00	31,175.98	33,688.47
Staff Development Exp	1,828.00	675.00	24,227.14	20,395.20
Rent	41,468.50	39,962.52	491,248.50	474,396.81
Repairs Expense	0.00	0.00	958.40	8,544.86
Office Salaries	20,570.56	22,944.94	260,641.76	309,515.30
Pathology Salaries	5,747.86	6,814.10	84,235.89	89,040.62
Project Coordination Salaries	5,115.83	4,966.92	63,949.77	63,095.83
Administration Salaries	24,490.18	30,278.38	262,379.97	353,899.56
Billing Department Salaries	37,964.53	34,417.11	476,583.84	437,841.41
Clinical Salaries	62,544.51	58,770.60	790,025.47	776,531.64
AEC Salaries	126,136.51	125,233.81	1,664,768.97	1,627,114.78
Physician Assistant	60,885.48	62,385.56	795,564.84	720,714.74
Physician Salary	19,315.78	28,931.16	163,971.62	376,020.08
Physician Hospitalist Salary	8,392.70	11,638.32	171,555.78	153,305.82
Telephone Expense	3,601.10	3,604.10	30,572.46	47,705.81
Travel Expense - Staff	0.00	0.00	25,077.80	10,500.53
Utilities Expense	4,275.00	3,761.83	61,871.02	48,375.46
Patient Forms	3,449.11	2,273.84	49,390.96	44,327.47
Year-end Bonuses	9,057.00	0.00	0.00	0.00
Benefits - Medical/Dental	817.95	12,880.30	173,126.19	166,473.02
Benefits - Life/Disability	1,014.00	3,764.48	29,095.69	27,766.37
CME/Travel	620.00	545.00	10,416.30	12,339.36
Meals	10.38	0.00	6,430.41	5,646.47
Cell Phones	1,339.97	1,064.47	16,039.91	13,856.02
Society Memberships	1,745.00	325.00	27,199.50	24,360.35
Guaranteed Payment-Managemen	7,500.00	7,000.00	85,000.00	78,000.00
Guaranteed payment-call	4,202.86	0.00	245,244.46	0.00
Recruitment Expense	0.00	603.96	8,893.74	4,655.01
Clearing	(19,274.63)	(89,312.29)	(19,274.63)	(89,312.29)
WJM A/R	25,298.77	0.00	25,298.77	32,581.17
BFM AR	0.00	0.00	30,497.48	0.00
WJM FM	0.00	(13,888.90)	0.10	0.00
WJM Facility Fee	10,985.11	7,737.29	85,219.05	68,457.67
Total Expenses	598,627.18	651,047.83	9,002,911.82	8,890,026.29
Net Income	\$ 421,455.99	\$ 455,849.92	\$ 4,034,875.12	\$ 3,882,147.74

Gastroenterology Associates PLLC, 16-17
Balance Sheet
December 31, 2016

ASSETS

Current Assets		
Petty Cash	\$	675.00
Regular Checking Account		924,029.62
Undeposited Funds		(51,387.11)
		<hr/>
Total Current Assets		873,317.51
Property and Equipment		
Furniture and Fixtures		150,703.91
Equipment		1,688,665.31
Leasehold Improvements		437,040.25
Construction		769,759.49
Accum. Depreciation		(2,652,081.67)
Goodwill - JFK		50,000.00
		<hr/>
Total Property and Equipment		444,087.29
Other Assets		
AR - Cumings		124,069.28
Pathology Remodel		145,381.80
EMR Expenses		276,894.71
Accum. Amortiz. - Goodwill JFK		(13,332.33)
		<hr/>
Total Other Assets		533,013.46
Total Assets	\$	<hr/> <hr/> 1,850,418.26

LIABILITIES AND CAPITAL

Current Liabilities		
Employee 401-K Payable	\$	304,004.98
		<hr/>
Total Current Liabilities		304,004.98
Long-Term Liabilities		
Lease Payable-South Sound Bank		79,362.47
		<hr/>
Total Long-Term Liabilities		79,362.47
Total Liabilities		<hr/> 383,367.45

Gastroenterology Associates PLLC, 16-17
Balance Sheet
December 31, 2016

Capital		
Beg Year Capital - Brar	268,560.48	
Member Draws - Brar	(548,123.61)	
Profit Sharing - Brar	(24,000.00)	
Beg Year Capital - Joe	273,711.48	
Member Draws - Joe	(520,914.43)	
Profit Sharing - Joe	(24,000.00)	
Beg Year Capital - Mitchell	242,097.00	
Member Draws - Mitchell	(247,349.15)	
Beg Year Capital - Silverman	252,981.54	
Member Draws - Silverman	(414,887.12)	
Profit Sharing - Silverman	(24,000.00)	
Beg Year Capital - Wagner	237,034.15	
Member Draws - Wagner	(563,070.86)	
Profit Sharing - Wagner	(24,000.00)	
Beg Year Capital - Merrifield	270,825.21	
Profit sharing - Merrifield	(18,000.00)	
Member Draws - Merrifield	(434,904.58)	
Beg Year Capital - Xie	238,864.82	
Member Draws - Xie	(469,410.26)	
Beg Year Capital - Zhang	275,443.04	
Member Draws - Zhang	(610,543.84)	
Profit Sharing - Zhang	(18,000.00)	
Beg Year Capital - Owens	260,449.08	
Member Draw-Owens	(647,695.40)	
Profit Sharing - Owens	(18,000.00)	
Net Income	3,753,983.26	
	<hr/>	
Total Capital		<hr/> 1,467,050.81
Total Liabilities & Capital	\$	<hr/> <hr/> 1,850,418.26

Gastroenterology Associates PLLC, 16-17
Combined Comparison Income Statement
For the Twelve Months Ending December 31, 2016

	Current Month This Year	Current Month Last Year	Year to Date This Year	Year to Date Last Year
Revenues				
Professional Fees-Olympia	\$ 101,848.88	\$ 145,457.88	\$ 1,036,594.87	\$ 2,044,093.91
Professional Fees-St. Peters	59,724.68	61,029.09	723,853.17	714,263.81
Endo Facility Fees	454,762.53	506,579.00	5,453,869.81	5,210,265.85
Professional Fees-Shelton	4,316.06	10,117.52	60,535.79	121,595.07
Professional Fees-AEC	235,413.69	331,606.42	3,296,688.19	3,288,093.32
Professional fees-PSHS	31,909.28	25,000.00	353,869.28	215,468.82
NPP Revenue	105,924.93	105,347.20	1,138,493.66	322,436.50
E H R Incentive	0.00	0.00	17,640.00	35,280.00
Pathology Income	59,002.68	67,435.43	671,515.61	757,778.89
Professional Fees-Yelm	1,880.98	1,074.15	21,038.35	16,492.95
PSPH Director fees	0.00	0.00	25,095.00	21,100.00
Miscellaneous Income	0.00	0.00	0.00	937.50
MMP Telephone Reimburse	0.00	1,214.28	1,722.83	5,285.53
Shelton Exp Reimbursement	5,277.46	3,177.66	37,850.62	32,050.12
Yelm Exp Reimbursement	35.39	0.00	424.68	776.65
Interest Income	165.99	342.80	1,978.64	3,298.42
Patient Refunds	(10,276.91)	(10,629.17)	(125,908.58)	(223,336.09)
Total Revenues	1,049,985.64	1,247,752.26	12,715,261.92	12,565,881.25
Gross Profit	1,049,985.64	1,247,752.26	12,715,261.92	12,565,881.25
Expenses				
Accounting Fees	0.00	2,175.00	29,545.00	24,643.73
Advertising Expense	35.00	81.50	11,343.32	22,610.37
Amortization Expense	0.00	3,333.33	0.00	3,333.33
Answering Service Expense	303.60	1,115.40	7,993.11	8,208.67
Auto Expenses - Staff	211.42	1,512.09	3,728.38	4,205.39
Bank Charges	0.00	137.80	0.00	265.69
Charitable Contributions Exp	0.00	0.00	9,355.00	5,550.00
Political Contributions	0.00	0.00	200.00	0.00
Non-deductible Contribution	0.00	0.00	20,000.00	24,478.00
Computer Expense	13,590.29	20,559.61	123,205.97	113,214.36
Depreciation Expense	6,624.00	16,669.18	162,128.00	164,521.68
Consultant Fees	0.00	6,998.62	34,309.85	46,871.15
Dues and Subscriptions	150.00	4,546.87	32,851.30	32,474.97
Employee Benefit Programs	39,657.11	34,906.42	398,413.40	323,398.08
Profit Sharing Expense	25,860.00	36,480.68	309,072.00	314,230.68
Medical Supplies	34,092.71	50,802.71	486,585.69	493,213.64
Drugs	2,991.90	0.00	44,363.68	0.00
EMR Expenses	1,153.32	5,619.95	61,006.74	51,746.48
Equipment Lease	5,752.19	6,052.50	71,910.90	72,512.15
Gifts Expense Non Deducta	0.00	0.00	2,000.00	0.00
Hospital & Staff Fees	0.00	0.00	100.00	0.00
Hospital & Staff Fees	100.00	100.00	425.00	2,700.00
Insurance-Malpractice & Bus	40,722.00	38,190.50	139,672.38	137,860.46
Interest Expense	202.30	0.00	1,443.93	0.00
Laundry and Cleaning Exp	3,805.79	7,205.02	62,249.98	79,822.11
Legal and Professional Expe	3,284.50	1,656.00	32,537.00	7,155.59
License Exp-Medical & Busi	20,427.00	2,445.83	28,634.78	9,351.26
Maintenance Expense	342.41	8,388.23	62,058.28	48,519.84
Taxes-Payroll	24,746.93	27,104.21	398,630.38	366,571.63
Payroll Expenses - Paychex	1,186.25	1,301.03	15,597.05	17,443.73
Taxes-Business	17,891.34	33,240.39	223,541.53	237,948.44
Taxes-Personal Property	0.00	0.00	8,863.79	78.37
Office Miscellaneous	3,962.94	5,314.68	64,560.85	91,652.29
Office Supplies	2,059.95	3,783.52	41,917.15	23,751.01

Gastroenterology Associates PLLC, 16-17
Combined Comparison Income Statement
For the Twelve Months Ending December 31, 2016

	Current Month	Current Month	Year to Date	Year to Date
	This Year	Last Year	This Year	Last Year
Employee Activities	995.41	589.58	24,131.30	8,008.62
Meals & Entertainment Expe	26.07	120.49	2,539.76	1,675.83
Pagers Expense	158.19	164.48	1,935.54	1,668.18
Postage Expense	0.00	3,062.08	33,688.47	27,363.63
Staff Development Exp	675.00	1,997.99	20,395.20	41,938.21
Rent	39,962.52	38,875.88	474,396.81	460,366.41
Repairs Expense	0.00	1,973.13	8,544.86	9,551.88
Office Salaries	22,944.94	21,154.50	309,515.30	304,521.69
Pathology Salaries	6,814.10	5,681.07	89,040.62	76,955.66
Project Coordination Salaries	4,966.92	3,600.00	63,095.83	59,963.13
Administration Salaries	30,278.38	32,894.15	353,899.56	407,008.74
Billing Department Salaries	34,417.11	30,761.47	437,841.41	417,282.88
Clinical Salaries	58,770.60	59,489.33	776,531.64	793,739.45
AEC Salaries	125,233.81	126,797.69	1,627,114.78	1,453,835.12
Physician Assistant	62,385.56	55,451.37	720,714.74	669,195.95
Physician Salary	28,931.16	28,846.16	376,020.08	96,538.48
Physician Hospitalist Salary	11,638.32	0.00	153,305.82	0.00
Telephone Expense	3,604.10	6,870.21	47,705.81	46,396.10
Travel Expense - Staff	0.00	0.00	10,500.53	0.00
Utilities Expense	3,761.83	3,392.76	48,375.46	39,816.43
Patient Forms	2,273.84	2,043.15	44,327.47	40,467.06
Year-end Bonuses	0.00	(106,700.00)	0.00	0.00
Benefits - Medical/Dental	12,880.30	11,913.05	166,473.02	146,761.19
Benefits - Life/Disability	3,764.48	4,988.13	27,766.37	33,358.01
CME/Travel	545.00	4,896.32	12,339.36	21,574.31
Meals	0.00	0.00	5,646.47	3,157.12
Cell Phones	1,064.47	4,076.75	13,856.02	17,143.23
Society Memberships	325.00	1,215.00	24,360.35	5,043.00
Guaranteed Payment	7,000.00	6,000.00	78,000.00	72,000.00
Recruitment Expense	603.96	2,419.65	4,655.01	5,890.05
Clearing	0.00	(124,069.28)	0.00	(124,069.28)
WJM A/R	0.00	0.00	32,581.17	0.00
WJM FM	1,388.89	0.00	15,277.79	0.00
JFK Facility Fee	0.00	0.00	0.00	3,587.69
WJM Facility Fee	7,737.29	0.00	68,457.67	0.00
Total Expenses	<u>722,300.20</u>	<u>548,226.18</u>	<u>8,961,278.66</u>	<u>7,869,071.87</u>
Net Income	\$ <u>327,685.44</u>	\$ <u>699,526.08</u>	\$ <u>3,753,983.26</u>	\$ <u>4,696,809.38</u>

Gastroenterology Associates PLLC, 15-16
Balance Sheet
December 31, 2015

ASSETS

Current Assets		
Petty Cash	\$ 675.00	
Regular Checking Account	1,429,613.45	
Money Market - Reserve	17,410.41	
Money Market - Capital	1,390.05	
CDARS CD - Capital	501,773.24	
Money Market - Retirement	1,131.47	
	<hr/>	
Total Current Assets		1,951,993.62
Property and Equipment		
Furniture and Fixtures	133,376.81	
Equipment	1,661,430.33	
Leasehold Improvements	441,631.13	
Construction	769,759.49	
Accum. Depreciation	(2,489,953.67)	
Goodwill - JFK	50,000.00	
	<hr/>	
Total Property and Equipment		566,244.09
Other Assets		
AR - Cumings	124,069.28	
Pathology Remodel	145,381.80	
EMR Expenses	276,894.71	
Accum. Amortiz. - Goodwill JFK	(13,332.33)	
	<hr/>	
Total Other Assets		533,013.46
Total Assets	\$	<u><u>3,051,251.17</u></u>

LIABILITIES AND CAPITAL

Current Liabilities		
Sales Tax Payable	\$ 66.27	
Pension Payable	633,509.39	
	<hr/>	
Total Current Liabilities		633,575.66
Long-Term Liabilities		
Loan Payable-South Sound Bank	97,708.71	
	<hr/>	
Total Long-Term Liabilities		97,708.71
Total Liabilities		<u>731,284.37</u>

Gastroenterology Associates PLLC, 15-16
Balance Sheet
December 31, 2015

Capital		
Beg Year Capital - Brar	268,560.48	
Beg Year Capital - Joe	273,711.48	
Beg Year Capital - Mitchell	242,097.00	
Beg Year Capital - Silverman	252,981.54	
Beg Year Capital - Wagner	237,034.15	
Beg Year Capital - Merrifield	270,825.21	
Beg Year Capital - Xie	238,864.82	
Beg Year Capital - Zhang	275,443.04	
Beg Year Capital - Owens	260,449.08	
Retained Earnings	(4,696,809.38)	
Net Income	<u>4,696,809.38</u>	
Total Capital		<u>2,319,966.80</u>
Total Liabilities & Capital		<u>\$ 3,051,251.17</u>

Gastroenterology Associates PLLC, 15-16
Combined Comparison Income Statement
For the Twelve Months Ending December 31, 2015

	Current Month This Year	Current Month Last Year	Year to Date This Year	Year to Date Last Year
Revenues				
Professional Fees-Olympia	\$ 145,457.88	\$ 181,894.35	\$ 2,044,093.91	\$ 2,022,138.22
Professional Fees-St. Peters	61,029.09	62,931.83	714,263.81	703,040.64
Grays Harbor Fees	0.00	0.00	0.00	2,324.30
Endo Facility Fees	506,579.00	412,450.02	5,210,265.85	4,769,224.16
Professional Fees-Shelton	10,117.52	13,070.37	121,595.07	148,653.65
Professional Fees-AEC	331,606.42	270,314.75	3,288,093.32	3,205,853.48
Professional fees-PSHS	25,000.00	15,834.00	215,468.82	190,008.00
Professional Fees-W Olympi	0.00	0.00	0.00	3,026.87
NPP Revenue	105,347.20	0.00	322,436.50	0.00
E H R Incentive	0.00	0.00	35,280.00	78,358.48
Pathology Income	67,435.43	73,914.68	757,778.89	883,874.47
Professional Fees-Yelm	1,074.15	1,019.97	16,492.95	19,418.83
PSPH Director fees	0.00	2,760.00	21,100.00	24,620.00
Miscellaneous Income	0.00	0.00	937.50	0.00
MMP Telephone Reimburse	1,214.28	552.88	5,285.53	5,236.18
Shelton Exp Reimbursement	3,177.66	3,750.26	32,050.12	36,942.80
Yelm Exp Reimbursement	0.00	35.39	776.65	424.68
Interest Income	342.80	211.66	3,298.42	3,590.44
Patient Refunds	(10,629.17)	(9,255.22)	(223,336.09)	(188,394.32)
Total Revenues	1,247,752.26	1,029,484.94	12,565,881.25	11,908,340.88
Gross Profit	1,247,752.26	1,029,484.94	12,565,881.25	11,908,340.88
Expenses				
Accounting Fees	2,175.00	2,198.71	24,643.73	33,185.12
Advertising Expense	81.50	2,948.51	22,610.37	22,499.73
Amortization Expense	3,333.33	(3,333.00)	3,333.33	(3,333.00)
Answering Service Expense	1,115.40	1,115.40	8,208.67	8,412.10
Auto Expenses - Staff	1,512.09	67.50	4,205.39	2,167.97
Bank Charges	137.80	0.00	265.69	36.00
Charitable Contributions Exp	0.00	2,700.00	5,550.00	35,280.00
Non-deductible Contribution	0.00	0.00	24,478.00	500.00
Computer Expense	20,559.61	43,520.90	113,214.36	109,558.26
Depreciation Expense	16,669.18	16,128.00	164,521.68	175,347.00
Depreciation	0.00	(6,853.00)	0.00	(6,853.00)
Consultant Fees	6,998.62	5,033.07	46,871.15	28,550.31
Dues and Subscriptions	4,546.87	2,064.16	32,474.97	24,769.20
Employee Benefit Programs	34,906.42	28,715.58	323,398.08	300,239.87
Profit Sharing Expense	36,480.68	5,310.19	314,230.68	285,220.19
Medical Supplies	50,802.71	48,379.35	493,213.64	501,786.23
EMR Expenses	5,619.95	9,845.14	51,746.48	64,530.77
Equipment Lease	6,052.50	6,200.47	72,512.15	55,707.60
Hospital & Staff Fees	0.00	0.00	0.00	316.00
Hospital & Staff Fees	100.00	0.00	2,700.00	2,025.00
Insurance-Malpractice & Bus	38,190.50	45,400.22	137,860.46	145,652.53
Laundry and Cleaning Exp	7,205.02	5,556.10	79,822.11	66,519.52
Legal and Professional Expe	1,656.00	3,628.50	7,155.59	12,845.00
License Exp-Medical & Busi	2,445.83	5,286.00	9,351.26	28,139.45
Maintenance Expense	8,388.23	3,141.02	48,519.84	36,063.37
Taxes-Payroll	27,104.21	29,624.23	366,571.63	327,277.98
Payroll Expenses - Paychex	1,301.03	1,287.27	17,443.73	12,770.74
Taxes-Business	33,240.39	13,156.97	237,948.44	211,993.32
Taxes-Personal Property	0.00	0.00	78.37	1,164.10
Office Miscellaneous	5,314.68	21,573.46	91,652.29	110,405.36
Office Supplies	3,783.52	0.00	23,751.01	0.00
Employee Activities	589.58	0.00	8,008.62	0.00

Gastroenterology Associates PLLC, 15-16
Combined Comparison Income Statement
For the Twelve Months Ending December 31, 2015

	Current Month This Year	Current Month Last Year	Year to Date This Year	Year to Date Last Year
Meals & Entertainment Expe	120.49	587.29	1,675.83	1,601.18
Pagers Expense	164.48	146.79	1,668.18	1,996.20
Postage Expense	3,062.08	3,000.00	27,363.63	27,963.73
Staff Development Exp	1,997.99	6,041.51	41,938.21	45,397.00
Rent	38,875.88	48,437.70	460,366.41	386,436.23
Repairs Expense	1,973.13	2,109.74	9,551.88	10,397.69
Temporary Staff	0.00	0.00	0.00	19,938.37
Office Salaries	21,154.50	30,317.79	304,521.69	253,629.71
Pathology Salaries	5,681.07	6,413.18	76,955.66	72,722.42
Project Coordination Salaries	3,600.00	10,066.78	59,963.13	30,306.42
Administration Salaries	32,894.15	66,112.49	407,008.74	326,060.35
Billing Department Salaries	30,761.47	41,495.01	417,282.88	460,258.08
Clinical Salaries	59,489.33	81,094.81	793,739.45	818,482.96
AEC Salaries	126,797.69	115,294.44	1,453,835.12	1,194,288.46
Physician Assistant	55,451.37	46,419.58	669,195.95	463,325.91
Physician Salary	28,846.16	9,212.00	96,538.48	124,093.81
Telephone Expense	6,870.21	4,206.04	46,396.10	36,704.47
Utilities Expense	3,392.76	6,629.90	39,816.43	42,427.80
Patient Forms	2,043.15	3,476.42	40,467.06	38,175.93
Year-end Bonuses	(106,700.00)	(90,200.00)	0.00	0.00
Benefits - Medical/Dental	11,913.05	11,243.66	146,761.19	137,363.89
Benefits - Life/Disability	4,988.13	2,633.17	33,358.01	32,542.47
CME/Travel	4,896.32	4,002.79	21,574.31	29,642.15
Meals	0.00	1,849.80	3,157.12	1,849.80
Cell Phones	4,076.75	1,683.29	17,143.23	16,155.56
Society Memberships	1,215.00	2,108.00	5,043.00	22,403.00
Guaranteed Payment	6,000.00	6,000.00	72,000.00	72,000.00
Recruitment Expense	2,419.65	0.00	5,890.05	11,751.91
Clearing	(124,069.28)	0.00	(124,069.28)	0.00
JFK Facility Fee	0.00	4,951.01	3,587.69	67,770.45
Total Expenses	<u>548,226.18</u>	<u>718,027.94</u>	<u>7,869,071.87</u>	<u>7,338,462.67</u>
Net Income	\$ <u>699,526.08</u>	\$ <u>311,457.00</u>	\$ <u>4,696,809.38</u>	\$ <u>4,569,878.21</u>

EXHIBIT O
MEDICAL DIRECTOR JOB DESCRIPTION

MEDICAL DIRECTOR SERVICES

Gastroenterology Associates Endoscopy Center Position Description

POSITION TITLE: Endoscopy Medical Director

REPORTS TO: Gastroenterology Associates Governing Board

POSITION SUMMARY:

This position is responsible to ensure endoscopy services and operations are in compliance with all applicable regulatory and licensing agencies. The Medical Director is responsible to work in coordination with the Endoscopy Manager to implement, review and develop protocols, performance objectives, productivity benchmarks, compliance measures, endoscopy policies and provide guidance in best practices and troubleshooting of medical services and operations issues in priority of urgency. The Medical Director represents Gastroenterology Associates at required meetings and surveys and is an active member of the Gastroenterology Associates Endoscopy Center ("GAEC") governing board.

PRINCIPLE ACCOUNT ABILITIES:

1. 60% - Oversight and direction of the Endoscopy Center. Monitors endoscopy services, performance and operations to ensure compliance with regulatory and licensing agencies. Participates in Quality Assurance initiatives, studies, monitors, benchmarking and surveys, including risk management activities and facilitation of process changes.
2. 20% - Policy, procedure and standards review. Facilitates in the revisions of policies and procedures as needed. Facilitates GA Provider Peer Review and Credentialing programs.
3. 15%- Facilitation of federal regulatory compliance.
4. 5% - Other duties as assigned.

DETAILED RESPONSIBILITIES/DUTIES:

1. Collaborates with GAEC Leadership and Medical Staff and to promote a safe and effective environment for the delivery of services provided.
2. Collaborates with Center Leadership and Medical Staff to ensure participation and provide support of the Center's Quality Assessment and Performance Improvement Program.
3. Provides oversight and support to the Governing Board in the credentialing of Medical Staff who provide services at the GAEC.
4. Ensures compliance with Medical Staff By-laws, rules and regulations, and GAEC policies and procedures.

5. Facilitates Medical Staff peer review and corrective action related to Medical Staff members.
6. Collaborates with Center Leadership to ensure compliance with all required state and federal statutes, all standards of applicable accreditation bodies, and all regulatory agency requirements.
7. Ensures that the quality of patient care is in accordance with the established policies and procedures and is supported by appropriate processes for staff training, verification of competencies and overall supervision of all caregivers.
8. Observes Standard Precautions.
9. Supports the Center's ideology, mission, goals, and objectives.
10. Conducts self as a positive role model and team member. Fosters professional and ethical conduct of the medical staff and patient care personnel.
11. Recognizes patients' rights and responsibilities, applying principles in performance of role.
12. Actively participates in Center committees, meetings, in-services, and activities.
13. Assists the Medical Staff in the appropriate selection of patients for care at the Center.
14. Investigates breaches of quality patient care or ethical conduct by Medical Staff and makes appropriate recommendations to the GAEC Governing board.
15. Ensures compliance with Medical Staff By-laws, rules and regulations, and GAEC policies and procedures.
16. Facilitates Medical Staff peer review and corrective action related to Medical Staff members.
17. Directs, coordinates and reports to the Governing Board on all medical aspects of the Center's operations.
18. Collaborates with Center Leadership to ensure staffing adequacy with qualified personnel.
19. Collaborates with Center Leadership to ensure adequacy of equipment based on services provided.
20. Acts as resource in the development and implementation of center policies and procedures.

21. Promotes cost containment and efficient use of GAEC resources.
22. Other duties may be assigned by the GAEC Governing Board.

MINIMUM QUALIFICATIONS:

- Ability to speak English clearly and understand and follow oral and written instructions
- Current WA state Physician licensure
- Physician owner, Managing Partner
- Maintains active Medical Staff status at GAEC
- Maintains current BLS and ACLS certification
- Computer skills required

ESSENTIAL FUNCTIONS:

Typical Physical Demands: Requires prolonged sitting, walking, writing, use of phone and computer, up to 8 hours/shift. Requires the ability to intermittently lift and carry up to 25 lbs 2-4 times/shift. Requires the ability to use office equipment such as computer terminal and keyboard, printer, photocopier, fax machine, calculator, pager and telephone. Requires normal vision and hearing range. Requires eye-hand coordination and manual dexterity. Requires the ability to distinguish letters or symbols. Requires use of normal to quiet tone of voice. Requires the ability to work in a dynamic and fast-paced environment.

Typical Working Conditions: Work is performed in office and endoscopy settings. Frequent interaction and communication in person with managers, providers, referring medical practices, equipment and supply vendors and surveying agencies and GA employees in person or via phone or email. Position may include occasional weekend and/or evening work.

EXHIBIT P
PATIENT TRANSFER AGREEMENT WITH ST. PETERS HOSPITAL AND GA

PATIENT TRANSFER AGREEMENT

This Patient Transfer Agreement ("Agreement") is entered into this 20th day of April, 2009 (the "Effective Date"), between **Providence Health & Services – Washington d/b/a Providence St. Peter Hospital** ("Hospital"), and **Gastroenterology Associates PLLC** ("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 radiology reports, 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.

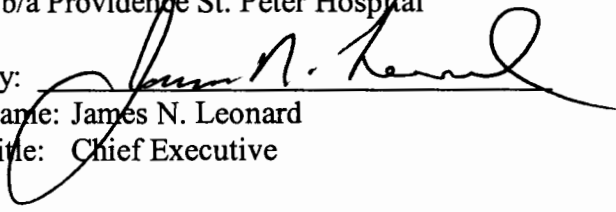
13. This Agreement shall be in effect on the date it is signed by both parties and shall continue until terminated as follows: (i) either party may terminate this Agreement immediately upon a breach of its terms by the other party, or (ii) either party may terminate this Agreement without cause by giving 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.

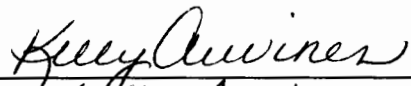
15. This Agreement shall be interpreted and construed in accordance with laws of the state in which Hospital is located. Venue for any action to enforce its terms shall be in the county in which Hospital is located. This Agreement embodies the entire agreement of the parties relating to transfer of patients 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 St. Peter Hospital

By: 
Name: James N. Leonard
Title: Chief Executive

TRANSFERRING FACILITY:
Gastroenterology Associates PLLC

By: 
Name: Kelly Auvinen
Title: Endoscopy Nurse Manager

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EXHIBIT Q
FINANCIAL STATEMENT OF GA

Gastroenterology Associates PLLC, 17-18
AEC Income Statement
For the Twelve Months Ending December 31, 2017

	Current Month This Year	Current Month Last Year	Year to Date This Year	Year to Date Last Year
Revenues				
Endo Facility Fees	\$ 416,649.70	\$ 454,762.53	\$ 5,647,083.05	\$ 5,453,869.81
Professional Fees-AEC	255,451.08	235,413.69	3,452,512.10	3,296,688.19
Patient Refunds	(7,394.96)	(7,719.39)	(84,582.81)	(95,739.37)
Total Revenues	<u>664,705.82</u>	<u>682,456.83</u>	<u>9,015,012.34</u>	<u>8,654,818.63</u>
Expenses				
Accounting Fees	0.00	0.00	5,229.00	9,848.34
Advertising Expense	123.00	0.00	3,046.00	1,694.61
Answering Service Expense	319.69	0.00	3,224.62	2,368.80
Auto Expenses - Staff	0.00	3.74	262.99	196.35
Computer Expense	3,575.94	4,322.19	26,232.21	27,879.41
Depreciation Expense	1,438.00	2,672.00	26,758.00	32,096.00
Consultant Fees	1,706.67	0.00	22,300.93	6,936.50
Dues and Subscriptions	0.00	0.00	3,650.20	1,108.77
Employee Benefit Programs Exp	(595.10)	9,881.65	113,179.49	118,564.24
Profit Sharing Expense	12,210.00	12,210.00	146,519.96	145,316.00
Medical Supplies	31,447.18	28,707.95	418,180.65	406,222.26
Drugs	0.00	2,991.90	14,674.05	44,192.08
EMR Expenses	0.00	384.44	11,302.96	20,335.59
Equipment Lease	5,621.51	5,752.19	69,463.50	69,592.14
Insurance-Malpractice & Busine	5,479.88	0.00	5,629.55	0.00
Interest Expense	0.00	0.00	61.63	0.00
Laundry and Cleaning Exp	4,376.82	3,805.79	46,506.68	62,249.98
Legal and Professional Expense	0.00	1,608.50	8,446.17	5,012.17
License Exp-Medical & Business	0.00	0.00	1,414.67	841.00
Maintenance Expense	4,456.72	96.02	68,532.88	45,945.83
Taxes-Payroll	10,839.98	10,841.02	163,429.23	152,240.24
Taxes-Business	0.00	0.00	11,859.30	2,208.48
Taxes-Personal Property	0.00	0.00	15.22	19.26
Office Miscellaneous	233.59	376.63	9,763.49	10,725.73
Office Supplies	692.85	686.65	8,484.80	9,899.16
Employee Activities	109.14	101.61	7,303.05	7,516.55
Meals & Entertainment Expense	0.00	0.00	1,154.04	853.60
Pagers Expense	7.50	7.50	97.50	90.00
Postage Expense	0.00	0.00	10,407.83	10,289.64
Staff Development Exp	0.00	0.00	5,046.67	6,347.49
Rent	14,751.96	14,395.06	175,175.87	170,992.02
Repairs Expense	0.00	0.00	716.66	5,460.37
Administration Salaries	8,081.76	9,991.87	86,585.38	116,786.86
Billing Department Salaries	12,528.29	11,357.65	157,272.66	144,487.66
AEC Salaries	126,136.51	125,233.81	1,664,768.97	1,627,114.78
Telephone Expense	1,200.37	1,144.29	9,056.55	8,563.21
Travel Expense - Staff	0.00	0.00	4,283.58	1,160.20
Utilities Expense	1,400.00	1,176.00	23,434.38	16,335.87
Patient Forms	2,214.99	1,007.61	27,780.02	18,994.08
Year-end Bonuses	4,164.00	0.00	(1.00)	0.00
Total Expenses	<u>252,521.25</u>	<u>248,756.07</u>	<u>3,361,250.34</u>	<u>3,310,485.27</u>
Net Income	\$ <u>412,184.57</u>	\$ <u>433,700.76</u>	\$ <u>5,653,762.00</u>	\$ <u>5,344,333.36</u>

EXHIBIT R
MANAGEMENT SERVICES AGREEMENT

MANAGEMENT SERVICES AGREEMENT

This **MANAGEMENT SERVICES AGREEMENT** (“Agreement”) is made and entered into effective as of the 1st day of January, 2018, by and between Washington Gastroenterology, PLLC, a Washington professional limited liability company (“WAGI”), Gastroenterology Associates Clinical Practice PLLC, a Washington professional limited liability company (“GA Clinical”) and Gastroenterology Associates LLC, a Washington limited liability company (“Endo Center”), (collectively the “Parties”).

WHEREAS, Endo Center operates an ambulatory endoscopy center located in Thurston County, Washington; and

WHEREAS, WAGI is a professional limited liability company whose employees are engaged in the practice and provision of medicine specializing in gastroenterology, and who have the expertise and resources to provide practice management services; and

WHEREAS, GA Clinical is a Washington professional limited liability company that is a member of WAGI and operates as a separate division of WAGI (“GA Division”). Certain WAGI employees are assigned to work with GA Division and do not work for any other division of WAGI (“WAGI Employees Assigned to GA Division”). The physician owners of GA Clinical are also employees of WAGI and assigned to work with GA Division (“WAGI Owners Assigned to GA Division”); and

WHEREAS, the Parties intend that WAGI will make available to Endo Center the experience held by WAGI Employees Assigned to GA Division and WAGI Owners Assigned to GA Division (collectively referred to as “GA Division WAGI Personnel”) in management and staffing of an ambulatory endoscopy center, including its expertise in cost, financial control, budget, wage and salary administration, business and information systems and experience in supervision and provision of gastrointestinal endoscopy services. The purpose of those services should be to operate the ambulatory endoscopy center with maximum cost efficiency consistent with community standards; and

WHEREAS, Endo Center and WAGI desire to enter into an agreement wherein GA Division WAGI Personnel will operate Endo Center pursuant to the terms contained this Agreement; and

WHEREAS, WAGI and Endo Center agree that no services shall be provided pursuant to this Agreement except in accordance with applicable federal, state, and local laws and regulations governing the provision of health care services by ambulatory surgery centers.

In consideration of the matters described above, and the mutual benefits and obligations set forth in this Agreement, the Parties agree as follows:

1. DIVISION OF AUTHORITY AND RESPONSIBILITY.

Endo Center shall retain all management responsibility and authority except as is specifically delegated to WAGI hereunder. In any business, financial or administrative decision involving WAGI in which Endo Center is required to take action or give approval, WAGI shall be entitled to rely upon the oral approval or authority of the Executive Committee of the Endo Center.

2. MANAGEMENT SERVICES.

WAGI will, through GA Division WAGI Personnel provide the following operational management services to Endo Center consistent with good business practices within the ambulatory endoscopy center industry, including but not limited to the following (“Services”):

(a) Personnel Management. The provision of staffing services for the Endo Center in conformity with standards for an ambulatory endoscopy center, including activities which are customary and usual in connection with running an ambulatory endoscopy center, including but not limited to: nursing, medical/physician assistance, reception, personnel, purchasing, filing and other clerical personnel, collections, billing, insurance, and other business and administrative departments.

(b) Standards. The application of the standards of performance to meet those of all accrediting and regulatory bodies, agencies and authorities having jurisdiction over the ambulatory endoscopy center.

(c) Supervision. The provisions of all reasonable and necessary supervision of the operation of the ambulatory endoscopy center.

(d) Employees. To provide without charge (other than the payment of the Management Fee to WAGI payable pursuant to Section 7 of this Agreement) the services and personnel as described in this Agreement. WAGI shall be solely responsible for payment of all salaries and benefits and all required withholding or employer contributions for its employees. No off-site WAGI personnel shall be employed or compensated by Endo Center except indirectly through payment of the Management Fee. Compensation of all WAGI personnel shall be within WAGI’s sole discretion.

(e) Physicians. In conjunction with the approval of Endo Center, WAGI shall contract on Endo Center’s behalf with all physicians, including a Medical Director, who shall operate at Endo Center. All WAGI employees who work at Endo Center shall be GA Division WAGI Personnel. Such physicians shall be employees of WAGI assigned to GA Division, subject to compliance with federal, state and local laws and regulations and the standards of ethics governing such physicians.

(f) Patient Management. Implementation for the benefit of Endo Center a practice management system designed to be responsive to the needs of patients and all other providers with whom WAGI regularly deals in the provision of patient care.

(g) Medical Records. Maintaining a system with respect to, and supervise the obtaining, maintain and organization of, medical records with respect to services rendered at or through the ambulatory endoscopy center.

(h) Purchasing. Making available to Endo Center advice and expertise on purchasing of equipment and supplies and, where practical, shall make available opportunities for central purchasing through its pooled purchasing program in an effort to reduce the cost of ambulatory endoscopy center purchases.

(i) Billing Coordination. Supplying Endo Center or its agent with all necessary documentation, billing and collection information within its possession in an accurate and timely manner to allow Endo Center or its agent to submit proper and accurate claims to third-party payers or patients.

(j) Licenses and Permits. Maintaining all necessary licensing and permitting documentation as it applies to the operation of the ambulatory endoscopy center.

(k) Applicable Law. The application of applicable law to meet those of all accrediting and regulatory bodies, agencies and authorities having jurisdiction over the ambulatory endoscopy center.

(l) Actions or Proceedings. Providing all reasonable and necessary actions regarding the operation of the ambulatory endoscopy center.

(m) Accreditation. Providing all reasonable and necessary supervision of the accreditation of the ambulatory endoscopy center.

(n) Budget. Supervision of the preparation of the budget for the ambulatory endoscopy center.

(o) Repairs. Repairs and maintenance of the ambulatory endoscopy center to maintain good working order and condition.

(p) Banking. Managing the bank accounts owned by the Endo Center including but not limited to administering accounts, making deposits and paying Endo Center expenses.

All Services above will be performed by GA Division WAGI Personnel.

3. TERM AND TERMINATION.

This Agreement shall be for a term of four (4) years commencing on January 1, 2018. Subject to the rights and duties imposed pursuant to this Section 3, this Agreement may be terminated at any

time, without cause, by giving the other party at least ninety (90) days' advance written notice, in which event this Agreement shall terminate on the future date specified in such notice. In addition, in the event of default by a party of any covenant or obligation hereof, which default is not cured within fifteen (15) days after receipt of written notice from the non-defaulting party describing such default (unless such default is not reasonably capable of being cured, if curable, within such fifteen (15) days then if the defaulting party fails to commence the curing of such default within such fifteen (15) days or thereafter fails to complete such cure within a reasonable time), the non-defaulting party may terminate this Agreement upon the giving of written notice of such termination. Upon expiration of this Agreement the Term will automatically renew on a month-to-month basis until termination by either Party.

This Agreement may be terminated immediately if any payment made hereunder is determined by opinion of Endo Center's legal counsel, by a court of competent jurisdiction or by an appropriate governmental agency to be in violation of the federal Anti-Kickback Statute or the federal Physician Self-Referral Statute, as each may be amended from time to time. This Agreement may also be terminated by either party immediately upon the exclusion or suspension of the other party, or any employee of the other party, from the Medicare, Medicaid, or any similar government program.

Upon termination of this Agreement, Endo Center shall promptly pay to WAGI any accrued but unpaid sums due under this Agreement.

4. RIGHTS AND DUTIES OF PARTIES UPON TERMINATION.

Accounts receivable for facility fees received by Endo Center shall remain the property of Endo Center throughout the term of this Agreement and at and subsequent to termination and expiration hereof. WAGI agrees to deliver to Endo Center all bills, records, files and documents concerning Endo Center's business in WAGI's possession within ten (10) days of the termination of this Agreement unless otherwise agreed upon by the Parties.

5. MANAGEMENT FEE.

As compensation for the provision of management and staffing services and the other services to be provided by WAGI, Endo Center will pay WAGI a management fee as shown on Exhibit A ("Management Fee"). WAGI shall invoice Endo Center monthly for the Management Fee. Endo Center shall pay all properly submitted invoices within thirty (30) business days of receipt thereof. WAGI shall pay all Endo Center expenses on Endo Center's behalf from an account owned by Endo Center and therefore there shall be no requirement to reimburse WAGI for any costs or expenses allocated to Endo Center.

6. PROFESSIONAL MEDICAL SERVICES.

This Agreement does not include any provisions relating to the provision of the professional medical services to be rendered at Endo Center and the professional medical fees received for such

services rendered. Professional medical services rendered at Endo Center shall be completed by physicians employed by WAGI and assigned to GA Division under a separate Employment Agreement. Accounts receivable for professional fees for medical services rendered by physicians at Endo Center be the property of WAGI throughout the term of this Agreement and at and subsequent to termination and expiration hereof.

7. CONFIDENTIALITY OF BUSINESS RECORDS; MEDICAL FILES AND PATIENT RECORDS.

(a) During the term of this Agreement, all medical files and patient records for patients treated at the ambulatory endoscopy center shall be maintained exclusively by Endo Center. WAGI shall maintain confidentiality of all such files and records, protect the privacy of the patients and shall not remove any file or record from the ambulatory endoscopy center.

(b) WAGI agrees that Endo Center shall, upon reasonable notice, at reasonable times, have complete access to such patient files of Endo Center where WAGI provided services for such patients, for use in billing and collections, internal or external audit and review and in defense of liability claims and such other purposes as Endo Center may determine.

(c) All business records of any type or description created, used, disclosed to or otherwise learned by either party as a result of this Agreement shall be deemed to be confidential and proprietary information, and both Parties agree that neither shall reveal, publish, communicate or otherwise disclose such information to a third party without the other party's prior written consent or process of law. For the purposes of this Section 7, there shall be excluded any information that is publicly available; provided, however, each party acknowledges that any such information may be disclosed to appropriate consultants for purposes of analysis and evaluation, and that all such consultants shall agree to respect the confidentiality of any such information disclosed or made available to them by the Parties.

(d) In performing Services, WAGI warrants and agrees it will make every reasonable effort to ensure that the Services shall fully comply with all applicable federal, state and local laws, rules and regulations. Specifically, but not by way of limitation, WAGI warrants and agrees it will make every reasonable effort to ensure Services shall comply with requirements imposed by the Health Insurance Portability and Accountability Act of 1996, as amended ("HIPAA") and with Endo Center's HIPAA compliance policies, and will take such actions as are necessary and appropriate in connection therewith, including, but not limited to the execution of a Business Associate Agreement in the form attached hereto as Exhibit B.

8. EMPLOYEE STATUS.

In the performance of the duties and obligations of the Parties under this Agreement, it is mutually understood and agreed that employees of WAGI shall be, and at all times are, acting and performing as employees of WAGI. WAGI understands and agrees that:

- (i) Such employees shall not be treated as employees of Endo Center for federal or state tax purposes;
- (ii) Endo Center shall not withhold on behalf of any such employee any sums for income tax, unemployment insurance, social security or any other withholding pursuant to any law or requirement of any governmental body with respect to such employees or make available to WAGI any of the compensation or benefits afforded to employees of Endo Center; and
- (iii) All payments for salaries, benefits, withholding or otherwise, for any of WAGI employees are the responsibility of WAGI.

9. MEDICAL REPORTING REQUIREMENT.

In the event that the services or supplies furnished by WAGI exceeds Ten Thousand and 00/100 Dollars (\$10,000.00) in any twelve (12) month period during the term hereof or during the combined term hereof and any preceding or succeeding Agreement or renewal between the Parties, WAGI agrees, with, to and for the benefit of, the Secretary of Health and Human Services (“HHS”) or the Comptroller General of the United States, and their authorized representatives including Medicare fiscal intermediaries, to grant access for a period of seven (7) years after the end of the cost reporting period in which such services are furnished hereunder to this Agreement and to any similar Agreement between the Parties and any organization related to WAGI and its books, documents and records to verify the costs of this Agreement in furnishing the services or supplies hereunder in the event that the implementing regulations issued by HHS are deemed applicable to the Parties hereto and this Agreement.

10. NOTICES.

All notices, requests, demands, and other communications required or permitted hereunder shall be in writing and shall be deemed to have been duly delivered if delivered in person or sent by registered or certified, first class mail, postage prepaid to:

Endo Center: Gastroenterology Associates LLC
500 Lilly Road NE, Suite 204
Olympia, Washington 98506
ATTENTION: Kathryne A. Wagner, M.D.

WAGI: Gastroenterology Associates LLC
500 Lilly Road NE, Suite 204
Olympia, Washington 98506
ATTENTION: Rodney W. Joe, M.D.

Either party may from time to time change said address by written notice to the other party, given as above provided.

11. PARTICIPATION IN GOVERNMENT REIMBURSEMENT PROGRAMS.

WAGI and Endo Center each respectively represents and warrants to the other that, through the date on which this Agreement is executed, it is not now nor ever has in the past been excluded from participation in Medicare, Medicaid, TRICARE (f/k/a CHAMPUS and CHAMPVA) or any other federal, state or local governmental program for the reimbursement of health care services provided by it or them. Furthermore, Endo Center represents that none of its physician-owners has ever been excluded from participating in any such programs, and WAGI represents that its physician employees have not ever been excluded from participating in any such programs. Each party agrees to immediately notify the other if it becomes aware of: (a) any attempts to exclude it or its physician-owners or employees from participating in any such governmental reimbursement programs; or (b) any notice or investigation regarding compliance by any of them with laws and/or regulations governing any such program. If either party or its physician-owners (in the case of Group) or Physician is investigated for compliance with the foregoing or is excluded from participation in such governmental reimbursement programs, either party may immediately terminate this Agreement.

12. COMPLIANCE WITH FEDERAL ANTI-KICKBACK AND PHYSICIAN SELF-REFERRAL STATUTES.

Notwithstanding any unanticipated effect of any of the provisions herein, no party intends to violate the federal Anti-Kickback Statute and/or the federal Physician Self-Referral Statute ("Stark II"), as such provisions are amended from time to time. The Parties intend that this Agreement meet the requirements of (a) the personal services and management contracts safe harbor and the space and equipment rental safe harbors to the federal Anti-Kickback Statute which are set forth in 42 CFR §1001.952 (d), (b) and (c), respectively; and (b) the personal services arrangement exception and the space and equipment rental exceptions to Stark II which are set forth in 42 U.S.C. Section 1395nn(e)(3) and (e)(1), respectively, and the corresponding final regulations and/or the indirect compensation arrangement exception or fair market value compensation exception to Stark II set forth in 42 C.F.R. §411.357(p) and (l), respectively, as such regulations may be amended. The consideration paid hereunder is intended solely as compensation to WAGI for use of services described herein. There is no intention by Endo Center to influence the judgment of WAGI or any of WAGI physicians with respect to where WAGI's patients receive health care services. Further, there is no agreement, implied or otherwise, that any of WAGI physician-employees shall refer any of his/her patients to Endo Center. In the event any court or administrative agency of competent jurisdiction determines this Agreement violates any of such statutes, then the Parties hereto agree to take such actions as necessary to amend this Agreement to comply with the applicable statutes or regulations, as provided herein, or terminate this Agreement as counsel for the Parties shall determine is necessary.

13. INSURANCE.

At all times during the term of this Agreement, WAGI shall maintain with financially responsible insurance companies qualified to do business in the state of Washington public liability (i.e., personal injury and property damage) insurance as is customarily carried in respect of ambulatory surgery centers. All insurance policies carried pursuant to the above requirements shall name WAGI as an additional insured, as its interests may appear, and shall have attached to them an endorsement that the same shall not be cancelled or changed without at least ten (10) days prior written notice to WAGI.

14. PROPERTY OF ENDO CENTER.

WAGI acknowledges that those items which represent to the public or to the ambulatory surgery center industry a connection between WAGI and Endo Center, including logos, symbols and specialized procedures, utilized by WAGI in rendering services under this Agreement, are and shall remain the property of Endo Center, and subsequent to the termination of this Agreement, WAGI shall have no right to utilize the same without the prior written consent of Endo Center.

15. GOVERNING LAW.

This Agreement will be governed by the laws of the state of Washington.

16. MEDIATION AND ARBITRATION PROVISION.

The Parties agree that in the event of a dispute involving the construction, interpretation, performance, or breach of this Agreement, they will mediate the same by jointly selecting a Thurston County, Washington, attorney. If the mediation is not successful, then the dispute shall be resolved by arbitration under the auspices of the Thurston County Superior Court rules for mandatory arbitration, regardless of the amount in controversy. Either Party may request the Thurston County Superior Court to appoint an arbitrator if the Parties cannot reach agreement between themselves. Mediation fees and costs shall be split equally between each Party involved in the mediation. Arbitration fees shall be as awarded by the arbitrator to the extent that he or she finds one or more Parties prevail. The award shall include fees and costs of whatever nature incident to said arbitration.

17. ENTIRE AGREEMENT.

This Agreement supersedes all prior agreements and understandings, whether written or oral, between the Parties regarding the subject hereof and this Agreement constitutes the entire agreement of the Parties regarding the subject hereof. No change or amendment of any of the terms or provisions hereof shall be binding unless in writing and signed by the party against whom the same is sought to be enforced.

18. SEVERABILITY.

The provisions of this Agreement are severable. If any one or more of the provisions of this Agreement are held invalid by any court of competent jurisdiction or are voided or nullified for any reason, the remaining provisions and paragraphs shall continue in full force and effect and shall be binding on the Parties so as to carry out the intent and purposes as nearly as possible; provided, however, that any final determination of invalidity which eliminates or minimizes the consideration due to either party hereunder shall entitle such party to terminate this Agreement.

19. BINDING EFFECT-ASSIGNMENT.

This Agreement shall be binding upon, and inure to the benefit of, the Parties hereto and their respective successors and assigns. Neither party hereto may delegate its duties or assign its rights hereunder without the prior written consent of the other party.

20. WAIVER.

No waiver of any provision of this Agreement shall operate or be construed as a waiver of any other provision.

21. COMPLIANCE PLAN.

Endo Center follows WAGI's Compliance Plan, attached hereto as Exhibit C, that sets forth the policy to comply with applicable laws, regulations, and other standards. WAGI agrees that in the course of performance of its duties described herein that it shall act, and cause WAGI Employees Assigned to GA Division to act, in conformance with such plan and shall not take any action that would violate such plan. GA Division Personnel shall participate in compliance education and training as needed. Further, WAGI acknowledges that Section 6032 of the Deficit Reduction Act of 2005 requires that WAGI Employees Assigned to GA Division and agents be advised of, and be bound by, the provisions of the Compliance Plan which address the detection and prevention of fraud, waste and abuse as to the work performed by WAGI hereunder. WAGI acknowledges that it shall disseminate such provisions to WAGI Employees Assigned to GA Division and agents and make its best efforts to require GA Division WAGI Personnel and agents to abide by such provisions as to the work they perform hereunder.

22. ASSIGNMENT.

With the written consent of Endo Center, WAGI shall have the right to assign its rights under this Agreement, to any affiliate or to any assignee who also acquires all, or substantially all of the assets of WAGI and assumes WAGI's obligations including those under this Agreement.

23. BINDING ON SUCCESSORS.

Subject to the limitations on assignment under this Agreement, the terms, provisions, covenants, undertakings, agreements and obligations of this Agreement shall be binding upon and

shall inure to the benefit of the transferees, successors in interest and the assigns of the parties with the same effect as if mentioned in each instance where the party is named or referred to.

24. WAIVER.

The waiver by a party of any breach of any term, covenant or condition contained in this Agreement shall not be deemed to be a waiver of such term, covenant or condition or any subsequent breach of the same or any other term, covenant or condition contained in this Agreement. The subsequent acceptance by a party of performance by the other shall not be deemed to be a waiver of any preceding breach of any term, covenant or condition of this Agreement, other than failure to perform the particular duties so accepted, regardless of knowledge of such preceding breach at the time of acceptance of the performance.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement effective as of the date and year first above written.

Signature page to follow

WAGI:

Washington Gastroenterology, PLLC,
a Washington professional limited liability company
Ralph Katsman

BA305751368C40E...

By: Ralph Katsman

Its: President

GA CLINICAL:

Gastroenterology Associates Clinical Practice PLLC,
a Washington professional limited liability company

[Signature]
By: Rodney W. Joe

Its: Managing Partner, MD

ENDO CENTER:

Gastroenterology Associates LLC,
a Washington limited liability company

[Signature]
By: Rodney W. Joe

Its: Managing Partner, MD

Signature page for Management Services Agreement

EXHIBIT A MANAGEMENT FEE

Endo Center estimates its annual expenses as outlined below.

The estimated expenses of the Endo Center that WAGI shall pay using Endo Center owned bank accounts are as follows:

The 2017 estimated expenses of Endo Center are \$2,364,379.00 (annually) paid in equal payments each month. Monthly payments shall be \$197,031.58 per month.

The 2018 estimated expenses of Endo Center are \$2,423,489.00 (annually) paid in equal payments each month. Monthly payments shall be \$201,957.42 per month.

The 2019 estimated expenses of Endo Center are \$2,484,076.00 (annually) paid in equal payments each month. Monthly payments shall be \$207,066.33 per month.

The 2020 estimated expenses of Endo Center are \$2,546,178.00 (annually) paid in equal payments each month. Monthly payments shall be \$212,181.50 per month.

The Management Fee will be six percent (6%) of all expenses WAGI pays on behalf of Endo Center.

If the Term of this Agreement covers two different calendar years, the monthly payment shall increase January of the calendar year. For example, if the Term of this Agreement is September 1, 2017 to August 31, 2018, the Management Fee shall be the 2017 Management fee during the 2017 calendar year and shall increase to the 2018 Management Fee in January 2018 for the remainder of the Term.

EXHIBIT B

BUSINESS ASSOCIATE AGREEMENT

This Business Associate Agreement (“Agreement”) is entered into by and between Gastroenterology Associates, L.L.C. (“Covered Entity”) and Washington Gastroenterology, PLLC (“Business Associate”), effective as of the date last signed below (“Effective Date”).

RECITALS

WHEREAS, the parties contemplate one (1) or more arrangements (collectively, the “Arrangement”) whereby Business Associate provides services to Covered Entity and Business Associate creates, receives, maintains, transmits, or has access to Protected Health Information in order to provide those services;

WHEREAS, Covered Entity is subject to the Administrative Simplification requirements of the Health Insurance Portability and Accountability Act of 1996 (“HIPAA”), and regulations promulgated thereunder, including the Standards for Privacy and for Security of Individually Identifiable Health Information codified at 45 Code of Federal Regulations (“CFR”) Parts 160, 162, and 164 (“Privacy Regulations” and “Security Regulations”); and

WHEREAS, the Privacy Regulations and Security Regulations require Covered Entity to enter into a contract with Business Associate in order to mandate certain protections for the privacy and security of Protected Health Information, and those Regulations prohibit the disclosure or use of Protected Health Information by or to Business Associate if such a contract is not in place.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties agree as follows:

I. DEFINITIONS

1.1 Terms used, but not otherwise defined, in this Agreement shall have the same meaning as set forth in 45 CFR Parts 160, 162, and 164.

II. OBLIGATIONS OF BUSINESS ASSOCIATE

2.1 Permitted Uses and Disclosures of PHI. Except as otherwise limited in this Agreement, Business Associate may Use and Disclose PHI to perform functions, activities, or services for, or on behalf of, Covered Entity, provided that such Use or Disclosure of PHI would not violate the Privacy Regulations or Security Regulations if done by Covered Entity. Business Associate agrees not to Use or Disclose PHI other than as permitted or required by this Agreement, or as required by law.

2.2 Adequate Safeguards for PHI. Business Associate warrants that it shall implement and maintain appropriate safeguards to prevent the Use or Disclosure of PHI in any manner other than as permitted by this Agreement or as required by law.

2.3 Adequate Safeguards for EPHI. Business Associate warrants that it shall implement and maintain administrative, physical, and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of any EPHI that it creates, receives, maintains, or transmits on behalf of Covered Entity. Business Associate further warrants that it shall comply with the HIPAA Security Regulations, where applicable, with respect to EPHI to prevent the Use or Disclosure of EPHI other than as permitted by this Agreement.

2.4 Reporting Non-Permitted Use or Disclosure, Security Incident, or Breach.

(a) Business Associate shall notify Covered Entity of any Use or Disclosure of PHI not permitted by this Agreement of which Business Associate becomes aware.

(b) Business Associate shall notify Covered Entity of any Security Incident of which it becomes aware that results in the unauthorized access, use or disclosure of the Covered Entity's PHI. Notwithstanding the foregoing, Business Associate has no obligation to notify Covered Entity of any Security Incident that does not result in the unauthorized access, use, or disclosure of PHI, including, but not limited to, pings on Business Associate's firewall, port scans, attempts to log onto a system or enter a database with an invalid password or username, denial-of-service attacks that do not result in the system being taken off-line, or malware such as worms or viruses.

(c) As required by 45 CFR 164.410, Business Associate shall report to Covered Entity a Breach of Unsecured Protected Health Information following Business Associate's discovery of such Breach. For purposes of the foregoing obligation, "Breach" shall mean the acquisition, access, Use, or Disclosure of PHI in a manner not permitted under the HIPAA Privacy Regulations which compromises the security or privacy of such information, as further defined in 45 CFR 164.402.

2.5 Availability of Internal Practices, Books and Records to Government Agencies. Business Associate agrees to make its internal practices, books, and records relating to the Use and Disclosure of PHI received from, or created or received by Business Associate on behalf of Covered Entity available to the Secretary of the federal Department of Health and Human Services for purposes of determining Covered Entity's compliance with the Privacy Regulations.

2.6 Access to and Amendment of PHI. If Business Associate maintains PHI in a Designated Record Set, Business Associate agrees to provide Covered Entity with access to such PHI upon Covered Entity's request and as required by 45 CFR Section 164.524. Additionally, if Business Associate maintains PHI in a Designated Record Set, Business Associate agrees to make amendments to any such PHI upon Covered Entity's request and as required by 45 CFR Section 164.526.

2.7 Accounting of Disclosures. Upon request by Covered Entity, Business Associate shall provide to Covered Entity an accounting, as required by 45 CFR 164.528, of each Disclosure of PHI made by Business Associate.

2.8 Use of Subcontractors. Business Associate shall ensure that any subcontractor who creates, receives, maintains, or transmits PHI on its behalf agrees to the same restrictions and conditions that apply to the Business Associate with respect to such information.

2.9 Compliance with Covered Entity Obligations. To the extent Business Associate carries out Covered Entity's obligations under the Privacy Regulations and Security Regulations, Business Associate shall comply with the requirements of such regulations that apply to Covered Entity in the performance of such obligations.

2.10 HITECH Act Compliance. Business Associate will comply with the requirements of the HITECH Act, codified at 42 U.S.C. §§ 17921–17954, which are applicable to business associates, and will comply with all regulations issued by the Department of Health and Human Services (HHS) to implement these referenced statutes, as of the date by which business associates are required to comply with such referenced statutes and HHS regulations.

III. OBLIGATIONS OF COVERED ENTITY

3.1 Covered Entity shall, upon request, provide Business Associate with its current Notice of Privacy Practices adopted in accordance with the Privacy Regulations.

3.2 Covered Entity shall inform Business Associate of any revocations, amendments or restrictions in the Use or Disclosure of PHI if such changes affect Business Associate's permitted or required Uses and Disclosures of PHI hereunder.

IV. ADDITIONAL PERMITTED USES

4.1 Except as otherwise limited in this Agreement, Business Associate may Use and Disclose PHI as set forth below:

(a) Use of Information for Management, Administration and Legal Responsibilities. Business Associate may Use PHI for the proper management and administration of the Business Associate or to carry out the legal responsibilities of the Business Associate.

(b) Disclosure of Information for Management, Administration and Legal Responsibilities. Business Associate may Disclose PHI for the proper management and administration of the Business Associate or to carry out the legal responsibilities of the Business Associate if the Disclosure is required by law, or Business Associate obtains reasonable assurances from the person to whom the information is Disclosed that it will be held confidentially and Used or further Disclosed only as required by law or for the purpose of which it was Disclosed, and the person notifies Business Associate of any instances of which it is aware where confidentiality of the information has been breached.

V. TERM AND TERMINATION

5.1 Term and Termination. This Agreement shall commence as of the Effective Date and shall continue in effect unless and until terminated by either party under this Section 5.1. Either party shall have the right to terminate this Agreement if the other party is in material breach or violation of its obligations under this Agreement; provided that the non-breaching party provides the breaching

party with thirty (30) days written notice to cure to the breach. In the event that both parties determine that termination is not feasible, the non-breaching party may report such breach to the Secretary.

5.2 Disposition of PHI upon Termination. Upon termination of this Agreement, Business Associate shall either return or destroy, all PHI maintained in any form by Business Associate or its agents and subcontractors, and shall retain no copies of such PHI. However, if neither return nor destruction of PHI is feasible, Business Associate may retain PHI provided that Business Associate: (a) continues to comply with the provisions of this Agreement for as long as it retains PHI, and (b) limits further Uses and Disclosures of PHI to those purposes that make the return or destruction of PHI infeasible.

VI. GENERAL TERMS

6.1 No Third Party Beneficiaries. There are no third party beneficiaries to this Agreement.

6.2 Relationship to Agreement Provisions. In the event that a provision of this Agreement is contrary to a provision of any other agreement between the parties, the provisions of this Agreement shall control.

6.3 Legal Compliance. The parties hereto shall comply with applicable laws and regulations governing their relationship, including, without limitation, the Privacy Regulations, the Security Regulations, and any other applicable federal or state laws or regulations governing the privacy, confidentiality, or security of patient health information.

6.4 Severability. If a provision of this Agreement is held invalid under any applicable law, such invalidity will not affect any other provision of this Agreement that can be given effect without the invalid provision. Further, all terms and conditions of this Agreement will be deemed enforceable to the fullest extent permissible under applicable law, and, when necessary, the court is requested to reform any and all terms or conditions to give them such effect.

6.5 Governing Law and Venue. This Agreement shall be governed and construed under the laws of the State of Washington. The venue for any dispute arising out of this Agreement shall be King County in the State of Washington.

6.6 Independent Contractor. Business Associate and Covered Entity are and shall be independent contractors to one another, and nothing herein shall be deemed to cause this Agreement to create an agency, partnership, or joint venture between the parties. No acts performed or words spoken by either party with respect to any third party shall be binding upon the other. Any and all obligations incurred by either party in connection with the performance of any of its obligations hereunder shall be solely at that party's own risk. Each party agrees that it shall not represent itself as the agent or legal representative of the other for any purpose whatsoever.

6.7 Entire Agreement. This Agreement is the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior or contemporaneous agreements, written or oral, with respect to such subject matter.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the date last signed below.

Business Associate:

Covered Entity:

Washington Gastroenterology, PLLC

Gastroenterology Associates, LLC

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Dated: _____

Dated: _____

Signature page for Business Associate Agreement

EXHIBIT C
COMPLIANCE PLAN

Gastroenterology Associates Compliance Plan for Professional Services

I. Introduction

Gastroenterology Associates had an ongoing commitment to ensuring that all the practice affairs are conducted in accordance with applicable law. The critical focus of any compliance program relates to several areas including, but not limited to, the following:

- Human Resource Management
- Environmental Health and Safety
- CLIA Regulations
- Wage and Hour Requirements
- Infection Control
- Patient Relations
- Risk Management
- Quality Improvement

Issues relating to compliance in the above areas, however, will not be directly addressed in this document. These issues are all addressed in various policies and procedures available throughout the office(s). The Compliance Plan for Professional Services, as addressed in this document, will focus chiefly on issues relating to professional fee billing and reimbursement for services provided within the office as well as in other locations.

The compliance program described in this document is intended to establish a framework for legal compliance by the employees of Gastroenterology Associates. It is not intended to set forth all of the substantive programs and practices of Gastroenterology Associates that are designed to achieve compliance. Gastroenterology Associates already maintains various compliance practices, and those practices continue to be a part of its overall legal compliance efforts.

II. Components of the Compliance Program

1. Auditing and Monitoring

Compliance Officer:
WAGI

Dr. Jason Sugar Quality Officer at

Director of Operations:

Jeneka Moss

The following reviews will be performed by a designated staff member or independent contractor:

a. Standards and procedures

The Compliance Officers, or designated person(s), is charged with the responsibility of periodically reviewing the practice's standards and procedures to determine if they are current and complete. If the standards and procedures are found to be ineffective or outdated, that should be updated to reflect changes in the government regulations or policies generally relied upon by physicians and insurers (e.g., changes in Current Procedural Terminology (CPT) and International Classifications of Diseases (ICD-9-CM) codes).

b. Claims Submission Audit

In addition to the standards and procedures themselves, bills and medical records will be reviewed by the accounts manager, and clinical manager, for compliance with applicable coding, billing and documentation requirements.

The reviews will be used to determine whether:

- bills are accurately coded and accurately reflect the services provided(as documented in EMR);
- documentation is completed correctly;
- services or items provided are reasonable and necessary; and
- whether any incentives for unnecessary services exist

2. Establish Practice Standards and Procedures

The Compliance Officer, accounts manager and clinical manager will update clinical forms periodically to make sure they facilitate and encourage clear and complete documentation of patient care.

Physician's Assistant: Medicare guidelines followed in billing "incident to" Sheet bulletins. Both are referenced for updates

Software puts the practice in compliance with electronic claim submissions

Current CPT and ICD books are referenced

CCI edit program is referenced

EOB's are reviewed for compliance in coding and reimbursement

If updates to the standards and procedures are necessary, those updates will be communicated to employees to keep them informed regarding the practice's operations. New employees will be trained in the standards and procedures when hired.

The following reference the risk areas:

- billing for items or services not rendered or not provided as claimed;
- submitting claims for equipment, medical supplies, and services that are not reasonable and necessary;
- double billing resulting in duplicate payment;
- billing for non-covered services as if covered;
- knowing misuse of provider identification numbers; which results in improper billing;
- unbundling (billing for each component of the service instead of billing for an all-inclusive code);
- failure to properly use coding modifiers; and
- improperly coding the level of service provided

a. Reasonable and Necessary Services

Claims are to be submitted to all third party payors only for services that the physician and physician's assistant find to be reasonable and necessary in the particular case. The Health Care Financing Administration (HCFA) has recognized that physicians and physicians assistants (state regulated) should be able to order any tests, including screening tests, they believe are appropriate for the treatment of their patients.

However, the ordering physician and physician's assistant should be aware that Medicare will only pay for services that meet the Medicare definition of reasonable and necessary. Medicare (and many insurance plans) may deny payment for a service that is not reasonable and necessary according to the Medicare reimbursement rules. Thus, when a physician and physician's assistant provides services to a Medicare beneficiary, in the absence of a signed Advance Beneficiary Notice (ABN), he or she should only bill those services that meet the Medicare standard of being reasonable and necessary for the diagnosis and treatment of the patient. A physician and physician's assistant can bill in order to receive a denial for services, but only if the denial is needed for reimbursement from the secondary payor. Upon request, the physician and physicians assistants should be able to provide documentation, such as a patient's medical records and physician's orders, to support the appropriateness of a service that the physician and physician's assistant has provided.

b. Documentation

Timely, accurate and complete documentation is important to the continuity of patient care. This same documentation serves as a second function when a bill is submitted for payment, namely, as verification that the bill is accurate as submitted. Therefore, one of the most important physician practice compliance issues is the appropriate documentation of diagnosis and treatment.

Documentation is necessary to determine the appropriate medical treatment for the patient and is the basis for coding and billing determinations.

The medical record documentation should reflect the following:

- the EMR is complete and legible
- the documentation of each patient encounter includes the reason for the encounter, any relevant history, physical examination findings, prior diagnostic test results, assessment and clinical impression, or diagnosis, plan of care, date of service and legible identity of the observer
- if not documented, the rationale for ordering diagnostic and other ancillary services can be easily inferred by an independent reviewer or third party who has appropriate medical training
- CPT and ICD-9-CM codes used for claims submission must be supported by the documentation in the medical record
- the documentation should identify appropriate health risk factors
- the documentation should clearly reflect the patient's progress, his or her response to, and any changes in, treatment, and any revision in diagnosis
- the person who provided the service(s) should be clearly identified in the medical record

c. Improper Inducements, Kickbacks, and Self-Referrals

The anti-kickback statute and the Stark self-referral regulations prohibit knowingly and willfully giving or receiving anything of value to induce referrals of Federal health care business. All business arrangements wherein a physician refers business to, or orders services or items from, an outside entity should be on a fair market value basis.

The following actions or behaviors are prohibited:

- routinely waiving coinsurance or deductible amounts without a good faith determination that the patient is in financial need, or failing to make reasonable efforts to collect the cost-sharing amount;
- financial arrangements with outside entities to whom the practice may refer Federal health care program business that is not based on fair market value;
- joint ventures with entities supplying goods or services to the practice or its patients;
- office and equipment leases with entities to which the physician refers that are not based on fair market value

d. Retention of Records

Gastroenterology Associates has developed a policy for the retention of records in accordance with Federal and State law requirements. Patient's medical records are retained for 10 years either EMR or paper chart. Any documents relating to the billing process will be retained for a minimum of seven years. The practice will also maintain a record of all reports of possible compliance violations and their disposition.

e. Patient Privacy

The practice will maintain the confidentiality of patient identifiable records in accordance with the Federal HIPPA regulations and/or State regulations

3. Compliance Officer

The practice will designate a Compliance Officer who will be responsible for the following activities:

- overseeing and monitoring the implementation of the compliance programs;
- establishing methods, such as periodic audits, to improve the practice's efficiency and quality of services, and to reduce the practice's vulnerability to fraud and abuse;
- periodically revising the compliance program in light of changes in the needs of the practice of changes in the law and in the standards and procedures of Government and private payor health plans;
- investigating any report or allegation concerning possible unethical or improper business practices, and monitoring subsequent corrective action and/or compliance

4. Conducting Appropriate Training and Education

All employees will receive compliance guidelines in writing at a minimum of once per year. New employees will receive information during orientation. Yearly updates will be in written form, and each staff member will receive update for compliance.

The training information will include the following:

a. General Training for all Employees

- how to perform their jobs in compliance with the standards of the practice and any applicable regulations;
- an understanding that compliance is a condition of continued employment; and
- violating the standards and procedures may subject the employee to disciplinary measures

b. Specific Coding and Billing Training

Coding and billing information will be provided to all providers and employees involved in the billing process. Topics to be covered in coding and billing information include:

- coding requirements
- claim development and submission processes;

- signing a form for a physician without the physician's authorization;
- proper documentation of services rendered;

- proper billing standards and procedures and submission of accurate bills for services or items rendered to patients; and
- the legal sanctions for submitting deliberately false or reckless billings

5. Responding to Detected Offenses and Developing Corrective Action Initiatives

When the Compliance Officer determines that he/she has detected a possible violation of regulation or internal policy, the Compliance Officer, together with the practice manager will determine how to respond to the problem. All allegations will be investigated to determine whether a significant violation of applicable law or the requirements of the compliance program has indeed occurred, and, if so, decisive steps will be taken to correct the problem. As appropriate, such steps may involve a corrective plan of action, the return of any overpayments, a report to the government, and/or referral to law enforcement authorities. The Compliance Officer together with the practice manager will decide whether to confer with legal counsel before any action is taken.

6. Developing Open Lines of Communication

In order to prevent problems from occurring and to have a frank discussion of why the problem happened in the first place, the practice will encourage open lines of communication between supervisors and employees and between employees and the Compliance Officer. The office will post the name and phone number of the Compliance Officer and the hotline numbers in an area accessible to all employees. In addition, each employee will receive a copy of the Code of Conduct that includes the following information:

- the requirement that employees report conduct that a reasonable person would, in good faith, believe to be erroneous or fraudulent;
- the hotline numbers for reporting potential violations of regulation or internal policies; and
- provisions in the standards and procedures that there will be no retribution for reporting conduct that a reasonable person acting in good faith would have believed to be erroneous or fraudulent

7. Enforcing Disciplinary Standards

The Compliance Officer and the practice manager will determine the disciplinary mechanisms to ensure that violations of the practice's compliance policies will result in consistent and appropriate sanctions, including the possibility of termination, against the offending individual. Individuals who fail to detect or report violations of the compliance program may also be subject to discipline. Disciplinary actions may include; warnings (orals); reprimands (written); probation; demotion; temporary suspension; termination; restitutions of damages; and referral for criminal prosecution.

Communications resulting in the finding of non-compliant conduct will be documented in the compliance files, including the date of incident, name of reporting party, name of the person responsible for taking action, and the follow-up action taken.

III. **Policies and Procedures**

1. Reasonable and Necessary Services

a. Local Coverage Determination (LCD) / Local Medical Review Policy (LMRP)

When the LCD/LMRP indicates that an item or service may not be covered by Medicare, the physician or physician's assistant is responsible to convey this information to the patient so that the patient can make an informed decision concerning the health care services he/she may want to receive. This information is conveyed through Advanced Beneficiary Notices (ABNs).

b. Advanced Beneficiary Notices (ABN)

All physicians and physician's assistants to properly execute an ABN before they provide services that they know or believe Medicare does not consider reasonable and necessary. A properly executed ABN acknowledges that coverage is uncertain or yet to be determined, and stipulates that the patient promises to pay the bill if Medicare does not. Patients who are not notified before they receive such services are not responsible for payment. The ABN must be sufficient to put the patient on notice of the reasons why the physician and physician's assistant believes that they payment may be denied. The objective is to give the patient sufficient information to allow an informed choice as whether to pay for the service.

Accordingly, each ABN will:

- be in writing;
 - identify the specific service that may be denied by procedure name and CPT/HCPCS code;
 - state the specific reason why the physician or physician's assistant believed that service may be denied;
 - be signed by the patient acknowledging that the required information was provided, and that the patient assumes responsibility to pay for the service.
- (See Appendix A for sample ABN)

The Medicare Carrier's Manual provides that an ABN will not be acceptable if: (1) the patient is asked to sign a blank ABN form; or (2) the ABN is used routinely without regard to a particular need. The routine use of ABNs is generally prohibited because the ABN must state the specific reason the physician anticipates that the specific service will not be covered.

c. Quality Assurance (optional for those doing office-based procedures)

The AGA has developed quality standards for office based endoscopy procedures that will be followed and monitored on a regular basis. The information is referenced in the practice QA Manual.

2. Physician Liability for Certification of Medical Necessity

In January 1999, the OIG issued a Special Fraud Alert on this topic. The following is a summary of the Special Fraud Alert.

The OIG issued the Special Fraud Alert to reiterate to physicians and physician's assistants the legal and programmatic significance of physician and physician's assistant certifications made in connection with the ordering of certain items and services for Medicare patients. In light of information obtained through OIG provider audits, the OIG deemed it necessary to remind physicians and physician's assistants that they may be subject to criminal, civil, and administrative penalties for signing a certification when they know that the information is false or for signing a certification with reckless disregard as to the truth of the information.

Medicare has conditioned payment for many items and services on a certification signed by a physician or physician's assistant attesting that the physician or physician's assistant has reviewed the patient's condition and has determined that an item or service is reasonable and necessary. Because Medicare primarily relies on the professional judgment of the treating physician or physician's assistant to determine the reasonable and necessary nature of a given service or supply, it is important that physicians or physician's assistants provide complete and accurate information on any certifications they sign. Physician or physician's assistant certification is obtained through a variety of forms, including prescriptions, orders, and Certifications of Medical Necessity (CMNs). Two areas where physician or physician's assistant certification is essential, but vulnerable to abuse are: (1) home health services; and (2) durable medical equipment.

By signing a CMN, the physician or physician's assistant represents that:

- he or she is the patient's treating physician or physician's assistant and that the information regarding the physician's or physician's assistant's address and National Physician Identification Number (NPI) is correct;
- the entire CMN, including the sections filled out by the supplier, was completed prior to the physician's or physician's assistant's signature; and
- the information in section B relating to whether the item or service is reasonable and necessary is true, accurate, and complete to the best of the physician's or physician's assistant's knowledge

Activities such as signing blank CMNs, signing a CMN without seeing the patient to verify the item or service is reasonable and necessary, and signing a CMN for a

service that the physician or physician's assistant knows is not reasonable and necessary are activities that

can lead to criminal, civil, and administrative penalties. Therefore each physician or physician's assistant will carefully review any form of certification (order, prescription, or CMN) before signing it to verify that the information contained in the certification is both complete and accurate.

3. Billing for Non-Covered Services as if Covered

In some instances, the physician or physician's assistant may submit claims for service in order to receive a denial from the carrier, thereby enabling the patient to submit the denied claim for payment to a secondary payer. As stated, Medicare denials may also be required so that they patient can seek payment from a secondary insurer. In instances where a claim is being submitted to Medicare for this purpose, the physician or physician's assistant should indicate on the claim submission that the claim is being submitted for the purpose of receiving a denial, in order to bill a secondary insurance carrier. This step should assist carriers and prevent inadvertent payment to which the physician or physician's assistant is not entitled.

In some instances, however, the carrier pays the claim even though the service is non- covered and even though the physician or physician's assistant did not intend for payment to be made. When this occurs, the practice will refund the amount paid and indicate that the service is not covered.

IV. Physician or Physician's Assistant Billing Practices

1. Professional Courtesy

Gastroenterology Associates follows the Financial Payment Policy, the payment plan application is utilized to determine financial needs of the patient. Government poverty guidelines are referenced to determine eligibility for a patient for financial hardship adjustments.

The Compliance Plan as stated above is a fluid document and will be reviewed and modified as necessary.