



PeaceHealth

Shared Services Center

September 16, 2022

Eric Hernandez, Program Manager  
Certificate of Need Program  
Department of Health  
111 Israel Road Southeast  
Tumwater, WA 98501

Via Email: [FSLCON@DOH.WA.GOV](mailto:FSLCON@DOH.WA.GOV)

Dear Mr. Hernandez:

Attached please find PeaceHealth's certificate of need application proposing to establish a new multispecialty ASC in Whatcom County.

Also, please note that the appropriate review and processing fee of \$20,427 was sent separately via FedEx to the Department of Health.

Should you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Aaron Dipzinski".

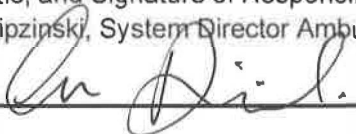
Aaron Dipzinski  
System Director Ambulatory Growth



**Certificate of Need Application  
Ambulatory Surgical Facilities  
Ambulatory Surgery Centers**

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 attest that the statements made in this application are correct to the best of my knowledge and belief.

Name, Title, and Signature of Responsible Officer: Aaron Dipzinski, System Director Ambulatory Growth 	Phone Number: 425-772-4419
Dated: September 16, 2022	Email Address: ADipzinski@peacehealth.org
Legal Name of Applicant: PeaceHealth	Number of Operating Rooms requested – include procedure rooms: 5 ORs and 1 Procedure Room
Address of Applicant: 1115 SE 164th Avenue Vancouver, WA, 98683	Estimated Capital Expenditure: \$12,531,887

Identify the Planning Area for this project as defined in <u>WAC 246-310-270(3)</u> : Whatcom Secondary Health Service Area
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**CERTIFICATE OF NEED APPLICATION  
TO  
ESTABLISH A MULTI-SPECIALTY  
AMBULATORY SURGERY CENTER**

**Whatcom Secondary Health Service Area**

**September 2022**

**SECTION 1  
APPLICANT DESCRIPTION**

**1. Provide the legal name(s) and address(es) of the applicant(s)**

**Note: The term “applicant” for this purpose includes any person or individual with a ten percent or greater financial interest in the partnership or corporation or other comparable legal entity. [WAC 246-310-010\(6\)](#)**

The applicant is PeaceHealth ASC Bellingham, LLC. The ultimate parent is PeaceHealth.

**2. Identify the legal structure of the applicant (LLC, PLLC, etc.) and if known, provide the UBI number.**

PeaceHealth is a not-for-profit Catholic health system offering care to communities in Washington, Oregon, and Alaska. PeaceHealth operates hospitals, clinics, home health and hospice agencies. Organizationally, the facility will be under PeaceHealth’s Health Ventures division. Health Ventures is a separate Washington nonprofit corporation and 501(c)(3). The ASC will do business as PeaceHealth ASC Bellingham, LLC. As can be identified in the organizational chart in Exhibit 1, PeaceHealth is the ultimate parent.

The UBI # associated with PeaceHealth ASC Bellingham, LLC is 604 538 152.

**3. Provide the name, title, address, telephone number, and email address of the contact person for this application.**

The contact for this project is:

Aaron Dipzinski, System Director Ambulatory Growth  
PeaceHealth  
1115 SE 164<sup>th</sup> Avenue  
Vancouver, WA, 98683  
(360) 729-1194  
[ADipzinski@peacehealth.org](mailto:ADipzinski@peacehealth.org)

- 4. Provide the name, title, address, telephone number, and email address of any other representatives authorized to speak on your behalf related to the screening of this application (if any).**

The other representative authorized to speak on behalf of PeaceHealth related to the screening of this application is:

Tom Karnes, Associate General Counsel  
PeaceHealth  
1115 SE 164<sup>th</sup> Avenue  
Vancouver, WA, 98683  
(360) 729-1297  
[TKarnes@peacehealth.org](mailto:TKarnes@peacehealth.org)

- 5. Provide an organizational chart that clearly identifies the business structure of the applicant(s) and the role of the facility in this application.**

The organizational chart is included in Exhibit 1.

## SECTION 2 PROJECT DESCRIPTION

### 1. Provide the name and address of the existing facility.

This application proposes a new ASC. As such, this question is not applicable.

### 2. Provide the name and address of the proposed facility. If an address is not yet assigned, provide the county parcel number and the approximate timeline for assignment of the address.

PeaceHealth ASC Bellingham (PeaceHealth ASC) will be located at:

3009 Squalicum Parkway  
Bellingham, WA 98225

### 3. Provide a detailed description of the proposed project.

PeaceHealth ASC proposes to establish a five OR, one procedure room freestanding outpatient surgical center. The ASC will be located in a medical office building in space currently leased to another ASC that received CN approval in 2002 and operates six rooms at the location.

The provider currently in the space recently submitted a Letter of Intent to establish a new ASC in the community. PeaceHealth ASC plans to immediately occupy the space and license the facility as a freestanding ASC upon the current tenant vacating. We will secure a new provider number and new certification for the ASC. Because of the urgency to improve access, we intend to have the ASC operational by May 17, 2023, and Medicare certified by July 1, 2023.

Importantly, this project will allow PeaceHealth to decant the exceptionally high occupancy (more than 120% capacity) currently occurring within PeaceHealth St. Joseph Medical Center's current mixed use operating rooms. This high occupancy is regularly resulting in outpatient cases being bumped or delayed and is causing significant access issues and dissatisfaction for those patients and providers being impacted. Shifting cases that align with the criteria for the American Society of Anesthesiologists' (ASA) class I (normal, healthy patient) and class II (patient with mild systemic disease), and some class III (patient with severe systemic disease without immediate danger of death), to a freestanding OR will free-up capacity in the mixed use ORs to allow PeaceHealth to improve access times for patients and providers. PeaceHealth St. Joseph Medical Center is the sole inpatient surgical provider in the Service Area with the next closest provider in Everett, a drive time of more than 60 minutes under ideal travel circumstances. It will also provide a lower cost setting for select surgical cases that are appropriate to provide in a free-

standing ASC and will help to meet the unmet need in the community for additional OR capacity identified through the Department’s numeric methodology.

Freeing up capacity in the mixed use ORs and adding additional multi-specialty outpatient ORs in the community will also support recruitment of new surgeons and select needed specialty providers. At this time, PeaceHealth is limited in its ability to recruit new surgeons and new surgical specialties because there is no capacity and therefore no rooms for these providers to practice within. Finally, by immediately occupying an existing ASC upon the current tenant leaving the ASC, PeaceHealth will ensure access to surgical services in the community is not disrupted.

**4. With the understanding that the review of a Certificate of Need application typically takes at least 6-9 months, provide an estimated timeline for project implementation, below:**

The location for this project is an existing ASC in a medical office building located on the Peace Health St. Joseph Medical Center campus. Based on our conversations with both Department of Health Licensing and Construction Review staff, we understand that no construction will be required. We expect certificate of need approval in late March of 2023. We intend to immediately take possession of the facility when the current tenant vacates. The activities anticipated under the construction line item are related to minor cosmetic modifications (e.g., painting, repairs, clean up, branding) and installation of moveable equipment.

<b>Event</b>	<b>Anticipated Month/Year</b>
Design Complete	NA
Construction Commenced	April 1, 2023
Construction Completed	May 1, 2023
Facility Prepared for Survey	May 17, 2023
Project Completion	July 1, 2023

**5. Identify the surgical specialties to be offered at this facility by checking the applicable boxes below. Also attach a list of typical procedures included within each category.**

- |  |   |   |
|--|---|---|
| <input checked="" type="checkbox"/> Ear, Nose, & Throat                            | <input type="checkbox"/> Maxillofacial            | <input type="checkbox"/> Pain Management            |
| <input type="checkbox"/> Gastroenterology  | <input checked="" type="checkbox"/> Ophthalmology | <input checked="" type="checkbox"/> Plastic Surgery |
| <input checked="" type="checkbox"/> General Surgery                                | <input checked="" type="checkbox"/> Oral Surgery  | <input checked="" type="checkbox"/> Podiatry        |
| <input checked="" type="checkbox"/> Gynecology                                     | <input checked="" type="checkbox"/> Orthopedics   | <input checked="" type="checkbox"/> Urology         |
| <input checked="" type="checkbox"/> Other? Describe in detail: <u>Neurosurgery</u> |   |   |

**6. If you checked gastroenterology, above, please clarify whether this includes the full spectrum of gastroenterological procedures, or if this represents a specific sub-specialty:**

Endoscopy

Bariatric Surgery

Other: \_\_\_\_\_

This question is not applicable.

- 7. For existing facilities, provide a discussion of existing specialties and how these would or would not change as a result of the project.**

This question is not applicable.

- 8. Identify how many operating rooms will be at this facility at project completion. Note, for certificate of need and credentialing purposes, “operating rooms” and “procedure rooms” are one and the same.**

The PeaceHealth ASC will have 6 total rooms, 5 operating rooms and 1 procedure room.

- 9. Identify if any of the operating rooms at this facility would be exclusively dedicated to endoscopy, cystoscopy, or pain management services. [WAC 246-310-270\(9\)](#)**

None of the PeaceHealth ASC rooms will be dedicated to endoscopy, cystoscopy or pain management services.

- 10. Provide a general description of the types of patients to be served by the facility at project completion (e.g. age range, etc.).**

The PeaceHealth ASC will accept patients, age 12 months and over, who need outpatient surgery and are expected to be discharged home the same day. Patients who meet the ASA criteria of ASA class I (normal, healthy patient), class II (patient with mild systemic disease) or some ASA class III (patient with severe systemic disease without immediate danger of death) will be served.

- 11. If you submitted more than one letter of intent for this project, provide a copy of the applicable letter of intent that was submitted according to [WAC 246-310-080](#).**

The applicable letter of intent is provided in Exhibit 2.

- 12. Provide single-line drawings (approximately to scale) of the facility, both before and after project completion.**

The single line drawings are provided in Exhibit 3.



**13. Confirm that the facility will be licensed and certified by Medicare and Medicaid, which is a requirement for CN approval. If this application proposes the expansion of an existing facility, provide the existing facility's identification numbers.**

License #: ASF.FS. \_\_\_\_\_

Medicare #: \_\_\_\_\_

Medicaid #: \_\_\_\_\_

PeaceHealth does not currently operate an ASC in this space. PeaceHealth will seek licensure and Medicare and Medicaid certification.

**14. Identify whether this facility will seek accreditation. If yes, identify the accrediting body.**

Yes, the facility will seek accreditation through the Accreditation Association for Ambulatory Health Care (AACHC).

**15. OPTIONAL – The Certificate of Need program highly recommends that applicants consult with the office of Construction Review Services (CRS) early in the planning process. CRS review is required prior to construction and licensure ([WAC 246-330-500](#), [246-330-505](#), and [246-330-510](#)). Consultation with CRS can help an applicant reliably predict the scope of work required for licensure and certification. Knowing the required construction standards can help the applicant to more accurately estimate the capital expenditure associated with a project.**

**If your project includes construction, please indicate if you've consulted with CRS and provide your CRS project number.**

PeaceHealth has consulted with CRS on this project and has also submitted a CRS technical assistance application (CRS # 61253154).

**SECTION 3  
NEED (WAC 246-310-210)**

- 1. List all surgical facilities operating in the planning area – to include hospitals, ASFs, and ASCs.**

Table 1 lists the surgical facilities in the Whatcom Secondary Health Services Planning Area.

**Table 1  
Whatcom Secondary Health Services Planning Area, Existing Providers**

<b>Hospitals</b>	<b>License #</b>	<b>CN Status</b>	<b># of Rooms</b>
PeaceHealth St. Joseph Hospital	HAC.FS.00000207	Hospital	8
<b>Total Hospital Supply</b>			<b>8</b>
<b>CN Approved Ambulatory Surgical Facilities</b>	<b>License #</b>		
Pacific Rim Outpatient Surgery Center	ASF.FS.60100149	CN Approved	6
Bellingham Ambulatory Surgery Center	ASF.FS.60102997	CN Approved	3
<b>Total</b>			<b>9</b>
<b>CN Exempt Ambulatory Surgical Facilities</b>			
Bellingham Urology Group PLLC	ASF.FS.60550850	CN Exempt	3
Cascade Outpatient Spine Center	ASF.FS.60600948	CN Exempt	1
Pacific Northwest Urology Surgery Center	ASF.FS.60752027	CN Exempt	1
Plastic Surgery Bellingham	ASF.FS.60844979	CN Exempt	1
Whatcom Surgery Center	ASF.FS60099807	CN Exempt	1
Pacific Cataract and Laser Institute	ASF.FS.60276759	CN Exempt	2
Parkway Surgical Center	ASF.FS.60099467	CN Exempt	1

*Source: Certificate of Need Program Files*

- 2. Identify which, if any, of the facilities listed above provide similar services to those proposed in this application.**

While PeaceHealth St. Joseph Medical Center provides a wide range of multi-specialty outpatient surgeries, the outpatient cases are co-located with the inpatient program.

In terms of the CN approved ambulatory surgical centers listed in Table 1 above:

- **Pacific Rim Outpatient Surgery Center**

Pacific Rim is currently a comparable provider and is providing multispecialty outpatient surgery in 6 rooms. It will be vacating its current space and has submitted an LOI to establish a new ASC at a different location. The current location of the Pacific Rim facility is where the PeaceHealth ASC Bellingham (subject of this CN) will be located.

- **Bellingham Ambulatory Surgery Center**

Bellingham Surgery Centers is a comparable provider. It is owned by Surgery Partners and provides multispecialty outpatient surgery services in three rooms.

By definition, the CN exempt ASCs are not comparable because they are not available for use by patients not part of the practice that owns and operates the ASC.

**3. Provide a detailed discussion outlining how the proposed project will not represent an unnecessary duplication of services.**

The Program's CN methodology demonstrates a need for three additional outpatient ORs, above and beyond the count of current supply of mixed use and CN approved outpatient ORs. This project proposes 5 ORs and 1 procedure room, and meets the criteria for consideration established in WAC 246-310-270 (4), which states:

*(4) Outpatient operating rooms should ordinarily not be approved in planning areas where the total number of operating rooms available for both inpatient and outpatient surgery exceeds the area need.*

The Program has consistently interpreted the "ordinarily not be approved" to mean that applicants can secure CN approval if they can demonstrate extra-ordinary circumstances. There are a number of extra ordinary circumstances warranting approval of this project including:

- **The Need to Decant the Operating Rooms at PeaceHealth St. Joseph Medical Center:**

As noted earlier, this project is first and foremost about decanting the mixed-use operating rooms at PeaceHealth St. Joseph Medical Center. WAC 246-310-270(9)(a) reads:

*(i) Assume the annual capacity of one operating room located in a hospital and not dedicated to outpatient surgery is ninety-four thousand two hundred fifty minutes. This is derived from scheduling forty-four hours per week, fifty-one weeks per year (allowing for five weekday holidays), a fifteen percent loss for preparation and clean-up time, and fifteen percent time loss to allow schedule flexibility. The resulting seventy percent productive time is comparable to the previously operating hospital commission's last definition of "billing minutes" which is the time lapse from administration of anesthesia until surgery is completed.*

Under this standard, and with almost 825,000 minutes in 2021, the current 8 mixed use rooms at PeaceHealth St. Joseph Medical Center operated at 118% capacity based on the 94,250-minute standard.

The high occupancy results in scheduling delays and bumped cases and impacts the patient and family experience. It also leads to provider inefficiencies, in that surgeons often have to cancel clinic time because of the backlog in the ORs.

- **The Need to Free Up Inpatient Surgical Access:**

This project will free-up capacity in the mixed use ORs to allow PeaceHealth to improve access for patients and providers. PeaceHealth St. Joseph Medical Center is the sole inpatient surgical provider in the Service Area with the next closest provider in Everett, a drive time of at least one hour.

- **The Need to Provide More Lower Cost Surgical Options:**

Relying exclusively on hospital-based ORs for surgical procedures runs counter to the current focus of value-based care that includes shifting care from higher cost settings to lower cost settings. The overall cost structure to perform outpatient surgeries in a freestanding ambulatory surgery center is lower than providing these same services in a hospital outpatient department thus this project allows PeaceHealth and Whatcom County payers to pass along cost savings to consumers.

Ultimately, PeaceHealth St. Joseph Medical Center is committed to value-based care delivery and developing ambulatory settings in order to streamline the health care delivery system, improve the patient experience of care, improve health outcomes, and lower cost. This project is a mechanism for moving the needle on this commitment and ensuring efficiencies in both the hospital surgical department and freestanding outpatient setting.

- **The Need to Assure No Loss in OR Capacity when the Largest CN Approved ASC Relocates:**

By immediately occupying an existing ASC upon the current tenant leaving the space, PeaceHealth will ensure access to surgical services in the community is not disrupted.

- **The Need to Support Recruitment of New Surgeons and New Surgical Specialties:**

Freeing up capacity in the mixed use ORs and adding additional multi-specialty outpatient ORs in the community will also support recruitment of select needed surgical specialty providers. At this time, we are limited in our ability to recruit new surgeons and new surgical specialties because there is no time or location for these providers to practice within.

- **Better Access for all Patients:**

In addition, PeaceHealth is committed to access for all, regardless of payer, income, race, ethnicity, sexual orientation, etc. The PeaceHealth ASC will not limit Medicaid and other underinsured populations.

In addition to demonstrating extra-ordinary circumstances, this project will also address demonstrated community need. The Department's ASC methodology (included in Exhibit 4) demonstrates a need for an additional three ORs in the community.

For all these reasons, this project does not represent an unnecessary duplication of services.

- 4. Complete the methodology outlined in [WAC 246-310-270](#), unless your facility will be exclusively dedicated to endoscopy, cystoscopy, or pain management. If your facility will be exclusively dedicated to endoscopy, cystoscopy, or pain management, so state. If you would like a copy of the methodology template used by the department, please contact the Certificate of Need Program.**

The WAC methodology is included in Exhibit 4.

- 5. If the methodology does not demonstrate numeric need for additional operating rooms, [WAC 246-310-270\(4\)](#) gives the department flexibility. WAC 246-310-270(4) states: “Outpatient operating rooms should ordinarily not be approved in planning areas where the total number of operating rooms available for both inpatient and outpatient surgery exceeds the area need.”**

**These circumstances could include but are not limited to: lack of CN approved operating rooms in a planning area, lack of providers performing widely utilized surgical types, or significant in-migration to the planning area. If there isn’t sufficient numeric need for the approval of your project, please explain why the department should give consideration to this project under [WAC 246-310-270\(4\)](#). Provide all supporting data.**

With the current supply of ORs, the ASC methodology identifies a significant shortage of mixed-use rooms and a small shortage of outpatient ORs in the Service Area (a need for three). PeaceHealth is requesting a total of 6 rooms, 5 ORs and 1 procedure room.

The rationale for consideration of this project under extraordinary circumstances consistent with WAC 246-310-270(4) is included in Question 3 above; and uniquely addresses both the shortage of mixed use and dedicated outpatient rooms. PeaceHealth is confident that this project both qualifies for consideration under extraordinary circumstances and addresses demonstrated need.

- 6. For existing facilities, provide the facility’s historical utilization for the last three full calendar years.**

This question is not applicable.

7. Provide projected surgical volumes at the proposed facility for the first three full years of operation, separated by surgical type. For existing facilities, also provide the intervening years between historical and projected. Include the basis for all assumptions used as the basis for these projections.

Projected volumes at PeaceHealth ASC are identified in Table 2.

Assumptions regarding the volume of cases shifting to the ASC from PeaceHealth St. Joseph Medical Center ORs were developed by PeaceHealth clinical staff and consultants after reviewing the number of existing cases performed in the hospital that would be appropriate for transfer to the PeaceHealth ASC. The criteria used aligns with ASA classification. Patients classified as ASA class I (normal, healthy patient), class II (patient with mild systemic disease) or ASA class III (patient with severe systemic disease without immediate danger of death) are expected to be the primary patients served.

Additional volume came from assumed community provider use and the overall unmet community need. After the start-up year, volumes were projected to grow by about 2% per year between 2024 and 2026 (the first full three years of operation), consistent with population growth.

**Table 2**  
**PeaceHealth ASC Bellingham**  
**Projected Surgical Procedures**

	<b>Year 1: 2023 (Partial)</b>	<b>Year 2: 2024</b>	<b>Year 3: 2025</b>	<b>Year 4: 2026</b>
<b>TOTAL PROCEDURES</b>	<b>2783</b>	<b>5,964</b>	<b>6,084</b>	<b>6,204</b>
<b>PROCEDURES BY SPECIALTY</b>				
ENT	128	275	281	286
General	369	790	806	822
GYN	264	565	576	588
Neuro	16	34	35	35
Oral	23	50	51	52
Orthopedics	1,190	2,550	2,601	2,653
Plastics	126	270	275	281
Podiatry	26	55	56	57
Urology	198	425	434	442
Ophthalmology	443	950	969	988

**8. Identify any factors in the planning area that could restrict patient access to outpatient surgical services. [WAC 246-310-210\(1\) and \(2\)](#)**

If left unabated, the high occupancy of the ORs at PeaceHealth St. Joseph Medical Center will restrict access even more. As documented above, PeaceHealth St. Joseph Medical Center is already operating in excess of 100% of the WAC defined capacity volume, and bumping, delays and rescheduling are common.

**9. In a CN-approved facility, [WAC 246-310-210\(2\)](#) requires that “all residents of the service area, including low-income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups and the elderly are likely to have adequate access to the proposed health service or services.” Confirm your facility will meet this requirement.**

Yes, PeaceHealth is committed to serving all persons regardless of income, race, ethnicity, gender, and disability status. A copy of the non-discrimination and charity care policies that will be used at the ASC are included in Exhibit 5.

For ASC applications, the CN Program requests that the proposed facility provide charity care at the average of the hospitals in the planning area. According to charity care data produced by the Department, the three-year charity care average for the Puget Sound Region is 1.5% of total revenue. For the PeaceHealth ASC pro formas, charity care is consistent with the most recent data.

**10. Provide a copy of the following policies:**

- **Admissions policy**
- **Charity care or financial assistance policy**
- **Patient Rights and Responsibilities policy**
- **Non-discrimination policy**
- **Any other policies directly related to patient access to care.**

The above referenced policies are included in Exhibit 5.

**SECTION 4**  
**Financial Feasibility (WAC 246-310-220)**

1. **Provide documentation that demonstrates that the immediate and long-range capital and operating costs of the project can be met. This should include but is not limited to:**
  - **Utilization projections. These should be consistent with the projections provided under “Need” in section A. Include the basis for all assumptions.**
  - **Pro Forma revenue and expense projections for at least the first three full calendar years of operation. Include the basis for all assumptions.**
  - **Pro Forma balance sheet for the current year and at least the first three full calendar years of operation. Include the basis for all assumptions.**
  - **For existing facilities, provide three years of historical revenue and expense statements, including the current year. Ensure these are in the same format as the pro forma projections. For incomplete years, identify whether the data is annualized.**

The requested utilization assumptions were provided in response to Question 7 in the NEED section. Pro forma revenue and expense projections and assumptions are provided in Exhibit 6.

2. **Provide the following applicable agreements/contracts:**
  - **Management agreement**
  - **Operating agreement**
  - **Medical director agreement**
  - **Development agreement**
  - **Joint Venture agreement**

The management agreement is included in Exhibit 7. There are no other agreements.



3. **Certificate of Need approved ASFs must provide charity care at levels comparable to those at the hospitals in the ASF planning area. You can access charity care statistics from the Hospital Charity Care and Financial Data (HCCFD) [website](#). Identify the amount of charity care projected to be provided at this facility, captured as a percentage of gross revenue, as well as charity care information for the planning area hospitals. The table below is for your convenience but is not required. [WAC 246-310-270\(7\)](#)**

Table 4 identifies the projected facility charity care as it compares to the Puget Sound regional average.

**Table 4  
Charity Care Percentages**

Planning Area Hospital 3-year Average Charity Care as a Percentage of Total Revenue	1.5%
Projected Facility Charity Care as a Percentage of Total Revenue	1.5%

4. **Provide documentation of site control. This could include either a deed to the site or a lease agreement for the site. If a lease agreement is provided, the terms must be for at least five years following project completion. The costs identified in these documents should be consistent with the Pro Forma provided in response to question 1.**

A draft lease agreement for the site is included in Exhibit 8.

5. **For new facilities, confirm that the zoning for your site is consistent with the project.**

The site for the proposed ASC is located in a medical office building on the campus of PeaceHealth St. Joseph and is currently being operated as an ASC.

6. **Complete the table below with the estimated capital expenditure associated with this project. Capital expenditure is defined under [WAC 246-310-010\(10\)](#). If you have other line items not listed below, please include the items with a definition of the line item. Include all assumptions used as the basis the capital expenditure estimate.**

The facility proposed for this project is an existing ASC and based on our conversations with both Department of Health Licensing and Construction Review staff, we understand that no construction will be required. The activities anticipated under the construction line item are related to minor cosmetic modifications (e.g., painting, repairs, clean up, branding) and installation of moveable equipment.

**Table 5  
Estimated Capital Expenditure**

<b>Item</b>	<b>Cost</b>
a. Land Purchase	\$
b. Utilities to Lot Line	\$
c. Land Improvements	\$
d. Building Purchase	\$
e. Residual Value of Replaced Facility	\$
f. Building Construction	\$2,552,862
g. Fixed Equipment (not already included in the construction contract)	\$
h. Movable Equipment	\$8,023,999
i. Architect and Engineering Fees	\$374,000
j. Consulting Fees	\$219,501
k. Site Preparation	\$166,978
l. Supervision and Inspection of Site	\$189,712
m. Any Costs Associated with Securing the Sources of Financing (include interim interest during construction)	\$
1. Land	\$
2. Building	\$
3. Equipment	\$
4. Other	\$
n. Washington Sales Tax	\$1,004,836
<b>Total Estimated Capital Expenditure</b>	<b>\$12,531,887</b>

7. Identify the entity or entities responsible for funding the capital expenditure identified above. If more than one entity is responsible, provide breakdown of percentages and amounts for all.

This project will be funded through the existing reserves of the PeaceHealth System.

- 8. Please identify the amount of start-up costs expected for this project. Include any assumptions that went into determining the start-up costs. If no start-up costs are needed, explain why.**

Table 6 includes a summary of the start-up costs expected for this project.

**Table 6  
PeaceHealth ASC Start-Up Costs**

Salaries	Pre-Opening Costs
Salaries	
Administrator	\$61,667
Clinical Director	\$40,000
Business Office Manager	\$30,000
Nursing Staff	\$44,845
Technicians	\$11,619
<u>Administrative</u>	<u>\$9,907</u>
<b>Total Salaries</b>	<b>\$198,037</b>
Development Fee	\$320,000
Inventory/Supplies	\$312,956
Licensing and Certification	_ \$60,000
<b>Total Pre-Opening Expenses</b>	<b>\$890,993</b>

- 9. Provide a non-binding contractor’s estimate for the construction costs for the project.**

The non-binding contractor estimate is provided in Exhibit 9.

- 10. Explain how the proposed project would or would not impact costs and charges to patients for health services. [WAC 246-310-220](#)**

The minor capital costs associated with this project will not be passed on to payers in the form of higher charges. The ASC will be operated as free-standing, and rates are not based on costs.

The availability of additional lower cost freestanding surgical services is beneficial to the community and will serve to reduce total costs of health care and potentially reduce total out-of-pocket health care costs for patients.

**11. Provide documentation that the costs of the project, including any construction costs, will not result in an unreasonable impact on the costs and charges to patients for health services in the planning area. [WAC 246-310-220](#)**

The capital costs for the project are minimal and are necessary for PeaceHealth to support both current and projected need in Whatcom County. The current mixed-use rooms are operating over capacity, and there is unmet need for both mixed use and dedicated outpatient capacity. The capital costs will not be passed on to payers in the form of higher charges. In fact, in contrast, the development of a freestanding PeaceHealth ASC will ensure that patients are receiving services in the least costly alternative setting.

**12. Provide the projected payer mix by gross revenue and by patients using the example table below. If “other” is a category, define what is included in “other.”**

Table 7 provides the PeaceHealth ASC projected payer mix by gross revenue and by patients.

**Table 7  
PeaceHealth ASC Bellingham  
Projected Payer Mix**

<b>Payer</b>	<b>Percentage by Patient <a href="#">WAC 246-310-220(1)</a></b>	<b>Percentage by Revenue <a href="#">WAC 246-310-210(2)</a></b>
Medicare	51%	37%
Medicaid	13%	6%
Commercial	32%	53%
Other Government	1%	1%
Self-Pay	3%	2%
<b>Total</b>	<b>100%</b>	<b>100%</b>

**13. If this project proposes CN approval of an existing facility, provide the historical payer mix by revenue and patients for the existing facility for the most recent year. The table format should be consistent with the table shown above.**

This question is not applicable.

**14. Provide a listing of new equipment proposed for this project. The list should include estimated costs for the equipment. If no new equipment is required, explain.**

An equipment list is included in Exhibit 10.

- 15. Provide a letter of financial commitment or draft agreement for each source of financing (e.g. cash reserves, debt financing/loan, grant, philanthropy, etc.). [WAC 246-310-220](#).**

A letter of financial commitment is included in Exhibit 11.

- 16. If this project will be debt financed through a financial institution, provide a repayment schedule showing interest and principal amount for each year over which the debt will be amortized. [WAC 246-310-220](#)**

This question is not applicable.

- 17. Provide the applicant's audited financial statements covering the most recent three years. [WAC 246-310-220](#)**

PeaceHealth's audited financial statements are provided as Appendix 1.

**SECTION 5**  
**Structure and Process of Care ([WAC 246-310-230](#))**

- 1. Identify all licensed healthcare facilities owned, operated by, or managed by the applicant. This should include all facilities in Washington State as well as out-of-state facilities, and should identify the license/accreditation status of each facility.**

The applicant, PeaceHealth ASC Bellingham, LLC does not own or operate any other facility. Information on entities owned and operated by PeaceHealth, the parent, is included in Exhibit 12.

- 2. Provide a table that shows FTEs [full time equivalents] by classification (e.g. RN, LPN, Manager, Scheduler, etc.) for the proposed facility. If the facility is currently in operation, include at least the last three full years of operation, the current year, and the first three full years of operation following project completion. There should be no gaps in years. All staff classifications should be defined.**

PeaceHealth ASC projected FTEs are included in Table 8 below.

**Table 8**  
**FTEs by Classification**  
**Projected**

<b>Position</b>	<b>Year 1: 2023 (Partial)</b>	<b>Year 2: 2024</b>	<b>Year 3: 2025</b>	<b>Year 4: 2026</b>
Medical Director	0.08	0.1	0.1	0.1
Clinical Director	0.58	1	1	1
RNs	11.08	24	24	25
Techs	5.25	11	11	12
Registration/ Receptionist	4.67	10	11	11
Administrator	0.58	1	1	1
Office Manager	0.58	1	1	1
<b>Total</b>	<b>22.82</b>	<b>48.1</b>	<b>49.1</b>	<b>51.1</b>

*\*Year 1 Partial is in addition to startup costs identified in Table 6 above*

- 3. Provide the basis for the assumptions used to project the number and types of FTEs identified for this project.**

Staffing hours and corresponding FTEs are determined by using ASC industry experience and benchmarks based on overall administrative need and on hours per case for specific positions:

- **Nursing Staff** - 8 hours/case
- **Technical Staff** -3.8 hours/case
- **Other Staff** - 3.6 hours/case

- 4. Provide the name and professional license number of the current or proposed medical director. If not already disclosed under [WAC 246-310-220\(1\)](#) above, identify if the medical director is an employee or under contract.**

The PeaceHealth ASC Medical Director will be Dr. James Bochsler, License Number # MD00029841.

- 5. If the medical director is/will be an employee rather than under contract, provide the medical director's job description.**

The Medical Director will be employed. The job description is included in Exhibit 13.

- 6. Identify key staff by name, if known (e.g. nurse manager, clinical director, etc.)**

Since the ASC will not be operational until Spring of 2023, these staff have not been identified. \

- 7. Provide a list of physicians who would use this surgery center, including their names, license numbers, and specialties. [WAC 246-310-230\(3\) and \(5\)](#).**

Table 9 provides a list of physicians who, at this time, are expected to use the ASC.

**Table 9  
PeaceHealth ASC Physicians**

<b>Provider</b>	<b>License # (WA Credential)</b>
BACHMAN, BARBARA A	MD00038982
FINLEY, J WILLIAM	MD00042336
FREDETTE, PAUL B	MD60074822
HUSSAIN, FARABI M	MD60502852
JARRETT, BETH P	MD60749307
PIETRO, MICHAEL	MD00023940
RUSH, ROBERT M	MD00049010
WOO, KAREN S	OP60396655
BARNHART, NENA C	MD60480739
EMERICK, LINDSAY E	MD60838564
LEVIN, DINA J	MD60461074
STARR, TAMMY J	OP60078047
TAN, CHEE Y	MD00047509
THOMAS, CHAD B	MD60143646
HOEKEMA, JOEL R	MD00039875
FERRARI, JASON K	MD60525002
GELLMAN, RICHARD E	MD60925342
HOEKEMA, JOEL R	MD00039875
HOLSTINE, JAMES D	OP00001819
KIESAU, CARTER D	MD60125328
KOLODYCHUK, LEONARD B	MD00041342
KRUSNIAK, JEFFREY M	OP60390976
OSWIN, MATTHEW M	OP00002206
SMITH, CARLA S	MD00041445
TARANOW, WARREN S	OP00002156
ZEIGLER, TODD	MD60912644

**8. For existing facilities, provide names and professional license numbers for current credentialed staff. [WAC 246-310-230\(3\) and \(5\)](#).**

This question is not applicable.



**9. Describe your methods for staff recruitment and retention. If any barriers to staff recruitment exist in the planning area, provide a detailed description of your plan to staff this project. [WAC 246-310-230\(1\)](#)**

PeaceHealth will rely on local management in conjunction with our talent acquisition team to recruit qualified staff. Requisitions are prepared for talent acquisition review, and talent acquisition works with local management to develop a recruiting strategy for each vacancy. Talent acquisition utilizes various means to identify candidates including current employee referrals, online advertisements, social media postings, and community open house events. When positions prove hard to fill, employee sign on bonuses are utilized to increase the number of candidates.

The additional OR capacity created with this CN application will also increase PeaceHealth’s ability to recruit new surgeons and new surgical specialties to the community.

**10. For existing facilities, provide a listing of ancillary and support services already in place. [WAC 246-310-230\(2\)](#)**

This question is not applicable.

**11. For new facilities, provide a listing of ancillary and support services that will be established. [WAC 246-310-230\(2\)](#)**

PeaceHealth ASC expects to establish relationships with the ancillary and support service providers listed in Table 10.

**Table 10  
Proposed Ancillary and Support Services**

<b>Service</b>	<b>Vendor</b>
Laboratory	Quest Diagnostics
Pathology	Avero Diagnostics (formerly Northwest Pathology)
Anesthesia	Bellingham Anesthesia Associates
Environmental Services	Frontline Cleaning (changing to Aramark in October)
Linens	St. Joseph Medical Center
Medical Gases	AirGas, Inc.

*Source: Applicant*

**12. Identify whether any of the existing ancillary or support agreements are expected to change as a result of this project. [WAC 246-310-230\(2\)](#)**

This question is not applicable.

**13. If the ASF is currently operating, provide a listing of healthcare facilities with which the ASF has working relationships. [WAC 246-310-230\(4\)](#)**

This question is not applicable.

**14. Identify whether any of the existing working relationships with healthcare facilities listed above would change as a result of this project. [WAC 246-310-230\(4\)](#)**

This question is not applicable.

**15. For a new facility, provide a listing of healthcare facilities with which the ASF would establish working relationships. [WAC 246-310-230\(4\)](#)**

The PeaceHealth ASC has existing working relationships and will continue to have relationships with PeaceHealth St. Joseph Medical Center and PeaceHealth Medical Group's Cordata and Fountain Building clinics.

**16. Provide a copy of the existing or proposed transfer agreement with a local hospital. [WAC 246-310-230\(4\)](#)**

The proposed transfer agreement with PeaceHealth St. Joseph Medical Center is included in Exhibit 14.

**17. Provide an explanation of how the proposed project will promote continuity in the provision of health care services in the planning area, and not result in an unwarranted fragmentation of services. [WAC 246-310-230\(4\)](#)**

Today, the PeaceHealth St. Joseph Medical Center operating rooms are operating above capacity; and the high capacity is affecting timely access and the patient care experience. The PeaceHealth ASC will provide the "relief" valve for the mixed-use operating rooms, increasing the ability to meet County demand in addition to providing a lower cost alternative. It will not result in unwarranted fragmentation of services, but instead will ensure that services are well coordinated and provided in the most cost effective and coordinated manner.

**18. Provide an explanation of how the proposed project will have an appropriate relationship to the service area's existing health care system as required in [WAC 246-310-230\(4\)](#).**

This project will work closely with all providers in the planning area, including PeaceHealth St. Joseph Medical Center, with which PeaceHealth ASC will have a transfer agreement.

**19. Identify whether any facility or practitioner associated with this application has a history of the actions listed below. If so, provide evidence that the proposed or existing facility can and will be operated in a manner that ensures safe and adequate care to the public and conforms to applicable federal and state requirements. [WAC 246-310-230\(3\) and \(5\)](#)**

- a. A criminal conviction which is reasonably related to the applicant's competency to exercise responsibility for the ownership or operation of a health care facility; or
- b. A revocation of a license to operate a healthcare facility; or
- c. A revocation of a license to practice as a health profession; or
- d. Decertification as a provider of services in the Medicare or Medicaid program because of failure to comply with applicable federal conditions of participation.

Neither PeaceHealth, nor any facility or practitioner associated with PeaceHealth has a history related to any actions noted in WAC 246-310-230(5).

## SECTION 6

### Cost Containment ([WAC 246-310-240](#))

#### 1. Identify all alternatives considered prior to submitting this project.

Four options were considered: (1) do nothing; (2) expand the surgical department's existing mixed use ORs in the hospital; (3) construct and operate an HOPD, or (4) establish a freestanding ASC.

#### 2. Provide a comparison of the project with alternatives rejected by the applicant. Include the rationale for considering this project to be superior to the rejected alternatives. Factors to consider can include, but are not limited to: patient access to healthcare services, capital cost, legal restrictions, staffing impacts, quality of care, and cost or operation efficiency.

The option of doing nothing was not acceptable based on both the demonstrated need for additional ORs in the community, and the need to decant the exceptionally high occupancy currently occurring within PeaceHealth St. Joseph Medical Center's current mixed use operating rooms.

The option of expanding mixed use operating rooms at PeaceHealth St. Joseph Medical Center was fully vetted, and it was determined that a maximum of two rooms could be reasonably added to the existing department. PeaceHealth is pursuing this option to address the significant need for additional mixed-use ORs. However, adding two additional rooms does not meet demand and the ORs would still be operating at over 90% occupancy. It also does not provide options for shifting cases to lower cost outpatient settings, so other options are still needed.

The option of building an entirely new HOPD at a different location within or adjacent to the hospital was the most expensive from a construction perspective (because of the square footage involved and the high cost per square foot of surgical space in order to comply with hospital construction standards) and would not provide additional lower cost options for outpatient surgery in the community.

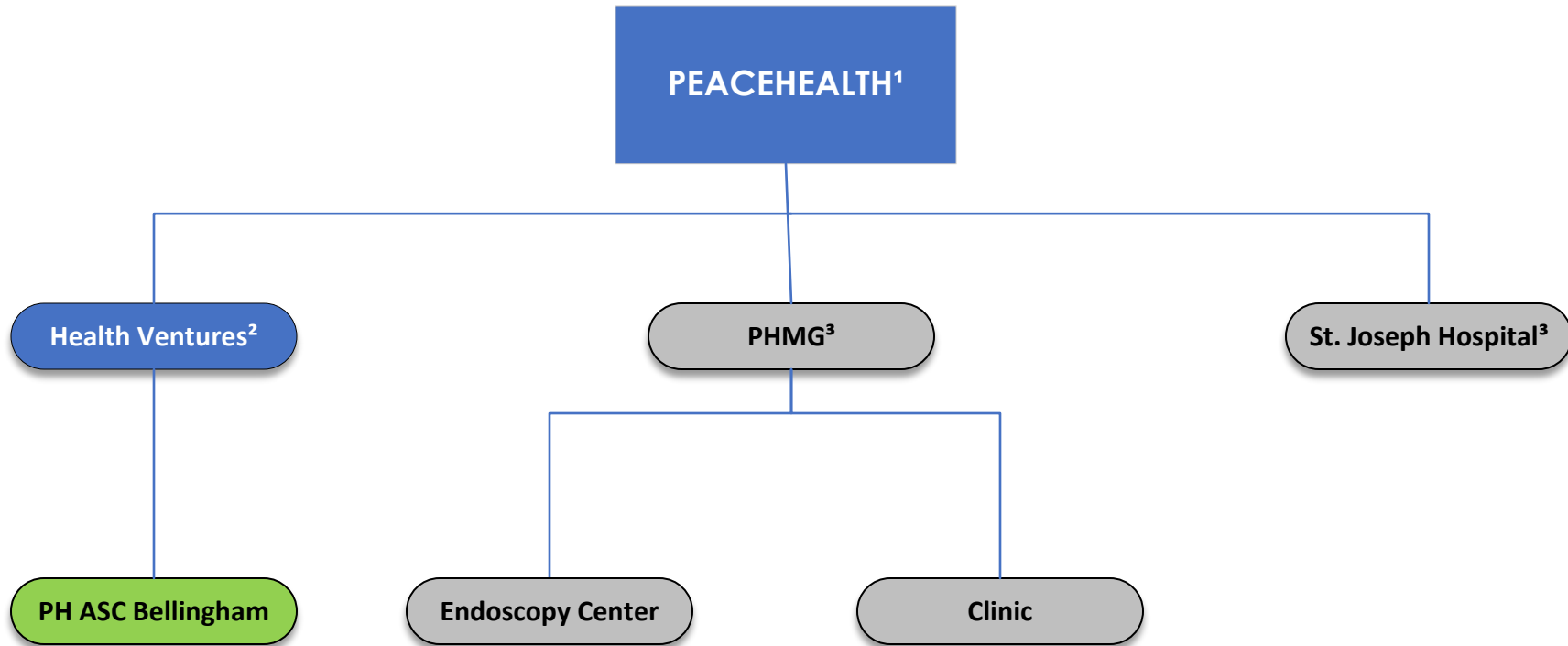
The establishment of a freestanding ASC was the preferred option as it lowers cost in the community while positioning PeaceHealth well for value-based care. It also improves the access to, and availability of, the PeaceHealth St. Joseph Medical Center mixed use operating rooms. It was also the preferred option due to the availability of an existing facility that could be occupied immediately upon the current operator vacating, and licensed and certified with minimal costs to ensure access to surgical services in the community is not disrupted.

- 3. Identify any aspects of the facility's design that lead to operational efficiency. This could include but is not limited to: LEED building, water filtration, or the methods for construction, etc. [WAC 246-310-240\(2\) and \(3\)](#).**

The proposed site is already an existing ASC. Only minor cosmetic changes and equipment installation are anticipated. This question is not applicable.

Exhibit 1  
Organizational Chart

# PeaceHealth Organization Chart Northwest Network



<sup>1</sup> PeaceHealth, a Washington nonprofit corporation and 501(c)(3) – Parent Company

<sup>2</sup> Health Ventures, a Washington nonprofit corporation and 501(c)(3)

<sup>3</sup> Operating Divisions under the parent company

Exhibit 2  
Letter of Intent



June 17, 2022

Eric Hernandez, Program Manager  
Certificate of Need Program  
Department of Health  
111 Israel Road Southeast  
Tumwater, WA 98501  
Via email: [FSLCON@DOH.WA.GOV](mailto:FSLCON@DOH.WA.GOV); [eric.hernandez@doh.wa.gov](mailto:eric.hernandez@doh.wa.gov)

Dear Mr. Hernandez:

In accordance with WAC 246-310-080, PeaceHealth here within submits a letter of intent proposing to establish a new Ambulatory Surgical Center (ASC) in Whatcom County.

1. A Description of the Extent of Services Proposed:

PeaceHealth proposes to establish a new multispecialty ASC in Whatcom County.

2. Estimated Cost of the Proposed Project:

The estimated capital expenditure is \$12,480,000.

3. Description of the Service Area:

The primary service area is the Whatcom Secondary Health Service Area.

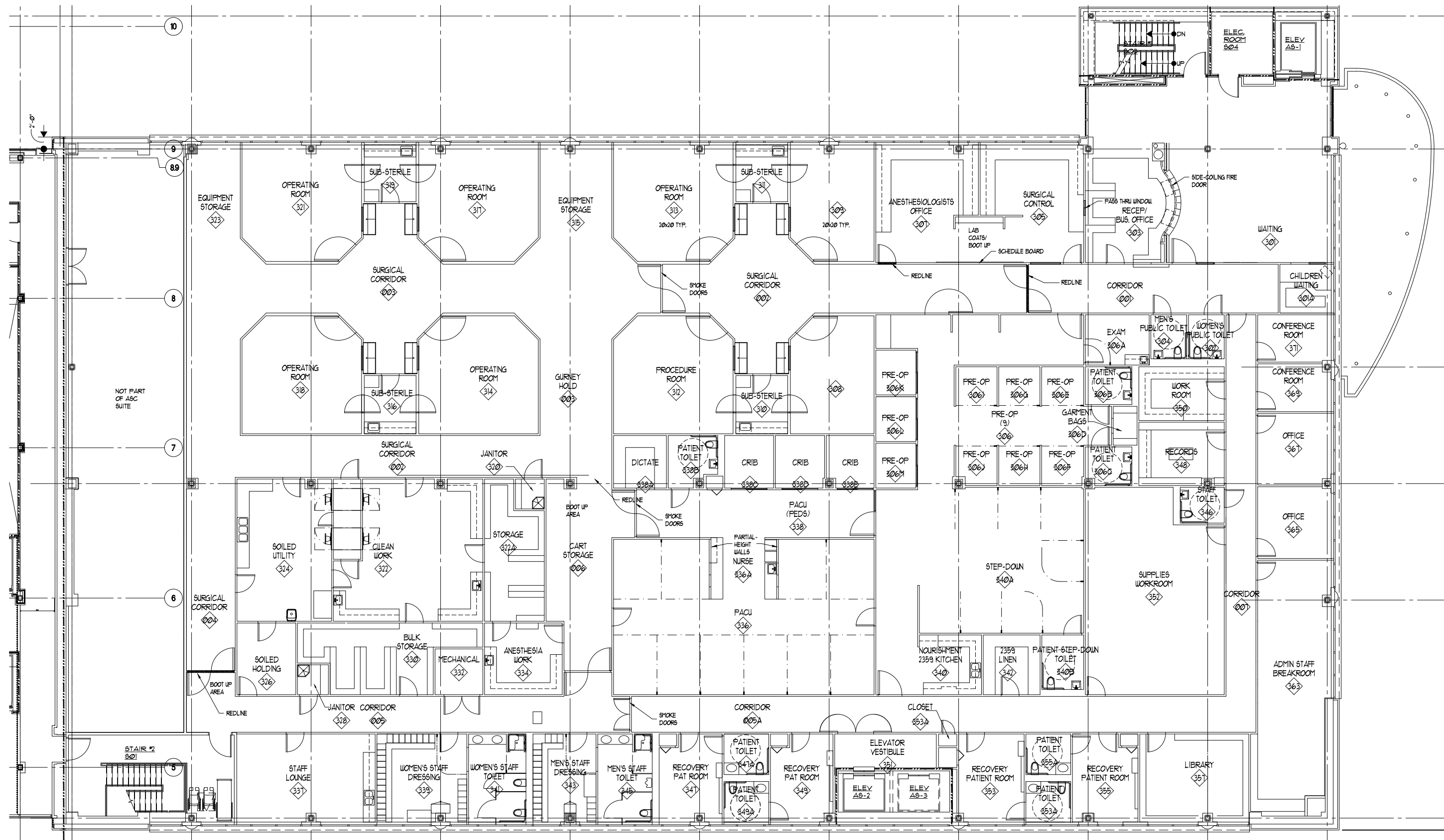
Thank you for your interest in this matter. Please contact me directly with any questions.

Sincerely,



Darrin Montalvo  
PeaceHealth – EVP Chief Financial-Growth Officer

Exhibit 3  
Single Line Drawings



**FLOOR PLAN**  
**PEACEHEALTH AMBULATORY SURGERY CENTER (ASC) BELLINGHAM**

DATE: SEPTEMBER 9, 2022

SCALE: 1/16" = 1'-0"

NOTES:

**FLOOR PLAN NOTES:**

1. FIXED EQUIPMENT WILL REMAIN IN PLACE
2. WHEELED EQUIPMENT IS TO BE REPLACED WITH NEW
3. IT EQUIPMENT IS TO BE REPLACED WITH NEW

**Savely** ■  
**Healthcare Architects**  
 ARCHITECTURE + PLANNING + DESIGN

CALIFORNIA OFFICE  
 505 Technology Drive  
 Suite 175  
 Irvine, CA 92618  
 949 431-0071

WASHINGTON OFFICE  
 1321 DUPONT STREET  
 Bellingham, WA 98225  
 949 431-0071

Exhibit 4  
WAC Methodology



Exhibit 5  
Policies



PeaceHealth

**Origination:** 4/3/2014  
**Effective:** 10/29/2019  
**Last Approved:** 10/29/2019  
**Last Revised:** 10/29/2019  
**Next Review:** 10/28/2022  
**Owner:** *Joan Porcaro: Sys Dir  
Clinical Risk Mgmt*  
**Area:** *Risk Management*  
**Standards & Regulations:**  
**Tags:** *Policy*  
**Applicability:** *PeaceHealth  
Systemwide*

## Non-Discrimination Policy

### SCOPE

This policy applies to all PeaceHealth settings and services:

<input checked="" type="checkbox"/> Cottage Grove Medical Center	<input checked="" type="checkbox"/> Peace Island Medical Center	<input checked="" type="checkbox"/> St. John Medical Center
<input checked="" type="checkbox"/> Ketchikan Medical Center	<input checked="" type="checkbox"/> Sacred Heart River Bend	<input checked="" type="checkbox"/> St. Joseph Medical Center
<input checked="" type="checkbox"/> Peace Harbor Medical Center	<input checked="" type="checkbox"/> Sacred Heart University District	<input checked="" type="checkbox"/> United General Medical Center
<input checked="" type="checkbox"/> PeaceHealth Medical Group	<input checked="" type="checkbox"/> Southwest Medical Center	<input checked="" type="checkbox"/> System Services Center
<input checked="" type="checkbox"/> PeaceHealth at Home	<input checked="" type="checkbox"/> PeaceHealth Labs	<input checked="" type="checkbox"/> Ketchikan Long Term Care

### PURPOSE

The purpose of this policy is to ensure that all PeaceHealth Patients and visitors are treated in a welcoming, equitable and nondiscriminatory manner, consistent with applicable federal and state laws.

### POLICY

It is the policy of PeaceHealth, a recipient of federal financial assistance, that Patients are provided with equitable services in a manner that respects, protects, and promotes Patient rights. PeaceHealth does not exclude, deny benefits to, or otherwise discriminate against any person on the basis of age, color, creed, disability, ethnicity, gender, gender identity or expression, marital status, national origin, race, religion, sex, sexual orientation, veteran or military status or any other basis prohibited by federal or state law. This applies in admission to, participation in, or receipt of the services and benefits under any of its programs and activities, whether carried out by PeaceHealth directly or through a contractor or any other entity with which PeaceHealth arranges to carry out its programs and activities.

This statement is in accordance with the provisions of Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, the Age Discrimination Act of 1975, Section 1557 of the Patient Protection and Affordable Care Act of 2010, and Regulations of the U.S. Department of Health and Human Services issued pursuant to these statutes at Title 45 Code of Federal Regulations Parts 80, 84, 91, and 92.

- Any Patient or visitor who believes they have been subjected to unlawful discrimination may file a complaint using PeaceHealth's Patient Complaint and Grievance Procedure.
- PeaceHealth does not retaliate against any person who in good faith reports discrimination, files a complaint, or cooperates in an investigation of discrimination.
- PeaceHealth's System Director of Risk Management or their designee, in conjunction with Organizational Integrity, Mission Services, Learning & Development and/or other appropriate departments, is responsible for coordinating compliance with this Policy, including providing appropriate notice of and training to this Policy. The System Director of Risk Management serves as the Section 504 and Section 1557 Coordinator.
- PeaceHealth determines eligibility for and provides services, financial aid, and other benefits to all Patients in a similar manner, without subjecting any individual to Unlawful Discrimination.
- Patients are informed of their right to receive services and visitors whom the Patient designates free from Unlawful Discrimination.
  - PeaceHealth also notifies Patients of their right to withdraw or deny consent for visitors at any time.
  - PeaceHealth affords such visitors visitation privileges consistent with the Patient's preferences and according to PeaceHealth visitor policies and procedures.
- PeaceHealth Caregivers address Patient and/or visitor discrimination complaints by:
  - Advising the complainant that they may report the problem to the facility's System Director of Risk Management/Designee and do so without fear of reprisal.
  - Following PeaceHealth's Patient Complaint and Grievance Policy.
- PeaceHealth makes appropriate arrangements to ensure that persons with disabilities are provided reasonable accommodations if needed to participate in this complaint process.
  - The Section 504/1557 Coordinator is responsible for arranging necessary accommodations.
- The availability and use of PeaceHealth's complaint process does not prevent a person from filing a complaint of discrimination with the U.S. Department of Health and Human Services Office for Civil Rights.
- Any person filing a Section 1557 grievance may appeal the decision(s) of the Section 1557 Coordinator by writing to the Chief Executive (CE) of the facility within 15 days of receiving the Section 1557 Coordinator's decision. The CE issues a written decision in response to the appeal no later than 30 days after its filing.
- Contact Person/Section 504 Coordinator/Section 1557 Compliance Coordinator:
  - PeaceHealth System Director of Risk Management
  - Telephone number: 360-729-1000
  - TDD or State Relay number: 9-711 (TTY)

## DEFINITIONS

**Coordinator:** The PH Caregiver who serves as the Section 504 and Section 1557 point person.

**Euitable:** All individuals have access to high quality, culturally and linguistically appropriate care in a timely manner. Protected class is not a predictor for access and clinical outcomes.

**Patient:** For the purpose of this policy, patient means an individual receiving care at a PeaceHealth facility or their health care representative.

**Protected classes:** Age, color, creed, disability, ethnicity, gender, gender identity or expression, marital status, national origin, race, religion, sex, sexual orientation, veteran or military status or any other class prohibited by federal or state law.



# HELP

Further information may be obtained by contacting your Community Risk Manager.

## RELATED MATERIAL

- [Patient Complaint and Grievance Policy](#)
- [Patient Complaint and Grievance Procedure](#)

## Pre-Policy APPROVALS

### Initial Approval:

President and CMO approved on April 3, 2014

### Subsequent Review/Revisions):

System Director of Risk Management approved revision April 29, 2015

Legal reviewed July 14, 2016

System Policy Committee approved July 26, 2016

Risk and Legal revised October 24, 2019

System VP Risk Management approved October 29, 2019

*For a complete history of collaborations and approvals, please check Workflow History or contact your policy coordinator.*

Formerly known as document number 900.1.399

## Attachments

No Attachments

## Applicability

PeaceHealth Cottage Grove Community Medical Center, PeaceHealth Home and Community, PeaceHealth Ketchikan Medical Center, PeaceHealth Medical Group, PeaceHealth Peace Harbor Medical Center, PeaceHealth Peace Island Medical Center, PeaceHealth SHMC University District, PeaceHealth SHMC at RiverBend, PeaceHealth Southwest Medical Center, PeaceHealth St John Medical Center, PeaceHealth St Joseph Medical Center, PeaceHealth System Services, PeaceHealth United General Medical Center



**PeaceHealth**

**Origination:** 7/14/2017  
**Effective:** 11/12/2019  
**Last Approved:** 11/12/2019  
**Last Revised:** 11/12/2019  
**Next Review:** 11/11/2022  
**Owner:** *Joan Porcaro: Sys Dir  
Clinical Risk Mgmt*  
**Area:** *Risk Management*  
**Standards & Regulations:**  
**Tags:** *Policy*  
**Applicability:** *PeaceHealth  
Systemwide*

## Patient Rights and Responsibilities Policy

Documents have been broken out for approval at each facility at the direction of Clinical Policy Steering Committee (CPSC).

Please see the table below to locate your facility's documents (link has been attached):

St John Medical Center	<a href="#">Patient Rights and Responsibilities Policy</a>
	<a href="#">Patient Rights and Responsibilities Procedure</a>
Southwest Medical Center	<a href="#">Patient Rights and Responsibilities Policy</a>
	<a href="#">Patient Rights and Responsibilities Procedure</a>
St Joseph Medical Center	<a href="#">Patient Rights and Responsibilities Policy</a>
	<a href="#">Patient Rights and Responsibilities Procedure</a>
Peace Island Medical Center	<a href="#">Patient Rights and Responsibilities Policy</a>
	<a href="#">Patient Rights and Responsibilities Procedure</a>
United General Medical Center	<a href="#">Patient Rights and Responsibilities Policy</a>
	<a href="#">Patient Rights and Responsibilities Procedure</a>
Ketchikan Medical Center	<a href="#">Patient Rights and Responsibilities Policy</a>
	<a href="#">Patient Rights and Responsibilities Procedure</a>
Sacred Heart Medical Center at RiverBend	<a href="#">Patient Rights and Responsibilities Policy</a>
	<a href="#">Patient Rights and Responsibilities Procedure</a>
Sacred Heart Medical Center at University District	<a href="#">Patient Rights and Responsibilities Policy</a>
	<a href="#">Patient Rights and Responsibilities Procedure</a>
Cottage Grove Community Medical Center	<a href="#">Patient Rights and Responsibilities Policy</a>
	<a href="#">Patient Rights and Responsibilities Procedure</a>
Peace Harbor Medical Center	<a href="#">Patient Rights and Responsibilities Policy</a>
	<a href="#">Patient Rights and Responsibilities Procedure</a>

# SCOPE

This policy applies to all PeaceHealth settings and services.

# PURPOSE

The purpose of this policy is to describe the rights and responsibilities of PeaceHealth patients.

# POLICY

It is the policy of PeaceHealth to define, recognize, protect and promote the rights and responsibilities of patients and their legal, authorized or designated representatives.

PeaceHealth has processes and procedures in place to inform inpatients and outpatients of their rights and responsibilities and to post prominently the rights of mental health patients. PeaceHealth covered personnel receive education in patient rights and responsibilities. The patient rights and responsibility document is offered at every patient encounter.

- General guidelines exist that apply to all PeaceHealth settings for care and those guidelines follow:
  - We comply with applicable Federal civil rights laws and do not discriminate on the basis of age, gender, disability, race, color, ancestry, citizenship, religion, pregnancy, sexual orientation, gender identity or expression, national origin, medical condition, marital status, veteran status, payment source or ability, or any other basis prohibited by federal, state, or local law. Each individual shall be informed of the patient's rights and responsibilities in advance of administering or discontinuing patient care. PeaceHealth Covered Personnel receive education related to patient rights during their orientation and annually thereafter.
- Non-Discrimination Policy
  - As a recipient of Federal financial assistance, in admissions, provisions of services, hiring or employment, PeaceHealth does not exclude, deny benefits, or otherwise discriminate against any person on the basis of race, color, national origin, disability, age, gender, sexual orientation or gender identification, whether the services are carried out by PeaceHealth directly or through a contractor or any other entity used to carry out its programs and activities.
  - This statement is in accordance with the provisions of Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, the Age Discrimination Act of 1975, and Regulations of the U.S. Department of Health and Human Services issued pursuant to these statutes at Title 45 Code of Federal Regulations Parts 80, 84, and 91.
- Notice to Patients
  - The statement of Patient Rights provided at each encounter via electronic or paper format. The patient may accept or refuse the patient rights handout. Information regarding acceptance and refusal will be noted in CareConnect;
  - Notices of Nondiscrimination are posted throughout the facilities;
  - Statements of Patient Rights and Responsibilities are available in brochures/handouts formats/and wall postings.
  - Patient Rights and Responsibilities should be provided and explained in a language or manner that the patient or their representative should understand.
- PeaceHealth Patient Rights and Responsibilities by Service Line
  - There are requirements for the wording for handouts, flyers, posters, etc. that apply to specific areas and they are as follow:
    - ATTACHMENT A - HOSPITAL (ACUTE AND CRITICAL ACCESS), AMBULATORY AND

**MEDICAL GROUP**

- ATTACHMENT B - HOSPICE AND HOME HEALTH
- ATTACHMENT C - BEHAVIORAL HEALTH
- ATTACHMENT D - NURSING HOME
- ATTACHMENT E - SWING BEDS

Version Provided to the Patient	Hospital Acute & CAH), Ambulatory, & Medical Group	Hospice and Home Health	Behavioral Health Outpatient	Behavioral Health Inpatient	Nursing Home	Swing Beds
ATTACHMENT A	X			X		
ATTACHMENT B		X				
ATTACHMENT C	X (as needed)		X	X		
ATTACHMENT D					X	
ATTACHMENT E				X		

## DEFINITIONS

**Caregiver:** An employee of PeaceHealth.

**Covered Personnel:** Caregivers (employees), independent providers, volunteers, student trainees, and other persons whose conduct, in the performance of work for PH, is under the direct control of PH, whether or not they are paid by PH.

**Patient:** An individual receiving care at a PeaceHealth facility.

## HELP

Further information may be obtained by contacting Risk Management.

## RELATED MATERIAL

- [Patient Rights and Responsibilities Procedure](#)

## Reference Material:

- Washington Administrative Code 246-341-0600 (April 2019)
- CMS Interpretative Guidelines for Critical Access Hospitals: <https://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/downloads/R75SOMA.pdf>
- ORS 430.210 (2017) Retrieved from: <https://www.oregonlaws.org/ors/430.210>
- Washington State Department of Health - Patient Rights <https://www.doh.wa.gov/Portals/1/Documents/Pubs/655009.pdf>
- Oregon State Patient Rights- [https://www.oregon.gov/OBCE/publications/emebc\\_section\\_2.pdf](https://www.oregon.gov/OBCE/publications/emebc_section_2.pdf)
- Alaska State Patient Rights - Alaska Statute 47.30.825

- Alaska Long Term Care Ombudsman (2019). Retrieved from: <https://akoltco.org/know-your-rights/>
- Centers for Medicare and Medicaid Services (CMS). Conditions of Participation. 42 CFR § 482. [cited 2016 Jul 13]. <https://www.cms.gov/Regulations-and-Guidance/Legislation/CFCsAndCoPs/Hospitals.html>
- National Association for Home Care & Hospice
- <https://www.nahc.org/consumers-information/home-care-hospice-basics/home-health-and-hospice-patient-rights/>
- The National Consumer Choice for Quality Long-Term Care. Retrieved from [www.theconsumervoic.org](http://www.theconsumervoic.org)

## Pre-Policy APPROVALS

### Initial Approval:

Risk Management work group created March 2017  
Legal, OI, Ethics, and Regulatory reviewed March 2017 System  
Policy Committee approved on March 28, 2017

### Subsequent Review Revisions

Reviewed by PHMC CNO, Med Staff, and P&T October 15, 2018.  
CPSC Original - August 2019

*For a complete history of collaborations and approvals, please check Workflow History or contact your policy coordinator.*

Formerly known as document number 900.1.107

### Attachments

- E: Swing Beds
- D: Nursing Homes
- C: Behavioral Health
- B: Hospice and Home Health
- A: Hospital, Ambulatory, and Medical Group

### Applicability

PeaceHealth Cottage Grove Community Medical Center, PeaceHealth Home and Community, PeaceHealth Ketchikan Medical Center, PeaceHealth Medical Group, PeaceHealth Peace Harbor Medical Center, PeaceHealth Peace Island Medical Center, PeaceHealth SHMC University District, PeaceHealth SHMC at RiverBend, PeaceHealth Southwest Medical Center, PeaceHealth St John Medical Center, PeaceHealth St Joseph Medical Center, PeaceHealth System Services, PeaceHealth United General Medical Center



**Origination:** 5/31/2007  
**Effective:** 6/22/2020  
**Last Approved:** 6/22/2020  
**Last Revised:** 7/1/2019  
**Next Review:** 6/22/2023  
**Owner:** Tera Yanez: Revenue Cycle Systems Analyst  
**Area:** Revenue Cycle  
**Standards & Regulations:**  
**Tags:** Policy  
**Applicability:** PeaceHealth Systemwide

## Financial Assistance Policy

### SCOPE

This policy applies to the PeaceHealth Divisions (PHDs), checked below:

<input checked="" type="checkbox"/> Cottage Grove Medical Center	<input checked="" type="checkbox"/> Peace Island Medical Center	<input checked="" type="checkbox"/> St. John Medical Center
<input checked="" type="checkbox"/> Ketchikan Medical Center	<input checked="" type="checkbox"/> Sacred Heart River Bend	<input checked="" type="checkbox"/> St. Joseph Medical Center
<input checked="" type="checkbox"/> Peace Harbor Medical Center	<input checked="" type="checkbox"/> Sacred Heart University District	<input checked="" type="checkbox"/> United General Medical Center
<input checked="" type="checkbox"/> PeaceHealth Medical Group	<input checked="" type="checkbox"/> Southwest Medical Center	<input checked="" type="checkbox"/> System Services Center

### PURPOSE

The purpose of this policy is to provide information about Financial Assistance programs offered by PeaceHealth that assist guarantors, provide patients with medical management, and support the financial stability of PeaceHealth

### POLICY

It is the Policy of PeaceHealth to ensure a socially just practice for providing emergency or other medically necessary care and comply with federal and state laws and regulations relating to emergency medical services and patient financial assistance, including but not limited to Section 1867 of the Social Security Act, Section 501(r) of the Internal Revenue Code, RCW 70.170.060, and WAC Ch. 246-453.

#### 1. Financial Assistance Overview

- a. Signage and brochures informing patients and/or guarantors of PeaceHealth's financial counseling programs and financial assistance are available at appropriate access areas, including registration, and are also available in electronic format on [peacehealth.org](http://peacehealth.org).
- b. Financial assistance information is provided at least annually to community agencies such as local health departments, Medicaid offices, social service agencies, and physician practices.

- c. Guarantors may apply for financial assistance at any time. If applicable, extraordinary collection actions (ECAs) will be suspended while an application is being reviewed.
- d. In accordance with PeaceHealth policy, emergent care is never delayed by an assistance determination or by requests for financial or other information regarding ability to pay. (Emergency Medical Treatment and Labor Act [EMTALA] Compliance Policy #ADM-0733)
- e. Financial Assistance is secondary to all available sources of payment including, but not limited to:
  - i. Insurance
  - ii. Third party liability payers
  - iii. Government programs
  - iv. Outside agency programs
  - v. Health savings accounts
- f. Financial Assistance is granted only for emergent or medically necessary care.
- g. Information regarding PeaceHealth's billing and collections practices, including the description of actions PeaceHealth hospitals may take in the event of nonpayment, can be found in the separate Patient Billing and Collections Policy and Procedure which is available free of charge on [peacehealth.org](http://peacehealth.org) or a free mailed copy can be requested by calling Customer Service at 877-202-3597.

## 2. Limit on Charges for Guarantors Eligible for Financial Assistance

- a. Guarantors eligible for financial assistance under the Financial Assistance Policy will not be personally responsible for more than the amounts generally billed (AGB), as defined in Treasury Regulation Section 1.501(r)-1(b)(1), by the applicable PeaceHealth hospital for the emergency or medically necessary services received.
- b. PeaceHealth calculates each hospital facility's amounts generally billed (AGB) by using the "look-back" method which uses claims for emergency and other medically necessary care from Medicare and all commercial insurers over a 12-month period.
- c. A free copy of the AGB calculation description and percentages will be provided via mail upon request. Requests may be made in person at any Patient Registration department or by calling Customer Service at 877-202-3587.

## 3. Financial Assistance Application Process

- a. Financial Assistance applications are included with each patient statement, or can be obtained by request at all Registration areas, by downloading an application from [peacehealth.org](http://peacehealth.org), or by contacting Customer Service at 877-202-3597.
- b. Consideration for financial assistance occurs once a complete application has been submitted to PeaceHealth.
- c. Information required for a complete application:
  - i. List of family members in household
  - ii. Household gross monthly income (income before taxes and deductions)
  - iii. Signature and date
  - iv. Acceptable documentation of income attached

- d. Acceptable documentation of income must include one of the following:
  - i. A "W-2" withholding statement
  - ii. Pay stubs
  - iii. An income tax return from the most recently filed calendar year
  - iv. Forms approving or denying eligibility for Medicaid and/or state-funded medical assistance
  - v. Forms approving or denying unemployment compensation
  - vi. Written statements from employers or welfare agencies
  - vii. In the absence of the above forms of income documentation, a written and signed statement from the Guarantor will be accepted as proof of income.
- e. Completed applications can be sent to PeaceHealth Patient Financial Services:
  - i. By Mail: 1115 SE 164<sup>th</sup> Ave., Dept 334 (FAP), Vancouver, WA 98683
  - ii. By Fax: 360-729-3047
- f. If an incomplete application is received, a letter is sent explaining what is required to complete the application.
  - i. If requested information is not returned within 30 days, the application is denied.
  - ii. Additional time to secure required documentation may be granted upon request.
- g. Financial Assistance is granted in accordance with the following table:

Federal Poverty Percentages		Financial Assistance Allowance
From	To	
0	300%	100%
301	350%	85%
351	400%	70%

- h. Complete applications are processed within 30 calendar days of receipt.
  - i. If approved, a letter is sent including the amount of assistance applied to outstanding guarantor balances, any balances not covered, and the dates of service for which eligible services will be covered.
  - j. If denied, a letter is sent including the reason for denial and instructions for appealing.
- k. The Vice President of Revenue Cycle or designee has the authority to make final determination and exceptions.

#### 4. Financial Assistance Appeals

- a. Responsible parties may appeal the determination of eligibility for financial assistance by submitting additional written information, such as income verification or explanations of extenuating circumstances, to PeaceHealth Patient Financial Services within 30 days of the denial notification.
- b. Collection activities for accounts under appeal are pended until a determination is made.
- c. Appeal determination will be made, and notification sent, within 30 days.
- d. The Vice President of Revenue Cycle or designee has the authority to make the final determination for all appeals.



- e. For PeaceHealth facilities located in the state of Washington, when a financial assistance application is denied and the appeal upheld, a copy of the paperwork is provided to the Washington State Department of Health.

## 5. Presumptive Financial Assistance Eligibility

- a. Other sources of information, such as estimated income and family size provided by a predictive model, may be used to make an individual assessment of financial need.
  - i. This information will enable PeaceHealth to proactively assist patients with financial obligations by utilizing the best estimates available in the absence of information provided directly by the patient.
  - ii. Presumptive screening provides benefit to the community by enabling PeaceHealth to systematically identify financially needy patients who may not have been able to complete a traditional application or provide appropriate documentation.
- b. For the purpose of helping financially needy patients, PeaceHealth may utilize a third-party to review the patient's information to assess financial need.
  - i. This review utilizes a healthcare industry-recognized, predictive model that is based on public record databases.
    - 1. The model incorporates public record data to calculate a socio-economic and financial capacity score that includes estimates for income, resources, and liquidity.
    - 2. The model's rule set is designed to assess each patient to the same standards and is calibrated against historical financial assistance approvals for PeaceHealth.
    - 3. The predictive model enables PeaceHealth to assess whether a patient is characteristic of other patients who have historically qualified for financial assistance under the traditional application process.
    - 4. Information from the predictive model may be used by PeaceHealth to grant presumptive eligibility in cases where there is an absence of information provided directly by the patient. Where efforts to confirm coverage availability have been unsuccessful, the predictive model provides a systematic method to grant presumptive eligibility to financially needy patients.
- c. In the event a patient does not qualify for the highest level of financial assistance under the presumptive rule set, the patient may still provide the requisite information and be considered under the traditional financial assistance application process.
- d. In addition to the use of the predictive model outlined above, presumptive financial assistance will also be provided at the 100% charity care level in the following situations:
  - i. Deceased patients where PeaceHealth has verified there is no estate and no surviving spouse.
- e. Patients who are eligible for Medicaid from another state in which PeaceHealth is not a participating provider and does not intend to become a participating provider.
- f. Patients who qualify for other government assistance programs, such as food stamps, subsidized housing, or Women Infants and Children Program (WIC).
- g. Patients who are confirmed to be homeless with no available source of payment.

## 6. Additional Assistance Provided

- a. Patients without insurance, or insured patients receiving services not covered by insurance, are

awarded an uninsured discount.

- b. In accordance with PeaceHealth Policy, uninsured discounts are granted only for emergent or medically necessary care. (Uninsured Discount Policy #BUS-1131)

#### 7. Providers Subject to PeaceHealth's Financial Assistance Policy

- a. PeaceHealth's decision to provide financial assistance in no way affects the guarantor's financial obligations to physicians or other healthcare providers, unless such physicians or other healthcare providers are providing care to patients pursuant to a contract with PeaceHealth that requires accepting financial assistance decisions made by PeaceHealth.
- b. A list of physicians or other healthcare providers who have agreed to comply with the Financial Assistance Policy and Procedure can be found by visiting [peacehealth.org](http://peacehealth.org) or by calling Customer Service at 877-202-3597 and requesting a copy.

## DEFINITIONS

**Extenuating CircumstancesCatastrophic:** Consideration of additional factors in determining the patient portion of an account qualifying for less than 100% coverage under the Financial Assistance Policy. Factors include: remaining balance after all reductions, household income, and medical status of patient/family.

**Extraordinary Collection Actions (ECA):** (i) actions requiring a legal or judicial process, including but not limited to placing a lien on property, attaching bank accounts, filing civil action under contract law, or garnishing wages; and (ii) reporting adverse information to a credit agency/bureau. PeaceHealth or its contracted collection agencies may take the listed actions for unpaid accounts subject to any court-required approvals.

**Financial Assistance:** A PeaceHealth program through which emergent, medically necessary, and some preventative services are provided by PeaceHealth at a reduced cost or without charge when it has been determined that payment for those services cannot be obtained through insurance, outside agencies, or private means.

**Financial Counseling:** A process of working with our patients in a compassionate and caring manner to identify options for resolving their PeaceHealth financial obligations.

**Guarantor:** A person age 18 or over, regardless of marital status, who has legal financial responsibility for services provided.

**Household:** Persons related by birth, marriage, or adoption residing in the home.

- A household does not include any of the following people:
- Roommates
- Guarantor's unmarried partner, unless they have a child together and the child is the patient

**Income:** Total cash receipts before taxes derived from wages and salaries, welfare payments, Social Security payments, strike benefits, unemployment or disability benefits, child support, alimony, and net earnings from business and investment activities paid to members of the household.

**Medically Necessary Care:** Care that, in accordance with clinically accepted parameters, is reasonably calculated to:

- Prevent the onset or worsening of an illness, condition, or disability;
- Establish a diagnosis;
- Provide palliative, curative, or restorative treatment for physical, behavioral, and/or mental health

conditions; and/or

- Assist the individual to achieve or maintain functional capacity in performing daily activities, taking into account both the functional capacity of the individual and those functional capacities that are appropriate for individuals of the same age.

Each service is performed in accordance with national standards of medical practice generally accepted at the time the services are rendered, and must be sufficient in amount, duration, and scope to reasonably achieve its purpose. Course of treatment may include observation only, or when appropriate, no treatment at all.

**Patient:** An individual receiving care at a PHD.

**PeaceHealth Division (PHD)** A medical center, clinic, operating unit, or operating division of PeaceHealth that maintains day-to-day management oversight of a designated portion of PeaceHealth System operations. PHDs may be based on a geographic market or dedication to a service line or business.

**Service Area:** The County in which the PeaceHealth entity/provider is located.

## HELP

Further information may be obtained by contacting Patient Financial Services.

## RELATED MATERIALS

### PeaceHealth Documents

- [Patient Billing and Collections Policy](#)
- [Emergency Medical Treatment and Labor Act Compliance Policy](#)
- [Emergency Medical Treatment and Labor Act Compliance Procedure](#)

### Reference Materials

- PeaceHealth, [www.peacehealth.org](http://www.peacehealth.org), 05-02-18.
- Forms:
  - Financial Assistance Application
  - Plain Language Summary

## Pre-Policy Approvals

### Initial Approval

PeaceHealth Board of Directors, May 26, 2016.

System Policy Committee, June 28, 2016.

### Subsequent Review/Revisions)

- System Policy Committee approved revision July 26, 2016.
- PeaceHealth Board of Directors approved revision on June 28, 2018.
- Washington State Department of Health approved revision on July 12, 2018.
- VP of Revenue Cycle approved review June 17, 2019.
- EVP/CFO approved review June 17, 2019.
- Sys Dir Revenue Cycle reviewed June 5, 2020.

- Non-Clinical Policy Steering Committee approved renewal June 22, 2020.

Formerly known as document number 900.1.262.

## Attachments

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No Attachments

## Applicability

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PeaceHealth Cottage Grove Community Medical Center, PeaceHealth Home and Community, PeaceHealth Ketchikan Medical Center, PeaceHealth Medical Group, PeaceHealth Peace Harbor Medical Center, PeaceHealth Peace Island Medical Center, PeaceHealth SHMC University District, PeaceHealth SHMC at RiverBend, PeaceHealth Southwest Medical Center, PeaceHealth St John Medical Center, PeaceHealth St Joseph Medical Center, PeaceHealth System Services, PeaceHealth United General Medical Center

COPY

Origination:	12/17/2012
Effective:	8/24/2020
Last Approved:	8/24/2020
Last Revised:	10/1/2015
Next Review:	8/24/2023
Owner:	<i>Misty Farrell: Supv RN Clinic</i>
Area:	<i>BELL Ambulatory Surgery</i>
Standards & Regulations:	
Tags:	<i>Policy, Procedure</i>
Applicability:	<i>PeaceHealth Medical Group</i>

## Procedure Guidelines

### SCOPE:

This policy/procedure applies to all staff in the Ambulatory Surgery Center (ASC) and Privileged Providers.

### PURPOSE:

To provide set criteria for assessing patient status prior to procedure, monitoring patient status during procedure, and to ensure patient has met criteria for discharge from PeaceHealth Medical Group's (PHMG) ASC.

### POLICY:

PHMG ASC recognizes each patient is an individual and differs in tolerance levels regarding medications and procedures. Patient assessment and documentation must be complete prior to procedure, during procedure, and post-procedure to ensure patient safety and minimize any post-procedure problems.

### PROCEDURE:

1. **Pre-Procedure Phase:** During this phase, an age-specific patient assessment is performed by a registered nurse in order to determine appropriate nursing care, treatment, and services that meet individualized patient requirements. ASC requires that all patients receiving IM or IV sedation for procedures have a history/physical documented by the physician within 30 days of procedure. Minimum documentation requirements during the Pre-Procedure Phase include
  - a. Patient identification using a minimum of two patient identifiers (name band placed with patient name and date of birth)
  - b. Physical assessment, individual needs, and procedure(s) to be performed. Assessment to include, but not limited to:
    - Date/time
    - Baseline vital signs (BP, pulse, respirations, oxygen saturation) including pain assessment
    - Skin assessment (warmth, dryness, color, integrity)

- NPO status
  - Results and type of bowel prep (if applicable)
  - Mental status/level of consciousness (LOC)
  - Fall risk assessment
  - Pregnancy status
  - Abdominal assessment
  - Height and weight
  - Possible abuse or neglect
  - Obstructive sleep apnea (OSA) assessment utilizing appropriate assessment tool
- c. Signed and witnessed informed consent
- d. Current medications/medication reconciliation
- e. Medication allergies
- f. Latex allergy
- g. Known significant medical diagnoses and conditions
- h. Past medical/surgical history and invasive procedures, history of complications, or reactions to previous sedation, analgesia, or general anesthesia
- i. Presence of removable dental appliances, loose teeth, hearing aids, glasses/contacts, piercings
- j. Presence of prosthetic devices (e.g., hip replacement, heart valves), pacemakers, internal defibrillators, and implantable devices (e.g., insulin pump)
- k. Disposition of patient valuables (e.g., glasses, jewelry if removed, etc.)
- l. Physical disabilities (i.e., vision or hearing impairments)
- m. Intravenous line to include, type, site, inserted by, type of IV solution or presence of saline lock. If no sedation for procedure, IV placement will be based upon Physician discretion.
- n. Reason for procedure
- o. Sedation scoring system (e.g., Aldrete) to include but not limited to:
- Level of consciousness/mental status
  - Airway/respiratory status/oxygen saturation
  - Circulation
  - Skin
  - Pain, N/V
- p. Name and/or phone number of an approved escort/driver post procedure if patient receiving sedation
- i. If a patient cannot provide an acceptable means of transportation, the procedure will be canceled or the patient will have the option to do the procedure without sedative or narcotic medications.
- q. Educational needs assessment to include, but not limited to:
- Identification of barriers to learning

- Ability to comprehend information provided
  - Pre-procedure education
  - Post-procedure instructions/patient or responsible person's signature of receipt
- r. Registered nurse signature, date and time

2. **Procedure Phase:** All patients will be appropriately monitored during all procedures. ASC policy and judgment of Physician or the Registered Nurse (RN) determine the type of monitoring. Minimum documentation requirements for the Procedure Phase are include the following:

- a. Time out performed
- b. Physician, RN(s) and support staff involved in the procedure
- c. Monitoring equipment (i.e., cardiac monitor, pulse oximeter, blood pressure monitor, capnography if indicated)
- d. Monitoring of patient intra-procedure must include:
  - Blood pressure
  - Pulse
  - Oxygen saturation
  - Respirations
  - Warmth, dryness and color of skin
  - Level of consciousness
  - Cardiac monitoring, when applicable
  - Capnography, when applicable

Monitoring will be performed by a RN, or other qualified personnel under the supervision of a RN who is immediately available.

- e. Type of procedure performed
- f. Model and identification of endoscope if applicable
- g. Name, dosage of all drugs and agents used (including oxygen), time, route of administration, by whom, and patient response
- h. Type and amount of all fluids administered
- i. Equipment/accessories and endoscopic therapies utilized during the procedure (i.e. forceps, snare, BICAP, dilators, cautery)
- j. Grounding pad location and skin condition pre and post procedure
- k. Abdominal pressure or change in positioning, if applicable
- l. Patient cooperation/tolerance, degree of difficulty, and distance scope advanced to
- m. Adverse events and intervention
- n. Patient status during and at conclusion of procedure
- o. Sedation scoring system (e.g., Aldrete) to include but not limited to:
  - Level of consciousness/mental status

- Airway/respiratory status/oxygen saturation
  - Circulation
  - Skin
  - Pain, N/V
- p. Type(s) of specimen(s) obtained and disposition. Number of specimen containers.
- q. Post-procedure diagnosis
- r. Start and end times. May include:
- Sedation start time
  - Endoscope insertion time
  - Endoscope removal time
- s. Hand-off communication to receiving caregiver
- t. Signature(s) date, time
3. Post-Procedure Phase: ASC requires that the physical and mental status of the patient be evaluated at both admission to and discharge from the recovery area. All documentation must include time of assessment and name of person performing assessment or procedure. The institution's policy and the Physician or RN determines the frequency of the assessment. Minimum documentation requirements for the Post-Procedure Phase are included in the following:
- a. Time of arrival to the recovery area
  - b. Vital signs, including pain level
  - c. Sedation scoring system (e.g., Aldrete) to include but not limited to:
    - Level of consciousness/mental status
    - Airway/respiratory status/oxygen saturation
    - Circulation
    - Skin
    - Pain, N/V
  - d. Abdominal assessment
  - e. Ability to pass flatus as needed
  - f. Tolerate fluids by mouth as necessary.
  - g. IV fluids administered and/or discontinued and saline lock discontinued. IV site appearance noted and documented
  - h. Name and dosage of all drugs used (including oxygen), time, route of administration, by whom, and patient's response
  - i. Adverse events, interventions, and outcomes
  - j. Hand-off given to subsequent healthcare provider if needed
  - k. If patient received sedation, they must have a designated adult driver present who is aware of the responsibility of transporting the patient.
    - i. Unacceptable transportation includes, but is not limited to:



- Personal vehicle or bicycle driven by the patient
  - Walking home or leaving the facility, unaccompanied
  - Bus, taxi, Uber or any other means of transportation without being accompanied by a responsible adult
- ii. *If the intended driver does not return for the patient post procedure, the ASC staff will make reasonable efforts to assist the patient with finding another driver. If another driver cannot be secured to drive patient home, the ASC may utilize a taxi service with approval by the procedural provider.*
- l. Patient and/or escort receive and understand verbal and written post-procedure instructions including how to contact ASC in the event of post-procedure problems. Follow-up orders may include:
- Diet and activity
  - Signs/symptoms of possible complications
  - Follow-up appointments
  - Emergency contact numbers
  - Educational materials
- m. Disposition of patient:
- Location (i.e., home, hospital)
  - Patient's belongings returned
  - Name of accompanying adult/escort
  - Mode of transportation (i.e. ambulatory, wheelchair)
- n. Physician discharge orders carried out and signed off
- o. The patient will remain in the recovery area a minimum of 30 minutes from the last IV sedation medication (if applicable) or a minimum of 2 hours if a reversal agent was administered.
- p. Patient must be stable and have a Modified Aldrete Score of 8-10 before discharge.
- q. If discharge nurse has any concerns or questions regarding patient's readiness for discharge, the physician will be notified
- r. In the event that the patient's condition warrants a higher level of care and a transfer to the hospital is needed, an ambulance will be called to transport the patient. If the patient or responsible party refuses an ambulance transport, the patient and/or responsible party will be asked to sign an Against Medical Advice (AMA) form.
- s. In the event that a patient is in the discharge area after regular ASC hours, the attending Physician must remain on the premises until the patient has been discharged.
- t. Time and signature of discharge nurse.

## HELP:

For questions about this policy/procedure, or assistance with understanding your obligations under this policy/procedure, please contact the Associate Medical Director or Clinic Manager.

Formerly known as document number 710.30.19.

## Attachments

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No Attachments

## Applicability

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PeaceHealth Medical Group

COPY

# PEACEHEALTH AMBULATORY SURGERY CENTER BELLINGHAM, LLC

Chapter Name: 10 – Surgical and Related Services	Policy#: 10.68	AAHC Standard:
Title: Preoperative Admission		Reviewed 1/2022 Approved:

## Preoperative Admission

### **Policy:**

It is the facility policy to provide a standardized procedure for patient admission.

### **Purpose:**

The purpose of the admission policy is to ensure that all patients are admitted to the facility using the following procedure to safely prepare the patient for their surgical procedure.

### **Procedure:**

1. The patient will be brought from the reception area to the preoperative area by a member of the staff.
  - a. Patient interpreter will be brought into the preoperative area if needed.
    - i. Patients so requiring, will be advised to bring an interpreter during the pre-op call or visit if a language barrier exists.
    - ii. Some of the Center's staff may act in this capacity.
      1. If the patient is unable to bring an interpreter, the admitting staff will contact the AT&T language line to assure the availability of an interpreter.
    - iii. If there is a patient requiring further assistance for hearing loss, the TDD line will be set up and accessed and arrangements made for an interpreter to provide sign language assistance if requested by the patient during the intake interview.
2. Admitting staff will review the consent to operate and other necessary papers will be signed.
  - a. Patient will verify surgical site/procedure. Nursing staff will verify this information with the schedule, surgical consent, and surgeon's orders. The nurse will initial the patients consent after verification.
    - i. If there is any discrepancy in the consent, it is to be reported the Clinical Director immediately.
    - ii. Surgery/procedure will not proceed until the discrepancy has been corrected and consent is corrected.
  - b. Patient will verify that the information on the identification band is correct.
  - c. The admitting nurse will verify with the patient whether or not the patient has any allergies or sensitivities.
    - i. Allergies and sensitivities with type of reaction will be documented in the patient's Clinical Record. A red wrist band will also be placed on the patient with their allergies and sensitivities.

## PEACEHEALTH AMBULATORY SURGERY CENTER BELLINGHAM, LLC

1. Patient allergies are to be verified each patient visit and the clinical record updated.
    - ii. For latex allergy, see Latex Policy and Procedure which is kept in the Latex Allergy Cart.
3. The patient will be provided with privacy to put on the patient gown, sock and hat, before being placed in a gurney. (as appropriate for the surgical procedure to be performed)
  - a. Patient clothing worn into the operating suite (i.e., socks, underwear) is not to interfere with the surgical procedure and shall be at the nurse/physician discretion.
4. Surgical site shall be marked as appropriate by the surgeon.
5. Physical evaluation, including blood pressure, pulse, respiratory rate and temperature will be noted in the chart.
  - a. Height & weight shall be noted when applicable.
  - b. Family will assist with any other information as necessary.
  - c. Jewelry is to be removed. If patient is unable to remove, it may be taped.
    - i. Jewelry on operative site must be removed. If patient is unable to remove, notify surgeon.
  - d. Verification of an adult sponsor to take the patient home after surgery will be made at this time, if applicable.
    - i. Patients are advised they will need an adult sponsor to take them home post-operatively during the pre-op call/visit, if applicable.
6. Patient's chart will be checked for the appropriate lab work, permits, anesthetic history, history and physical, physician orders and any other necessary reports and forms.
7. I.V.'s, pre-op medications and preps shall be carried out according to pre-op orders.
8. Nursing staff will place call bell in reach, raise side rails and pull curtains closed prior to leaving the patient area.
9. Families are welcome to visit during the period before the patient goes into surgery if the patient desires visitors.
10. Primary physician will examine patient prior to going into the O.R. to ensure there are no changes from the comprehensive H & P on the patient's chart that would make the patient ineligible for procedure at an ASC.
  - a. The physician will note this on the appropriate area of the chart.
11. The Anesthesiologist will perform a separate examination to determine that the patient is able to tolerate the anesthetic and the surgical procedure and will document this on the chart.
  - a. This examination is separate from any other exam or H&P performed.

Exhibit 6  
Financials

COMPARISON STATEMENT OF REVENUE & EXPENSE-UNRESTRICTED FUNDS						
		Yr. 1 Partial	Year 2	Year 3	Year 4	
		PROJECTED	PROJECTED	PROJECTED	PROJECTED	
		6/23-12/23	YR 2024	YR 2025	YR 2026	ASSUMPTIONS
1	OPERATING REVENUE:					
2	Inpatient Revenue	-	-	-	-	
3	Outpatient Revenue	7,735,456	16,575,978	16,907,497	17,245,648	
<b>4</b>	<b>TOTAL PATIENT SERVICES REVENUE</b>	<b>7,735,456</b>	<b>16,575,978</b>	<b>16,907,497</b>	<b>17,245,648</b>	Net Revenue/Case of \$2,779
5						
6	DEDUCTIONS FROM REVENUE:					
7	Provision for Bad Debt	-	-	-	-	
8	Contractual Adjustments	-	-	-	-	
9	Charity and Uncompensated Care	114,317	244,965	249,864	254,862	1.5% Charity Care
10	Other Adjustments and Allowances	-	-	-	-	
11	<b>TOTAL DEDUCTIONS FROM REVENUE</b>	<b>114,317</b>	<b>244,965</b>	<b>249,864</b>	<b>254,862</b>	
12	<b>NET PATIENT SERVICE REVENUE</b>	<b>7,621,139</b>	<b>16,331,013</b>	<b>16,657,633</b>	<b>16,990,786</b>	
13						
14	OTHER OPERATING REVENUE					
15	Other Operating Revenue	-	-	-	-	
16	Tax Revenues	-	-	-	-	
17	<b>TOTAL OTHER OPERATING REVENUE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
18	<b>TOTAL OPERATING REVENUE</b>	<b>7,621,139</b>	<b>16,331,013</b>	<b>16,657,633</b>	<b>16,990,786</b>	
19						
20	OPERATING EXPENSES					
21	Salaries and Wages	2,214,315	4,372,711	4,450,385	4,529,613	See Staffing Table
22	Employee Benefits	553,579	1,093,178	1,112,596	1,132,403	25% of Salaries
23	Professional Fees	53,594	94,908	94,908	94,908	Includes legal, pharmacist, consultants, accounting (tax filings)
24	Supplies	2,140,558	4,586,910	4,772,221	4,867,666	Includes medical, pharmacy, implants, other... established by specialty per case ranging from \$605/case to \$1,010/case
25	Purchased Services - Utilities	124,033	124,033	124,033	124,033	All utilities

26	Purchased Services - Other*	902,980	1,534,956	1,332,473	1,359,122	Management and billing fees...see breakout below
27	Depreciation	1,030,255	1,787,580	1,816,151	1,844,723	Based on capital spend with schedule of 15 years for TIs and 7 years for equipment
28	Rentals and Leases	467,580	816,053	824,519	833,077	Base Rent of \$61K/Month and \$3,166/month Operating Cost. Equipment lease of \$29K/yr.
29	Insurance	72,353	128,126	128,126	128,126	\$27/Case
30	License and Taxes	102,422	115,581	95,000	95,000	Property Tax and Initial Licensing and Certification
31	Interest	-	-	-	-	
32	Other Direct Expenses	45,554	73,668	73,668	73,668	Misc. Expenses
33	Allocated Expenses	-	-	-	-	
<b>34</b>	<b>TOTAL OPERATING EXPENSES</b>	<b>7,707,222</b>	<b>14,727,704</b>	<b>14,824,080</b>	<b>15,082,338</b>	
<b>35</b>	<b>NET OPERATING REVENUE</b>	<b>(86,083)</b>	<b>1,603,309</b>	<b>1,833,553</b>	<b>1,908,448</b>	
36						
<b>37</b>	<b>NON-OPERATING REVENUE-NET OF EXPENSES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
38						
<b>39</b>	<b>NET REVENUE BEFORE ITEMS LISTED BELOW</b>	<b>(86,083)</b>	<b>1,603,309</b>	<b>1,833,553</b>	<b>1,908,448</b>	
40						
45						
46	<i>*Purchased Services Other includes</i>					
	<i>Billing Fees</i>	<i>228,610</i>	<i>489,880</i>	<i>499,677</i>	<i>509,671</i>	
	<i>Development and Management Fees</i>	<i>674,369</i>	<i>1,045,076</i>	<i>832,795</i>	<i>849,451</i>	

Exhibit 7  
Management Agreement



## PREPARATION AND MANAGEMENT SERVICES AGREEMENT

THIS PREPARATION AND MANAGEMENT SERVICES AGREEMENT (the “Agreement”) is made and entered into as of October 1, 2022, by and between Maverix, LLC, a California limited liability company (“Manager”), PeaceHealth ASC Bellingham, LLC, a Washington limited liability company (“Owner”). Each of Manager and Owner may be referred to as a “party” or collectively as the “parties” in this Agreement. This Agreement shall be effective on the Closing Date (the “Effective Date”), if any, (as defined in the Purchase Agreement (as defined below)).

### BACKGROUND

WHEREAS, Owner is developing an ambulatory surgery center known as PeaceHealth ASC Bellingham (“Center”) located at 3009 Squalicum Pkwy, Bellingham, WA.

WHEREAS, this Agreement has been approved by Owner’s Board of Managers (“Board”);

WHEREAS, Owner desires to obtain the services of Manager to prepare, operate, maintain and manage the operations of the Center, and Manager desires to prepare, operate, maintain and manage the operations of the Center, as of the Effective Date.

NOW, THEREFORE, in consideration of the mutual covenants and undertakings contained in this Agreement, Owner, and Manager agree as follows:

#### 1. MANAGEMENT SERVICES.

**1.1. Engagement.** As of the Effective Date, Owner hereby retains Manager for the purpose of providing operations preparation, management, and administration support to the Center. Subject to the ultimate authority of the Owner to operate the Center, Manager shall have authority and responsibility to conduct, supervise and manage the day-to-day operations of the Center. Working through the Center Administrator, Manager will manage the ongoing operation of the Center.

**1.2. Summary of Management Services.** The management and administrative services to be performed by Manager (the “Services”) shall include the following:

(a) development and enforcement of HR policies and procedures specific to the Center needs in conjunction with policies and procedures of Owner. Perform as the first point of contact for on-site personnel in selection, hiring, training, retention and termination of personnel.

(b) overseeing billing and collections provided through Center or outsourced provider.

(c) supporting public relations, physician relationships and marketing efforts of Owner as desired by Owner’s Board.

(d) obtaining, developing, updating and negotiating professional services contracts and operating contracts.

(e) development and maintenance of Medical Staff bylaws and policy and procedure manuals subject to approval of the Owner through its Board and the Medical Staff;

(f) assisting the Center with meeting all state and federal licensing guidelines and required accreditation and certification standards;

(g) arranging for the purchase by Owner (at Owner's expense) of hazard, liability, professional and other necessary insurance coverage for Owner; provided, however, that the physicians practicing at the Center shall obtain and pay for their own malpractice insurance;

(h) providing risk management services such as on-site risk analysis and risk management program implementation support;

(i) monitoring legal compliance with applicable laws, rules and regulations, including without limitation, the performance of legal audits at Owner's expense, the evaluation of Owner's compliance with legal restrictions on physician ownership and/or referral sources and the analyses of relationships entered into between Owner and referral sources such as physicians;

(j) arrange for legal services for Owner, provided however, that Manager shall only provide an introduction to potential legal counsel and that it shall be the responsibility of Owner to evaluate, engage and provide all payment due to such legal counsel, and provided further, that any fees or amounts associated with such legal services performed by such legal counsel shall not be a part of or deducted from the Management Fee;

(k) planning to promote the maximization of the Center and coordinate any proposed expansion of the Center or its services;

(l) financial management, including the preparation of annual capital and operating budgets for approval by the Owner and the preparation of the following monthly and annual financial reports for the Owner:

- (1) balance sheet, profit and loss statement and cash flow statement reflecting the financial status of Owner;
- (2) variance report reflecting any variance between Owner's actual operating results and the budgets;
- (3) report reflecting Center's patient volume and payor mix; and
- (4) report in a form approved by the Owner concerning charity care provided at the Center

(m) Implement and monitor technology necessary to oversee the Center's business, including:

- (1) acting as liaison between the Center and software vendor

- (2) working with the Administrator to coordinate utilization of software information appropriate to the operations of the Center
  - (3) providing ASC “user” perspective for the software build.
- (n) preparing agenda and minutes and attending regularly scheduled Board meetings; and
- (o) forming and leading a Management Committee to be responsible for operations decision making as delegated by the Board.

**1.3. Personnel.** All staff required for the operation of the Center shall be recruited by Manager and shall initially be employed by the Center but, upon written consent of the Owner through its Board, may later be employed by Manager, Owner or any of their Affiliates (as defined below) and leased to the Center at fully-loaded cost to the Center (meaning the actual costs per employee, including salary and employer payroll obligations and all benefits). Manager shall be required to obtain the Owner’s advance approval of any individual that Manager proposes to hire for the positions of Administrator or Director of Nursing (individually, a “Center Director” and collectively, “Center Directors”). Notwithstanding the foregoing or any other provision in this Agreement, the Center Administrator may be recruited and hired by Manager or its Affiliates, and leased by Manager or its Affiliates to Center, in which case the fully-loaded cost of the Center Administrator (to include salary, bonus, benefits, payroll taxes, etc.) shall be reimbursed by Owner. Notwithstanding any provision in this Agreement to the contrary, including without limitation this Section 2.3, Manager shall have no obligation to employ or have employed any employee that may be leased back to the Center. For the purposes of this Agreement, an “Affiliate” of Manager means any individual, corporation, partnership, firm, association, joint venture, joint stock company, trust, unincorporated organization or other entity that controls, is controlled by, or is under common control with Manager.

**1.4. Billing.** Owner, Manager, or a third party shall bill patients and collect the Center’s facility fees for services rendered by Center at Center’s. All billings for facility fees provided by shall be in the name of and under the provider number of Owner. Manager will oversee billing operations regardless of the billing party.

**1.5. Operating Accounts.** Manager shall establish and maintain on behalf of Owner one or more bank accounts for the purpose of (a) depositing the proceeds of the funds collected; and (b) paying (1) expenses that are the obligation of Owner, (2) the management fees owed pursuant to this Agreement, and (3) distributions to the members of Owner, and disbursements shall be made from Owner’s bank accounts in that order of payment. The Owner shall establish policies and procedures regarding signature authority over such accounts.

**1.6. Tax Matters; Additional Financial Statements.** At Owner’s expense, Manager shall arrange in coordination with Owner’s tax matters partner (as so named in that certain Second Amended and Restated Operating Agreement of the Owner dated on or about the date of the closing of the Purchase Agreement, as may be amended from time to time (the “Operating Agreement”)) for the preparation of audited financial statements (if required) and tax returns or tax reports required of Owner or responding to any tax audit or like inquiry. Owner shall cooperate

with Manager in providing documents and information reasonably requested by Manager for such purposes.

**1.7. Manner of Providing Services; Devotion of Time.** Manager shall perform its duties under this Agreement in good faith, in a manner reasonably believed to be in the best interests of Owner, with at least such care as an ordinarily prudent person in a like position with like experience and qualifications would use under similar circumstances, and the Services with be provided at a standard no less than the standard of service provided by Manager or its Affiliates to other centers they manage or control. Notwithstanding anything to the contrary, Manager is not obligated to devote all of Manager's time or business efforts to the affairs of Owner. However, Manager shall devote the time, effort and skill as is reasonably appropriate for the provision of services hereunder in a manner consistent with the management or development of other ambulatory surgery centers by Manager.

**1.8. Owner's Cooperation.** Owner covenants and agrees to reasonably cooperate with and provide Manager with all information and documents, subject to applicable law, reasonably requested by Manager including but not limited to medical, technical or equipment procedure problems or incidents related to the Center.

**1.9. Clinical Matters.** Manager shall not be responsible for or have any authority with respect to the provision of physician care to patients of the Center. The Medical Director, pursuant to a Medical Director Agreement with Owner, and the physicians practicing at the Center shall be solely responsible for the provision of patient care to patients. Matters having both clinical significance and material non-clinical implications shall be decided by Owner through its Board.

**1.10. Contracts with Affiliates of Manager.** Notwithstanding anything to the contrary, Manager will only enter into any contract or agreement with any member, manager, principal or Affiliate of Manager upon terms and conditions that are commercially reasonable and substantially similar to those that would be available on an arm's-length basis with third parties.

## **2. DELEGATION OF AUTHORITY; APPROVAL PROCESS.**

**2.1. General Delegation of Authority.** Subject to the terms of this Agreement, the Owner hereby delegates to Manager, the duty to manage the day-to-day operations of the Center.

**2.2. Subcontracting.** Manager may subcontract the performance of the Services, provided that Manager may only subcontract the performance of any of the Services with the prior written approval of the Owner (which may be granted, conditioned or withheld in its sole and absolute discretion) provided further that Manager shall remain responsible for the payment of any such subcontractor and for the performance of the Services by any such subcontractor, their acts, omissions and compliance with this Agreement.

**2.3. Control Retained in Owner.** By entering into this Agreement, Owner does not delegate to Manager any power or authority not specifically authorized by this Agreement or any of the powers, duties and responsibilities required to be retained by Owner under law (including all certificates and licenses issued under authority of law for operation of the Center by Owner), but Owner acknowledges the specific authorization to Manager of day-to-day management in Section 3.1. Owner may direct Manager to implement existing policies and may adopt as the

Center's policies recommendations or proposals made by Manager. Owner shall be owner and holder of all licenses, accreditation certificates and contracts, which Owner obtains and shall be the "Provider" within the meaning of all third-party contracts for medical and surgical services.

**2.4. Limits on Manager Authority.** Notwithstanding any other provision of this Agreement, Manager and Management Committee shall not have any power or authority not specifically authorized by this Agreement (but Owner acknowledges the specific authorization to Manager of day-to-day management in Section 3.1) or the authority to undertake any of the following actions without first securing the consent of the Owner and any other applicable consents under the Operating Agreement:

(a) any action that requires the consent of Owner's Board under the Owner's Operating Agreement ("Supermajority Vote Items"), provided that Manager is specifically authorized to enter into payer contracts for Owner consistent with prior practices, without obtaining further consent;

(b) any action in breach of this Agreement, the Operating Agreement or the Owner's or its Board's written policies, procedures and directives, provided that all of the written policies, procedures and directives of the Owner or its Board adopted after the date of this Agreement shall be promptly delivered to Manager;

(c) adopt an annual operating budget or an annual capital budget;

(d) approve a commitment for any single unbudgeted capital expenditure or several related expenditures or substitute any budgeted expenditure for any other budgeted expenditure in excess of \$20,000 (amounts under each such threshold being subject only to the approval of Manager); and

(e) approve the appointment of Center Directors.

**2.5. Approval Presumed.** Except as set forth in Section 3.4, Manager shall be entitled to take any action required hereunder without first obtaining the Owner's written approval, subject to the Board's right to provide express instructions on any matter involving the Center that must then be followed by Manager. Notwithstanding the foregoing, Manager may seek the prior approval of any action to be taken, or the ratification of any action previously taken hereunder from the Board.

**2.6. Authorization by the Board.** In any situation that requires Owner or Board approval, action or confirmation, Manager shall be entitled to rely upon the written statement of the Board Chairperson that such action or approval has been taken or given. Delivery of a report to the Board Chairperson by Manager shall constitute delivery to the Board and/or Owner.

### **3. COMPENSATION AND REIMBURSEMENT.**

**3.1. Operations Preparation (Ops Prep Fee).** Manager shall receive forty thousand dollars (\$40,000) per month beginning October 1, 2022 and continuing through the commencement of Center operations. The Ops Prep Fee will be prorated should the center commence operations mid-month.

**3.2. Management Fee.** Upon commencement of Center operations Manager shall receive six percent (6%) of the Center's Net Patient Revenue each month for the Management and Contracting fee ("Management Fee"), subject to a minimum of thirty thousand (\$30,000) per month. "Net Patient Revenue" shall mean gross patient charges less contractual allowances and less bad debt, refunds and other amounts not received by, paid to, or repaid by Center (for patient charges). The Management Fee for each month shall be paid on or before the 20th day of the succeeding month and if unpaid, shall accrue and be paid before Owner makes any distributions to Owner's members. In addition, Manager shall receive an incentive bonus of two and one-half percent (2.5%) of the Center's EBITDA during the term of Management Services.

**3.3. Expenses.** In addition to the Management Fee, Manager shall be reimbursed by Owner for reasonable, direct and actual out-of-pocket expenses incurred by Manager on behalf of Owner or the Center, including but not limited to expenses where specified in Section 2.2 (e.g., reimbursement of legal expenses as set forth in Section 2.2(j)) (the "Expenses"); provided, however, the Expenses shall be similar to the types of expenses incurred by Manager on behalf of other centers that it manages or controls and shall not include Manager Overhead Expenses.

"**Manager Overhead Expenses**" shall mean all costs and expenses of Manager that are not attributable to providing direct support to the Center, including without limitation, salaries, bonuses, payroll taxes and benefits for Manager corporate office employees, rent and expenses related to the operation of the Manager corporate offices. Notwithstanding the above, expenses related to a Manager employee serving as an administrator or other on-site position are not Manager Overhead Expenses and are to be reimbursed as out-of-pocket expenses (including related travel and lodging), or any personnel leased to Owner.

The Management Services Grid attached as Exhibit 4.2 sets forth which services and expenses are included in the Management Fees and Services to be performed by the Manager under this Agreement. For the avoidance of doubt, the Management Services Grid as set forth on Exhibit 4.2 hereto further specifies which services and expenses are included in the Management Fees and, therefore, are not the responsibility of or payable by the Owner or the Center. Manager hereby warrants, represents and covenants to Owner and Center that, except to the extent that the terms of this Agreement are inconsistent with Section 1.2(j) and Section 4.1 of the Existing Management Services Agreement, the nature, extent, quality and quantity of the Services, in the aggregate, to be provided by Manager under this Agreement, shall be comparable to and not less than the required Services that were provided by Manager under the Existing Management Services Agreement.

#### **4. BOOKS AND RECORDS; OWNERSHIP OF SYSTEMS, NAMES, ETC.**

**4.1. Books of Account.** Manager shall supervise the maintenance of the books of account and records covering the operations of the Center. The general ledger will be maintained by Manager through any centralized accounting system paid for, owned and maintained by Owner. Such books of account shall be maintained on an accrual basis in accordance with United States generally accepted accounting principles ("GAAP") consistently applied, provided that any unaudited financial statements need not include notes and adjustments that are generally required by GAAP.

**4.2. Access Rights.** Members and authorized agents of Owner shall have the right on reasonable notice at all reasonable times during usual business hours, and without unreasonably disrupting Manager’s business operation, to audit, examine and make copies of or extracts from the books of account of Owner maintained by Manager; provided that in the case of Owner’s members, for a reason reasonably related to being a member of Owner and further provided that such audit or examination shall be subject to reasonable “black out” periods due to the business activities of Manager. Such right may be exercised through any agent, independent public accountant, member or employee of Owner designated by Owner.

**4.3. Regulatory Records.** If this Agreement is determined at any time during its terms to be subject to the provisions of 42 Code of Federal Regulations, or any successor regulation which governs access to books and records of subcontractors of services to Medicare providers with a value or cost of \$10,000 or more during a 12-month period, then Manager agrees to make available, upon the request of the Secretary of Health and Human Services or the Comptroller General, the contracts, books, documents, and records necessary to verify the nature and extent of the cost of providing Medicare services under this Agreement, if any; provided, however, that any applicable attorney-client, accountant-client, or other legal privilege shall not be deemed waived by virtue of this Section 5.3. Such inspection shall be available up to four years after the rendering of such services.

**4.4. Owner and Center Records.** All Owner, Center and patient records, financial records, corporate records, Owner employee files, data (including current contracting information, eligibility, enrollment, benefits, claims, provider information and prior authorization files) and other such items relating to the business activities of Owner and the Center, whether developed and maintained by Manager or Owner, shall be the property of Owner, and upon termination or expiration of this Agreement, shall be returned to Owner; provided that Manager shall have the right to retain one copy of such materials for its records.

**4.5. Owner’s Confidential Information.** During the term of this Agreement, Manager will have access to confidential and proprietary information belonging to Owner, including but not limited to business plans, projections, customer, payer and patient lists (except to the extent prohibited under applicable law), financial analyses, service plans, operating procedures, research, proposals, reports, methods, processes and compilations of information, techniques, software, programming, specifications, in written, oral and/or computerized format, regardless of whether such information is marked as confidential (collectively “Confidential Information”). It is understood that the term “Confidential Information” does not include Information which:

- (a) is now or hereafter in the public domain through no fault of Manager;
- (b) prior to disclosure hereunder, is properly within the rightful possession of Manager;
- (c) is lawfully received from a third party with no restriction on further disclosure; or
- (d) is obligated to be produced under applicable law or order of a court of competent jurisdiction, unless made the subject of a confidentiality agreement or protective order.

**4.6. Use of Owner Confidential Information.** Manager agrees to use its reasonable efforts to ensure that (a) neither Manager nor its members, managers, directors, officers, agents or employees (collectively “Agents”) shall use or disclose, make copies or otherwise transmit such Confidential Information to anyone other than those Agents to whom such disclosure is necessary and appropriate to the performance of Manager’s services under this Agreement, and (b) any such Agent to whom any such Confidential Information is disclosed shall be informed of the confidential and proprietary nature of the information and shall agree to treat the information confidentially in accordance with the requirements of this Agreement. Manager shall immediately return any and/or all Confidential Information that has been provided to it upon the written request of Owner, along with any and all copies, notes, analyses, reports, or other documents, in written or computerized format, which contain or are derived from the Confidential Information. To the extent that return of the materials is not practicable, Manager may satisfy this requirement through provision of an attestation that, after reasonable diligence, such material could not be located or was destroyed. Notwithstanding the foregoing, Manager may retain one copy of such Confidential Information for archival purposes. The parties agree that money damages would not be a sufficient remedy for any breach of the terms of this covenant and accordingly, Owner shall have the right to seek specific performance and injunctive relief as remedies for its breach, anything in this Agreement to the contrary, notwithstanding. Manager shall take at least those steps that it would take to protect its own Confidential Information.

**4.7. Use of Owner and Center Names, Logos, etc.** During the term of this Agreement, Manager shall have the right to utilize the name, trademarks, logos and symbols identifying the Center in connection with its management of the Center, including the right to represent to the public and the health care industry that the facilities and operations of the Center are managed by Manager; provided that any other use of the name, trademark, logos and symbols of the Center or Manager or its Affiliates shall require the prior written consent of Owner or Manager, as the case may be.

**4.8. Manager’s Systems.** Manager retains all ownership and other rights in all systems (including program systems and scheduling systems), manuals (including business and policy manuals), computer software, materials and other information, in whatever form provided by Manager or on its behalf, in connection with the performance of its obligations hereunder, the names “WellStrong Health,” “Global One Ventures,” “Maverix Physician Services,” and “NextMed Group” or other intellectual property of Manager (collectively, referred to as the “Systems”) and nothing contained in this Agreement shall be construed as a license or transfer of such Systems or any portion thereof, either during the term of this Agreement or thereafter. Upon the termination or expiration of this Agreement, Manager shall retain all of the Systems and all rights in and to the Systems and neither the Owner nor the Center shall be granted or retain any rights in the Systems. The provisions of this Section 5.8 shall survive any termination or expiration of this Agreement.

**4.9. Confidentiality of Manager’s Systems.** Owner acknowledges that Manager has invested a significant amount of its resources in developing and maintaining the Systems and that the value to Manager of the Systems may be diminished or destroyed if Owner discloses the Systems or any portion thereof to a third party. Accordingly, Owner shall maintain the confidentiality of the Systems. Owner shall not duplicate or permit the duplication of any portion of the Systems and shall not permit access to the Systems by Owner’s personnel or any third party



other than on a strict “need-to-know” basis and in the ordinary course of business. Owner shall take at least those steps that it would take to protect its own Confidential Information.

**4.10. HIPAA Compliance.** Manager and Center shall be deemed parties to the HIPAA Business Associate Agreement attached as **Exhibit 5.10**.

**4.11. Survival.** The provisions of this Section 5 shall survive any termination or expiration of this Agreement.

## **5. TERM AND TERMINATION.**

**5.1. Term.** This Agreement shall continue in full force and effect for a period of two years from the commencement of Center operations.

**5.2. Termination for Breach.** Notwithstanding Section 6.1, a party shall have the right to terminate this Agreement upon the occurrence of any of the following events by delivering to the other party written notice of its intent to terminate this Agreement:

(a) the other party has been sanctioned, in a manner which is materially adverse to the Center, by or barred or excluded from a government health program;

(b) Manager has committed fraud, embezzlement, or other criminally dishonest act with respect to Owner or the Center; provided that the actions of Owner’s employees shall not be imputed to Manager; or

(c) the other party has materially breached this Agreement.

In the event there is an alleged breach by either party, then before terminating this Agreement, the non-defaulting party shall send to the other party notice describing in detail the basis upon which the non-defaulting party believes such termination is justified. Upon receipt of such notice, the defaulting party shall have thirty (30) days during which to attempt to cure any alleged breach under this Agreement, and upon such cure being effectuated, the non-defaulting’s rights to terminate shall cease, and this Agreement will continue in full force and effect. Furthermore, if the defaulting party has diligently attempted to effect such a cure within such 30-day period but cannot complete such cure within such period, then the defaulting party shall have a reasonable time beyond such 30-day period to complete its cure of the alleged basis for the other party’s election to terminate, provided the defaulting party diligently continues to attempt to cure; only after such cure period may the non-defaulting party terminate this Agreement. Notwithstanding the foregoing, termination of this Agreement shall be immediate for a material breach of a nature that is impossible to cure. Upon Owner’s termination of this Agreement, (a) Owner shall have the right to appoint a new manager to operate, maintain and manage the Center and perform the Services, without limiting Owner’s right to recover damages resulting from Manager’s breach of this Agreement, and (b) Manager shall promptly deliver to Owner all books, records and documents relating to the operation of the Center.

**5.3. Insolvency.** A party may terminate this Agreement if the other party shall appoint or consent to the appointment of a receiver, trustee or liquidator of such party or of all or a substantial part of its assets, file a voluntary petition in bankruptcy, make a general assignment for the benefit of creditors, file a petition or an answer seeking reorganization or arrangements with creditors or to take advantage of any insolvency law, or if an order, judgment or decree shall be entered by any court of competent jurisdiction, on the application of a creditor, adjudicating such party bankrupt or insolvent, and such order, judgment or decree shall continue unstayed and in effect for any period of 60 days.

## **6. RISK ALLOCATION; INDEMNIFICATION.**

**6.1. Indemnification.** Manager agrees to indemnify, defend and hold Owner and its members harmless for any and all expenses, including reasonable attorneys' fees and costs of defense, of any action brought against Owner by any party, including professional malpractice actions, as a result of or arising from (a) the negligence, willful misconduct or breach of this Agreement by Manager or its employees or agents, or (b) Manager's Obligations (as defined in Section 9.10 below). Except as set forth in the prior sentence, Owner shall indemnify, hold harmless and defend Manager for any and all expenses, including reasonable attorneys' fees and costs of defense of any actions, including professional malpractice actions brought against Manager by reason of the fact Manager is an agent or member of Owner or the Services but excluding any actions arising from Manager's own negligence, willful misconduct or breach of this Agreement. Manager shall be entitled to advancement of expenses prior to a final determination of fault as set forth in Owner's Operating Agreement pending resolution. The provisions of this Section 7.1 shall survive any termination or expiration of this Agreement.

**6.2. Manager Insurance.** Manager shall cause to be in effect, in connection with its provision of services to Owner pursuant to this Agreement, the following insurance: (a) comprehensive general liability insurance, in amounts equal to or exceeding \$1 million per occurrence and \$3 million in the aggregate; and (b) errors and omissions insurance coverage for liability arising from claims of negligent administrative and management services, in amounts equal to or exceeding \$1 million per occurrence and \$3 million in the aggregate. Manager shall use commercially reasonable efforts to provide that Owner is added as an additional insured on all insurance policies carried by Manager related to the Center. All certificates shall provide that such insurance will not be cancelled (or materially changed) without at least thirty (30) days' prior written notice (or ten (10) days for nonpayment of premiums) to Owner.

## **7. NOTICE.**

**7.1. Notices.** Except as expressly set forth to the contrary in this Agreement, all notices, approvals or consents provided for or permitted to be given under this Agreement must be in writing and must be given either by depositing that writing in the United States mail, addressed to the recipient, postage paid and registered or certified, with return receipt requested, or by delivering that writing to the recipient in person, by courier or by confirmed facsimile

transmission; and a notice, request or consent given under this Agreement is effective when sent in accordance with the above terms. All notices, approvals and consents must be given to Owner at the following address:

**Owner:**

PeaceHealth

**Manager:**

Maverix, LLC  
6125 Paseo Del Norte, Suite 210  
Carlsbad, CA 92011  
Attn: Bill Davis

Whenever any notice is required to be given by law or by this Agreement, a written waiver thereof, signed the party entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of that notice.

**8. MISCELLANEOUS.**

**8.1. Regulatory Compliance.** In the event any federal, state or local legislative or regulatory authority adopts any law, rule, regulation, policy, procedure or interpretation thereof that, in the reasonable determination of either Manager or Owner, based on the advice of legal counsel (which such advice shall be in writing and furnished to the other party but in a manner that does not waive any applicable privileges), is more likely than not to require a material change in the manner of either party's operations or obligations under this Agreement, then, upon the request of either party materially affected by such change in circumstances, the parties shall enter into good faith negotiations for a period of 60 days for the purpose of establishing such amendments or modifications to this Agreement, and any other agreement to which the parties hereto may be a party, as may be appropriate in order to accommodate the new requirement and change of circumstances while preserving the original intent of this Agreement to the greatest extent possible. In the event that within the period of 60 days following the date notice is first given by one party hereunder to the other that a material change in the manner of either party's operations under this Agreement is required, the parties have not agreed to amend or modify this Agreement, or any other agreement to which the parties hereto may be a party, then upon 30 days' notice thereafter by either party to the other this Agreement may be terminated without incurring any liability as a result thereof.

**8.2. Dispute Resolution.** Any dispute, controversy or claim arising out of or relating to this Agreement or the breach or termination hereof, or whether the claims asserted are arbitrable, shall be referred to and finally determined by binding arbitration conducted by JAMS in accordance with its Comprehensive Arbitration Rules and Procedures (the "Rules"), and to the extent applicable, the United States Federal Arbitration Act. The arbitration shall be heard by one arbitrator to be selected in accordance with the Rules, with venue in San Diego County, Washington. The language to be used in the arbitration proceeding shall be English. Judgment upon any award rendered may be entered in any court having jurisdiction thereof. Within seven (7) calendar days after appointment the arbitrator shall set the hearing date, which shall be within ninety (90) days after the filing date of the demand for arbitration unless a later date is required for good cause shown, and shall order a mutual exchange of what he/she determines to be relevant documents and the dates thereafter for the taking of up to a maximum of five (5) depositions by

each party to last no more than two (2) days in aggregate for each party. Both parties waive the right, if any, to obtain any award for exemplary or punitive damages or any other amount for the purpose of imposing a penalty from the other in any arbitration or judicial proceeding or other adjudication arising out of or with respect to this Agreement, or any breach hereof, including any claim that said Agreement, or any part hereof, is invalid, illegal or otherwise voidable or void. In addition to all other relief, the arbitrator shall have the power to award reasonable attorneys' fees and costs to the prevailing party. The arbitrator shall make his or her award no later than seven (7) calendar days after the close of evidence or the submission of final briefs, whichever occurs later. The decision of the arbitrator shall be final and binding on all parties. Notwithstanding anything to the contrary, if either party desires to seek injunctive or other provisional relief that does not involve the payment of money, then those claims shall be brought in a state or federal court located in San Diego County, Washington, and the parties hereby irrevocably and unconditionally consent to personal jurisdiction of such courts and venue in San Diego County, Washington in any such action for injunctive relief or provisional relief.

**8.3. Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be an original and all of which shall together constitute one agreement.

**8.4. Enforceability.** Should any part of this Agreement be invalid or unenforceable, such invalidity or unenforceability shall not affect the validity and enforceability of the remaining portions.

**8.5. Due Authorization.** Each individual signing this Agreement warrants that such execution has been duly authorized by the party for which he is signing. The execution and performance of this Agreement by each party has been duly authorized by all applicable laws and regulations and all necessary corporate action, and this Agreement constitutes the valid and enforceable obligation of each party in accordance with its terms.

**8.6. Amendment; Entire Agreement.** This Agreement may not be modified or amended except in writing executed by each of Owner and Manager, or their respective successors or assigns. This Agreement constitutes the entire agreement of the parties hereto and supersedes all prior agreements and representations with respect to the subject matter hereof. Nothing contained herein shall be construed to affect the rights and obligations of the parties under any other agreement now in effect between the parties, including but not limited to the Operating Agreement.

**8.7. Assignment.** Except as provided by this Section 9.7, neither Owner nor Manager may assign its rights or obligations under this Agreement without the written consent of the other party. Manager may, upon thirty (30) days written notice, assign its rights and obligations under this Agreement without the consent of Owner to Maverix Health, LLC, a Washington limited liability company ("Maverix") with which Mr. Scott Leggett, Mr. Shannon Blakeley and Mr. Bill Davis are affiliated as of the date of this Agreement, providing (i) Scott Leggett is and remains a principal member and actively involved in the operations of such assignee, (ii) such assignee has at least the same level of experience, competence and resources as Manager and (iii) the performance and obligations of such assignee to perform all of its obligations under this Agreement are unconditionally guaranteed by Manager. The terms, covenants, conditions, provisions and agreements herein contained shall be binding upon and inure to the benefit of the

parties hereto, their successors and assigns as permitted by this Agreement. The parties acknowledge that (a) some of the services to be provided by Manager hereunder will be delegated to assignees of Manager, Manager's Affiliates and to subcontractors, subject to the terms of this Agreement at no additional cost to Owner or the Center, and (b) Manager may create a new wholly owned subsidiary for purposes of providing the Services at no additional cost to Owner or the Center and in that event, Manager may assign this Agreement to such subsidiary without obtaining approval from Owner; provided the requirements of subsections (i), (ii) and (iii) of this Section 9.7 are satisfied.

**8.8. Further Acts.** The parties do hereby covenant and agree that they and their successors and assigns will execute any and all instruments, releases, assignments and consents which may reasonably be required of them in order to carry out the provisions of this Agreement. Notwithstanding expiration or termination of this Agreement, each party hereto shall take such further actions as are necessary to fulfill its existing obligations, which by their terms require performance after expiration or termination of this Agreement.

**8.9. Waiver.** The waiver of any party of a breach of violation of any provision of this Agreement shall not operate or be construed to be a waiver of any subsequent breach thereof.

**8.10. Independent Contractor.** Manager and Owner affirmatively state that the relationship created under this Agreement is that of an independent contractor and not that of an employee, agent, joint venturer or partner. Consistent with Manager's independent contractor status, Owner will not withhold or contribute any amount on behalf of Manager for social security taxes, unemployment insurance compensation, worker's compensation insurance, federal or state income tax withholding, or other payments required of an employer by any law or regulation. Manager shall be solely responsible for (a) any employment reporting obligations to any state, federal or local authority with respect to Manager's employees and/or agents, (b) all its state, federal, local, income, employment and business taxes, including without limitation, estimated taxes, and (c) any and all withholding payroll tax obligations, including without limitation, its own payments and contributions and the payments and contributions of its employees, to the extent applicable, for social security tax, federal and state tax withholding or self-employment tax, unemployment compensation insurance, worker's compensation insurance, and all other taxes and payments required of Manager as an independent contractor (collectively, "Manager's Obligations"). Notwithstanding the above, in a situation where Manager is leasing employees to Owner under Section 2.3, Manager will invoice Owner for the fully-loaded cost of such employees, including the above listed payroll obligations.

**8.11. Force Majeure.** Each party shall be excused for failures and delays in performance of its respective obligations under this Agreement due to any cause beyond the control and without the fault of such party, including without limitation, any act of God, war, terrorism, riot or insurrection, law or regulation, strike, flood, fire, explosion or inability due to any of the aforementioned causes to obtain necessary labor, materials or facilities, for so long as such event continues, and for a reasonable period of time thereafter, other than nonpayment under Section 4. This provision shall not, however, release such party from using its best efforts to avoid or remove such cause and such party shall continue performance hereunder with the utmost dispatch whenever such causes are removed. Upon claiming any such excuse or delay for non-performance,

such party shall give prompt written notice thereof to the other party, provided that failure to give such notice shall not in any way limit the operation of this provision.

**8.12. Interpretation.** This Agreement and the provisions contained herein shall not be construed or interpreted for or against any party hereto because said party drafted or caused the party's legal representative to draft any of its provisions, but shall be construed as if each party hereto had prepared this Agreement.

**8.13. Attorneys' Fees.** If legal action is commenced by either party to enforce or defend its rights under this Agreement, the prevailing party in such action shall be entitled to recover its costs and reasonable attorneys' fees in addition to any other relief granted.

**8.14. Governing Law.** This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Washington. All actions and proceedings arising in connection with this Agreement must be tried and litigated exclusively in the State and Federal courts located in the County of San Diego, State of Washington, which courts have personal jurisdiction and venue over each of the parties to this Agreement for the purpose of adjudicating all matters arising out of or related to this Agreement. Each party authorizes and accepts service of process sufficient for personal jurisdiction in any action against it as contemplated by this section by registered or certified mail, return receipt requested, postage prepaid, to its address for the giving of notices set forth in this Agreement.

**8.15. Third-Party Beneficiaries.** Nothing in this Agreement, whether express or implied, is intended to confer any rights or remedies under or by reason of the terms and provisions of this Agreement on any person other than the parties to it, nor is anything in this Agreement intended to relieve or discharge the obligation or the liability of any third person to any party to this Agreement, nor shall any provision of this Agreement give any third persons any right of subrogation or action over or against any party to this Agreement.

**8.16. Recitals.** The Recitals to this Agreement are incorporated into and shall constitute a part of this Agreement.

[signature page follows]

IN WITNESS WHEREOF, the parties have executed this Agreement on the date first above written.

**MANAGER:**

**Maverix, LLC,**  
a California limited liability company

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

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

Its: \_\_\_\_\_

**OWNER:**

**PeaceHealth ASC Bellingham, LLC,**  
a Washington limited liability company

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

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

Its: \_\_\_\_\_

Exhibit 8  
Draft Lease Agreement



## COMMERCIAL LEASE

This COMMERCIAL LEASE (“Lease”) is made and entered into by and between **PeaceHealth St. Joseph Medical Center**, an operating division of PeaceHealth, a Washington nonprofit corporation (“Landlord”) and **PeaceHealth ASC Bellingham, LLC** (“Tenant”).

### 1. SUMMARY OF FUNDAMENTAL LEASE PROVISIONS, EXHIBITS, DEFINED TERMS.

#### 1.1 Fundamental Lease Provisions.

1.1.1 Date of Lease Execution. The date of the last party to sign below.

1.1.2 Parties. The parties to this Lease are:

Landlord: **PeaceHealth St. Joseph Medical Center**,  
an operating division of PeaceHealth,  
a Washington nonprofit corporation

Address (For Notices): 1115 SE 164<sup>th</sup> Avenue  
Bellingham, WA 98683

\_\_\_\_\_  
\_\_\_\_\_  
Email address: \_\_\_\_\_

Tenant: **PeaceHealth ASC Bellingham, LLC**

Address (For Notices): \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Email address: \_\_\_\_\_

1.1.3 Business Name to Be Used by Tenant at Premises:

\_\_\_\_\_

1.1.4 Gross Leasable Premises. **21,073** square feet

1.1.5 Gross Leasable Building. **23,122** square feet

Tenant’s Share of Building: **91.13%** based upon the estimated rentable area of the Premises compared to the rentable area in the Building.

1.1.6 Lease Commencement Date. May 1, 2023

1.1.7 Security Deposit. \$ \_\_\_\_\_

1.1.8 Tenant’s Brokers. None

1.2 Exhibits. The following exhibits are a part of this Lease:

EXHIBIT A Floor Plan Showing Premises  
EXHIBIT B Rules and Regulations  
EXHIBIT C Work Letter Agreement

1.3 Definitions. Certain terms used in this Lease are defined hereinafter in those sections in which the same are first mentioned. Others are defined below.

“Building Standard” means the services provided by Landlord for comparable tenancies in the Building (as defined below) and specifications for materials, construction methods and finishes in comparable tenant improvement projects in the Building

“Gross Leasable Building Area” means the aggregate of the number of square feet of space in the Building, as measured from the outside face of the exterior walls or the center of any common walls, as the case may be, without deduction for columns or other structural elements within the Building. The Gross Leasable Building Area is equal to the aggregate amount of the Gross Leasable Building Area of all premises in the Building as the same may be modified, altered, expanded, or reduced from time to time.

“Land” means the following property: *[Insert legal description of the land parcel Building is on or if lengthy, attach as new exhibit]*

“Occupant” means any person, firm, corporation, or association entitled to occupy or use a portion or portions of the Project.

“Property” means the Land and Building.

“Project” means St. Joseph Medical Center Campus.

## 2. PREMISES

- 2.1 Building. The building located at **3009 Squalicum Parkway in Bellingham, WA, Whatcom County** (the “Building”).
- 2.2 Premises. The area indicated on Exhibit A. The parties agree the Premises contain **21,073 rentable square feet**.
- 2.3 Delivery. Landlord will deliver possession of the Premises to Tenant in “as is, where is” condition and without warranty of any kind except as otherwise specifically provided herein. The condition of the Premises shall be deemed approved by Tenant in all respects when Tenant begins Tenant’s Work or moving its equipment, furniture, or fixtures into the Premises. Tenant is responsible for procuring or installing in the Premises any trade fixtures, equipment, furniture, furnishings, telephone and data equipment or other personal property (collectively, “personal property”), at Tenant’s expense.

## 3. TERM

3.1 Initial Term. Commencing on May 1, 2023, (the "Commencement Date")

and  
continuing for 120 full calendar months.

- 3.2 Early Possession. If possession of the Premises is delivered to Tenant before the Commencement Date, Tenant will have the right to occupy the Premises subject to all the terms and provisions of this Lease, including the payment of Additional Rent. The payment of Base Rent will not commence until the Rent Commencement Date.
- 3.3 Options to Extend. Provided that Tenant is not in default when it exercises the option or upon commencement of the Option Term, Tenant shall have \_\_\_ option(s) to extend the Lease for a period of \_\_\_ months (the "Option Terms"), on the same terms and conditions as are set forth in this Lease. Each option shall be exercised, if at all, by written notice to Landlord at least on hundred eighty (180) days but not more than two hundred seventy (270) days prior to the expiration of the preceding Term. Exercise of the option shall be conditioned upon (a) the Premises continuing to be used as set forth in the Lease; (b) none of the space in the Premises being subleased at the time of exercise of the option or commencement of the Option Term; and (c) this Lease not having been assigned by Tenant to any other person or entity. The giving of such notice shall be sufficient to make the Lease binding for the Option Term without further act of the parties. The exercise of the option shall extend the Lease for the entire Premises. The Option Terms shall be upon all the terms and conditions of this Lease, except for the Term and the amount of Base Rent, and Landlord shall have no obligation to provide any tenant improvement allowance or construct any tenant improvements. The word "Term" shall be used throughout this Lease to include the Initial Term and any Option Term.
- 3.4 Lease Commencement. The Term shall commence on the Commencement Date. Landlord shall have no liability to Tenant arising from any delay in the Commencement Date. When the Commencement Date has occurred, Landlord will prepare and Tenant will sign an acknowledgement of the Commencement Date, the date(s) that Tenant's payments of Base Rent and Tenant's Share of Operating Costs occur, and related information. Any failure by Tenant to sign and return the acknowledgement shall be deemed agreement with its contents. All provisions of this Lease, other than those relating to payment of Base Rent, shall be effective on the earlier of the Commencement Date or the date that Tenant, its agents, contractors, or employees are present in the Premises for inspection, construction, fixture installation, move-in or similar purposes.

#### 4. PREMISES AND COMMON AREAS

- 4.1 Permitted Uses. The Premises shall be used for **ambulatory surgical center/facility and related administrative uses** and for no other use or purpose. Tenant acknowledges that neither Landlord nor any agent of Landlord has made any representation or warranty with respect to the Premises or with respect to the suitability of the Premises for the conduct of Tenant's business, nor has Landlord agreed to undertake any modification, alteration, or improvement to the Premises, except as provided in writing in this Lease. Commencing on \_\_\_\_\_, 20 \_\_, (the "Commencement Date") and continuing for \_\_\_ full calendar months.
- 4.2 Restrictions on Use. Tenant shall not (i) injure, overload, deface or otherwise harm the Premises or any part of the Property; (ii) permit the emission of any noise, odor or vibration to emanate from the Premises which, in Landlord's opinion, is objectionable;

(iii) make any use of the Premises or equipment therein which is improper, offensive or contrary to any law or ordinance or the certificate of occupancy; (iv) use the Premises for any purpose other than the Permitted Use including any other use that involves volumes of occupants in excess of those for a typical ASC use; (v) place trash or other articles outside the Premises, or obstruct the entrances, hallways or other common areas; (vi) solicit business or distribute handbills or other advertising media in any common area; (v) interfere with the rights of Landlord or other tenants; or (vi) make any use of the Premises which adversely impacts insurance rates or premiums for the Property.

During the term of this Lease, Tenant's use of the Premises shall comply with the PeaceHealth Statement of Common Values located at [www.PeaceHealth.org/statement-of-common-values](http://www.PeaceHealth.org/statement-of-common-values).

- 4.3 Premises. Landlord leases to Tenant the Premises for the Term, but reserving to Landlord, the use of the exterior thereof, all space above any suspended ceiling, all space beneath the floor, and the right to install, maintain, use, repair, relocate and replace stacks, pipes, ducts, conduits, wire, and utilities leading through the Premises in locations which do not materially interfere with Tenant's use thereof. Tenant shall have access to the Premises twenty-four (24) hours per day, subject to closures for emergencies, repairs, similar matters, and disruptions outside Landlord's control.
- 4.4 Common Areas. Landlord will make available from time to time such "common areas" (including, but not limited to, driveways, lobbies, parking lots and landscaped areas) as Landlord deems appropriate. Landlord may from time to time change the size, location, nature, and use of any common areas and make installations therein and move and remove the same.
- 4.5 Use of Common Areas. Tenant and its employees, agents and invitees shall have the nonexclusive right (in common with other occupants, Landlord and others to whom Landlord grants such rights) to use the common areas which from time to time are designated for such use by Landlord. Landlord may temporarily close any common areas for construction, repairs, or modifications, safety, or to prevent the acquisition of public rights in such areas and may do such other acts in and to the common areas as in its judgment may be desirable. Tenant shall not interfere with the rights of Landlord or others to use any part of the common areas. Subject to any specific access provisions elsewhere in this Lease, if any, Tenant shall not permit any employee, contractor, or guest onto the roof of the Building or into any other non-public areas of the Building.
- 4.6 Parking. Landlord agrees to provide, and Tenant, its employees and invitees have the right to use, Tenant's proportionate share (1 per \_\_\_\_\_ rentable square feet of leased space or not less than the minimum required by law) of the unreserved, associated parking stalls adjacent to the Building, free of charge for the duration of the Lease. Landlord reserves the right at any time to grant use rights to others, to promulgate rules and regulations relating to the use of such parking areas, including designating specific spaces for the use of any tenant. Landlord is not responsible for any theft of or damage to vehicles or their contents.
- 4.7 Default. Any default under this Section 4 of the Lease shall be a material default enabling Landlord to exercise any of the remedies set forth herein.

## 5. RENT

### 5.1 Rent.

5.1.1 **Base Rent.** Commencing on the Rent Commencement Date, Tenant shall pay to Landlord Base Rent in the amount of **\$61,000.44 per month** (the “Base Rent”) to: PeaceHealth Accounting Services 1115 SE 164<sup>th</sup> Ave, Dept 332 Vancouver, WA 98683-9928 (or such other address as is specified by Landlord). Tenant shall pay Base Rent to Landlord on the first day of each month, without notice or demand, deduction or offset, except as may otherwise be expressly provided for herein. Base Rent for any partial calendar month shall be prorated. All amounts due to Landlord hereunder other than Base Rent shall be referred to as “Additional Rent”. Base Rent and Additional Rent are collectively referred to as “Rent”.

5.1.2 **Fair Market Value.** The parties hereto mutually agree that the Rent payable hereunder is consistent with fair market value, is commercially reasonable, and has not been determined in a manner that takes into account the volume or value of any referrals or other business generated between the parties. “Fair Market Value” means the annual amount per rentable square foot that a willing, comparable, new tenant would pay and a willing, comparable landlord of a similar building in the same geographic area would accept at arm’s length, without regard to the identity of the tenant and landlord and without regard to the proposed use of the Premises.

5.1.3 **Base Rent Payable for Option Terms.** If Tenant exercises an Option Term, Base rent for the first year of the Option Term shall be the Fair Market Rent, as defined below, as of the commencement of the Option Term. Fair Market Rent will be determined as follows:

Within ninety (90) days of the end of any term when Tenant has exercised an Option Term, Fair Market Rent shall be determined by a fair market value appraisal by a mutually agreed upon MAI appraiser with at least ten (10) years full time commercial appraisal experience in the geographic area in which the Premises are located. The parties shall share equally the cost of the appraisal fee. The appraisal shall be completed at least thirty (30) days prior to the end of the term and shall determine the Fair Market Rent. Notwithstanding the foregoing, in no event shall Fair Market Rent be less than the Base Rent payable during the period immediately preceding commencement of the Option Term.

### 5.2 Base Rent Escalation.

5.2.1 Base Rent provided in Section 5.1.1 shall be adjusted each calendar year on the anniversary of the Commencement Date, beginning in 20\_\_ during the term of this Lease and any extensions or renewals thereof, in the manner described below.

5.2.2 Base Rent provided in Section 5.1.1 shall be increased by a percentage equal to the percentage of change, if any, in the Consumer Price Index (hereinafter “CPI”) published by the United States Department of Labor Statistics of the United States Department of Labor. Comparisons shall be made using the index titled Seattle/Tacoma/Bellevue, All Items, All Urban Consumers (1982-

84=100), or the nearest comparable data on changes in the cost of living if such index is no longer published. The change shall be determined by comparison of the figure for the most recent index available of the preceding year, with that of the same month of the current year [ , not to exceed 1 %]. In no event, however, shall Base Rent be reduced below that payable during the preceding year.

### 5.3 Operating Costs.

5.3.1 **“Operating Costs”** shall mean all amounts incurred or expended by Landlord in connection with or allocable to the management, maintenance, operation, ownership, security, repair or replacement of the Property, together with a management/administrative fee of 5% of the total Operating Costs, including, without limitation, Real Property Taxes (as defined in Section 5.3.2 below), wages and salaries of all employees engaged in operation, maintenance, repair, replacement, or security of the Property, all taxes, insurance and benefits relating to such employees; all insurance costs including deductibles; utility costs; the charges of any agent or independent contractor employed in the non-structural repair, operation, management, maintenance or security of the Property; including amortization (including a commercially reasonable rate of interest) over the useful life or other period of time reasonably determined by Landlord and in accordance with generally accepted accounting principles of capitalized items. Operating Costs shall not include: (i) initial leasing costs for other tenants, including tenant improvements and leasing commissions; (ii) costs of any special services rendered to individual tenants; (iii) debt service; (iv) amortization (including interest) except as set forth above; (v) Landlord’s mortgage payments (including principal and interest); (vi) costs for repairs due to casualty or condemnation that are reimbursed by third parties; (vii) costs due to Landlord’s breach of this Lease; (viii) costs to maintain, repair and replace the structural parts of the Property, which shall include the foundations, bearing and exterior walls, subflooring, roof structure and surface, exterior windows and doors, gutters and downspouts; (ix) reserves set aside for maintenance, repair and replacement of the Premises; (x) repairs, alterations, additions, improvements or replacements made to rectify or correct any defect in the original design, materials or workmanship of the Property; (xi) costs of repairs, restoration, replacements or other work occasioned by the negligence or intentional tort of Landlord or any other tenant, as well as any representative, employee, contractor or agent of Landlord; and (xii) costs of upgrading the Property to comply with laws in effect prior to the Commencement Date and any penalties or damages incurred due to such non-compliance. For the avoidance of doubt, Tenant shall pay only those Operating Costs reasonably allocated to the Premises according to Tenant’s Share.

5.3.2 **“Real Property Taxes”** shall mean all taxes, charges, assessments (or any installment thereof due during the applicable year) and other impositions, however denominated, levied from time to time with respect to the Land, or any improvements, fixtures and equipment and all other property of Landlord, real or personal, used directly in the operation of the Property; any taxes levied or assessed (or any installment thereof due during the Term) in addition to or in lieu of, in whole or in part, such taxes; any other tax upon leasing or rents of the Property; any other tax or surcharge such as, for example, payments to or on

account of public transit or carpooling or environmental facilities and compliance with energy use or efficiency compliance requirements; and all costs incurred by Landlord in connection with the attempt to reduce any of the foregoing, whether by negotiation or contest. Real Property Taxes shall not include any franchise or state income tax, inheritance tax, or estate tax nor any late payment penalties if Tenant has paid the amounts due under this Section 5.3.2 when due.

5.3.3 **Additional Rent for Operating Costs.** Commencing on the Commencement Date, Tenant shall pay to Landlord, Tenant's Share of Operating Costs. Tenant's Share of Operating Costs for any portion of a year at the beginning or end of the Term shall be adjusted based on the proportion of that year included in the Term. Tenant's Share of Operating Costs shall be paid in estimated monthly installments on the first day of each calendar month in an amount specified by Landlord. Landlord may from time to time (but not more frequently than twice in any calendar year) revise such estimates by notice to Tenant whereupon subsequent payments by Tenant for the remainder of the year shall be based upon such revised estimates. After the close of each year, Landlord shall deliver to Tenant a statement setting forth the total amount of Tenant's Share of Operating Costs for such year, whereupon there shall be a final adjustment between Landlord and Tenant and Tenant shall pay Landlord any amount due Landlord within thirty (30) days of receipt of such statement, and any amount due Tenant shall be credited to the next amounts due to Landlord or, if the Lease has terminated or expired, shall be refunded to Tenant within thirty (30) days. **Initial Additional Rent for Operating Costs is estimated at \$3,166.85 per month.**

5.3.4 **Other Allocation Methods.** Landlord shall have the right to equitably and reasonably allocate all or portions of any Operating Cost to Tenant on a basis other than the relative rentable area of the Premises compared to other lease premises in the Building, and to allocate expenses related to the Property based on Tenant's Share in any circumstance where Landlord believes in good faith that such substitute allocation method is more equitable and appropriate. Such differing allocation methods may be used (without limitation) to promote an equitable sharing of expenses between different types of uses (e.g., retail, retail service, office or medical) or due to a greater use of a particular Operating Cost by one tenant over another, for example, if one tenant produces more trash than another in a shared facility.

5.3.5 **Occupancy Adjustment.** If the rentable area of the Property is not fully occupied by tenants during all or any portion of a year, Landlord may make an appropriate adjustment of Operating Costs for such year employing sound accounting and management principles, to determine the amount of Operating Costs that would have been incurred if the rentable area of the Property had been fully occupied.

5.3.6 **Management with Other Properties.** Landlord may elect at any time and from time to time to share expenses with, jointly manage, maintain and/or operate, all or a portion of the Property jointly with neighboring properties. Examples of such joint operations may include, but are not limited to, interconnected parking, joint maintenance of landscape and exterior areas, storm water facility maintenance, shared purchasing of supplies and services, etc. In



any case where Landlord so elects, the expenses arising from such shared operations shall be Operating Costs and shall be allocated by Landlord to the Property and the other properties on a good faith basis. It shall be deemed in good faith to allocate on the basis or relative rentable area, usage, or benefit.

5.3.7 **Tenant's Right to Review.** Tenant shall have the right to review the current year's expense statement issued by or on behalf of Landlord by written notice given to Landlord within thirty (30) days after receipt of that statement. Such review shall either be conducted in Landlord's office or Landlord will provide electronic copies of Landlord's records to Tenant at the cost of Tenant. Tenant shall have a period of sixty (60) days to complete its review and respond to Landlord with any discrepancy found. Tenant shall keep all the information disclosed during such review confidential and shall require all its consultants to agree in writing to keep all such information confidential. Tenant agrees that such review shall not be permitted to be conducted on a contingency fee basis. To the extent that Tenant elects not to exercise such review rights or otherwise does not inform Landlord its review revealed any discrepancy within the 60-day review period, Tenant shall be deemed to have approved the current year's expense statement.

5.4 **Interest and Penalties.** All Rent, Additional Rent, and any other sums payable by Tenant to Landlord under this Lease shall be due in advance on the first day of each month during the term of this Lease and any renewal term. Tenant acknowledges that late payment by Tenant to Landlord of any rent or other sums due under this Lease will cause Landlord to incur costs not contemplated herein, the exact amount of such costs being extremely difficult and impracticable to ascertain and that any late charge is not a penalty but represents a fair and reasonable estimate of the costs that Landlord will incur by reason of any such late payment. Such costs include, without limitation, processing and accounting charges and late charges that may be imposed on Landlord by the terms of any encumbrance or note secured by the Premises. In the event any Rent or Additional Rent payment due from Tenant to Landlord is not received by Landlord within ten (10) days from the due date thereof, Tenant shall pay to Landlord a late charge equal to five percent (5%) of the amount of the payment coming due, but in no event shall such late charge exceed any maximum charge now or hereafter established by law. In addition, if any payment coming due from Tenant to Landlord is not received by Landlord promptly when due, the same shall bear interest at the rate of twelve percent (12%) per annum from the first date due until the date paid in full, but in no event exceeding the maximum rate then allowed by law. Landlord's right to collect any late charge or interest shall be in addition to any other rights or remedies available to Landlord hereunder or at law or in equity and collection of a late charge will neither be in lieu of, nor waiver of the breach caused by the late payment. Any payments of any kind returned for insufficient funds will be subject to an additional handling charge of \$75.00, and thereafter, Landlord may require Tenant to pay all future payments of Rent or other sums due by money order or cashier's check. All late charges, interest, penalties or check charges shall be due from Tenant to Landlord without notice or demand required.

5.5 **Insurance.**

5.5.1 **Landlord's Insurance.** During the entire term of this Lease, including any extensions or renewals thereof, Landlord will maintain in full force and effect a policy or



policies of property insurance covering the Building and Common Areas that provide coverage against such risks that are commonly covered under a commercial general liability policy providing secondary coverage to Tenant's policy and against other risks covered by a standard fire insurance policy with an endorsement for extended coverage. All insurance proceeds payable under Landlord's property insurance must be payable solely to Landlord and Tenant will have no interest therein. If the insurance premiums are increased because of the installation of equipment by Tenant or because of Tenant's use or occupancy, Tenant shall pay the additional cost of the insurance for the Property.

**5.5.2 Tenant's Insurance.** Tenant shall procure and maintain for the duration of the Lease, insurance against claims for injuries to persons or damages to property which may arise from or in connection with the Lease by the Tenant, its agents, representatives, employees, or contractors. The insurance requirements herein are minimum requirements for this contract and in no way limit the indemnity covenants contained herein.

Landlord in no way warrants that the minimum limits contained herein are sufficient to protect Tenant from liabilities that might arise out of this Lease for Tenant, its agents, representatives, employees or contractors and Tenant is free to purchase such additional insurance as may be determined necessary.

**A. MINIMUM SCOPE AND LIMITS OF INSURANCE**

Tenant shall provide coverage at least as broad and with limits of liability not less than those stated below.

**1. Commercial General Liability – Occurrence Form**

General Aggregate/ <i>for this location</i>	\$2,000,000
Products-Completed Operations Aggregate	\$1,000,000
Personal & Advertising Injury	\$1,000,000
Each Occurrence	\$1,000,000
Fire Damage (Any one fire)	\$ 100,000
Medical Expense (Any one person)	\$ 10,000

**2. Automobile Liability – Any Auto or Owned, Hired and Non-Owned Vehicles**

Combined Single Limit Per Accident for Bodily Injury and Property Damage	\$1,000,000
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**3. Workers' Compensation and Employers' Liability**

Workers' Compensation	Statutory
Employers' Liability:	
Each Accident	\$1,000,000
Disease – Each Employee	\$1,000,000
Disease – Policy Limit	\$1,000,000

**4. Builders' Risk Insurance (Course of Construction)**

As needed, Tenant shall procure Builders Risk Insurance for any construction work on Premises, in an amount equal to the Contract Amount for all work performed at the Premises.

**5. All Risk Property Insurance**

Tenant shall insure all business personal property, including improvements and betterments for full replacement value. Landlord shall be named as loss payee as its interest may appear.

**B. OTHER INSURANCE REQUIREMENTS**

The policies are to contain, or be endorsed to contain, the following provisions:

**1. Commercial General Liability and Automobile Liability Coverages**

- a. *Landlord, its officers, directors, officials, agents, and employees are to be named as additional insureds with respect to liability arising out of the use and/or occupancy of the property subject to this Lease and activities performed by or on behalf of Tenant; products and completed operations of Tenant; and automobiles owned, leased, hired, or borrowed by Tenant.*
- b. The Commercial General Liability Insurance shall include broad form contractual liability coverage.
- c. Landlord its officers, directors, officials, agents, and employees shall be additional insureds to the full limits of liability purchased by Tenant even if those limits of liability are in excess of those required by this contract.
- d. Tenant's insurance coverage shall be primary insurance with respect to Landlord, its officers, directors, officials, agents, and employees. Any insurance or self-insurance maintained by Landlord, its officers, directors, officials, employees, or volunteers shall be in excess of the Tenant's insurance and shall not contribute to it.
- e. Tenant's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.
- f. Coverage provided by Tenant shall not be limited to the liability assumed under the indemnification provisions of this Lease.
- g. The policies shall contain a waiver of subrogation against Landlord, its officers, directors, officials, agents, and employees for losses arising from Tenant's operations, occupancy, and use of the Premises and/or other actions covered by Tenant's insurance.

**2. Workers' Compensation and Employers Liability Coverage**

The insurer shall agree to waive all rights of subrogation against Landlord, its officers, directors, officials, agents, and employees for all losses arising from Tenant's operations, occupancy, and use of the Premises and/or other activities or actions covered by Tenant's insurance.

**3. Builders Risk Insurance (Course of Construction) and All Risk Property Insurance**

- a. This insurance shall be written on an all-risk form and shall include coverage for flood and earthquake.
- b. All rights of subrogation are hereby waived against Landlord, its officers, officials, agents, and employees.
- c. The policies shall contain a standard loss payee clause naming Landlord as loss payee.
- d. Builders' Risk Insurance must provide coverage from the time any covered property becomes the Contractor's responsibility and continuing without interruption during construction, renovation, or installation, including any time during which the covered property is being transported to the construction installation site, and while on the construction or installation site awaiting installation. Permission to occupy should be granted/endorsed onto policy so that partial occupancy does not invalidate coverage.

**C. NOTICE OF CANCELLATION**

Each insurance policy required by the insurance provisions of this Lease shall provide the required coverage and shall not be suspended, voided, canceled by either party, reduced in coverage or in limits except after thirty (30) days ' prior written notice has been given to Landlord.

**D. ACCEPTABILITY OF INSURERS**

Insurance is to be placed with insurers duly licensed or approved unlicensed companies in the State of \_\_\_\_\_ and with a Best's rating of no less than A-7. Landlord in no way warrants that the above required minimum insurer rating is sufficient to protect Tenant from potential insurer insolvency.

**E. VERIFICATION OF COVERAGE**

Tenant shall furnish Landlord Certificates of Insurance (ACORD form or equivalent) and with original endorsements effecting coverage as required by this Lease. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. Any policy endorsements that restrict or limit coverages shall be clearly noted on the Certificate of Insurance.

All certificates and endorsements are to be received and approved by Landlord before work commences or before occupying any location. Each insurance policy required by this contract must be in effect at or prior to commencement of work under this contract and remain in effect for the duration of the project. Failure to maintain the insurance policies as required by this Lease or to provide evidence of renewal is a material breach of Lease.

All certificates of insurance required by this Lease shall be sent directly to Landlord. The contract number and contract description shall be included on the Certificates of Insurance. Landlord reserves the right to require complete, certified copies of all insurance policies required by this Lease, at any time.

**5.5.3 Waiver of Subrogation.** Landlord hereby waives all rights of recovery against Tenant for or arising out of damage to or destruction of the Building and any other property and improvements of Landlord located on the real property from causes then covered by a special form real property coverage insurance policy, including vandalism and malicious mischief coverage, to the extent that Landlord's insurance policies then in effect, permit such waiver provided that if such insurance policies permitting such waiver are available to Landlord, Landlord shall obtain and maintain such insurance policies. Tenant hereby waives any and all right of recovery against Landlord for or arising out of damage to or destruction of any property of Tenant within the Building or on the real property from causes then covered by a special form coverage insurance policy including vandalism and malicious mischief, to the extent that Tenant's insurance policies then in effect permit such waiver provided that to such extent insurance policies permitting such waiver are available to Tenant, Tenant shall obtain and maintain such policies. If such insurance policies permitting such waiver are available to either party, and if either party fails to obtain and maintain such policies, the waiver by that party shall be effective whether or not that party's insurance policy then in effect permits such waiver, and the party failing to procure such coverage shall fully indemnify and save harmless the other. Should any insurance company charge an additional premium by reason of the foregoing waiver of the right of recovery, such additional premium shall be paid by the party in favor of whom the waiver of the right of recovery is operative (or such party may release the other from the waivers set forth in this Section 5.5.3).

5.6 Indemnification. To the fullest extent permitted by law, and subject to the releases and waivers in Section 5 above, Tenant shall indemnify and defend Landlord from any claims, damages, losses, or expenses (including but not limited to reasonable attorneys' and consultants' fees, and litigation costs) to the extent arising out of or related to (a) use or occupancy of the Premises, (b) negligent or wrongful act or omissions of Tenant, its agents, invitees or employees, (c) any accident, injury, or occurrence in or about the Premises, (d) any claim against Landlord by any employee or former employee of Tenant, and (e) Tenant's breach of this Lease. Regarding matters arising from the joint negligence of Landlord and Tenant., this indemnity shall only apply to the extent of Tenant's negligence. This indemnity is not contingent upon insurance coverage, is not limited to the amount of any insurance proceeds and operates independently of the insurance provisions of this Lease. The provisions of this Section shall include, but not be limited to, all claims against Landlord by any employee or former employee of Tenant, and Tenant hereby shall not assert any immunity or limitation on liability arising from any industrial insurance act, or other employee benefit act with regard to an indemnity claim.

To the fullest extent permitted by law, and subject to the release and waivers in Section 5 above, Landlord shall indemnify and defend Tenant from any claims, damages, losses, or expenses (including attorneys' and consultants' fees, and litigation costs) arising out of the gross negligence or willful misconduct of the Landlord.

5.7 Survival. The provisions of this Section 5 shall survive expiration or termination of this Lease.

## **6. USE AND OPERATIONS.**

- 6.1 Repairs and Maintenance. Tenant shall keep the Premises, including all equipment and fixtures located inside the Premises (but excluding Building HVAC equipment and maintenance, replacement or repairs to Building systems such as electrical, mechanical, alarm, fire suppression, natural gas, sewer and plumbing, which shall be maintained by Landlord as an Operating Cost), including, but not limited to, the interior doors and windows and interior door and window closures and hardware, clean, neat and in good repair and keep all interior glass, including that in windows, doors and skylights, clean and in good condition, and replace any glass which may be damaged or broken with glass of the same quality. Tenant shall pay the cost of all non- structural repairs or alterations to the Premises required because of Tenant's use thereof by any law or ordinance or any order or regulation of any public authority having jurisdiction to the extent any such law, ordinance, order, regulation comes into effect after the Commencement Date. Tenant shall procure any licenses and permits required for Tenant's use. Tenant shall comply with the orders and regulations of all governmental authorities having jurisdiction over the Premises. Tenant shall pay the cost of repair of any damage to the Property arising out of the activities of Tenant, its employees, contractors, agents, invitees, or visitors as Additional Rent. If Tenant fails to maintain, repair, or replace the Premises as required by this Section, Landlord may, upon ten (10) days' prior notice to Tenant (except no notice is required in an emergency), enter the Premises, and perform Tenant's obligations on behalf of Tenant and Tenant shall reimburse Landlord for all costs incurred as Additional Rent.
- 6.2 Signs. So long as Tenant occupies the Premises, Tenant's business name shall be displayed on any reader board located in the Building lobby and, subject to the terms hereof, Tenant's signage is permitted in the lobby of the floor of the Building in which the Premises is located and on the door to the Premises, all in the standard size, typeface, materials, and locations, which shall be determined by Landlord. Tenant shall not display any other sign or any advertising material, visible from anywhere outside the Premises without first obtaining Landlord's written consent. Tenant consents to Landlord's use of Tenant's name and/or Trade Name, if any, on Landlord's directory for the Project, whether electronic or otherwise.
- 6.3 Contract Services. No contractor or vendor shall work on Tenant's behalf on the Property or in the Premises for the purpose of completing repairs, providing services or otherwise, without (a) Landlord's prior written approval of such contractor or vendor, and (b) prior to any such work being performed, Tenant completing and returning to Landlord an executed contractor or vendor agreement, as applicable, on Landlord's standard form or a form reasonably acceptable to Landlord.
- 6.4 Rules and Regulations. Tenant shall comply and shall use its best efforts to cause its employees, agents, and invitees to comply with, the Rules and Regulations promulgated by Landlord, and such reasonable amendments and additions as from time to time may be adopted by Landlord, to govern the use, occupancy, and operation of the Property (the "Rules and Regulations"). The current Rules and Regulations are attached hereto as Exhibit B.
- 6.5 Liens. Tenant shall have no express or implied authority to place any lien or encumbrance upon, Landlord's interest in the Premises or to burden the rent for any claim in favor of any person dealing with Tenant, including those who furnish materials

or perform labor for any construction or repairs, and each such claim shall attach, if at all, only to Tenant's leasehold interest. Tenant will cause to be paid when due all sums owed for any labor performed or materials furnished in connection with any work performed on the Premises for Tenant. If any lien is filed against the Property in connection with Tenant's activities, Tenant shall, within ten (10) days after notice of the filing thereof, either (a) pay the amount of the lien and cause the lien to be released of record, or (b) diligently contest such lien and deliver to Landlord a bond or other security satisfactory to Landlord. If Tenant fails to timely take either such action, then Landlord may pay the lien claim, and any amounts so paid, including expenses and interest, shall be paid by Tenant to Landlord within ten (10) days after Landlord has invoiced Tenant therefor.

Except with respect to activities, for which Landlord is responsible, Tenant shall pay as due all claims for work done on and for services rendered or material furnished to the Premises and shall keep the Premises free from any liens. If Tenant fails to pay any such claims or to discharge any lien, Landlord may do so and collect the cost as Additional Rent. Any amount so added shall bear interest at the rate of 9% per annum from the date expended by Landlord and shall be payable on demand. Such action by Landlord shall not constitute a waiver of any right or remedy that Landlord may have on account of Tenant's default. Tenant may withhold payment of any claim in connection with a good-faith dispute over the obligation to pay, if Landlord's property interests are not jeopardized. If a lien is filed because of nonpayment, Tenant shall, within ten (10) days after knowledge of the filing, secure the discharge of the lien or deposit with Landlord cash or sufficient corporate surety bond or other surety satisfactory to Landlord in an amount sufficient to discharge the lien plus any costs, attorney fees, and other charges that could accrue because of a foreclosure or sale under the lien.

- 6.6 Landlord's Right of Access. Landlord, its agents, employees, and any other person or persons authorized by Landlord, has the right to access the Premises at all reasonable times, and at any time in the event of an emergency, to enable them to inspect, examine, show for lease or sale or to prospective lenders, and to make such repairs, additions and alterations to the Building, or to the fixtures, appurtenances or equipment therein or conduct such tests in order to monitor Tenant's compliance with this Lease and applicable law, as Landlord may deem advisable; provided that Landlord shall use reasonable efforts to (i) minimize disruption of Tenant's business caused by such access, and (ii) provide Tenant reasonable advance notice (which may be given by e-mail, facsimile or pursuant to the Notice provision in Section 20.11 below) except in the event of emergency or in compliance with applicable law. The foregoing shall not be construed as requiring Landlord to complete repairs, maintenance, or replacements after Normal Business Hours. There shall be no diminution of Rent and no liability on the part of Landlord due to inconvenience, annoyance, or injury to business from such access or activities. Following the day Tenant vacates the Premises or in the event of an uncured default by Tenant, Landlord may place "for lease" signs upon the Premises. Landlord has the right to market the Premises and show the same to prospective tenants no more frequently than twice each week upon twenty-four (24) hours advance notice to Tenant within ninety (90) days of the expiration of the Term or upon the expiration of Tenant's right to extend the Term, if any, should Tenant fail to exercise such right.
- 6.7 Compliance with Laws. Subject to Section 6.1, Tenant shall comply with all laws, orders and regulations of federal, state, or other governmental authorities and with any direction of any public officer or officers, with respect to the Premises or the use thereof. Tenant



shall pay, prior to delinquency, all personal property taxes on Tenant's property. Tenant, at its own expense, shall obtain and pay for all permits related to its business and/or its specific use of the Premises. Landlord represents to Landlord's actual knowledge as of the date of this Lease that the Premises and Building are in compliance with all applicable laws, including the Americans With Disabilities Act. If the parties determine that the foregoing representation was breached, following notice to Landlord, Landlord agrees at its sole cost and expense to make repairs or alterations to the Premises and Common Areas as needed for Tenant's lawful occupancy of the Premises. Landlord shall not be responsible for the costs of any such work if necessitated solely by Tenant's Work, future alterations, or specific use of the Premises.

- 6.8 Surrender. At the termination of this Lease, Tenant shall peaceably give up and surrender the Premises in the same condition as the Premises were in on the Commencement Date, subject to ordinary wear and tear. The Premises shall be clean and in good order, repair, and condition, including all alterations and additions made by Tenant and all fixtures permanently attached to the Premises during the Term, excluding trade fixtures, alterations or additions Landlord directs Tenant to remove, and Accessible Cabling (defined below). If termination occurs by virtue of any provision of Section 14, Tenant shall, additionally, yield up and surrender, if Landlord so directs, all equipment and furnishings in any way bolted or otherwise attached to the Premises, excluding Accessible Cabling, and all such equipment and furnishings shall become the property of Landlord. Tenant shall, at the time of termination, remove its property, the Accessible Cabling, and any alterations, additions and improvements made by Tenant or on Tenant's behalf that Landlord directs Tenant to remove and shall make any repairs to the Premises necessitated by such removal. If Tenant fails to remove any personal property, Landlord may either have the property removed and stored in any public warehouse at the risk of Tenant (the expense of such removal, reasonable repairs and storage of personal property necessitated by such removal shall be borne by Tenant or reimbursed by Tenant to Landlord) or deem the same to be abandoned and become the property of Landlord without payment or offset therefor. Tenant waives any claim against Landlord for damage to or disposal of any personal property left in the Premises. If Tenant fails to remove the Accessible Cabling or any alterations required by Landlord, Landlord may remove and dispose of them at the expense of Tenant. "Accessible Cabling" means Tenant's Class 2, Class 3, and PLTC cables that are capable of being removed or exposed without damaging the Building structure or finish and not permanently closed in by the structure or finish of the Building, and shall include, without limitation, cable above the drop ceiling.

## 7. UTILITIES, LANDLORD'S REPAIRS AND SERVICES

- 7.1 Utilities. Tenant shall promptly pay for utilities and related services rendered or furnished to the Premises during the Term, including but not limited to, gas, garbage, water, sewer, electricity, data, and telephone charges, including repair, replacement and hook-up and installation charges. If any utilities are not separately metered, Landlord shall allocate the cost of these utilities among the users with Tenant paying Tenant's Share within thirty (30) days after receipt of Landlord's invoice or Landlord may elect to include them in Operating Costs. Landlord may require Tenant to install a separate electrical meter in the Premises, at Tenant's expense.
- 7.2 Landlord Repairs. Landlord shall maintain and repair the portions of the Property which

are not Tenant's responsibility. Landlord's responsibility shall include, but not be limited to, the structural components of the Building, the foundation, the roof, Building HVAC equipment, and the electrical, plumbing, and other mechanical systems located in the Building as well as exclusions from Operating Costs listed in Section 5.3.

### 7.3 Services.

7.3.1. **Supplies and Windows.** Landlord shall provide lamp replacement service for Building Standard light fixtures, toilet room supplies, and exterior window washing at reasonable intervals.

7.3.2 **HVAC.** From 7:00 a.m. to 6:00 p.m., Monday through Friday, excluding holidays, ("Normal Business Hours"), Landlord shall furnish heating and air conditioning to the Premises. Heating and air conditioning provided at times other than Normal Business Hours will be billed at the cost of such services established by Landlord and shall be paid by Tenant as Additional Rent upon receipt of billings therefor. Tenant agrees to notify Landlord weekly of any use of after Normal Business Hours heating and air conditioning at the Premises.

7.3.3 **Power and Water.** Landlord shall furnish the Premises with electricity for normal office use, including lighting and operation of low power usage office machines, and water, both in quantities usually furnished or supplied by Landlord to tenants leasing space in the Building.

7.3.4 **Security and Access.** Landlord shall provide such security as it deems appropriate. During other than Normal Business Hours, Landlord may restrict access in accordance with the Property's security system. Except if due to Landlord's gross negligence or willful misconduct, Landlord shall not be liable to Tenant for injury to its agents, employees, customers, or invitees, or for losses due to theft or burglary, or for damages done by unauthorized persons. Landlord shall provide to Tenant at no charge the Building Standard number of keys or access cards for the lobby door entering the Premises, and additional keys or access cards at a charge by Landlord on an order signed by Tenant. All such keys or access cards shall remain the property of Landlord. No additional locks shall be allowed on any door of the Premises without Landlord's written consent, and Tenant shall not make, or permit to be made, any duplicate keys, except those furnished by Landlord. Upon termination of this Lease, Tenant shall surrender to Landlord all keys and access cards to the Premises.

7.3.5 **Janitorial Service.** Subject to the terms and conditions of the Lease, Landlord shall provide routine janitorial service to the Premises on Monday through Friday of each week, excluding holidays, consisting of routine dusting, vacuum cleaning or dust mopping floors, removing normal trash, and periodic cleaning of exterior windows and cleaning entrance doors of the Premises, according to Landlord's work schedule. Except if due to Landlord's gross negligence or willful misconduct, Landlord shall have no liability to Tenant or any other person for any loss of or damage to personal property on or about the Premises, however occurring, including any damage caused by a janitor. Janitorial service will not be furnished on nights when rooms are occupied after 6:00 p.m. unless, by agreement in writing, service is extended to a later hour for specifically designated rooms.



7.3.6. **Additional Services.** Except as otherwise provided herein, if Tenant desires any of the aforementioned services (or items) in amounts in excess of the Building Standard and if Landlord agrees to provide such additional quantities or services, Tenant shall pay to Landlord as Additional Rent hereunder, the cost of providing such additional services (or items). Landlord shall be entitled to install and operate, at Tenant's cost, a monitoring/metering system in the Premises to measure the added demands on electricity and the HVAC systems resulting from such equipment and lights, and from Tenant's HVAC requirements during other than Normal Business Hours.

7.3.7. **Interruption of Services.** Landlord does not warrant that any utilities or any of the services referred to in this Lease, or any other services which Landlord may supply, will be free from interruption including by reason of accident or repairs, alterations, or improvements, or causes beyond the reasonable control of Landlord. Landlord agrees to use commercially reasonable efforts to restore utilities and services promptly following any such interruption. No such interruption shall be deemed an eviction or disturbance of Tenant's use and possession of the Premises or any part thereof, or render Landlord liable to Tenant for damages, or relieve Tenant from the performance of Tenant's obligations under this Lease. If an interruption of services or utilities occurs which materially interferes with Tenant's normal operations at the Premises and is caused by the negligence or misconduct of Landlord, the Base Rent and Tenant's Share of Operating Costs shall abate for the period of the interruption.

#### 7.4 Telecommunications.

7.4.1 **Alternate Telecommunications Provider.** If Tenant wishes to utilize the services of a telephone or telecommunications provider whose equipment is not servicing the Building as of the date of Tenant's execution of this Lease ("Provider"), no such Provider shall be permitted to install its lines or other equipment within the Building without first securing the prior written consent of Landlord. Unless all of the following conditions are satisfied to Landlord's satisfaction in a written agreement between Provider and Landlord or by any other means acceptable to Landlord, it shall be reasonable for Landlord to refuse to give its consent: (a) Landlord shall incur no expense whatsoever with respect to any aspect of Provider's provision of its services, including without limitation, the costs of installation, materials, and service; (b) prior to commencement of any work in or about the Building by Provider, Provider shall supply Landlord with such written indemnities, insurance verifications, financial statements, and such other items as Landlord deems to be necessary to protect its financial interests and the interest of the Building relating to the proposed activities of Provider; (c) prior to the commencement of any work in or about the Building by Provider, Provider shall agree to abide by such rules and regulations, job site rules, and such other requirements as reasonably determined by Landlord to be necessary to protect the interest of the Building, the tenants in the Building, and the Landlord, including without limitation, providing security in such form and amount as determined by Landlord; (d) Landlord reasonably determines that there is sufficient space in the Building both for the placement of all of Provider's equipment and materials and for future needs of the Building and other tenants; (e) Provider is licensed and reputable; and (f) Provider agrees to compensate Landlord the reasonable amount determined by Landlord for space used in the Building for the storage and maintenance of Provider's equipment and for all costs that may be incurred by Landlord in arranging for access by Provider's personnel, security for Provider's equipment, and any other such costs as Landlord may expect to incur.

Landlord's consent under this section shall not be deemed a warranty or representation of any kind by Landlord, including without limitation, any warranty or representation as to the suitability, competence, or financial strength of Provider. Notwithstanding any provision herein to the contrary, Landlord's refusal to consent to any prospective Provider shall not be deemed a default or breach by Landlord of its obligations under this Lease unless and until Landlord is adjudicated in a final and unappealable court decision to have acted recklessly or maliciously with respect to its refusal. The provisions of this Section may be enforced solely by the Tenant and Landlord and are not for the benefit of any other party, and no telephone or telecommunications provider shall be deemed a third-party beneficiary of the Lease.

7.4.2 **Problems.** Landlord will have no responsibility for and Tenant releases Landlord from liability arising from any claims, costs or damages in connection with, and Landlord does not warrant that Tenant's use of its Telecom Facilities will be free from, the following (collectively, "Line Problems"): (a) any shortages, failures, variations, interruption; (b) any failure of any Telecom Facilities to satisfy Tenant's requirements; or (c) any eavesdropping or wire-tapping. Line Problems shall not be considered an actual or constructive eviction of Tenant or relieve Tenant from performance of its obligations under this Lease.

## 8. HAZARDOUS MATERIALS

"Hazardous Materials" shall mean anything which may be harmful to persons or property, including but not limited to materials designated as a "Hazardous Substance" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as now or hereafter amended, 42 USC 9601, *et seq.*, or as a Hazardous Substance, Hazardous Household Substance, Moderate Risk Waste or Hazardous Waste under [RCW 70.105.010 or other state statute], or which is regulated by any federal, state, or local law, statute, ordinance or regulation pertaining to health, industrial hygiene or the environment. Tenant shall not store, use, or dispose of any Hazardous Materials in, on or about the Project except standard de minimus amounts of office and cleaning products of the type and in quantities typically stored and used by similar businesses and only to the extent used and stored strictly in compliance with all applicable law, and in accordance with instructions of the manufacturer. Tenant shall immediately notify Landlord of any contamination of the Premises. Landlord may elect to test the Premises for the presence of Hazardous Materials at any time during the Term and after Tenant vacates the Premises. If any such testing indicates the presence of Hazardous Materials, and if Tenant brought, used, stored, or disposed of any Hazardous Materials of that type onto, within or about the Property, Tenant shall immediately reimburse Landlord for all costs incurred in the testing and the clean-up. Tenant shall be solely responsible for and shall defend and indemnify Landlord, its agents and employees harmless against any claims, costs, damages and liabilities, including attorneys' fees, arising in connection with (i) Hazardous Materials introduced, manufactured, disposed of, used, or stored in, about or on the Premises by Tenant, its agents, contractors, employees or invitees ("Tenant's Hazardous Materials"), including, without limitation, the removal, cleanup and restoration work to return the Property and any other property, real or personal, to their condition existing prior to the introduction of Tenant's Hazardous Materials, and (ii) Tenant's breach of its obligations contained in this Section. Tenant's obligations under this Section shall survive the expiration or termination of this Lease.

## 9. SECURITY DEPOSIT

Upon execution of this Lease, Tenant shall deposit with Landlord the amount specified in Section 1 as a Security Deposit. Landlord may apply all or part of the Security Deposit to any unpaid Rent from Tenant or to cure any other defaults of Tenant. If Landlord uses any part of the Security Deposit, Tenant shall

restore the Security Deposit to its original amount within ten (10) days after Landlord's written request. The Security Deposit may be commingled with Landlord's other funds and shall not bear interest. If Landlord transfers its interest in the Premises, Landlord shall transfer the Security Deposit to its successor in interest, whereupon Landlord shall be automatically released from any liability for the return of the Security Deposit. If this Lease is terminated prior to the end of the Term, any Rent paid for any period beyond the termination date will be considered an additional Security Deposit. If, at the end of the Lease Term, Tenant has fully complied with all obligations under this Lease, then the remaining Security Deposit shall be returned to Tenant promptly after Landlord has verified that Tenant has fully vacated the Premises, removed all of its property and surrendered the Premises in the condition required by this Lease; provided that Landlord may hold back a reasonable portion of the Security Deposit until final determination of Tenant's Share of Operating Costs, whereupon any final adjustment shall be made and any remaining Security Deposit shall be returned to Tenant. As with all other defaults, if the Premises are not surrendered in the condition required, Landlord may perform the work necessary to put them in that condition and deduct the cost from the Security Deposit. Landlord's obligations with respect to the Security Deposit are those of a debtor and not of a trustee.

## **10. ALTERATIONS**

10.1 Alterations. Tenant shall not make any alterations to the Premises without Landlord's prior written consent. In no event shall Tenant alter the structure, the Building envelope, the exterior appearance of the Building, or the Building systems. Landlord may condition its consent on various matters, including Tenant agreeing to remove the alterations and repair any resulting damage on Lease termination at Tenant's cost, Tenant posting security for the estimated removal/repair cost, and Landlord's approval of the plans and specifications for the work. Prior to commencing any alterations, Tenant shall ensure its contractor and any subcontractors performing the work submit certificates of insurance to Landlord on forms required by Landlord evidencing such contractor maintains insurance coverage reasonably acceptable to Landlord, including but not limited to, products completed operations coverage. Landlord may require Tenant to post a notice of Landlord's non-responsibility with respect to the work prior to starting the work and Landlord shall similarly have the right to post such notices. Landlord may require Tenant to provide lien waivers prior to commencement of the work. Tenant shall reimburse Landlord for all reasonable costs incurred in reviewing the plans and specifications and inspecting the work. Tenant shall provide written notice to Landlord at least one week prior to commencing any work to enable Landlord to post notices of non-responsibility if it elects to do so. All alterations, additions, and improvements shall be done in a good and workmanlike manner, in conformity with all applicable laws and regulations, and by a contractor approved by Landlord. Upon completion of any such work, Tenant shall provide Landlord with "as built" plans, copies of all construction permits, contracts and approvals, and proof of payment for all labor and materials.

10.2 Equipment. Tenant shall be responsible for the cost, maintenance and repair of all mechanical, structural, or electrical system modifications (a) necessary for high voltage or high amperage equipment or machinery; (b) necessary for heavy or oversized equipment; (c) necessary for heating, cooling or ventilation requirements in excess of those provided by Landlord to the Premises, and before any such modification or installation is made, Tenant and Landlord shall agree as to such additional costs and shall identify the changes to be made.

## **11. DAMAGE OR DESTRUCTION**

Tenant shall notify Landlord in writing immediately upon the occurrence of any casualty damage (fire,

flood, windstorm, or similar) to the Premises. Subject to the rights of the parties to terminate this Lease as set forth below in this Section 11, if Landlord's insurance proceeds available to Landlord are sufficient to pay for the necessary repairs, this Lease shall remain in effect and Landlord shall repair the casualty damage to the Building as soon as reasonably practicable, and Tenant shall repair any damage to Tenant's fixtures and equipment or Tenant's other property including any alterations not covered by Landlord's insurance. If (i) the insurance proceeds received by Landlord are not sufficient to pay the entire cost of repair, or if the cause of the damage is not covered by the insurance; or (ii) if Landlord reasonably considers the damage to be significant, then Landlord may elect either to (1) repair the damage to the Building and the tenant improvements (to the extent insured under Landlord's property insurance policy) as soon as reasonably practicable, in which case this Lease shall remain in full force and effect, or (2) terminate this Lease. Landlord shall notify Tenant of Landlord's decision within ninety (90) days after notice of the occurrence of the damage. Tenant has no right to Landlord's insurance proceeds attributable to the tenant improvements. If Landlord elects to repair the damage, Tenant shall pay Tenant's Share of the deductible under Landlord's insurance policy and, if the damage was due to an act or omission of Tenant or Tenant's employees, agents, contractors or invitees, Tenant shall also pay the balance of the deductible as well as the difference between the actual cost of repair and any insurance proceeds. If this Lease does not terminate because of the damage but the damage materially interferes with Tenant's use of the Premises, then the Base Rent shall be reduced pro rata, to reflect the portion of the Premises not useable by Tenant. If the damage to the Premises occurs during the last twelve (12) months of the Term, and the damage requires more than sixty (60) days to repair, either Landlord or Tenant may elect to terminate this Lease as of the date the damage occurred regardless of the sufficiency of any insurance proceeds. The party electing to terminate this Lease shall give written notification to the other party of such election within twenty (20) days after Tenant's notice to Landlord of the occurrence of the damage.

## 12. EMINENT DOMAIN

If the Property is condemned or taken for any public or quasi-public purpose, including any purchase in lieu of condemnation, this Lease shall terminate as of the date of taking of possession for such use or purpose. If a portion of the Property is condemned or taken (whether or not the Premises is affected), Landlord may, by notice to Tenant, terminate this Lease as of the date of the taking of possession. If the taking reduces the Premises by 25% or more of the rentable square footage, Tenant may terminate this Lease as of the date of the condemning authority takes possession. If neither party elects to terminate this Lease, and if the taking results in a reduction in the square footage of the Premises, then the Base Rent shall be reduced pro-rata to reflect the floor area of the Premises which is condemned or taken, and Landlord shall, at its expense and with reasonable diligence, repair, alter and restore the remaining part of the Premises to substantially its former condition to the extent reasonably feasible. Landlord shall be entitled to the entire award in any condemnation proceeding, including any award for the value of the unexpired term of this Lease, and Tenant shall have no claim against Landlord or against the condemnation proceeds except that Tenant shall have the right to claim and recover from the condemning authority compensation for Tenant's moving expenses, business interruption or taking of Tenant's personal property (not including Tenant's leasehold interest); provided that such damages may be claimed only if they are separately awarded and do not reduce the damages recoverable by Landlord. Upon request, Tenant will grant possession and use to the governmental authority.

## 13. ASSIGNMENT AND SUBLETTING

13.1 Transfers. Tenant shall not voluntarily assign or encumber this Lease or any interest therein or sublet the whole or any part of the Premises (any of which being a "**Transfer**" and any such assignee, mortgagee, or other transferee being a "**Transferee**") without obtaining Landlord's prior written consent. To assist Landlord in determining whether to consent to a

Transfer, Tenant shall submit the following to Landlord as well as any other information reasonably requested by Landlord, (i) the name and jurisdiction of the Transferee; (ii) the proposed use of the Premises; (iii) the terms of the proposed Transfer; (iv) current financial statements and the most recent filed federal income tax return of the proposed Transferee; and (v) the proposed Transfer documents. Consent to any Transfer shall not operate as a waiver of the necessity of a consent to any subsequent Transfer. Landlord's consent shall not be unreasonably withheld if all the following conditions precedent are satisfied:

- (a) The Transferee has a tangible net worth which is equal to or greater than that of Tenant when Tenant entered into this Lease, and satisfies Landlord's then current credit standards;
- (b) The proposed Transferee will use the Premises for uses which (i) are consistent with the general character and reputation of the Property, (ii) will not increase the rate of wear and tear to the Premises or common areas or increase the risk of environmental contamination of the Property, (iii) will not require new tenant improvements incompatible with then existing building systems and components, and (iv) do not violate the exclusive use clauses of any other tenant of the Project;
- (c) Tenant pays Landlord's costs and attorneys' fees incurred in connection with negotiation, review, and processing of the Transfer;
- (d) The Transferee is not an existing tenant of Landlord; and
- (e) Tenant has not previously defaulted under any term of this Lease and failed to cure that default within any applicable cure period.

Notwithstanding the provisions above, Tenant shall not be required to obtain Landlord's consent to a Transfer to any of the following Transferees (as defined in this Section 13.1) so long as Tenant complies with the provisions of this paragraph ("**Permitted Transfer**"): (a) any "affiliate" of Tenant (i.e. any entity that is controlled by, under the control of, or in common control with Tenant), (b) the purchaser of all or substantially all of the assets or ownership interests of Tenant, or (c) the resulting entity of a merger or consolidation of Tenant with another entity or other corporate reorganization of Tenant; provided, in any such case under (b) and (c), that the Transferee shall have a net worth reasonably sufficient to satisfy Tenant's obligations under this Lease (each a "**Permitted Transferee**"). For a Permitted Transfer to be effective, prior to any such Transfer, Tenant must provide to Landlord a notice of the Permitted Transfer containing the full legal name and notice address of the Transferee and its relationship to Tenant, and within ten (10) days after the Permitted Transfer is effective, Tenant must give notice of the effective date to Landlord along with a copy of the Transfer document. Further, if the Transfer is an assignment, Tenant must provide an acknowledgement by any assignee of its assumption of the Tenant's obligations under this Lease. If the Transfer is a sublease, Tenant must provide an acknowledgement by the subtenant that it waives all claims against Landlord, it agrees to abide by the terms of this Lease including the rules and regulations, and any other terms reasonably requested by Landlord. Tenant shall also provide any evidence reasonably requested by Landlord to prove the relationship between Tenant and the Transferee.

- 13.2 Entity Ownership. The cumulative (*i.e.*, in one or more sales or transfers, by operation of law or otherwise) transfer of an aggregate of 50% or more of the ownership interests which is (i) Tenant, and (ii) an assignee of Tenant, shall be deemed a Transfer of this Lease and



shall be subject to the provisions of Section 13.1. Any entity which has undergone any of the changes described in this Section 13.2 shall be deemed to be a Transferee. The terms of this Section 13.2, however, shall not be applicable to any tenant corporation the outstanding voting stock of which is listed on a national securities exchange actively traded “over the counter.”

- 13.3 Assignee Obligation. Any assignee shall assume all obligations of Tenant in writing and shall be jointly and severally liable with Tenant for the payment of Rent and all of Tenant’s obligations under this Lease. Any sublessee will be required to assume all obligations of Tenant to the extent they relate to the subleased premises. Tenant shall provide Landlord with copies of all instruments of assignment, sublease, or assumption. If the Transferee defaults, Landlord may, without affecting any other rights of Landlord, proceed against Tenant or any Transferee or any other person liable for Tenant’s obligations hereunder. Tenant shall provide the notice address for any subtenant or assignee to Landlord prior to the effective date of the Transfer and if it is not provided, the applicable notice address shall be deemed to be the Premises.
- 13.4 Additional Rent. Any amounts payable by an assignee to its assignor in excess of the Base Rent and Additional Rent due hereunder shall be allocated 50% to Landlord and 50% to Tenant. Similarly, any amounts payable by a sublessee to its sublessor which, on a per square foot basis exceed the Base Rent and Additional Rent due hereunder, shall be allocated 50% to Landlord and 50% to Tenant. The provisions of this Section 13.4 shall not be applicable to a Permitted Transfer.
- 13.5 Fees. Any request for consent to a Transfer shall be accompanied by payment of a non-refundable fee of \$500 to compensate Landlord for the administrative effort and process associated with the request. In addition, Tenant shall reimburse Landlord for any out-of-pocket costs incurred by Landlord in connection with the request.

## 14. **INSOLVENCY AND DEFAULT**

- 14.1 Defaults. Tenant shall be in default under this Lease if (a) Tenant fails to pay any Rent or Additional Rent when due, or (b) Tenant fails to perform any obligation under this Lease. Subject to the late charges and interest due under Section 14.7 and the fee described in this Section 14.1, Landlord agrees that it shall not invoke its remedies under this Section 14 following a default by Tenant if, in the case of a monetary default, Tenant cures the default within ten (10) days after written notice of the default from Landlord, and in the case of a non-monetary default, if Tenant cures the default within twenty (20) days after written notice of the default from Landlord; provided that if the non-monetary default cannot be cured within twenty (20) days, then Tenant shall be granted such additional time to cure the default as is reasonably necessary if Tenant commences the cure as soon as reasonably possible and within the twenty (20)-day period and diligently pursues the cure to completion. Tenant shall also be in default hereunder if a Financial Distress Default occurs (defined below). If a default occurs and Tenant fails to cure the default within any applicable cure period, Landlord may, immediately or at any time thereafter, and without preventing Landlord from exercising any other right or remedy, elect to terminate this Lease by notice, by lawful entry or otherwise, whereupon Landlord shall be entitled to recover possession of the Premises from Tenant and those claiming through or under Tenant. Termination of this Lease and any repossession shall be without prejudice to any remedies Landlord has for arrears of Rent, Additional Rent or for a prior breach of any of the provisions of this Lease. In addition, Landlord may

require Tenant to pay to Landlord a fee of \$300 for each non-monetary default that is not cured within the applicable cure period. The fee shall be due and payable within ten (10) days after Landlord's invoice and if not paid within that period shall represent a monetary default.

In case of such termination, Tenant shall indemnify Landlord against all costs and expenses including the amounts due under Sections 14.2 and 14.3. If Tenant fails to perform any of Tenant's covenants which Tenant has failed to perform at least twice previously in any 12-month period (although Tenant shall have cured any such previous breaches after notice from Landlord, and within the cure period), then Landlord may there-after, without further notice, exercise any remedies permitted by this Section 14 or by law, including but not limited to termination of this Lease.

Each right and remedy provided each of Landlord and Tenant in this Lease is cumulative and, except as otherwise expressly set forth herein, in addition to every other right or remedy provided in this Lease, or now or hereafter existing at law, in equity, by statute or otherwise. The exercise by Landlord or Tenant or any one or more such rights or remedies will not preclude the simultaneous or later exercise by Landlord or Tenant of any or all other rights or remedies.

14.2 Expense Recovery. In the event of default by Tenant, items of expense for which Tenant shall indemnify Landlord shall include but not be limited to: (i) all costs and expenses incurred in collecting amounts due from Tenant under this Lease or obtaining Tenant's compliance with this Lease (including attorneys' fees); (ii) the unamortized portion of (a) leasing commissions paid in connection with this Lease, and (b) all costs incurred by Landlord to improve the Premises (such amortization to be based on a straight line basis over the initial Term with interest at 12%); and (iii) all Landlord's other costs proximately caused by the termination. The above sums shall be due and payable immediately upon notice from Landlord without regard to whether the cost or expense was incurred before or after the termination of this Lease. If proceedings are brought under the Bankruptcy Code, including proceedings brought by Landlord, which relate in any way to this Lease (in any of such cases a "Proceeding"), then Landlord shall be paid the costs incurred by Landlord in connection with the Proceedings.

14.3 Damages. Notwithstanding termination of this Lease and reentry by Landlord pursuant to Section 14.1, Landlord shall be entitled to recover from Tenant:

14.3.1 The worth at the time of an award (including interest at the Default Rate), of any unpaid Rent which had been earned by Landlord prior to the time of termination; plus

14.3.2 The worth at the time of an award (including interest at the Default Rate), of the amount by which the unpaid Rent which would have been earned after termination until the time of an award exceeds the amount of loss of Rent that Tenant proves could have been reasonably avoided; plus

14.3.3 The worth at the time of an award of the amount by which the unpaid Rent for the balance of the term of this Lease (as extended, if at all prior to termination) exceeds the amount of such loss of Rent that Tenant proves could have been reasonably avoided (including interest at the Default Rate from the date of the award until paid). Such worth of the time of award shall be computed at the discount rate of the Federal Reserve Bank of San Francisco, or successor Federal Reserve Bank, on the date of termination; plus

14.3.4 Any other amount necessary to compensate Landlord for all the damage proximately caused by Tenant's failure to perform Tenant's obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including amounts due and payable pursuant to Section 14.2.

- 14.4 Non-Termination of Lease. No act of Landlord other than a written declaration of termination of Lease shall serve to terminate this Lease. If Tenant defaults hereunder and fails to cure the default within any applicable cure period, Landlord shall have the right to reenter the Premises and relet the Premises for Tenant's account, without terminating the Lease. If Landlord reenters the Premises and does not elect to terminate this Lease, Tenant shall indemnify Landlord for the loss of Rent by a payment at the end of each month during the remaining Term representing the difference between the Base Rent, and other charges which would have been paid in accordance with this Lease and the rental actually derived from the Premises by Landlord for such month. Separate actions may be maintained by Landlord against Tenant from time to time to recover any damages which, at the commencement of any action, are then due and payable to Landlord under this Section 17 without waiting until the end of the Term of this Lease.
- 14.5 Reletting. If Tenant's right of possession has been terminated (with or without termination of this Lease), Landlord may at any time, and from time to time, relet the Premises in whole or in part either in its own name or as agent of Tenant for any period equal to or greater or less than the remainder of the then-current Term. All rentals received by Landlord from such reletting shall be applied first to the payment of any amounts other than Rent due hereunder from Tenant to Landlord; second, to the payment of any costs and expenses of such reletting and of alterations and repairs; third, to the payment of Base Rent and Additional Rent due and unpaid hereunder; and the residue, if any, shall be held by Landlord and applied in payment of future Base Rent and Additional Rent as they become due hereunder. Upon a reletting of the Premises, Landlord shall not be required to pay Tenant any sums received by the Landlord in excess of amounts payable in accordance with this Lease.
- 14.6 Right of Landlord to Cure Defaults. If Tenant defaults under this Lease, Landlord may cure the default, at Tenant's expense, immediately and without notice if Landlord believes the default creates a risk of damage to persons, or in any other case only upon Tenant's failure to remedy such default within ten (10) days after Landlord notifies Tenant in writing of such default. Tenant shall reimburse Landlord for any costs of the cure with interest at the Default Rate. Landlord shall have the same rights and remedies as for the non-payment of sums due under this Section 14 as in the case of default by Tenant in the payment of Rent.
- 14.7 Unpaid Sums and Service Charge. Any amounts owing from Tenant to Landlord under this Lease shall bear interest at 15% per annum (the "Default Rate"), calculated from the date due or expended until the date of payment. In addition, if any payment of Rent, or other charges, is not paid within ten (10) days of its due date, Tenant shall pay a late charge equal to the greater of \$150 or 10% of the overdue amount as liquidated damages for Landlord's extra expense and handling of such past due account.
- 14.8 Financial Distress.

14.8.1 **Definition.** Each of the following shall be an "Financial Distress Default" under this Lease unless cured within the cure periods set forth below: (a) the making by Tenant



of any general assignment or general arrangement for the benefit of creditors; the filing by or against Tenant of a petition to have Tenant adjudged a bankrupt, or a petition for reorganization or arrangement under any law relating to bankruptcy; (b) the appointment of a trustee or a receiver to take possession of all or any part of Tenant's assets; or (c) the entry of any final judgment against Tenant. Tenant shall immediately notify Landlord upon the occurrence of any Event of Financial Distress. Tenant shall have 60 days to cure a default under clause (a) above by having the petition dismissed. Tenant shall have 30 days to cure a default under clause (b) above by having the trustee or receiver dismissed or otherwise regaining possession of Tenant's assets. Tenant shall have 30 days to cure a default under clause (c) above by having the judgment discharged or satisfied. If the Financial Distress Default is not cured within the time periods provided above, then the provisions of Section 14.8.2 shall apply.

**14.8.2 Filing of Petition.** If a petition ("Petition") is filed by or against Tenant (as either debtor or debtor-in-possession) under Title 11 of the United States Code (the "Bankruptcy Code") and same is not dismissed within sixty (60) days thereafter:

(a) Adequate protection for Tenant's Lease obligations accruing after filing of the Petition shall be provided within fifteen (15) days after filing in the form of a deposit equal to two months Base Rent and Additional Rent (in addition to the security deposit), to be held by the court or an escrow agent approved by Landlord and the court.

(b) All amounts payable by Tenant to Landlord under this Lease represent reasonable compensation for the occupancy of the Premises by Tenant.

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

(d) If Tenant was in default under the Lease before the filing of the Petition, whether or not Landlord has given Tenant written notice of that default and whether or not any cure period expired before filing the Petition, Tenant shall be deemed to have been in default on the date the Petition was filed for all purposes under the Bankruptcy Code.

(e) For purposes of Section 365(b)(1) of the Bankruptcy Code, prompt cure of defaults shall mean cure within thirty (30) days after assumption and shall include cure of any defaults under any other agreements between Landlord and Tenant.

(f) For the purposes of Section 365(b)(1) the Bankruptcy Code, adequate assurance of future performance of this Lease by Tenant, Trustee or any proposed assignee of the Lease will require that Tenant, Trustee, or the proposed assignee deposit two (2) months of Base Rent and Additional Rent payments into an escrow fund (to be held by the court or an escrow agent approved by Landlord and the court) as security for such future performance. In addition, if the Lease is to be assigned, adequate assurance of future performance by the proposed assignee shall require that: (i) the assignee have a tangible net worth equal to

five (5) times the annual Rent due hereunder or that such assignee's performance be unconditionally guaranteed by a person or entity that has a tangible net worth not less than the above amount; and (ii) assignee assume in writing all of Tenant's obligations under the Lease.

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

14.9 Landlord Defaults. Subject to Section 15.3, Landlord shall not be in default under this Lease unless Landlord (or such ground lessor, mortgagee, or beneficiary) fails to cure such non-performance within fifteen (15) days after receipt of Tenant's written notice (or such longer period as is reasonably necessary to cure the default) and such notice shall also be sent in accordance with Section 15.3. If Landlord fails to cure the default within the cure period, Tenant shall have all rights and remedies available at law and in equity other than the right to terminate the Lease or any offsets against Rent. Tenant expressly waives any statutory or common law right of self-help. Notwithstanding anything contained in this Lease to the contrary and provided that Landlord acted in good faith, Tenant hereby waives any claim against Landlord for money damages by reason of any refusal, withholding or delaying by Landlord of any consent, approval or statement of satisfaction provided that Landlord acted in good faith in denying or delaying the same, and in such event, Tenant's only remedies therefore shall be an action for specific performance, injunction or declaratory judgment, to enforce any right to such consent.

14.10 Limited Self-Help Opportunity. If, following an event of default by Landlord under the terms of Section 14.9 above, Landlord fails to repair or maintain a portion of the Premises which materially affects Tenant's ability to safely use the Premises for the Permitted Use(s), then following a written notice to Landlord of the required work and estimated costs of the work with the following statement, Tenant may use self-help to repair or maintain the portion of the Premises as needed and Landlord shall reimburse Tenant for its actual, reasonable, out of pocket costs therefor within thirty (30) days after receipt of invoice, together with substantiating documentation of the costs expended by Tenant: "FAILURE TO CURE WITHIN 5 BUSINESS DAYS AFTER RECEIPT OF THIS NOTICE SHALL RESULT IN TENANT'S RIGHT TO SELF-HELP AT LANDLORD'S EXPENSE."

## 15. SUBORDINATION AND ESTOPPEL

15.1 Priority and Attornment. This Lease shall be subordinate to any financing, now existing or hereafter placed upon the Property by Landlord (each, a "Mortgage"). This provision shall be self-operative. However, Tenant shall execute and deliver any subordination agreement satisfactory in form and substance to the holder of a Mortgage if such subordination agreement provides in substance that so long as Tenant is not in default under this Lease, Tenant shall have the continued enjoyment of the Premises free from any disturbance or interruption by any holder of a Mortgage or any purchaser at a

foreclosure or private sale of the Property (“SNDA”). If Landlord’s interest in the Premises is acquired by any ground lessor, holder of a Mortgage, or purchaser at a foreclosure sale, or transferee thereof, Tenant shall attorn to the transferee of or successor to Landlord’s interest in the Premises and recognize such transferee or successor as Landlord under this Lease. Tenant waives the protection of any statute or rule of law which gives or purports to give Tenant any right to terminate this Lease or surrender possession of the Premises upon the transfer of Landlord’s interest. Landlord agrees to use commercially reasonable efforts to obtain an SNDA on lender’s standard form for Tenant’s benefit if Tenant requests.

- 15.2 Estoppel Certificates. Tenant shall, within ten (10) days of demand, execute and deliver to Landlord a written statement certifying: (i) the commencement and the expiration date of the Term; (ii) the amount of Base Rent and the date to which it has been paid; (iii) that this Lease is in full force and effect and has not been assigned or amended (or specifying the date and terms of each agreement) and that no part of the Premises has been sublet (or if not the case, a copy of any sublease); (iv) that Landlord is not in default under this Lease (or if not the case, an explanation of such default); (v) there are no defenses or claims which Tenant has against the enforcement of this Lease by Landlord (or if such is not the case, an explanation of same); (vi) the amount of the Security Deposit then held by Landlord; and (vii) any other fact or representation that a mortgagee or purchaser reasonably requests. It is intended that any such statement shall be binding upon Tenant and may be relied upon by a prospective purchaser or mortgagee. If Tenant fails to respond within ten (10) days of receipt of written notice from Landlord requesting such a statement, in addition to Landlord’s remedies for a Tenant default under Section 14 above, Tenant shall be deemed to have given a certificate as above provided, without modification, and shall be conclusively deemed to have admitted the accuracy of any information supplied by Landlord to a prospective purchaser or mortgagee.
- 15.3 Notice of Landlord Defaults. Tenant shall give written notice of any failure of Landlord to perform any of its obligations under this Lease to Landlord and to any ground lessor, mortgagee, or beneficiary under any deed of trust encumbering the Property whose name and address have been furnished to Tenant and such parties shall have the right but no obligation to cure the default on Landlord’s behalf. Landlord shall not be in default under this Lease unless Landlord (or such ground lessor, mortgagee, or beneficiary) fails to cure such non-performance within thirty (30) days after receipt of Tenant’s notice, or such longer period as is reasonably necessary for the cure.

## 16. LANDLORD’S LIABILITY

- 16.1 Property. The liability of Landlord to Tenant shall be limited to the interest of Landlord in the Property (and the proceeds thereof). Tenant agrees to look solely to Landlord’s interest in the Property (and the proceeds thereof) for the recovery of any judgment against Landlord, and Landlord and its owners shall not be personally liable for any such judgment or deficiency after execution thereon or matters related to this Lease. In addition, if Landlord sells or otherwise transfers the Property to a new owner, the transferring Landlord shall not thereafter be named or sought after in any matter related to the Property relating to the period after the transfer and responsibility for those matters shall automatically transfer to the new owner.
- 16.2 Tenant’s Business Interruption. Notwithstanding any other provision of this Lease, and

to the fullest extent permitted by law, Tenant hereby agrees that Landlord shall not be liable for injury to Tenant's personal property or its business or any loss of income therefrom, whether such injury or loss results from conditions arising upon the Property, or any other claims including, without limitation, any interruption of services and utilities or any casualty, condemnation, whether the cause of such injury or loss or the means of repairing the same is inaccessible to Landlord or Tenant and including injury of loss to Tenant or Tenant's property arising from the acts or omissions of other occupants of the Property.

## 17. MISCELLANEOUS PROVISIONS

- 17.1 Holding Over. If Tenant retains possession of the Premises after termination or expiration of this Lease, then for each day or part thereof Tenant retains possession, Tenant shall pay Landlord one hundred fifty percent (150%) of the amount of the daily Base Rent payable by Tenant hereunder during the calendar month immediately preceding such termination or expiration together with any damages sustained by Landlord as a result thereof, such tenancy shall be from month to month, and Landlord may terminate any such tenancy upon thirty (30) days' notice to Tenant.
- 17.2 Headings/Words. The titles and the table of contents are for convenience only and shall not be considered in construing or interpreting the scope or intent of this Lease. Words of any gender used in this Lease shall be deemed to include the other genders or the neuter and words in the singular shall be deemed to include the plural and the plural to include the singular where the sense requires. The adverbs "herein", "hereof", "hereunder", "hereto", "hereby", "hereinafter", and the like, wherever they appear herein, mean, and refer to this Lease in its entirety and not to any specific Section or paragraph.
- 17.3 Choice of Law and Venue. This Lease shall be governed by the law of the State of Washington and venue for any litigation, dispute or proceeding shall be in Whatcom County.
- 17.4 Heirs and Assigns. Subject to Section 13, this Lease shall inure to the benefit of and be binding upon Landlord and Tenant and their respective heirs, executors, administrators, successors and assigns and shall also run to the benefit of all future owners of the Premises. If more than one person or entity executes this Lease as Tenant, the liability of each shall be joint and several.
- 17.5 Non-Waiver. Failure of Landlord or Tenant to insist, in any one or more instances, upon strict performance of any term of this Lease, or to exercise any option herein contained, shall not be construed as a waiver, of such term or option. The receipt by Landlord of Base Rent or Additional Rent with knowledge of a breach of any of the terms of this Lease by Tenant shall not be deemed a waiver of such breach. Landlord and Tenant shall not be deemed to have waived any provision of this Lease unless expressed in writing and signed by Landlord or Tenant, as applicable.
- 17.6 Entire Agreement. This Lease contains the entire agreement of the parties with respect to the subject matter hereof and no representations or agreements, oral or otherwise, between the parties not embodied herein shall be of any force or effect. No provisions of this Lease may be changed orally, but only in writing executed by Landlord and Tenant.

- 17.7 Interpretation. Any provision of this Lease which shall prove to be invalid or illegal shall in no way affect or invalidate any other provision hereof and the remaining provisions hereof shall remain in full force and effect. This Lease has been negotiated at arm's length and between persons sophisticated and knowledgeable in the matters dealt with herein. Each party had the opportunity to be represented by experienced and knowledgeable legal counsel. Accordingly, any rule of law or legal decision that would require interpretation of any ambiguities in this Lease against the drafter is not applicable and is waived.
- 17.8 Brokers. Tenant and Landlord each warrant to the other that except for any brokers listed in Section 1 above, it has not engaged any broker, finder or other person entitled to any commission or fee for the negotiation, execution, or delivery of this Lease. Any fee due from Landlord to a Tenant's broker must be set forth in a separate agreement between Landlord and such broker (a "Landlord Commission Agreement"). Tenant shall indemnify and defend Landlord against any claims for commission arising out of agreements made or alleged to have been made by or on behalf of Tenant except to the extent that Landlord has agreed to pay such commission under a Landlord Commission Agreement.
- 17.9 Force Majeure. Time periods for Landlord's or Tenant's performance under any provisions of this Lease (except for the payment of money) shall be extended for periods of time during which the non-performing party's performance is prevented due to circumstances beyond the party's reasonable control, including, without limitation, pandemics, strikes, embargoes, governmental regulations, inclement weather and other acts of God, war, or other strife.
- 17.10 No Accord or Satisfaction. Payment by Tenant or receipt by Landlord of a lesser amount than the Rent and other charges stipulated herein shall be deemed to be on account of the earliest stipulated Rent or other charges. No endorsement on any check or any letter accompanying any payment shall be deemed an accord and satisfaction, and Landlord's acceptance of such check or payment shall be without prejudice to Landlord's right to recover the balance of the amount due or pursue any other remedy to which it is entitled.
- 17.11 Notices. All notices and requests to be given under this Lease (except as otherwise provided herein) shall be in writing and either delivered in person or sent by overnight courier, if sent to Landlord, to 1115 SE 164<sup>th</sup> Ave Vancouver, WA 98683, and if to Tenant, to the Premises, or such other single address as may hereafter be designated by either party in writing. Notices shall be deemed given when delivered (including by courier) or if mailed as aforesaid, shall be deemed given upon receipt or refusal to accept. Tenant hereby appoints as its agent to receive the service of all dispossessory proceedings or proceedings to seize Tenant's personal property and notices thereunder the person in charge of or occupying the Premises at the time, and, if no person shall be in charge of occupying the same, then such service may be made by attaching the same on the main entrance of the Premises. If Tenant does not provide Landlord with a forwarding address following expiration or termination of this Lease, Landlord shall be relieved of any obligation to forward any funds or items to Tenant.
- 17.12 Tax on Rent. The Rent herein is exclusive of any sales, business, and occupation, gross receipts or other tax based on rents, or tax on Tenant's property or tax upon or measured by the number of employees of Tenant, or any similar tax or charge. If any such tax or

charge be hereinafter enacted, and imposed upon Landlord, Tenant shall pay Landlord the amount thereof concurrently with each monthly rent payment. If it shall not be lawful for Tenant so to reimburse Landlord, the monthly rent payable to Landlord under this Lease shall be revised to net Landlord the same net rental after imposition of any such tax or charge upon Landlord as would have been payable to Landlord prior to the imposition of such tax or charge. Tenant shall not be liable to reimburse Landlord for any federal income tax or other income tax of a general nature applicable to Landlord's income.

- 17.13 Changes. Landlord reserves the right at any time, without thereby creating an actual or constructive eviction or incurring any liability to Tenant, to change the arrangement or location of public areas, including entrances, passageways, parking lots/parking garages and other public service areas. Tenant acknowledges Landlord's intention to construct other improvements in the Project. Tenant agrees not to object to Landlord's other developments. Landlord agrees to comply with all local planning ordinances and building codes in the construction of these additional developments. Landlord does not guarantee the continued present status of light or air over any property adjoining or in the vicinity of the Property. Any diminution or shutting off of light, air or view by any structure which may be erected near or adjacent to the Property shall in no way affect this Lease or impose any liability on Landlord.
- 17.14 Quiet Enjoyment. So long as Tenant performs all of Tenant's obligations under this Lease, Tenant's quiet enjoyment of the Premises throughout the Term shall not be disturbed, and Tenant may occupy the Premises for the full Term against any person claiming by, through or under Landlord, but not otherwise, subject to the provisions of this Lease.
- 17.15 Financial Statements. Within twenty (20) days of request by Landlord, Tenant shall provide to Landlord copies of Tenant's most recent financial statements and tax returns for Tenant and any assignee, subtenant, and guarantor under this Lease. The terms of this Section shall not be applicable to any entity whose financial statements are readily available on-line. Any such entity shall provide the URL from time to time to Landlord for Landlord's access to such statements.
- 17.16 Corporate Authority. If Tenant is a business entity, then each individual signing this Lease on behalf of Tenant represents and warrants that he/she is duly authorized to execute and deliver this Lease on behalf of such business entity, and that this Lease is binding on Tenant in accordance with its terms. Concurrently with the execution of this Lease, Tenant shall deliver to Landlord any entity resolutions or consents requested by Landlord to evidence such authority.
- 17.17 Costs and Attorneys' Fees. In the event of litigation between the parties hereto, declaratory or otherwise, for the enforcement of any of the covenants, terms or conditions of this Lease, the non-prevailing party shall pay the costs thereof and attorneys' fees actually incurred by the prevailing party, in such suit, at trial and on appeal. In addition, if Landlord engages counsel to enforce the terms of this Lease, including without limitation, for the purpose of preparing a delinquency notice, Tenant shall be required to reimburse Landlord for all costs incurred before the subject default is considered cured. In addition, if Tenant becomes involved in any bankruptcy proceedings, Tenant shall reimburse Landlord for all attorney's fees and costs incurred by Landlord in connection with such proceedings, including fees and costs incurred in Landlord's effort to protect its



interests.

- 17.18 No Reservation. The submission of this Lease for examination does not constitute a reservation or option to Lease the Premises and this Lease becomes effective as a Lease only upon execution and delivery thereof by Landlord and Tenant.
- 17.19 Counterparts and Recording. This Lease may be executed and delivered in counterpart, and delivery may be by fax or e-mail PDF. A digital version of the fully assembled, fully executed Lease is binding as an original and are “best evidence” hereof. This Lease shall not be recorded by either party.
- 17.20 Measurement/Adjustment. The rentable area of the Premises set forth in Section 2.2 is subject to adjustment based on measurement of the Building by Landlord and if such area is adjusted, the Base Rent and Tenant’s Share shall be automatically adjusted based on the new measurement; provided, however, that no such adjustment shall affect Tenant’s monetary obligations to Landlord under this Lease for the Premises identified in Section 2.2 above during the initial Term of this Lease nor more frequently than once every five (5) years thereafter.
- 17.21 Nondisclosure of Lease Terms. Unless Landlord elects otherwise, the terms and conditions of this Lease constitute proprietary information of Landlord that Tenant will keep confidential. Tenant’s disclosure of the terms of this Lease could adversely affect Landlord’s ability to negotiate other leases and/or impair Landlord’s relationship with other tenants. Accordingly, Tenant will not directly or indirectly disclose the terms or conditions of this Lease to any person or entity other than Tenant’s employees, agents, lenders, attorneys, or accountants who have a legitimate need to know such information and who also agree, in written form acceptable to Landlord, to keep the same confidential.
- 17.22 USA Freedom Act and Anti-Terrorism Laws. Landlord and Tenant each represent and warrant that neither they nor the officers and directors controlling Landlord and Tenant, nor any person or entity that directly owns a 10% or greater equity interest in it, respectively, are or are acting, directly or indirectly, for or on behalf of any person, group, entity, or nation with whom U.S. persons or entities are restricted from doing business under the regulations of the Office of Foreign Asset Control (“OFAC”) of the United States Treasury Department, including those named on the OFAC’s Specially Designated National and Blocked Person List, or are or are acting directly or indirectly for or on behalf of any person, group, entity, or nation designated in Presidential Executive Order 13224 signed on September 24, 2001 (“Executive Order”) or in the USA Freedom Act (enacted June 2, 2015) (“USA Freedom Act”) as a person who commits, threatens to commit, or supports terrorism; or are or are acting directly or indirectly for a person, group, entity or nation in violation of the International Money Laundering Abatement and Financial Anti-Terrorism Act of 2001 or the regulations or orders promulgated thereunder (the “Money Laundering Act”); and that they are not engaged in this transaction directly or indirectly on behalf of, or facilitating this transaction directly or indirectly on behalf of, any such person, group, entity or nation. Each party agrees during the Term of this Lease to comply with the Executive Order, USA Freedom Act, and the Money Laundering Act, and to defend, indemnify, and hold harmless the other party from and against all claims, damages, losses, risks, liabilities, and expenses (including reasonable attorneys’ fees and costs) arising from or related to any breach of

the foregoing representation and warranty.

- 17.23 Stark Law and Anti-Kickback Statute. The parties hereto agree that the terms and conditions of this Lease must at all times comply with the requirements of the Stark Law, the Anti-Kickback Statute and any regulations implementing Stark Law and/or the Anti-Kickback Statute. If at any time either party receives notice from the other party of a failure of the notified party to comply with the provisions and exceptions of the Stark Law or applicable safe harbors under the Anti-Kickback Statute, and such party fails to cure such failure within 5 business days of written notice, the notifying party may terminate this Lease by written notice of termination; provided, however, that the parties shall have five (5) days from the date either party discovers that is has unintentionally violated this provision to conform this Lease with applicable safe harbors under the Anti-Kickback Statute and an applicable exception of the Stark Law. Provided however that in no event shall this provision be invoked to modify the Rent schedule set forth above. The parties mutually agree that the Rent payable hereunder is consistent with fair market value, is commercially reasonable, and has not been determined in a manner that takes into account the volume or value of any referrals or other business generated between the parties. "Fair Market Value" means the annual amount per rentable square foot that a willing, comparable new tenant would pay and a willing, comparable landlord of a similar building in the same geographic area would accept at arm's length, without regard to the identity of the tenant and landlord and without regard to the proposed use of the Premises.
- 17.24 HIPAA. Landlord acknowledges that Tenant is subject to the provisions of the Health Insurance Portability and Accountability Act of 1996 and related regulations ("HIPAA"), and that HIPAA requires Tenant to ensure the safety and confidentiality of patient medical records. Landlord further acknowledges that, for Tenant to comply with HIPAA, Tenant must restrict access to the portions of the Premises where patient medical records are kept or stored. Landlord hereby agrees that, notwithstanding the rights granted to Landlord pursuant to this Lease, except for an emergency entry into the Premises, or when accompanied by an authorized representative of Tenant, neither Landlord nor its employees, agents, representatives or contractors shall be permitted to enter those areas of the Premises designated by Tenant as locations where patient medical records are kept and/or stored; provided, however, Tenant has an obligation to make available for inspection, repair, or other access by Landlord Parties any such areas with reasonable advance notice from Landlord. Landlord shall not be in default for failure to meet its repair and maintenance obligations in this Lease due to Tenant's restriction on access to certain areas of the Premises according to this Section.
- 17.25 Tenant Legal Status. Notwithstanding anything to the contrary herein, if performance by either of the parties hereto of any term of this Lease (except payment of the Rent amounts set forth in the Rent schedule above) shall jeopardize the licensure of Tenant's hospital, or the full accreditation of Tenant's hospital by its recognized accrediting body, or the tax-exempt status of Tenant or the ability of Tenant to issue tax-exempt bonds or should be in violation of applicable laws or regulations, Tenant may give a "Jeopardy Notice" to Landlord requesting a modification of the term at issue. The Jeopardy Notice shall provide a detailed explanation, with supporting documentation, of why Tenant is in jeopardy, as well as a proposed modification of the Lease to address Tenant's concerns. Landlord shall have no obligation to accept Tenant's proposed modification and Tenant shall not submit to Landlord any unreasonable or unnecessary proposed modification. In



the event the parties are unable to reach an agreement for modification of the term, Tenant may, as its sole remedy terminate this Lease by giving written notice of termination, which must be delivered no more than ninety (90) days after delivery of the Jeopardy Notice, and which shall state a termination date no less than thirty (30) days after the delivery of the termination notice.

IN WITNESS WHEREOF, the parties here to have executed this Lease on date of the last party to sign below.

**LANDLORD: PEACEHEALTH ST. JOSEPH MEDICAL CENTER**

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

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

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

**TENANT: PEACEHEALTH ASC BELLINGHAM, LLC**

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

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

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

**EXHIBIT A  
PREMISES  
[Insert floor plan with Premises marked]**

## EXHIBIT B RULES AND REGULATIONS

### A. HOURS

1. Standard Hours. Standard hours of operation of the building shall be 7:00 a.m. to 6:00 p.m., Monday through Friday, excluding generally observed federal and state holidays.
2. Heating, Ventilation and Air Conditioning (HVAC) Hours. HVAC systems shall operate during standard building hours. HVAC service for additional hours shall be available at Landlord's then standard hourly rates (two-hour minimum).
3. After Hour Access. The lobby doors shall be unlocked at 6:30 a.m., Monday through Friday, and shall be locked at 6:00 p.m. The access keys or cards issued to Tenant will open the building lobby doors as well as Tenant's Premises. Additional access keys or cards will be made available from the Landlord at Tenant's cost. During such hours as Landlord may from time to time reasonably determine, Landlord may: (i) require all persons entering or leaving the Building to identify themselves to a watchman by registration or otherwise and to establish their right to enter or leave the Premises or the Building; and (ii) limit entries into and departures from the Building to such one or more entrances as Landlord shall from time to time designate.

### B. SECURITY/SAFETY

1. Landlord may, from time to time, adopt appropriate systems and procedures for the security or safety of the Property and Tenant shall comply with those procedures.
2. Tenant assumes all responsibility for protecting its Premises from thefts.
3. If Tenant requires analog or digital security alarm systems or similar services, it shall first obtain, and comply with, Landlord's instructions as to their installation.
4. Tenant shall shut off all water faucets and lights not intended for overnight use before Tenant and its employees leave the Premises. Tenant shall be responsible for any damage or injuries sustained by other occupants or by Landlord for Tenant's noncompliance with this rule.
5. Landlord reserves the right to restrict or prohibit soliciting. Tenant or Tenant's employees or agents shall not solicit business in the common areas and shall not distribute or otherwise make available handbills or other advertising matter therein.
6. Landlord reserves the right to exclude or expel from the Property any person who, in Landlord's judgment, is under the influence of liquor or drugs or who violates any of the Rules and Regulations.
7. Tenant shall not use or keep in the Premises, any gasoline or other flammable fluid or material. Tenant shall not use, nor permit to be used in the Premises, any noxious gas or substance, nor permit or allow the Premises to be occupied or used in a manner offensive or objectionable to Landlord or other occupants by reason of noise, odors, or vibrations.
8. Tenant shall comply with all safety, fire protection, and evacuation procedures and regulations established by Landlord or any authority having jurisdiction.

9. Tenant shall not alter any lock or install a new or additional lock or any bolt on any door of the Premises. If Landlord gives its consent thereto, Tenant shall in each case furnish Landlord with a key for any such lock, and upon termination of its tenancy, Tenant shall deliver to Landlord all keys to the Premises. Landlord will provide Tenant with additional keys for any lock in the Premises upon payment therefor by Tenant.

#### C. DELIVERIES

1. Tenant shall take delivery of supplies, fixtures, equipment, and furnishings only in accordance with the directives of Landlord, coordinating its deliveries with Landlord's agent. Tenant shall inform its suppliers of Landlord's requirements.

2. Tenant shall remove all such merchandise and other delivered items from the loading area or other common areas immediately upon such delivery.

3. Tenant shall not obstruct or permit the obstruction of the parking areas.

4. All deliveries of large or bulky articles shall be delivered to and removed from the Premises only in elevators which have been properly padded by Landlord. All deliveries of the above-mentioned items must be scheduled with the Landlord to ensure the elevator used for the delivery is properly padded. Objects of unusual or extraordinary size or weight shall not be brought into or removed from the Building without the prior written consent of Landlord and, where such consent is obtained, shall be brought into, or removed from the Building at the time and place and in the manner and shall be placed and maintained in such location and position in the Premises as Landlord designates. The firm employed to move Tenant's equipment, material, furniture, or other property in or out of the Building must be a professional mover, reasonably acceptable to Landlord and insurance must be sufficient to cover all personal liability, theft, or damage to the Building. All damage to the Building (including any elevator) or the Premises by the delivery, installation, use or removal of freight, furniture, business equipment, merchandise, safes, or other articles shall be paid for by Tenant. Landlord shall not be responsible for damage to any of Tenant's property delivered to or left in any receiving area or elsewhere in the Building or to any property moved or handled anywhere in the Building by any agent, employee, or representative of Landlord as an accommodation to Tenant, Landlord being under no obligation to accept delivery of, or to move or handle, any property of Tenant.

#### D. WASTE/REFUSE DISPOSAL

1. Tenant shall not use the trash receptacles located in the common areas. All garbage and refuse disposal shall be made in accordance with written directions issued from time to time by Landlord.

2. If Landlord institutes a recycling program, Tenant shall cooperate fully with such program.

#### E. MAINTENANCE, IMPROVEMENTS AND OPERATIONS

1. Landlord's maintenance staff are responsible only for the maintenance, repair, and cleaning of the common areas. Tenant shall be responsible for all repairs and maintenance within its Premises.

2. Tenant shall carry out repair and maintenance of the Premises only during times agreed to in advance by Landlord and in a manner which will not interfere with other occupants.

3. Tenant shall not interfere with the broadcasting or reception of radio or electronic signals.

4. Landlord shall control all HVAC settings through the building management system. The normal operating temperature ranges during normal business hours shall be 68 to 75 degrees Fahrenheit, and minimum air exchange shall be one exchange per hour.

#### F. MISCELLANEOUS

1. Tenant shall not park bicycles or other vehicles inside or on the sidewalks outside the Building except in areas designated from time to time by Landlord for such purposes.

2. Tenant shall not, without Landlord's prior written consent, obstruct or place anything, including, without limitation, merchandise, in or on the walkways or driveways or common corridors, or use such locations for any purpose except access to and exit from the Premises. Landlord may remove, at Tenant's expense, any obstruction without notice or obligation to Tenant.

3. These Rules and Regulations are in addition to the terms, covenants, agreements, and conditions of Tenant's Lease.

4. Landlord reserves the right to amend and to make such other and reasonable Rules and Regulations as, in its judgment, may from time to time, be needed for safety and security, and/or for care and cleanliness of the Property and/or for the preservation of good order therein. All such amended Rules and Regulations shall be binding upon Tenant upon receipt of a copy thereof.

5. Tenant shall provide Landlord with the names and home telephone numbers of two employees of Tenant who may be contacted by Landlord in an emergency.

6. Tenant shall only use the building standard blinds in its windows.

7. Tenant shall insure that its employees do not park in the visitor parking stalls and only park in the handicapped stalls if they hold the necessary permit from the Department of Motor Vehicles.

8. Tenant shall conserve energy, water, heat, and air conditioning and shall cooperate fully with Landlord to assure the most efficient operation of the heating and air conditioning systems in the Building. Tenant shall also comply with Landlord's instruction for the use of shades and blinds and thermostats in the Building.

9. Tenant shall not place a load upon any floor of the Premises which exceeds sixty pounds live load and twenty pounds for partitions per square foot of floor space. Landlord reserves the right to prescribe the weight and position of all safes, files, and heavy installations which Tenant wishes to place in the Premises to properly distribute the load. Business machines and mechanical equipment belonging to Tenant which cause noise or vibration that may be transmitted to the structure of the Building or to any space therein as to be objectionable to Landlord or to any other Occupant in the Building shall be placed and maintained by Tenant at Tenant's expense, on vibration eliminators or other devices sufficient to eliminate noise or vibration.

10. Tenant shall not attach or install any aerials or other projections from the Premises or the Building.

11. Tenant shall not use the name of the Building for any purpose other than that of Tenant's business address or use any picture of the Building. Landlord may change the name and the street address of the Building, without notice and without liability to any Occupant.

12. Tenant shall not bring any animals, birds, or other pets (except those aiding disabled persons) or bicycles or other vehicles into the Building.

13. Tenant shall not drive spikes, hooks, screws or nails or other devices in the walls or woodwork (except for hanging small pictures or similar items) or drill holes in the floor of the Premises.

14. Tenant shall comply with and shall cause its employees and invitees to comply with all smoking restrictions promulgated by Landlord.

**EXHIBIT C**  
**WORK LETTER AGREEMENT**

A. GENERAL PROCEDURES

Unless otherwise provided for herein, the preparation of all design and working drawings and specifications relating to completion of the Premises for occupation by Tenant and the taking of bids and letting of contracts relating to Tenant's Work and the supervision and completion of Tenant's Work and payment therefor shall be the responsibility of Tenant.

Approvals must be obtained by Tenant for its work from the applicable building department and all other authorities having jurisdiction and Tenant must submit evidence of these approvals to Landlord before commencing work. Tenant shall be responsible for payment of all fees and charges incurred in obtaining said approvals and for obtaining a Final Sign Off prior to opening.

Landlord shall be entitled to withhold approval of any plans or specifications or the authorization for work to proceed until it has been furnished with reasonable evidence that Tenant has made suitable provision to pay the full cost of the work not covered by the TI Allowance (defined below) and Tenant's contractor has provided the Landlord with performance and payment bonds for 100% of the cost of Tenant's Work, if required by Landlord. The TI Allowance will be reimbursed to Tenant as set forth below.

Landlord shall provide a tenant improvement allowance of up to \$\_\_\_\_\_ per rentable square foot of the Premises (the "TI Allowance") to be applied toward the hard and soft costs of Tenant's Work, including design costs, permitting costs, and the construction management fee payable to Landlord's agent, but excluding cabling, telecommunications, fixturing, equipment, furnishings or other personal property or moving costs. Upon completion of Tenant's Work and issuance of a final sign off from the City of \_\_\_\_\_, Tenant shall provide to Landlord a request for reimbursement of the TI Allowance along with documentation satisfactory to Landlord of the costs of Tenant's Work, copies of lien releases from Tenant's contractor and all subcontractors performing Tenant's Work, and detailed breakdowns of the cost incurred by Tenant for Landlord's cost segregation and depreciation purposes. Landlord shall reimburse Tenant for the cost of Tenant's Work up to the TI Allowance within thirty (30) days after receipt of the foregoing. The TI Allowance shall be available for draw during the six (6) months following the Commencement Date only and no disbursements will be available thereafter. Any unused portion of the TI Allowance shall be retained by the Landlord and shall not be either refunded to Tenant or available as a credit against any obligations of Tenant under this Lease.

Tenant shall utilize professional designers, contractors and subcontractors approved by Landlord. If any contractors or subcontractors are not on Landlord's Preferred Contractors List, Tenant may be required to pre-qualify them with Landlord. Notwithstanding the foregoing, Tenant agrees to utilize the plumbing, electrical or mechanical contractors or subcontractors utilized by Landlord if requested by Landlord for quality control purposes and to ensure or protect the coverage of any warranties covering the plumbing, electrical or mechanical systems.

The opinion in writing of Landlord's architect shall be binding on both Landlord and Tenant respecting all matters of dispute regarding Tenant's Work, including the state of completion and whether or not work is completed in a good and workmanlike manner.

Tenant acknowledges and agrees that neither Landlord's architect nor Landlord owes any duty nor assumes any responsibility to Tenant or Tenant's architect with respect to the compliance or non-compliance of Tenant's working drawings and specifications with any building, safety or health codes or the adaptability of the proposed improvements, the use intended, or otherwise, it being expressly understood and agreed that Landlord's architect may, in its discretion, limit the scope of its review to such matters as may appear appropriate or necessary in the interests of Landlord.

Landlord may use Landlord's architect to review those drawings which, in the Landlord's opinion, require additional technical review. Tenant agrees to pay for all additional technical review.

#### B. SHELL INFORMATION AND DESIGN CRITERIA

Landlord will deliver to Tenant within seven (7) days of Lease signing a set of scale As-Built drawings, including Plans, Cross Section(s), Longitudinal Section(s), Façade elevations, and Reflected Ceiling Plans. Documents will be delivered via email or disk to Tenant's architect in AutoCAD DWG format. Although dimensions will be indicated in the shell information, Tenant is responsible for confirming all dimensions on the site.

#### C. LANDLORD'S WORK

***[None. The Premises will be delivered in AS IS condition.] or specify Landlord's Work.***

#### D. PLANS AND SPECIFICATIONS FOR TENANT'S WORK

1. Submission of Drawings. Within ten (10) days after mutual execution of this Lease, Tenant shall deliver to Landlord Tenant's proposed working drawings and specifications for Tenant's Work.

2. Approval of Final Plans and Specifications. Upon receipt by Landlord of Tenant's proposed working drawings and specifications, Landlord shall notify Tenant of its approval thereof or indicate any changes required, in which case Tenant shall make any revisions necessary to obtain Landlord's approval and resubmit the amended working drawings and specifications to Landlord for approval. Landlord's approval of the working drawings and specifications shall be evidenced by Landlord's causing one set of the working drawings and specifications to be initialed on its behalf and returned to Tenant. The working drawings and specifications so approved by Landlord are the "Approved Final Plans". Tenant shall keep a complete set of the Approved Final Plans on the Premises throughout the duration of Tenant's Work.

3. Working Drawings and Specifications. Each set of working drawings and specifications shall be of uniform size to a minimum scale of 1/4" to each foot and shall include, but not be limited to, the following:

- (a) Specifications, identification, and colors of materials for all plans and work;
- (b) Interior elevations;
- (c) Interior finishing schedule and sample boards of finishes;
- (d) Floor plans;
- (e) Complete plans and specifications for all electrical, mechanical, and plumbing work, including details and performance information relating to all fixtures, equipment, and any under-floor services, including conduit runs to be recessed or below the floor, all in accordance with Landlord's design criteria;
- (f) Sign details in compliance to Landlord's design criteria;



- (g) Reflected ceiling plan showing all equipment and fixtures and the method of ceiling, suspension, access panels servicing Landlord's or Tenant's equipment; and
- (h) Complete electrical and mechanical drawings incorporating tabulations of total loads and lighting calculations.

4. Approvals. Landlord and Tenant shall not unreasonably withhold or delay their approval of matters arising out of this Part D.

#### E. GENERAL REQUIREMENTS FOR TENANT'S WORK

1. All Tenant's Work shall be carried out with good workmanship and with new materials, which shall all be of a high quality and conforming to the best standards of practice, without defects, and shall not be in contravention of the laws, codes or regulations of the City of Bellingham or any other authority having jurisdiction.

2. Before commencing Tenant's Work, Tenant shall furnish the following to Landlord: (i) executed Vendor Agreements on Landlord's then standard form from each contractor and subcontractor, (ii) certificates and endorsements evidencing the insurance described below, Tenant's contractor and subcontractors, and (iii) the payment and performance bond, if required. If Tenant elects to manage the construction performed by its contractor, Tenant must comply with the insurance requirements imposed on contractors under Landlord's form of Vendor Agreement.

Tenant's insurance certificates shall include: (i) evidence that Tenant maintains the insurance required by the Lease to be carried by Tenant, (ii) a certificate of insurance evidencing Tenant's architect carries professional liability insurance in the amount of at least \$2,000,000, and (iii) certificates of insurance from Tenant's contractor evidencing such contractor carries and maintains the following insurance coverage: general liability, builders risk, worker's compensation and any other insurance reasonably required by Landlord to the limits and on the terms which Landlord may reasonably approve.

At a minimum, Tenant's contractors shall carry \$1,000,000 general liability insurance each occurrence, \$2,000,000 general aggregate, \$2,000,000 products/completed operations aggregate, \$1,000,000 automobile liability insurance, worker's compensation insurance in the amount required by applicable law, \$1,000,000 Employer's Liability Insurance (Stop Gap), and \$5,000,000 Excess/Umbrella Liability Insurance, all of which shall be primary and non-contributory with any insurance carried by Landlord. Tenant's contractors' policies shall include an endorsement requiring at least 30 days' prior written notice of cancellation in coverage to Landlord and shall in all events procure and provide evidence of replacement insurance prior to any cancellation. The parties specified in the Lease shall be named as additional insureds in Tenant's contractor's insurance.

3. Tenant and its contractors shall be entitled to have access to the Premises, to execute Tenant's Work, subject to compliance with all rules, regulations, and stipulations which Landlord or its contractor may make from time to time. The rules, regulations and stipulations may include, but shall not be limited to, matters relating to:

- (a) The handling and storage of material and equipment;
- (b) Hours of work and coordination of activity;
- (c) Use of the facilities and utilities;
- (d) Scheduling of work;
- (e) Deliveries and non-obstruction of streets, alleys, and parking areas; and/or
- (f) Clean-up of work and the disposition of refuse.

In addition to the items above, Tenant shall confine its work and outside staging area to those areas designated by Landlord.

4. Tenant shall always keep the Premises and all other areas clear of all waste materials and refuse caused by itself, its suppliers, contractors or by their work. Tenant shall remove all waste materials and refuse directly from the Premises and shall deposit them in places or in receptacles designated by Landlord. Landlord may require Tenant to clean-up daily and shall be entitled to clean-up at Tenant's expense if Tenant fails to comply with Landlord's reasonable requirements in this respect.

At the completion of Tenant's Work, Tenant shall leave the Premises clean and to the satisfaction of Landlord and shall remove all tools, equipment and surplus materials from the Premises and the Project and remove all waste material and refuse from the Premises and deposit them in places or in receptacles designated by Landlord. The final clean-up shall include the cleaning of all lighting fixtures, millwork units, store fronts and space which may be affected by the work.

5. Landlord shall not in any way be responsible or liable regarding any work carried out or any materials left or installed in the Premises and shall be reimbursed for any additional costs and expenses caused which may be occasioned to it by reason thereof, and for any delays which may be directly or indirectly caused thereby to Landlord or its contractor.

6. Landlord shall have the right to repair any damage caused by Tenant's contractor or subcontractors employed on Tenant's Work to the Project or to any property of Landlord, or of other occupants to the satisfaction of Landlord and Landlord may recover the costs incurred from Tenant as Additional Rent. Tenant shall promptly correct any defects in Tenant's Work, whenever discovered, and any damage to the Project related thereto, whenever occurring. If Tenant fails to do so, Landlord may do the work to Landlord's satisfaction and Landlord may recover the costs incurred from Tenant as Additional Rent. Further, if, during construction, Landlord discovers that Tenant's contractor has neglected to carry out the work properly or has failed to perform any work required by or in accordance with the approved, plans and specifications, Landlord, after 5 days written notice to Tenant and Tenant's contractor, may, without prejudice to any right or remedy Landlord may have, complete the work, remedy the default or make good any deficiencies and recover the costs incurred from Tenant.

7. Tenant shall be entirely responsible for the security of the Premises during construction and Landlord shall not be liable for any loss or damage suffered by Tenant.

8. Tenant shall always maintain and keep on the Premises during construction and the Term of the Lease, a suitable portable fire extinguisher for Class A, B and C fires.

9. Tenant shall indemnify, defend, and hold harmless Landlord from and against all damages, losses, costs, and claims arising out of work done by Tenant or its contractors/subcontractors/vendors, including defects in such work and damage caused thereby or damage caused by Tenant's employees, agents, or contractors. This indemnity shall continue during the entire Term and shall survive termination or expiration of the Lease.

10. Tenant shall promptly cause to be removed any liens filed against title to the Premises or the Project, failing which, Landlord may do so, and Tenant shall pay all Landlord's costs, including legal costs, as incurred by Landlord in so doing.

11. Tenant shall perform its work expeditiously and efficiently subject to circumstances over which Tenant has no control and which could not have been avoided by the exercise of due diligence.

F. WORK DONE BY LANDLORD FOR TENANT

Any equipment or work provided by Landlord for or at the request of Tenant, shall be at the expense of Tenant and shall be paid by Tenant, together with interest on any overdue amount from the due date thereof to the date of payment at the rate of 12% per annum, as follows:

1. At the time Tenant requests the equipment to be supplied or the work to be done, Tenant shall pay 75% of the estimated amount payable to Landlord; and
2. Upon substantial completion of the work, the balance of the amount payable shall be paid by Tenant within fifteen (15) days after the receipt of a statement therefor.

The cost of such equipment or work shall without limitation include labor, material, applicable taxes, all architectural, engineering and contractor's fees in connection therewith and such reasonable fee for supervision as Landlord may charge.

G. TENANT'S WORK

Tenant will at its expense and subject to the provision of this Exhibit C provide, furnish, and install within the Premises all finishings, fixturing, architectural, electrical, and mechanical work to complete the construction of the Premises in accordance with the approved Tenant's plans and specifications and to equip the Premises ready for occupation including, but not limited to, the following:

1. Flooring. Tenant will provide and install the balance of the concrete floor and all floor coverings.
2. Interior Walls. Tenant will provide and install partition walls.
3. Wall Finishing. Tenant will furnish sheetrock and install all painting and wall finishing.
4. Mechanical. Tenant shall provide and install any mechanical facilities which it may desire in excess of existing heating and air conditioning facilities.
5. Electrical. Tenant shall provide and install any additional electrical service which it may desire in excess of existing electrical service. Tenant shall complete its electrical system and outlet distribution.
6. Plumbing. Tenant shall provide and install any plumbing and fixtures which it may desire in excess of existing plumbing & fixtures. If Tenant elects to install an additional toilet room it shall be required to construct and complete an exhaust system and separate incandescent light including "J" box, conduit and wiring at its sole cost and expense and in conformance with applicable building codes. All roof penetration must be done by Landlord's contractor to Landlord's specifications at Tenant's cost.
7. Signs. Tenant shall be responsible for the complete fabrication and installation of any signs permitted by the Lease, in accordance with Landlord's sign criteria.
8. Telecom. Telephones, and any security devices, if required, shall be provided by Tenant.
9. Fixtures. Tenant shall furnish and install all fixtures, finishes and equipment necessary to open for business.

10. Fire Protection. Any firefighting, fire prevention, safety and emergency equipment or lighting in and about the Premises, additional to that included in the base system provided by Landlord, required by any authority having jurisdiction.

11. Additional Capacity & Other Upgrades. If Tenant requires additional electrical capacity or additional telephone, air handling or air-conditioning capacity or other increased services or upgrades, Tenant must notify Landlord in writing within the time limit for submitting of Tenant's plans and specifications. Landlord will only be prepared to install additional services or additional capacity if the increased capacity is available, and Tenant shall pay for any additional costs incurred by Landlord in connection with such installation, with such work being done by Landlord's contractor.

12. Specific Restrictions.

(a) Under no circumstances shall Tenant or its contractor at any time be permitted to drill or cut conduit, pipe sleeves, chases, duct equipment, openings in the floor, columns, walls, or roofs of the Project. Any work of this type required by Tenant shall be authorized by the Landlord's Architect and performed by Landlord's contractor at Tenant's expense.

(b) No suspended loads will be permitted from the underside of the structure slab or roof structure without written approval by Landlord.

(c) Tenant will not be permitted to install openings, signs, store front and/or improvements in the exterior walls or interior demising partitions or bulkheads above the Premises for any purpose without the prior written approval of Landlord.

(d) Arrangements for the storage and removal of perishable garbage must be provided to the satisfaction of Landlord.

(e) Mounting of burglar alarms and signal systems on the exterior walls of the Premises or the building requires specific prior consent.

13. In connection with Landlord's construction supervision, Tenant will pay to Landlord a construction management fee of 3.0% of the total cost of Tenant's Work.

14. Upon completion of Tenant's Work, Tenant shall provide Landlord with all of the following: 1) a full set of as-built construction documents depicting the Tenant Improvements as they are actually built; (2) an affidavit of Tenant's general contractor indicating (A) Tenant's Work has been completed, (B) Tenant's Work was completed in strict accordance with the Approved Final Plans (subject to minor deviations and Landlord approved change orders), and (C) all subcontractors, laborers and material suppliers have been paid in full; (3) final unconditional lien releases from Tenant's general contractor, subcontractors, suppliers and materialmen; (4) a copy of a temporary or permanent Final Sign Off; and (5) a copy of the completion notice.

Exhibit 9  
Non-Binding Contractor Estimate

**Whatcom Ambulatory Surgery Center**

September 13, 2022

Eric Hernandez  
Program Manager  
Certificate of Need Program  
Department of Health  
111 Israel Road Southeast  
Tumwater, WA 98501

**Region: Pacific Northwest**

Re: PeaceHealth Ambulatory Surgery Center Non-Binding Estimate Letter

Dear Mr. Hernandez,

I am writing regarding the certificate of need application proposing the minor renovation of the existing Ambulatory Surgery Center at 3009 Squalicum Parkway, Bellingham, WA. I have reviewed the following items and related capital cost estimates, excluding sales tax:

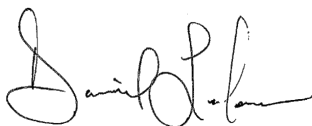
Description	Estimated Capital Expenditure
Building Construction	\$2,552,862
Moveable Equipment	\$8,397,999
Fixed Equipment (Not in building constructions and includes moveable equipment and furnishings)	\$0
Consulting Fees	\$386,478
Site Preparation	\$0
Supervision and Inspection	\$189,712
Washington Sales Tax	\$1,004,836
<b>Total</b>	<b>\$12,531,887</b>

These cost projections have been assembled by Cumming Management Group.

Please do not hesitate to contact me if you have any questions or require additional information.

Respectfully,

**CUMMING**



**Daniel Ledesma**  
Associate Director, PNW Healthcare

Exhibit 10  
Equipment List

Manufacturer: 3M Infection Prevention Division

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
WMR-4B042 4657-018	--- ---	Owner Owner	Warmer Patient, Hypothermia Warmer: Patient, Hypothermia	Bair Paws System Model 875 3M Infection Prevention Division ---	Capital ---	New Pending	02-Movable Electrical	22

Manufacturer: Abbott Point of Care Inc

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
ANA-84CA9 5361-030	--- ---	Owner Owner	Analyzer, Lab Blood Gas, Point-of-Care Analyzer, Lab: Blood Gas, Point-of-Care	I-STAT 1 Wireless Abbott Point of Care Inc ---	Capital ---	New Pending	02-Movable Electrical	2
ANA-9E665 3355-015	--- ---	Owner Owner	Analyzer, Lab Glucose, Point-of-Care Analyzer, Lab: Glucose, Point-of-Care	FreeStyle Freedom Lite Abbott Point of Care Inc ---	Capital ---	New Pending	02-Movable Electrical	1

Manufacturer: AccuVein

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
LCR-3DD12 7933-014	--- ---	Owner Owner	Locator Vein Locator: Vein	AV500 Vein Viewing System w/ HF550 Mobile Stand AccuVein ---	Capital ---	New Pending	02-Movable Electrical	1

Manufacturer: AliMed, Inc.

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
BRD-22C8E 3441-005	--- ---	Owner Owner	Board Patient Transfer Device Board: Patient Transfer Device	9-719 Standard Antistat White AliMed, Inc. ---	Capital ---	New Pending	03-Movable Non- Electrical	5



Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
BRK-BBACC 4927-028	---	Owner Contractor	Bracket Patient Transfer Device, Wall Mount Bracket: Patient Transfer Device, Wall Mount	939327 Vertical Wall Hanger (14-inch) AliMed, Inc. ---	Capital ---	New Pending	01-Fixed Equipment	5

**Manufacturer: Allied Healthcare Products - Gomco**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
ASP-F762F 3383-003	---	Owner Owner	Pump, Suction/Aspirator Gastric/Abdominal Pump, Suction/Aspirator: Gastric/Abdominal	6000 Allied Healthcare Products - Gomco ---	Capital ---	New Pending	02-Movable Electrical	1

**Manufacturer: American Time & Signal Co.**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
CLK-9DF14 3626-033	---	Owner Contractor	Clock Elapsed Time, Wall Mount Clock: Elapsed Time, Wall Mount	Digital Elapsed Time (Flush, 6 digit) American Time & Signal Co. ---	Capital ---	New Pending	01-Fixed Equipment	6

**Manufacturer: Amico Corporation**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
TOB-86891 5934-079	---	Owner Owner	Table, Overbed General Table, Overbed: General	Overbed Table Laminate (Single Top, U-Base) Amico Corporation ---	Capital ---	New Pending	03-Movable Non- Electrical	23

**Manufacturer: ARC Products, LLC (MedSled)**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
BRK-F0859 9170-009	-- --	Owner Contractor	Bracket Patient Evacuation Device Bracket: Patient Evacuation Device	Med Sled Wall Bracket Anchor (26.25 in.) ARC Products, LLC (MedSled) --	Capital --	New Pending	01-Fixed Equipment	1
EVD-A97CC 6051-004	-- --	Owner Owner	Evacuation Device Adult Evacuation Device: Adult	Med Sled - Adult ARC Products, LLC (MedSled) --	Capital --	New Pending	03-Movable Non- Electrical	1

**Manufacturer: Arjo Inc**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
LFT-9D263 3944-059	-- --	Owner Owner	Lift, Patient Battery Powered Lift, Patient: Battery Powered	Maxi 500 (4pt, DPS w/scale) Arjo Inc --	Capital --	New Pending	02-Movable Electrical	1

**Manufacturer: Armstrong Medical Industries**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
ANC-AB6E2 6003-099	-- --	Owner Owner	Cart, Anesthesia 6-drawer Cart, Anesthesia: 6- drawer	ATE-AA-6 Steel Electronic 6-Drwr (Deep Blue) Armstrong Medical Industries --	Capital --	New Pending	03-Movable Non- Electrical	6
PRC-C5073 5860-004	-- --	Owner Owner	Cart, Procedure Resuscitation, Pediatric Cart, Procedure: Resuscitation, Pediatric	PBL-PC-9A Complete A- Smart Premier Broselow Armstrong Medical Industries --	Capital --	New Pending	03-Movable Non- Electrical	1
STL-26F55 4411-022	-- --	Owner Owner	Stool Anesthetist Stool: Anesthetist	AC-975A Wide Seat (Black, w/Arms) Armstrong Medical Industries --	Capital --	New Pending	03-Movable Non- Electrical	5

**Manufacturer: B. Braun Medical Inc.**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
INF-39803 4182-027	--- ---	Owner Owner	Pump, Infusion Syringe Pump, Infusion: Syringe	Perfusor Space w/TCl Software B. Braun Medical Inc. ---	Capital ---	New Pending	02-Movable Electrical	1

**Manufacturer: Bausch & Lomb - Cataract Surgery**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
PHA-39C58 4126-009	--- ---	Owner Owner	Phacoemulsifier Ophthalmic Phacoemulsifier: Ophthalmic	Stellaris Vision Enhancement System Bausch & Lomb - Cataract Surgery ---	Capital ---	New Pending	02-Movable Electrical	1

**Manufacturer: BD - Becton, Dickinson and Company**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
DSP-0C8CD 8760-001	--- ---	Owner Contractor	Dispenser Scrub Brush Dispenser: Scrub Brush	E-Z Scrub Brush Dispenser Bracket BD - Becton, Dickinson and Company ---	Capital ---	New Pending	01-Fixed Equipment	4
MED-E533B 3708-141	--- ---	Owner Vendor	Dispenser, Medication Host (Main) Dispenser, Medication: Host (Main)	Pyxis MedStation ES (6- Drwr, 4 Cubie) BD - Becton, Dickinson and Company ---	Capital ---	New Pending	02-Movable Electrical	2
MED-98A41 6451-003	--- ---	Owner Owner	Dispenser, Medication Lock Module Dispenser, Medication: Lock Module	SMART Remote Manager BD - Becton, Dickinson and Company ---	Project ---	New Pending	02-Movable Electrical	2
INF-39A21 6643-003	--- ---	Owner Owner	Pump, Infusion Controller, Modular Pump, Infusion: Controller, Modular	Alaris PC Unit (8015) BD - Becton, Dickinson and Company ---	Capital ---	New Pending	02-Movable Electrical	7
INF-B55D1 4177-028	--- ---	Owner Owner	Pump, Infusion Single Pump, Infusion: Single	Alaris Pump Module (8100) BD - Becton, Dickinson and Company ---	Capital ---	New Pending	02-Movable Electrical	14

**Manufacturer: Bio Compression Systems, Inc.**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
CMU-BACA5 3635-030	---	Owner Owner	Compression Unit Extremity Pump, Intermittent Compression Unit: Extremity Pump, Intermittent	SC-3004-FC Sequential Circulator Fast Cycle Bio Compression Systems, Inc. ---	Capital ---	New Pending	02-Movable Electrical	5

**Manufacturer: Blickman Industries**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
TIN-89908 5913-004	---	Owner Owner	Table, Instrument 45-48 inch Table, Instrument: 45-48 inch	7845SS Blickman Industries ---	Capital ---	New Pending	03-Movable Non- Electrical	6
TIN-476F9 5914-004	---	Owner Owner	Table, Instrument 55-60 inch Table, Instrument: 55-60 inch	7836SS Blickman Industries ---	Capital ---	New Pending	03-Movable Non- Electrical	5

**Manufacturer: Bobrick Washroom Equipment, Inc.**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
DSP-07229 7052-004	---	Owner Contractor	Dispenser Sanitary Napkin Dispenser: Sanitary Napkin	B-370634C Semi- Recessed Napkin/Tampon Vendor Bobrick Washroom Equipment, Inc. ---	Capital ---	New Pending	01-Fixed Equipment	10
RCK-1419E 4198-011	---	Owner Contractor	Rack Mops / Brooms Rack: Mops / Brooms	B-239 x 34 Shelf w/Mop & Broom Holders & Hooks Bobrick Washroom Equipment, Inc. ---	Capital ---	New Pending	01-Fixed Equipment	1

**Manufacturer: Bunn-O-Matic Corporation**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
COF-16260 5425-011	--- ---	Owner Owner	Coffee Maker Pour-Over, 3-5 Warmer Coffee Maker: Pour-Over, 3-5 Warmer	VP17-3 BLK (3 Lower) Bunn-O-Matic Corporation ---	Capital ---	New Pending	02-Movable Electrical	1

**Manufacturer: Burlington Medical Supplies**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
RCK-DC489 4187-081	--- ---	Owner Contractor	Rack Apron, Wall Mount Rack: Apron, Wall Mount	WR6 (9 Aprons) Burlington Medical Supplies ---	Capital ---	New Pending	01-Fixed Equipment	1

**Manufacturer: Carl Zeiss Surgical Products Division**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
MIC-1214D 4029-012	--- ---	Owner Owner	Microscope ENT, Floor Standing Microscope: ENT, Floor Standing	OPMI Movena/S7 floor stand Carl Zeiss Surgical Products Division ---	Capital ---	New Pending	02-Movable Electrical	1

**Manufacturer: CME Corp**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
CWA-4E2E4 5316-130	--- ---	Owner Contractor	Cabinet, Warming Dual, Freestanding Cabinet, Warming: Dual, Freestanding	CMEB-BFW-D-10PT21-S-L SS LH Dr (10.21 cu.ft.) CME Corp ---	Capital ---	New Pending	02-Movable Electrical	5

**Manufacturer: Daniels Sharpmart**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
DIS-44FB9 3723-014	--- ---	Owner Contractor	Disposal, Sharps Wall Mount Disposal, Sharps: Wall Mount	S14 Regular (14.8 qt.) w/Locking Wall Bracket (RH) Daniels Sharpsmart ---	Capital ---	New Pending	01-Fixed Equipment	31

**Manufacturer: DRE Medical**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
ANE-52BEE 7100-001	--- ---	Owner Owner	Anesthesia Machine Wall Mount Anesthesia Machine: Wall Mount	Integra SP VS02 DRE Medical ---	Capital ---	New Pending	01-Fixed Equipment	5

**Manufacturer: Drive DeVilbiss Healthcare**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
ASP-A39FF 3374-005	--- ---	Owner Owner	Pump, Suction/Aspirator General, Portable Pump, Suction/Aspirator: General, Portable	7305P-D Vacu-Aide Suction Unit Drive DeVilbiss Healthcare ---	Capital ---	New Pending	02-Movable Electrical	3
WCR-A2250 4721-019	--- ---	Owner Owner	Wheelchair Pediatric Wheelchair: Pediatric	Wallaby Pediatric Wheelchair (14 in.) Drive DeVilbiss Healthcare ---	Capital ---	New Pending	03-Movable Non- Electrical	2

**Manufacturer: Ecolab Healthcare North America**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
DSP-C7C94 3714-044	--- ---	Owner Contractor	Dispenser Cleaning Solution Dispenser: Cleaning Solution	Oasis Pro Ultra 1 Ecolab Healthcare North America ---	Capital ---	New Pending	01-Fixed Equipment	1

**Manufacturer: Follett LLC**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
FRZ-2FD53 9587-004	--- ---	Owner Owner	Freezer Medical Grade, Undercounter Freezer: Medical Grade, Undercounter	Medical-Grade Freezer FZR4P-T Follett LLC ---	Capital ---	New Pending	02-Movable Electrical	1
ICE-D2F63 4817-058	--- ---	Owner Contractor	Ice Machine Dispenser, Nugget, Countertop Ice Machine: Dispenser, Nugget, Countertop	Symphony Plus 12 Cl Series w/ Chewblet Ice Follett LLC ---	Capital ---	New Pending	01-Fixed Equipment	2
REF-023C8 9589-006	--- ---	Owner Owner	Refrigerator Medical Grade, Undercounter Refrigerator: Medical Grade, Undercounter	Medical-Grade Refrigerator REF4P-T Follett LLC ---	Capital ---	New Pending	02-Movable Electrical	3
WTR-4C919 7277-001	--- ---	Owner Contractor	Water Treatment System Ice Maker, Wall Mount Water Treatment System: Ice Maker, Wall Mount	Standard Capacity Filter System 00130229 Follett LLC ---	Capital ---	New Pending	01-Fixed Equipment	2

**Manufacturer: FUJIFILM SonoSite, Inc**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
ULT-264B4 5257-065	--- ---	Owner Owner	Ultrasound, Imaging Multipurpose, Portable Ultrasound, Imaging: Multipurpose, Portable	X-Porte Ultrasound System-MED ED Program FUJIFILM SonoSite, Inc ---	Capital ---	New Pending	02-Movable Electrical	2

**Manufacturer: GCX Corporation**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
BRK-E069A 3446-139	--- ---	Owner Contractor	Bracket Monitor, Wall Bracket: Monitor, Wall	19 in. Seismic Channel w/ VHM-P (for VS30) GCX Corporation ---	Capital ---	New Pending	01-Fixed Equipment	35

**Manufacturer: GE Appliances**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
DSH-6DA7B 3704-051	---	Owner Contractor	Dishwasher Domestic, Undercounter Dishwasher: Domestic, Undercounter	Built-In Dishwasher, Front Controls, Stainless GE Appliances ---	Capital ---	New Pending	01-Fixed Equipment	1
OVN-E1C4E 7091-024	---	Owner Contractor	Oven Domestic, Microwave, Undercabinet, Vented Oven: Domestic, Microwave, Undercabinet, Vented	1.6 cu.ft. Over-The- Range Microwave GE Appliances ---	Capital ---	New Pending	01-Fixed Equipment	2

**Manufacturer: GE Healthcare - Anesthesia Delivery**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
ANE-FAA0D 3370-037	---	Owner Vendor	Anesthesia Machine General Anesthesia Machine: General	Aestiva/5 7900 2 VAP w/Art Absorber GE Healthcare - Anesthesia Delivery ---	Capital ---	New Pending	02-Movable Electrical	7

**Manufacturer: GE Healthcare - Surgery**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
CRM-F3FD3 4740-021	---	Owner Vendor	X-Ray Unit, C-Arm Mini X-Ray Unit, C-Arm: Mini	OEC Elite MiniView OP system GE Healthcare - Surgery ---	Capital ---	New Pending	02-Movable Electrical	1

**Manufacturer: Georgia Pacific**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
DSP-211D9 6084-090	---	Owner Contractor	Dispenser Paper Towel, Surface Mount Dispenser: Paper Towel, Surface Mount	enMotion 10" Automated Touchless (Black) Georgia Pacific ---	Capital ---	New Pending	01-Fixed Equipment	30



Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
DSP-PCD74 6086-009	---	Owner Contractor	Dispenser Toilet Seat Cover Dispenser: Toilet Seat Cover	Safe-T-Gard 1/2 Fold (Black) Georgia Pacific ---	Capital ---	New Pending	01-Fixed Equipment	13

**Manufacturer: Getinge Group - Getinge Infection Control**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
SLR-951AE 4285-018	---	Owner Owner	Sealer Heat, Packaging Sealer: Heat, Packaging	ProSeal Plus Rotary Sealer Getinge Group - Getinge Infection Control ---	Capital ---	New Pending	02-Movable Electrical	2

**Manufacturer: GOJO Industries**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
DSP-08692 5869-096	---	Owner Contractor	Dispenser Hand Sanitizer, Wall Mount Dispenser: Hand Sanitizer, Wall Mount	Purell ES6 Hand Sanitizer GOJO Industries ---	Capital ---	New Pending	01-Fixed Equipment	54

**Manufacturer: Grainger**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
WST-82DE5 4687-069	---	Owner Owner	Waste Can Bio-Hazardous Waste Can: Bio- Hazardous	Tough Guy 6GAJ6 (8 gal. Red) Grainger ---	Capital ---	New Pending	03-Movable Non- Electrical	40
WST-AB0DF 4687-092	---	Owner Owner	Waste Can Bio-Hazardous Waste Can: Bio- Hazardous	Tough Guy 18 Gal. Step- On, Red Grainger ---	Capital ---	New Pending	03-Movable Non- Electrical	2

**Manufacturer: Halyard Health**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
STM-7F934 4406-022	-- --	Owner Owner	Stimulator Peripheral Nerve Stimulator: Peripheral Nerve	Ministim MS-IVB Halyard Health --	Capital --	New Pending	03-Movable Non- Electrical	6

**Manufacturer: Herman Miller, Inc.**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
PRC-BBD58 5863-886	-- --	Owner Owner	Cart, Procedure General Cart, Procedure: General	36 in High Procedure Cart With Security Herman Miller, Inc. --	Capital --	New Pending	03-Movable Non- Electrical	26

**Manufacturer: Hillrom - Bed & Stretcher Group**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
BED-E79FD 3417-185	-- --	Owner Owner	Bed Electric Bed: Electric	CentrellaTM Smart+ Bed P7900 Hillrom - Bed & Stretcher Group --	Capital --	New Pending	02-Movable Electrical	4

**Manufacturer: Hillrom - Welch Allyn, Inc.**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
MON-5F525 4071-089	-- --	Owner Owner	Monitor, Physiologic Vital Signs, w/Stand Monitor, Physiologic: Vital Signs, w/Stand	Connex 6800 Wireless (NIBP, Masimo, SureTemp) Hillrom - Welch Allyn, Inc. --	Capital --	New Pending	02-Movable Electrical	1

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
MON-CF63E 4071-090	--- ---	Owner Owner	Monitor, Physiologic Vital Signs, w/Stand Monitor, Physiologic: Vital Signs, w/Stand	Connex 6800 Wireless (NIBP, Masimo, SureTemp) Hillrom - Welch Allyn, Inc. ---	Capital ---	New Pending	02-Movable Electrical	5
OPH-55D69 4090-019	--- ---	Owner Owner	Oto/Ophthalmoscope Set Desktop Oto/Ophthalmoscope Set: Desktop	71811-MP Universal Desk Charger Set Hillrom - Welch Allyn, Inc. ---	Capital ---	New Pending	02-Movable Electrical	1
THM-F4981 5485-016	--- ---	Owner Contractor	Thermometer Digital, Wall Mount Thermometer: Digital, Wall Mount	SureTemp Plus 692 [01692-301] Hillrom - Welch Allyn, Inc. ---	Capital ---	New Pending	01-Fixed Equipment	19

**Manufacturer: Hologic, Inc. - Surgical and Diagnostic**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
FMS-0461B 3807-008	--- ---	Owner Owner	Fluid Management System Hysteroscopic Fluid Management System: Hysteroscopic	Fluent Fluid Management System Hologic, Inc. - Surgical and Diagnostic ---	Capital ---	New Pending	02-Movable Electrical	1
MOR-25E57 7528-005	--- ---	Owner Owner	Morcellator Tissue Morcellator: Tissue	MyoSure Tissue Removal System Control Unit Hologic, Inc. - Surgical and Diagnostic ---	Capital ---	New Pending	02-Movable Electrical	1

**Manufacturer: InterMetro Industries Corp**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
PRC-1B87A 8075-003	--- ---	Owner Owner	Cart, Procedure Difficult Airway Cart, Procedure: Difficult Airway	Starsys Difficult Airway SXRSDIFAIR InterMetro Industries Corp ---	Capital ---	New Pending	02-Movable Electrical	2

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
PRC-1A759 5859-088	---	Owner Owner	Cart, Procedure Resuscitation Cart, Procedure: Resuscitation	Lifeline LECP13000 InterMetro Industries Corp ---	Capital ---	New Pending	03-Movable Non- Electrical	3
SPC-DB5E3 6014-057	---	Owner Owner	Cart, Supply Chrome, 36 inch Cart, Supply: Chrome, 36 inch	Super Adjustable Super Erecta 36x18x69 (4-Tier) InterMetro Industries Corp ---	Capital ---	New Pending	03-Movable Non- Electrical	2
SPC-E8C9C 6016-023	---	Owner Owner	Cart, Supply Chrome, 60 inch Cart, Supply: Chrome, 60 inch	Super Adjustable Super Erecta A566EC (60x24x68) InterMetro Industries Corp ---	Capital ---	New Pending	03-Movable Non- Electrical	40
SPC-8E8FB 5843-049	---	Owner Owner	Cart, Supply Linen, 60 inch Cart, Supply: Linen, 60 inch	Super Erecta w/Cover (24"x60") InterMetro Industries Corp ---	Capital ---	New Pending	03-Movable Non- Electrical	6
SPC-995CB 4200-007	---	Owner Owner	Cart, Supply Sterile Wrap Cart, Supply: Sterile Wrap	SWR556DC InterMetro Industries Corp ---	Capital ---	New Pending	03-Movable Non- Electrical	1
SHL-37D0C 4298-084	---	Owner Owner	Shelving Wire, Chrome, 48 inch Shelving: Wire, Chrome, 48 inch	A356C InterMetro Industries Corp ---	Capital ---	New Pending	03-Movable Non- Electrical	2

**Manufacturer: Iridex Corp.**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
LAS-3D13E 6776-020	---	Owner Owner	Laser Ophthalmic, Diode Laser: Ophthalmic, Diode	IQ 810 Iridex Corp. ---	Capital ---	New Pending	02-Movable Electrical	1

**Manufacturer: John Boos**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
SHF-0FCC9 5872-067	---	Owner Contractor	Shelf Wall Mount Shelf: Wall Mount	BHS1660-16/304 John Boos ---	Capital ---	New Pending	01-Fixed Equipment	4

**Manufacturer: Keurig Green Mountain**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
COF-8A058 9481-022	--- ---	Owner Owner	Coffee Maker Single Cup, Pour Over Coffee Maker: Single Cup, Pour Over	K-1500 Single-Serve Commercial Coffee Maker Keurig Green Mountain ---	Capital ---	New Pending	02-Movable Electrical	1

**Manufacturer: Koven Technology, Inc.**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
DOP-4A024 6146-002	--- ---	Owner Owner	Doppler Surgical Doppler: Surgical	HD-307 Surgical Doppler Koven Technology, Inc. ---	Capital ---	New Pending	02-Movable Electrical	1

**Manufacturer: Lakeside Manufacturing, Inc.**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
UTC-BFC59 5835-001	--- ---	Owner Owner	Cart, Utility Stainless Cart, Utility: Stainless	311 (3 Shelf, Standard Duty) Lakeside Manufacturing, Inc. ---	Capital ---	New Pending	03-Movable Non- Electrical	3

**Manufacturer: Luxor Corporation**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
MIC-C72D8 4031-034	--- ---	Owner Owner	Microscope Operating, Ophthalmic, Floor Standing Microscope: Operating, Ophthalmic, Floor Standing	LuxOR Revalia Ophthalmic Microscope [Lx3] Luxor Corporation ---	Capital ---	New Pending	02-Movable Electrical	1

**Manufacturer: MarketLab, Inc**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
DSP-4B204 7805-004	---	Owner Contractor	Dispenser Emesis Bag, Wall Mount Dispenser: Emesis Bag, Wall Mount	ML15064 Top-Loading MarketLab, Inc ---	Capital ---	New Pending	01-Fixed Equipment	27

**Manufacturer: Medline Industries Inc.**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
CPP-E611F 7365-009	---	Owner Owner	Clipper Surgical Clipper: Surgical	Surgical Clippers DYND70800 Medline Industries Inc. ---	Capital ---	New Pending	02-Movable Electrical	5
IVS-69021 4360-175	---	Owner Owner	Stand, IV Stainless Steel Stand, IV: Stainless Steel	MPH08IV5LP Medline Industries Inc. ---	Capital ---	New Pending	03-Movable Non- Electrical	32

**Manufacturer: Medtronic - Covidien Advanced Energy**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
ESU-8F9D8 4837-004	---	Owner Owner	Electrosurgical Unit Argon Beam Electrosurgical Unit: Argon Beam	Valleylab Argon Gas Delivery System 2 Medtronic - Covidien Advanced Energy ---	Capital ---	New Pending	02-Movable Electrical	1
ESU-446EE 4824-059	---	Owner Owner	Electrosurgical Unit Bipolar/Monopolar Electrosurgical Unit: Bipolar/Monopolar	ForceTriad Energy Platform (w/Cart) Medtronic - Covidien Advanced Energy ---	Capital ---	New Pending	02-Movable Electrical	5

**Manufacturer: Medtronic - Covidien Kendall Products**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
DIS-30975 7109-006	---	Owner Owner	Disposal, Sharps Floor Cart, Pharmacy Disposal, Sharps: Floor Cart, Pharmacy	SharpsCart 8992H w/PharmaSafety 8851 Medtronic - Covidien Kendall Products ---	Capital ---	New Pending	03-Movable Non- Electrical	5

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
DIS-BC9F8 7108-006	--- ---	Owner Contractor	Disposal, Sharps Wall Mount, Pharmacy Disposal, Sharps: Wall Mount, Pharmacy	8602U w/8963 Bracket (2 gal UPW) Medtronic - Covidien Kendall Products ---	Project ---	New Pending	01-Fixed Equipment	1

**Manufacturer: Meese, Inc.**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
CTK-AFC42 3581-035	--- ---	Owner Owner	Cart / Truck Linen, Bulk Cart / Truck: Linen, Bulk	72P Bulk-Trux (48 cu.ft.) Meese, Inc. ---	Capital ---	New Pending	03-Movable Non- Electrical	2

**Manufacturer: Midmark Corporation**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
STL-2FD68 4421-034	--- ---	Owner Owner	Stool Exam, w/Backrest Stool: Exam, w/Backrest	Ritter 271 Value Series Midmark Corporation ---	Capital ---	New Pending	03-Movable Non- Electrical	6
STL-143DF 4424-030	--- ---	Owner Owner	Stool Surgeon Stool: Surgeon	Ritter 278 Air Lift Surgeon Stool (Foot Operated) Midmark Corporation ---	Capital ---	New Pending	03-Movable Non- Electrical	5

**Manufacturer: Mizuho OSI**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
TBS-9506C 5946-013	--- ---	Owner Owner	Table, Surgical Orthopedic Table, Surgical: Orthopedic	Orthopedic Trauma w/ Modular Base (5855/5803) Mizuho OSI ---	Capital ---	New Pending	02-Movable Electrical	1
TBS-8A118 6317-004	--- ---	Owner Owner	Table, Surgical Spinal Table, Surgical: Spinal	Axis Jackson System Mizuho OSI ---	Capital ---	New Pending	02-Movable Electrical	1

**Manufacturer: Ohio Medical Corp**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
FLW-3F119 3806-005	---	Owner Owner	Flowmeter Air Flowmeter: Air	7706-1264-921 Ohio Medical Corp ---	Capital ---	New Pending	03-Movable Non- Electrical	38
FLW-A29E8 3804-046	---	Owner Owner	Flowmeter Oxygen, Low-flow Flowmeter: Oxygen, Low-flow	FM-03UO-D1HXX-S Ohio Medical Corp ---	Capital ---	New Pending	03-Movable Non- Electrical	42
REG-88433 4248-313	---	Owner Owner	Regulator Suction, Intermittent/Continuous Regulator: Suction, Intermittent/Continuous	8701-L271-901 Ohio Medical Corp ---	Capital ---	New Pending	03-Movable Non- Electrical	4
REG-88433 4248-313	---	Owner Owner	Regulator Suction, Intermittent/Continuous Regulator: Suction, Intermittent/Continuous	8701-L271-901 Ohio Medical Corp ---	Capital ---	New Pending	03-Movable Non- Electrical	38

**Manufacturer: Pedigo Products, Inc**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
BUK-F46EA 3451-001	---	Owner Owner	Bucket Kick Bucket: Kick	P-1020-SS Pedigo Products, Inc ---	Capital ---	New Pending	03-Movable Non- Electrical	10
CSC-1AEE0 5833-021	---	Owner Owner	Cart, Case Open Cart, Case: Open	CDS-262-C (Tall, Complete) Pedigo Products, Inc ---	Capital ---	New Pending	03-Movable Non- Electrical	12
HAM-CFB06 3836-010	---	Owner Owner	Hamper Linen Hamper: Linen	P-1120-L-SS Pedigo Products, Inc ---	Capital ---	New Pending	03-Movable Non- Electrical	25
SBS-D0B31 5795-004	---	Owner Owner	Stand, Basin Single Stand, Basin: Single	P-1078-SS Pedigo Products, Inc ---	Capital ---	New Pending	03-Movable Non- Electrical	5
MAY-3E9E9 6262-007	---	Owner Owner	Stand, Mayo Thumb-Operated Stand, Mayo: Thumb- Operated	P-1069-A-SS (16x21 tray) Pedigo Products, Inc ---	Capital ---	New Pending	03-Movable Non- Electrical	6
STL-2C1F7 5002-001	---	Owner Owner	Stool Step, Stackable Stool: Step, Stackable	P-1015 Pedigo Products, Inc ---	Capital ---	New Pending	03-Movable Non- Electrical	6

**Manufacturer: Philips Healthcare - Cardiology**



Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
ECG-241AD 3768-021	--- ---	Owner Owner	Electrocardiograph (ECG) Interpretive Electrocardiograph (ECG): Interpretive	PageWriter Touch w/Cart Philips Healthcare - Cardiology ---	Capital ---	New Pending	02-Movable Electrical	1

**Manufacturer: Philips Healthcare - Imaging Systems**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
XRY-0415E 6810-010	--- ---	Owner Vendor	X-Ray Unit Mobile, Digital X-Ray Unit: Mobile, Digital	MobileDiagnost wDR Philips Healthcare - Imaging Systems ---	Capital ---	New Pending	02-Movable Electrical	1
CRM-3CABC 4741-075	--- ---	Owner Vendor	X-Ray Unit, C-Arm Mobile X-Ray Unit, C-Arm: Mobile	Zenition 70 w/ 26 x 26 cm Flat Detector Philips Healthcare - Imaging Systems ---	Capital ---	New Pending	02-Movable Electrical	1

**Manufacturer: Philips Healthcare - Monitoring Systems**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
MON-1A200 4076-235	--- ---	Owner Owner	Monitor, Physiologic Bedside Monitor, Physiologic: Bedside	IntelliVue MX450 (4-Wave) Philips Healthcare - Monitoring Systems ---	Capital ---	New Pending	02-Movable Electrical	30
MON-8060C 4076-090	--- ---	Owner Owner	Monitor, Physiologic Bedside Monitor, Physiologic: Bedside	Intellivue MX800 Philips Healthcare - Monitoring Systems ---	Capital ---	New Pending	02-Movable Electrical	6

**Manufacturer: Primex, Inc**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
CLK-A6C9A 5704-074	---	Owner Contractor	Clock Analog, Synchronized, Wireless Clock: Analog, Synchronized, Wireless	Smart-Sync Bluetooth 12.5" Black Traditional Primex, Inc ---	Capital ---	New Pending	01-Fixed Equipment	14
CLK-0A08C 6978-065	---	Owner Contractor	Clock Digital, Synchronized, Wireless Clock: Digital, Synchronized, Wireless	Smart-Sync Bluetooth Levo Flush (2.5", 6-Digit) Primex, Inc ---	Capital ---	New Pending	01-Fixed Equipment	2

### Manufacturer: Roche Diagnostics Corporation

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
MNR-C3EEB 6403-023	---	Owner Owner	Monitor Blood Glucose, Point-of- Care Monitor: Blood Glucose, Point-of-Care	ACCU-CHEK Inform II Meter Roche Diagnostics Corporation ---	Capital ---	New Pending	02-Movable Electrical	2

### Manufacturer: Rubbermaid Commercial Products

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
BUK-95837 3450-015	---	Owner Owner	Bucket Mopping Bucket: Mopping	HYGEN Microfiber Charging Bucket Rubbermaid Commercial Products ---	Capital ---	New Pending	03-Movable Non- Electrical	1
HSK-D62EF 5845-009	---	Owner Owner	Cart, Housekeeping Polymer Cart, Housekeeping: Polymer	High-Security Janitorial Cleaning Cart [9T75] Rubbermaid Commercial Products ---	Capital ---	New Pending	03-Movable Non- Electrical	1
UTC-666CC 5836-093	---	Owner Owner	Cart, Utility Polymer Cart, Utility: Polymer	4520-89 Heavy Duty 2- Shelf (Medium, Black) Rubbermaid Commercial Products ---	Capital ---	New Pending	03-Movable Non- Electrical	3
WST-9DF14 5407-019	---	Owner Owner	Waste Can 20-31 Gallon Waste Can: 20-31 Gallon	FG354060 Slim Jim (23 Gal./Gray) Rubbermaid Commercial Products ---	Capital ---	New Pending	03-Movable Non- Electrical	16

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
WST-A2242 4690-002	---	Owner Owner	Waste Can 32-40 Gallon Waste Can: 32-40 Gallon	2632 BRUTE Gray w/2631 Lid & 2640 Dolly Rubbermaid Commercial Products	Capital ---	New Pending	03-Movable Non- Electrical	1
WST-08DC7 7531-004	---	Owner Owner	Waste Can Confidential Waste Can: Confidential	Slim Jim 23 Gal/Gray Base/Lid Combo Rubbermaid Commercial Products	Capital ---	New Pending	03-Movable Non- Electrical	1
WST-20B64 4688-004	---	Owner Owner	Waste Can Open Top Waste Can: Open Top	2543 Fire Resistant Beige 28 qt Rubbermaid Commercial Products	Capital ---	New Pending	03-Movable Non- Electrical	44
WST-58680 4920-071	---	Owner Owner	Waste Can Step-On Waste Can: Step-On	1883552 Slim Jim Resin Front Step 24 Gal Beige Rubbermaid Commercial Products	Capital ---	New Pending	03-Movable Non- Electrical	15

**Manufacturer: SCA Tissue North America**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
DSP-D6646 6391-063	---	Owner Contractor	Dispenser Toilet Paper, Surface Mount Dispenser: Toilet Paper, Surface Mount	Tork Twin Mini Jumbo SCA Tissue North America	Capital ---	New Pending	01-Fixed Equipment	15

**Manufacturer: Shred-it, Inc.**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
BIN-5E9A0 5473-001	---	Owner Vendor	Bin Shredding, Secure Bin: Shredding, Secure	Standard Front Load Shred-it, Inc.	Capital ---	New Pending	03-Movable Non- Electrical	1

**Manufacturer: Smith & Nephew Endoscopy**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
PRC-15D6D 5852-009	--- ---	Owner Owner	Cart, Procedure ENT Cart, Procedure: ENT	ENT Coblation System Cart Smith & Nephew Endoscopy ---	Capital ---	New Pending	03-Movable Non- Electrical	1
ESU-26359 5888-002	--- ---	Owner Owner	Electrosurgical Unit Coblation Electrosurgical Unit: Coblation	Coblator II (EC8000-01) Smith & Nephew Endoscopy ---	Capital ---	New Pending	02-Movable Electrical	1

**Manufacturer: Smiths Medical**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
WMR-9854C 4658-004	--- ---	Owner Owner	Warmer Fluid/ Blood, Portable Warmer: Fluid/ Blood, Portable	Hotline HL-90 Smiths Medical ---	Capital ---	New Pending	02-Movable Electrical	5

**Manufacturer: Southwest Solutions Group, Inc.**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
RCK-C6832 4193-010	--- ---	Owner Contractor	Rack Crutch/Cane/Walker Rack: Crutch/Cane/Walker	Folding Rollator Storage Racks Southwest Solutions Group, Inc. ---	Capital ---	New Pending	01-Fixed Equipment	1

**Manufacturer: STAXI Corporation Ltd.**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
WCR-1EC80 7374-003	--- ---	Owner Owner	Wheelchair Adult, Transport Wheelchair: Adult, Transport	MAX Bariatric Chair [ST310-L-C] STAXI Corporation Ltd. ---	Capital ---	New Pending	03-Movable Non- Electrical	4
WCR-434B5 7374-012	--- ---	Owner Owner	Wheelchair Adult, Transport Wheelchair: Adult, Transport	Ranger Chair w/ Cushion [RA010-C] STAXI Corporation Ltd. ---	Capital ---	New Pending	03-Movable Non- Electrical	4

**Manufacturer: Stericycle**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
WDS-B9607 9872-001	--- ---	Owner Contractor	Waste Disposal Pharmaceutical, Secure, Wall Waste Disposal: Pharmaceutical, Secure, Wall	CsRx w/ Locking Bracket (1 gal.) Stericycle ---	Project ---	New Pending	01-Fixed Equipment	1

**Manufacturer: STERIS Corporation - Healthcare**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
EQC-B3FB3 7131-009	--- ---	Owner Owner	Cart, Equipment Surgical Table Accessories Cart, Equipment: Surgical Table Accessories	Shoulder Table Accessory Cart STERIS Corporation - Healthcare ---	Capital ---	New Pending	03-Movable Non- Electrical	1
WSC-11E41 7114-027	--- ---	Owner Owner	Cart, Sterilizer Transfer Carriage Cart, Sterilizer: Transfer Carriage	Amsco 400 Transfer Carriage (26 x 37.5 x 36 inch) STERIS Corporation - Healthcare ---	Existing ---	Existing Pending	03-Movable Non- Electrical	2
DEC-2EE24 8741-015	--- ---	Owner Owner	Cart, Washer/Disinfector Transfer Cart, Washer/Disinfector: Transfer	Self Docking Transfer Cart STERIS Corporation - Healthcare ---	Existing ---	Existing Pending	03-Movable Non- Electrical	4
DSP-C1F73 5868-088	--- ---	Owner Contractor	Dispenser Soap, Wall Mount Dispenser: Soap, Wall Mount	SDS Dispenser with Standard Wall Plate STERIS Corporation - Healthcare ---	Capital ---	New Pending	01-Fixed Equipment	30
PTH-6AB6B 6254-007	--- ---	Owner Contractor	Pass-thru Window Pass-thru: Window	Pass-Thru (Window, Doors & Counter) STERIS Corporation - Healthcare ---	Existing ---	Existing Pending	01-Fixed Equipment	1
RAL-A26A4 8848-001	--- ---	Owner Contractor	Rail System Storage, Detergent Container Rail System: Storage, Detergent Container	Prolystica Acu-Hold System (3-Bottle Bracket) STERIS Corporation - Healthcare ---	Existing ---	Existing Pending	01-Fixed Equipment	2
STE-5CC80 4389-012	--- ---	Owner Owner	Sterilizer Low Temperature Sterilizer: Low Temperature	Amsco V-Pro 1 Plus (Cabinet) STERIS Corporation - Healthcare ---	Existing ---	Existing Pending	02-Movable Electrical	1

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
STE-CFCBC 6480-063	---	Owner Contractor	Sterilizer Steam (Electric), Cabinet Sterilizer: Steam (Electric), Cabinet	Amsco 600 26.5"x26.5"x39", 208V (939V-1) STERIS Corporation - Healthcare ---	Existing ---	Existing Pending	01-Fixed Equipment	2
TIN-32F33 5917-070	---	Owner Owner	Table, Instrument Assembly Table, Instrument: Assembly	AMSCO Prep & Pack Electric (PREP54) STERIS Corporation - Healthcare ---	Existing ---	Existing Pending	02-Movable Electrical	2
TBS-C948F 5944-147	---	Owner Owner	Table, Surgical Major Table, Surgical: Major	Steris 5095 General Surgical Table STERIS Corporation - Healthcare ---	Capital ---	New Pending	02-Movable Electrical	5
UCL-D7777 4566-029	---	Owner Owner	Ultrasonic Cleaner Rinser Ultrasonic Cleaner: Rinser	InnoWave Ultra Plus Sonic Irrigator STERIS Corporation - Healthcare ---	Existing ---	Existing Pending	02-Movable Electrical	2
WSR-6F8AA 5240-082	---	Owner Contractor	Washer/Disinfector Electric Washer/Disinfector: Electric	AMSCO 7052HP (480V) STERIS Corporation - Healthcare ---	Existing ---	Existing Pending	01-Fixed Equipment	2

## Manufacturer: Stryker Endoscopy

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
CAM-BE794 6815-047	---	Owner Owner	Camera Endoscopy, Control Unit Camera: Endoscopy, Control Unit	1688 Camera Control Unit Stryker Endoscopy ---	Capital ---	New Pending	02-Movable Electrical	5
CAM-E18DB 3516-070	---	Owner Owner	Camera Endoscopy, Video Camera: Endoscopy, Video	1488 HD 3 Chip Inline Camera & Coupler Stryker Endoscopy ---	Capital ---	New Pending	04-Instruments	5
PRC-63D1D 5849-094	---	Owner Owner	Cart, Procedure Endoscopy Cart, Procedure: Endoscopy	Connected OR Cart Stryker Endoscopy ---	Capital ---	New Pending	02-Movable Electrical	5
ISF-2ACEE 3910-017	---	Owner Owner	Insufflator CO2 Insufflator: CO2	PneumoSure (45L) Stryker Endoscopy ---	Capital ---	New Pending	02-Movable Electrical	5
SRC-01439 7676-015	---	Owner Owner	Light Source LED Light Source: LED	L11 LED Light Source with AIM Stryker Endoscopy ---	Capital ---	New Pending	02-Movable Electrical	5
MTR-856A8 4081-027	---	Owner Vendor	Monitor, Video 26 - 32 inch, Medical Grade Monitor, Video: 26 - 32 inch, Medical Grade	VisionPro 26" LED Stryker Endoscopy ---	Capital ---	New Pending	02-Movable Electrical	10

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
PMP-61B2F 6327-013	---	Owner Owner	Pump Irrigation, Arthroscopic Pump: Irrigation, Arthroscopic	CrossFlow Integrated Stryker Endoscopy ---	Capital ---	New Pending	02-Movable Electrical	5
SHV-F5D96 4292-008	---	Owner Owner	Shaver System Arthroscopic Shaver System: Arthroscopic	Crossfire Console Stryker Endoscopy ---	Capital ---	New Pending	02-Movable Electrical	5

### Manufacturer: Stryker Instruments

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
SAW-34A3D 7762-006	---	Owner Owner	Saw Bone, Surgical, Cordless Saw: Bone, Surgical, Cordless	System 8 Saggital Saw Stryker Instruments ---	Capital ---	New Pending	03-Movable Non- Electrical	1
TQT-464AB 4552-020	---	Owner Owner	Tourniquet System General Tourniquet System: General	SmartPump Dual Channel Stryker Instruments ---	Capital ---	New Pending	02-Movable Electrical	6
WDS-94D17 5623-025	---	Owner Owner	Waste Disposal Surgical Fluid Collection Waste Disposal: Surgical Fluid Collection	Neptune 3 Rover Stryker Instruments ---	Capital ---	New Pending	02-Movable Electrical	5
WDS-2FC2F 6610-003	---	Owner Contractor	Waste Disposal Surgical Fluid Disposal Waste Disposal: Surgical Fluid Disposal	Neptune Docking Station Stryker Instruments ---	Capital ---	New Pending	02-Movable Electrical	1

### Manufacturer: Stryker Medical

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
STR-EAEB2 4433-016	---	Owner Owner	Stretcher Crib, Pediatric Stretcher: Crib, Pediatric	Cub Pediatric Crib 190 Hydraulic Stryker Medical ---	Capital ---	New Pending	03-Movable Non- Electrical	1
STR-392EF 7313-005	---	Owner Owner	Stretcher Electric Controls Stretcher: Electric Controls	Prime with Zoom Electric 1125 Stryker Medical ---	Capital ---	New Pending	02-Movable Electrical	26

### Manufacturer: Summit Appliance

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
REF-1FEFD 4942-571	---	Owner Owner	Refrigerator Domestic with Freezer Refrigerator: Domestic with Freezer	FFBF247SSIM Summit Appliance ---	Capital ---	New Pending	02-Movable Electrical	1

**Manufacturer: ULINE**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
GLV-FB13F 6364-082	---	Owner Contractor	Dispenser, Glove Triple Box Dispenser, Glove: Triple Box	H-1648 Acrylic ULINE ---	Capital ---	New Pending	01-Fixed Equipment	47

**Manufacturer: Verathon**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
LAR-077DA 7233-010	---	Owner Owner	Laryngoscope Set Video Laryngoscope Set: Video	GlideScope AVL w/ Mobile Stand (Video 3/4) Verathon ---	Capital ---	New Pending	02-Movable Electrical	1
ULT-4D862 5672-018	---	Owner Owner	Ultrasound, Imaging Urology Ultrasound, Imaging: Urology	BladderScan Prime w/Mobile Cart Verathon ---	Capital ---	New Pending	02-Movable Electrical	5

**Manufacturer: W.T. Farley**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
CYL-1D754 6035-004	---	Owner Owner	Cart, Cylinder D&E, Single Cart, Cylinder: D&E, Single	CR-HC100 Deluxe Oxygen W.T. Farley ---	Capital ---	New Pending	03-Movable Non- Electrical	3



Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
RCK-3D3F2 4194-052	--- ---	Owner Owner	Rack Cylinder, Floor Rack: Cylinder, Floor	MRI-ES106A MRI Compatible 6 E Cylinder Rack W.T. Farley ---	Capital ---	New Pending	03-Movable Non- Electrical	3

**Manufacturer: Winco - Transmotion**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
STR-A746A 5082-011	--- ---	Owner Owner	Stretcher Procedure, EYE/ ENT, Chair Stretcher: Procedure, EYE/ ENT, Chair	TMM5 PLUS-XWTB Surgical Stretcher-Chair Winco - Transmotion ---	Capital ---	New Pending	02-Movable Electrical	6

**Manufacturer: Wolf X-Ray Corporation**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
APR-B926F 3372-035	--- ---	Owner Owner	Apron Lead Apron: Lead	65023 Easywrap Large Wolf X-Ray Corporation ---	Capital ---	New Pending	03-Movable Non- Electrical	6
SHD-C14F5 4312-021	--- ---	Owner Owner	Shield Thyroid, Lead Shield: Thyroid, Lead	Thyroid Shield 75070 Wolf X-Ray Corporation ---	Capital ---	New Pending	03-Movable Non- Electrical	6

**Manufacturer: Zoll Medical Corporation**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
DFB-327B2 3678-072	--- ---	Owner Owner	Defibrillator Monitor, w/Pacing Defibrillator: Monitor, w/Pacing	R Series Plus Defibrillator Zoll Medical Corporation ---	Capital ---	New Pending	02-Movable Electrical	3

**Manufacturer: Unassigned**

Atta3 ID Atta ID	Alt ID Alt ID Scope	Furnish Resp Install Resp	Category Subcat Description	Model Mfr Vendor	Funding Src Budget	Status Stage	Arch Code	Ext Item Qty
HDL-80A5E 7399-000	---	Owner Owner	Headlight LED Headlight: LED	---	Capital ---	New Pending	02-Movable Electrical	5
INS-A1274 9430-000	---	Owner Owner	Instruments Surgical, General Surgery Instruments: Surgical, General Surgery	---	Capital ---	New Pending	04-Instruments	5
LIG-F39C2 3960-000	---	Owner Contractor	Light, Exam/Procedure Single, Ceiling Light, Exam/Procedure: Single, Ceiling	---	Existing ---	Existing Pending	01-Fixed Equipment	1
LTS-ECD21 5885-000	---	Owner Vendor	Light, Surgical Dual, Ceiling, w/Monitor Arm Light, Surgical: Dual, Ceiling, w/Monitor Arm	---	Existing ---	Existing Pending	01-Fixed Equipment	5
MNR-50EC8 7569-000	---	Owner Owner	Monitor Fluid, Irrigation Monitor: Fluid, Irrigation	---	Capital ---	New Pending	02-Movable Electrical	1
REF-000F8 4942-000	---	Owner Owner	Refrigerator Domestic with Freezer Refrigerator: Domestic with Freezer	---	Capital ---	New Pending	02-Movable Electrical	3
VAC-28A91 4581-000	---	Owner Owner	Vacuum Upright Vacuum: Upright	---	Capital ---	New Pending	02-Movable Electrical	1

Project Item Total:

Exhibit 11  
Financial Commitment Letter

September 12, 2022

Eric Hernandez, Program  
Manager Certificate of Need  
Program Department of Health  
111 Israel Road Southeast  
Tumwater, WA 98501

Dear Mr. Hernandez,

I am writing to confirm that PeaceHealth has committed to utilizing reserves to fund the start-up costs and capital expenditure related to the establishment of PeaceHealth ASC Bellingham, LLC.

The audited financial statements submitted with the application demonstrate that reserves are sufficiently available for this project.

Please do not hesitate to contact me if you have any questions or require further information.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Montalvo", with a horizontal line extending to the right.

Darrin Montalvo  
PeaceHealth – EVP Chief Financial – Growth Officer

Exhibit 12  
PeaceHealth Facility Information

### PeaceHealth Hospital Facility Information

Name	Address	Medicare Provider Number	Medicaid Provider Number	Owned or Managed	State Licensing Survey Responsible Party
<b>PeaceHealth Ketchikan Medical Center</b>	3100 Tongass Avenue, Ketchikan, AK 99901	021311	HS041IP HS040P	Lease Agreement	Brenda Vincent, Health Facilities Licensing & Certification Manager 4501 Business Park Blvd, Bldg. L, Anchorage, Alaska 99503-7167 Phone: (907) 334-2652
<b>PeaceHealth St. John Medical Center</b>	1615 Delaware Street, Longview, WA 98632	50-0041	3304508	Owned	Elizabeth Gordon, RN, MN Manager, Hospital Survey Team Department of Health, HSQA Office of Investigation & Inspection PO Box 47874 Olympia, WA 98504-7874 360-236-2925
<b>PeaceHealth St. Joseph Medical Center</b>	2901 Squalicum Parkway Bellingham, WA 98225-1898	50-0030	3308905	Owned	Elizabeth Gordon, RN, MN
<b>PeaceHealth Peace Island Medical Center</b>	1049 San Juan Valley Road Friday Harbor, WA 98250	NA	NA	Owned	Elizabeth Gordon, RN, MN
<b>PeaceHealth Southwest Medical Center</b>	400 N.E. Mother Joseph Place Vancouver, WA 98664	50-0050	3200292	Owned	Elizabeth Gordon, RN, MN
<b>PeaceHealth Cottage Grove Community Hospital</b>	1515 Village Drive Cottage Grove, OR 97424	38-1301	237519	Owned	Dana Selover, MD, MPH Health Care Regulation Program 800 NE Oregon Street, Suite 465 Portland, OR 97232 971-673-0540
<b>PeaceHealth Peace Harbor Hospital</b>	400 Ninth Street Florence, OR 97439	38-1316	000195	Owned	Dana Selover, MD, MPH
<b>PeaceHealth Sacred Heart Medical Center at Riverbend</b>	3333 Riverbend Drive Springfield, OR 97477	38-0033	276221	Owned	Dana Selover, MD, MPH
<b>PeaceHealth Sacred Heart Medical Center University District</b>	1255 Hilyard Street Eugene, OR 97401	38-0033	192500	Owned	Dana Selover, MD, MPH
<b>PeaceHealth United Medical Center</b>	2000 Hospital Drive, Sedro-Woolley, WA 98284	50-1329 Swing Bed 50- Z329	501329	Lease Agreement	Elizabeth Gordon, RN, MN

Source: Applicant.

Exhibit 13  
Medical Director Job Description



## Job Profile

<b>JOB TITLE:</b> Medical Director, Ambulatory Surgery Center	<b>JOB CODE:</b>
<b>DEPARTMENT NAME:</b> Ambulatory Surgery	<b>DEPARTMENT #:</b>
<b>REPORTS TO:</b>	<b>FLSA STATUS:</b> Exempt

<b>JOB SUMMARY</b>
Responsible for providing professional medical direction including, but not limited to, implementing, maintaining, and refining approved quality assurance/utilization management programs; Ensure that CMS, AAAHC and all local, State and federal laws and regulations are met.

<b>STRATEGIC FUNCTIONS:</b>
1. Works with Governing Body to formulate mission, goals, and objectives of the ASC
2. Participates in the development of short-term and long-term plans in accordance with the mission, goals, and objectives of the ASC
3. Supports implementation of ASC initiatives and develops market-led improvement initiatives consistent with the mission, goals and objectives of the ASC and Governing Body
4. Participates in the promotion of the ASC to internal and external customers
5. Assists in the recruitment of new providers
<b>OPERATIONAL FUNCTIONS:</b>
6. Partners with the ASC Administrator to provide leadership and direction to the staff and providers; including a motivational environment for providers and staff to work cohesively
7. Monitors ASC utilization. Develops a culture and operation that ensures effective and efficient use of ASC resources subject to the policies, procedures, and instructions of the ASC
8. Assists the operational leadership in the development, management, marketing, budgeting and financial performance of the ASC
<b>QUALITY FUNCTIONS:</b>
9. Develops, monitors and evaluates the ongoing clinical and quality improvement ASC Key Performance Indicators
10. Collaborates with ASC Administrator and staff to periodically develop, implement, evaluate and monitor a coordinated quality performance improvement program to meet all accreditation standards
11. Ensures that a written infection control and surveillance program is in place and implemented



12. Monitors clinical performance and assures provider awareness of compliance with ASC's established standards, policies and procedures and address areas for improvement
13. Implements and oversees an on-going formal evaluation of clinical quality operational performance and provide feedback and recommendations for providers evaluations
14. Participates in development and oversight of a credentialing process to include appointment, reappointment of clinical privileges for the ASC to include professional peer review
15. Conducts quarterly Governing Body meeting
16. Performs other duties assigned

**LEADERSHIP MODEL FOR DIRECTOR**

[Click here for details.](#)

**QUALIFICATIONS**

<b>EDUCATION:</b>	<ul style="list-style-type: none"> <li>Graduate from an accredited school of medicine.</li> </ul>
<b>EXPERIENCE/TRAINING:</b>	<ul style="list-style-type: none"> <li>Experience and success in leading and facilitating groups of physicians.</li> </ul>
<b>LICENSE/CERTIFICATION</b>	<ul style="list-style-type: none"> <li>Licensure as a physician in the State of practice.</li> <li>Federal DEA number.</li> <li>Medical Staff membership and appropriate clinical privileges at the Medical Center/Clinic.</li> </ul>
<b>OTHER SKILLS:</b>	<ul style="list-style-type: none"> <li>Excellent verbal, negotiation, and written communication skills, particularly with key stakeholder groups such as physicians, other clinicians, and quality improvement staff.</li> <li>Strong customer service focus.</li> </ul>

**REGIONAL/LOCATION SPECIFIC NOTES**

*At PeaceHealth, we carry on the healing mission of Jesus Christ by promoting personal and community health, relieving pain and suffering, and treating each person in a loving and caring way. The fulfillment of this Mission is our shared purpose. It drives all that we are and all that we do. Caregivers of PeaceHealth embrace the spirit of these words and share our commitment to Exceptional Medicine and Compassionate Care and are willing to learn and grow as a member of the PeaceHealth family.*

**DISCLAIMER:**

The above information on this description has been designed to indicate the general nature and level of work performed within this job class. It is not designed to contain or be interpreted as a comprehensive inventory of all duties, responsibilities, and qualifications required of caregivers assigned to this job.

Exhibit 14  
Draft Transfer Agreement

## **PATIENT TRANSFER AGREEMENT**

1. **Parties.** The Parties to this Agreement are:

**Sending Facility**

PeaceHealth ASC Bellingham, LLC(Sending Facility)  
3009 Squalicum Parkway  
Bellingham, WA 98225.

**Receiving Facility**

PeaceHealth St. Joseph Medical Center (“PeaceHealth” or “Receiving Facility”)  
2901 Squalicum Parkway  
Bellingham, WA 98225

2. **Patient Transfer.** The parties agree that patients shall be transferred from the Sending Facility to the Receiving Facility in accordance with applicable law, including without limitation, EMTALA and HIPAA. Receiving Facility will provide the names or classifications of persons authorized to accept the transfer of patients on its behalf and shall update such information at least annually. The Sending Facility shall be responsible for obtaining the patient’s or guardian’s written informed consent to the transfer or that of the patient’s authorized representative. If such consent is not possible, the Sending Facility shall obtain certification of the need for the transfer from the attending physician or other qualified medical personnel in accord with the requirements of EMTALA. Sending Facility shall be responsible for providing or arranging for the transfer of patient’s personal effects. The patient shall be transferred and admitted to Receiving Facility as promptly as possible under the circumstances, provided that beds and other appropriate resources are available.
3. **Patient Records.** Sending Facility will send at the time of transfer, or in the case of an emergency, as soon as possible, the transfer and referral forms mutually agreed upon to provide medical and administrative information necessary to determine the appropriateness of the placement and to enable continuing care to the patient, including such information as current medical findings, diagnosis, and copies of diagnostic tests.
4. **Legal Responsibilities Between the Parties.**
- 4.1. The Receiving Facility’s responsibility for the patient’s care shall not begin until the Patient has been admitted. Sending Facility will be responsible for arranging appropriate transport and instructing transport personnel appropriately.
5. **Term and Termination.** This Agreement shall begin on September 1, 2022 or when Receiving Facility receives Washington State Department of Health approval and shall remain in effect until written notice of termination has been provided to either Party from the other.
6. **Miscellaneous Terms.**
- 6.1. This Agreement contains the entire understanding of the Parties and cannot be modified by course of dealing. All modifications or amendments to this Agreement must be in writing and signed by both parties.

6.2. The interpretation of this Agreement and the resolution of any disputes arising under it shall be governed by the laws of the State of Washington.

This Agreement is effective and executed in duplicate original as of the date of the last party to sign below.

**PEACEHEALTH ST. JOSEPH MEDICAL  
CENTER**

**PEACEHEALTH ASC BELLINGHAM,  
LLC**

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

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

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

Appendix 1  
Audited Financial Statements



**PEACEHEALTH NETWORKS**  
Consolidated Financial Statements  
June 30, 2019 and 2018  
(With Independent Auditors' Report Thereon)

## PEACEHEALTH NETWORKS

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*Emphasis of Matters*

As discussed in notes 2(u) and 3 to the consolidated financial statements, in 2019, PeaceHealth Networks adopted new accounting guidance in Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) and ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958). Our opinion is not modified with respect to these matters.

*Other Matter*

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The additional information included on pages 39 to 42 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*KPMG LLP*

Portland, Oregon  
September 27, 2019

**PEACEHEALTH NETWORKS**

Consolidated Balance Sheets

June 30, 2019 and 2018

(In thousands)

<b>Assets</b>	<b>2019</b>	<b>2018</b>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 46,885	53,467
Short-term investments	862,785	932,732
Accounts receivable, net of allowance for doubtful accounts of \$1,059 and \$86,994	360,294	336,762
Other receivables	43,699	46,651
Inventory of supplies	44,545	43,403
Prepaid expenses and other	30,520	27,053
Assets whose use is limited that are required for current liabilities	6,907	8,358
<b>Total current assets</b>	<b>1,395,635</b>	<b>1,448,426</b>
<b>Assets whose use is limited:</b>		
Cash and investments	1,336,434	1,221,259
Investments in joint ventures and other	26,881	26,143
<b>Total assets whose use is limited</b>	<b>1,363,315</b>	<b>1,247,402</b>
Less current portion	(6,907)	(8,358)
<b>Net assets whose use is limited</b>	<b>1,356,408</b>	<b>1,239,044</b>
<b>Property, plant, and equipment:</b>		
Land and improvements	142,351	141,984
Buildings, fixed equipment, and other	1,779,651	1,756,173
Moveable equipment	930,732	822,297
Construction in progress	151,440	60,034
<b>Total property, plant, and equipment</b>	<b>3,004,174</b>	<b>2,780,488</b>
Less accumulated depreciation	(1,739,782)	(1,559,368)
<b>Net property, plant, and equipment</b>	<b>1,264,392</b>	<b>1,221,120</b>
Interest in net assets of related foundations	69,338	72,375
Other assets	103,471	36,967
<b>Total assets</b>	<b>\$ 4,189,244</b>	<b>4,017,932</b>

**PEACEHEALTH NETWORKS**

Consolidated Balance Sheets

June 30, 2019 and 2018

(In thousands)

<b>Liabilities and Net Assets</b>	<b>2019</b>	<b>2018</b>
Current liabilities:		
Accounts payable	\$ 137,944	112,642
Accrued payroll, payroll taxes, and employee benefits	150,420	150,326
Accrued interest payable	4,193	4,328
Other current liabilities	40,612	34,051
Pending trades payable	17,348	77,021
Current portion of long-term debt	24,933	106,282
Total current liabilities	<u>375,450</u>	<u>484,650</u>
Other long-term liabilities	340,913	284,924
Long-term debt, net of current portion	978,886	847,397
Net assets:		
Without donor restrictions, controlling interest	2,399,852	2,301,885
Without donor restrictions, noncontrolling interest	5,229	4,569
With donor restrictions	88,914	94,507
Total net assets	<u>2,493,995</u>	<u>2,400,961</u>
Total liabilities and net assets	<u>\$ 4,189,244</u>	<u>4,017,932</u>

See accompanying notes to consolidated financial statements.

**PEACEHEALTH NETWORKS**

Consolidated Statements of Operations and Changes in Net Assets Without Donor Restrictions

Years ended June 30, 2019 and 2018

(In thousands)

	<u>2019</u>	<u>2018</u>
<b>Revenues:</b>		
Net patient service revenue	\$ 2,715,953	2,618,321
Provision for bad debts	—	(71,837)
<b>Net patient service revenue</b>	<b>2,715,953</b>	<b>2,546,484</b>
Other operating revenue	67,995	79,792
<b>Total revenues</b>	<b>2,783,948</b>	<b>2,626,276</b>
<b>Expenses:</b>		
Salaries and wages	1,348,644	1,260,688
Payroll taxes and benefits	278,294	256,526
Supplies	422,953	398,375
Purchased services	264,397	221,679
Other	246,452	227,645
Depreciation and amortization	138,672	139,069
Interest and amortization of deferred financing costs	35,196	31,898
<b>Total expenses</b>	<b>2,734,608</b>	<b>2,535,880</b>
<b>Income from operations</b>	<b>49,340</b>	<b>90,396</b>
<b>Other income (expense):</b>		
Investment return, net	103,534	93,030
Net change in interest rate swaps	(40,346)	10,219
Other	(3,924)	(1,501)
<b>Total other income</b>	<b>59,264</b>	<b>101,748</b>
<b>Excess of revenues over expenses from continued operations</b>	<b>108,604</b>	<b>192,144</b>
<b>Discontinued operations (note 14):</b>		
Gain from operations (including gain on disposal of \$0 and \$899, in 2019 and 2018, respectively)	—	4,949
<b>Total gain on discontinued operations</b>	<b>—</b>	<b>4,949</b>
<b>Excess of revenues over expenses</b>	<b>108,604</b>	<b>197,093</b>
Net assets released from restrictions for property, plant, and equipment	7,188	3,095
Change in pension liability	(15,337)	15,216
Other changes in net assets without donor restrictions	(1,828)	(1,742)
<b>Increase in net assets without donor restrictions</b>	<b>\$ 98,627</b>	<b>213,662</b>

See accompanying notes to consolidated financial statements.

**PEACEHEALTH NETWORKS**  
**Consolidated Statements of Changes in Net Assets**  
**Years ended June 30, 2019 and 2018**  
(In thousands)

	<u>Without donor restrictions</u>		<u>With donor restrictions</u>	<u>Total</u>
	<u>Controlling interest</u>	<u>Noncontrolling interest</u>		
Net assets at June 30, 2017	\$ 2,089,235	3,557	81,871	2,174,663
Excess of revenues over expenses from continued operations	191,456	688	—	192,144
Other restricted contributions	—	—	3,274	3,274
Net assets released from restrictions	3,095	—	(4,283)	(1,188)
Change in interest in net assets of related foundations	—	—	9,028	9,028
Change in pension liability	15,216	—	—	15,216
Other changes in net assets	(1,742)	—	4,617	2,875
Change in net assets before discontinued operations	208,025	688	12,636	221,349
Discontinued operations (note 14)	4,625	324	—	4,949
Change in net assets	212,650	1,012	12,636	226,298
Net assets at June 30, 2018	2,301,885	4,569	94,507	2,400,961
Excess of revenues over expenses from continued operations	107,944	660	—	108,604
Other restricted contributions	—	—	7,188	7,188
Net assets released from restrictions	7,188	—	(8,118)	(930)
Change in interest in net assets of related foundations	—	—	(3,037)	(3,037)
Change in pension liability	(15,337)	—	—	(15,337)
Other changes in net assets	(1,828)	—	(1,626)	(3,454)
Change in net assets	97,967	660	(5,593)	93,034
Net assets at June 30, 2019	\$ 2,399,852	5,229	88,914	2,493,995

See accompanying notes to consolidated financial statements.

**PEACEHEALTH NETWORKS**  
**Consolidated Statements of Cash Flows**  
**Years ended June 30, 2019 and 2018**  
(In thousands)

	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 93,034	226,298
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	138,672	139,069
(Gain) loss on sale of land held for sale and property, plant, and equipment	(1,698)	260
Provision for bad debts	—	71,837
Change in pension liability	15,337	(15,216)
Restricted contributions	(7,188)	(3,274)
Net change in unrealized losses on investments	(36,282)	(1,616)
Realized gains on investments	(24,881)	(55,508)
Valuation adjustments on swap arrangements	31,585	(21,174)
Vesting of Premier Class B units	(8,383)	(5,892)
Change in interest in net assets of related foundations	3,037	(9,028)
Equity earnings on investments, net	(537)	1,404
Loss on sale of discontinued operations	—	899
Gain on refinancing	(732)	—
Changes in operating assets and liabilities:		
Increase (decrease) in:		
Accounts receivable, net	(23,532)	(95,269)
Other assets	(69,069)	(18,756)
Increase (decrease) in:		
Accounts payable	25,302	16,155
Accrued payroll, payroll taxes, and employee benefits	94	(6,454)
Other liabilities	(44,180)	(16,367)
<b>Net cash provided by operating activities</b>	<b>90,579</b>	<b>207,368</b>
<b>Cash flows from investing activities:</b>		
Purchase of property, plant, and equipment	(181,357)	(110,995)
Proceeds from sale of land held for sale and property, plant, and equipment	2,019	96
Purchase of alternative investments	(83,569)	(204,293)
Purchases/Sales of investments, net	108,418	86,722
<b>Net cash used in investing activities</b>	<b>(154,489)</b>	<b>(228,470)</b>
<b>Cash flows from financing activities:</b>		
Principal payments on long-term debt	(525,979)	(34,462)
Proceeds from new financing	576,119	—
Proceeds from restricted contributions	7,188	3,274
<b>Net cash provided by (used in) financing activities</b>	<b>57,328</b>	<b>(31,188)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(6,582)</b>	<b>(52,290)</b>
Cash and cash equivalents at beginning of year	53,467	105,757
Cash and cash equivalents at end of year	\$ 46,885	53,467

See accompanying notes to consolidated financial statements.

## PEACEHEALTH NETWORKS

### Notes to Consolidated Financial Statements

June 30, 2019 and 2018

#### (1) Organization

##### (a) Corporate Structure

PeaceHealth Networks is a Washington not-for-profit corporation, recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code, which is the sole corporate member of PeaceHealth, which is also a Washington not-for-profit corporation, recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code, with its corporate office located in Vancouver, Washington. PeaceHealth Networks is not affiliated with the Roman Catholic Church, currently has no operations, and currently holds no financial assets in its own name; however, it is the member corporation of PeaceHealth, which is a Private Pontifical Juridic Person according to the canon law of the Roman Catholic Church, does have extensive healthcare operations and holds substantial financial assets. PeaceHealth Networks and its associated entities are collectively referred to herein as "the Corporation." PeaceHealth Networks and PeaceHealth are the only members of the Corporation's obligated group. At June 30, 2019, the following regional healthcare delivery systems and operating divisions are components of PeaceHealth:

##### Northwest Network:

- PeaceHealth Ketchikan Medical Center
- PeaceHealth St. Joseph Medical Center
- Peace Island Medical Center
- PeaceHealth United General Medical Center

##### Columbia Network:

- PeaceHealth St. John Medical Center
- PeaceHealth Southwest Medical Center

##### Oregon West Network:

- PeaceHealth Sacred Heart Medical Center at University District
- PeaceHealth Sacred Heart Medical Center at RiverBend
- PeaceHealth Cottage Grove Community Medical Center
- PeaceHealth Peace Harbor Medical Center

##### Systemwide Organizations:

- PeaceHealth Medical Group

## PEACEHEALTH NETWORKS

### Notes to Consolidated Financial Statements

June 30, 2019 and 2018

These regional healthcare delivery systems and operating divisions provide inpatient, outpatient, primary, and specialty care and home care services in Alaska, Washington, and Oregon. These divisions primarily operate in Ketchikan, Alaska; Bellingham, Friday Harbor, Sedro Woolley, Longview, and Vancouver, Washington; Springfield, Eugene, Florence, and Cottage Grove, Oregon.

PeaceHealth Networks included the following controlled affiliates at

June 30, 2019:

PeaceHealth

Health Ventures

Pooled Income Funds (including Charitable Life Income Funds)

PeaceHealth Southwest Medical Center Foundation

PeaceHealth Networks On Demand (established January 1, 2019)

Columbia United Providers (CUP) – owned 91.7% (Discontinued Operations as of December 2015)

The consolidated financial statements include the accounts of the Corporation. All significant intercompany transactions and balances have been eliminated.

## (2) Summary of Significant Accounting Policies

### (a) *Estimates*

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

### (b) *Cash and Cash Equivalents*

Cash and cash equivalents consist of petty cash, cash in demand bank accounts, and all highly liquid debt instruments purchased with an original maturity of three months or less other than those amounts included in assets whose use is limited.

The Corporation maintains cash and cash equivalents on deposit at various institutions, which, at times, exceed the insured limits of the Federal Deposit Insurance Corporation. This exposes the Corporation to potential risk of loss in the event the institution becomes insolvent.

### (c) *Short-Term Investments*

Short-term investments consist primarily of certificates of deposit, U.S. government, and other investment-grade securities. The maturities of these related securities can exceed one year. Management anticipates the securities will be liquidated within one year. Investment income or loss (including realized and unrealized gains and losses and interest and dividends) is included in the excess of revenues over expenses.



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**(d) Inventory of Supplies**

Inventory is valued on weighted average cost.

**(e) Other Receivables**

Other receivables primarily consist of amounts receivable from the Oregon Hospital Assessment Program and the Washington State Safety Net Assessment Program, amounts receivable from excess insurance carriers, and other miscellaneous amounts due.

**(f) Assets Whose Use is Limited**

Certain assets have been set aside by management of the Corporation for future capital improvements, self-insured liabilities, and other purposes, over which management retains control and may, at its discretion, subsequently use for other purposes. Amounts required to meet current liabilities of the Corporation have been reclassified as current in the consolidated balance sheets at June 30, 2019 and 2018. These items consist primarily of investments in marketable equity and fixed-income securities. Investment income or loss (including realized and unrealized gains and losses and interest and dividends) is included in the excess of revenues over expenses.

PeaceHealth accounts for its investments on a trade-date basis. Investment sales and purchases initiated prior to the consolidated balance sheet date and settled subsequent to the consolidated balance sheet date result in amounts due from and to brokers. Changes in these assets and liabilities represent noncash investing activities excluded from the consolidated statement of cash flows. As of June 30, 2019 and 2018, PeaceHealth recorded payables of \$17,348 and \$77,021, respectively, for investments purchased but not settled as pending trades payable in the accompanying consolidated balance sheets.

**(g) Liquidity**

Cash and cash equivalents, accounts receivable, and short-term investments are the primary liquid resources used by the Corporation to meet expected expenditure needs within the next year. The Corporation has credit facility programs, as described in note 6, available to meet unanticipated liquidity needs. Although intended to satisfy long-term obligations, management estimates that approximately 88% of assets whose use is limited, as stated at June 30, 2019, could be liquidated within the next year if needed.

**(h) Property, Plant, and Equipment**

Property, plant, and equipment are stated at cost at the date of acquisition or fair value at the date of donation. Improvements and replacements of plant and equipment are capitalized. Maintenance and repairs are expensed as they are incurred. When property, plant, and equipment are sold or retired, the cost and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is recorded.

## PEACEHEALTH NETWORKS

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The Corporation assesses potential impairment of its long-lived assets when there is evidence that events or changes in circumstances have made recovery of the asset's carrying value unlikely. An impairment loss is indicated when the sum of expected undiscounted future net cash flows is less than the carrying amount. The loss recognized is the difference between the fair value and the carrying amount. No impairment losses related to property, plant, and equipment were recognized during the year ended June 30, 2019 or 2018.

#### **(i) Depreciation**

Depreciation on property, plant, and equipment are computed using the straight-line method over the following estimated useful lives:

Land improvements	5–25 Years
Buildings and improvements	5–80 Years
Fixed equipment	10–75 Years
Leasehold improvements	Shorter of remaining length of the lease or useful life
Moveable equipment	3–30 Years

#### **(j) Other Assets**

Other assets include intangible assets, primarily trade names, and goodwill. Intangible assets with indefinite lives are evaluated annually for impairment. Impairment reviews are performed of the purchased intangible assets whenever events or changes in circumstances indicate carrying amount of an asset may not be recoverable. There were no impairment losses recognized during the year ended June 30, 2019 or 2018.

#### **(k) Other Long-Term Liabilities**

Other long-term liabilities consist primarily of the estimated fair value associated with the Corporation's interest rate swaps of \$123,500 and \$91,915 at June 30, 2019 and 2018, respectively; the liability for the PeaceHealth SWHS Frozen DB Pension Plan of \$52,768 and \$42,634 at June 30, 2019 and 2018, respectively; and the long-term portion of the liability for the self-insurance programs of \$73,596 and \$64,055 at June 30, 2019 and 2018, respectively. The remaining balance of other long-term liabilities includes environmental liability, gift annuities, and deferred compensation plan liability.

Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) Subtopic 410-30, *Environmental Obligations*, requires the fair value of a liability for a legal obligation associated with an asset retirement be recorded in the period in which the obligation is incurred. When the liability is initially recorded, the cost of the asset retirement is capitalized. The Corporation had \$20,198 and \$19,898 recorded as other long-term liabilities as of June 30, 2019 and 2018, respectively. The Corporation recognized \$569 and \$564 in 2019 and 2018, respectively, related to amortization. Amortization is recognized over the life of the related asset.

The Corporation has created several pooled income funds. Donors make a contribution and receive annuity payments based on the associated rental income. Upon the annuity termination, the remaining interest is transferred to the Corporation. At June 30, 2019 and 2018, the Corporation has recorded the

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present value of the annuity payments of \$9,769 and \$10,057, respectively, as part of other long-term liabilities. The discount rate ranged from 6.3% to 7.0% at June 30, 2019 and 6.2% to 6.8% at June 30, 2018.

**(l) Net Assets**

Net assets without donor restrictions are those that are not subject to donor-imposed stipulations. Net assets with donor restrictions are those whose use by the Corporation have been limited by donor-imposed restrictions to a specific time period, in perpetuity, and/or purpose.

Net assets with donor restrictions represent resources subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that are restricted by the donor for a particular purpose and that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. When specific donor restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of operations and the consolidated statements of changes in net assets as net assets released from restrictions.

**(m) Contributions and Grants**

Contributions and grants are recognized as revenue upon receipt of the donor's pledge to contribute. Contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts pledged that are restricted by the donor for specific purposes are reported as net assets with donor restrictions. Unconditional promises to give that are silent as to the due date are presumed to be time restricted by the donor until received and are reported as net assets with donor restrictions.

A donor restriction expires when an unconditional promise with an implied time restriction is collected or when the purpose for the restriction is accomplished. Upon expiration, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the consolidated statements of operations as net assets released from restrictions. Restricted contributions received in the same year in which the restrictions are met are recorded as an increase in restricted support at the time of receipt and as net assets released from restrictions at the time restrictions are met.

**(n) Interest in Net Assets of Related Foundations**

The Corporation recognizes its interest in its unconsolidated related foundations representing certain net assets that will ultimately benefit the Corporation. The Corporation records an asset on the consolidated balance sheets for its beneficial interest in net assets of related foundations. The Corporation recognizes changes in this beneficial interest in the consolidated statements of changes in net assets.

**(o) Other Operating Revenue**

Other operating revenue includes revenue from nonpatient care services, clinical space rental revenue, and contributions both unrestricted in nature and those released from restriction to support operating activities, and other miscellaneous revenue.

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**(p) Income from Operations**

Income from operations excludes certain items that the Corporation deems outside the scope of its primary business, such as investment income, change in valuation of interest rate swaps, and other items.

**(q) Excess of Revenues over Expenses**

Excess of revenues over expenses includes results from the Corporation's operating and nonoperating investing activities. Investment income includes interest income, dividends, and realized and unrealized investment gains and losses. Changes in net assets without donor restrictions not included in excess of revenues over expenses include net assets released from restriction for the purchase of property, changes in the Corporation's interest in the net assets of noncontrolled foundations, and certain changes in funded status of the pension plan.

**(r) Federal and State Income Taxes**

PeaceHealth and PeaceHealth Networks have received determination letters from the Internal Revenue Service stating that they are exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code except for tax on unrelated business income. It is management's belief that none of its activities have produced material unrelated business income.

The Corporation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that exceeds a 50% probability of being realized. Changes in recognition or measurement are reflected in the period in which the change in estimate occurs.

Certain affiliated entities included in the consolidated financial statements may be subject to taxation. The tax expense and related provision for these entities are not material to the consolidated financial statements.

**(s) Oregon Hospital Assessment Program and Washington State Safety Net Assessment Program**

In the states of Oregon and Washington, PeaceHealth is subject to a provider tax program on certain patient service revenues at qualifying hospitals to increase funding from other sources and obtain additional federal funds to support increased payments to providers for Medicaid services. These programs resulted in assessments paid to the states and enhanced supplemental payments paid to PeaceHealth in the way of lump-sum payment and per claim increases. In 2019 and 2018, these programs resulted in supplemental payments of \$96,119 and \$90,781, respectively, recorded in net patient service revenue, and assessments of \$83,867 and \$81,873, respectively, recorded in other expenses in the accompanying consolidated statements of operations and changes in net assets without donor restrictions.

**(t) Reclassifications**

Certain reclassifications have been made to prior year amounts to conform to the current year presentation to more consistently present financial information between years.

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### Notes to Consolidated Financial Statements

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#### **(u) Recently Adopted or Newly Issued Accounting Standards**

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to clarify the principles for recognizing revenue and to improve financial reporting by creating common revenue recognition guidance for U.S. generally accepted accounting principles and International Financial Reporting Standards. The ASU was adopted on July 1, 2018 using the cumulative effect method for those contracts that were not substantially completed as of July 1, 2018. Results for reporting periods after July 1, 2018 are presented under ASC Topic 606, while prior period amounts continue to be presented in accordance with the Corporation's historical accounting under *Revenue Recognition (Topic 605)*. The adoption of the ASU primarily changes the Corporation's presentation of revenues and the provision and allowance for bad debts. The ASU requires that the Corporation recognize revenue based on an estimate of the transaction price expected to be collected as a result of satisfying the performance obligation. Accordingly, for performance obligations satisfied after July 1, 2018, the Corporation no longer separately presents a provision for bad debts on the consolidated statements of operations and changes in net assets without donor restrictions or the related allowance for bad debts on the consolidated balance sheets. The adoption of ASC Topic 606 did not have any impact on the Corporation's recognition of net patient service revenue for any period prior to adoption.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize a lease liability and a right-of-use asset for all lease obligations with exception to short-term leases. The lease liability will represent the lessee's obligation to make lease payments arising from the lease measured on a discounted basis and the right-of-use asset will represent the lessee's right to use or control the use of a specified asset for a lease term. The lease guidance also simplifies accounting for sale-leaseback transactions. ASC Topic 842 is effective for the Corporation beginning on July 1, 2019. In 2018, the FASB updated its guidance allowing entities to adopt the provisions of the standard prospectively without adjusting comparative periods. The Corporation is planning to adopt this option. Management expects to record right-of-use assets and lease liabilities of approximately \$97,636 on its consolidated balance sheet in 2020. The adoption of ASC Topic 842 is not expected to have a significant impact on the results of operations or cash flows. The Corporation will include new disclosures in 2020 in accordance with ASC Topic 842.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, to reduce diversity in reporting practice, reduce complexity, and enhance understandability of not-for-profit (NFP) financial statements. This ASU contains the following key aspects: (A) reduces the number of net asset classes presented from three to two: with donor restrictions and without donor restrictions; (B) requires all NFPs to present expenses by their functional and their natural classifications in one location in the financial statements; (C) requires NFPs to provide quantitative and qualitative information about management of liquid resources and availability of financial assets to meet cash needs within one year of the balance sheet date; and (D) retains the option to present operating cash flows in the statement of cash flows using either the direct or indirect method. The Corporation implemented ASU No. 2016-14 as of July 1, 2018, which was adopted retrospectively for the years ended June 30, 2019 and 2018.

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The impact of adoption resulted in enhanced disclosures about the classification of expense and management of liquid resources. As a result of adoption, temporarily restricted and permanently restricted net assets in the amounts of \$71,779 and \$22,728, respectively, were combined to create net assets with donor restrictions as stated on the consolidated balance sheet as of June 30, 2018.

In March 2017, the FASB issued ASU No. 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which requires a company to present service cost separately from the other components of net benefit cost. This ASU is effective for the Corporation's year beginning July 1, 2019, with early adoption permitted. The Corporation is currently evaluating the extent of the anticipated impact of the adoption of ASU No. 2017-07. Upon adoption of the ASU, the Corporation will modify its financial statements and disclosures, including a retrospective reclassification of prior year balances.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires that a statement of cash flows explain the change during the reporting period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this update are effective for the Corporation's fiscal year beginning July 1, 2019. Early adoption is permitted.

### **(3) Revenue Recognition**

#### **(a) Net Patient Service Revenues**

Net patient service revenue relates to contracts with patients involving third-party payors where the Corporation has an obligation to perform healthcare services. This revenue is recorded at the amount due from patients, third-party payors, and others when the performance obligations are satisfied. The adoption of ASU No. 2014-09, *Revenue from Contracts with Customers (ASC Topic 606)* resulted in changes to the presentation of the consolidated statements of operations and changes in net assets without donor restrictions with the provision of bad debts now being considered implicit price concessions that are recognized as a direct deduction to net patient service revenue rather than the presentation of the provision for bad debts, prior to adoption, as a deduction to arrive at net patient service revenue. For the year ended June 30, 2019, \$70,770 of implicit price concessions was recorded as a direct deduction to net patient service revenue. The Corporation bases the implicit price concessions on historical collectibility data by payor using a portfolio approach to recognize the deductions netted against revenue when it is recognized.

The Corporation has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Corporation under these agreements includes prospectively determined rates per unit of service and discounts from established charges, as well as risk-sharing arrangements. Most arrangements provide for payment or reimbursement to the Corporation at amounts different than established rates. Contractual discounts represent the difference between established rates for services and amounts paid or reimbursed by these third-party payors. Risk-sharing arrangements include incentive payments for specific quality outcomes, effective management of costs, and other measures, and in some cases may result in a penalty.

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The Corporation provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Corporation does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

The Corporation maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services and supplies under its charity care policy. Estimated costs (based on the proportion of overall costs to charges foregone for charity care) for services and supplies furnished under the charity care policy for the years ended June 30, 2019 and 2018 were approximately \$63,108 and \$35,213, respectively.

**(b) Disaggregation of Revenue**

The Corporation earns the majority of its revenues from contracts with customers. Revenues and adjustments not related to contracts with customers are included in other revenue.

Total revenues from contracts with customers by payor are as follows for the years ended June 30:

	<b>2019</b>	<b>2018</b>
Medicare	\$ 1,089,872	973,630
Medicaid	348,378	350,856
Commercial and other	1,234,312	1,120,139
Private pay	43,391	101,859
Net patient service revenue	2,715,953	2,546,484
Other revenue	67,995	79,792
Total revenue	\$ 2,783,948	2,626,276

**(c) Variable Consideration**

Reimbursement for inpatient and outpatient services rendered to Medicare recipients has been made principally under a prospective pricing system. Services to Medicaid patients are also reimbursed based on a combination of prospectively determined rates and cost reimbursement methodology. Continuation of these reimbursement programs at the present level, and on the present basis, is dependent upon future policies of federal and state governmental agencies. The Corporation operates five critical access hospitals that are reimbursed based on costs for inpatient and outpatient services rendered to Medicare and Medicaid program beneficiaries. Interim reimbursement to critical access hospitals is based upon tentative rates and retroactive adjustment is made to actual cost during final settlement by either the Medicare fiscal intermediary or the applicable state's Medicaid agency.

Net patient service revenue is recognized at the time services are provided to patients. Revenue is recorded in the amount which the Corporation expects to collect, which may include variable components. Variable consideration is included in the transaction price to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with variable consideration is subsequently resolved. The Corporation has estimated payments for services rendered to Medicare and Medicaid patients during the year by applying the payment principles of the applicable governmental agencies and believes that an

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adequate provision has been made in the accompanying consolidated financial statements for final settlement. Estimates of final settlements due to and due from Medicare, Medicaid, and other third-party payors have been reflected net as reimbursement settlement payable in the accompanying consolidated balance sheets. Differences between the net amounts accrued and subsequent settlements are recorded in operations at the time of settlement. The net amount of adjustments from finalization and adjustment of prior years' cost reports and other third-party settlements resulted in a decrease in net patient service revenue of approximately \$10,941 and increase of \$3,309 in 2019 and 2018, respectively.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretations. As a result, there is at least a reasonable possibility that recorded estimates associated with these programs will change by a material amount in the near term.

**(d) Concentration of Credit Risk**

There is a corresponding significant concentration of credit risk in net accounts receivable balances at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Medicare	32 %	30 %
Medicaid	10	10
Commercial and other	47	50
Private pay	11	10
	<u>100 %</u>	<u>100 %</u>

**(4) Fair Value of Financial Instruments**

ASC Topic 820, *Fair Value Measurement*, requires a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporation has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety. In accordance with ASU No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, investments valued utilizing net asset value (NAV) as a practical expedient are excluded from the hierarchy.



## PEACEHEALTH NETWORKS

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The fair value of cash and investments, other than those measured using NAV as a practical expedient for fair value, is estimated using quoted market prices multiplied by shares held or other observable inputs when quoted market prices are unavailable.

Registered mutual funds and money market funds are classified in Level 1 of the fair value hierarchy as defined above because their fair values are based on quoted prices for identical securities.

The common/collective trusts have been determined to trade daily on an active private exchange at NAV as the trading price and are classified in Level 1 of the fair value hierarchy, as defined above, because their fair values are based on quoted prices for identical securities.

The Corporation uses a practical expedient for the estimation of the fair value of investments in funds for which the investment does not have a readily determinable fair value. The practical expedient used by the Corporation is the NAV per share or its equivalent. In some instances, the NAV may not equal the fair value that would be calculated under fair value accounting standards. Investments in hedge funds, real estate funds, and private equity investments are carried at estimated fair value using NAV as a practical expedient as determined by the external investment manager. Valuations provided by fund administrators consider variables, such as the financial performance of underlying investments, recent sales prices of underlying investments, and other pertinent information. In addition, actual market exchanges at year-end provide additional observable market inputs of the exit price. Management reviews the valuations and assumptions provided by fund administrators for reasonableness and believes that the carrying amounts of these financial instruments are reasonable estimates of fair value. The initial valuation is adjusted when changes to inputs and assumptions are corroborated by evidence, such as transactions of similar securities; completed or pending third-party transactions in the underlying security or comparable entities; offerings in the capital markets; and changes in financial results, data, or cash flows. For positions that are not traded in active markets or are subject to notice provisions, valuations are adjusted to reflect such provisions, and such adjustments are generally based on available market evidence.

Other financial instruments of the Corporation include cash and cash equivalents and other receivables. The carrying amount of these instruments approximates fair value because these items mature in less than one year. The carrying amount of other long-term investments approximates fair value, excluding joint ventures, which are accounted for under the equity method of accounting.

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**(5) Investments**

The composition of cash and investments carried at fair value on a recurring basis at June 30, 2019 is set forth in the following table:

	June 30, 2019	Fair value measurements at reporting date using		
		Level 1	Level 2	Level 3
<b>Assets:</b>				
Short-term investments:				
Cash and cash equivalents	\$ 117,240	117,240	—	—
Fixed income:				
Government, municipal, foreign, and other	224,707	161,674	63,033	—
Mortgage and asset-backed securities	108,596	—	108,596	—
Corporate obligations	149,742	—	149,742	—
Mutual funds	139,108	139,108	—	—
Other short-term investments	56,475	17,422	39,053	—
Common/collective trusts	15,356	—	15,356	—
Total	<u>811,224</u>	<u>435,444</u>	<u>375,780</u>	<u>—</u>
Designated for capital acquisition:				
Cash and cash equivalents	28,567	28,567	—	—
Fixed income:				
Government, municipal, foreign, and other	92,017	66	91,951	—
Corporate obligations	289	289	—	—
Mutual funds:				
Fixed income	103,977	103,977	—	—
Domestic equities	399,707	399,707	—	—
International equities	349,240	349,240	—	—
Other long-term equity investments	46,117	45,962	155	—
Common/collective trusts	12,848	—	12,848	—
Hedge funds and other	58,547	—	58,547	—
Total	<u>1,091,309</u>	<u>927,808</u>	<u>163,501</u>	<u>—</u>
Funds designated for 457 plans:				
Cash and short-term investments	57,093	57,093	—	—
Mutual funds	1,531	1,531	—	—
Total	<u>58,624</u>	<u>58,624</u>	<u>—</u>	<u>—</u>

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	June 30, 2019	Fair value measurements at reporting date using		
		Level 1	Level 2	Level 3
<b>Trustee-held funds:</b>				
Cash and cash equivalents	\$ 71	71	—	—
Total	71	71	—	—
Total assets at fair value	<u>1,961,228</u>	<u>\$ 1,421,947</u>	<u>539,281</u>	<u>—</u>
<b>Investments measured at NAV:</b>				
Hedge funds	169,169			
Private equity	23,910			
Real estate limited partnerships	<u>44,912</u>			
Total assets	<u>\$ 2,199,219</u>			
<b>Liabilities:</b>				
Interest rate swaps	\$ 123,500	—	123,500	—
Total liabilities	<u>\$ 123,500</u>	<u>—</u>	<u>123,500</u>	<u>—</u>

The composition of cash and investments carried at fair value on a recurring basis at June 30, 2018 is set forth in the following table:

	June 30, 2018	Fair value measurements at reporting date using		
		Level 1	Level 2	Level 3
<b>Assets:</b>				
<b>Short-term investments:</b>				
Cash and cash equivalents	\$ 70,697	70,697	—	—
<b>Fixed income:</b>				
Government, municipal, foreign, and other	412,852	—	412,852	—
Mortgage and asset-backed securities	53,286	—	53,286	—
Corporate obligations	175,948	—	175,948	—
<b>Mutual funds:</b>				
Equity	141,814	141,814	—	—
Common/collective trusts	25,711	—	25,711	—
Other short-term investments	724	—	724	—
Total	<u>881,032</u>	<u>212,511</u>	<u>668,521</u>	<u>—</u>

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	June 30, 2018	Fair value measurements at reporting date using		
		Level 1	Level 2	Level 3
Designated for capital acquisition:				
Cash and cash equivalents	7,322	7,322	—	—
Fixed income:				
Government, municipal, foreign, and other	87,556	—	87,556	—
Mortgage and asset-backed securities	28,247	—	28,247	—
Corporate obligations	54,679	—	54,679	—
Mutual funds:				
Fixed income	25,037	25,037	—	—
Domestic equities	450,402	450,402	—	—
International equities	343,414	343,414	—	—
Other long-term equity investments	11,011	10,857	154	—
Hedge funds and other	55,389	—	55,389	—
Total	<u>1,063,057</u>	<u>837,032</u>	<u>226,025</u>	<u>—</u>
Funds designated for 457 plans:				
Cash and short-term investments	1,397	1,397	—	—
Mutual funds	51,565	51,565	—	—
Total	<u>52,962</u>	<u>52,962</u>	<u>—</u>	<u>—</u>
Trustee-held funds:				
Cash and cash equivalents	1,545	1,545	—	—
Total	<u>1,545</u>	<u>1,545</u>	<u>—</u>	<u>—</u>
Total assets at fair value	1,998,596	\$ <u>1,104,050</u>	<u>894,546</u>	<u>—</u>
Investments measured at NAV:				
Hedge funds	148,908			
Private equity	6,487			
Total assets	<u>\$ 2,153,991</u>			
Liabilities:				
Interest rate swaps	\$ 91,915	—	91,915	—
Total liabilities	<u>\$ 91,915</u>	<u>—</u>	<u>91,915</u>	<u>—</u>

The Corporation holds investments in private equity and distressed debt limited partnerships where NAV is used as a practical expedient to measure fair value at June 30, 2019 and 2018. These partnerships do not

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allow for periodic redemptions but rather liquidate upon the termination date as stated in the partnership agreement. Therefore, the private equity investments are considered illiquid investments. At June 30, 2019 and 2018, the Corporation held \$23,910 and \$6,487, respectively, of private equity and distressed debt limited partnerships that had termination dates that ranged from 2019 to 2024.

	<u>2019</u>	<u>2018</u>	<u>Unfunded commitments</u>
Distressed debt	\$ 1,067	1,384	1,899
Private equity	22,843	5,103	11,626
Total	<u>\$ 23,910</u>	<u>6,487</u>	<u>13,525</u>

The following table summarizes investments measured at fair value based on NAV per share as of June 30, 2019 and their redemption restrictions:

	<u>Fair value at June 30, 2019</u>	<u>Fair value at June 30, 2018</u>	<u>Lockup terms or redemption restrictions</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Hedge funds	\$ 32,265	33,993	None	Monthly	10 Days
Hedge funds	15,842	15,763	None	Monthly	30 Days
Hedge funds	17,305	15,573	Gate at 20% of total fund net assets	Monthly	60 Days
Hedge funds	2,769	7,229	None	Monthly	75 Days
Hedge funds	28,987	34,285	None	Semimonthly	30 Days
Hedge funds	16,268	15,624	Gate at 50% of total fund net assets	Quarterly	60 Days
Hedge funds	16,075	15,429	Gate at 10%	Quarterly	65 Days
Hedge funds	11,358	11,012	Withdrawal limits across four successive withdrawal dates	Quarterly	90 Days
Hedge funds	12,374	—	None	Monthly	30 Days
Hedge funds	6,957	—	None	Quarterly	90 Days
Hedge funds	8,969	—	None	Quarterly	60 Days
Real estate	22,778	—	First business day of the calendar quarter with 45 days notice.	Quarterly	45 Days
Real estate	22,134	—	Two-year lock up period	N/A	N/A
	<u>\$ 214,081</u>	<u>148,908</u>			

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Investment return is included in other income (expense) as part of nonoperating income in the consolidated statements of operations and changes in net assets without donor restrictions. Investment return comprises the following for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 42,371	35,906
Net realized gains on sales of investments	24,881	55,508
Net change in unrealized gains on investments	<u>36,282</u>	<u>1,616</u>
Investment return, net	<u>\$ 103,534</u>	<u>93,030</u>

*Other Investments*

Health Ventures is a not-for-profit corporation that has entered into joint ventures to provide radiology, oncology, and surgery services. PeaceHealth is the sole member of Health Ventures. Health Ventures is included in the consolidated financial statements but is not part of the obligated group. The majority of these joint ventures are accounted for under the equity method. Health Venture's ownership interest in the joint ventures ranged from approximately 24.2% and 50.0% at both June 30, 2019 and 2018, respectively. As of June 30, 2019 and 2018, the carrying value of the joint ventures was approximately \$15,273 and \$14,518, respectively, and is recorded in investments in joint ventures and other on the consolidated balance sheets. Equity earnings from the joint ventures of \$9,842 and \$9,744 for the years ended June 30, 2019 and 2018, respectively, are included in other operating revenue. The unaudited assets, liabilities, and equity of these joint ventures accounted for under the equity method were \$42,384, \$10,382, and \$32,002, respectively, at June 30, 2019 and \$43,811, \$14,479, and \$29,332, respectively, at June 30, 2018.

At June 30, 2019, Health Ventures had a controlling ownership of 51.02% in Riverbend Ambulatory Surgery Center, which is consolidated within Health Ventures.

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**(6) Long-Term Debt**

Long-term debt at June 30 consisted of the following:

	Maturing through	Coupon rates		Unpaid principal	
		2019	2018	2019	2018
(In thousands of dollars)					
<b>Master trust debt</b>					
Fixed rate:					
Series 2008 Washington Bonds, Series A		— %	5.00 %	\$ —	80,650
Series 2009 Oregon Bonds, Series A		— %	3.25–5.00%	—	75,060
Series 2009 Washington Bonds, Series A		— %	3.00–5.00%	—	67,165
2012 Direct Note Obligation to Bank of America	2022	2.32 %	2.32 %	21,235	26,917
2013 Direct Note Obligation to Bank of America	2023	3.23 %	3.23 %	23,679	28,685
2013 Direct Note Obligation to Bank of America	2023	3.92 %	3.92 %	153,221	158,392
2013 Direct Note Obligation to US Bank	2020	3.43 %	3.43 %	—	50,000
Series 2014 Washington Bonds, Series A	2028	2.00–5.00%	2.00–5.00%	30,105	32,385
Series 2014 Oregon Bonds, Series A	2032	4.125%–5.00%	4.125%–5.00%	62,555	64,015
Series 2018 Taxable Bonds	2048	4.79%	— %	355,144	—
<b>Total fixed rate</b>				<b>\$ 645,939</b>	<b>583,269</b>
Variable:					
Series 2008 Oregon Bonds, Series A-B, variable interest rate (A: SIFMA +35 bps and B: SIFMA + 42 bps)		— %	0.02 %	\$ —	145,975
Series 2011 Oregon Bonds, Series A-B, variable interest rate (A: 80%*1ml+62 bps and B: 68%*1ml +57.5 bps),	2047	2.21 %	2.16 %	75,000	150,000
Series 2013 Washington Bonds, Series A, variable interest rate (68%*1ml+ 70 bps),	2034	2.36 %	2.05 %	46,265	47,565
2015 Direct Note Obligation to US Bank, variable interest rate (1ml+ 75 bps),	2020	2.97 %	2.73 %	2,188	4,208
Series 2018 Oregon Bonds, Series A variable interest rate (prevailing market rates),	2034	1.92 %	— %	45,975	—
Series 2018 Oregon Bonds, Series B variable interest rate (prevailing market rates),	2034	1.92 %	— %	100,000	—
Series 2018 Oregon Bonds, Series C variable interest rate (80%*1ml+ 62 bps),	2047	2.57 %	— %	75,000	—
<b>Total variable rate</b>				<b>\$ 344,428</b>	<b>347,748</b>

\* ML as used in the table above is defined as monthly LIBOR.

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	<u>Maturing through</u>	<u>Coupon rates</u>		<u>Unpaid principal</u>	
		<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
				(In thousands of dollars)	
Unpaid principal, master trust debt				\$ 990,367	931,018
Premium and other on long-term debt				<u>2,571</u>	<u>10,603</u>
Master trust debt, including premiums and discounts, net				992,938	941,621
Other long-term debt				<u>10,881</u>	<u>12,058</u>
Total long-term debt				1,003,819	953,679
Less amounts due within one year				<u>(24,933)</u>	<u>(106,282)</u>
Total long-term debt due after one year				<u>\$ 978,886</u>	<u>847,397</u>

PeaceHealth Networks and PeaceHealth are the sole members of the PeaceHealth Obligated Group. The assets of the obligated group are available for the satisfaction of debts of PeaceHealth and PeaceHealth Networks under the terms of its master trust indenture.

PeaceHealth issued debt in fiscal year 2019 to diversify its debt profile and raise funds for future capital needs. Series 2018 taxable fixed rate bonds with a par amount of \$355,144 were issued to refinance the 2008 Washington Bonds Series A and 2013 direct note obligation with US Bank, defease the 2009 Oregon Bonds Series A and 2009 Washington Bonds Series A and provide \$70,000 of funds for future capital needs. PeaceHealth issued 2018 tax-exempt Oregon variable rate demand bonds Series A-B to refinance the outstanding 2008 Oregon Bonds Series A-B. Additionally, PeaceHealth issued 2018 tax-exempt Oregon Bonds Series C to refinance the 2011 Oregon Bonds Series A.

The Series 2011 Oregon Series A-B Direct Placement Bonds, the Washington 2013(A) Direct Placement Bonds, and the 2018 Oregon Series A-B Variable Rate Demand Bonds have variable interest rates that may bear interest at a daily, weekly, 28-day, monthly, semiannual, or annual rates. The rate determination mode may be changed upon request of PeaceHealth and PeaceHealth Networks. The bonds are subject to optional redemption by PeaceHealth and PeaceHealth Networks, in whole or in part at 100% of the principal amount plus accrued interest. The 2011 Oregon bonds are held directly by two financial institutions subject to continuing covenant agreements, which contain substantially the same credit terms as the letters of credit, but which are not subject to the same remarketing and put risk as the 2008 bonds. The 2011 Oregon bonds and Washington 2013(A) bonds can be converted to publicly held variable rate demand bonds if PeaceHealth and PeaceHealth Networks chooses. The continuing covenant agreements for the Oregon 2011 Direct Placement Bonds expire in February 2020 for Series (A) and August 2021 for Series (B). The continuing covenant agreement for the Washington 2013(A) bonds requires a minimum two-year notice period prior to any anniversary of the date of issue occurring on or after February 27, 2016 to be given from the bank to PeaceHealth if the bank chooses to no longer hold the debt, provided that PeaceHealth is in compliance with financial covenants. With the exception of the Washington 2013(A) bonds, where the bank must give a two-year notice if it wishes to terminate its holding of PeaceHealth's debt, the letters of credit and the continuing covenant agreements are extendable annually at the option of the bank upon request from PeaceHealth and PeaceHealth Networks for an additional year. The 2011 and



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2013(A) bonds are matched to fixed payor swaps ranging between 3.60% and 4.10% for approximately their par value, the notional amounts of swaps amortizing proportionately to the bonds.

Other long-term debt includes \$10,399 in capital leases and other debt.

Scheduled principal payments of long-term debt, excluding the premium on bonds, as due according to their original long-term amortization schedule and other debt according to its original maturity schedule for the next five years and thereafter are as follows:

	Long-term debt	Capitalized leases and other	Total
Year ending June 30:			
2020	\$ 24,780	882	25,662
2021	23,443	1,921	25,364
2022	24,304	475	24,779
2023	22,144	476	22,620
2024	139,914	476	140,390
Thereafter	755,782	9,033	764,815
Total	\$ 990,367	13,263	1,003,630
Less amounts representing interest		(2,382)	(2,382)
Present value of net minimum capital lease payments		\$ 10,881	
Total long-term debt			\$ 1,001,248

The PeaceHealth Master Trust Indenture, the loan agreements, and other contractual documents under which bonds were issued include covenants, which, among others, obligate PeaceHealth and PeaceHealth Networks to maintain net patient service revenue at levels sufficient to achieve specified debt service coverage ratios, meet certain financial tests before additional debt can be incurred, and meet certain financial tests before there can be any significant disposition of property.

Cash paid for interest totaled approximately \$35,048 and \$31,898 for the years ended June 30, 2019 and 2018, respectively.

Deferred financing costs are amortized over the lives of the related debt issuances using the effective-interest method.

## PEACEHEALTH NETWORKS

### Notes to Consolidated Financial Statements

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#### (7) Accounting for Derivative Instruments and Hedging Activities

In accordance with the policy adopted by the board of directors, the Corporation may use interest rate swap contracts to manage its net exposure to interest rate changes in attempting to reduce its overall cost of borrowing over time. Interest rate swap contracts generally involve the exchange of fixed and floating interest rate payments without the exchange of underlying principal (the swap of fixed or floating rates are on a notional amount). The Corporation accounts for its interest rate hedging transactions in accordance with FASB ASC Topic 815, *Derivatives and Hedging*. That standard requires that every derivative instrument be recorded on the balance sheet as either an asset or a liability measured at its estimated fair value. The interest rate swaps do not meet the criteria for hedge accounting and all changes in the valuation of the interest rate swaps are recognized in the consolidated statements of operations and changes in net assets without donor restrictions.

The Corporation has interest rate swap contracts outstanding as of June 30, 2019 and 2018, respectively, with a total current notional amount of approximately \$372,675 and \$376,625. The Corporation uses the fixed payor swaps to convert a portion of the outstanding variable rate bonds to fixed rates ranging from 3.50% to 4.10%. The fixed payor interest rate swaps are associated with the variable rate bonds but have not been integrated to any of the underlying debt for the purpose of hedge accounting.

Change in valuation of interest rate swaps consists of the noncash change in the liability primarily due to changes in market bond yields, as well as the cash payments and receipts associated with the swaps, and the amortization of the accumulated hedge effectiveness included in net assets. The noncash change in the fair value of the interest rate swaps was an increase of \$31,585 and a decrease of \$21,174 in the liability for the years ended June 30, 2019 and 2018, respectively. Net cash settlement cost for the interest rate swaps was \$8,762 and \$10,955, for the years ended June 30, 2019 and 2018, respectively. The amortization of the accumulated hedge effectiveness included in net assets was \$78 for both years ended June 30, 2019 and 2018.

Derivative instruments are recorded at fair value taking into consideration the Corporation's nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. The impact of taking into account the nonperformance risk on the estimated fair value of the interest rate swaps was a benefit of approximately \$8,310 and \$8,407, as of June 30, 2019 and 2018, respectively. Recording the interest rate swaps at fair value results in a total liability of \$123,500 and \$91,915 as of June 30, 2019 and 2018, respectively, in other long-term liabilities in the accompanying consolidated balance sheets rather than the \$131,810 and \$100,322 that would be paid if all of the swaps were terminated as of June 30, 2019 and 2018, respectively. The inputs used to determine the impact of the counterparty nonperformance risk are Level 2 inputs; as such derivative liabilities have been recorded as Level 2 in the Corporation's disclosure of fair value instruments (note 5).

The Corporation currently has four swap counterparties, which minimize counterparty risk and collateral posting requirements. These swap agreements contain various credit thresholds that, if breached by the Corporation, would constitute an additional termination event whereby the swap counterparties could terminate the swap by either making a payment to, or receiving a payment from the Corporation, depending upon the termination value of the swaps as of the date of termination. The Corporation retains the right to terminate the swaps at any point, which would also require either making or receiving a payment depending on the termination value of the swap as of the termination date.

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The following is a summary of the derivative instruments in place as of June 30, 2019 and 2018:

Maturity date	Current notional amounts at June 30, 2019	Current notional amounts at June 30, 2018	Counterparty	Credit value adjustment at June 30, 2019	Liability fair value at June 30, 2019	Credit value adjustment at June 30, 2018	Liability fair value at June 30, 2018
August 01, 2034	\$ 45,000	45,000	Union Bank, N.A.	\$ 504	(13,026)	484	(9,749)
May 24, 2047	75,000	75,000	Deutsche Bank AG	3,152	(33,959)	3,251	(24,946)
May 22, 2047	75,000	75,000	Deutsche Bank AG	3,152	(33,959)	3,250	(24,946)
August 01, 2034	50,000	50,000	U.S. Bank N.A.	586	(15,103)	570	(11,454)
August 01, 2034	50,000	50,000	U.S. Bank N.A.	585	(15,092)	569	(11,443)
September 01, 2034	44,925	46,225	Morgan Stanley Capital Services LLC	279	(8,634)	247	(6,325)
September 01, 2034	32,750	35,400	Morgan Stanley Capital Services LLC	52	(3,727)	36	(3,052)
	<u>\$ 372,675</u>	<u>376,625</u>		<u>\$ 8,310</u>	<u>(123,500)</u>	<u>8,407</u>	<u>(91,915)</u>

**(8) Benefit Plans**

**(a) Defined-Benefit Pension Plan**

The Corporation sponsors a noncontributory, defined-benefit pension plan, the Southwest Washington Health System Retirement Plan, now known as PeaceHealth SWHS Frozen DB Pension Plan (the Plan) effective January 30, 2015, covering all employees at PeaceHealth Southwest Medical Center who meet requirements as specified in the Plan. The assets of the Plan are available to pay the benefits of all eligible employees of the Plan. The Plan has two benefit structures that include a cash balance and a final average pay structure. Effective December 31, 2010, the Plan was frozen. No new participants are admitted to the Plan after this date. This event did not terminate the Plan. Benefits earned before the plan was frozen will continue to be paid as participants qualify to receive benefits.

A plan amendment was made effective December 31, 2016 to spin off a group of participants into PeaceHealth SWHS Frozen DB Pension Plan II. As of that date, the Plan was renamed PeaceHealth SWHS Frozen DB Pension Plan I. The PeaceHealth SWHS Plan I and Plan II are collectively referred as "the Plans." Plan provisions are identical between the Plans. The plan split was effective January 1, 2017.

**PEACEHEALTH NETWORKS**

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The following table sets forth disclosures related to the Plans in accordance with FASB ASC Paragraph 715-20-65, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, as of June 30, 2019 and 2018, measured as of January 1, 2019 and January 1, 2018, respectively:

	<u>Years ended June 30</u>	
	<u>2019</u>	<u>2018</u>
Change in projected benefit obligation:		
Projected benefit obligation (PBO) at beginning of period	\$ 230,593	250,060
Service cost	1,370	1,680
Interest cost	8,376	7,728
Actuarial gain on PBO	24,021	(10,848)
Benefits and administrative expenses paid	<u>(11,085)</u>	<u>(18,027)</u>
Projected benefit obligation at June 30	<u>\$ 253,275</u>	<u>230,593</u>
Change in fair value of plan assets:		
Fair value of assets at beginning of period	\$ 187,958	181,009
Actual return on plan assets	18,430	13,776
Employer contribution	5,203	11,200
Benefits paid	(9,576)	(16,200)
Administrative expenses	<u>(1,509)</u>	<u>(1,827)</u>
Fair value of assets at June 30	<u>\$ 200,506</u>	<u>187,958</u>
Reconciliation of funded status:		
Funded status	<u>\$ (52,768)</u>	<u>(42,634)</u>
Net amount recognized	<u>\$ (52,768)</u>	<u>(42,634)</u>
Amounts recognized in the consolidated balance sheets consist of:		
Accrued pension liability	\$ 52,768	42,634
Accumulated change in net assets	(26,109)	(15,975)

Net periodic benefit cost for the years ended June 30, 2019 and 2018 included the following components and is included in changes in net assets without donor restrictions:

	<u>2019</u>	<u>2018</u>
Service cost	\$ 1,370	1,680
Interest cost	8,376	7,728
Expected return on plan assets	(12,721)	(12,432)
Amortization of loss	<u>5,017</u>	<u>6,565</u>
Net periodic pension cost	<u>\$ 2,042</u>	<u>3,541</u>

**PEACEHEALTH NETWORKS**  
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**(b) Assumptions**

The Corporation used the following actuarial assumptions to determine its benefit obligations at June 30, 2019 and 2018 with measurement dates of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Discount rate	Plan I 3.30% and Plan II 3.26%	Plan I 4.03% and Plan II 3.99%

The Corporation used the following actuarial assumptions to determine its net periodic benefit cost for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Discount rate	4.03 %	3.70 %
Expected long-term rate of return on plan assets	6.80	7.00

This discount rate is based on a proprietary yield curve tool used by the Plans' actuary, which uses a composite of high-yield, investment-grade corporate bonds, and the projected payouts from the Plans to develop an equivalent yield rate to use in determining plan liabilities.

The expected long-term rate of return on plan assets was based on the asset allocation mix and the long-term historical return for each asset class, taking into account current and expected market conditions. The actual return on pension plan assets was a gain of approximately 9.41% and 11.30% for Plan I and Plan II, respectively, during the year ended June 30, 2019. The actual return on pension plan assets was a gain of approximately 7.30% for both Plan I and Plan II during the year ended June 30, 2018. In the calculation of pension plan expense, the expected long-term rate of return on plan assets is applied to a calculated value of plan assets that recognizes changes in fair value over a four-year period. This practice is intended to reduce year-to-year volatility in pension expense, but it can have the effect of delaying the recognition of differences between actual returns and expected returns based on the long-term rate of return assumptions.

**(c) Pension Plan Assets**

The asset allocation of the Corporation's pension plan at June 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Equity securities	\$ 80,712	110,807
Debt securities	119,046	76,057
Other	748	1,094
Total	<u>\$ 200,506</u>	<u>187,958</u>

## PEACEHEALTH NETWORKS

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Pension plan assets are managed according to an investment policy adopted by the Plans' trustees. Professional investment managers are retained to manage specific asset classes and professional consulting is utilized for investment performance reporting. The primary objective of the Plans' trustees is to achieve the highest possible total return commensurate with safety and preservation of capital in real, inflation-adjusted terms. The objective includes having funds invested in the long term, which protect the principal and produce returns sufficient to meet future benefit obligations. The investment policy includes an asset allocation that includes equity securities, debt securities, and cash/other investments. The target allocations are 40% bonds and 60% equity. Assets are rebalanced quarterly when balances fall outside of the approved range for each asset class.

In accordance with FASB ASC Topic 820, financial assets and financial liabilities measured at fair value are grouped in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to estimate fair value. These levels and the adoption of FASB ASC Topic 820 are further discussed in note 3.

Following is a description of the valuation methodologies used for plan assets measured at fair value.

- The fair value of cash, money market funds, and mutual funds is estimated using quoted market prices or other observable inputs when quoted market prices are unavailable.
- Private equity fund: Valued at the NAV as a practical expedient as supported by audited financial statements.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**PEACEHEALTH NETWORKS**  
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The following table sets forth by level, within the fair value hierarchy, the Plans' assets at fair value as of June 30, 2019:

<u>Assets</u>	<u>Total fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Mutual funds:</b>				
Equity securities	\$ 48,235	48,235		
Debt securities	<u>32,477</u>	<u>32,477</u>	—	—
Total mutual fund securities	<u>80,712</u>	<u>80,712</u>	—	
<b>Other securities:</b>				
Cash and money markets	<u>119,046</u>	<u>119,046</u>	—	
Total other securities	<u>119,046</u>	<u>119,046</u>		
Total plan assets at fair value	199,758	<u>\$ 199,758</u>		—
Investments at NAV	<u>748</u>			
Total plan assets	<u>\$ 200,506</u>			

The following table sets forth by level, within the fair value hierarchy, the Plans' assets at fair value as of June 30, 2018:

<u>Assets</u>	<u>Total fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Mutual funds:</b>				
Equity securities	\$ 110,807	110,807		—
Debt securities	<u>76,057</u>	<u>76,057</u>		
Total mutual fund securities	<u>186,864</u>	<u>186,864</u>	—	—
<b>Other securities:</b>				
Cash and money markets	<u>50</u>	<u>50</u>	—	—
Total other securities	<u>50</u>	<u>50</u>		
Total plan assets at fair value	186,914	<u>\$ 186,914</u>		—
Investments at NAV	<u>1,044</u>			
Total plan assets	<u>\$ 187,958</u>			

**PEACEHEALTH NETWORKS**  
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The following table provides information regarding redemption of investments where NAV has been used as a practical expedient at June 30, 2019 and June 30, 2018:

	2019	2018
Private equity	\$ 748	1,044
Total	\$ 748	1,044

At June 30, 2019 and 2018, the Plans held \$748 and \$1,044, respectively, in alternative investments that are not actively marketed on an open exchange. These investments consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Due to the nature of these funds, the NAV is used as a practical expedient to measure fair value at June 30, 2019 and 2018. These private equity partnerships do not allow for periodic redemptions but rather liquidate upon the termination date as stated in the partnership agreement. Therefore, the private equity investment is considered an illiquid investment. At June 30, 2019, the Corporation held \$748 of private equity limited partnerships that had a termination date of June 2020, but may be extended by up to three additional one-year periods.

**(d) Cash Flows**

The Corporation's policy with respect to funding the Plan is to fund at least the minimum required by the Employee Retirement Income Security Act of 1974, as amended, plus such additional amounts deemed appropriate. In the start of fiscal year 2020, the Corporation contributed \$8,800 to the Plan for the plan year ended December 31, 2018. In the start of fiscal year 2019, the Corporation contributed \$5,203 to the Plan for the plan year ended December 31, 2017.

Benefit payments are expected to be paid as follows for the fiscal years ended June 30:

		Pension benefits
2020	\$	13,168
2021		12,469
2022		12,878
2023		13,228
2024		13,514
2025–2029		69,716

Expected benefit payments presented above are based on actuarial estimates. Actual benefit payments may vary significantly from these estimates.



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**(9) Defined-Contribution Retirement Plans**

PeaceHealth sponsors two defined-contribution retirement plans, the Southwest Washington Health System Retirement Plan and the PeaceHealth Plan. These plans cover substantially all employees of PeaceHealth meeting certain age and length of service requirements. Total defined-contribution retirement plan costs charged to operations were approximately \$77,116 and \$73,327 for the years ended June 30, 2019 and 2018, respectively, which are included in payroll taxes and benefits in the accompanying consolidated statements of operations and changes in net assets without donor restrictions.

*PeaceHealth Deferred Compensation Plans*

The estimated fair value associated with the plan assets of PeaceHealth's 457(b) and 457(f) postretirement savings plans, in the amount of approximately \$58,624 and \$52,962 at June 30, 2019 and 2018, respectively, is included in assets whose use is limited, cash and investments, with a corresponding amount included in other long-term liabilities. Contributions associated with these funds in 2019 and 2018 were \$9,235 and \$7,972, respectively, and are included in payroll taxes and benefits in the accompanying consolidated statements of operations and changes in net assets without donor restrictions.

**(10) Net Assets with Donor Restrictions**

Net assets with donor restrictions are available for the following purposes at June 30:

	<u>2019</u>	<u>2018</u>
Purchase of property, plant, and equipment	\$ 8,009	13,788
Hospice and indigent care	14,643	15,445
Patient care	24,461	25,244
Childrens services	2,246	3,100
Training and education	1,796	3,572
Other	<u>37,759</u>	<u>33,358</u>
	<u>\$ 88,914</u>	<u>94,507</u>

Approximately \$7,188 and \$3,095 was released from restriction for capital expenditures made during 2019 and 2018, respectively.

**PEACEHEALTH NETWORKS**

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*Charitable Gift Annuities*

PeaceHealth has been granted a license by the state of Washington, Office of Insurance Commissioner, to issue Charitable Gift Annuities in support of its charitable activities. The Corporation has delegated all its charitable fundraising activities to several fundraising foundations whose net assets held for the beneficial interest of PeaceHealth are shown on the consolidated balance sheets of the Corporation. The liability for annuity contracts issued under the PeaceHealth license and the separately maintained reserve accounts are recorded on the books of PeaceHealth. As of June 30, 2019 and 2018, the following liabilities for annuity contracts issued under the PeaceHealth license and reserve account investments were recorded:

	<b>2019</b>	<b>2018</b>
State of Washington gift annuity liabilities (other long-term liabilities)	\$ 512	495
Gift annuity reserve accounts (other assets whose use is limited, cash, and investments)	587	619

**(11) Commitments and Contingent Liabilities**

**(a) Litigation**

Various laws and regulations of federal, state, and local governments govern the healthcare industry. These laws and regulations are subject to ongoing government review and interpretation, as well as regulatory actions unknown or unasserted at this time. The Corporation is also involved in litigation and regulatory investigations arising in the normal course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Corporation's future financial position or results of operations.

**(b) Operating Leases**

The Corporation leases, for a nominal amount, the buildings and certain equipment for Ketchikan General Hospital from the City of Ketchikan, Alaska under a 10-year lease that expires in 2023.

The Corporation leases, from Skagit County Public Hospital District No. 304, the buildings and certain equipment for United General Medical Center in Sedro Woolley, Washington under a 30-year lease that expires in 2044.

**PEACEHEALTH NETWORKS**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

Rent and lease expense future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of June 30, 2019 are as follows:

	<b>Operating leases</b>
Year ending June 30:	
2020	\$ 17,896
2021	8,045
2022	17,292
2023	13,449
2024	10,852
Later years, 2025 through 2029	25,632
Total minimum lease payments	\$ 103,166

Rent expense related to all operating leases was \$27,280 and \$23,503 during the years ended June 30, 2019 and 2018, respectively, and was included in purchased services in the consolidated statements of operations and changes in net assets without donor restrictions.

**(c) Collective Bargaining Agreements**

Approximately 56% and 53% of the Corporation's employees are covered under collective bargaining agreements, including nurses, professional employees, and service employees as of June 30, 2019 and 2018, respectively. The Corporation is currently negotiating certain expired collective bargaining agreements. The Corporation's various collective bargaining agreements expire between March 2019 and September 2021.

**(12) Insurance Coverages**

The Corporation has a self-insurance program for hospital and physician professional and general liability claims under which the Corporation contributes actuarially determined amounts to a trust to fund estimated ultimate losses. During the year ended June 30, 2019, the Corporation dissolved the trust. In connection with the self-insurance program, the Corporation has accrued estimates for asserted and incurred but not reported claims, including both the expected liability under each claim and the cost to administer the claim. Self-insured professional and general liability retention in 2019 and 2018 was \$5,000 per occurrence and \$17,000 in aggregate. Individual general and professional liability claims in excess of the above self-insured retention levels are insured through claims-made excess insurance policy.

The Corporation also self-insures all or a portion of liabilities for medical and dental benefit plans, unemployment, and workers' compensation claims. Funding levels and liabilities are determined based on actuarial studies.

**PEACEHEALTH NETWORKS**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

Based on actuarial studies, the Corporation has recorded an undiscounted liability for all of the self-insurance programs of approximately \$92,762 and \$91,682 at June 30, 2019 and 2018, respectively. The liabilities are classified within other current liabilities and other long-term liabilities based on the historical amounts paid within one year. Total current amounts included in other current liabilities were approximately \$19,166 and \$27,627 at June 30, 2019 and 2018, respectively. Management has recorded amounts receivable from excess insurance carriers totaling approximately \$7,302 and \$7,451 as of June 30, 2019 and 2018, respectively, which is included in other receivables in the accompanying consolidated balance sheets.

The Corporation is a minority investor in American Excess Insurance Exchange (AEIX). AEIX is a risk retention group owned by a group of healthcare providers and provides them with excess professional liability insurance coverage. The Corporation accounts for its interest in AEIX on the equity method of accounting less mandatory withdrawal penalties and an estimated discount to present value. As of June 30, 2019 and 2018, the carrying value of AEIX was approximately \$4,744 and \$3,587, respectively, and is recorded in investments in joint ventures and other on the consolidated balance sheets. Investment income from AEIX is recorded as an adjustment to supplies and other operating expenses in the accompanying consolidated statements of operations and change in net assets without donor restrictions.

**(13) Functional Expenses**

The Corporation provides general healthcare services to residents within its geographic location. Operating expenses related to providing these services classified by their natural classification on the consolidated statements of operations and changes in unrestricted net assets are presented by their functional classifications as follows for the year ended June 30:

	<b>2019</b>		
	<b>Patient care</b>	<b>General and administrative</b>	<b>Total expenses</b>
Salaries and wages	\$ 1,287,207	61,437	1,348,644
Payroll taxes and benefits	137,459	140,835	278,294
Supplies	422,468	485	422,953
Purchased services	223,358	41,039	264,397
Other	226,376	20,076	246,452
Depreciation and amortization	96,486	42,186	138,672
Interest and amortization of deferred financing costs	540	34,656	35,196
<b>Total</b>	<b>\$ 2,393,894</b>	<b>340,714</b>	<b>2,734,608</b>

**PEACEHEALTH NETWORKS**

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

	2018		
	Patient care	General and administrative	Total expenses
Salaries and wages	\$ 1,205,374	55,314	1,260,688
Payroll taxes and benefits	128,341	128,185	256,526
Supplies	397,637	738	398,375
Purchased services	190,380	31,299	221,679
Other	221,470	6,175	227,645
Depreciation and amortization	95,715	43,354	139,069
Interest and amortization of deferred financing costs	583	31,315	31,898
Total	\$ <u>2,239,500</u>	<u>296,380</u>	<u>2,535,880</u>

**(14) Discontinued Operations – Columbia United Providers**

PeaceHealth Networks' majority-owned subsidiary, Columbia United Providers (CUP), entered into an asset purchase agreement to sell certain Medicaid assets to Molina Health Care of Washington, Inc. (Molina) on December 31, 2015. Molina purchased the right to assume CUP's Medicaid membership in the state of Washington, as well as certain other rights and assets, including the assumption of CUP's assignable provider contracts, related to the operation of the Medicaid business. As of December 31, 2015, CUP discontinued all of its Medicaid and Individual healthcare plan coverages, and subsequently discontinued all administrative services only (ASO) services provided to local companies. CUP withdrew its certificate of authority with the Washington State Office of the Insurance Commissioner effective April 30, 2017 and is in the final stages of the dissolution process.

The results of CUP from discontinued operations are disclosed under discontinued operations for the years ended June 30, 2019 and 2018. Total from operations of CUP were a gain of \$0 and a gain of \$4,045 for the years ended June 30, 2019 and 2018, respectively. CUP is in the final stages of discontinuation and closed as of June 30, 2019.

**(15) Subsequent Events**

In connection with the preparation of the consolidated financial statements in accordance with FASB ASC Topic 855, *Subsequent Events*, the Corporation has evaluated subsequent events through September 27, 2019, which is the date the consolidated financial statements were issued.

## **ADDITIONAL INFORMATION**

**PEACEHEALTH NETWORKS**  
Consolidating Balance Sheet Information  
June 30, 2019  
(In thousands)

Assets	Obligated group	PeaceHealth Southwest Foundation	Other nonobligated group	Eliminating or consolidating adjustments	PeaceHealth consolidated
<b>Current assets:</b>					
Cash and cash equivalents	\$ 34,517	1,113	11,255	—	46,885
Short-term investments	862,785	—	—	—	862,785
Accounts receivable, net	356,181	—	4,113	—	360,294
Other receivables	43,076	—	623	—	43,699
Inventory of supplies	43,552	—	993	—	44,545
Prepaid expenses and other	30,039	—	481	—	30,520
Assets whose use is limited that are required for current liabilities	77	6,830	—	—	6,907
<b>Total current assets</b>	<b>1,370,227</b>	<b>7,943</b>	<b>17,465</b>	<b>—</b>	<b>1,395,635</b>
<b>Assets whose use is limited:</b>					
Cash and investments	1,314,448	20,015	1,971	—	1,336,434
Investments in joint ventures and other	98,705	5,244	15,273	(92,341)	26,881
<b>Total assets whose use is limited</b>	<b>1,413,153</b>	<b>25,259</b>	<b>17,244</b>	<b>(92,341)</b>	<b>1,363,315</b>
Less current portion	(77)	(6,830)	—	—	(6,907)
<b>Net assets whose use is limited</b>	<b>1,413,076</b>	<b>18,429</b>	<b>17,244</b>	<b>(92,341)</b>	<b>1,356,408</b>
<b>Property, plant, and equipment:</b>					
Land and improvements	142,351	—	—	—	142,351
Buildings, fixed equipment, and other	1,772,058	—	29,940	(22,347)	1,779,651
Moveable equipment	914,902	—	15,830	—	930,732
Construction in progress	151,420	—	20	—	151,440
<b>Total property, plant, and equipment</b>	<b>2,980,731</b>	<b>—</b>	<b>45,790</b>	<b>(22,347)</b>	<b>3,004,174</b>
Less accumulated depreciation	(1,727,795)	—	(18,693)	6,706	(1,739,782)
<b>Net property, plant, and equipment</b>	<b>1,252,936</b>	<b>—</b>	<b>27,097</b>	<b>(15,641)</b>	<b>1,264,392</b>
Interest in net assets of related foundations	95,189	102	—	(25,953)	69,338
Other assets	33,264	—	70,207	—	103,471
<b>Total assets</b>	<b>\$ 4,164,692</b>	<b>26,474</b>	<b>132,013</b>	<b>(133,935)</b>	<b>4,189,244</b>

**PEACEHEALTH NETWORKS**  
Consolidating Balance Sheet Information  
June 30, 2019  
(In thousands)

<b>Liabilities and Net Assets</b>	<b>Obligated group</b>	<b>PeaceHealth Southwest Foundation</b>	<b>Other nonobligated group</b>	<b>Eliminating or consolidating adjustments</b>	<b>PeaceHealth consolidated</b>
<b>Current liabilities:</b>					
Accounts payable	\$ 135,033	—	2,911	—	137,944
Accrued payroll, payroll taxes, and employee benefits	147,833	—	2,587	—	150,420
Accrued interest payable	4,193	—	—	—	4,193
Other current liabilities	40,319	—	293	—	40,612
Pending trades payable	17,348	—	—	—	17,348
Current portion of long-term debt	26,011	—	—	(1,078)	24,933
<b>Total current liabilities</b>	<b>370,737</b>	<b>—</b>	<b>5,791</b>	<b>(1,078)</b>	<b>375,450</b>
Other long-term liabilities	331,144	—	9,769	—	340,913
Long-term debt, net of current portion	986,474	—	9,791	(17,379)	978,886
<b>Net assets:</b>					
Without donor restrictions, controlling interest	2,386,113	7,254	101,433	(94,948)	2,399,852
Without donor restrictions, noncontrolling interest	—	—	5,229	—	5,229
With donor restrictions	90,224	19,220	—	(20,530)	88,914
<b>Total net assets</b>	<b>2,476,337</b>	<b>26,474</b>	<b>106,662</b>	<b>(115,478)</b>	<b>2,493,995</b>
<b>Total liabilities and net assets</b>	<b>\$ 4,164,692</b>	<b>26,474</b>	<b>132,013</b>	<b>(133,935)</b>	<b>4,189,244</b>

See accompanying independent auditors' report.



**PEACEHEALTH NETWORKS**  
**Consolidating Statement of Operations and**  
**Changes in Net Assets Without Donor Restrictions Information**

Year ended June 30, 2019

(In thousands)

	Obligated group	PeaceHealth Southwest Foundation	Other nonobligated group	Eliminating or consolidating adjustments	PeaceHealth consolidated
<b>Revenues:</b>					
Net patient service revenue	\$ 2,684,609	—	31,344	—	2,715,953
Other operating revenue	57,192	1,484	11,402	(2,083)	67,995
<b>Total revenues</b>	<b>2,741,801</b>	<b>1,484</b>	<b>42,746</b>	<b>(2,083)</b>	<b>2,783,948</b>
<b>Expenses:</b>					
Salaries and wages	1,330,633	—	18,011	—	1,348,644
Payroll taxes and benefits	274,461	—	3,833	—	278,294
Supplies	418,569	—	4,614	(230)	422,953
Purchased services	259,592	—	5,064	(259)	264,397
Other	241,847	1,715	2,890	—	246,452
Depreciation and amortization	135,459	—	3,950	(737)	138,672
Interest and amortization of deferred financing costs	35,791	—	739	(1,334)	35,196
<b>Total expenses</b>	<b>2,696,352</b>	<b>1,715</b>	<b>39,101</b>	<b>(2,560)</b>	<b>2,734,608</b>
<b>Income from operations</b>	<b>45,449</b>	<b>(231)</b>	<b>3,645</b>	<b>477</b>	<b>49,340</b>
<b>Other income (expense):</b>					
Investment income, net	104,395	(123)	—	(738)	103,534
Net change in interest rate swaps	(40,346)	—	—	—	(40,346)
Other	(3,931)	—	7	—	(3,924)
<b>Total other income</b>	<b>60,118</b>	<b>(123)</b>	<b>7</b>	<b>(738)</b>	<b>59,264</b>
<b>Excess of revenues over expenses from continued operations</b>	<b>105,567</b>	<b>(354)</b>	<b>3,652</b>	<b>(261)</b>	<b>108,604</b>
<b>Net assets released from restrictions for property, plan, and equipment</b>	<b>7,188</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>7,188</b>
<b>Change in interest in net assets of related foundations</b>	<b>751</b>	<b>—</b>	<b>—</b>	<b>(751)</b>	<b>—</b>
<b>Change in pension liability</b>	<b>(15,337)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(15,337)</b>
<b>Other changes in net assets</b>	<b>3,444</b>	<b>—</b>	<b>78,604</b>	<b>(83,876)</b>	<b>(1,828)</b>
<b>Increase in net assets without donor restrictions</b>	<b>\$ 101,613</b>	<b>(354)</b>	<b>82,256</b>	<b>(84,888)</b>	<b>98,627</b>

See accompanying independent auditors' report.

**PEACEHEALTH NETWORKS**

Consolidating Statement of Changes in Net Assets Information

Year ended June 30, 2019

(In thousands)

	<u>Obligated group</u>	<u>PeaceHealth Southwest Foundation</u>	<u>Other nonobligated group</u>	<u>Eliminating or consolidating adjustments</u>	<u>PeaceHealth consolidated</u>
Net assets at June 30, 2018	\$ 2,381,343	29,254	24,407	(34,043)	2,400,961
Excess of revenues over expenses from continued operations	105,566	(354)	3,654	(262)	108,604
Other restricted contributions	7,188	—	—	—	7,188
Net assets released from restrictions	—	(930)	—	—	(930)
Transfer to related division	(917)	—	917	—	—
Change in interest in net assets of related foundations	(5,770)	30	—	2,703	(3,037)
Change in pension liability	(15,337)	—	—	—	(15,337)
Other changes in net assets	4,263	(1,529)	77,887	(83,875)	(3,454)
Change in net assets	<u>94,993</u>	<u>(2,783)</u>	<u>82,258</u>	<u>(81,434)</u>	<u>93,034</u>
Net assets at June 30, 2019	\$ <u>2,476,336</u>	<u>26,471</u>	<u>106,665</u>	<u>(115,477)</u>	<u>2,493,995</u>

See accompanying independent auditors' report.