



November 4, 2022

Eric Hernandez, Manager
Washington State Department of Health
Certificate of Need Program
111 Israel Rd. S.E.
Tumwater, WA 98501

Dear Mr. Hernandez:

On behalf of Pacific Rim Outpatient Surgery Center (PROSC), I am pleased to submit this application for approval to develop and operate a certificate of need (CN) approved ambulatory surgical facility (ASF) with three (3) operating rooms in Whatcom County.

Thank you for your assistance. Please contact me directly with any questions. I can be reached at slukas@hinet.org or at (248) 302-8002.

Sincerely,

A handwritten signature in black ink, appearing to read "Sharon Lukas", written in a cursive style.

Sharon L. Lukas
Administrator, Pacific Rim Outpatient Surgery Center
3009 Squalicum Parkway
Bellingham WA 98225




Date
Stamp
Here

**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.

<p>Name, Title, and Signature of Responsible Officer:</p> <p>Sharon L. Lukas Administrator</p> <p>Signature: </p> <p>Dated: November 4, 2022</p>	<p>Phone Number: (248) 302-8002</p> <p>Email Address: sllukas@hinet.org</p>
<p>Legal Name of Applicant:</p> <p>Pacific Rim Outpatient Surgery Center, LLC</p> <p>Address of Applicant:</p> <p>3009 Squalicum Parkway Bellingham WA 98225</p>	<p>Number of Operating Rooms requested – include procedure rooms:</p> <p>Three operating rooms</p> <hr style="width: 100%;"/> <p>Estimated Capital Expenditure: \$5,247,125</p>

<p>Identify the Planning Area for this project as defined in WAC 246-310-270(3):</p> <p>Whatcom County Planning Area</p>

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Introduction and Rationale

Pacific Rim Outpatient Surgery Center (“PROSC”) requests certificate of need (“CN”) approval to develop and operate a new certificate of need approved ambulatory surgery facility (“ASF”) with three (3) operating rooms in Whatcom County.

PROSC is currently CN-approved (CN1246) for five (5) operating rooms and has been an established provider in the community since 2003 at its current site located at 3009 Squalicum Parkway, Bellingham, WA 98225. PROSC provides surgical services under the following scope of specialties: OB/GYN, ophthalmology, oral & maxillofacial, orthopedic, otolaryngology, podiatry, general surgery, plastic & reconstructive, and urology. The new proposed location for PROSC will be located at 311 W. Horton Rd, Bellingham, WA 98226. It will continue to provide the same service mix at its new site as it currently performs.

PROSC will no longer operate at the current site once the new site is operational, anticipated to be complete by October 2024. Our intention is to operate until the transition to the new site to ensure the community receives uninterrupted surgical services, including ambulatory surgical services. We recognize that PeaceHealth’s timeline established in its application (CN23-09) for a new ASF at PROSC’s current site states it would take possession of the site in late March 2023 and become operational by July 2023.¹ However, this would result in a period of several months where the surgery center would be unavailable to the community and as a result, would significantly constrain patient access to outpatient surgical services. As recognized by PeaceHealth in its application, PeaceHealth St. Joseph Medical Center, the only planning area hospital, is already at exceptionally high occupancy that is in excess of its target capacity.² Therefore, it is unable to absorb additional cases to mitigate the severe disruption that would occur if the current PROSC site was closed during that interim period. We estimate that at least 1,000 cases would be disrupted, as PROSC performs approximately 350 cases per month.

PROSC has begun discussions with PeaceHealth to collaborate on timing and find opportunities for uninterrupted service delivery while accommodating both PeaceHealth and PROSC’s anticipated plans to develop their respective projects. As discussed in the *Need* section of our application, there is net need for 8.4 additional outpatient services when PROSC’s existing CN-approved count is removed from the supply count. Further, there is net need for 2.62 additional mixed-use operating rooms. As described in PeaceHealth’s CN23-09 application, it is looking to provide additional outpatient capacity to address existing hospital-based capacity issues and ‘decant’ some of these excess volumes to their proposed ASF project.³ Further, the healthcare landscape is evolving to support transitions from hospital-based settings, which are much higher cost, to freestanding non-hospital-based settings. Therefore, this net need of 2.62 mixed-use rooms (246,477 minutes in net need) can reasonably be converted to 3.6 additional outpatient rooms (i.e., 246,477 minutes divided by 68,860 minutes per outpatient room standard). Thus, there is true net need to support twelve (12) (8.4 outpatient ORs + 3.6 outpatient ORs from mixed-use need) additional outpatient rooms in the Whatcom planning area.

In summary, approval of PROSC’s proposed project will promote patient access to needed surgical service and continuity of existing community resources, including access for surgeons from the community who use PROSC’s existing surgery center.

¹ CN23-09 Application. September 16, 2022. p. 4.

² Ibid. pp. 3-4.

³ Ibid.

Applicant Description

Answers to the following questions will help the department fully understand the role of applicants. Your answers in this section will provide context for the reviews under Financial Feasibility (WAC 246-310-220) and Structure and Process of Care (WAC 246-310-230).

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)

Pacific Rim Outpatient Surgery Center, LLC (PROSC) is the legal name of the applicant.

The applicant’s address is:

3009 Squalicum Parkway
Bellingham WA 98225

The following individual members hold ten percent or greater of financial interest in PROSC:

- Jason Dahl, MD (16.84%)
- Paul Haeder, MD (16.84%)
- Christopher Van Hofwegen, MD (14.49%)
- Carter Kiesau, MD (14.16%)
- Matthew Oswin, DO (14.16%)

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

PROSC is a privately held, for-profit entity. The UBI number of PROSC is 602068145.

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

Sharon L. Lukas
Administrator – PROSC
3009 Squalicum Parkway
Bellingham WA 98225
slukas@hinet.org
(248) 302-8002

- 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).**

Frank Fox, PhD.
Health Trends
511 NW 162nd St,
Shoreline, WA 98177
206.366.1550
frankgfox@comcast.net

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

Please see Exhibit 1 that includes the organizational chart for the applicant.

Project description

Answers to the following questions will help the department fully understand the type of facility you are proposing as well as the type of services to be provided. Your answers in this section will provide context for the reviews under Need (WAC 246-310-210) and Structure and Process of Care (WAC 246-310-230)

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

Pacific Rim Outpatient Surgery Center
3009 Squalicum Parkway
Bellingham WA 98225

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.

The proposed new location for PROSC is provided below:

311 W. Horton Rd
Bellingham, WA 98226

3. Provide a detailed description of proposed project

Please see the *Introduction and Rationale* section at the beginning of this application for a detailed description of the proposed project. PROSC requests CN-approval to develop and operate a new certificate of need approved ambulatory surgery facility with three (3) operating rooms in Whatcom County.

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:

Event	Anticipated Month/Year
Assumed CN Approval	June 30, 2023
Design Complete	July 14, 2023
Construction Commenced	February 15, 2024
Construction Completed	September 1, 2024
Facility Prepared for Survey	October 1, 2024
Project Completion	October 1, 2024

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 checked="" 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 |

Other? Describe in detail: _____

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:

<input type="checkbox"/> Endoscopy	<input type="checkbox"/> Bariatric Surgery	<input type="checkbox"/> Other: _____
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7. For existing facilities, provide a discussion of existing specialties and how these would or would not change as a result of the project.

There are no changes anticipated as a result of the proposed project.

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.

If its proposed project is approved, PROSC will operate three (3) operating rooms when it begins operations at the new site.

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 operating rooms at the new proposed PROSC site would be exclusively 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 ASF currently and will continue to serve patients ages one year and older who require ambulatory surgery procedures that can be provided appropriately in an outpatient setting.

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.

Please see Exhibit 2 for the letter of intent.

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

Please see Exhibit 3 for single-line drawings of the proposed facility.

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.

PROSC is currently and will continue to be Medicare and Medicaid licensed and certified. Please see its respective Medicare and Medicaid numbers below.

Medicare: 50-C0001225

Medicaid: 1004250

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

PROSC is currently accredited by Accreditation Association for Ambulatory Health Care ("AAAHC"). It anticipates continuing accreditation with AAAHC at the proposed site.

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.

We have a technical assistance meeting with CRS scheduled for November 7, 2022. The CRS project number is 61375703.

Certificate of Need Review Criteria

A. Need (WAC 246-310-210)

WAC 246-310-210 provides general criteria for an applicant to demonstrate need for healthcare facilities or services in the planning area. WAC 246-310-270 provides specific criteria for ambulatory surgery applications. Documentation provided in this section must demonstrate that the proposed facility will be needed, available, and accessible to the community it proposes to serve. Some of the questions below only apply to existing facilities proposing to expand. For any questions that are not applicable to your project, explain why.

Some of the questions below require you to access facility data in the planning area. Please contact the Certificate of Need Program for any planning area definitions, facility lists, and applicable survey responses with utilization data.

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

Please see Tables 1 and 2 below for a complete list of hospitals and ambulatory surgery facilities in the Whatcom Planning Area.

Table 1: Supply of CN-Approved Outpatient and Mixed Use ORs in the Planning Area		
Hospitals, CN-Approved	Mixed Use Operating Rooms	Outpatient Operating Rooms
PeaceHealth St. Joseph Medical Center	8	
ASCs, CN-Approved	Mixed Use Operating Rooms	Outpatient Operating Rooms
Northwest Ambulatory Surgery Center (“Bellingham ASC”, “BASC”)		3
Pacific Rim Outpatient Surgery Center		5
Total	8	8
Subtotal – Less PROSC	8	3
Sources: 2022 and 2018 DOH OR Survey		
Notes: Excludes Northwest Endoscopy Center which is endoscopy only and not counted in Department’s numeric need methodology.		

ASCs, CN-Exempt	Mixed Use Operating Rooms	Outpatient Operating Rooms
Bellingham Urology Group PLLC		3
Cascade Outpatient Spine Center		2
Northwest Surgical Center		1
Pacific Cataract and Laser Institute		2
Parkway Surgical Center		1
Pacific Northwest Urology Surgery Center		3
Plastic Surgery Bellingham		2
Whatcom Surgery Center		1
Total, CN Exempt ORs		15
Sources: 2018, 2020, 2021, 2022 DOH OR Survey. Communication with Department staff.		
Notes: Excludes PeaceHealth Medical Group Endoscopy Center (endoscopy Only).		

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

Except for PROSC, Northwest Ambulatory Surgery Center (dba Bellingham Ambulatory Surgery Center, “BASC”) is the only CN-approved non-hospital based multispecialty surgery center in Whatcom County. There is a third CN-approved ASF in the planning area, Northwest Endoscopy Center, but it is endoscopy only.

As of 2022, there are eight CN-exempt outpatient facilities providing non-endoscopy outpatient procedures. A majority of these facilities provide only a limited range of services, with several facilities seemingly only performing a single specialty, including plastic surgery, ophthalmology, orthopedics, and urology.

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

PROSC is critical component to the existing Whatcom County health system, providing needed access to non-hospital based ambulatory surgical services to planning area residents. PROSC is one of two CN-approved non-hospital based multispecialty surgery center in Whatcom County. Moreover, as detailed below, the Department’s quantitative ASF need methodology outlined in WAC 246-310-270 demonstrates there is net need for additional outpatient operating rooms in the planning area, and this calculation includes in supply the current CN-approved five ORs at PROSC. Further, since this CN request is only for three outpatient ORs, not five, the net effect of this request will be to increase net need by two additional

outpatient ORs.⁴ In summary, the proposed request does not represent 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.**

Table 3: Summary of Data and Assumptions Used in Numeric Need Methodology	
Planning area	Whatcom County
Population estimates and forecasts, all ages	Year 2021: 233,357 Year 2027 (Forecast Year 3): 252,007 Source: OFM GMA
Planning area use rate	95.48 per 1,000 residents based on 2021 population and planning area provider utilization
Surgery case mix	Outpatient: 65.6% Inpatient: 34.4%
Planning area surgeries	<u>Historical</u> Inpatient or Mixed Use: 7,661 Outpatient: 14,620 Total: 22,281 <u>2027 Forecast</u> Inpatient or Mixed Use: 8,273 Outpatient: 15,789 Total: 24,062
Average minutes per case	Inpatient or Mixed Use: 120.93 Outpatient: 49.76
OR annual capacity (in minutes)	68,850 outpatient surgery minutes; 94,250 inpatient or mixed-use surgery minutes
Existing OR capacity (in ORs)	3 dedicated outpatient ORs (Excluding PROSC, the applicant), 8 mixed use ORs
Summary of need calculations	2027 Overall Need. Projected Need of 2.62 Mixed Use ORs Projected Need of 8.41 Outpatient ORs (Excluding PROSC ORs)

Note: 2027 used as the target forecast horizon as the Department’s numeric need methodology presented in WAC 246-310-270(9) requires a forecast of the “third year of operation”. The third full year of operation for the proposed new surgery center is calendar year 2027.

⁴ This is the result of PROSC requesting two fewer ORS at its new site than it is currently approved for.
DOH 260-032 June 2019

For detail on the data sources by provider, see Exhibit 4. Exhibit 5 presents a step-by-step calculation of net need using the assumptions and data outlined in Table 3. This methodology is described and summarized below.

WAC 246-310-270(9) — Methodology

(a) Existing Capacity

(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 cleanup 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.

(ii) Assume the annual capacity of one operating room dedicated to ambulatory surgery is sixty-eight thousand eight hundred fifty minutes. The derivation is the same as (a)(i) of this subsection except for twenty-five percent loss for prep/cleanup time and scheduling is for a thirty-seven and one-half hour week. Divide the capacity minutes by the average minutes per outpatient surgery (see (a)(vii) of this subsection). Where survey data are unavailable, assume fifty minutes per outpatient surgery, resulting in a capacity for one thousand three hundred seventy-seven outpatient surgeries per room per year.

(iii) Calculate the total annual capacity (in number of surgeries) of all dedicated outpatient operating rooms in the area.

Dedicated outpatient CN-Approved ORs in the planning area= 3
(Excluding PROSC, the applicant)

Capacity = 68,850 minutes per year per OR

Total annual capacity in minutes: $3 \times 68,850 = 206,550$ minutes

Minutes per surgery = 49.76 minutes

Total annual capacity in outpatient surgeries:

$206,550 / 49.76 = \mathbf{4,151}$ annual [dedicated] outpatient surgeries

(iv) Calculate the total annual capacity (in number of minutes) of the remaining inpatient and outpatient operating rooms in the area, including dedicated specialized rooms except for twenty-four hour dedicated emergency rooms. When dedicated emergency operating rooms are excluded, emergency or minutes should also be excluded when calculating the need in an area. Exclude cystoscopic and other special purpose rooms (e.g., open heart surgery) and delivery rooms.

Inpatient/mixed use, CN-Approved ORs in the planning area = 8

Capacity = 94,250 minutes per year per OR

Total annual capacity in minutes: $8 \times 94,250 = 754,000$ minutes **(a)(iv)**

Minutes per surgery = 120.93 minutes

Total annual capacity in inpatient/mixed use surgeries:

$754,000 / 120.93 = 6,235$ annual inpatient/mixed use surgeries

(b) Future need

(i) Project the number of inpatient and outpatient surgeries performed within the hospital planning area for the third year of operation. This shall be based on the current number of surgeries adjusted for forecasted growth in the population served and may be adjusted for trends in surgeries per capita.

Based on the forecast population in 2027 and the use rate of 95.48 per 1,000 residents, there is a projected total of 24,062 surgeries in the Whatcom Planning area. [(b) (i)]

An estimated 34.4% of surgeries were performed as inpatient/mixed use and 65.6% as outpatient surgeries. Thus, of the 24,062 forecasted surgeries for 2027, 8,273 would be inpatient/mixed use surgeries and 15,789 outpatient surgeries [(b) (i)].

(ii) Subtract the capacity of dedicated outpatient operating rooms from the forecasted number of outpatient surgeries. The difference continues into the calculation of (b) (iv) of this subsection.

Outstanding demand for outpatient surgeries:

15,789 – 4,151 = 11,638 outpatient surgeries

(iii) Determine the average time per inpatient and outpatient surgery in the planning area. Where data are unavailable, assume one hundred minutes per inpatient and fifty minutes per outpatient surgery. This excludes preparation and cleanup time and is comparable to "billing minutes."

Inpatient/mixed use surgery minutes = 926,466

Inpatient/mixed use cases = 7,661

Average inpatient/mixed use minutes per case = 120.93

Outpatient surgery minutes = 727,507

Outpatient cases = 14,620

Average outpatient minutes per case = 49.76

(iv) Calculate the sum of inpatient and remaining outpatient (from (b)(ii) of this subsection) operating room time needed in the third year of operation.

Inpatient minutes: 8,273 surgeries * 120.93 minutes/surgery = 1,000,477 minutes, or [(b)(i) * (b)(iii)]

Remaining outpatient minutes: 11,638 surgeries (b)(i) * 49.76 minutes/surgery (b)(iii) = 579,107 minutes, or [(b)(ii) * (b)(iii)]

Sum of projected inpatient operating room time needed and projected remaining outpatient operating room time needed:

1,000,477 minutes + 579,107 minutes = 1,579,584 minutes (b)(iv)

(c) Net Need

(i) If (b)(iv) of this subsection is less than (a)(iv) of this subsection, divide their difference by ninety-four thousand two hundred fifty minutes to obtain the area's surplus of operating rooms used for both inpatient and outpatient surgery.

Not applicable; go to c.ii.

(ii) If (b)(iv) of this subsection is greater than (a)(iv) of this subsection, subtract (a)(iv) of this subsection from the inpatient component of (b)(iv) of this subsection and divide by ninety-four thousand two hundred fifty minutes to obtain the area's shortage of inpatient operating rooms. Divide the outpatient component of (b) (iv) of this subsection by sixty-eight thousand eight hundred fifty to obtain the area's shortage of dedicated outpatient operating rooms.

As shown above, (b)(iv) is greater than (a)(iv):

The model shows numeric need overall, including 8.41⁵ outpatient ORs and 2.62⁶ mixed-use ORs in the Whatcom Planning Area.

- 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.

⁵ 579,107 outstanding outpatient minutes divided by 68,850 standard equals 8.41.

⁶1,000,477 mixed-use minutes (demand) minus 754,000 mixed-use minutes (supply) divided by 94,250 standard equals 2.62

The model shows numeric need for additional outpatient operating rooms in the Whatcom County Planning Area. Furthermore, there are also qualitative arguments that support approval of the proposed project. These include a limited supply of planning area outpatient providers, an increasing use rate, the efficiency and patient preference of outpatient ORs over inpatient ORs and limited mixed-use capacity.

Limited Supply of Outpatient Providers in the Whatcom Planning Area

Currently, there are only two CN-approved outpatient facilities (PROSC and BASC) in the Whatcom planning area, excluding Northwest Endoscopy Center which is endoscopy only. Further, one of those two CN-approved outpatient facilities is the applicant, PROSC, at its current site which will not be operational when it relocates at the new site. As of 2022, only ten outpatient facilities, including eight that are non CN-approved, provide non-endoscopy outpatient procedures. A majority of these facilities provide only a limited range of services, with several facilities seemingly only providing a single specialty, including plastic surgery, ophthalmology, orthopedics, and urology. Given the trend towards outpatient care, because the Department's numeric need methodology uses historical shares to predict future distributions of need for mixed use and outpatient ORs, the Department's numeric need methodology understates the demand for outpatient ORs in the Whatcom Planning Area. Given the evolving landscape shifting more procedures to outpatient, lower cost, settings, demand for additional outpatient ORs will continue to increase. Additional outpatient ORs will be critical for patient access to outpatient surgery providers. *Increasing use rate and high population growth, particularly among older residents*

The model as presented above and in Exhibit 5 assumes a constant use rate. However, it is likely this use rate will increase over the forecast period for the following reason:

The planning area population is becoming older, with 2020-2025 population forecasts projecting average annual growth rates of about 3.45% for persons aged 65+ in the Whatcom planning area (compared to growth rates of about 0.76% for persons under the age of 65). Since older persons have a higher surgery use rate than younger persons, as the population in the planning area ages, the surgery use rate will rise. As such, an 95.48 surgical use rate per 1,000 residents for ambulatory surgeries, held constant over time, is a conservative approach and will underestimate future demand for outpatient surgeries.

Efficiency and Patient Preference for Outpatient ORs

If approved, this will ensure continuity of care and continued access for planning area residents to outpatient surgical services. Given the existing planning area need, without this project approval, which will maintain access to PROSC ORs, planning area residents in need of surgical services will need to either out-migrate to neighboring planning areas, obtain services in a hospital-based setting, if capacity is available, or

attempt to obtain outpatient surgery in the remaining outpatient ORs, which will be increasingly difficult.

ASFs reduces travel time and costs, as well as patient inconvenience and anxiety. Furthermore, outpatient facilities are generally more efficient and cost-effective in comparison to inpatient surgery departments, leading to lower contractual rates for purchasers and cost savings for patients. Constraints on the supply of outpatient surgical services will push patients into the higher cost inpatient operating rooms, and result in lower planning area efficiency.

Limited Mixed-Use Capacity

In PeaceHealth's application submitted in September of this year, it states that PeaceHealth St. Joseph Medical Center (PSJMC), the planning area's only hospital, is already at exceptionally high occupancy that is in excess of its capacity.⁷ Its request to develop a new ASF at PROSC's current site is to expand outpatient capacity to address existing hospital-based capacity issues and 'decant' some of these excess volumes to their proposed ASF project.⁸

*"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."*⁹ (emphasis added)

The Department's numeric need methodology for ASF projects not only demonstrates net need for 8.41 dedicated outpatient ORs, but it also forecasts net need for 2.62 mixed-use rooms. Mixed-use net need is calculated using the capacity standard of 94,250 minutes per mixed-use room specified in WAC 246-310-270. Therefore, the 2.62 mixed-use net need represents 246,477 minutes (2.621514 multiplied by 94,250). If using the dedicated outpatient capacity standard of 68,850 minutes per outpatient OR, then the mixed-use net need equates to need for 3.58 additional outpatient rooms (246,477 divided by 68,850).

There is limited existing mixed-use capacity to meet existing demand, let alone future net need. As stated in PeaceHealth's application, one of the main drivers of its project

⁷ CN23-09 Application. pp. 3-4.

⁸ Ibid.

⁹ Ibid.

is to decant existing volumes from PSJMC because it has no additional capacity of mixed-use ORs:

*“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.”*¹⁰

In summary, there is true net need that warrants approval of at least twelve (12) additional outpatient rooms in the Whatcom planning area using the quantitative estimates from the numeric need methodology, supported by the 8.4 rooms needed from the standard outpatient net need estimate and an additional 3.6 rooms from mixed-use net need.

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

Please see Table 4 for the number of surgeries by specialty per year between 2019 and September 2022 at PROSC. PROSC currently operates effectively 3.4 ORs as of 2022.¹¹

Specialty	2019	2020	2021	1Q-3Q 2022	2022 Annualized
Obstetrics & Gynecology	167	155	140	38	51
Ophthalmology	1,074	835	852	699	932
Oral & Maxillofacial	9	8	6	5	7
Orthopedic	1,927	2,121	2,069	1,761	2,348
Otolaryngology	476	277	214	184	245
Podiatry	36	27	39	37	49
General Surgery	377	360	286	214	285
Plastic & Reconstructive	621	290	237	102	136
Urology	37	35	41	19	25
Total Cases	4,724	4,108	3,884	3,059	4,079

Source: Applicant.

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

¹⁰ Ibid. p. 4.

¹¹ A minimum of three (3) operating rooms for five days a week and approximately four rooms (3 OR and 1 procedure room) for two of the five days. PROSC implemented process improvements resulting in operational efficiency that allows it to perform all surgeries utilizing 3 ORs, Monday through Friday; and one additional procedure room approximately two days/week.

provide the intervening years between historical and projected. Include the basis for all assumptions used as the basis for these projections.

Please see Table 5 for the PROSC utilization forecast.

Intervening Period Forecast: The intervening periods from 2023 through September 2024 assumes case growth of 1.28%, the Whatcom population average annual growth rate assumed between 2020-2025 in OFM’s Growth Management Act (“GMA”) county projections for Whatcom County, to 2022 annualized volumes.¹² PROSC anticipates an approximate 80% reduction in OB/GYN cases based on experience in recent months.

Project Forecast: The initial forecast periods following project completion (i.e. October 2024 through 2025) continue to assume the 1.28% annual growth rate consistent with OFM GMA population growth projections. 2026 and 2027 annual case growth is assumed to be 1.30%, consistent with OFM’s GMA projections for Whatcom County during the 2025-2030 forecast period.

Specialty	Interim 2023	Interim 1Q-3Q 2024	4Q 2024	2025	2026	2027
Obstetrics & Gynecology	10	8	3	11	11	11
Ophthalmology	944	717	239	968	981	993
Oral & Maxillofacial	7	5	2	7	7	7
Orthopedic	2,378	1,806	602	2,440	2,471	2,502
Otolaryngology	248	189	63	255	258	261
Podiatry	50	38	13	51	52	53
General Surgery	289	220	73	296	300	304
Plastic & Reconstructive	138	105	35	141	143	145
Urology	26	19	6	26	27	27
Total Cases	4,090	3,107	1,036	4,196	4,249	4,304
Minutes Per Case ¹	60.1	60.1	60.1	60.1	60.1	60.1
Total Minutes	245,804	186,718	62,239	252,150	255,384	258,659
Assumed Avg Min Capacity Per OR Per Year	86,292	86,292	86,292	86,292	86,292	86,292
Estimated Number of Operating Rooms Needed²	2.85	2.89	2.89	2.92	2.96	3.00

Source: Applicant.
¹60.1 minutes per case based on Jan-Sep 2022 actuals.

¹² Washington State Office of Financial Management. Growth Management Act County Projections (Medium Series). 2017 Release.
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²Need for OR suites is estimated by dividing OR minutes by OR Capacity. The capacity of a single OR equals 86,292 minutes based on review of PROSC's historical and anticipated operations relative to the WAC 246-310-270 standard. Overall, PROSC is anticipated to be operational 47 hours per week compared to the 37 hour per week assumption in the WAC (25% greater).

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

A relative paucity of outpatient ORs in the Whatcom planning area limits the ability for planning area residents to access non-hospital based surgical services. These access issues would be severely exacerbated if the proposed request is not approved, as it would reduce planning area capacity in comparison to existing demand, let alone increasing demand as the population ages.¹³

This limited outpatient OR supply would result in excess demand for outpatient services, thereby restricting access for patients. Patients in need of surgical services must then either utilize hospital-based services or outmigrate to neighboring planning areas. For those patients who outmigrate, geography and regional traffic patterns may also restrict access, limiting patient ability to access care in neighboring areas such as Skagit, Snohomish, or King County.

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.

PROSC is committed to meeting community and regional health needs. PROSC will provide financial assistance consistent with its financial assistance policy, included as Exhibit 7. This policy states that a financial assistance discount of up to 100% will be extended to eligible patients whose monthly income falls at or below 100% of the Federal Poverty Level.

Most indigent individuals in Washington State are insured through Apple Care or other Medicaid providers, and in 2021, PROSC wrote off about \$2.5 million in charges to these patients.

Our financial pro forma forecast provided in Exhibit 10 explicitly allocates 1.91% of gross revenues to be provided for financial assistance, a figure equal to the Whatcom County

¹³ These access constraints will necessarily increase given that PROSC's existing site will be utilized by PeaceHealth if its CN request is approved and PROSC does not relocate and reopen CN-approved ORs.

Planning Area charity care average over 2018-2020 for PeaceHealth Saint Joseph Medical Center, the only hospital located in Whatcom County. Please see Table 6 below.

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.**

Please see the following exhibits for the requested policies:

- Admissions-related documents
 - Exhibit 6A: Conditions of Admissions.
 - Exhibit 6B: Consent to Surgery
 - Exhibit 6C: Plan for Delivery of Services
- Exhibit 7: Financial Assistance Documentation.
- Exhibit 8A: Patient Rights and Responsibilities Policy.
- Exhibit 8B: List of Patient Rights and Responsibilities.
- Exhibit 9: Non-discrimination Document.

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

Financial feasibility of a project is based on the criteria in 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.**

Please see Exhibit 10 for historical financial statements and the Pro Forma financial forecast for the first three full years of operations.

2. Provide the following applicable agreements/contracts:

- **Management agreement**
- **Operating agreement**
- **Medical director agreement**
- **Development agreement**
- **Joint Venture agreement**

Note that all agreements above must be valid through at least the first three full years following completion of the project or have a clause with automatic renewals. Any agreements in draft form must include a document signed by both entities committing to execute the agreement as submitted following CN approval.

Please see the following exhibits for the applicable agreements.

- **Exhibit 11A: Medical Director Agreement**
- **Exhibit 11B: Letter on Medical Director Services Rate**
- **Exhibit 12: Operating Agreement**

- 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)

PROSC, in its financial projections for the proposed project, assumes financial assistance to be 1.91% of gross revenue. This figure is consistent with the Whatcom County Planning Area charity care average over 2018-2020 for PeaceHealth Saint Joseph Medical Center, the only hospital located in Whatcom County.

Region/Hospital	% of Total Revenues			
	2018	2019	2020	3 Year Avg, 2018-2020
PeaceHealth/Saint Joseph Hospital	1.51%	1.98%	2.23%	1.91%
Whatcom Planning Area Hospital Average	1.51%	1.98%	2.23%	1.91%
PUGET SOUND REGION TOTALS	1.44%	1.35%	1.69%	1.49%

Source: DOH Charity Care Reports, 2018-2020

- 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.**

At the new site, there will be a lease agreement between PROSC (Tenant) and CSORP, LLC (Landlord). CSORP, LLC recently purchased the two property parcels that the proposed new PROSC site will be located on.

See Exhibit 13A for a copy of the deed demonstrating CSORP, LLC (Landlord) is the owner of the property.

See Exhibit 13B and 13C for a binding letter of intent to lease and draft lease agreement between PROSC (Tenant) and CSORP, LLC (Landlord).

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

On August 3, 2022, the City of Bellingham’s Permit Center commented in a pre-application letter to PROSC’s architect that the proposed project at 311 W Horton RD, Bellingham, WA 98226 is a permitted use in this area of the Cordata Planned Unit Development (PUD).

“1. Applicable city codes:

This review of the subject proposal was completed using the following titles/chapters/sections of the Bellingham Municipal Code (BMC):

- a. 20.25 Design Review - Applicability and commercial development design standards*
- b. 21.10.110 Administration of development regulations for a Type II permit*
- c. 16.20 SEPA required due to the size of the project.*

The proposed medical office use is a permitted use in this area of the Cordata PUD.”¹⁴

- 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.**

Table 7: Capital Expenditures Table	
Item	Cost
a. Land Purchase	
b. Utilities to Lot Line	
c. Land Improvements	
d. Building Purchase	
e. Residual Value of Replaced Facility	
f. Building Construction	\$2,673,614
g. Fixed Equipment (not already included in the construction contract)	\$1,699,503
h. Movable Equipment	
i. Architect and Engineering Fees	\$200,000
j. Consulting Fees	
k. Site Preparation	
l. Supervision and Inspection of Site	
m. Any Costs Associated with Securing the Sources of Financing (include interim interest during construction ¹)	\$246,760
n. Washington Sales Tax ²	\$427,248
Total Estimated Capital Expenditure	\$5,247,125

¹Financing costs include \$221,760 in capitalized interest (i.e. interim interest before operations at new site) and \$25,000 in loan origination fee (\$5M loan and 0.50% fee).

²Sales tax includes \$191,970 for new equipment and \$235,278 for buildout (8.8% of tenant improvements).

- 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.**

¹⁴ City of Bellingham - Permit Center. August 3, 2022. Pre-Application Letter. p. 5.
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PROSC will be the only entity responsible for funding the capital expenditures associated with the proposed project. The sources of funding are described in the latter portion of this application section.

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.

PROSC is an existing surgery center that is established in the community. Therefore, it has the staff, supplies, equipment, and the other resources needed to operate a relocated surgery center. Some additional start-up costs associated with the proposed project includes:

- \$17,000 reaccreditation fee from AAAHC. This is included as an expense in the 4Q2022 forecast period in Exhibit 10.
- \$42,500 in equipment services to move, test, and calibrate all equipment at the new site. These equipment services are included in the equipment-related capital expenditure line-item.
- \$221,760 in project-related interest prior to operations. These financing expenses are included in the financing capital expenditure line-item as capitalized interest.
- \$25,000 in loan origination fees. These financing expenses are included in the financing capital expenditure line-item as capitalized interest.
- \$81,198 in project-related principal payments prior to operations. Since these principal payments are associated with the debt-financing of the assets identified in the capital expenditures table, they are reflected in the project-related depreciation and amortization expenses in the revenue and expense statement of the pro forma.

In summary, the total pre-operational expenses are expected to equal \$387,458 .

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

See Exhibit 14 for the non-binding contractor letter.

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

In general, the cost of the project would not be expected to affect costs and charges, as rates are based on fee schedules with CMS and negotiated rates with other payers not directly impacted by project-related costs.

- 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**

Please our response to Question 10 above.

- 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 8: Payer Mix (Projected)		
Projected Payer Mix	Percentage by Revenue WAC 246-310-220(1)	Percentage by Patient WAC 246-310-210(2)
Commercial/HMO	54.7%	43.1%
Medicare	25.2%	36.8%
Medicaid	10.1%	10.7%
Workers Compensation / L&I	1.4%	1.6%
Other / Other Gov't (VA, TriCare, Indian Services, DSHS, Self-Pay)	8.5%	7.9%
Total	100%	100%
Source: Applicant. Based on January – August 2022 actuals.		

- 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.**

Table 9: Payer Mix (Historical)		
Historical Payer Mix	Percentage by Revenue WAC 246-310-220(1)	Percentage by Patient WAC 246-310-210(2)
Commercial/HMO	54.7%	43.1%
Medicare	25.2%	36.8%
Medicaid	10.1%	10.7%
Workers Compensation / L&I	1.4%	1.6%
Other / Other Gov't (VA, TriCare, Indian Services, DSHS, Self-Pay)	8.5%	7.9%
Total	100%	100%

Source: Applicant. January – August 2022 actuals.

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.

See Exhibit 15 for the new equipment required for the proposed project.

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.

PROSC will fund the proposed project from the following sources:

- A \$5,000,000 loan from Whatcom Educational Credit Union (WECU). See Exhibit 16A for a letter from a WECU representative detailing the summary terms of the loan.
- The remaining \$247,125 capital expenditures and any startup costs will be funded from PROSC reserves. Please see Exhibit 16B for a letter of financial commitment from PROSC's administrator, Sharon L. Lukas.

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

A copy of the loan amortization schedule is included in the pro forma exhibit in Exhibit 10.

17. Provide the applicant's audited financial statements covering the most recent three years. WAC 246-310-220

PROSC does not have audited financial statements. Please see Exhibit 10 for a copy of historical revenue and expense statements.

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

Projects are evaluated based on the criteria in WAC 246-310-230 for staffing availability, relationships with other healthcare entities, relationships with ancillary and support services, and compliance with federal and state requirements. Some of the questions within this section have implications on financial feasibility under WAC 246-310-220 and will be marked as such.

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.

PROSC is the only healthcare facility owned by the applicant.

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.

See Table 10 for the historical and forecasted FTE schedule for the proposed project.

	Historical				Interim			Forecast			
	2019	2020	2021	Jan-Jul 2022	2022 Annualized	2023	1Q-3Q 2024	4Q 2024	2025	2026	2027
Administration	14.0	11.6	12.1	8.5	8.5	8.5	8.5	8.1	8.1	8.1	8.1
OR-RN	7.3	6.7	6.1	5.8	5.8	5.8	5.8	7.5	7.5	7.5	7.5
OR-Surgical Technician	8.9	8.1	7.0	6.3	6.3	6.3	6.3	7.2	7.2	7.2	7.2
OR-Sterile Processing Tech	1.0	1.6	2.7	2.3	2.3	2.3	2.3	2.0	2.0	2.0	2.0
Perianesthesia-RN	16.7	16.6	14.7	13.3	13.3	13.3	13.3	10.0	10.0	10.0	10.0
Total	47.9	44.6	42.6	36.2	36.2	36.2	36.2	34.8	34.8	34.8	34.8

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

The interim/intervening period is assumed to be consistent with current 2022 staffing.

The forecast assumes clinical staff work 4–10-hour days/week. The surgery center will operate Monday-Friday and will require:

- 4 OR Circulators, 3 to staff the ORs + float
- 4 Surgery Tech, 3 to staff the ORs + float
- 5 Perianesthesia RNs to staff pre/post op + float
- On days where there is ophthalmology surgery, we will require +1 surgery techs; +2 perianesthesia RNs (patients are scheduled every 30 minutes)
- 2 sterile processing techs/day; when an SPD tech is off, surgery techs fill in, may require scheduling an additional tech during the week; all depends on volume, plus case type and instrument availability
- Surgery techs are also responsible for assisting with purchasing, stocking, depletions, ordering.

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 current medical director is Dr. Matthew VonFeldt (MD00038923). This position is contracted. See Exhibit 11 for a copy of the medical director agreement.

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

The medical director position is contracted. See Exhibit 11 for a copy of the medical director agreement.

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

Key staff include Sharon Lukas (Administrator), Jessi Ryan (Director of Nursing), Megan Bielefeld (Supervisor – Perianesthesia), and Ofa Hathaway (Supervisor – OR).

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).

See Exhibit 17 for the list of physicians who currently use PROSC.

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

See Exhibit 18 for a list of credentialed staff.

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)

Pacific Rim Outpatient Surgery Center (PROSC) utilizes a program within our payroll system, Paylocity, for recruitment. This allows us to post jobs with an automatic cross-over post to the Indeed hiring website. In addition to Paylocity, PROSC utilizes various means to identify candidates including employee referrals and social media postings. There will be minimum staff additions needed to implement the project. Further, as detailed in Table 10, it is expected there will be a slight reduction in the total number of FTEs from 2022 staffing levels.

To retain staff members, PROSC has recently increased our pay scale to be comparable with the Bellingham area.¹⁵ PROSC has the advantage of working with employee schedules and days off while also offering no call, nights, weekends, or holidays.

Due to the recent pandemic, we have encountered barriers to recruitment. The local hospital is offering substantial bonuses to their newly hired staff and additionally, there is a shortage of qualified and trained nursing staff, specifically trained in operating room settings.

To offset these barriers we have started to post job openings on multiple social media sites, reaching out personally to possible candidates. We are also using a recruiter to find candidates in other cities. Recently, we have created a new training position to widen our pool of candidates for nurses who would like to work in the operating room but are not experienced.

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

See Table 11 below for a list of existing ancillary and support services.

Vendor	Description
Access	Medical Records Storage
AES	Anesthesia Machine Maintenance
Alcon Laboratories	Verifeye (ORA), Centurion Vision System
AmerisourceBergen Agreement	Pharmaceutical Supplies
Arthrex	Medical Supplies
ATS Automation	Airflow Maintenance
Beck Pharmacy Consulting LLC	Pharmacy Consultant
Bellingham Anesthesia Associates	Anesthesia Services, Medical Director
Bennink, Tricia	Transcription

¹⁵ These updated wage rates have been used to develop the salary projections in the pro forma included in Exhibit 10.

CoMedical	Biomedical/Preventative Maintenance
Gateway Languages	Translation
HRS	GPO
Island Medical Gas	Medical Gas
J & J	Medical Supplies
Kelly Imaging Systems	Leased Office Equipment
Larson Gross	Accounting/ Taxes
Marrti	Translation
Northwest Health Care Linen	Linen/Scrub Rental
Avero Laboratories	Laboratory/Pathology Services
Orkin Pest Control	Pest Control Services
Pacific Facility Solutions	Janitorial, Maintenance HVAC
Paylocity	HRIS + Evaluations + Payroll
PC Technologies (HiNet)	IT Services and Maintenance
Skagit Bonded Collectors	Third Party Collection Services
SIS Complete	EMR Platform
Smith & Nephew	Medical Supplies
Stericycle	Shredding Services
Stericycle	Pharmaceutical Waste
Stryker	Medical Supplies
The Coding Network	Coding Company
Waste Management	Pharmaceutical Waste
Waystar	Claims Management
Zimmer Biomet	Medical Supplies

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

Please see our response to Question 10 above.

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)

PROSC does not expect any changes as a result of the proposed project.

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)

PROSC currently has a working relationship with PeaceHealth St. Joseph Medical Center (PSJMC). Please see Exhibit 19 for a copy of the transfer agreement with PSJMC.

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)

PROSC does not expect any of the existing working relationships to change as a result of the project.

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

Please see our response to Question 13 above.

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

Please see Exhibit 19 for a copy of the transfer agreement with PeaceHealth St. Joseph Medical Center.

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)

PROSC is an established provider in the community and has been in operation since 2003. The proposed project promotes continuity of care as it seeks to continue PROSC's existing surgical services at a new site and is supported by the Department's numeric need methodology.

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).

As discussed above, PROSC is an established provider in the community and has been in operation since 2003. Over that time, it has cultivated relationships with the wider healthcare community in Whatcom county and the greater region.

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.

PROSC does not have a history of any of the actions listed above. Therefore, this question is not applicable.

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

Projects are evaluated based on the criteria in WAC 246-310-240 in order to identify the best available project for the planning area.

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

In deciding to submit this application, PROSC explored the following options, predicated on PeaceHealth's intention to occupy and operate a surgery center at PROSC's current site.

- Option One: develop a new 3-OR freestanding ASF at a new site after the existing PROSC site is no longer operational. (The Project).
- Option Two: no project---shutdown.

A larger project request (e.g. 7-ORs, 11-ORs) to address full outpatient net need was not considered due to the high capital costs required, as well as recognizing PeaceHealth's intention to develop a new surgery center in the planning area. The proposed project with three ORs also allows sufficient remaining net need to give an opportunity for additional surgery center(s) to provide surgical care in the Whatcom planning area.¹⁶

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.

Please see the table below for a summary of advantages and disadvantages of each of the options, based on the following evaluative criteria: patient access to healthcare services, capital cost, legal restrictions, staffing impacts, quality of care, and cost or operation efficiency.

See table on next page

¹⁶ See discussion in the *Introduction and Rationale* and *Need* sections of this application.
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Table 12. Alternatives Analysis	
Option:	Advantages (A) / Disadvantages (D) / Neutral (N) of: Option 1: develop a new 3-OR freestanding ASF at a new site after the existing PROSC site is no longer operational. (The Project). Option 2: no project---shutdown.
Promoting Access to Healthcare Services.	<ul style="list-style-type: none"> • Option 1 promotes planning area residents' access to non-hospital-based outpatient surgical services in the community. (A) • Option 1 supported by Department's numeric need methodology for ASFs in Whatcom County. (A) • There is currently net need in Whatcom for additional outpatient operating rooms even when including PROSC's existing CN-approved capacity. Under Option 2, the net reduction of planning area capacity if PROSC would no longer operate at a new site would exacerbate access issues. (D)
Promoting Quality of Care.	<ul style="list-style-type: none"> • The requested project meets and promotes quality and continuity of care in the planning area, given it improves access, as identified above. (A) • Under Option 2, further limits to access will result in planning area resident to out-migration. This option would result in less access which would reduce overall quality of care provided to community. (D)
Capital Costs and Promoting Cost and Operating Efficiency.	<ul style="list-style-type: none"> • Option 1 does require significant capital investments. (D) • Despite the capital costs, Option 1 will allow for value-added outpatient surgical services to be available, as freestanding ASCs promote cost-effective and efficient surgical services. (A) • Option 2 does not require any capital investments, but it also leads to a reduction in existing capacity available to the planning area. (D)
Staffing Impact.	<ul style="list-style-type: none"> • PROSC has existing staff for the proposed project. (A) • Option 2 would negatively impact existing staff, given a PROSC shutdown. (D)
Legal Restrictions.	<ul style="list-style-type: none"> • Option 1 requires CN-approval. (N) • Option 2 does not require CN-approval. (A)

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 project will be designed to support high quality, efficient and patient-focused standards. It will also be designed to Green principles. The proposed site will meet and/or exceed all applicable state and local codes.

Exhibit 1.
Organizational Chart

Pacific Rim Outpatient Surgery Center

Updated: October 2022

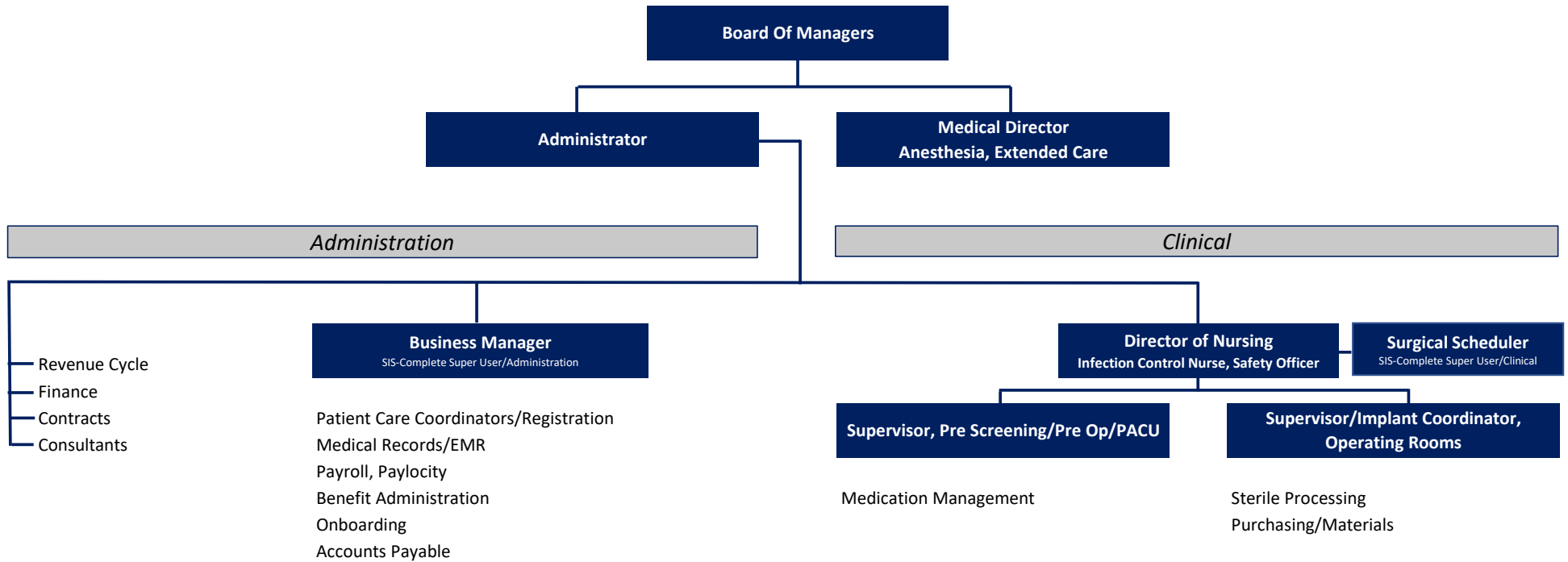


Exhibit 2.
Letter of Intent

September 22, 2022

Eric Hernandez, Manager
Washington State Department of Health
Certificate of Need Program
111 Israel Rd. S.E.
Tumwater, WA 98501

Dear Mr. Hernandez:

In accordance with WAC 246-310-080, Pacific Rim Outpatient Surgery Center (PROSC) herewith submits a letter of intent proposing to develop and operate a certificate of need (CN) approved ambulatory surgical facility (ASF) with three (3) operating rooms in Whatcom County.

1. A Description of the Extent of Services Proposed:

PROSC currently operates an existing CN approved ASF in Whatcom County.¹ The current CN approved ASF is located at 3009 Squalicum Parkway, Bellingham, WA 98225.

The proposed project is to develop and operate a CN approved ASF with three (3) operating rooms at a new site.

2. Estimated Cost of the Proposed Project:

The estimated capital expenditure is \$5,000,000.

3. Description of the Service Area:

The primary service area is Whatcom County.

Thank you for your interest in this matter. Please contact me directly with any questions. I can be reached at sllukas@hinet.org or at 360.788.7750.

Sincerely,



Sharon L. Lukas
Administrator, Pacific Rim Outpatient Surgery Center
3009 Squalicum Parkway
Bellingham WA 98225

¹ CN1246

Exhibit 3.
Single Line Drawings



CARLETTI ARCHITECTS P.S.

architecture & planning

116 EAST FIR STREET
SUITE A
MOUNT VERNON, WA. 98273

Phone: (360) 424-0394
Fax: (360) 424-5726

PROSC - ASC

DATE: 10-12-2022

SCALE: 1"=10'-0"

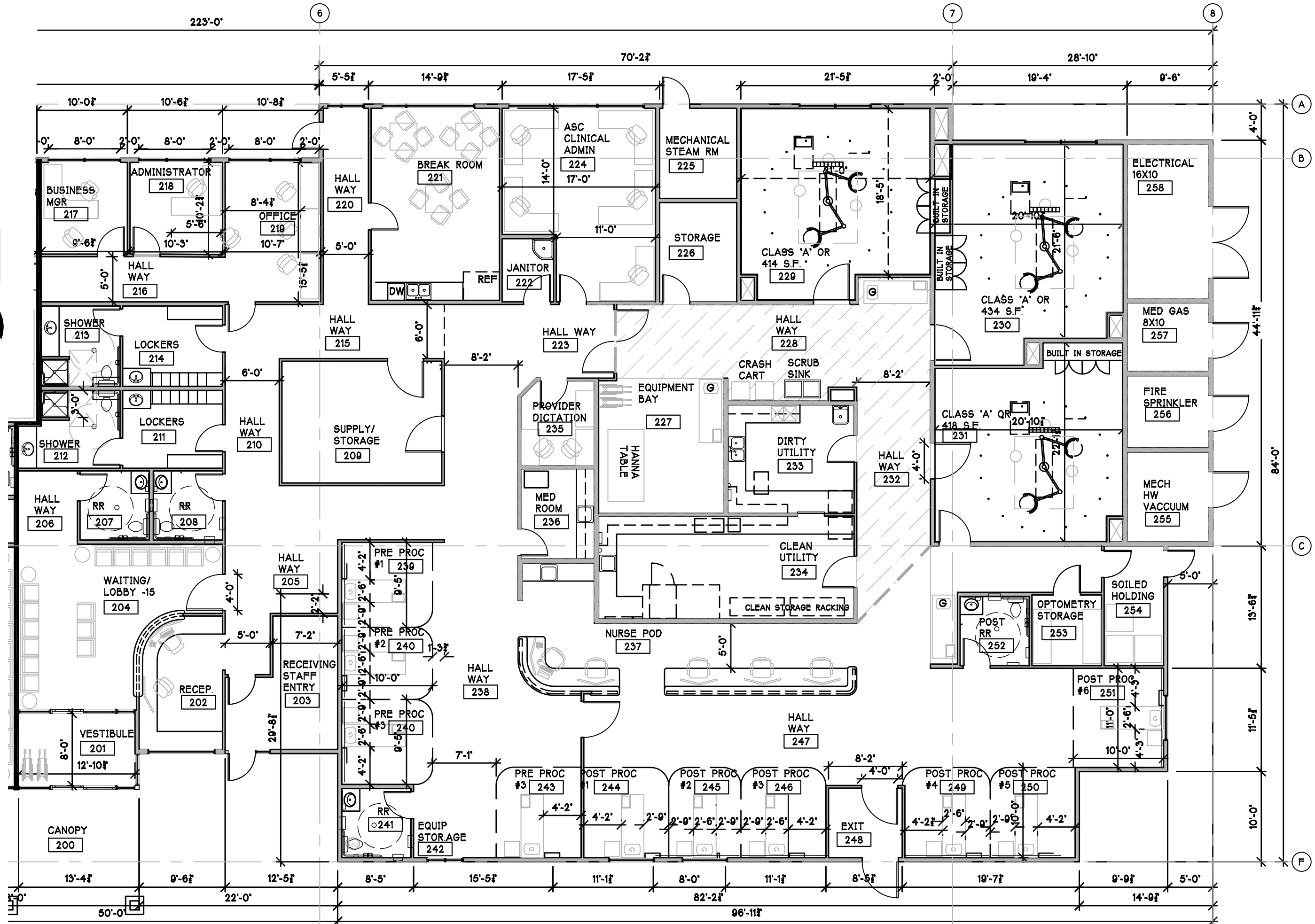
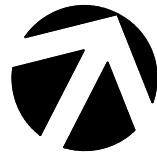


Exhibit 4.
Planning Area Supply with Sources

**Planning Area Supply
Whatcom Planning Area**

Facility Name	License Number	Exempt/ Approved	Nbr of ORs			Number of surgeries		Number of Minutes		Minutes/Case		Source
			IP	OP	Mixed	OP	Mixed	OP	Mixed	OP	Mixed	
Hospitals												
PeaceHealth St. Joseph Medical Center	HAC.FS.00000145	Approved			8		7,661		926,466		120.93	2018 OR Survey (CY2017)
ASF - CN Approved												
Northwest Ambulatory Surgery Center dba Bellingham Ambulatory Surgery Center	ASF.FS.60102997	Approved		3		1,421		80,296		56.51		2022 OR Survey (CY2021)
Northwest Endoscopy Center	ASF.FS.61147863	Approved	Excluded (Endoscopy Only)									2022 OR Survey (CY2021)
Pacific Rim Outpatient Surgery Center	ASF.FS.60100149	Approved		5		3,884		228,000		58.70		2022 OR Survey (CY2021)
ASF - CN Exempt												
Bellingham Urology Group PLLC	ASF.FS.60550850	Exempt		3		1,747		32,828		18.79		2021 OR Survey (CY2020)
Cascade Outpatient Spine Center	ASF.FS.60600948	Exempt		2		1,675		70,500		42.09		2018 OR Survey (CY2017)
Northwest Surgical Center	ASF.FS.60099135	Exempt		1		78		3,900		50.00		Communication with CN program staff; 07/31/19
Pacific Cataract and Laser Institute	ASF.FS.60276759	Exempt		2		1,440		72,000		50.00		2021 OR Survey (CY2020); Default minutes
Parkway Surgical Center	ASF.FS.60099467	Exempt		1		488		29,280		60.00		2020 OR Survey (CY2019)
Pacific Northwest Urology Surgery Center	ASF.FS.60752027	Exempt		3		2,677		133,850		50.00		2022 OR Survey (CY2021); Default minutes
Plastic Surgery Bellingham	ASF.FS.60844979	Exempt		1		334		16,700		50.00		2022 OR Survey (CY2021); Default minutes
PeaceHealth Medical Group Endoscopy Center	ASF.FS.60113919	Exempt	Excluded (Endoscopy Only)									2018 OR Survey (CY2017)
Whatcom Surgery Center	ASF.FS.60099807	Exempt		1		876		60,153		68.67		2022 OR Survey (CY2021)

Exhibit 5.

Whatcom County Numeric Need Methodology

Ambulatory Surgery Operating Suite Need Methodology, All Ages Whatcom Planning Area

Service Area Population, 2027		252,007	OFM GMA Projections	
Surgeries per, 1,000 residents, 2027 @		95.48	24,062	
a.i.	94,250 minutes per year, mixed use OR			
a.ii.	68,850 minutes per year, outpatient OR			
a.iii.	3 dedicated OP ORs x 68,850 minutes =	206,550	minutes, dedicated OR capacity.	4,151 Outpatient surgeries
a.iv.	8 dedicated mixed use ORs x 94,250 minutes =	754,000	minutes, mixed use OR capacity.	6,235 Mixed use surgeries
b.i.	Projected inpatient surgeries =	8,273 =	1,000,477 minutes, mixed use surgeries	
	Projected outpatient surgeries =	15,789 =	579,107 minutes, outpatient surgeries	
b.ii.	Forecast # of OP surgeries - capacity, of dedicated OP ORs			
		15,789 minus	4,151 =	11,638
b.iii.	Average time of mixed use surgeries	=	120.93 minutes	
	Average time of outpatient surgeries	=	49.76 minutes	
b.iv.	mixed use surgeries, 2027 * average minutes/case	=	1,000,477 minutes	
	remaining OP surgeries (b.ii.) * average minutes/case	=	579,107 minutes	
			1,579,584 minutes	
c.i.	if b.iv. < a.iv., divide by (a.iv. - b.iv.) 94,250 to determine surplus of mixed use ORs			
	Not applicable; go to c.ii.			
	754,000			
	(1,579,584)			
	(825,584) divided by	94,250 =	(8.76)	
c.ii.	if b.iv. > a.iv., divide (mixed use part of b.iv. - a.iv.) by 94,350 to determine shortage of mixed use ORs			
	1,000,477			
	(754,000)			
	246,477 divided by	94,250 =	2.62	Need Mixed Use
	Divide outpatient part of b.iv. By 68,850 to determine shortage of dedicated OP ORs			
	579,107 divided by	68,850 =	8.41	Need Outpatient

Exhibit 6A.
Conditions of Admissions.

1. NURSING CARE

This center provides only general duty nursing care unless upon orders of the patient’s physician the patient is provided more intensive nursing care. If your physician determines your condition is such as to need the service of a special duty nurse after discharge to home, it is agreed that the patient or his/her legal representative must arrange such. Pacific Rim Outpatient Surgery Center (“Pacific Rim”) shall in no way be responsible for failure to provide the same and is hereby released from any and all liability arising from the fact that said patient is not provided with such additional care.

2. MEDICAL AND SURGICAL CONSENT

The patient is under the care and supervision of his/her attending physician and it is the responsibility of Pacific Rim and its nursing staff to carry out the instructions of such physician: the undersigned recognizes that all physicians and surgeons furnishing services to the patient, including the radiologist, pathologist, anesthesiologist, and the like, are independent contractors and are not employees or agents of Pacific Rim. The undersigned consents to x-ray examination, laboratory procedures, anesthesia, medical, or surgical treatment or center services rendered to the patient under the general and special instructions of the physician.

3. RELEASE OF INFORMATION

To the extent necessary to determine liability for payment and to obtain reimbursement, Pacific Rim may disclose portions of the patient’s record, including his/her medical records, to any person or corporation which is or may be liable for all or any portion of Pacific Rim’s charge, including but not limited to, insurance companies, health care service plans or worker’s compensation carriers.

4. PERSONAL VALUABLES

It is understood and agreed that Pacific Rim advises patients to leave all valuables at home, (bring with you your estimated cost-share payment as requested) and that Pacific Rim shall not be liable for the loss or damage to any personal property.

5. FINANCIAL POLICIES

The financial responsibility for your care is yours unless you make other arrangements with us in accordance with the Financial Policies of the Center that have been provided to you. If you have misplaced it, do not hesitate to call us immediately for a replacement. Please do not delay taking care of that matter until you arrive for your surgery. Be sure of your insurance coverage, if any; and be prepared to pay for your part of the care (which may be all of it) on or before the day of your surgery. Please call us if you have any questions.

The undersigned certifies that he/she has read the foregoing, receiving a copy thereof, and is the patient, or is duly authorized by the patient as patient’s general agent to execute the above and accept its terms.

 Date Patient/Parent/Guardian

 Time Relationship if other than patient

 Date Witness

Patient Label

Exhibit 6B.
Consent to Surgery



1.0-03 Consent to Surgery

Chapter 1- Patient Rights

Last Board of Managers Review Date: 01/2022

PURPOSE:

The surgical consent allows a patient to acknowledge that they have been informed by their surgeon of the surgical treatment being performed and that the risks and benefits of the surgical procedure have been explained to their satisfaction. This allows the patient to actively participate in their care decisions. The consent is also utilized by staff members to assure that the correct procedure is performed on the patient. The surgical consent is used during the time-out process in the operating room. Review of the consent prior to the start of a surgical procedure allows the physician and staff to come to a final agreement as to the surgical procedure and operative side.

POLICY:

It is the policy of Pacific Rim Outpatient Surgery Center that all patients have a signed consent that is filled out by the surgeon, or someone designated by the surgeon. Consent for surgery is required for any invasive procedure, any examination or diagnostic procedure requiring general, regional, sedation or local anesthesia. The surgical consent will be filled out to completion before any IV sedation is given to the patient. *In the event that a patient is given IV sedation prior to the consents completion the surgical procedure will be cancelled and rescheduled at a time when the patient is free from the effects of the sedation.*

The following guidelines will be followed for patients who are unable to sign their own consents because of age, mental status, visual status, language barriers, emancipated minors or in emergency situations. Questions that arise during these situations should be referred to the facility administrator for guidance and final approval.

- For minor patients, (under eighteen years of age), consent must be given by the parent or a legal guardian. Legal guardians must provide proper documentation, (i.e., court orders or medical power of attorney), prior to being allowed to sign the consent. Copies of all paperwork pertaining to guardianship must be kept in the chart.
- The Power of Attorney must accompany the patient to surgery, sign the appropriate paperwork, and be available during the surgery.
- If a patient is considered legally incompetent, the court ordered legal guardian may sign if all guardianship paperwork is approved and with the

chart.

- If a patient is visually impaired or blind, the consent form will be read to them, and the patient's signature will then be witnessed by two licensed nurses.
- If a patient is unable to sign the consent due to a language barrier, the facility will contact an approved interpreter for the patient's language who will help with obtaining consent.
- Authorized treatment shall be permitted for any emancipated minors as defined by Washington State Law.

In the event of a life-threatening surgical emergency, a signed consent for an operative and invasive procedure is not needed if the surgeon provides written documentation that in their clinical determination that the patient's condition represents a life-threatening surgical emergency, and it is the best interest of the patient to proceed without obtaining informed consent.

Consent Authorization Situations:

- The spouse and or registered domestic partner may not sign for his or her spouse and or registered domestic partner when the patient is legally competent.
- Parents and or guardians may not sign for adult children (eighteen years of age or older) when the patient is legally competent.
- Consent to surgery must be obtained prior to administration of medication that can affect cognitive abilities of the patient.
- If the patient has signed consent to surgery (form AD4) and the surgeon prescribes oral (PO) medications to be given preoperatively that could potentially affect the cognitive abilities of the patient, diligent efforts should be made by preoperative staff to delay medicating patients until the patient has spoken with their operative nurse.

Any patient has the right to refuse to authorize the performance of a procedure or treatment if they are legally competent to decide. In these instances, such their refusal will be honored. A refusal will be thoroughly documented in the chart.

All consents must be written legibly with no abbreviations and must contain the following:

- Patient's name and account number
- Name of surgeon performing surgical procedure
Diagnosis

- Surgical procedure being performed
- Area of full disclosure signed, dated, and timed by surgeon, patient and /or legally responsible person (i.e., parent, guardian, or person with documented medical power of attorney).
- These items must be completed on the day of surgery:
- Signature with time and date of patient or other responsible person stating that they have received their patient rights and responsibilities prior to the surgical procedure.
- Signature of licensed PROSC staff member who is the final witness of the consent.

All consents must be signed and dated within 30 days of the surgical procedure and if outside that timeframe must be completely rewritten.

PROCEDURE:

- During admission the pre-operative nurse will review the consent (if completed) with the patient and verify that the procedure listed including side (if applicable) the intended surgical procedure. The nurse will verify that the patient has had all his or her questions answered and that the signature is theirs. At that time the patient and nurse will sign date and time the consent.
- If consent is not filled out these steps will take place upon completion of the consent form by the surgeon.
- The operative nurse will have the surgical consent with them during the pre-surgical interview with the patient. If the patient verifies the consent, all parts of the consent and patient chart are filled out correctly the patient will be considered ready for surgery.
- During the pre-surgical time out, the operative nurse will use the consent form to verify with all members of the surgical team that the correct patient, correct procedure, and correct side (if applicable) are performed.

Exhibit 6C.
Plan for Delivery of Services



2.0-04 Plan for Delivery of Services

Chapter 2- Governance

Last Board of Managers Review Date: 01/2022

PURPOSE:

To describe the delivery of services that is provided by Pacific Rim Outpatient Surgery Center (PROSC).

POLICY:

The Board of Managers (BOM) of PROSC has established the following guidelines as to how the delivery of services will be provided at this facility.

PROCEDURE:

- Peri-operative services shall be comprised of the following units:
 - Surgery Scheduler
 - Pre-operative Assessment and Holding Area
 - Procedure Room
 - Operating Room
 - Post Anesthesia Care Unit
- The facility shall be staffed and equipped to provide specialized care and supervision for patients receiving surgery, pain management and other approved invasive procedures.
- Services will be offered and provided only when the necessary staff, equipment and facilities are available.
- The following types of admissions shall be accepted at this facility:
 - Elective outpatient**
 - Cases performed must be approved procedures as defined by the BOM.
 - These procedures can be scheduled prior to or on the day of surgery if the patients have had the appropriate preoperative evaluations.

Emergent

- Emergent procedures will be allowed when it has been decided by the surgeon that the patient's condition could worsen while being transferred to a higher level of care.
 - All emergent procedure will be reviewed by the peer review process and the details of the review will be reported to the BOM.
- **The following types of anesthesia may be proved at this facility:**
 - No anesthesia
 - Local anesthesia
 - Regional anesthesia
 - Conscious sedation
 - Monitored anesthesia care
 - General anesthesia

Exhibit 7A.
Financial Assistance Policy



**3.0-04a Financial Assistance Policy
Chapter 3- Administration**

Last Board of Managers Review Date: 01/2022

PURPOSE:

The purpose for this policy is to provide information about our Financial Assistance program offered here at Pacific Rim Outpatient Surgery Center (PROSC).

POLICY:

The Financial Assistance discount of up to 100% will be extended to eligible patients upon notification, from either the patient or the physician, that the patient meets PROSC identified criteria noted below.

SCOPE:

Pacific Rim Outpatient Surgery Center 3009 Squalicum Parkway Bellingham, WA 98225.

PROCEDURE:

WAC 246-453-040, a person is considered low income if the family income equal to or at 100-200% (adjusted for family size) of federal poverty level for sliding scale or family income equal or below 100% (adjusted for family size) federal poverty level is eligible for financial assistance of 100%. Our Financial Assistance application can be obtained by request at our facility, by downloading an application form from prosc.org or by contacting our Billing Department at 360-788-7740.

2021 POVERTY GUIDELINES FOR THE 48 CONTIGUOUS STATES AND THE DISTRICT OF COLUMBIA	
PERSONS IN FAMILY/HOUSEHOLD	POVERTY GUIDELINE
For families/households with more than 8 persons, add \$4,640 for each additional person	
1	\$12,880
2	\$17,420
3	\$21,960
4	\$26,500
5	\$31,040
6	\$35,580
7	\$40,120
8	\$44,660

RESPONSIBILITY:

The physician, PROSC Administrator or Business Office Manager shall determine the discount percentage for the service based upon the patient’s eligibility for financial assistance and the patient’s ability to pay. The discount percentage and dollar amount

shall be noted on the financial assistance approval letter. The discount shall be posted at the same time as the financial assistance approval letter using a specific financial assistance discount code.

REFERENCES:

1. <https://aspe.hhs.gov/poverty-guidelines>, 2021
2. US Department of Health and Human Services Poverty Guidelines, 2018
3. WAC 246-453-0404 Uniform criteria for the identification of persons with low income

Exhibit 7B.
Financial Assistance Face Sheet

Financial Assistance Face Sheet

Patient Name: _____

Account #: _____

Responsible Party: _____

Relationship to Patient: _____

Address: _____

C/S/Z: _____, _____, _____

Applied Prior to Surgery: Y N

Financial Assistance Status

DOS: _____ Surgeon: _____

Pt Ledger Hx/ W Notes: _____

Insurance: _____ Secondary: _____

Copy Insurance EOB: _____

Or copy of CSE Letter & Tickler

Billed Charges: _____ SOR Disc: _____

Financial Ass't App: _____

Insurance Pymt: _____ Date: _____

Qualifying Documents: _____

Tax Return, Wage Stmts, Etc

Insurance Adj: _____ Interest Chg: _____

Self-Pay Agree/CSEL: _____

Patient Resp: _____

Family Size: _____

Husband, wife, children < 18

Personal Pymts: _____ Latest Date: _____

Income Tx Ret: 20 Annual\$ _____

Balance Due: _____

Income/Current: Month\$ _____

Based on Gross Wages (before taxes)

Balance due to: co-insurance deductible denial (please circle one)

YTD\$ _____ Est Annual\$ _____

2021 Sliding Payment Schedule

Based on Gross Wages (before taxes)

Family Size	Less Than	Than	Than	Than	Than	Than	Than	Than	Than	Than	Than	More Than
1	\$12,880.00	\$12,880.00	\$17,130.40	\$17,130.40	\$21,380.80	\$21,380.80	\$25,760.00	\$25,760.00	\$38,640.00	\$38,640.00	\$51,520.00	\$51,520.00
2	\$17,420.00	\$17,420.00	\$23,168.60	\$23,168.60	\$28,917.20	\$28,917.20	\$34,840.00	\$34,840.00	\$52,260.00	\$52,260.00	\$69,680.00	\$69,680.00
3	\$21,960.00	\$21,960.00	\$29,206.80	\$29,206.80	\$36,453.60	\$36,453.60	\$43,920.00	\$43,920.00	\$65,880.00	\$65,880.00	\$87,840.00	\$87,840.00
4	\$26,500.00	\$26,500.00	\$35,245.00	\$35,245.00	\$43,990.00	\$43,990.00	\$53,000.00	\$53,000.00	\$79,500.00	\$79,500.00	\$106,000.00	\$106,000.00
5	\$31,040.00	\$31,040.00	\$41,283.20	\$41,283.20	\$51,526.40	\$51,526.40	\$62,080.00	\$62,080.00	\$93,120.00	\$93,120.00	\$124,160.00	\$124,160.00
6	\$35,580.00	\$35,580.00	\$47,321.40	\$47,321.40	\$59,062.80	\$59,062.80	\$71,160.00	\$71,160.00	\$106,740.00	\$106,740.00	\$142,320.00	\$142,320.00
7	\$40,120.00	\$40,120.00	\$53,359.60	\$53,359.60	\$66,599.20	\$66,599.20	\$80,240.00	\$80,240.00	\$120,360.00	\$120,360.00	\$160,480.00	\$160,480.00
8	\$44,660.00	\$44,660.00	\$59,397.80	\$59,397.80	\$74,135.60	\$74,135.60	\$89,320.00	\$89,320.00	\$133,980.00	\$133,980.00	\$178,640.00	\$178,640.00
9	\$49,200.00	\$49,200.00	\$65,436.00	\$65,436.00	\$81,672.00	\$81,672.00	\$98,400.00	\$98,400.00	\$147,600.00	\$147,600.00	\$196,800.00	\$196,800.00
10	\$53,740.00	\$53,740.00	\$71,474.20	\$71,474.20	\$89,208.40	\$89,208.40	\$107,480.00	\$107,480.00	\$161,220.00	\$161,220.00	\$214,960.00	\$214,960.00

Pt Responsibility 0% 15% 25% 30% 36% 42% 48% 55% 65% 75% 98% 100%

Additional Notes: _____

Approved Disc %: _____ %

Prepared By Billing Office: _____ Date: _____

Financial Disc \$: (_____)

Reviewed By BDS Initials: _____ Date: _____

New Pt Respon: _____

Approved By BOM Initials: _____ Date: _____

Minus Pt Pmts: (_____)

Approval Notes: _____

Approved By Administrator: _____ Date: _____

New Pt Balance:
=====

WO in Adv\$ _____ **Batch#: B-** _____ / _____ **Adx Comment:** **Notice/Stmt to Pt:** **Initials:** _____

Exhibit 7C.
Financial Assistance Application



Financial Assistance Application

Applicant Name: _____ Date of Birth: _____

Street Address: _____ Social Security #: _____

City: _____ State: _____ Zip: _____ Phone Number: _____

Family Size: _____ (You + number of dependents claimed on your taxes.)

Employed: _____ Unemployed: _____ Retired: _____ Disabled: _____ Student: _____

In order to verify your income please provide the following:

One or more for self (& spouse if applicable):

- Pay stub(s) from employer(s) with most current Year-to-date info.
- Unemployment Statement
- Social Security Statement
- PeaceHealth Bridge Acceptance letter

AND

All of the following:

- Income tax return from the most recent year
- W-2 Statement from all employment, matching the IRS return
For self (and spouse if applicable)

Failure to provide this information will delay your application process.

Monthly Income Information	Dollar Amount/Mo.
Employer: Wage Earner 1	
Employer: Wage Earner 2	
Public Assistance/Unemployment	
Social Security	
Workers' Compensation	
Alimony	
Child Support	
Pensions	
Military or Other Retirement	
Veterans Benefits	
Other income such as interest, stock dividends, rental income, or other	
TOTAL MONTHLY INCOME:	

If you have other circumstances, you would like us to consider, please note them here: _____

I hereby certify that the information in the above financial assistance application is correct and complete to the best of my knowledge and the information is subject to verification by any means that Pacific Rim Outpatient Surgery Center deems necessary. Intentionally providing false information will result in a denial of financial assistance.

Signature of Applicant or Responsible Party: _____ Date: _____

Please mail completed application to: Pacific Rim Outpatient Surgery Center, LLC
 Attn: Billing Department
 3009 Squalicum Parkway
 Bellingham, WA 98225

Adx Acc't #: _____

Exhibit 8A.
Patient Rights and Responsibilities Policy



1.0-01 Patient Rights and Responsibilities

Chapter 1- Patient Rights

Last Board of Managers Review Date: 01/2022

PURPOSE:

All patients being treated at Pacific Rim Outpatient Surgery Center (PROSC) will view online and/or be given a paper copy of their personal rights and responsibilities and financial responsibilities pertaining to their medical care.

POLICY:

Patient Rights and Responsibilities are listed on our website, posted in the lobby, and are available by request in a packet form.

PROCEDURE:

At the time of admission to PROSC all patients will provide a signature that their patient rights and responsibilities have been read. These will be verified by the signature of staff working at the front desk. Upon arrival in the pre-operative area the patient will be asked to listen to a verbal explanation of these rights and responsibilities. At that time the patient will be given the opportunity to seek clarification of any questions that they might have. The pre-operative nurse will sign as a witness once the patient verbalizes that they understand these rights. A copy of these rights and responsibilities will be given to the patient to take home. No medical treatment will take place prior to the patient being given their rights and responsibilities.

Exhibit 8B.

List of Patient Rights and Responsibilities

Patient Rights and Responsibilities

The patient has the right to:

- Be admitted to the facility for treatment without regard to race, color, religion, sex, or origin.
- Be treated with respect, consideration, dignity, and protected from abuse and neglect.
- Be able to complain about their care and treatment without fear of retribution or denial of care.
- Be provided appropriate privacy, confidentiality, security, complaint resolution, spiritual care, and communication.
- Have their disclosures and records treated confidentially, and patients are given the opportunity to approve or refuse their release, except when release is required by law.
- Have provided, to the degree known, complete information concerning their diagnosis, evaluation, treatment and prognosis. When it is medically inadvisable to give such information to a patient, the information is provided to a person designated by the patient or to a legally authorized person.
- Be given the opportunity to participate in decisions involving their healthcare, except when such participation is contraindicated for medical reasons.
- Access medical care, which is considerate and respectful of his/her personal values and beliefs in a safe and secure setting, free from abuse and threat.
- Know the fees for service and the expected payment policies.
- Know the credentials of healthcare providers and services available at the organization.
- Be given the opportunity to participate in decisions involving their proposed healthcare, and the ability to refuse care and treatments.
- Be informed of any unanticipated outcomes.
- Receive information necessary to give informed consent prior to the start of any procedure and/or treatment, and the expected outcomes.
- Be provided with information concerning advance directives, the facility's policies on advance directives, including a description of applicable State health and safety laws. Pacific Rim Outpatient Surgery Center does not honor Advanced Directives.
- Receive information regarding physician ownership in the facility upon request. Pacific Rim Outpatient Surgery Center is a Physician owned Facility. Your physician may or may not have a financial interest. A list of Physician Owners is available if desired.
- Refuse to participate in research and/or clinical trials.
- Provisions for after-hours and emergency care.
- The right to change their providers if other qualified providers are available.
- Voice grievances and to recommend changes in policies and service to the center's staff, the Board of Managers, the Washington State Department of Health @ (360) 236-4700 or Toll Free @ (800) 633-6828 and/or the Medicare Beneficiary Ombudsman www.medicare.gov/claims-and-appeals/medicare-rights/get-help/ombudsman.html and to have timely resolution to their complaints. If "on-the-spot" resolution with the center's staff or manager is not possible, the grievance will be reviewed and the patient notified within 14 days. To contact the Administrator, Nurse Manager, or Business Office Manager call (360) 788-7740.
- Access to protective services
- Family input in care decisions in compliance with existing legal directives of the patient or existing court orders.

The patient has the responsibility to: (continued on back side where you will sign & date)

The patient has the responsibility to:

- Participate in his/her health care decisions.
- Read and understand all permits and/or consents he/she signs. If the patient does not understand, it is the patient's responsibilities to ask the nurse or physician for clarification prior to receiving care.
- Provide information about his/her health, any medications, including over-the-counter products and dietary supplements, and any allergies or sensitivities.
- Be as accurate and complete as possible when providing medical history and treatment information.
- Inform his/her physician or nurse if he/she has questions or concerns regarding treatment.
- Inform his/her provider about any living will, medical power of attorney, or other directive that could affect his/her care.
- Read carefully and follow all pre-operative instructions his/her physician and/or Pacific Rim Outpatient Surgery Center have given.
- Assure all payments for service rendered are on a timely basis and ultimate responsibility is his/hers, regardless of whatever insurance coverage he/she may have.
- Accept personal financial responsibility for any charges not covered by his/her insurance.
- Provide a responsible adult to transport him/her home from the facility and remain with him/her for twenty-four (24) hours, if required by his/her physician.
- Read carefully and follow the post-operative instructions he/she receives from the physician(s) and/or nurses. This includes post-operative appointments.
- Contact his/her physician if he/she has any complications after surgery.
- Be respectful of all the health care providers and staff, as well as other patients.
- Contact the surgery center if he/she feels any of their patient rights have been violated, or if he/she has a significant complaint or a suggestion to improve services of the quality of care. This can be done by telephone, direct contact or by completing our patient satisfaction survey.

I HAVE READ AND FULLY UNDERSTAND THE ABOVE:

Patient's Signature:

Date:

Employee's Signature:

Date:

PACIFIC RIM OUTPATIENT SURGERY CENTER
3009 Squalicum Pkwy
Bellingham, WA 98225
360.788.7740

Verbal Rights Verified by:

Date:

PATIENT LABEL

Exhibit 9.
Non-discrimination Document



DISCRIMINATION IS AGAINST THE LAW

Pacific Rim Outpatient Surgery Center (PROSC) complies with applicable Federal civil rights laws and does not discriminate on the basis of Race, color, national origin, age, disability, or sex.

PROSC does not exclude people or treat them differently because of race, color, national origin, age disability or sex

PROSC provides free aids and services to people with disabilities to communicate effectively with us, such as:

- Qualified sign language interpreters;
- Written information in other formats (large print and electronic formats)
- PROSC provides free language services to people whose primary language is not English, such as information written in other languages

If you need these services, contact PROSC's Compliance Officer.

If you believe that PROSC has failed to provide these services or discriminated in another way on the basis of race color, national origin, age, disability, or sex, you can file a grievance with:

PROSC's Compliance Officer: Jessi Ryan, MSN, RN
Mailing address: 3009 Squalicum Parkway, Bellingham, WA 98225
Telephone number: (360) 788-7740 Ext. 3779
Fax: (360) 788-7743
Email: jryan@hinet.org

You can file a grievance in person or by mail, fax, or email. If you need help filing a grievance, PROSC's Compliance Officer is available to help you.

You can also file a civil rights complaint with the U.S. Department of Health and Human Services, Office for Civil Rights, electronically through the Office for Civil Rights Complaint Portal, available at <https://ocrportal.hhs.gov/ocr/portal/lobby.jsf>, or by mail or phone at: U.S. Department of Health and Human Services 200 Independence Avenue, SW Room 509F, HHH Building Washington, D.C. 20201 1-800-368-1019, 1-800-537-7697 (TDD).

Complaint forms are available at <http://www.hhs.gov/ocr/office/file/index.html>.

Exhibit 10A.
Financial Statements – Historical

Pacific Rim Outpatient Surgery Center Historical Revenue and Expense Statement Summary

	2019	2020	2021	1Q-3Q 2022	2022 Annualized
REVENUES					
Gross Revenues (1)	\$ 33,494,611	\$ 31,519,244	\$ 32,479,040	\$ 27,969,604	\$ 37,292,805
Total Deductions	\$ (21,118,213)	\$ (19,604,943)	\$ (20,566,704)	\$ (17,790,552)	\$ (23,720,736)
Net Revenue	\$ 12,376,398	\$ 11,914,301	\$ 11,912,336	\$ 10,179,052	\$ 13,572,069
EXPENSES					
Salaries	\$ 2,956,168	\$ 2,499,990	\$ 2,843,008	\$ 2,186,559	\$ 2,915,412
Benefits	\$ 573,504	\$ 547,356	\$ 594,972	\$ 404,799	\$ 539,731
Medical Supplies	\$ 1,766,379	\$ 1,622,099	\$ 1,909,349	\$ 1,880,171	\$ 2,506,895
Implants	\$ 1,941,612	\$ 2,156,866	\$ 2,754,878	\$ 2,108,266	\$ 2,811,021
Pharmaceuticals	\$ 242,513	\$ 213,922	\$ 220,406	\$ 181,915	\$ 242,553
Contract Services	\$ 154,238	\$ 169,020	\$ 173,969	\$ 144,725	\$ 192,966
Professional Fees	\$ 186,143	\$ 130,752	\$ 121,454	\$ 128,558	\$ 171,410
Plant Expenses	\$ 584,991	\$ 582,756	\$ 632,608	\$ 421,693	\$ 562,258
Medical Director	\$ 60,000	\$ 60,000	\$ 60,000	\$ 40,000	\$ 53,333
Lease	\$ 667,342	\$ 686,026	\$ 693,988	\$ 492,918	\$ 657,225
B&O Tax	\$ 245,851	\$ 237,822	\$ 263,019	\$ 216,005	\$ 288,007
Other Operating Expenses (2)	\$ 560,891	\$ 793,714	\$ 838,892	\$ 389,209	\$ 518,945
Depreciation & Amortization	\$ 1,215,619	\$ 1,684,018	\$ 1,569,885	\$ 872,242	\$ 1,162,989
Interest	\$ 26,605	\$ 5,944	\$ 15,402	\$ 11,450	\$ 15,267
Total Expenses	\$ 11,181,855	\$ 11,390,284	\$ 12,691,829	\$ 9,478,509	\$ 12,638,012
Other Income / Expense (Net)	\$ 11,575	\$ 623,007	\$ 18,819,336	\$ 9,596	\$ 12,794
Net Income	\$ 1,206,119	\$ 1,147,023	\$ 18,039,843	\$ 710,138	\$ 946,851

(1) 2020 gross revenues includes HHC CARES Provider Relief

(2) Other Operating Expenses generally includes insurance, dues, advertising, meals, professional development / leadership training, storage, bank fees, web services, consultants, non-B&O taxes, administrative supplies, licensing, and other miscellaneous expenses.

Exhibit 10B.
Financial Statements – Forecast

Pacific Rim Outpatient Surgery Center
Revenue and Expense Statement Summary

	-----FORECAST-----			
	<u>Year 0</u> 4Q 2024	<u>Year 1</u> 2025	<u>Year 2</u> 2026	<u>Year 3</u> 2027
ASC Volumes				
# of Months	3	12	12	12
OR Cases ("Procedures")	1,036	4,196	4,249	4,304
OR Minutes ¹	62,239	252,150	255,384	258,659
<u>Number of Operating Rooms Utilized²</u>	2.89	2.92	2.96	3.00
Gross Revenues	\$9,468,835	\$38,361,102	\$38,853,094	\$39,351,395
Deductions From Revenue				
Commercial/HMO	\$2,968,443	\$12,026,056	\$12,180,294	\$12,336,509
Medicare	\$1,653,033	\$6,696,936	\$6,782,826	\$6,869,818
Medicaid	\$756,184	\$3,063,529	\$3,102,819	\$3,142,614
Workers Compensation / L&I	\$66,537	\$269,562	\$273,019	\$276,521
Other / Other Gov't	\$465,023	\$1,883,948	\$1,908,110	\$1,932,582
Bad Debt	\$96,484	\$390,886	\$395,899	\$400,976
Charity care	\$180,617	\$731,732	\$741,117	\$750,622
Total Deductions From Revenue	\$6,186,321	\$25,062,649	\$25,384,084	\$25,709,642
Net Revenue	\$3,282,514	\$13,298,454	\$13,469,010	\$13,641,753
Total Expenses	\$3,263,428	\$13,014,012	\$13,052,848	\$13,109,718
Other Income / Expense (Net)	\$12,794	\$12,794	\$12,794	\$12,794
Net Income	\$31,880	\$297,236	\$428,956	\$544,830
Revenues and Expenses per Case				
Forecasts				
Billed Revenues	\$ 9,143.38	\$ 9,143.38	\$ 9,143.38	\$ 9,143.38
Deductions From Revenue	\$ 5,973.69	\$ 5,973.69	\$ 5,973.69	\$ 5,973.69
Net Revenue	\$ 3,169.69	\$ 3,169.69	\$ 3,169.69	\$ 3,169.69
Total Expenses	\$ 3,151.26	\$ 3,101.89	\$ 3,071.75	\$ 3,046.07
Net Income (Loss)	\$ 30.78	\$ 70.85	\$ 100.95	\$ 126.59
Revenues and Expenses per OR Minute				
Forecasts				
Billed Revenues	\$ 152.14	\$ 152.14	\$ 152.14	\$ 152.14
Deductions From Revenue	\$ 99.40	\$ 99.40	\$ 99.40	\$ 99.40
Net Revenue	\$ 52.74	\$ 52.74	\$ 52.74	\$ 52.74
Total Expenses	\$ 52.43	\$ 51.61	\$ 51.11	\$ 50.68
Net Income (Loss)	\$ 0.51	\$ 1.18	\$ 1.68	\$ 2.11

Footnotes:

1. Assumes average 60.1 minutes per case.
2. Need for OR suites is estimated by dividing OR minutes by OR Capacity. The capacity of a single OR equals 86,292 minutes based on review of PROSC's historical and anticipated operations relative to the WAC 246-310-270 standard. Overall, PROSC is anticipated to be operational 47 hours per week compared to the 37 hour per week assumption in the WAC (25% greater).

Pacific Rim Outpatient Surgery Center
Volume and Revenue Statement

	-----FORECAST-----			
	Year 0	Year 1	Year 3	Year 3
	4Q 2024	2025	2026	2027
# of Months	3	12	12	12
ASC Volumes				
Obstetrics & Gynecology	3	11	11	11
Ophthalmology	239	968	981	993
Oral & Maxillofacial	2	7	7	7
Orthopedic	602	2,440	2,471	2,502
Otolaryngology	63	255	258	261
Podiatry	13	51	52	53
General Surgery	73	296	300	304
Plastic & Reconstructive	35	141	143	145
Urology	6	26	27	27
Total Cases	1,036	4,196	4,249	4,304
Gross Revenue				
Gross Revenue Per Case	\$9,143	\$9,143	\$9,143	\$9,143
Total Gross Revenue	\$9,468,835	\$38,361,102	\$38,853,094	\$39,351,395
Payer Mix (% of Gross Revenue)				
Commercial/HMO	54.7%	54.7%	54.7%	54.7%
Medicare	25.2%	25.2%	25.2%	25.2%
Medicaid	10.1%	10.1%	10.1%	10.1%
Workers Compensation / L&I	1.4%	1.4%	1.4%	1.4%
Other / Other Gov't	8.5%	8.5%	8.5%	8.5%
Gross Revenue By Payer				
Commercial/HMO	\$5,181,232	\$20,990,729	\$21,259,941	\$21,532,605
Medicare	\$2,386,442	\$9,668,196	\$9,792,193	\$9,917,780
Medicaid	\$957,612	\$3,879,573	\$3,929,329	\$3,979,724
Workers Compensation / L&I	\$134,141	\$543,444	\$550,414	\$557,473
Other / Other Gov't	\$809,409	\$3,279,161	\$3,321,217	\$3,363,813
Total Gross Revenue	\$ 9,468,835	\$ 38,361,102	\$ 38,853,094	\$ 39,351,395
% Write-Offs				
Commercial/HMO	57.3%	57.3%	57.3%	57.3%
Medicare	69.3%	69.3%	69.3%	69.3%
Medicaid	79.0%	79.0%	79.0%	79.0%
Workers Compensation / L&I	49.6%	49.6%	49.6%	49.6%
Other / Other Gov't	57.5%	57.5%	57.5%	57.5%
Deductions From Revenue				
Commercial/HMO	\$2,968,443	\$12,026,056	\$12,180,294	\$12,336,509
Medicare	\$1,653,033	\$6,696,936	\$6,782,826	\$6,869,818
Medicaid	\$756,184	\$3,063,529	\$3,102,819	\$3,142,614
Workers Compensation / L&I	\$66,537	\$269,562	\$273,019	\$276,521
Other / Other Gov't	\$465,023	\$1,883,948	\$1,908,110	\$1,932,582
Subtotal --- Write-Offs	\$5,909,220	\$23,940,031	\$24,247,068	\$24,558,043
<i>Bad Debt</i>	\$96,484	\$390,886	\$395,899	\$400,976
Charity Care	\$180,617	\$731,732	\$741,117	\$750,622
Total Deductions	\$6,186,321	\$25,062,649	\$25,384,084	\$25,709,642
Total Net Revenues	\$3,282,514	\$13,298,454	\$13,469,010	\$13,641,753

Pacific Rim Outpatient Surgery Center
Operating and Non-Operating Expenses

	-----FORECAST-----			
	Year 0	Year 1	Year 2	Year 3
	4Q 2024	2025	2026	2027
Number of Months	3	12	12	12
Total Cases	1,036	4,196	4,249	4,304
Salaries/Wages	\$ 730,452	\$ 2,921,809	\$ 2,921,809	\$ 2,921,809
Benefits	\$ 135,134	\$ 540,535	\$ 540,535	\$ 540,535
Medical Supplies	\$ 636,513	\$ 2,578,708	\$ 2,611,780	\$ 2,645,277
Implants	\$ 713,733	\$ 2,891,547	\$ 2,928,631	\$ 2,966,192
Pharmaceuticals	\$ 61,585	\$ 249,501	\$ 252,701	\$ 255,942
Contract Services	\$ 48,995	\$ 198,494	\$ 201,040	\$ 203,618
Professional Fees	\$ 43,522	\$ 176,320	\$ 178,582	\$ 180,872
Plant Expenses	\$ 67,364	\$ 269,456	\$ 269,456	\$ 269,456
Medical Director	\$ 15,000	\$ 60,000	\$ 60,000	\$ 60,000
Lease (Base Rent)	\$ 120,000	\$ 483,600	\$ 498,108	\$ 513,051
Lease (NNN)	\$ 23,951	\$ 96,524	\$ 99,420	\$ 102,402
B&O Tax	\$ 69,657	\$ 282,201	\$ 285,820	\$ 289,486
Other Operating Expenses	\$ 131,763	\$ 533,811	\$ 540,657	\$ 547,591
Depreciation & Amortization (Existing)	\$ 261,673	\$ 988,541	\$ 930,391	\$ 872,242
Depreciation & Amortization (Project)	\$ 101,054	\$ 404,217	\$ 404,217	\$ 404,217
Interest (Existing)	\$ 3,817	\$ 15,267	\$ 15,267	\$ 15,267
Interest (Project)	\$ 82,215	\$ 323,484	\$ 314,435	\$ 304,762
AAAHRC Reaccreditation Fee	\$ 17,000	\$ -	\$ -	\$ 17,000
Total Expenses	\$ 3,263,428	\$ 13,014,012	\$ 13,052,848	\$ 13,109,718

Pacific Rim Outpatient Surgery Center
FTE Schedule, Salaries, and Benefits

FTEs (Productive & Non-Productive)

	4Q 2024	2025	2026	2027
Administration	8.1	8.1	8.1	8.1
OR-RN	7.5	7.5	7.5	7.5
OR-Surgical Technician	7.2	7.2	7.2	7.2
OR-Sterile Processing Tech	2.0	2.0	2.0	2.0
Perianesthesia-RN	10.0	10.0	10.0	10.0
TOTAL	34.8	34.8	34.8	34.8

	4Q 2024	2025	2026	2027
Number of Months	3	12	12	12

Salaries

	4Q 2024	2025	2026	2027
Administration	\$ 130,053	\$ 520,210	\$ 520,210	\$ 520,210
OR-RN	\$ 192,909	\$ 771,636	\$ 771,636	\$ 771,636
OR-Surgical Technician	\$ 121,356	\$ 485,422	\$ 485,422	\$ 485,422
OR-Sterile Processing Tech	\$ 31,200	\$ 124,800	\$ 124,800	\$ 124,800
Perianesthesia-RN	\$ 254,935	\$ 1,019,741	\$ 1,019,741	\$ 1,019,741
TOTAL	\$ 730,452	\$ 2,921,809	\$ 2,921,809	\$ 2,921,809

Benefits

	4Q 2024	2025	2026	2027
Administration	\$ 24,060	\$ 96,239	\$ 96,239	\$ 96,239
OR-RN	\$ 35,688	\$ 142,753	\$ 142,753	\$ 142,753
OR-Surgical Technician	\$ 22,451	\$ 89,803	\$ 89,803	\$ 89,803
OR-Sterile Processing Tech	\$ 5,772	\$ 23,088	\$ 23,088	\$ 23,088
Perianesthesia-RN	\$ 47,163	\$ 188,652	\$ 188,652	\$ 188,652
TOTAL	\$ 135,134	\$ 540,535	\$ 540,535	\$ 540,535

Salaries and Benefits

	4Q 2024	2025	2026	2027
Administration	\$ 154,112	\$ 616,449	\$ 616,449	\$ 616,449
OR-RN	\$ 228,597	\$ 914,389	\$ 914,389	\$ 914,389
OR-Surgical Technician	\$ 143,806	\$ 575,225	\$ 575,225	\$ 575,225
OR-Sterile Processing Tech	\$ 36,972	\$ 147,888	\$ 147,888	\$ 147,888
Perianesthesia-RN	\$ 302,098	\$ 1,208,393	\$ 1,208,393	\$ 1,208,393
TOTAL	\$ 865,586	\$ 3,462,343	\$ 3,462,343	\$ 3,462,343

**Pacific Rim Outpatient Surgery Center
Depreciation and Interest Schedule**

	<u>Initial Investment</u>	<u>Useful Life Assumption</u>	-----Forecast-----			
			<u>Year 0</u> <u>4Q 2024</u>	<u>Year 1</u> <u>2025</u>	<u>Year 2</u> <u>2026</u>	<u>Year 3</u> <u>2027</u>
# of Months			3	12	12	12
ASC OR Buildout (Including A&E Fees & Financing Costs)	\$ 3,355,652	20	\$ 41,946	\$ 167,783	\$ 167,783	\$ 167,783
OR Equipment and Instruments	\$ 1,891,473	8	\$ 59,109	\$ 236,434	\$ 236,434	\$ 236,434
Total Project-related Depreciation	\$ 5,247,125		\$ 101,054	\$ 404,217	\$ 404,217	\$ 404,217

	-----Forecast-----			
	<u>Year 0</u> <u>4Q 2024</u>	<u>Year 1</u> <u>2025</u>	<u>Year 2</u> <u>2026</u>	<u>Year 3</u> <u>2027</u>
Project-related interest expense (Loan)	\$ 82,215	\$ 323,484	\$ 314,435	\$ 304,762
Total Project-related Interest Expense	\$ 82,215	\$ 323,484	\$ 314,435	\$ 304,762

Loan Amortization Schedule

Terms

Loan amount	\$5,000,000
Annual interest rate	6.7000%
Amortization Loan period in years	20
Number of payments per year	12
Start date of loan	Feb 2024

Loan Summary

Scheduled payment	\$37,869.71
Scheduled number of payments	240
Actual number of payments	120
Total early payments	\$0.00
Total interest	\$2,831,231

*Loan amortization 20 years but maturity 10 years. Therefore, at 10 years (120th payment), the remaining balance is due.

Optional extra payments

\$0.00

Payment Number	Payment Date	Beginning Balance	Scheduled Payment	Extra Payment	Total Payment	Principal	Interest	Ending Balance	Cumulative Interest
1	2/1/2024	\$5,000,000	\$37,869.71	\$0.00	\$37,869.71	\$9,953.05	\$27,916.67	\$4,990,047	\$27,917
2	3/1/2024	\$4,990,047	\$37,869.71	\$0.00	\$37,869.71	\$10,008.62	\$27,861.10	\$4,980,038	\$55,778
3	4/1/2024	\$4,980,038	\$37,869.71	\$0.00	\$37,869.71	\$10,064.50	\$27,805.21	\$4,969,974	\$83,583
4	5/1/2024	\$4,969,974	\$37,869.71	\$0.00	\$37,869.71	\$10,120.69	\$27,749.02	\$4,959,853	\$111,332
5	6/1/2024	\$4,959,853	\$37,869.71	\$0.00	\$37,869.71	\$10,177.20	\$27,692.51	\$4,949,676	\$139,025
6	7/1/2024	\$4,949,676	\$37,869.71	\$0.00	\$37,869.71	\$10,234.02	\$27,635.69	\$4,939,442	\$166,660
7	8/1/2024	\$4,939,442	\$37,869.71	\$0.00	\$37,869.71	\$10,291.16	\$27,578.55	\$4,929,151	\$194,239
8	9/1/2024	\$4,929,151	\$37,869.71	\$0.00	\$37,869.71	\$10,348.62	\$27,521.09	\$4,918,802	\$221,760
9	10/1/2024	\$4,918,802	\$37,869.71	\$0.00	\$37,869.71	\$10,406.40	\$27,463.31	\$4,908,396	\$249,223
10	11/1/2024	\$4,908,396	\$37,869.71	\$0.00	\$37,869.71	\$10,464.50	\$27,405.21	\$4,897,931	\$276,628
11	12/1/2024	\$4,897,931	\$37,869.71	\$0.00	\$37,869.71	\$10,522.93	\$27,346.78	\$4,887,408	\$303,975
12	1/1/2025	\$4,887,408	\$37,869.71	\$0.00	\$37,869.71	\$10,581.68	\$27,288.03	\$4,876,827	\$331,263
13	2/1/2025	\$4,876,827	\$37,869.71	\$0.00	\$37,869.71	\$10,640.76	\$27,228.95	\$4,866,186	\$358,492
14	3/1/2025	\$4,866,186	\$37,869.71	\$0.00	\$37,869.71	\$10,700.17	\$27,169.54	\$4,855,486	\$385,662
15	4/1/2025	\$4,855,486	\$37,869.71	\$0.00	\$37,869.71	\$10,759.92	\$27,109.80	\$4,844,726	\$412,771
16	5/1/2025	\$4,844,726	\$37,869.71	\$0.00	\$37,869.71	\$10,819.99	\$27,049.72	\$4,833,906	\$439,821
17	6/1/2025	\$4,833,906	\$37,869.71	\$0.00	\$37,869.71	\$10,880.41	\$26,989.31	\$4,823,025	\$466,810
18	7/1/2025	\$4,823,025	\$37,869.71	\$0.00	\$37,869.71	\$10,941.15	\$26,928.56	\$4,812,084	\$493,739
19	8/1/2025	\$4,812,084	\$37,869.71	\$0.00	\$37,869.71	\$11,002.24	\$26,867.47	\$4,801,082	\$520,607

Payment Number	Payment Date	Beginning Balance	Scheduled Payment	Extra Payment	Total Payment	Principal	Interest	Ending Balance	Cumulative Interest
20	9/1/2025	\$4,801,082	\$37,869.71	\$0.00	\$37,869.71	\$11,063.67	\$26,806.04	\$4,790,018	\$547,413
21	10/1/2025	\$4,790,018	\$37,869.71	\$0.00	\$37,869.71	\$11,125.44	\$26,744.27	\$4,778,893	\$574,157
22	11/1/2025	\$4,778,893	\$37,869.71	\$0.00	\$37,869.71	\$11,187.56	\$26,682.15	\$4,767,705	\$600,839
23	12/1/2025	\$4,767,705	\$37,869.71	\$0.00	\$37,869.71	\$11,250.02	\$26,619.69	\$4,756,455	\$627,459
24	1/1/2026	\$4,756,455	\$37,869.71	\$0.00	\$37,869.71	\$11,312.84	\$26,556.88	\$4,745,142	\$654,016
25	2/1/2026	\$4,745,142	\$37,869.71	\$0.00	\$37,869.71	\$11,376.00	\$26,493.71	\$4,733,766	\$680,509
26	3/1/2026	\$4,733,766	\$37,869.71	\$0.00	\$37,869.71	\$11,439.52	\$26,430.20	\$4,722,327	\$706,939
27	4/1/2026	\$4,722,327	\$37,869.71	\$0.00	\$37,869.71	\$11,503.39	\$26,366.33	\$4,710,824	\$733,306
28	5/1/2026	\$4,710,824	\$37,869.71	\$0.00	\$37,869.71	\$11,567.61	\$26,302.10	\$4,699,256	\$759,608
29	6/1/2026	\$4,699,256	\$37,869.71	\$0.00	\$37,869.71	\$11,632.20	\$26,237.51	\$4,687,624	\$785,845
30	7/1/2026	\$4,687,624	\$37,869.71	\$0.00	\$37,869.71	\$11,697.15	\$26,172.57	\$4,675,927	\$812,018
31	8/1/2026	\$4,675,927	\$37,869.71	\$0.00	\$37,869.71	\$11,762.46	\$26,107.26	\$4,664,164	\$838,125
32	9/1/2026	\$4,664,164	\$37,869.71	\$0.00	\$37,869.71	\$11,828.13	\$26,041.58	\$4,652,336	\$864,167
33	10/1/2026	\$4,652,336	\$37,869.71	\$0.00	\$37,869.71	\$11,894.17	\$25,975.54	\$4,640,442	\$890,142
34	11/1/2026	\$4,640,442	\$37,869.71	\$0.00	\$37,869.71	\$11,960.58	\$25,909.13	\$4,628,481	\$916,051
35	12/1/2026	\$4,628,481	\$37,869.71	\$0.00	\$37,869.71	\$12,027.36	\$25,842.35	\$4,616,454	\$941,894
36	1/1/2027	\$4,616,454	\$37,869.71	\$0.00	\$37,869.71	\$12,094.51	\$25,775.20	\$4,604,359	\$967,669
37	2/1/2027	\$4,604,359	\$37,869.71	\$0.00	\$37,869.71	\$12,162.04	\$25,707.67	\$4,592,197	\$993,377
38	3/1/2027	\$4,592,197	\$37,869.71	\$0.00	\$37,869.71	\$12,229.94	\$25,639.77	\$4,579,967	\$1,019,016
39	4/1/2027	\$4,579,967	\$37,869.71	\$0.00	\$37,869.71	\$12,298.23	\$25,571.48	\$4,567,669	\$1,044,588
40	5/1/2027	\$4,567,669	\$37,869.71	\$0.00	\$37,869.71	\$12,366.89	\$25,502.82	\$4,555,302	\$1,070,091
41	6/1/2027	\$4,555,302	\$37,869.71	\$0.00	\$37,869.71	\$12,435.94	\$25,433.77	\$4,542,866	\$1,095,525
42	7/1/2027	\$4,542,866	\$37,869.71	\$0.00	\$37,869.71	\$12,505.38	\$25,364.34	\$4,530,361	\$1,120,889
43	8/1/2027	\$4,530,361	\$37,869.71	\$0.00	\$37,869.71	\$12,575.20	\$25,294.52	\$4,517,786	\$1,146,183
44	9/1/2027	\$4,517,786	\$37,869.71	\$0.00	\$37,869.71	\$12,645.41	\$25,224.30	\$4,505,140	\$1,171,408
45	10/1/2027	\$4,505,140	\$37,869.71	\$0.00	\$37,869.71	\$12,716.01	\$25,153.70	\$4,492,424	\$1,196,561
46	11/1/2027	\$4,492,424	\$37,869.71	\$0.00	\$37,869.71	\$12,787.01	\$25,082.70	\$4,479,637	\$1,221,644
47	12/1/2027	\$4,479,637	\$37,869.71	\$0.00	\$37,869.71	\$12,858.40	\$25,011.31	\$4,466,779	\$1,246,655
48	1/1/2028	\$4,466,779	\$37,869.71	\$0.00	\$37,869.71	\$12,930.20	\$24,939.52	\$4,453,849	\$1,271,595
49	2/1/2028	\$4,453,849	\$37,869.71	\$0.00	\$37,869.71	\$13,002.39	\$24,867.32	\$4,440,846	\$1,296,462
50	3/1/2028	\$4,440,846	\$37,869.71	\$0.00	\$37,869.71	\$13,074.99	\$24,794.73	\$4,427,771	\$1,321,257
51	4/1/2028	\$4,427,771	\$37,869.71	\$0.00	\$37,869.71	\$13,147.99	\$24,721.72	\$4,414,623	\$1,345,979
52	5/1/2028	\$4,414,623	\$37,869.71	\$0.00	\$37,869.71	\$13,221.40	\$24,648.31	\$4,401,402	\$1,370,627
53	6/1/2028	\$4,401,402	\$37,869.71	\$0.00	\$37,869.71	\$13,295.22	\$24,574.49	\$4,388,107	\$1,395,201
54	7/1/2028	\$4,388,107	\$37,869.71	\$0.00	\$37,869.71	\$13,369.45	\$24,500.26	\$4,374,737	\$1,419,702
55	8/1/2028	\$4,374,737	\$37,869.71	\$0.00	\$37,869.71	\$13,444.10	\$24,425.62	\$4,361,293	\$1,444,127
56	9/1/2028	\$4,361,293	\$37,869.71	\$0.00	\$37,869.71	\$13,519.16	\$24,350.55	\$4,347,774	\$1,468,478
57	10/1/2028	\$4,347,774	\$37,869.71	\$0.00	\$37,869.71	\$13,594.64	\$24,275.07	\$4,334,179	\$1,492,753
58	11/1/2028	\$4,334,179	\$37,869.71	\$0.00	\$37,869.71	\$13,670.54	\$24,199.17	\$4,320,509	\$1,516,952
59	12/1/2028	\$4,320,509	\$37,869.71	\$0.00	\$37,869.71	\$13,746.87	\$24,122.84	\$4,306,762	\$1,541,075
60	1/1/2029	\$4,306,762	\$37,869.71	\$0.00	\$37,869.71	\$13,823.62	\$24,046.09	\$4,292,938	\$1,565,121
61	2/1/2029	\$4,292,938	\$37,869.71	\$0.00	\$37,869.71	\$13,900.81	\$23,968.91	\$4,279,038	\$1,589,090
62	3/1/2029	\$4,279,038	\$37,869.71	\$0.00	\$37,869.71	\$13,978.42	\$23,891.29	\$4,265,059	\$1,612,981
63	4/1/2029	\$4,265,059	\$37,869.71	\$0.00	\$37,869.71	\$14,056.47	\$23,813.25	\$4,251,003	\$1,636,795

Payment Number	Payment Date	Beginning Balance	Scheduled Payment	Extra Payment	Total Payment	Principal	Interest	Ending Balance	Cumulative Interest
64	5/1/2029	\$4,251,003	\$37,869.71	\$0.00	\$37,869.71	\$14,134.95	\$23,734.76	\$4,236,868	\$1,660,529
65	6/1/2029	\$4,236,868	\$37,869.71	\$0.00	\$37,869.71	\$14,213.87	\$23,655.84	\$4,222,654	\$1,684,185
66	7/1/2029	\$4,222,654	\$37,869.71	\$0.00	\$37,869.71	\$14,293.23	\$23,576.48	\$4,208,361	\$1,707,762
67	8/1/2029	\$4,208,361	\$37,869.71	\$0.00	\$37,869.71	\$14,373.03	\$23,496.68	\$4,193,988	\$1,731,258
68	9/1/2029	\$4,193,988	\$37,869.71	\$0.00	\$37,869.71	\$14,453.28	\$23,416.43	\$4,179,534	\$1,754,675
69	10/1/2029	\$4,179,534	\$37,869.71	\$0.00	\$37,869.71	\$14,533.98	\$23,335.73	\$4,165,000	\$1,778,010
70	11/1/2029	\$4,165,000	\$37,869.71	\$0.00	\$37,869.71	\$14,615.13	\$23,254.59	\$4,150,385	\$1,801,265
71	12/1/2029	\$4,150,385	\$37,869.71	\$0.00	\$37,869.71	\$14,696.73	\$23,172.98	\$4,135,688	\$1,824,438
72	1/1/2030	\$4,135,688	\$37,869.71	\$0.00	\$37,869.71	\$14,778.79	\$23,090.93	\$4,120,910	\$1,847,529
73	2/1/2030	\$4,120,910	\$37,869.71	\$0.00	\$37,869.71	\$14,861.30	\$23,008.41	\$4,106,048	\$1,870,537
74	3/1/2030	\$4,106,048	\$37,869.71	\$0.00	\$37,869.71	\$14,944.28	\$22,925.44	\$4,091,104	\$1,893,463
75	4/1/2030	\$4,091,104	\$37,869.71	\$0.00	\$37,869.71	\$15,027.71	\$22,842.00	\$4,076,076	\$1,916,305
76	5/1/2030	\$4,076,076	\$37,869.71	\$0.00	\$37,869.71	\$15,111.62	\$22,758.09	\$4,060,965	\$1,939,063
77	6/1/2030	\$4,060,965	\$37,869.71	\$0.00	\$37,869.71	\$15,195.99	\$22,673.72	\$4,045,769	\$1,961,737
78	7/1/2030	\$4,045,769	\$37,869.71	\$0.00	\$37,869.71	\$15,280.84	\$22,588.88	\$4,030,488	\$1,984,326
79	8/1/2030	\$4,030,488	\$37,869.71	\$0.00	\$37,869.71	\$15,366.15	\$22,503.56	\$4,015,122	\$2,006,829
80	9/1/2030	\$4,015,122	\$37,869.71	\$0.00	\$37,869.71	\$15,451.95	\$22,417.76	\$3,999,670	\$2,029,247
81	10/1/2030	\$3,999,670	\$37,869.71	\$0.00	\$37,869.71	\$15,538.22	\$22,331.49	\$3,984,132	\$2,051,578
82	11/1/2030	\$3,984,132	\$37,869.71	\$0.00	\$37,869.71	\$15,624.98	\$22,244.73	\$3,968,507	\$2,073,823
83	12/1/2030	\$3,968,507	\$37,869.71	\$0.00	\$37,869.71	\$15,712.22	\$22,157.50	\$3,952,794	\$2,095,981
84	1/1/2031	\$3,952,794	\$37,869.71	\$0.00	\$37,869.71	\$15,799.94	\$22,069.77	\$3,936,994	\$2,118,050
85	2/1/2031	\$3,936,994	\$37,869.71	\$0.00	\$37,869.71	\$15,888.16	\$21,981.55	\$3,921,106	\$2,140,032
86	3/1/2031	\$3,921,106	\$37,869.71	\$0.00	\$37,869.71	\$15,976.87	\$21,892.84	\$3,905,129	\$2,161,925
87	4/1/2031	\$3,905,129	\$37,869.71	\$0.00	\$37,869.71	\$16,066.07	\$21,803.64	\$3,889,063	\$2,183,728
88	5/1/2031	\$3,889,063	\$37,869.71	\$0.00	\$37,869.71	\$16,155.78	\$21,713.94	\$3,872,908	\$2,205,442
89	6/1/2031	\$3,872,908	\$37,869.71	\$0.00	\$37,869.71	\$16,245.98	\$21,623.73	\$3,856,662	\$2,227,066
90	7/1/2031	\$3,856,662	\$37,869.71	\$0.00	\$37,869.71	\$16,336.69	\$21,533.03	\$3,840,325	\$2,248,599
91	8/1/2031	\$3,840,325	\$37,869.71	\$0.00	\$37,869.71	\$16,427.90	\$21,441.81	\$3,823,897	\$2,270,041
92	9/1/2031	\$3,823,897	\$37,869.71	\$0.00	\$37,869.71	\$16,519.62	\$21,350.09	\$3,807,377	\$2,291,391
93	10/1/2031	\$3,807,377	\$37,869.71	\$0.00	\$37,869.71	\$16,611.86	\$21,257.86	\$3,790,766	\$2,312,649
94	11/1/2031	\$3,790,766	\$37,869.71	\$0.00	\$37,869.71	\$16,704.60	\$21,165.11	\$3,774,061	\$2,333,814
95	12/1/2031	\$3,774,061	\$37,869.71	\$0.00	\$37,869.71	\$16,797.87	\$21,071.84	\$3,757,263	\$2,354,886
96	1/1/2032	\$3,757,263	\$37,869.71	\$0.00	\$37,869.71	\$16,891.66	\$20,978.05	\$3,740,371	\$2,375,864
97	2/1/2032	\$3,740,371	\$37,869.71	\$0.00	\$37,869.71	\$16,985.97	\$20,883.74	\$3,723,385	\$2,396,748
98	3/1/2032	\$3,723,385	\$37,869.71	\$0.00	\$37,869.71	\$17,080.81	\$20,788.90	\$3,706,305	\$2,417,536
99	4/1/2032	\$3,706,305	\$37,869.71	\$0.00	\$37,869.71	\$17,176.18	\$20,693.53	\$3,689,128	\$2,438,230
100	5/1/2032	\$3,689,128	\$37,869.71	\$0.00	\$37,869.71	\$17,272.08	\$20,597.63	\$3,671,856	\$2,458,828
101	6/1/2032	\$3,671,856	\$37,869.71	\$0.00	\$37,869.71	\$17,368.51	\$20,501.20	\$3,654,488	\$2,479,329
102	7/1/2032	\$3,654,488	\$37,869.71	\$0.00	\$37,869.71	\$17,465.49	\$20,404.22	\$3,637,022	\$2,499,733
103	8/1/2032	\$3,637,022	\$37,869.71	\$0.00	\$37,869.71	\$17,563.00	\$20,306.71	\$3,619,459	\$2,520,040
104	9/1/2032	\$3,619,459	\$37,869.71	\$0.00	\$37,869.71	\$17,661.06	\$20,208.65	\$3,601,798	\$2,540,248
105	10/1/2032	\$3,601,798	\$37,869.71	\$0.00	\$37,869.71	\$17,759.67	\$20,110.04	\$3,584,039	\$2,560,358
106	11/1/2032	\$3,584,039	\$37,869.71	\$0.00	\$37,869.71	\$17,858.83	\$20,010.88	\$3,566,180	\$2,580,369
107	12/1/2032	\$3,566,180	\$37,869.71	\$0.00	\$37,869.71	\$17,958.54	\$19,911.17	\$3,548,221	\$2,600,281

Payment Number	Payment Date	Beginning Balance	Scheduled Payment	Extra Payment	Total Payment	Principal	Interest	Ending Balance	Cumulative Interest
108	1/1/2033	\$3,548,221	\$37,869.71	\$0.00	\$37,869.71	\$18,058.81	\$19,810.90	\$3,530,162	\$2,620,091
109	2/1/2033	\$3,530,162	\$37,869.71	\$0.00	\$37,869.71	\$18,159.64	\$19,710.07	\$3,512,003	\$2,639,801
110	3/1/2033	\$3,512,003	\$37,869.71	\$0.00	\$37,869.71	\$18,261.03	\$19,608.68	\$3,493,742	\$2,659,410
111	4/1/2033	\$3,493,742	\$37,869.71	\$0.00	\$37,869.71	\$18,362.99	\$19,506.72	\$3,475,379	\$2,678,917
112	5/1/2033	\$3,475,379	\$37,869.71	\$0.00	\$37,869.71	\$18,465.51	\$19,404.20	\$3,456,913	\$2,698,321
113	6/1/2033	\$3,456,913	\$37,869.71	\$0.00	\$37,869.71	\$18,568.61	\$19,301.10	\$3,438,345	\$2,717,622
114	7/1/2033	\$3,438,345	\$37,869.71	\$0.00	\$37,869.71	\$18,672.29	\$19,197.42	\$3,419,672	\$2,736,820
115	8/1/2033	\$3,419,672	\$37,869.71	\$0.00	\$37,869.71	\$18,776.54	\$19,093.17	\$3,400,896	\$2,755,913
116	9/1/2033	\$3,400,896	\$37,869.71	\$0.00	\$37,869.71	\$18,881.38	\$18,988.34	\$3,382,014	\$2,774,901
117	10/1/2033	\$3,382,014	\$37,869.71	\$0.00	\$37,869.71	\$18,986.80	\$18,882.91	\$3,363,028	\$2,793,784
118	11/1/2033	\$3,363,028	\$37,869.71	\$0.00	\$37,869.71	\$19,092.81	\$18,776.90	\$3,343,935	\$2,812,561
119	12/1/2033	\$3,343,935	\$37,869.71	\$0.00	\$37,869.71	\$19,199.41	\$18,670.30	\$3,324,735	\$2,831,231
120	1/1/2034	\$3,324,735	\$3,324,735	\$0.00	\$3,324,735	\$3,324,735	\$0.00	\$0	\$2,831,231

Pacific Rim Outpatient Surgery Center (PROSC)

Financial Model Key Assumptions

Volume Assumptions

1. See discussion presented in the *Need* section of the application describing the methodology, assumptions, and rationale underlying the utilization forecast for the proposed project.

Revenues

2. Models do not include any charge inflation.
3. Revenues are based on PROSC's Jan – Sep 2022 revenue per case actuals. Although there is expected to be some shift in the service mix when becoming operational at the new site, it is expected the overall average revenue per case will be consistent with the 2022 average.
4. Payor mix percentages are based on PROSC's Jan – Aug 2022 annualized actuals.
5. Deduction by payer are based on PROSC's Jan – Aug 2022 actual write-offs as a percent of charges.¹
6. Bad debt is estimated to be 1.02% of gross revenues based on PROSC's Jan – Sep 2022 actuals.
7. Projected charity care is based on the three-year (2018-2020) Whatcom County planning area hospital average charity care percentage of 1.91% of gross revenues.

Expenses

8. Models do not include any expense inflation.
9. Salaries and wages are based on forecasted FTEs and assumed hourly wages. See discussion in the *Structure and Process of Care* section of the application describing the basis for the staffing assumptions. A FTE is assumed to work 2,080 hours per year.
10. Benefits are held at 18.5% of salaries and wages based on Jan - Sep 2022 actuals.
11. Medical Supplies are forecasted to be \$614.64 per case based on Jan - Sep 2022 actuals.
12. Implants are forecasted to be \$689.20 per case based on Jan - Sep 2022 actuals.
13. Pharmaceuticals are forecasted to be \$59.47 per case based on Jan - Sep 2022 actuals.
14. Contract Services are forecasted to be \$47.31 per case based on Jan - Sep 2022 actuals.
15. Professional Fees are forecasted to be \$42.03 per case based on Jan - Sep 2022 actuals.
16. Plant Expenses are forecasted to be \$26.68 per square foot (sf) based on Jan - Sep 2022 actuals. The square footage for the new site is 10,099 sf.
17. Medical Director expenses are forecasted to be \$60k per year. The medical director agreement states in the compensation section that there is a "Stipend of \$50,000 per year for each of the 12 months of this Agreement, or as negotiated from year to year." As demonstrated in the historical revenue statement, the medical director has been consistently expensed at \$60k in throughout 2019-2021. Further, see Exhibit 11B for a letter from representatives of both parties acknowledging that \$60k has been the effective annual medical director fee since early 2010 and continues to remain in effect.
18. Lease expense include base rent and NNN. The lease expense is set to \$480,000 in total for the first year of the term (October 2024 through September 2025). The NNN estimate is estimated

¹ Due to a change in systems in September 2022, we have relied on January – August 2022 actuals to use for the payer mix and payer deductions percentages. As these are percentage estimates, these are not statistically different from rates expected from using January – September 2022.

to be \$95,805.51 for the first year of the term. Per Lease Section 3.1.2, base rent is adjusted each year by the Seattle-Tacoma-Bellevue Consumer Price Index for All Urban Customers (CPI-U). The adjustment used in the financial model assumes a 3% annual increase, which is consistent with the 5-year (2016-2021) average annual growth in the Seattle CPI-U.² The NNN expenses are also increased proportional to the base rent increase.

19. B&O Tax is forecasted at 2.1% of net revenue based on the overall effective rate in 2022.
20. Other Operating Expenses are forecasted to be \$31.27 per case based on Jan - Sep 2022 actuals.
21. Depreciation & Amortization (Existing) is forecasted by assuming 5% of the most recent estimate (2022 annualized) is no longer applicable each year. Therefore, the forecast of existing depreciation and amortization decreases by \$58,149 each year. See the tables below.

Depreciation & Amortization (Existing) Table A

	2022 (Annualized)
Existing Depreciation & Amortization (D&A)	1,162,989
Existing D&A Decline Factor	5%
Annual Existing D&A Decay	\$58,149

Depreciation & Amortization (Existing) Table B

	2022 (Annualized)	2023	2024	2025	2026	2027
Forecast of Existing D&A (Calendar Year)	1,162,989	1,104,840	1,046,690	988,541	930,391	872,242

Depreciation & Amortization (Existing) Table C

	4Q 2024	2025	2026	2027
Forecast of Existing D&A (Forecast Periods)	261,673	988,541	930,391	872,242

22. Depreciation & Amortization (Project) is estimated based on straight-line depreciation of \$3,330,652 in buildout costs with a 20-year useful life and \$1,891,473 in equipment costs with an 8-year useful life.
23. Interest (Existing) is held constant at \$15,402 per year based on Jan - Sep 2022 actuals.
24. Interest (Project) is estimated by calculating the amount of interest for the forecast period according to the amortization schedule.
25. AAAHC Reaccreditation Fee is forecasted for the initial period that PROSC becomes operational at the new site in 2024 and again 3-years later in 2027. It is anticipated to be \$17k based on experience in the most recent reaccreditation in 2021.

Amortization Schedule

26. The loan amount is \$5,000,000.
27. The interest rate of \$6.7% is based on an estimate provided by the WECU representative on November 1, 2022.

² U.S. Bureau of Labor Statistics. Seattle-Tacoma-Bellevue, WA CPI for All Urban Consumers (CPI-U). Series Id: CUURS49DSA0. Compounded annual growth rate of 2016-2021 annual estimates calculated.

28. The amortization period is 20 years, but the maturity term is 10 years. Therefore, the payments are amortized under the 20-year period, but the remaining balance is paid at the end of the 10-year term.

Exhibit 11A.
Medical Director Agreement

Emergency Contract

Agreement for
Medical Director
Pacific Rim Outpatient Surgery Center

2008 - 2009

This Agreement is between Pacific Rim Outpatient Surgery Center (PROSC) and Bellingham Anesthesia Associates P.S. (BAA). In consideration of the mutual promises contained in this Agreement, PROSC and BAA agree to the following terms and conditions.

1. Relationship of Parties

Pacific Rim Outpatient Surgery Center agrees to retain the services of a BAA Physician on an independent contractor basis in accordance with this Agreement. The provisions of this Agreement are not intended to create any relationship between the parties other than that of independent parties contracting with each other solely for the purpose of effecting the terms of the Agreement. The relationship between the parties will not be construed or interpreted or be an employment one, partnership or joint venture of any kind.

2. Services to be Provided by BAA.

2.1 Medical Director. For the term of this contract, Matthew VonFeldt, M.D. has been named PROSC Medical Director in accordance with the actions of the PROSC Board of Managers and the BAA Board of Directors.

2.2 Responsibilities. Physician, or his designee, shall carry out the responsibilities of the Medical Director as set forth in the PROSC by-laws and as described in Exhibit A.

3. Duties of Physician

3.1 BAA Physician will work 40% of their clinical time at PROSC to meet the obligations as set forth in the Medical Director job description attached as Exhibit A. PROSC will reasonably identify which obligations must be performed at the ASC during hours of operation. It is agreed that the duties may be modified from time to time by the Board of Managers. The parties mutually agree that if modifications are not material, Medical Director agrees to continue his duties under Agreement. If modifications are material, both parties will attempt to renegotiate this Agreement in good faith.

3.2 BAA will cooperate with PROSC in identifying sub-tasks and appropriate deadlines for the work of this Agreement so that PROSC can operate ASC in an expeditious and safe a manner as possible.

3.3 Physician will acquire and maintain during the course of this Agreement professional malpractice liability insurance covering his clinical practice issued by a carrier admitted in the state of Washington in amounts of at least One Million Dollars/Three Million Dollars (\$1,000,000/\$3,000,000). Physician shall notify Pacific Rim if insurance lapses or is canceled during the period of this Agreement.

3.4 Physician, in his role as PROSC Medical Director, will be covered under the liability insurance of Pacific Rim Outpatient Surgery Center in amounts of One Million Dollars/Three Million Dollars (\$1,000,000/\$3,000,000).

3.5 Physician is free to engage in other business activities including, but not limited to, the practice of medicine, provided such activities do not unnecessarily interfere with the performance of their responsibilities as PROSC Medical Director.

3.6 In his role as Medical Director, Physician is responsible to the Board of Managers of Pacific Rim Outpatient Surgery Center, but shall report directly to whomever Pacific Rim Outpatient Surgery Center shall designate.

3.7 Physician agrees to maintain all licenses as physician in the state of Washington, DEA number and authority, board certification, Medicare/Medicaid eligibility, hospital privileges and professional memberships as deemed appropriate and necessary.

4. **Duties of Pacific Rim Outpatient Surgery Center**

4.1 Pacific Rim Outpatient Surgery Center will cooperate with Physician and BAA in identifying sub-tasks and appropriate deadlines for the work of this Agreement so that BAA and Physician can expeditiously provide the services covered by this Agreement.

4.2 Pacific Rim Outpatient Surgery Center will cooperate with BAA and Physician in providing materials and personnel reasonably requested by Physician as necessary to perform the services covered by this Agreement.

5. Compensation

5.1 Both parties agree that the compensation to be paid BAA for Physician serving as PROSC Medical Director shall be as follows:

- Stipend of \$50,000 per year for each of the 12 months of this Agreement, or as negotiated from year to year.
- Additional payment will be made at \$75.00 an hour for Standby for local cases when no other general anesthesia cases are running or there are patients in recovery that require Medical Director or another covering BAA physician to be in-house.
- Pacific Rim Outpatient Surgery Center also agrees to pay SAMBA meeting expenses and FASA membership.
- Ninety (90) days prior to the end of the year of this Agreement, the Board of Managers and BAA will re-evaluate the level of compensation to determine the actual time commitment required to complete the duties of Medical Director. This determination is to allow both BAA and Pacific Rim Outpatient Surgery Center to anticipate compensation level during any subsequent contract years.

5.2 BAA shall be solely responsible for compensating the Medical Director for services provided under the terms of this Agreement, including all applicable state and federal payroll taxes, Society Security withholding, employee benefits and other taxes, expenses, or deductions.

6. Terms and Termination

* 6.1 The term of this Agreement shall be from March 1, 2008 to February 28, 2009 and thereafter shall renew for annual terms unless either party gives written notice of non renewal to the other party within ninety (90) days of the renewal date.

6.2 Either party may terminate this Agreement for any reason by giving ninety (90) days' prior written notice to the other party.

6.3 This Agreement can be terminated for cause, if the party citing the breach gives other party fifteen (15) business days to cure the breach. If the breach is not cured, the Agreement shall be deemed terminated on the date such notice was given. However, if PROSC reasonably concludes that the BAA Physician represents a material threat to patient health or safety, he may be terminated immediately without a cure period.

6.4 This Agreement shall terminate immediately if PROSC ceases or is unable to conduct business as an ASC in Bellingham, Washington. PROSC shall endeavor to give BAA at least sixty (60) days written notice.

7. Confidentiality

BAA and Physician Medical Director agree to keep confidential all trade secrets and proprietary information of Pacific Rim. This term includes but is not limited to the following Pacific Rim information: data regarding present and planned business locations and facilities, all surveys studies and analysis, information and identity of all personnel, third party carrier relationships an dealings, medical and personnel records all financial data, customer and prospective customer lists, administrative manuals and all policies, procedures and current and proposed business procedures and areas of business activity.

8. Restrictive Covenant

During the term of this Agreement, BAA agrees not to directly or indirectly place Medical Director in another medical director position.

9. Arbitration

Any dispute or action arising out of this agreement or relating to BAA or Medical Director's conduct related to this Agreement, including any and all federal and state statutory claims shall be subject to arbitration. Prior to submitting any dispute to arbitration, the parties shall make themselves available to meet and attempt to resolve the dispute informally.

Both parties will share the cost of the arbitrator and the arbitration costs, but will pay any of their own costs incurred, including attorneys' fees.

A decision in any matter submitted to arbitration shall be final and biding. No appeals from the arbitrator's decision are possible.

10. Assignments

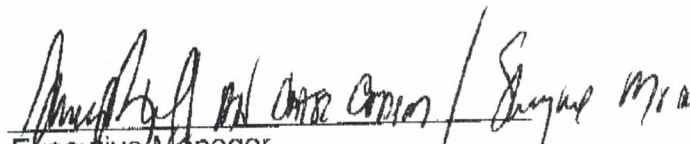
Neither party may assign it rights hereunder to any person or entity without the prior written consent of the other party.

11. Third Party Beneficiaries

Both parties agree that there are no third party beneficiaries to the Agreement, and it is intended that the Agreement is for the sole benefit of the parties to it.

IN WITNESS WHEREOF, the parties have made the Agreement as of the day and year first above written.

Date 2/29/08


Executive Manager,
Pacific Rim Outpatient Surgery Center, LLC

Date 2/29/08

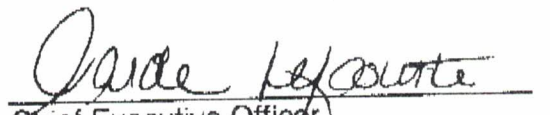

Chief Executive Officer
Bellingham Anesthesia Associates, P.S.

EXHIBIT A**MEDICAL DIRECTOR RESPONSIBILITIES****POSITION SUMMARY:**

Under the direction of the Board of Managers, the Medical Director provides on-site oversight of the delivery of ambulatory surgical services at Pacific Rim Outpatient Surgery Center. The Medical Director advises the Board of Managers regarding compliance with CMS, licensure and other regulatory requirements.

SUPERVISION:

REPORTS TO: Board of Managers

SUPERVISES: Medical Staff Delivery of Care

QUALIFICATIONS:

- A. Licensed without restrictions to practice medicine in the State of Washington.
- B. Certified by specialty board.
- C. Medical Staff privileges at Pacific Rim Outpatient Surgery Center.

ATTRIBUTES:

- A. Commitment to team approach to facility management and operation.
- B. Agrees with and actively promotes mission at the facility.
- C. Experience in an ambulatory surgical setting preferred.
- D. Able to work under pressure effectively.
- E. Coordinates and follows through on all projects, possessing strong attention to detail.
- F. Effective written and verbal communication skills.
- G. Presence on-site 40% time or provides acceptable coverage in absence.

RESPONSIBILITIES:

- A. Monitors the activities of the Medical Staff and consults with attending surgeon as needed on behalf of the patients or facility administration to assure that medical care is delivered according to established facility policies, procedures, mission and objectives.
- B. Coordinates with PROSC as a team member in managing facility medical operations to ensure consistency, quality and safety of the facility services.
- C. Advises PROSC on the development and modification of all policies and procedures involving patient care prior to submission for approval by the Board of Managers. Seeks input from the Medical Staff prior to presenting information to the Board of Managers regarding facility policy and procedure issues, approaches to care delivery and practice patterns.
- D. Serves as medical advisor to administrative team and Board of Managers, making policy recommendations for:
 - 1. Effective and efficient delivery of peri-operative care.
 - 2. Compliance with established procedures and clinical standards.
 - 3. Evaluation of clinical staff competency.
 - 4. Adherence to all state/federal regulations affecting ASC's, licensing and accreditation requirements.
- E. Provides leadership in developing a positive work environment where all staff and physicians perform as part of a team.
- F. Actively works with medical staff to promote clinical quality and efficiency in delivery of care, including but not limited to: medical record documentation, management of patient peri-operative surgical and anesthesia care, OR time, patient recovery time, and case start time.
- G. Monitors physician adherence to all established facility policies. Institutes a prompt corrective action plan, when necessary, and counsels medical staff, serving as mentor to direct and monitor physician performance improvement, where needed.
- H. Attends Board of Managers meetings, facility committee meetings, and other meetings as directed by the Board of Managers. Provides resources for Credentialing/Privileging and Quality Assurance Committees. Presents reports to the Board of Managers.

- I. Provides periodic information and updates to the medical staff regarding ASC issues.
- J. Acts as liaison between medical staff and Board of Managers to maintain effective open communication, assuring that issues are understood by both and needs of both are adequately addressed.
- K. Provides clinical leadership to nursing staff for:
 - 1. Establishing pre-operative admission criteria and per-operative patient management criteria.
 - 2. Post-discharge patient follow-up.
 - 3. New treatment modalities.
 - 4. Selection and implementation of medical record forms.
- L. Actively works to strengthen external community relationships; does not participate in activities that could be viewed as a conflict of interest.
- M. Attends all required training programs and in-services, as appropriate.
- N. Assists PROSC in instituting practices to assure a safe and sanitary environment for patients and personnel. This includes but is not limited to reviewing incidents and accidents, identifying hazards to health/safety and making recommendations for corrective actions and practice improvements in the work environment.
- O. Assists PROSC with the facility review and response to any official medical review by a federal/state or local agency or accrediting body.
- P. Performs other position-related duties as directed by the Board of Managers.
- Q. The medical director or designated anesthesiologist will be in the facility until the last patient in the recovery room meets discharge criteria.
- R. Promptly reports to the Board of Managers any non-compliance with laws, regulations, facility policies, and/or activities that place a patient's care in jeopardy.

Exhibit 11B.
Letter on Medical Director Services Rate



November 1, 2022

Kristin Haggen
Bellingham Anesthesia Associates
909 Squalicum Way, Ste. 102
Bellingham, WA 98225

Dear Kristin,

This will confirm our conversation today.

In lieu of an addendum to the original contract between Pacific Rim Outpatient Surgery Center (PROSC) and Bellingham Anesthesia Associates (BAA) for medical director services, we are confirming that the original 2008-2009 agreement stated a rate of \$50,000/year, that rate was increase to \$60,000/year in early 2010 and remains in effect.

Sharon L. Lukas

Sharon L. Lukas, PROSC Representative
Date: November 1, 2022

Kristin Haggen

Kristin Haggen, BAA Representative
Date: November 1, 2022

Exhibit 12.
Operating Agreement

PACIFIC RIM OUTPATIENT SURGERY CENTER, L.L.C.

A Washington Limited Liability Company

SIXTH AMENDED AND RESTATED LIMITED

LIABILITY COMPANY AGREEMENT

September 28, 2021

[Approved by Member Vote]

PACIFIC RIM OUTPATIENT SURGERY CENTER, L.L.C.
SIXTH AMENDED AND RESTATED LIMITED LIABILITY COMPANY
AGREEMENT

This SIXTH AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT (the “Agreement”) is made and entered into effective as of the day of September 28, 2021, by and between the members set forth on **Exhibit A** hereto (the “Members”). Except as provided in this Agreement, the rights and liabilities of the Members shall be governed by the Act.

WHEREAS, the Company has been duly formed as a limited liability company under the laws of the State of Washington by filing of the Certificate of Formation in the office of the Secretary of State of the State of Washington;

WHEREAS, the Company currently owns and operates a Medicare-certified ambulatory surgical center in Bellingham, Washington;

WHEREAS, the Members of the Company desire to amend and restate the Fourth Amended and Restated Operating Agreement of the Company dated July 20, 2021, as amended (the “Prior Agreement”) in its entirety;

WHEREAS, the Company has duly passed the Resolutions necessary to adopt this Agreement upon the consent of the holders of at least two-thirds (2/3) of the Units according to the terms and conditions of the Prior Agreement;

WHEREAS, the Members intend for this Agreement to supersede and replace the Prior Agreement in its entirety; and

WHEREAS, a glossary of defined terms is found in Exhibit D attached hereto.

NOW, THEREFORE, in consideration of the mutual covenants herein expressed, and for other valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1
FORMATION OF COMPANY

1.1 **Formation.** The Company was formed on the day of September, 2000, when the Certificate of Formation was executed and filed with the office of the Secretary of State in accordance with and pursuant to the Act.

1.2 **Name.** The name of the Company is “Pacific Rim Outpatient Surgery Center, L.L.C.”

Principal Place of Business. The principal place of business of the Company shall be 3009 Squalicum Parkway, Bellingham, Washington 98225. The Company may locate its place of business at any other place or places as the Managers may from time-to-time deem advisable.

1.3 **Registered Office and Registered Agent.** The Company's registered agent and the address of its registered office in the State of Washington is as follows:

Name:	Address:
C J Services Corporation	1500 Railroad Avenue Bellingham, WA 98225

(a) The registered office and registered agent may be changed by the Managers from time-to-time by filing an amendment to the Certificate of Formation.

1.4 **Term.** The term of the Company shall be perpetual.

ARTICLE 2 BUSINESS OF COMPANY

2.1 **Business.** The business of the Company shall be:

(a) to operate ambulatory surgery centers; and

(b) to carry on any lawful business or activity which may be conducted by a limited liability company organized under the Act.

ARTICLE 3 NAMES AND ADDRESSES OF MEMBERS

3.1 **Members.** Provided they sign this Agreement, the names and addresses of the Members are set forth on the attached Exhibit A, as amended or restated from time-to-time.

ARTICLE 4 MANAGERS SHALL MANAGE

4.1 **Manager Managed.** The Company will be managed by six(6) Managers as provided herein. The Managers shall meet regularly to transact the business of the Company. The attendance of four or more managers shall constitute a quorum for the transaction of business at a Managers meeting.

(a) The Board of Managers shall be elected at the annual meeting of the Members each November. The nominees standing for election each year shall be voted on by the Members according to each Member's respective percentage of ownership in the Company. A person need not be a Member to be eligible to become a Manager. The Members appointed as the Board of Managers subsequent to adoption of this Sixth Amendment are as follows:

- i. Chris Van Hofweigen – Executive Manager
- ii. Vincent Matteucci - Secretary

(b) All Managers shall be elected for staggered terms of three (3) years each, subject to the terms of Section 4.7 of this Agreement. The terms of the current Managers shall be staggered as indicated on the signature page hereto.

4.2 **Management.** The business and affairs of the Company shall be directed by the Managers. No individual Manager of the Company shall take any action or otherwise bind the Company except upon the majority vote of all the Managers, each Manager having one (1) vote on all matters.

4.3 **Officers.** The Company shall have an Executive Manager and a Secretary and such other offices as the Board of Managers may in its discretion create. The Managers shall select by majority vote, on a yearly basis, the officers.

(a) **Executive Manager.** The Executive Manager shall have the responsibility to serve as the primary liaison between the Board of Managers and the Facility Administrator and the Medical Director of the Center, to co-ordinate the business of the Board of Managers and to conduct Board meetings, to be the spokesperson for the Board and the Company, and to perform such other duties as directed by the Board of Managers.

(b) **Secretary.** The Secretary shall have the responsibility to oversee the preparation of the minutes of the meetings of the Managers, and such other duties as are reasonably requested by the Board of Managers.

4.4 **Facility Administrator and Medical Director.** The Managers may designate a Facility Administrator, Medical Director and/or other officers of the Company who shall have such authority as the Managers may designate. Such Facility Administrator, Medical Director or other officer shall be elected by a majority vote of the Managers.

4.5 **Authority of Managers.**

(a) Except as otherwise expressly provided in this Agreement, (1) the Managers acting upon majority vote, (2) an individual Manager acting upon the express authority of the Managers, or (3) another officer acting upon express authority of the Managers, shall have full and complete authority, power and discretion to manage and control the business, affairs, and properties of the Company, to make all decisions regarding those matters and to perform any and all other acts or activities customary or incident to the management of the Company's business.

(b) Without limiting the generality of the foregoing and subject to those actions requiring Supermajority Approval of the Members under Section 4.5(c), the Managers, upon majority vote, shall have the power and authority on behalf of the Company to:

(i) acquire property from any person as the Managers may determine;

(ii) borrow money from financial institutions or the Managers on such terms as the Managers deem appropriate, and in connection therewith, to hypothecate, encumber and grant security interests in the assets of the Company to secure repayment of the borrowed sums;

(iii) purchase liability and other insurance to protect the Company's property and business;

(iv) except as provided herein, acquire, improve, manage, charter, operate, sell, transfer, exchange, encumber, pledge or dispose of any real or personal property of the Company;

(v) to invest Company funds temporarily in time deposits, short-term governmental obligations, commercial paper or other short-term investments;

(vi) to execute instruments and documents, including without limitation, checks, drafts, notes and other negotiable instruments, mortgages or deeds of trust, security agreements, financing statements, documents providing for the acquisition, mortgage or disposition of the Company's property, assignments, bills of sale, leases, Membership agreements, Partnership agreements, operating agreements of other limited liability companies, and any other instruments or documents necessary, in the opinion of the Managers, to the business of the Company;

(vii) to employ accountants, legal counsel, managing agents or other experts to perform services for the Company and to compensate them from Company funds;

(viii) to enter into any and all other agreements with any other person for any purpose, in such form as the Managers may approve;

(ix) from time-to-time open bank accounts in the name of the Company, and designate which Manager(s) shall be the signatory thereon;

(x) approve the transfer, sale or gift of Units in accordance with Section 12.1 hereof and admit new Members of the Company; and

(xi) do and perform all other acts as may be necessary or appropriate to the conduct of the Company's business.

(c) Actions Requiring Supermajority Approval. The Company shall not take any of the following actions without Supermajority Approval.

(i) Authorize the merger, consolidation or similar combination with any other entity, or authorize the sale of all or substantially all the assets of the Company or the dissolution or liquidation of the Company;

(ii) Effect any Bankruptcy event with regard to the Company;

(iii) Require a Member to make an additional Capital Contribution or guarantee an obligation of the Company;

(iv) Except as provided in Section 4.6 hereof, pay any compensation to any Member or Affiliate or enter into any transaction with a Member or Affiliate, except to the extent that all Members are paid compensation on a pro rata basis, based on the proportion of Units then held by each such Member to the total number of Units then issued and outstanding. Except as expressly provided in the preceding sentence, the Company shall not pay any compensation or provide any economic benefit of any kind whatsoever, directly or indirectly, to any Member or officer of the Company, or to any Affiliate of any Member or officer of the Company, including, but not limited to, the payment of any social or professional association or club dues or fees, and the provision of goods or services having economic value; and

(v) Close the staff privileges of the Center.

(d) Unless authorized to do so by this Agreement or by the Managers, no Manager, employee or other agent of the Company shall have any power or authority to bind the Company in any way, to pledge its credit or to render it liable for any purpose.

4.6 Compensation. Managers may be paid compensation for their respective efforts to manage the affairs of the Company. Such compensation shall be determined by a majority vote of the Managers.

(a) The Managers shall be reimbursed by the Company for reasonable out-of-pocket expenses incurred by the Managers in connection with the Company's business.

(b) Any Manager or Member who performs valuable and/or necessary services for the Company may, upon a majority vote of Managers, be equitably compensated for his, her or its services.

4.7 Removal of Managers. At a meeting called expressly for that purpose, a Manager may be removed at any time, with or without cause, by the unanimous vote of the Managers; provided, however, that the Manager who is the subject of the removal vote shall have no vote. The removal of a Manager who is also a Member shall not affect the Manager's rights as a Member and shall not constitute a removal of a Member.

4.8 Vacancies. Any vacancy occurring for any reason in the number of Managers may be filled by the majority vote of the remaining Managers. The individual who is appointed shall serve until the next annual meeting of the Members. A vote taken at the next annual meeting of the Members shall confirm the appointment of the replacement Manager selected by the Board or shall elect a new Manager to fill such vacancy. In either case, the replacement Manager shall only serve as Manager until the term of the Manager whom he or she replaced expires.

4.9 Limitation on Liability and Indemnification. To the extent allowable under Washington State law, the Managers shall not be liable, responsible or accountable in damages or otherwise to the Company or the other Managers for any act or omission by the Manager performed in good faith pursuant to the authority granted to the Manager by this Agreement, or

in accordance with its provisions, and in a manner reasonably believed by the Manager to be within the scope of the authority granted to the Manager and in the best interests of the Company; provided that such act or omission did not constitute fraud, misconduct, bad faith or gross negligence. The Company shall indemnify and hold harmless the Managers, individually and collectively, against any liability, loss, damage, cost or expense incurred by him or her on behalf of the Company or in furtherance of the Company's interests without relieving the Managers of liability for fraud, misconduct, bad faith or gross negligence. No Manager shall have any personal liability with respect to the satisfaction of any required indemnification of any other Manager.

4.10 Right to Rely on the Manager. Any person dealing with the Company may rely (without duty of further inquiry) upon a certificate signed by a majority of the Managers as to the identity and authority of any Manager or other person authorized to act on behalf of the Company.

ARTICLE 5 RIGHTS AND OBLIGATIONS OF MEMBERS

5.1 Limitation of Liability. Each Member's liability shall be limited as set forth in this Agreement and the Act.

5.2 Member Eligibility Requirements. No Person shall be eligible to become a Member (or remain a Member, as applicable) unless the Person is an Eligible Physician.

(a) The Members understand that the Company's and the Center's operations are subject to various state and federal laws regulating permissible relationships between the Members and entities such as the Company, including Chapter 19.68 RCW ("rebating by practitioners of healing professions"), 42 U.S.C. § 1320a-7b(b) (the "Anti-Kickback Statute" or "Fraud and Abuse Statute"), and 42 U.S.C. § 1395nn (the "Stark Act"). It is the intent of the parties that the Company and the Center operate in a manner consistent with the foregoing statutes. Accordingly, each Member represents and warrants that he or she (i) has not received loans for the purpose of investing in the Center from the Company or from any investor in the Company; (ii) has not been barred or suspended from participation in the Medicare and/or Medicaid programs; (iii) except with respect to Retired Members, shall derive at least one-third (1/3) of his or her medical practice income from all sources for the previous fiscal year or previous 12-month period from his or her own performance of procedures that are ambulatory surgery procedures; (iv) except with respect to Retired Members, shall perform at least one-third (1/3) of such physician's procedures that require or can be performed at an ambulatory surgery center at the Center; (v) shall fully inform each patient, prior to referring such patient to the Center, of such physician's investment interest in the Center; and (vi) shall treat patients receiving medical benefits or assistance under any federal health care program in a nondiscriminatory manner. These requirements shall be referred to herein as the "Safe Harbor Requirements."

(b) Starting on August 1, 2021 and on an annual basis thereafter, the Board of Managers shall require each Member to sign an attestation as to such Member's compliance with the Safe Harbor Requirements. Further, the Board of Managers may request from each Member such information as it deems necessary to assess compliance by such Member with the Safe Harbor Requirements set forth above. Failure of a Member to supply such information to the Board of Managers within thirty (30) days of such request shall be deemed an admission by such Member that the Member does not comply with the Safe Harbor Requirements and is, therefore, no longer an Eligible Physician.

(c) The Company and the Members acknowledge that all activities and contracts of any kind necessary to, or in connection with, or incidental to the accomplishment of, the purposes of the Company shall be lawfully carried on or performed under the laws of the State of Washington and various federal laws. The Members also acknowledge that the Stark Act and the regulations promulgated thereunder may restrict the Center (as presently formed) from providing “designated health services” (as defined by the Stark Act) or other services to patients referred by Members. The Center shall not provide and bill separately for “designated health services.” If, in the future, any of the services that the Center provides are deemed to be “designated health services,” such services shall be provided by the Center only if such services may be provided in compliance with one or more exceptions to the ban on self-referrals set forth in the Stark Act, the regulations promulgated thereunder, or any successor statutes and/or regulations thereto. Furthermore, if the owner of a Member is a pension plan, trust or other entity, all of the owners and beneficiaries of such pension plan, trust or other entity who are practicing physicians shall also comply with the Stark Act and its regulations.

5.3 Liability for Company Obligations. Except as otherwise provided by law or as required by Section 5.8 hereof, Members shall not be personally liable for any debts, obligations or liabilities of the Company beyond their respective Capital Contributions and any obligation set forth herein to make further Capital Contributions.

5.4 Approval of Sale of All Assets. The Company shall not lease, sell, exchange, pledge or otherwise dispose of all, or substantially all, of its assets without Supermajority Approval.

5.5 Inspection of Records. Upon reasonable request, each Member shall have the right to inspect and copy, at such Member's expense during ordinary business hours, those records required to be maintained by the Company pursuant to this Agreement.

5.6 Withdrawal of Member. A Member cannot voluntarily resign or otherwise withdraw as a Member without the written consent and approval of a majority of the Managers.

5.7 Transfer of Member's Units. No Member shall voluntarily sell, transfer, assign, gift or otherwise dispose of any or all of the Member's interest except as may be provided in Article 12 or any other section of this Agreement.

5.8 Company Obligations; Personal Guarantees. The Managers of the Company may, from time-to-time elect to incur an obligation on behalf of the Company including, but not limited to, purchasing or leasing equipment or property or the securing of a loan or line of credit; provided, however, the Managers may not require the Members to personally guaranty Company debt without the Supermajority Approval. In such case each Member (i) agrees to personally guaranty said obligation to the same extent as all other Members based upon each Member's pro rata share of ownership in the Company if approved by Supermajority Approval, and (ii) shall hold all other Member's harmless for his/her proportionate share of the debt based upon percentage of Units owned by such Member.

ARTICLE 6 MEETINGS OF MEMBERS

6.1 **Annual Meeting of Members.** The annual meeting of the Members shall be held on the second Monday of November of each and every year, or at such other time as shall be determined by the Managers, for the purpose of the transaction of such business as may come before the meeting, including the election of Managers.

6.2 **Special Meetings.** Special meetings of the Members, for any purpose or purposes, may be called at the written request of the Members holding at least twenty percent (20%) of the Units.

6.3 **Place of Meetings.** The Members, by majority vote of the Units, may designate any place, either within or outside the State of Washington, as the place of meeting for any meeting of the Members. If no designation is made, or if a special meeting is called, the place of the meeting shall be the registered office of the Company set forth herein.

6.4 **Notice of Meetings.** Written notice stating the place, day and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called shall be delivered not less than ten (10) days nor more than thirty (30) days before the date of the meeting, either personally or by mail, by or at the direction of the Members calling the meeting, to each Member entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered five (5) calendar days after being deposited in the United States mail, addressed to the Member, with postage thereon prepaid.

6.5 **Record Date.** For the purpose of determining Members entitled to notice of, or to vote at, any meeting of the Members or any adjournment thereof, or Members entitled to receive payment of any distribution, the date on which notice of the meeting is mailed or the date on which the resolution declaring such distribution is adopted, as the case may be, shall be the record date for such determination of Members. When a determination of Members entitled to vote at any meeting of the Members has been made, as provided in this article, such determination shall apply to any adjournment thereof.

6.6 **Quorum.** A majority of the Members represented in person or by proxy shall constitute a quorum at any meeting of the Members. In the absence of a quorum at any such meeting, a majority of Units held by Members so represented may adjourn the meeting from time-to-time for a period not to exceed sixty (60) days without further notice. However, if the adjournment is for more than sixty (60) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each Member of record entitled to vote at the meeting. At such adjourned meeting, at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. The Members present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal during such meeting of that number of Units whose absence would cause less than a quorum.

6.7 **Manner of Acting.** If a quorum is present, the majority vote by Units of the Members present at the meeting in person or by proxy shall be the act of the Members, unless the

vote of a greater or lesser percentage is required by this Agreement or the Act. In all respects, voting of Members shall be on the basis of membership Units.

6.8 **Proxies.** At all meetings of the Members, a Member may vote in person or by proxy executed in writing by the Member. Such proxy shall be filed with the Secretary of the Company before or at the time of the meeting. No proxy shall be valid after six (6) months from the date of its execution, unless otherwise provided in the proxy.

6.9 **Action by Members Without a Meeting.** Action required or permitted to be taken at a meeting of the Members may be taken without a meeting if the action is evidenced by one or more written consents describing the action taken, executed by the Members required to approve such action if such action were taken at a meeting of the Members, and delivered to the Members for inclusion in the Company's minutes. Action taken under this section is effective when all Members required to approve such action if such action were taken at a meeting of the Members have signed such consents, unless such consents specify a different effective date.

6.10 **Waiver of Notice.** When any notice is required to be given to a Member, a waiver thereof, in writing, signed by the Member entitled to such notice, whether before, at, or after the time stated therein, shall be equivalent to the giving of such notice.

ARTICLE 7 MEETINGS OF MANAGERS

7.1 **Annual Meeting of Managers.** The annual meeting of the Managers shall be held on the second Monday of November of each and every year, after the Member meeting, or at such other time as shall be determined by a majority vote of the Managers, for the purpose of the transaction of such business as may come before the meeting.

7.2 **Special Meetings.** Special meetings of the Managers, for any purpose or purposes, may be called at the written request of three or more Managers or by the Executive Manager.

7.3 **Place of Meetings.** The majority vote of the Managers may designate any place, either within or outside the State of Washington, as the place of meeting for any meeting of the Managers. If no designation is made, or if a special meeting is called, the place of the meeting shall be the registered office of the Company set forth herein.

7.4 **Notice of Meetings.** Written notice stating the place, day and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called shall be delivered not less than ten (10) days nor more than thirty (30) days before the date of the meeting, either personally or by mail, by or at the direction of the Managers calling the meeting, to each Manager entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered five (5) calendar days after being deposited in the United States mail, addressed to the Manager, with postage thereon prepaid.

7.5 **Record Date.** For the purpose of determining Managers entitled to notice of, or to vote at, any meeting of the Managers or any adjournment thereof, or Managers entitled to

receive payment of any distribution, the date on which notice of the meeting is mailed or the date on which the resolution declaring such distribution is adopted, as the case may be, shall be the record date for such determination of Managers. When a determination of Managers entitled to vote at any meeting of the Managers has been made, as provided in this article, such determination shall apply to any adjournment thereof.

7.6 **Quorum.** The presence of a majority of the Managers in person, by telephone, teleconference or other means of simultaneous communication shall constitute a quorum at any meeting of the Managers. In the absence of a quorum at any such meeting, a majority of the Managers in attendance may adjourn the meeting from time-to-time for a period not to exceed sixty (60) days without further notice. However, if the adjournment is for more than sixty (60) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each Manager of record entitled to vote at the meeting. At such adjourned meeting, at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. The Managers present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal during such meeting of any Managers whose absence would cause less than a quorum.

7.7 **Manner of Acting.** If a quorum is present, the majority vote of the Managers shall be the act of the Managers, unless the vote of a greater percentage is required by this Agreement or the Act.

7.8 **Action by Managers Without a Meeting.** Action required or permitted to be taken at a meeting of the Managers may be taken without a meeting if the action is evidenced by one or more written consents describing the action taken, executed by the requisite number of Managers required to approve such action if such action were taken at a meeting of the Board, and delivered to the Managers for inclusion in the Company's minutes. Action taken under this section is effective when the requisite number of Managers required to approve such action if such action were taken at a meeting of the Board have signed such consents unless such consents specify a different effective date.

7.9 **Waiver of Notice.** When any notice is required to be given to a Manager, a waiver thereof, in writing, signed by the Manager entitled to such notice, whether before, at, or after the time stated therein, shall be equivalent to the giving of such notice.

ARTICLE 8 CONTRIBUTIONS TO THE COMPANY AND CAPITAL ACCOUNTS

8.1 **Ownership Units.** The Members own the number and amount of Units identified on Exhibit A attached hereto, as shall be amended from time to time.

8.2 **New Members' Capital Contributions.** Every new Member shall be required to contribute the fair market value of the Units to acquire Units in the Company. The fair market value of the Units shall be determined by the Managers in consultation with the Company's accountant. The Managers shall have sole discretion by majority vote to determine the number of Units to be offered to new Members.

The Managers, by majority vote, may permit existing Members to purchase additional membership Units.

8.3 **Capital Accounts.** A separate capital account will be maintained for each Member throughout the life of the Company.

(a) The manner in which capital accounts are to be maintained, pursuant to this article, is intended to comply with the requirements of the Internal Revenue Code.

8.4 **Withdrawal or Reduction of Members' Contributions to Capital.** A Member shall not receive, out of the Company's property, any part of his or her Capital Contribution until all liabilities of the Company, except liabilities to Members on account of their Capital Contributions, have been paid or there remains property of the Company sufficient to pay them. A Member, irrespective of the nature of his or her Capital Contribution, has only the right to demand and receive cash in return for his or her Capital Contribution.

ARTICLE 9 ALLOCATIONS OF NET PROFITS AND LOSSES

9.1 **Allocation of Net Profit and Loss - In General.** The net profit or net loss for any fiscal year of the Company shall be allocated among the Members on a pro rata basis based upon the number of Units owned by each Member.

9.2 **Other Allocation Rules.** Except as otherwise provided in this Agreement, all items of Company income, gain, loss, deduction, and any other allocations not otherwise provided for shall be divided among the Members in the same proportions as they share net profits or net losses, as the case may be for the year. The following rules shall apply:

(a) The initial book value of any property contributed by a Member to the Company shall be the gross fair market value of such property at the time of contribution;

(b) In the sole discretion of the Members, the book value of all the Company properties may be adjusted to equal their respective gross fair market values, as determined by the majority of the Members as of the following times: (i) in connection with the acquisition of an interest in the Company by a new or existing Member for more than a de minimis Capital Contribution; (ii) in connection with the liquidation of the Company as defined; or (iii) in connection with a more than de minimis distribution to a retiring or a continuing Member as consideration for all or a portion of his or her interest in the Company. In the event of a revaluation of any Company assets hereunder, the capital accounts of the Members shall be adjusted, including continuing adjustments for depreciation;

(c) If the book value of an item of Company property has been determined, such book value shall thereafter be used and shall thereafter be adjusted by depreciation or amortization, if any, taken into account with respect to such property, for purposes of computing taxable income or loss;

(d) If the book value of any Company property is adjusted pursuant to this article, subsequent allocations of income, gain, loss and deduction with respect to such property shall take account any variation between the adjusted basis of such property for federal income tax purposes and its book value; and

(e) Allocations pursuant to this article are solely for the purposes of federal, state, and local taxes and shall not affect, or in any way be taken into account in computing, any Members capital account or share of net profit, net loss, or other items as computed for book purposes, or distributions pursuant to any provision of this Agreement.

(f) In making any allocation among the Members of income or gain from the sale or other disposition of a Company asset, the ordinary income portion, if any, of such income and gain resulting from the recapture of cost recovery or other deductions shall be allocated among those Members who were previously allocated (or whose predecessors-in-interest were previously allocated) the cost recovery deduction or other deductions resulting in the recapture items, in proportion to the amount of such cost recovery deductions or other deductions previously allocated to them.

(g) If, during a Company fiscal year, there is (i) a permitted transfer of Units under this Agreement; or (ii) the admission of a Member or additional Members, then the net profit, net loss, and each item thereof, and all other tax items of the Company for such period shall be divided and allocated among the Members by taking into account their varying interests during such fiscal year and using any conventions permitted by law and selected by the Members.

ARTICLE 10 DISTRIBUTIONS

10.1 Cash Distributions. Distributions of cash, other than distributions in liquidation, shall be made to the Members as often as the Managers determine and shall be made on the basis of Units owned and shall be made to each Member in the manner set forth in the dissolution provisions herein.

10.2 Distributions in Kind. Non-cash assets, if any, shall be distributed in a manner that reflects how cash proceeds from the sale of such assets for fair market value would have been distributed (after any unrealized gain or loss attributable to such non-cash assets have been allocated among the Members in accordance with the allocation provisions herein).

10.3 Withholding; Amounts Withheld Treated as Distributions. The Members are authorized to withhold from distributions, or with respect to allocations or payments, to Members and to pay over to the appropriate federal, state or local governmental authority any amounts required to be withheld pursuant to the Code provisions of applicable state or local law. All amounts withheld pursuant to the preceding sentence in connection with any payment, distribution or allocation to any Member, shall be treated as amounts distributed to such Member pursuant to this article for all purposes of this Agreement.

10.4 **Limitation Upon Distributions.** No distribution shall be declared and paid unless, after the distribution is made, the assets of the Company are in excess of all liabilities of the Company, except liabilities to Members on account of their contributions.

ARTICLE 11 ACCOUNTING, BOOKS AND RECORDS

11.1 **Accounting Principles.** The Company's books and records shall be kept, and its income tax returns prepared, under such permissible method of accounting, consistently applied, as the Members determine is in the best interest of the Company and its Members.

11.2 **Interest on and Return of Capital Contributions.** No Member shall be entitled to interest on his or her Capital Contribution or to a return of his or her Capital Contribution, except as otherwise specifically provided for herein.

11.3 **Loans to Company.** Subject to the approval restrictions contained in Sections 5.8 and 4.5(b), nothing in this Agreement shall prevent any Member from making secured or unsecured loans to the Company.

11.4 **Accounting Period.** The Company's accounting period shall be the calendar year.

11.5 **Records, Audits and Reports.** At the expense of the Company, the Company shall maintain records and accounts of all operations and expenditures of the Company.

11.6 **Tax Matters Partner.** The Managers shall select the Tax Matters Partner of the Company for purposes of Code Section 6221 et seq. and corresponding provisions of any state or local tax law.

11.7 **Returns and Other Elections.** The Tax Matters Partner shall cause the preparation and timely filing of all tax and information returns required to be filed by the Company, pursuant to the Code, and all other tax and information returns deemed necessary and required in each jurisdiction in which the Company does business. Copies of such returns, or pertinent information therefrom, shall be furnished to the Members within ninety (90) days after the end of the Company fiscal year.

(a) **Elections.** Except as otherwise expressly provided to the contrary in this Agreement, all elections permitted to be made by the Company under federal or state laws shall be made by the Tax Matters Partner, in his sole discretion.

(b) **Expenses of Tax Matters Partner; Indemnification.** The Company shall indemnify and reimburse the Tax Matters Partner for all reasonable expenses, including legal and accounting fees, claims, liabilities, losses and damages incurred in connection with any administrative or judicial proceeding with respect to the tax liability of the Members attributable to the Company. The payment of all such expenses shall be made before any distributions are made to Members (and such expenses shall be taken into consideration for purposes of determining distributable cash) or any discretionary reserves are set aside by the Managers. Neither the Tax Matters Partner nor any Member shall have any obligation to provide funds for

such purpose. The provisions for indemnification of the Members set forth herein shall be fully applicable to the Member acting as Tax Matters Partner for the Company.

ARTICLE 12 TRANSFERABILITY

12.1 No Voluntary or Involuntary Transfer or Gift of Units.

(a) Subject to Section 12.2 hereof, Member, without the prior written consent or approval of at least a majority of the Managers, shall not:

(i) Sell all or any part of his or her Units; and

(ii) Gift all or any part of his or her Units. Any such transfer or purported transfer shall not be effective unless and until approved in writing by the Board.

(b) Any Sale or Gift pursuant to this Section 12.1 shall be to a person is an Eligible Physician.

(c) In the event that any Member violates any provision of this article without the written consent of the Board, the Member may be required by the Board to sell his or her Units to the Company for the amount and under the conditions as determined in Article 14, and such Sale or Gift in violation of this article shall be void, and the Company shall have no obligation to recognize such Sale or Gift.

(d) Each Member hereby acknowledges the reasonableness of the restrictions on the Sale and Gift of Units imposed by this Agreement in view of the Company's purposes and the relationship of the Members. Accordingly, the restrictions on sales and gifts contained herein shall be specifically enforceable.

12.2 Right of First Refusal.

(a) Except as set forth in this Article 12, no Member may sell any or all of, or any interest in, his or her Units. If the Selling Member proposes to transfer such Member's Units pursuant to a Bona Fide Offer to a proposed transferee who is an Eligible Physician and who is not a competitor of the Company (as determined by the Managers in their sole discretion), then the Selling Member must promptly provide written notice to the Company stating the Units involved, the name and identity of the proposed transferee, the Offered Price and any other terms and conditions of the proposed transfer.

(b) Any notice provided pursuant to Section 12.2(a) shall be deemed an offer to the Company to purchase the Units involved at the Offered Price. The Company must provide written acceptance or rejection of such offer to the Selling Member within thirty (30) days of receipt of such offer. If the Company accepts the offer, the purchase shall be consummated pursuant to the provisions of Section 12.2(c). If the Company rejects such offer, the sale must meet the requirements of Section 12.1 hereof and must be completed in strict accordance with the terms of the Bona Fide Offer within ninety (90) days.

(c) If the Company accepts the Bona Fide Offer, the closing of the purchase and sale of a Member's Units shall take place at the Company's principal place of business not later than fifteen (15) days after the date for timely acceptance of the offer to purchase/sell at the same terms and conditions set forth in such Bona Fide Offer.

ARTICLE 13 NEW MEMBERS

13.1 Admission of New Members By the Sale of New Units. The Company may admit new members upon a majority vote of the Managers at a special or general meeting. The Managers shall determine by a majority vote at such meeting the (i) capital contribution per Unit for each new member, and (ii) the number of Units that will be issued to each new member.

13.2 Minimum Qualifications. All new physician members shall comply with the Eligible Physician requirements contained in Section 5.2 of this Agreement. The Managers may from time-to-time require that a prospective member establish such other qualifications that must be met for a person to be considered as a member. For example, the Managers may impose qualifications relating to professional standing, nature of practice or compatibility with the business plan of the Company.

13.3 Other Requirements. As a condition of becoming a Member, all new members shall be required to (i) agree in writing to be bound by the terms and conditions of this Agreement as it now exists or is hereinafter amended, and (ii) execute any and all documents as may be required by the Company to personally guaranty the obligations of the Company to the extent that the existing Members have provided personal guaranties; and (iii) execute the Form of Member Consent attached hereto as Exhibit C.

13.4 Professional Service Corporations. Notwithstanding any provision to the contrary herein, a professional service corporation may be a member of the Company provided that such Entity Investor and its owners agree to and abide by this Agreement and make the following representations and warranties, with such additions or modifications as the Board of Managers may require from time to time. An Entity Investor shall immediately cease to be a Member upon the failure to abide by these conditions, representations and warranties.

(a) All of the equity interests in the Entity Investor are owned by individuals who are physicians;

(b) Each of the Individual Owners satisfies the Physician Eligibility Requirements;

(c) Each of the Individual Owners agrees to be bound by each of the covenants contained in this Agreement, including, without limitation, all confidentiality and non-competition covenants and agrees to abide by the Physician Eligibility Requirements;

(d) Each of the Individual Owners has read this Agreement and has had the opportunity to discuss this Agreement with counsel. Each of the Individual Owners understands the eligibility requirements and other provisions of this Agreement; and

(e) The Entity Investor does not distribute income from the Company to the Individual Owners based on value or volume of referrals.

ARTICLE 14 PURCHASE AND SALE OF COMPANY UNITS

14.1 Company's Authority to Purchase Units. The Company shall have the right, but not the obligation, to purchase the Units belonging to any Member in any of the following circumstances.

- (a) Death of Member.
- (b) Dissolution of a Member's marriage in which the Units are awarded to the Non-Member spouse.
- (c) Any occurrence which causes the Member to no longer meet the Eligible Physician requirements or the Safe Harbor Requirements set forth in Section 5.2 hereof.
- (d) An act by any Member which violates the spirit and/or intent of 42 USC section 1395nn or other health care law.
- (e) Any transfer or gift of Units that violates the Minimum Qualification.
- (f) A failure of the Member to execute personal guaranties as required herein.
- (g) The request of a Member.
- (h) For a professional service corporation which is a member hereof, the failure of any of the physician owners of such corporation to meet the minimum requirements of membership herein.
- (i) The Retirement of a Member

14.2 Notification of an Event. Upon the occurrence of any Event, the Company or the Member or the Member's estate, as the case may be, shall so notify the Company or the Member, as the case may be, of the Event.

14.3 Election by the Company. If an Event shall occur with respect to any Member, the Company may elect, at the Company's sole option and upon written notice to such Member within two (2) years after the Company has received actual knowledge (meaning knowledge of a majority of the Board of Managers without knowledge being imputed from one Manager to another) of the Event, to purchase the Member's Units, and the Member must sell such Units to the Company at a price as determined as follows.

14.4 Determination of the Repurchase Price.

(a) In the event that the Company is purchasing a Member's (or the successor in interest to the Member's) Units, the Repurchase Price shall be the Fair Market Value of the Units, as defined in Exhibit D. All Members waive any and all rights to contest the Fair Market

Value of the Units.

(b) The Board of Managers reserves the right to pay the Repurchase Price sooner than as provided in this section. Absent the exercise of such right, payments for Units hereunder shall be made as follows: twenty percent (20%) on the initial payment date, which shall be within ninety (90) days after the determination of the Repurchase Price (the "Purchase Date"), and twenty percent (20%) of the Repurchase Price on each of the anniversaries of the Purchase Date with interest on the outstanding principal balance accruing at the Prime Rate shown in the Money Rates Section of the Wall Street Journal on the Purchase Date until the principal is paid in full. Notwithstanding any delay in the payment of amounts due, a Member's rights as a Member shall cease on the Purchase Date. Aggregate payments to be made in connection with all redemptions shall not exceed seven and one-half percent (7.5%) of the Company's collected revenues in any year. If payments are so restricted, payments shall be made in proportion to amounts owed to all Members being redeemed. In sum, notwithstanding the provisions of this Article XIV, the Company shall not be required to make payments to former Members pursuant to this Section which, in the aggregate, would exceed seven and one-half percent (7.5%) of the aggregate collections of the Company for any such period. If the aggregate amount of payments otherwise due to former Members pursuant to this Section 14.4 would reasonably be expected to exceed this limitation in any calendar year or portion thereof, the Company, with the approval of the Board, shall pay such former Members, on a pro rata basis, based on the amount still owed such Members, quarterly payments totaling seven and one-half percent (7.5%) of the Company's anticipated aggregate collections for such period, and the balance of that period's payment obligations to such former Members shall be deferred to the following calendar year or years, until such amounts can be paid without violating such limitation with respect to any such year or years.

Within thirty (30) days following the end of each calendar year, the Company shall make a pro rata adjusted payment to the former Members if and to the extent the actual aggregate collections during the prior year (or relevant portion thereof) have exceeded the anticipated amount.

ARTICLE 15
SALE, DISSOLUTION, OR TERMINATION

15.1 **Sale.** The Company shall be sold by the two-thirds vote of the Units.

15.2 **Dissolution.** The Company shall be dissolved upon the two-thirds vote of the Units.

15.3 **Allocation of Net Profit and Loss in Liquidation.** The allocation of net profit, net loss and other items of the Company following the date of dissolution including, but not limited to, gain or loss upon the sale of all or substantially all of the Company's assets, shall be determined in accordance with the provisions of those articles herein dealing with allocations and distributions and shall be credited or charged to the capital accounts of the Members in the same manner as net profit, net loss, and other items of the Company would have been credited or charged if there were no dissolution and liquidation.

15.4 **Winding Up, Liquidation and Distribution of Assets.** Upon dissolution, the Members shall immediately proceed to windup the affairs of the Company, unless the business of the Company is continued as provided in this article. The Members shall sell or otherwise liquidate all of the Company's assets promptly and as practicable as possible (except to the extent the Members may determine to distribute any assets to the Members in kind) and shall apply the proceeds of such sale and the remaining Company assets in the following order of priority:

(a) Payment of creditors, including the Members who are creditors, to the extent otherwise permitted by law, in satisfaction of liabilities of the Company, other than liabilities for distributions to Members;

(b) To establish any reserves that the Members deem reasonably necessary for contingent or unforeseen obligations of the Company and, at the expiration of such period as the Members shall deem advisable, the balance then remaining in the manner provided for in this article; and

(c) By the end of the taxable year in which the liquidation occurs (or, if later, within ninety (90) days after the date of such liquidation) to the Members in proportion to the positive balances of their respective capital accounts, as determined after taking into account all capital account adjustments for the taxable year during which the liquidation occurs.

15.5 **No Obligation to Restore Negative Capital Account Balance on Liquidation.** Notwithstanding anything to the contrary in this Agreement upon a liquidation, if any Member has a negative capital account balance (after giving effect to all contributions, distributions, allocations and other capital account adjustments for all taxable years, including the year during which such liquidation occurs), such Member shall have no obligation to make any Capital Contribution to the Company, and the negative balance of such Member's capital account shall not be considered a debt owed by such Member to the Company or to any other person for any purpose whatsoever.

15.6 **Termination.** The Members shall comply with any applicable requirements of applicable law pertaining to the winding up of the affairs of the Company and the final distribution of its assets. One Manager shall be appointed the Winding Up Manager by majority vote of the Units. The Winding Up Manager shall be responsible for winding up the affairs of the Company and shall reasonably and periodically report on all actions taken to the Members. Upon completion of the winding up, liquidation and distribution of the assets, the Company shall be deemed terminated.

15.7 **Certificate of Cancellation.** When all debts, liabilities and obligations have been paid and discharged or adequate provisions have been made therefore and all of the remaining property and assets have been distributed to the Members, the Winding Up Manager shall file a certificate of cancellation as required by the Act. Upon filing the certificate of cancellation, the existence of the Company shall cease, except as otherwise provided in the Act.

15.8 **Return of Contribution - Non-Recourse to Other Members.** Except as provided by law or as expressly provided in this Agreement, upon dissolution, each Member shall look solely to the assets of the Company for the return of his or her Capital Contribution. If the property remaining after the payment or discharge of liabilities of the Company is insufficient to return the contributions of the Members, no Member shall have recourse against any other Member.

ARTICLE 16

PROHIBITED INDEPENDENT ACTIVITIES OF MANAGERS AND MEMBERS

16.1 **No Similar Ownership.** No Member shall own, possess, or acquire any interest in, either directly or indirectly or through an affiliate, any ambulatory surgical center located in Whatcom County, (other than the facility operating on the Premises); provided, however, that this non-compete provision shall not apply to Member's service on any committees or in any positions commonly held by a physician, including but not limited to, medical director.

(a) **Term of Non-Compete.** This non-compete provision shall commence on the Members execution of this Agreement and shall terminate on the later of (i) three years after the Member's withdrawal from the Company; or (ii) three years after termination of the Company's Lease with Peace Health; or (iii) concurrently with the Lease if such termination results in the termination of ASC services provided by Company. The term and scope of this non-compete provision may be modified if the arbitrator or judge finds either to be unreasonable.

(b) **Breach.** Member acknowledges that Member's breach of this noncompete provision would cause irreparable damage to the Company and that the Company shall be entitled to preliminary and permanent injunctions restraining Member from breaching this provision, in addition to other remedies provided at law. The term of the non-competition

covenant shall be extended by the period of time during which Member is in default of this provision.

(c) **Attorneys' Fees.** In the event of litigation concerning this noncompete provision, the party shall be entitled to recover its reasonable attorney's fees and costs.

16.2 No Prohibition On Use of Competing Services. The restrictions contained in this article do not prohibit any Member from utilizing the services or equipment of any other person, firm or entity in their independent practice of medicine. That is to say, the prohibitions in this article shall not be interpreted to restrict or limit the Members' independent practice of medicine or their respective patients' right to choose the type and location of treatment. This article shall not be interpreted or enforceable to the extent such interpretation or enforcement would result in a violation of any applicable statute or regulation.

ARTICLE 17 RULES ON QUALITY CONTROL

17.1 Quality Control. The Company shall maintain strict quality control assurance standards and procedures. The Company may alter or amend these procedures or standards from time-to-time as the Company deems appropriate. The Members of the Company agree to be bound by all the terms and conditions of the standards and procedures on quality control/quality assurance.

ARTICLE 18 CONFIDENTIALITY

18.1 Proprietary Information. Each Member acknowledges that the formation and structure of this Company as well as the operational aspects of the Company's business are proprietary and valuable information. Except when required by law or expressly authorized by the Company, each Member agrees not to disclose to any third party the Company's operating structure, operational nature, financial arrangements or related information.

18.2 Patient Information. Except as necessary for the treatment of patients or when required by law, each Member further agrees to strictly maintain the confidentiality of all information concerning patients treated at the Company's surgery centers.

ARTICLE 19 BINDING ARBITRATION

19.1 Arbitration. In the event of any dispute arising between the Company and any Member, or between Members, or any other dispute relating to or arising from this Agreement, and after a good faith effort has been made to resolve such dispute informally, then such dispute shall be submitted to mandatory and binding arbitration before the JAMS located in Seattle, Washington. Each party shall bear the cost of preparation and presentation, including attorneys' fees and expert witness fees, of its case before the arbitration, and each party shall split equally the cost of the JAMS arbitrator and the administrative cost of the arbitration; provided, however, that if the arbitrator determines that a party failed to make a good faith effort to resolve such dispute informally prior to selecting arbitration, then the arbitrator shall require such party to pay

the full amount of the cost of the arbitrator and the administrative costs of arbitration. The decision of the arbitrator shall be binding and final on the parties.

The parties shall agree on a JAMS arbitrator. In the event that the parties fail to agree on a JAMS arbitrator, JAMS shall be asked to submit the names of at least three arbitrators. Each party shall have ten (10) days after receiving the list to strike one name from that list. JAMS shall select the arbitrator from the names on the list that have not been struck by either party.

The parties may agree on another arbitrator in JAMS or another person at any time. In the event that JAMS is unable or unwilling to provide an arbitrator and the parties cannot otherwise agree, then the presiding judge of the Whatcom County Superior Court shall be asked to designate an arbitrator.

ARTICLE 20 REPRESENTATIONS AND WARRANTIES

20.1 **Sophisticated Investor.** Each of the Members herein expressly warrant that they are sophisticated investors and have sufficient resources to place at risk in this investment. Further, each Member does hereby warrant and represent as follows:

(a) That they have fully investigated and understand the business plans of the Company; and

(b) That the Member has not relied upon any representations or warranties from the Company, the other Members or the Company employees, attorneys or accountants in arriving at his independent judgment concerning the application of health care laws or regulations to the business of the Company.

20.2 **Release.** As part consideration for the units purchased herein, each Member does hereby forever release, discharge and hold harmless all other Members, all Managers, the Company, its employees, its attorneys and its accountants from any claims, demands, damages or causes of action arising from or related to the application of applicable federal or state health care laws and regulations relating to the business of the Company.

ARTICLE 21 MISCELLANEOUS PROVISIONS

21.1 **Notices.** Any notice, demand, or communication required or permitted under this Agreement shall be deemed to have been duly given if delivered personally to the party to whom directed or, if mailed by registered or certified mail, postage and charges prepaid, addressed, if to a Member, to a Members address as specified on the attached Exhibit A and if to the Company, at 3009 Squalicum Parkway #210, Bellingham, Washington 98225. Except as otherwise provided herein, any such notice shall be deemed to be given when personally delivered or, if mailed, two (2) business days after the date of mailing. A Member or the Company may change its address for the purposes of notices hereunder by giving notice to the others specifying such changed address in the manner specified herein.

21.2 **Governing Law.** This Agreement shall be construed and enforced in accordance with the laws of the State of Washington. Venue for any action concerning this Agreement shall lie solely in the Superior Court for Whatcom County, Washington.

21.3 **Amendments.** This Agreement may not be amended except by a two-thirds majority vote of the Units held by the Members.

21.4 **Construction.** Whenever a singular-number is used in this Agreement and when required by the context, the same shall include the plural and vice versa, and the masculine gender shall include the feminine and neuter genders and vice versa.

21.5 **Headings.** The headings in this Agreement are inserted for convenience only and shall not affect the interpretations of this Agreement.

21.6 **Waivers.** The failure of any person to seek redress or violation of or to insist upon the strict performance of any covenant or condition of this Agreement shall not prevent a subsequent act, which would have originally constituted a violation, from having the effect of an original violation.

21.7 **Rights and Remedies Cumulative.** The rights and remedies provided by this Agreement are cumulative and the use of any one right or remedy shall not preclude or waive the right to use any or all other remedies. Such rights and remedies are given in addition to any other rights the parties may have by law, statute, ordinance or otherwise.

21.8 **Severability.** If any provision of this Agreement or the application thereof to any person or circumstance shall be invalid, illegal or unenforceable to any extent, the remainder of this Agreement, and the application thereof, shall not be affected and shall be enforceable to the fullest extent permitted by law.

21.9 **Heirs, Successors and Assigns.** Each of the covenants, terms, provisions and Agreements herein contained shall be binding upon and inure to the benefit of the parties hereto and, to the extent permitted by this Agreement, their respective heirs, legal representatives, successors and assigns.

21.10 **Marital Communities.** Each Member hereby affirmatively states that they have the full authority to bind their respective marital community herein and that this Agreement is in furtherance of that marital community.

21.11 **Creditors.** None of the provisions of this Agreement shall be for the benefit of or enforceable by any creditors of the Company.

21.12 **Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which shall constitute one and the same instrument.

21.13 **Entire Agreement.** This Agreement and all of its exhibits, and the Certificate of Formation represent the entire agreement between the Members herein. There are no other oral or written understandings between the parties.

21.14 **Recitals and Exhibits.** The recitals set forth above and the Exhibits to this Agreement are hereby incorporated into the Agreement by this reference.

IN WITNESS WHEREOF, the undersigned Managers and Members have executed this Amendment as of the date and year first above written and agree to be bound hereby.


Signatures on following page

MEMBERS AND MANAGERS


(The above constituting Members holding more than 2/3 of the Units)

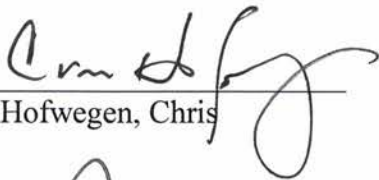

Dudley, Denise


Gannon, Michael -


Kiesau, Carter


Mattecucci, Vincent


Oswin, Matt


VanHofwegen, Chris


Dahl, Jason

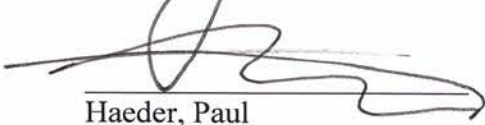

Haeder, Paul

Exhibit A
Member Information

As of September 28, 2021

Member Name	Units	Unit Percentage
Dudley, Denise	2.0000	4.7202%
Gannon, Michael	3.9640	9.3553%
Kiesau, Carter	6.0000	14.1605%
Mattecucci, Vincent	4.0000	9.4403%
Oswin, Matt	6.0000	14.1605%
VanHofwegen, Chris	6.1375	14.4850%
Dahl, Jason	7.1350	16.8391%
Haeder, Paul	7.1350	16.8391%

Exhibit B

Debt

Those certain promissory notes payable by the Company to the individuals as noted.

None.

Exhibit C

Form of Member Consent

**PACIFIC RIM OUTPATIENT SURGERY CENTER L.L.C.
NEW MEMBER JOINDER AGREEMENT**

THIS AGREEMENT is made and entered into effective as of the ___ day of ___, 20___, by and between PACIFIC RIM OUTPATIENT SURGERY CENTER LLC (the “Company”), a Washington Limited Liability Company and_____.

WHEREAS,_____desires to become a member of the Company.

WHEREAS, the managers of the Company have, at a Manager meeting on _____, _____, voted to allow _____to become a member of the Company.

WHEREAS, the members of the Company have entered into the Second Amended and Restated Operating Agreement, dated May_, 2013 (the “Operating Agreement”).

WHEREAS, pursuant to Article 13.1 of the Operating Agreement, the Company can add new members upon the majority vote of the managers.

WHEREAS, pursuant to Article 13.3 of the Operating Agreement, the new member must agree to be bound terms condition of this agreement.

NOW THEREFORE, the undersigned agrees to be bound by all the terms and conditions of the Operating Agreement and any amendments or extensions thereto.

DATED this _____ day of _____, 20_____.

PACIFIC RIM OUTPATIENT SURGERY
CENTER LLC

By: _____
Managing member

Exhibit D

Defined Terms

“Act” shall mean the Washington Limited Liability Act, WASH. REV. CODE § 25.15.005 et seq., as in effect at the time of the initial filing of the Certificate of Formation, and as thereafter amended from time to time.

“Affiliated Person” or “Affiliate” shall mean, with reference to a specified Person, (a) any member of such Person’s Immediate Family (as defined herein); (b) any Person who owns directly or indirectly ten percent (10%) or more of the beneficial ownership in such Person; (c) any one or more Legal Representatives (as defined herein) of such Person and/or the Legal Representatives of any Persons referred to in the preceding clauses (a) or (b); or (d) any entity in which any one or more of such Person and/or the Persons referred to in the preceding clauses (a), (b) or (c) owns directly or indirectly ten percent (10%) or more of the beneficial ownership.

“Agreement” shall mean this Second Amended and Restated Limited Liability Company Agreement as it may be amended, supplemented, or restated from time to time.

“Bankruptcy” shall mean any of the following:

(a) If any Member or the Company shall file a voluntary petition in bankruptcy, or shall file any petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under the present or any future federal bankruptcy act or any other present or future applicable federal, state, or other statute or law relating to bankruptcy, insolvency, or other relief for debtors, or shall file any answer or other pleading admitting or failing to contest the material allegations of any petition in bankruptcy or any petition seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief filed against such Member or the Company, or shall seek, consent to or acquiesce in the appointment of any trustee, receiver, conservator, or liquidator of such Member or the Company or of all or any substantial part of such Member’s or the Company’s properties or interest in the Company (the term “acquiesce” as used herein includes but is not limited to the failure to file a petition or motion to vacate or discharge any order, judgment, or decree within thirty (30) days after such order, judgment or decree);

(b) If a court of competent jurisdiction shall enter an order, judgment or decree approving a petition filed against any Member or the Company seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under the present or any future federal bankruptcy act or any other present or future applicable federal, state, or other statute or law relating to bankruptcy, insolvency, or other relief for debtors and such Member or the Company shall acquiesce in the entry of such order, judgment, or decree, or if any Member or the Company shall suffer the entry of an order for relief under Title 11 of the United States Code and such order, judgment, or decree shall remain unvacated and unstayed for an aggregate of sixty (60) days (whether or not consecutive) from the date of entry thereof, or if any trustee, receiver, conservator, or liquidator of any Member or the Company or of all or any substantial part of such Member’s properties or interest in the Company shall be appointed without the consent or acquiescence of such Member and such appointment shall

remain unvacated and unstayed for an aggregate of sixty (60) days (whether or not consecutive); or

(c) If any Member or the Company shall make an assignment for the benefit of creditors or take any other similar action for the protection or benefit of creditors.

“Bona Fide Offer” shall mean an offer in writing setting forth all the relevant terms and conditions of an offeror (i) who is ready, willing and able to consummate the transactions; and (ii) meets the applicable eligibility requirements.

“Board” or “Board of Managers” shall refer collectively to the Persons elected or appointed to serve as Managers in accordance with this Agreement and any Person who becomes an additional, substitute or replacement Manager as permitted by this Agreement, in each such Person’s capacity as a Manager of the Company.

“Capital Contribution” shall mean the amount of cash and the value of any other property contributed to the Company by a Member.

“Center” shall mean the ambulatory surgery center operated by the Company in Bellingham, Washington.

“Certificate of Formation” shall mean the Certificate of Formation filed with the Secretary of State of the State of Washington, as it may be amended, from time to time, in accordance with the Act.

“Code” shall mean the Internal Revenue Code of 1986, as amended from time to time.

“Company” shall mean Pacific Rim Outpatient Surgery Center, L.L.C.

“Eligible Physician” shall mean a Person who satisfies the following requirements: (1) such Person shall be a physician, licensed and registered, in good standing, to practice medicine in the State of Washington; (2) such Person (except for a Retired Member) shall maintain an active practice of medicine in Whatcom County and if able to refer patients to the Center for services shall be able to perform surgical services at the Center (such physician shall maintain active privileges at the Center); and (3) under applicable law, such Person’s ownership shall not disqualify (and, without further action, would not disqualify) the Company or the Center from engaging in operations as a Medicare-certified ambulatory surgical center for any reason or from having such physician perform cases at the Center; and (4) such Person shall comply with the Safe Harbor.

“Entity Investor” shall mean a professional service corporation that is a Member of the Company and that meets the requirements of Section 13.4 hereof.

“Event” shall mean an event described in Section 14.1 upon the occurrence of which the Company has the right, but not the obligation, to purchase the Units of such Member to whom the event occurred.

“Facility Administrator” shall mean the administrator of the Center.

“Fair Market Value” shall mean the fair market value of a Member’s Units based on the fair market value of the Company as determined by an independent third-party appraiser with experience in the valuation of ambulatory surgical centers and selected by the Board of Managers (the “Third Party Appraiser”). Such Third Party Appraiser may apply a minority, lack of liquidity, lack of control or other discounts in determining the Fair Market Value of the Units, as the Third Party Appraiser deems appropriate. Such Fair Market Value determination shall be final and binding upon the parties, and the Member shall have no right to contest such determination. Further, such valuation shall be performed not less than once per calendar year and at the direction of the Board of Managers. Any valuation obtained shall remain valid and effective until the earlier of the following: (i) one year following the date of such valuation, or (ii) the date of a new valuation obtained after the Board makes a finding of a Significant Event. Upon making a written finding that an Event will constitute a Significant Event, the Board may obtain a new valuation, and such valuation shall be utilized for purposes of establishing the Repurchase Price for such withdrawing Member.

“Final Report” shall have the meaning ascribed to such term in Section 14.4(b) hereof.

“Gift” shall mean gift, bequeath or otherwise transfer a Member’s Units for no consideration whether or not by operation of law, including Bankruptcy.

“Immediate Family” shall mean, with respect to any individual, such individual’s ancestors, spouse, issue, spouses of issue, any trust principally for the benefit of any one or more of such individuals, such individual’s estate, and any entity beneficially owned by such individuals or trusts for their principal benefit.

“Individual Owners” shall mean the equity holders of an Entity Investor. “JAMS” shall mean Judicial Arbitration and Mediation Service.

“Lease” shall mean the lease between the Company and Peace Health under which the Company leases the space in which the Center operates.

“Legal Representative” shall mean, with respect to any individual, a duly appointed executor, administrator, guardian, conservator, personal representative or other legal representative appointed as a result of the death, minority or incompetency of such individual.

“Lessor” shall mean the lessor under the Lease.

“Manager” shall refer to each Person named as a Manager by the Members pursuant to this Agreement and any Person who becomes an additional, substitute or replacement Manager as permitted by this Agreement, in each such Person’s capacity as a Manager of the Company.

“Members” shall mean any Person named as a Member in this Agreement and any Person who becomes an additional, substitute or replacement Member as permitted by this Agreement, in each such Person’s capacity as a Member of the Company.

“Offered Price” shall mean the proposed purchase price contained in a Bona Fide Offer.

“Person” or “Party” shall mean any natural person, partnership (whether general or limited), limited liability company, trust, estate, association or corporation.

“Premises” shall mean the location in which the Center operates at 3009 Squalicum Parkway, Bellingham, WA 98225, or at such other location as may be determined by the Board of Managers.

“Prior Agreement” shall mean the Amended and Restated Limited Liability Company Agreement of the Company, dated as of April 30, 2008, as amended, in effect prior to this Agreement.

“Repurchase Price” shall mean the price, as valued in accordance with Section 14.4 hereof, paid by the Company to a withdrawing or redeeming Member for such Member’s Units in connection with the Company’s redemption of such Member’s Units.

“Resolutions” shall mean the resolutions evidencing the consent of the holders of at least two-thirds (2/3) of the Units to adopt this Agreement.

“Retired Member” shall mean a Member who has officially announced his or her retirement from the practice of medicine.

“Retirement” or “Retired” shall mean when a Member ceases to practice medicine and publicly announces such retirement or, if he or she does not publicly announce such retirement, the Board of Managers, acting by Approval, shall have determined that such person no longer practices medicine or performs ambulatory surgical procedures on at least a substantially full-time basis (i.e., at least thirty-five hours per week for at least forty weeks per year).

“Safe Harbor Requirements” shall have the meaning ascribed to such words as provided in Section 5.2.

“Sale” or “Sell” shall mean sell, assign, transfer, exchange, encumber, pledge, hypothecate or otherwise transfer a Member’s Units for consideration.

“Selling Member” shall mean a Member proposing to transfer such Member’s Units as set forth in Section 12.2(a) hereof.

“Significant Event” shall mean an Event which the Board of Managers determines will significantly affect the fair market value of the Company.

“Supermajority Approval” shall mean the vote, approval, or written consent of the Members holding at least two-thirds (2/3) of the Units then issued and outstanding.

“Unit” shall mean a unit or share of interest in the Company. The interest of each Unit in the Company shall be equal to one (1) divided by the total number of Units then authorized and outstanding.

“Winding Up Manager” shall be the Manager responsible for winding up the affairs of the

Company as set forth in Section 15.6 hereof.

Exhibit 13A.
Property Deed

When recorded return to:

CSORP, LLC
2582 Lake Whatcom Boulevard
Bellingham, WA 98229

STATUTORY WARRANTY DEED

Guardian NW Title 22-15416-TW

THE GRANTOR(S) Magnificat LLC, a Washington Limited Liability Company, 13563 Teak Lane, Mount Vernon, WA 98273,

for and in consideration of **ten dollars and other valuable consideration**

in hand paid, conveys, and warrants to CSORP, LLC, a Washington Limited Liability Company

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

LEGAL DESCRIPTION ATTACHED HERETO AS EXHIBIT "A" AND BY THIS REFERENCE INCORPORATED HEREIN AND MADE A PART THEREOF.

Full legal description on pg. 3

Abbreviated legal description:
Lots C & D Horton Road LLA

This conveyance is subject to covenants, conditions, restrictions and easements, if any, affecting title, which may appear in the public record, including those shown on any recorded plat or survey as described in Exhibit "B" attached hereto

Tax Parcel Number(s): 3802014170920000 / PID# 188175 & 3802014171140000 / PID# 188176

Statutory Warranty Deed
LPB 10-05

Order No.: 22-15416-TW

Page 1 of 5

Dated: 9-15-2022

Magnificat LLC, a Washington Limited Liability Company

By: John Janicki
John Janicki, Member

By: Katherine Janicki
Katherine Janicki, Member

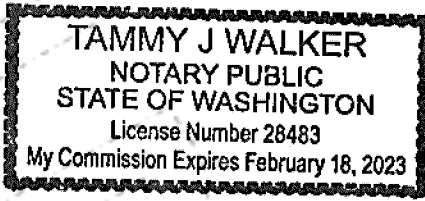
STATE OF WASHINGTON
COUNTY OF WHATCOM

This record was acknowledged before me on 15th day of September, 2022 by John Janicki and Katherine Janicki as Members of Magnificat LLC.

Tammy J Walker
Signature

Notary
Title

My commission expires: 2/18/23



Statutory Warranty Deed
LPB 10-05

Order No.: 22-15416-TW

Page 2 of 5

EXHIBIT A

22-15416-TW

PARCEL A:

Lot C of Horton Road Lot Line Adjustment more particularly described as follows:

A reconfigured parcel of land within the Southwest Quarter of the Southeast Quarter of Section 1, Township 38 North, Range 2 East of W.M., more particularly described as follows:

Commencing at the brass disk surface monument marking the right-of-way centerline point of curvature of W. Horton Road (City of Bellingham Monument No. 2189); thence South $32^{\circ}22'03''$ East 40.00 feet, to the Southerly margin of W. Horton Road; thence South $57^{\circ}37'57''$ West, along said margin, 45.19 feet; thence South $32^{\circ}22'03''$ East 20.28 feet, to the beginning of a tangent curve to the right, having a radius of 192.50 feet; thence along said curve, through a central angle of $33^{\circ}40'30''$, an arc distance of 113.14 feet, to the True Point of Beginning; thence South $88^{\circ}41'33''$ East, 322.34 feet; thence South $01^{\circ}18'27''$ West, 230.30 feet; thence North $88^{\circ}41'33''$ West, 322.34 feet; thence North $01^{\circ}18'27''$ East, 230.30 feet, to the True Point of Beginning.

Situate in Whatcom County, Washington.

PARCEL B:

Lot D of Horton Road Lot Line Adjustment more particularly described as follows:

A reconfigured parcel of land within the Southwest Quarter of the Southeast Quarter of Section 1, Township 38 North, Range 2 East of W.M., more particularly described as follows:

Commencing at the brass disk surface monument marking the right-of-way centerline point of curvature of W. Horton Road (City of Bellingham Monument No. 2189); thence South $32^{\circ}22'03''$ East 40.00 feet, to the Southerly margin of W. Horton Road; thence South $57^{\circ}37'57''$ West, along said margin 45.19 feet, to the True Point of Beginning; thence South $32^{\circ}22'03''$ East, 20.28 feet, to the beginning of a tangent curve to the right, having a radius of 192.50 feet; thence along said curve, through a central angle of $33^{\circ}40'30''$, an arc distance of 113.14 feet; thence South $88^{\circ}41'33''$ East, 322.34 feet; thence North $01^{\circ}18'27''$ East, 247.68 feet, to the Southerly margin of W. Horton Road; thence North $88^{\circ}54'57''$ West, 3.43 feet, to the beginning of a tangent curve to the left having a radius of 590.00 feet; thence along said curve, through a central angle of $33^{\circ}27'06''$, an arc distance of 344.47 feet; thence South $57^{\circ}37'57''$ West, along said margin, 45.19 feet, to the True Point of Beginning.

Situate in Whatcom County, Washington.

Statutory Warranty Deed
LPB 10-05

Order No.: 22-15416-TW

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EXHIBIT B

22-15416-TW

1. Any and all offers of dedications, conditions, restrictions, easements, fence line/boundary discrepancies and encroachments, notes, provisions and/or any other matters as disclosed and/or delineated on the face of the following plat/short plat/survey named Baker View Addition to the City of Bellingham recorded February 26, 1938 as Auditor's File No. 491482.
2. Any and all offers of dedications, conditions, restrictions, easements, fence line/boundary discrepancies and encroachments, notes, provisions and/or any other matters as disclosed and/or delineated on the face of the following plat/short plat/survey named Seeger's Baker View Tracts recorded August 19, 1938 as Auditor's File No. 499276.
3. Any and all offers of dedications, conditions, restrictions, easements, fence line/boundary discrepancies and encroachments, notes, provisions and/or any other matters as disclosed and/or delineated on the face of the following plat/short plat/survey named General Binding Site Plan - Tract - Cordata - A Mixed - Use Business Park recorded May 1, 1987 as Auditor's File No. 1573341.
4. Any and all offers of dedications, conditions, restrictions, easements, fence line/boundary discrepancies and encroachments, notes, provisions and/or any other matters as disclosed and/or delineated on the face of the following plat/short plat/survey named Amended General Binding Site Plan - Tract - Cordata - A Mixed - Use Business Park recorded August 12, 1988 as Auditor's File No. 1610692.
5. Any and all offers of dedications, conditions, restrictions, easements, fence line/boundary discrepancies and encroachments, notes, provisions and/or any other matters as disclosed and/or delineated on the face of the following plat/short plat/survey named Specific Binding Site Plan No. 17 - Cordata - A Mixed - Use Business Park recorded May 29, 1992 as Auditor's File No. 920529197.

Termination of Access Easements was recorded April 3, 2015 as Auditor's File No. 2150400377

"[...] thirty-foot access easement shown on Parcel 12 and 13 and the thirty-foot access easement show on parcels 15 and 17 ... shall be terminated [...]"

6. Any and all offers of dedications, conditions, restrictions, easements, fence line/boundary discrepancies and encroachments, notes, provisions and/or any other matters as disclosed and/or delineated on the face of the following plat/short plat/survey named Record of Survey For Horton Road Lot Line Adjustment recorded August 7, 2020 as Auditor's File No. 2020-0801056.
7. Protective covenants, easements and/or assessments, but omitting restrictions, if any, based on race, color, religion or national origin executed by Trillium Corporation, et al, recorded August 12, 1986 as Auditor's File No. 1546279.

Please be advised that any provision contained in this document, or in a document that is attached, linked, or referenced in this document, that under applicable law illegally discriminates against a class of individuals based upon personal characteristics such as race, color, religion, sex, sexual orientation, gender identity, familial status, disability, national origin, or any other legally protected class, is illegal and unenforceable.

Above covenants, conditions and restrictions were amended and recorded November 22, 1985 and July 8, 1986 as Auditor's File No. 1522981 and 1542417, respectively.

Statutory Warranty Deed
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8. Protective covenants, easements and/or assessments, but omitting restrictions, if any, based on race, color, religion or national origin executed by Trillium Corporation, et al, recorded August 14, 1986 as Auditor's File No. 1546328.

Said instrument has been amended and/or modified by instrument recorded May 9, 1988 as Auditor's File No. 1602065.

Please be advised that any provision contained in this document, or in a document that is attached, linked, or referenced in this document, that under applicable law illegally discriminates against a class of individuals based upon personal characteristics such as race, color, religion, sex, sexual orientation, gender identity, familial status, disability, national origin, or any other legally protected class, is illegal and unenforceable.

9. Protective covenants, easements and/or assessments, but omitting restrictions, if any, based on race, color, religion or national origin executed by Cordata Investments, LLC, a Washington limited liability company, recorded August 7, 2020 as Auditor's File No. 2020-0801054.

Please be advised that any provision contained in this document, or in a document that is attached, linked, or referenced in this document, that under applicable law illegally discriminates against a class of individuals based upon personal characteristics such as race, color, religion, sex, sexual orientation, gender identity, familial status, disability, national origin, or any other legally protected class, is illegal and unenforceable.

10. Easement, affecting a portion of subject property for the purpose of conservation and public trail including terms and provisions thereof granted to City of Bellingham recorded May 28, 2020 as Auditor's File No. 2020-0503307

This modified Conservation and Public Trail Easement replaces and supersedes the Conservation and Public Trail Easement recorded June 6, 2019 as Auditor's File No. 2019-0600512.

11. Easement, affecting a portion of subject property for the purpose of public trail including terms and provisions thereof granted to City of Bellingham recorded August 7, 2020 as Auditor's File No. 2020-0801055

12. Easement affecting a portion of subject property for utility lines and related facilities and provisions therein, granted to Puget Sound Energy and/or its predecessors, recorded March 30, 2021, as Auditor's File No. 2021-0305714.

13. Terms and conditions of Ordinance No. 10391, recorded January 25, 1993 as Auditor's File No. 930125001.

Annexation to the City of Bellingham

14. Terms and conditions of Notice of Jurisdiction Over Wetlands Matters, recorded June 25, 1998 as Auditor's File No. 1980604264.

15. Terms and conditions of Lot Line Adjustment, recorded August 7, 2020 as Auditor's File No. 2020-0801053.

16. Terms and conditions of Lot Line Adjustment, recorded December 14, 2020 and January 21, 2021 as Auditor's File No. 2020-1202422 and 2021-0103338, respectively.

17. As to any portion of said land now, formerly or in the future covered by water: Questions or adverse claims related to (1) lateral boundaries of any tidelands or shorelands; (2) shifting in course, boundary or location of the body of water; (3) rights of the State of Washington if the body of water is or was navigable; and (4) public regulatory and recreation rights which limit or prohibit use of the land or water.

Statutory Warranty Deed
LPB 10-05

Order No.: 22-15416-TW

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Exhibit 13B.
Lease Letter of Intent

November 2, 2022

CSORP, LLC
Attn: Chris Van Hofwegen
2582 Lake Whatcom Boulevard
Bellingham, WA 98229

Re: Letter of Intent for Pacific Rim Outpatient Surgery Center Lease

Dear Chris,

The purpose of this Binding Letter of Intent (the "LOI") is to outline the principal terms of a lease to be executed by Pacific Rim Outpatient Surgery Center, Limited Liability Company, a Washington limited liability company ("PROSC"), as tenant, and CSORP, LLC, a Washington limited liability company ("CSORP"), as landlord. This offer to lease will be binding on both parties. If PROSC does not receive its approval from the State of Washington for its intended program use, the lease will terminate immediately with no further obligations owed by either party.

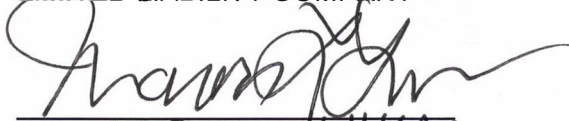
1. **Premises.** CSORP owns the real property commonly referred to as lot C and Lot D, West Horton Road, Bellingham, Washington (the "Property"). CSORP is in the process of building a roughly twenty thousand (20,000) square foot building on the Property. PROSC will lease from CSORP approximately ten thousand (10,099) square feet in the building once constructed (the "Premises").
2. **Rent and NNN Charges.** PROSC shall pay to CSORP annual base rent of Four Hundred Eighty Thousand Dollars (\$480,000.00). Rent will adjust annually on the commencement Date and on the Commencement of each renewal term. PROSC shall also pay to CSORP triple net charges for property taxes, insurance, and common area maintenance. The current estimate of annual NNN expenses is Ninety-Five Thousand and Eight Hundred and Five Dollars (\$95,805.51).
3. **Use: Tenant Improvements.** PROSC shall be responsible for constructing all tenant improvements required for its use of the Premises as an ambulatory surgical center (ASC).
4. **Condition of Premises.** Landlord will deliver the space to Tenant in an "as is", "where-is" condition.

5. **Premises Modification:** Tenant will not make any alterations to the Premises without the prior consent of the Landlord, which shall not be unreasonably withheld or delayed.
7. **Lease Term and Renewal Options.** Five (5) years initial term beginning on the latest of: receipt of Certificate of Need or Certificate of Occupancy for the Premises. Tenant shall have the right to renew the lease for two (2) consecutive five (5) year terms.
8. **Hours of Operation.** Tenant shall have access 24 hours a day, 7 days a week.
9. **Maintenance and Repair.** Tenant shall maintain the Premises at its own expense. The building and improvements shall be the responsibility of the landlord, subject to Tenant's obligations to pay Operating Expenses.
10. **Operating Expenses.** The Premises are a portion of the overall space leased by the landlord. Tenant shall be responsible for a fifty percent (50%) share of the operating expenses of the Property.
11. **Security Deposit.** \$10,000.
12. **Transaction Expenses.** Each party is responsible for its own expenses incurred in drafting this LOI and the Lease Agreement.
13. **Intent of the Parties:** Definitive Agreement. This LOI incorporates all the parties' discussions, agreements, and understandings to date. The final terms and conditions of this transaction shall be the subject of the definitive lease agreement. Such agreement will contain, in addition to the terms set forth herein, the terms and conditions, representations and warranties customarily contained in lease agreements relating to similar transactions. The principles and understandings set forth herein will be binding on the parties only in accordance with the terms contained in the definitive lease agreement if and when executed by the Landlord and Tenant.
14. **Conditions to Execution of the Lease.** The Lease is contingent of PROSC receiving a Certificate of Need (CON) from the Washington State Department of Health. Tenant agrees to proceed using commercially reasonable efforts to obtain such CON. In the event the Department of Health does not issue Tenant a CON permit to operate an ambulatory surgical center on the Premises, this LOI shall be deemed null and void and neither party shall have any further obligation to the other party with respect to the Premises.
15. **Electronic PDF File Transmission.** This LOI and all subsequent notices of modifications may be executed and transmitted by electronic transmission of a PDF file and, if so executed and transmitted, this and all subsequent notices or modifications will be for all purposes as effective as if the parties had delivered an executed original.

We look forward to moving as quickly as possible to complete the transaction outlined in this LOI. Please sign below to acknowledge your acceptance of the terms of this LOI.

Sincerely,

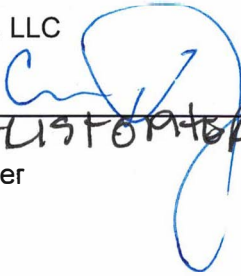
PACIFIC RIM OUTPATIENT SURGERY CENTER,
LIMITED LIABILITY COMPANY



By: SHARON LUKAS
Its: ADMINISTRATOR

Accepted this 2nd day of NOVEMBER, 2022.

CSORP, LLC



By: CHRISTOPHER VAN HOVEN
Its: Owner

Exhibit 13C.
Draft Lease Agreement

**COMMERCIAL LEASE
PREMISES WITH COMMON AREA**

THIS COMMERCIAL LEASE AGREEMENT (the "Lease") made and entered this _____ day of _____, 2022 by and between CSORP, LLC, a Washington limited liability company, ("Landlord") and PACIFIC RIM OUTPATIENT SURGERY CENTER, LIMITED LIABILITY COMPANY, a Washington limited liability company ("Tenant").

**ARTICLE I
Summary of Lease Terms and Definitions**

Landlord: CSORP, LLC
Landlord's Address: 2582 Lake Whatcom Blvd
Bellingham, WA 98229

Tenant: Pacific Rim Outpatient Surgery Center LLC
Tenant's Address: Prior to Lease Commencement:
309 Squalicum Pkwy
Bellingham, WA 98225

After Lease Commencement:
At the Premises, Attn: Administrator

Agreed Rentable Area: 10,099 sf

Agreed Building Area: 21,222 sf

Tenant's Agreed Pro Rata Share: 48%

Use of Premises: Ambulatory Surgical Center

Exhibits: Exhibit "A" – Legal Description of Premises
Exhibit "B" – Map of Premises

Commencement Date: Thirty days after latest of: certificate of occupancy issued for the Premises or issuance of Certificate of Need

Term: Commencing upon the Commencement Date and expiring on the "Termination Date" five (5) years.

Renewals: two (2) renewals of five (5) years each.

Base Rent:

Months of <u>Lease Term</u>	Rent Per <u>SF (Mo)</u>	Monthly <u>Total</u>
Months 1-12	<u>\$3.96</u>	<u>\$40,000</u>
Months 13-24	Adjusted per Section 3.1.2	
Months 25-36	Adjusted per Section 3.1.2	
Months 36-48	Adjusted per Section 3.1.2	
Months 49-60	Adjusted per Section 3.1.2	

ARTICLE II
Premises, Term, Renewals, Common Areas

2.1 **PREMISES:** Landlord, in consideration of the rents hereinafter reserved and of the covenants and conditions herein set forth to be performed by Tenant, does hereby lease to Tenant the Premises. The Premises consist of an Agreed Rentable Area of 10,099 square feet in the Building which has an agreed upon area of 21,222 square feet as described and depicted on Exhibits A and B hereto.

2.2 **TERM:** The initial term (the "Initial Term") of this Lease shall begin upon: (i) receipt by Tenant of a Certificate of Need from the Washington State Department of Health to run an ambulatory surgery center, and (ii) completion of construction of the Building and receipt by Landlord of a Certificate of Occupancy (the "Commencement Date") and end five (5) years thereafter (the "Termination Date").

2.3 **RENEWAL:** Subject to the terms and conditions herein, Tenant shall have the right to renew this Lease for two (2) consecutive five (5) year periods by giving written notice of such intention to Landlord at least one hundred twenty (120) days prior to the expiration of the term of this Lease or any renewal thereof. Tenant shall not be entitled to renew this Lease unless the Lease is in good standing at the time of renewal and the Tenant is not in default under the terms of this Lease or any other lease or agreement with the Landlord. The terms and conditions of any renewal shall be the same as set forth in this Lease, except that rent shall be recalculated as provided herein.

2.4 **COMMON AREAS:** The term "Common Areas" shall mean those areas of the Building and other real property owned by the Landlord that are provided and designated by the Landlord from time to time for the general non-exclusive use of Landlord, Tenant, other tenants of the Landlord, and the respective employees, suppliers, shippers, customers, clients, invitees, and licensees of such parties. Common Areas may include, but are not limited to, lobbies, hallways, common restrooms, walkways, driveways, parking areas, service areas, exterior wall surfaces of the Building, and landscaped areas. Landlord or its agents shall operate, manage, equip, light, repair, replace and maintain the Common Areas for their intended purpose at such times and in such manner as Landlord shall reasonably determine.

2.4.1 **Tenant's Common Area Rights.** Landlord hereby grants to Tenant, for the benefit of Tenant and its employees, suppliers, shippers, customers, clients and invitees during the term of this Lease, the non-exclusive right to use, in common with others entitled to such use, the Common Areas as they exist from time-to-time, subject to any rights, powers and privileges reserved by the Landlord under the terms hereof or under the terms of any rules, regulations or restrictions governing the use of the Common Areas. Under no circumstances shall the right herein granted to use the Common Areas be deemed to include the right to store any property, temporarily or permanently, in the Common Areas. Any such storage shall be permitted only by prior written consent of Landlord or Landlord's designated agent, which consent may be revoked at any time. If such unauthorized storage shall occur, then Landlord shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove the property and charge the cost to the Tenant, which cost Tenant shall pay on Landlord's demand. Tenant shall promptly notify Landlord if Tenant becomes aware of any potentially hazardous or dangerous conditions with, or in, a Common Area.

2.4.2 **Changes to Common Areas.** Landlord shall have the right from time-to-time to make changes to the Common Areas, including, without limitation: (i) changes in the location, size, shape and number thereof; (ii) to temporarily close any of the Common Areas for maintenance and public purposes so long as reasonable access to the Premises remains available; (iii) to add additional improvements to the Common Areas; and (iv) to use Common Areas while engaged in making additional improvements, repairs or alterations to the Building or any portion thereof, as Landlord may, in the exercise of sound business judgment, deem appropriate. Landlord shall nevertheless diligently perform construction, repair, or maintenance work to minimize interruptions in the use of Common Areas.

ARTICLE III **Compensation, Rental Adjustment**

3.1 **RENT:** The term “Rent” as used herein includes Base Rent, Additional Rent and other fees and charges assessed herein. Except as expressly provided elsewhere herein, Rent and all other sums payable by Tenant pursuant to this Lease shall be paid without the requirement that Landlord provide prior notice or demand, and shall not be subject to any counterclaim, setoff, deduction, defense or abatement.

3.1.1 **Rent Paid in Advance – Late Charges.** Rent shall be paid monthly in advance on or before the first (1st) day of each month beginning on the Commencement Date. A late charge of one percent (1%) per month will be assessed against past due Rent from the date such Rent became due. Additionally, if Rent is not received by the fifth (5th) day of any month, Tenant shall pay Landlord an additional fee of \$100 or five percent (5%) of the delinquent payment, whichever is greater, to defray costs of collecting and handling such late payment. All accrued interest and late charges shall be paid no later than the first (1st) day of the month following that month in which such interest or late charges accrued.

3.1.2 **Base Rent Adjustment.** Base Rent shall be subject to adjustment effective on the following dates: the anniversary of the Commencement Date and on the first (1st) month of any renewal term (herein such dates shall be collectively referred to as the “Adjustment Date”). Base Rent shall increase annually by an amount proportionate to the increase in CPI-U index for the Seattle-Tacoma-Bellevue Area published by the United States Department of Labor, Bureau of Labor Statistics during the 12-month period immediately preceding the applicable annual increase. The adjusted Base Rent shall not be less than the Base Rent for the preceding Lease year.

3.2 **ADDITIONAL RENT:** The term “Operating Expenses,” as used herein, shall mean the sum of the following:

3.2.1 **Common Areas.** All costs and expenses associated with maintaining, repairing and replacing the Common Areas of the Property, including, but not limited to, garden and landscaping, parking lot maintenance, stormwater/association dues, accounting/reconciliations, pest control, janitorial services, the exterior of the Building on the Property, exterior lighting and lamp replacement, sanitary control, utilities, safety and security, management fees, sweeping and removal of snow and trash and other refuse together with public liability and property damage insurance.

3.2.2 Real Property Taxes. All real property taxes and assessments accruing against the Property which become due and payable during the term of this Lease or any extension or renewal thereof. Such taxes and assessments shall be prorated for any partial calendar year of the term of this Lease. Should there presently be in effect or should there be enacted during the term of this Lease any law, statute, or ordinance levying any tax (other than Federal or State income taxes) directly or indirectly, in whole or in part, upon rents or the income from real estate or rental property, or increasing any such tax, such taxes shall be included in Tenant Costs. As used herein, the term "real property tax" shall include any form of assessment, license fee, rent tax, levy, penalty, or tax related to the Property and imposed by any authority having the power to tax.

3.2.3 Property Insurance. The cost of all insurance premiums for fire, extended coverage, all risk and other property insurance, including rental income loss insurance, that Landlord reasonably deems necessary for improvement on the Property.

3.2.4 Building Cost Budget and Determination of Operating Costs. On or before March 1st of each year, Landlord may provide a reasonable budget for the Operating Costs for the following twelve (12) month period. Tenant will pay its proportionate share of the Tenant Costs in equal monthly installments. On or about March 1st of each subsequent year, Landlord will provide an accounting of the actual Tenant Costs for the preceding year. Any overpayment by Tenant will be credited against the Operating Costs due March 1st and the following months, as necessary. Any underpayment by Tenant will be added to the Tenant Costs due March 1st. In the case of the year in which the Lease terminates, Tenant or Landlord (as the case may be) will pay any amount due within thirty (30) calendar days of the receipt of the accounting by Tenant.

3.3 **ABATED RENT**: Rent for the first month of this Lease shall be abated in order to allow time for Tenant to make the Premises ready for use.

ARTICLE IV

Use of Premises, Condition of Property, Improvements, Removal of Property, Maintenance, and Utilities

4.1 **TENANT'S USE OF THE PREMISES**: Tenant shall only conduct the following activity on the Premises: Ambulatory Surgical Center (the "Authorized Use").

4.1.1 **No Flammable or Dangerous Materials**. Notwithstanding the foregoing described use, the Premises shall not be used to store, distribute or otherwise handle flammable or dangerous materials, excepting only such uses which are necessary to conduct the Authorized Use. At the request of Landlord, Tenant shall provide a list of all flammable or dangerous materials stored or used on the Premises.

4.2 **TENANT INSPECTION - CONDITION OF PROPERTY**: Prior to executing this Lease, Tenant has fully and carefully inspected the Premises. Tenant accepts the Premises, including all existing improvements thereon, "as is" without further maintenance liability on the part of the Landlord, except as specifically noted herein. Tenant is not relying on any representations of Landlord as to condition, suitability, zoning restrictions, or usability, except Landlord's right to grant a lease of the Premises.

4.3 **CONSTRUCTION OF TENANT IMPROVEMENTS:** The Tenant and Landlord shall abide by the following terms with regard to making tenant improvements on the Premises (“Tenant Improvements”).

4.3.1 **Tenant Improvements.** Subject to obtaining Landlord’s prior written approval, Tenant may make and install, at its own expense, such Tenant Improvements as are normal and customary in connection with the Authorized Use set forth herein. Tenant’s contractor, if any, shall be subject to Landlord’s approval, not unreasonably withheld. Landlord reserves the right to condition its approval upon Tenant providing payment and/or performance bonds satisfactory to Landlord. Tenant shall submit plans to and obtain written approval from the Landlord before commencing any Tenant Improvements. Landlord shall have a reasonable period to review such plans prior to issuing a decision. Landlord may charge Tenant a reasonable fee for staff, consultant or attorney time required to review the plans. All Tenant Improvements which are to be designated fixtures shall be so designated by Landlord upon Landlord’s approval of the plans for such improvements. All Tenant Improvements shall conform to the requirements of the Americans With Disabilities Act of 1990, 42 U.S.C. §12101 *et seq.* (the “ADA”). Contractors shall procure and maintain a comprehensive general liability policy covering all claims for personal injury (including death) and property damage (including all real and personal property located on the Premises) arising on the Premises, Building or the Landlord’s Property relating to or arising out of the performance of the Tenant Improvement. The limits of liability shall be not less than Two Million Dollars (\$2,000,000.00) for each occurrence and in the aggregate. The foregoing insurance policy shall name Landlord as an additional insured. A certificate of insurance evidencing such coverage shall be provided before Tenant commences work on any Tenant Improvements.

4.3.2 **Unauthorized Improvements.** Any Tenant Improvements made on the Premises without Landlord’s prior written consent or which are not in conformance with the plans submitted to and approved by Landlord (“Unauthorized Improvements”) shall immediately become the property of Landlord, unless Landlord elects otherwise. Regardless of the ownership of Unauthorized Improvements, Landlord may, at its option, require Tenant to sever, remove, and dispose of the Unauthorized Improvements and return the Premises to its prior condition at Tenant’s sole cost and expense, charge Tenant rent for the use of them, or both.

4.4 **REMOVAL OF PERSONAL PROPERTY AND TENANT IMPROVEMENTS AT END OF LEASE:** Prior to the conclusion of the Lease, at Landlord’s option, Tenant shall remove the following from the Premises:

- a. All equipment;
- b. All personal property;
- c. All Tenant Improvements that are not designated fixtures

4.4.1 **Landlord’s Remedies.** If any of the foregoing items are not removed from the Premises by the conclusion of the Lease or when Landlord has the right of re-entry, then Landlord may, at its sole option, elect any or all the following remedies:

- a. To remove any or all the items and to dispose of them without liability to Tenant. Landlord shall not be required to mitigate its damages, to dispose of the items in a commercially reasonable manner, or to make any effort whatsoever to obtain payment for such

items. Tenant agrees to pay Landlord's costs and damages associated with Tenant's failure to remove such items, including, but not limited to, the following: storage, demolition, removal, transportation and lost rent (collectively "Disposal Costs"); provided, however, that any net proceeds recovered by Landlord in excess of its Disposal Costs will be deducted from Tenant's financial obligation set forth herein. Tenant's financial obligations herein shall survive the termination of this Lease.

- b. To have the title to any or all such items revert to Landlord.
- c. To commence suit against Tenant for damages or for specific performance.

The foregoing remedies are cumulative and in addition to any other remedies provided by law, and Landlord shall not be required to elect its remedies.

4.5 **MAINTENANCE OF PREMISES:** Maintenance and repair of the Premises and all improvements thereon is the sole responsibility of Tenant. Without limiting the generality of the foregoing, Tenant shall maintain the Premises in good condition including, without limitation, repairing all walls, floors, ceiling, interior doors, interior and exterior windows and fixtures, as well as damage caused to any portion of the Premises or Landlord's property by Tenant, its employees, agents, licensees, invitees or anyone on the Premises or Landlord's property as a result of Tenant's activities.

4.5.1 **Landlord's Maintenance Obligations.** Landlord shall maintain in good condition the structural parts of the Building which shall include the foundation, bearing and exterior walls, subflooring and roof, the unexposed electrical, plumbing and sewerage systems, including those portions of the systems lying outside the Premises, exterior doors, window frames, gutters, downspouts on the Building, and the heating, ventilating and air conditioning system servicing the Premises; provided, however, that the cost of all such routine maintenance shall be considered Operating Expenses as provided herein. Notwithstanding the foregoing, the cost of any maintenance and repairs occasioned by the negligent or willful act or omission of Tenant, its employees, agents, licensees or invitees shall not be considered Operating Expenses but, rather, shall be the sole responsibility of Tenant and shall be paid within fifteen (15) days after invoice.

4.6 **UTILITIES AND SERVICES:** Landlord will supply the following utilities and services to the Premises: trash collection, water, and sewer. The cost of any work required to such utilities and services due to damage caused by Tenant, its employees, agents, licensees or invitees shall be paid solely by Tenant. Furthermore, if utility bills to the Building exceed monthly average and the increase is determined by the Landlord to be a result of Tenant's use, the excess balance will be billed to the Tenant. The determination is to be made at the sole reasonable discretion of the Landlord.

4.6.1 **Tenant Utility Obligations.** With the exception of the above utilities and services, Tenant will arrange and pay for all utility connections and services and distribution of such utilities within the Premises including but not limited to PSE (electricity) and CNG (gas). At the end of this Lease, Tenant shall arrange for such utility services to be terminated and for the final bill to be sent to Tenant. Tenant shall be liable for all utility charges that accrue if it fails to so terminate services.

4.7 **OFF STREET PARKING:** Tenant agrees to provide space for the parking of vehicles in the number necessary to comply with applicable laws, and and otherwise to accommodate its normal business requirements on the Premises included within this Lease. Tenant is not relying on any public streets, right of way or other properties not included in this Lease for the parking of said vehicles.

ARTICLE V **Insurance and Financial Security**

5.1 **CASUALTY LOSS OF TENANT:** The parties hereto agree that the Landlord, its commissioners and employees, Landlord's insurance carrier and Landlord's casualty policy shall not be responsible to the Tenant for any property loss or damage done to the Tenant's property, whether real, personal or mixed, occasioned by reason of any fire, storm or other casualty whatsoever. It shall be the Tenant's sole responsibility to provide its own protection against casualty losses of whatsoever kind or nature, regardless of whether or not such loss is occasioned by the acts or omissions of the Landlord, Tenant, third party, or act of nature.

5.2 **INSURANCE:** Tenant shall procure and maintain a comprehensive general liability policy covering all claims for personal injury (including death) and property damage (including all real and personal property located on the Premises or Landlord's property) arising on the Premises or Landlord's property as a result of, or arising out of, Tenant's operations under this Lease. The limits of liability shall be not less than Two Million Dollars (\$2,000,000.00) for each occurrence and in the aggregate unless the Tenant requests, and Landlord approves in writing, a lesser liability limit. If the Tenant maintains higher insurance limits than the minimums required herein, the Landlord shall be insured for the full available limits of Commercial General and/or Excess or Umbrella liability maintained by the Tenant, irrespective of whether such limits maintained by the Tenant are greater than those required by this Lease or whether any certificate of insurance furnished to the Landlord evidences the lower limits of liability set forth above. Landlord may impose changes in the limits of liability: (i) on any Adjustment Date; (ii) as a condition of approval of assignment or sublease of this Lease; (iii) upon any breach of the environmental liability provision herein; (iv) upon a material change in the condition of any improvements; or (v) upon a change in the Authorized Use. If the liability limits are changed, Tenant shall obtain new or modified insurance coverage within thirty (30) days after changes in the limits of liability are required by Landlord. The liability policies shall contain a cross-liability provision such that the policy will be construed as if separate policies were issued to Tenant and to Landlord.

5.2.1 **Policy Provisions.** The foregoing insurance policy shall name Landlord as an additional named insured by way of a policy endorsement. Tenant shall provide certificates of insurance and, if requested, copies of any policy to Landlord. Receipt of such certificate or policy by Landlord does not constitute approval by Landlord of the terms of such policy. Furthermore, the policy of insurance required herein shall: (i) be written as a primary policy; (ii) expressly provide that such insurance may not be materially changed, amended or canceled with respect to Landlord except upon forty-five (45) days' prior written notice from the insurance company to Landlord; (iii) contain an express waiver of any right of subrogation by the insurance company against Landlord and Landlord's elected officials, employees or agents; (iv) expressly provide that the defense and indemnification of the Landlord as an "additional insured" will not be effected by any act or omission by Tenant which might otherwise result in a forfeiture of said insurance; (v) contain a separation of insureds provision such that the policy applies separately to each insured that is subject of a claim or suit; (vi) not contain a cross-claim, cross-suit, or

other exclusion that eliminates coverage by one insured against another; and (vii) provide for coverage for damage to the Landlord's property caused by the Tenant.

5.2.2 **Failure to Obtain and Maintain Insurance.** If Tenant fails to procure and maintain the insurance described above, Landlord shall have the right, but not the obligation, to procure and maintain substitute insurance and to pay the premiums. Tenant shall pay to Landlord upon demand the full amount paid by Landlord.

ARTICLE VI **Environmental Liability**

6.1 **ENVIRONMENTAL INDEMNIFICATION:** Tenant shall defend (with legal counsel suitable to Landlord), indemnify and hold Landlord harmless from any and all claims, demands, judgments, orders or damages resulting from Hazardous Substances on the Premises or Landlord's property caused in whole or in part by the activity of the Tenant, its agents, subtenants, or any other person or entity (i) on the Premises as a result of, arising out of, or relating to Tenant's operations under this Lease or any previous lease or agreement or (ii) on the Landlord's property as a result of, arising out of, or relating to Tenant's operations under this Lease or any previous lease or agreement. It is the intent of the parties that Tenant shall be responsible and shall defend and hold Landlord harmless from any Hazardous Substances that have or may occur on the Premises or Landlord's property as a result of, arising out of, or relating to Tenant's operations since Tenant first occupied the Premises or other portion of the Landlord's property through this Lease or any previous lease or agreement with Landlord. The term "Hazardous Substances" as used herein shall mean any substance heretofore or hereafter designated as hazardous under the Resource Conservation and Recovery Act, 42 USC Sec. 6901 et seq.; the Federal Water Pollution Control Act, 33 USC Sec. 1251 et seq.; the Clean Air Act, 42 USC Sec. 7401 et seq.; the Comprehensive Environmental Response Compensation and Liability Act of 1980, 42 USC Sec. 9601 et seq.; or the Hazardous Waste Cleanup-Model Toxics Control Act, RCW 70.105D, all as amended and subject to all regulations promulgated thereunder.

ARTICLE VII **Miscellaneous Provisions**

7.1 **APPRAISAL:** When Base Rent is to be determined by appraisal, the process in this article shall govern. Within seven (7) calendar days from the Rental Renegotiation Deadline, Landlord and Tenant shall mutually agree upon a disinterested, MAI certified appraiser to perform an appraisal of the fair market rental rate for the Premises. The appraiser's costs shall be shared equally by the parties. The rental rate arrived at in the appraisal shall constitute the new Base Rent, which shall be retroactive to the Adjustment Date.

7.1.1 **Failure to Agree on Appraiser.** If Landlord and Tenant cannot mutually agree upon an appraiser by the end of the seventh (7th) day as set forth above, then each party shall select an MAI certified appraiser to perform an appraisal of the fair market rental value of the Premises. Each party shall bear the costs of its own appraisal. The appraisals shall be completed no later than ninety (90) days after the Rental Renegotiation Deadline (herein this date shall be referred to as the "Appraisal Completion Date"). The average of the two (2) appraisals shall constitute the new Base Rent which shall be retroactive to the Adjustment Date. If either of the appraisals is not timely completed on or before the Appraisal Completion Date, and unless there were circumstances beyond the appraisers' control that prevented its timely

completion, then the rental rate established in the appraisal that was timely completed shall constitute the new Base Rent.

7.2 **TENANT WILL OBTAIN PERMITS:** Tenant agrees to obtain and comply with all necessary permits for any Tenant Improvements and to conduct the Authorized Use. If Tenant fails to obtain and comply with such permits, then Tenant accepts full responsibility for any and all costs incurred by Landlord, including actual attorneys' fees. In this way, Tenant agrees to be solely responsible for all damages, costs and expenses incurred as a result of Tenant's failure to fully comply with any necessary permit process and requirements.

7.3 **LIENS:** Tenant agrees to keep the Premises described herein free and clear of all liens and charges whatsoever. Tenant shall not allow any mechanics' and materialmen's or other liens to be placed upon the leased Premises. If such a lien is placed or recorded, Tenant shall cause it to be discharged of record, at its own expense, within ten (10) days of Landlord's demand. Failure to comply with Landlord's demand within ten (10) days shall be a default under the terms of this Lease.

7.4 **INDEMNIFICATION AND HOLD HARMLESS:** The Tenant agrees that it will defend (with legal counsel acceptable to Landlord), indemnify and hold harmless the Landlord, its officers, employees and agents from any and all demands, claims, judgments or liability for loss or damage arising as a result of accidents, injuries or other occurrences on the Premises or on Landlord's property, (i) occasioned by either the negligent or willful conduct of the Tenant, its agents, or (ii) made by any person or entity holding under the Tenant, or any person or entity on the Premises or on the Landlord's property as a result of Tenant's activity, regardless of who the injured party may be. This indemnification and hold harmless shall not apply to the extent the damages was caused by the gross negligence or willful misconduct of the Landlord.

7.5 **LIMITED WAIVER OF IMMUNITY UNDER WASHINGTON STATE INDUSTRIAL INSURANCE ACT, TITLE 51 RCW AND OTHER SIMILAR INDUSTRIAL INSURANCE SCHEMES:** For purposes of the foregoing indemnification provision, and only to the extent of claims against Tenant by Landlord under such indemnification provision, Tenant specifically waives any immunity it may be granted under the Washington State Industrial Insurance Act, Title 51 RCW or any other similar workers' compensation schemes. The indemnification obligation under this Lease shall not be limited in any way by any limitation on the amount or type of damages, compensation or benefits payable to or for any third party under workers' compensation acts, disability benefit acts, or other employee benefit acts. The foregoing provision was specifically negotiated and agreed upon by the parties hereto.

7.6 **LAWS AND REGULATIONS:** Tenant agrees to conform to and abide by all applicable rules, codes, laws, and regulations in connection with its use of the Premises and the construction of improvements and operation of Tenant's business thereon and not to permit said Premises to be used in violation of any applicable rule, code, law, regulation, or other authority.

7.6.1 **Environmental Laws and Regulations.** Tenant's obligations herein shall include, but in no way be limited to, the obligation to comply with all State and Federal environmental laws and regulations. Tenant shall defend (with legal counsel acceptable to Landlord), indemnify and hold harmless the Landlord from any fine, penalty or damage which may be imposed by any lawful authority, which may arise as a result of the Tenant's failure to comply with the obligations of this article.

7.7 **WASTE AND REFUSE:** Tenant agrees not to allow conditions of waste and refuse to exist on the Premises and to keep the Premises in a neat, clean and orderly condition.

7.8 **TAXES AND ASSESSMENTS:** Tenant agrees to pay all taxes assessed against the leasehold interest and a pro rata share of any assessments made against the Premises for installation of public utility systems, based upon a reasonable overall sharing program among all properties within the assessment area.

7.9 **SIGNS:** No signs shall be installed without the prior written permission of Landlord which shall not be unreasonably withheld or delayed.

7.10 **LITIGATION:** In the event Landlord shall be made a party to any litigation commenced by or against Tenant (other than actions commenced by Tenant or Landlord concerning the interpretation or enforcement of any of the terms and conditions of this Lease), then Tenant agrees to pay all costs, expert witness fees, and attorneys' fees, including all customary charges incurred by Landlord in connection with such litigation. However, if Landlord is made a party defendant and Tenant undertakes the defense of the action on behalf of Landlord, then no obligation for costs and attorneys' fees will be chargeable against Tenant by Landlord for costs arising out of such undertaking.

7.12 **ASSIGNMENT OF LEASE:** Tenant shall not assign, rent or sublease any portions of this Lease or any extension thereof, without the prior written consent of Landlord which shall not be unreasonably withheld, conditioned or delayed, and no rights hereunder in or to said Premises shall pass by operation of law or other judicial process, or through insolvency proceedings. Otherwise, the rights and obligations hereof shall extend to and be binding upon their respective successors, representatives and assigns, as the case may be. Tenant shall furnish Landlord with copies of all such subassignment, sublease or rental documents.

7.12.1 **Remedy If Landlord Denies Assignment.** If Landlord refuses to consent to an assignment, Tenant's sole remedy shall be the right to bring a declaratory judgment action to determine whether Landlord was entitled to refuse such assignment under the terms of this Lease.

7.12.2 **No Waiver of Future Consents.** No consent by Landlord to any assignment or sublease shall be a waiver of the requirement to obtain such consent with respect to any other or later assignment or sublease. Acceptance of Rent or other performance by Landlord following an assignment or sublease, whether or not Landlord has knowledge of such assignment or sublease, shall not constitute consent to the same nor a waiver of the requirement to obtain consent to the same.

7.12.3 **Transfer Fee.** An administrative handling and transfer fee ("Transfer Fee") of Three Hundred Dollars (\$300.00) shall be payable by Tenant to Landlord if Tenant requests the Landlord's consent to a proposed assignment (including an assignment to a creditor for security purposes), or sublease. Such Transfer Fee shall be submitted to the Landlord at the same time that Tenant requests the Landlord's consent to the proposed sublease or assignment.

7.12.4 **Attorneys' Fees.** In addition to the Transfer Fee, Tenant shall pay Landlord's reasonable and customary attorneys' fees incurred relating to the Tenant's request for Landlord's consent to a proposed assignment or in the event Tenant seeks to modify the Lease during the term of the Lease or any renewals thereof. Tenant's failure to remit this amount within sixty (60) days of the mailing of the notice of such charges shall constitute a default under

this Lease. Notwithstanding anything to the contrary herein, the Tenant shall not be obligated to reimburse the Landlord in any case where an assignment or sublease is not accomplished due to total refusal on the part of Landlord to grant its consent to the request.

7.12.5 **Tenant's Liability on Assignment or Sublease.** If this Lease is assigned, or if the underlying beneficial interest of Tenant is transferred, or if the Premises or any part thereof is sublet to or occupied by anybody other than Tenant, Landlord may collect Rent from the assignee, subtenant or occupant and apply the net amount collected to the Rent herein reserved, but no such assignment, subletting, occupancy or collection shall be deemed a waiver of this covenant, or the acceptance of the assignee, subtenant or occupant as tenant, or a release of Tenant from the further performance by Tenant of covenants on the part of Tenant herein contained. No assignment or subletting shall affect the continuing primary liability of Tenant (which, following assignment, shall be joint and several with the assignee), and Tenant shall not be released from performing any of the terms, covenants and conditions of this Lease.

7.12.6 **Proceed Against Tenant.** Notwithstanding any assignment or sublease, or any indulgences, waivers or extensions of time granted by Landlord to any assignee or sublessee or failure of Landlord to take action against any assignee or sublease, Tenant hereby agrees that Landlord may, at its option, proceed against Tenant without having taken action against or joined such assignee or sublessee, except that Tenant shall have the benefit of any indulgences, waivers and extensions of time granted to any such assignee or sublessee.

7.12.7 **Assignee/Sublessee Insurance.** In the event the Landlord approves an assignment or sublease hereunder, such assignee or sublessee shall provide Landlord with insurance certificates and/or endorsements evidencing such assignee's or sublessee's compliance with the insurance provisions set forth herein including, but not limited to, the endorsement of Landlord as an additional insured under such policy or policies.

7.13 **DEFAULT, CROSS DEFAULT, AND REMEDIES:**

7.13.1 **Monetary Defaults.** Failure to pay Rent or any other monetary obligations by the first day of each month shall constitute a default under the terms of this Lease. If Tenant is in default in the payment of Rent or other monetary obligations then, at Landlord's sole option, upon ten (10) days' written notice, this Lease may be terminated, and Landlord may enter upon and take possession of the Premises.

7.13.2 **Non-monetary Defaults.** If Tenant shall fail to perform any term or condition of this Lease, other than the payment of Rent or other monetary obligations, then Landlord, upon providing Tenant thirty (30) days' written notice of such default, may terminate this Lease and enter upon and take possession of the Premises. This remedy is in addition to and is not exclusive of any other remedies provided either by this Lease or by law.

7.13.3 **Other Defaults.** The following shall also constitute a default under the terms of this Lease: Insolvency of Tenant; an assignment by Tenant for the benefit of creditors; the filing by Tenant of a voluntary petition in bankruptcy; an adjudication that Tenant is bankrupt or the appointment of a receiver of the properties of Tenant; the filing of an involuntary petition of bankruptcy and failure of Tenant to secure a dismissal of the petition within thirty (30) days after filing; attachment of or the levying of execution on the leasehold interest; and failure of Tenant to secure a discharge of the attachment or release of the levy of execution within ten (10) days.

7.13.4 **Other Remedies.** In addition to the foregoing remedies specified in this article, Landlord may exercise any remedies or rights under the laws of the State of Washington including, but not limited to, recovering damages for past due rent, future rent, costs to re-let the Premises, and costs to restore the Premises to its prior condition (reasonable wear and tear excepted). Under no circumstances shall Landlord be held liable in damages or otherwise by reason of any lawful re-entry or eviction. Landlord shall not, by any re-entry or other act, be deemed to have accepted any surrender by Tenant of the Premises or be deemed to have otherwise terminated this Lease or to have relieved Tenant of any obligation hereunder. Landlord shall be under no obligation to observe or perform any covenant of this Lease after the date of any material default by Tenant unless and until Tenant cures such default. A fee of Five Hundred Dollars (\$500.00) shall be assessed to Tenant for each Default Notice issued to Tenant to defray the costs associated with preparing, issuing, and serving such notice. This fee shall be payable on the first (1st) day of the month following the issuance of the Default Notice.

7.14 **TERMINATION:** This Lease shall terminate for default if Tenant fails to cure any default within the time provided for herein. Upon termination of this Lease or any extension thereof, whether by expiration of the stated term or sooner termination thereon, as herein provided, Tenant shall surrender to Landlord the Premises peaceably and quietly. Tenant shall restore the Premises to the condition existing at the time of initiation of this Lease, except for: (i) normal wear and tear, and (ii) any improvements which Landlord permits to remain on the Premises.

7.15 **NON-WAIVER:** Neither the acceptance of Rent nor any other act or omission of Landlord after a default by Tenant or termination shall operate as a waiver of any past or future default by Tenant, or to deprive Landlord of its right to terminate this Lease or be construed to prevent Landlord from promptly exercising any other right or remedy it has under this Lease. Any waiver by Landlord shall be in writing and signed by Landlord in order to be binding on Landlord.

7.16 **NOTICES:** Any notice, demand, request, consent, approval or communication that either party desires or is required to give to the other party shall be in writing and shall be personally delivered or mailed by registered or certified mail, return receipt requested, to the addresses as follows:

To Landlord: Attn: Chris Van Hofwegen
2582 Lake Whatcom Boulevard
Bellingham, WA 98229

To Tenant: 3009 Squalicum Parkway
Bellingham, WA 98225

or such address as may have been specified by notifying the other party of the change of address. Notice shall be deemed served on the date of personal delivery, actual delivery or the first (1st) attempted delivery as shown on the return receipt if mailed with the United States Postal Service by certified or registered mail, return receipt requested.

or such address as may have been specified by notifying the other party of the change of address. Notice shall be deemed served on the date of actual delivery or the first attempted delivery as shown on the return receipt if mailed with the United States Postal Service by certified mail, return receipt requested.

7.18 **SECURITY:** Tenant specifically acknowledges that Landlord has no duty to provide security for any portion of the Premises or Property. Tenant assumes sole responsibility and liability for the security of itself, its employees, customers, and invitees, and their respective property in or about the Premises or Property. Tenant agrees that to the extent Landlord elects to provide any security, Landlord is not warranting the effectiveness of any such security personnel, services, procedures or equipment and that Tenant is not relying and shall not hereafter rely on such security personnel, services, procedures or equipment. Landlord shall not be responsible or liable in any manner for failure of any such security personnel, services, procedures or equipment to prevent or control, or apprehend anyone suspected of personal injury or property damage in, on or around the Premises or Property.

7.19 **QUIET ENJOYMENT:** Landlord acknowledges that it has ownership of the Premises and that it has the legal authority to lease the Premises to Tenant. Landlord covenants that Tenant shall have quiet enjoyment of the Premises during the term of this Lease so long as Tenant complies with this Lease and subject to Landlord's right of entry onto the Premises as set forth herein.

7.19.1 **Easements.** The Landlord reserves the right to grant easements and other land uses on the Premises to others when the easement or other land uses applied for will not unduly interfere with the use to which the Tenant is putting the Premises or interfere unduly with the approved plan of development for the Premises.

7.20 **LANDLORD MAY ENTER PREMISES:** It is agreed that the duly authorized officers or agents of Landlord may enter to view said Premises at any time, and if the business or normal function of Landlord should at any time require that it enter upon the Premises to perform any work or make any improvements, it may do so, but not in such manner as to materially injure Tenant with its normal and usual operation.

7.21 **TIME:** It is mutually agreed and understood that time is of the essence of this Lease and that a waiver of any default of Tenant shall not be construed as a waiver of any other default.

7.22 **INTERPRETATION:** This Lease has been submitted to the scrutiny of the parties hereto and their counsel, if desired. In any dispute between the parties, the language of this Lease shall, in all cases, be construed as a whole according to its fair meaning and not for or against either the Landlord or the Tenant. If any provision is found to be ambiguous, the language shall not be construed against either the Landlord or Tenant solely on the basis of which party drafted the provision. If any word, clause, sentence, or combination thereof for any reason is declared by a court of law or equity to be invalid or unenforceable against one party or the other, then such finding shall in no way affect the remaining provisions of this Lease.

7.23 **HOLDING OVER:** If the Tenant remains in possession of said Premises after the date of expiration of this Lease without Landlord's prior written consent, such holding over shall constitute and be construed as tenancy at sufferance only, at a monthly rent equal to one hundred fifty percent (150%) of the Base Rent owed during the final month of the Term of this Lease and otherwise upon the terms and conditions in this Lease. If Tenant holds over with Landlord's prior written consent, then until such time as a new written Lease is executed by the parties hereto, Tenant shall continue to make payments to Landlord on a month-to-month basis as provided for in this Lease. Such authorized holdover tenancy may be terminated by either party at the end of any such monthly period by sending written notice not less than five (5) days before the end of such period. Such authorized holdover tenancy shall be subject to all terms and conditions contained herein.

7.24 **SURVIVAL**: All obligations of the Tenant, as provided for in the Lease, shall not cease upon the termination of this Lease and shall continue as obligations until fully performed. All clauses of this Lease which require performance beyond the termination date shall survive the termination date of this Lease.

7.25 **GOVERNING LAW**: This Lease, and the right of the parties hereto, shall be governed by and construed in accordance with the laws of the State of Washington, and the parties agree that in any such action jurisdiction and venue shall lie exclusively in Whatcom County, Washington and not in any federal court.

7.26 **ATTORNEYS' FEES – LEASE ENFORCEMENT**: The prevailing party in any action to enforce any term or condition of this Lease shall be entitled to an award of their reasonable costs and attorneys' fees.

7.27 **ESTOPPEL CERTIFICATES**: At Tenant's request, Landlord agrees to execute and deliver to Tenant or its lender(s), a customary estoppel certificate in a form acceptable to the Landlord which sets forth the following information: (i) the terms and conditions of this Lease, (ii) the status of the Rent payments under the Lease; and (iii) Landlord's knowledge of any breaches or anticipated breaches of the Lease. Landlord shall have no obligation to execute an estoppel certificate which requests any information other than as set forth above. Tenant agrees to reimburse the Landlord for all staff time incurred and attorneys' fees paid by Landlord for the review and opinion of such attorney acting on the request for such estoppel certificate and in negotiating acceptable language in the estoppel certificate. A failure to reimburse Landlord within sixty (60) days of the mailing of notice of such charges shall constitute a default under the terms of this Lease.

7.28 **ATTORNMEN**: In the event the Premises are sold, Tenant shall attorn to the purchaser upon the sale provided that the purchaser expressly agrees in writing that, so long as Tenant is not in default under the Lease, Tenant's possession and occupancy of the Premises will not be disturbed and that such purchaser will perform all obligations of Landlord under the Lease.

7.29 **CONDEMNATION**: In the event that a substantial part of the Premises are taken, purchased, or damaged by the right or threat of eminent domain so as to render the remaining Premises economically untenable, then the Lease shall be canceled as of the time of taking at the option of either party. In the event of a partial taking that does not render the Premises economically untenable, the Rent will be reduced in direct proportion to the amount of Premises property taken by the condemning authority. Tenant shall have no claim to any portion of the just compensation for the taking or damaging of Landlord's property, Premises, or Building. Tenant shall have the right to seek independent compensation from the condemning authority for relocation expenses.

7.30 **DAMAGE OR DESTRUCTION**: In the event that the Premises are rendered untenable in whole or in part by any casualty whatsoever, Landlord may elect, at its sole option, not to restore the Premises and shall so notify Tenant, in which event Tenant shall vacate the Premises and this Lease shall terminate. In the alternative, Landlord will notify Tenant, within thirty (30) days after such casualty, that the Premises will be restored and that such work can be completed within one hundred eighty (180) days from date of such notice of intent. If Landlord is unable to restore or rebuild the Premises within the one hundred eighty (180) day period after notice, then the Lease may be terminated at Tenant's option by written

thirty (30) day notice. During the period of untenantability, Rent shall abate in the same ratio as the portion of the Premises rendered untenable bears to the whole of the Premises.

7.31 **COUNTERPARTS AND ELECTRONIC TRANSMISSION:** This Lease may be signed in counterparts. Electronic transmission of any signed original document, and retransmission of any signed electronic transmission shall be the same as delivery of an original document.

7.32 **ENTIRE AGREEMENT:** This Lease contains all of the understandings between the parties. Each party represents that no promises, representations or commitments have been made by the other as a basis for this Lease which have not been reduced to writing herein. No oral promises or representations shall be binding upon either party, whether made in the past or to be made in the future, unless such promises or representations are reduced to writing in the form of a modification to this Lease executed by the parties.

LANDLORD

TENANT

CSORP, LLC PACIFIC RIM OUTPATIENT SURGERY CENTER, LIMITED LIABILITY COMPANY

By: _____
Print Name: _____
Its: _____

By: _____
Print Name: _____
Its: _____

[NOTARIES TO FOLLOW]

STATE OF WASHINGTON)
) ss.
COUNTY OF WHATCOM)

I certify that I know or have satisfactory evidence that _____ is the person who appeared before me, and said person acknowledged that he/she signed this instrument, on oath stated that he/she was authorized to execute the instrument, and acknowledged he/she is the _____ of CSORP, LLC, a Washington limited liability company, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

DATED this _____ day of _____ 202__.

NOTARY PUBLIC
Printed Name: _____
My Appointment Expires: _____

STATE OF WASHINGTON)

) ss.

COUNTY OF WHATCOM)

I certify that I know or have satisfactory evidence that _____ is the person who appeared before me, and said person acknowledged that he/she signed this instrument, on oath stated that he/she was authorized to execute the instrument, and acknowledged he/she is the _____ of PACIFIC RIM OUTPATIENT SURGERY CENTER, LIMITED LIABILITY COMPANY, a Washington limited liability company, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

DATED this _____ day of _____ 202__.

NOTARY PUBLIC

Printed Name: _____

My Appointment Expires: _____

EXHIBIT "A"
Legal Description of Premises

Lot C Parcels #3802014170920000

Abbreviated Legal Description:

THAT PTN OF PARCELS 20-21 CORDATA SPECIFIC BINDING SITE PLAN NO 17 DAF-COM
AT BRASS DISK SURFACE MON MARKING R/W C/L PT OF CURVATURE OF W HORTON
RD (BELLINGHAM MON 2189)-TH S 32 DEG 22'03" E 40 FT TO SLY MARGIN OF W
HORTON RD-TH S 57 DEG 37'57" W ALG SD

Lot D Parcels #3802014171140000

Abbreviated Legal Description:

THAT PTN OF PARCELS 20-21 CORDATA SPECIFIC BINDING SITE PLAN NO 17 DAF-COM
AT BRASS DISK SURFACE MON MARKING R/W C/L PT OF CURVATURE OF W HORTON
RD (BELLINGHAM MON 2189)-TH S 32 DEG 22'03" E 40 FT TO SLY MARGIN OF W
HORTON RD-TH S 57 DEG 37'57" W ALG SD

EXHIBIT "B"
Map of Premises



CARLETTI ARCHITECTS P.S.

architecture & planning

116 EAST FIR STREET
SUITE A
MOUNT VERNON, WA. 98273

Phone: (360) 424-0394
Fax: (360) 424-5726

PROSC - ASC

DATE: 10-12-2022

SCALE: 1"=10'-0"

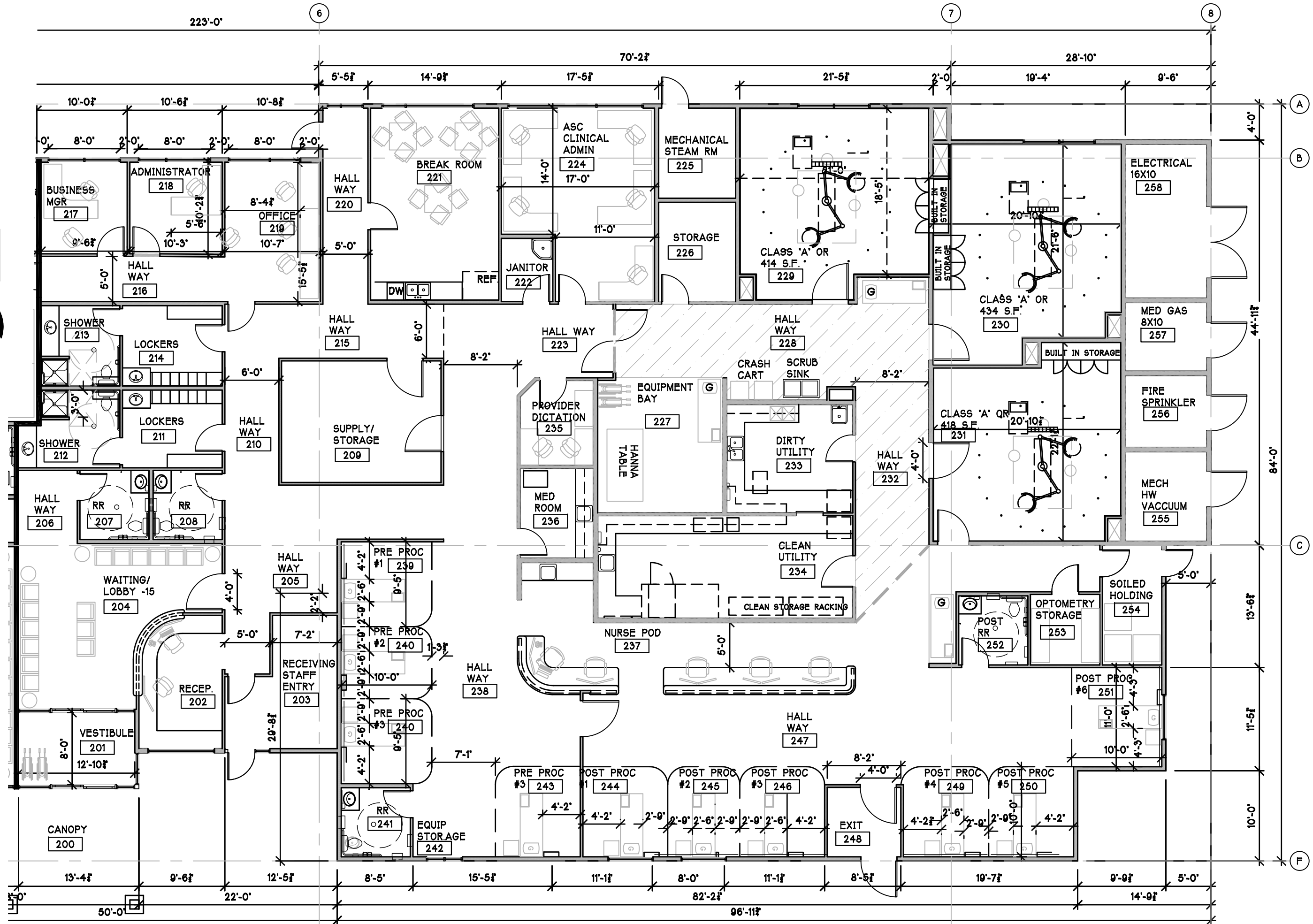
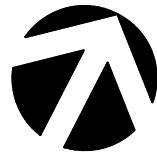


Exhibit 14.
Contractor Letter



October 28, 2022

Sharon L. Lukas
Administrator
Pacific Rim Outpatient Surgery Center

Dear Sharon:

Please accept our budgetary design and construction cost for the Pacific Rim Outpatient Surgery Center proposed in Bellingham, Washington.

- Tenant Improvement Costs \$ 2,673,614.00

Please note that the proposed amounts are budgetary in nature and subject to final design document development and AHJ requirements. Our costs are based on our knowledge of current set of design drawings.

These costs exclude the following: Building structure, enclosure, Sitework, Washington State sales tax (currently 8.8% per Q4 2022 in Bellingham, Whatcom County, Washington), land purchase, owners FF&E costs, consulting fees, special Inspection fees, financing costs, legal fees, utility connection, and traffic mitigation fees.

Please feel free to contact me should you have and questions or comments (360) 815-0538.

Sincerely,

Tyson Scheenstra
PROJECT DIRECTOR

BUILDING ENDURING RELATIONSHIPS

Corporate Office: 323 Telegraph Road • Bellingham, WA 98226 • (360) 734-2872 • Fax (360) 671-7616
Bellevue Office: 11820 Northrup Way #300 • Bellevue, WA 98005 • (425) 230-5698 • Fax (360) 671-7616

Exhibit 15.
Equipment List

PROSC New Equipment List

Description	Amount
Lights,Booms (5 Arm Stack Center Mount, 2 Lights, 2 Arms With Displays, 1 Equipment Carrier)(Incl.Install)	\$242,000
Stainless Cabinets (Incl Install)	\$33,000
Anesthesia Gas Boom (Incl Install)	\$83,000
Arthrex Video Equipment	\$475,000
Spd Equipment (2 New Sterilizers, 3 Bay Sink, 1 Bay Sink, Process Station, Pass Thru Window)	\$314,000
Ultrasonic (Medium Size) Estimate Based Off Of Spire Us200Ex	\$62,000
Architectural Sliding Doors (5)	\$50,000
Boiler-Installed	\$92,000
Instrument Air Compressor-Installed	\$18,300
Ro Water Treatment-Installed	\$13,000
Warming Cabinet: Two Compartment Installed	\$12,000
Scrub Sink: Two Bay Installed	\$14,000
Metro Track System For Supply Storage Room	\$15,000
Stretcher Chairs	\$140,000
Privacy Curtains	\$4,903
Waiting Room Furniture (Tables, Chairs, Metro Shelving)	\$50,000
[Services] Move All Equipment Over To New Asc, Test And Calibrate-Comedical Service Team	\$42,500
Subtotal	\$1,660,703
Freight	\$38,800
Subtotal including Freight	\$1,699,503
Sales Tax	\$191,970
Total including Freight and Sales Tax	\$1,891,473

Exhibit 16A.

Bank Letter



PO Box 9750
Bellingham, WA 98227
wecu.com

360-676-1168 local
800-525-8703 toll free
360-756-7800 fax
800-833-6388 TTY

October 31, 2022

Pacific Rim Outpatient Surgery Center LLC
Attention: Sharon Lukas, Administrator
3009 Squalicum Parkway
Bellingham, WA 98225

Sharon,

Whatcom Educational Credit Union (WECU) is pleased to provide the following proposal of tenant improvement and equipment financing to be located at West Horton Road, Bellingham, Washington.

WECU will require further due diligence and understanding with respect to the Borrower and landlord in order to extend a formal, binding commitment and loan approval. As such, this proposal is non-binding and does not constitute an offer, a commitment or approval of any kind by WECU to make the Loan.

This is a proposal only subject to further due diligence, credit approval, approval of third-party reports, legal review and mutually acceptable documentation.

Please contact me with any questions about this proposal and the below described terms.

Sincerely,

Ed Roddy
Loan Officer
Ed.rodny@wecu.com
360-714-7922

Borrower(s): Pacific Rim Outpatient Surgery Center, LLC

Guarantor(s): Jason Dahl, Denise Dudley, Michael Gannon, Paul Haeder, Carter Kiesau,
Vincent Matteucci, Matthew Oswin and Christopher Van Hofwegen

Purpose: Tenant improvements for surgery center
Loan Type: Commercial Term Loan

Loan Amount: Up to \$5,000,000

Interest Rate: 5 year FHLB + 2.00%, adjusting to the 5 Year FHLB + 2.00%, subject to floor rate

Floor Rate: 4.00

Fee: .50%



PO Box 9750
Bellingham, WA 98227

wecu.com

360-676-1168 *local*
800-525-8703 *toll free*
360-756-7800 *fax*
800-833-6388 *TTY*

Payment Terms: Principal and interest monthly

Maturity: 10 years, not to exceed length of lease

Amortization: 20 years

Prepayment Penalty: 5% in year 1, 4 % in year 2, 3% in year 3, 3% in year 4 and 1% in year 5.

Collateral: UCC filing in all equipment and tenant improvements.

Covenants: Borrower and guarantor tax returns to be provided annually.
Guarantor personal financial statements to be provided annually.
Debt service coverage of at least 1.25 measured annually by tax returns.
Lease plus renewal options must be equal to the length of the loan.

Other Terms: These terms are provided under the assumption that WECU is financing the real estate construction loan to CSORP, LLC.

This Term Sheet is for discussion purposes only and does not represent a commitment to lend on behalf of WECU. The terms and conditions in this Term Sheet shall terminate at our option if in our opinion, a material adverse change in the property, market conditions, business prospects, or your financial condition shall occur at any time prior to completing a full underwriting of the proposed transaction

Exhibit 16B.
Letter of Financial Commitment

November 1, 2022

Eric Hernandez, Manager
Washington State Department of Health
Certificate of Need Program
111 Israel Rd. S.E.
Tumwater, WA 98501

RE: PROSC Certificate of Need Request to Develop and Operate an Ambulatory Surgical Facility in Whatcom County

Dear Mr. Hernandez:

Please accept this letter as evidence of financial support for Pacific Rim Outpatient Surgery Center's ("PROSC") certificate of need application request to develop and operate a new certificate of need approved ambulatory surgery facility with three (3) operating rooms in Whatcom County.

PROSC is pleased to commit from its reserves funding for its share of the estimated capital expenditures, working capital requirements, and startup costs associated with the project. PROSC has sufficient cash reserves to fund its share of the project.

Please contact me if there are any questions regarding this letter of financial commitment. I can be reached at slukas@hinet.org or at (248) 302-8002. Thank you for your time and assistance in this important matter.

Sincerely,



Sharon L. Lukas
Administrator
Pacific Rim Outpatient Surgery Center

Exhibit 17.
Physician List

PROSC List of Physicians

License Number	Name	Title	Speciality
MD60750154	ACTIS, RICHARD	MD	ANESTHESIA
OP60678494	ATKINS, BRIAN	DO	ANESTHESIA
MD00038982	BACHMAN, BARBARA	MD	GEN
MD00046660	BAILEY, KRISTY	MD	EYE
MD60480739	BARNHART, NENA	MD	GYN
MD61173115	BINGHAM, NISHAN	MD	ANESTHESIA
MD00037344	BLACKBURN, JAMES	MD	PLASTICS
MD00037285	BLACKBURN, TERRI	MD	ANESTHESIA
MD60074659	BLUM, JARED	MD	ANESTHESIA
OP61166766	BRAY, RYAN	DO	ORTHO-PH
MD61054622	BRUMFIELD, BROOKS	MD	ANESTHESIA
MD60904386	BRYSON, CAMPBELL	MD	UROLOGY
MD00040943	CAMPBELL, ROBERT	MD	ANESTHESIA
MD60494692	CARLSON, INGRID	MD	EYE
MD60746921	CARRIGAN, MICHAEL	MD	ANESTHESIA
MD60270123	CASPERSON, KELLY	MD	UROLOGY
DE00010764	CHEN, PHILLIP	DDS	DENTAL
PO60925069	CHOI, HYOWON	DPM	PODIATRY
MD60672610	CLARK, ROBERT	MD	ANESTHESIA
OP61136363	CREWS, JONATHAN	DO	OPHTH- NW EYE CLINIC
PO60925055	CZURYLO, MICHAEL	DPM	PODIATRY
MD60263631	DAVIS, CHRISTOPHER	MD	ANESTHESIA
MD60482933	DAHL, JASON	MD	ORTHO
MD61277000	DENARDIN, NICHOLAS	MD	ANESTHESIA
MD00016786	DILLON, PETER	MD	LOCUM
MD00038911	DUDLEY, DENISE	MD	EYE
MD60909090	EKHLASSI, TIMOTHY	MD	EYE
MD61153831	EMERUWA, CURRAN	MD	UROLOGY
MD60149441	ESMAIL, NADEEM	MD/DDS	MAXILOFACIAL
MD60525002	FERRARI, JASON	MD	ORTHO
MD00021195	GANNON, MICHAEL	MD	ORTHO
MD61138324	GARCIA, TRENT	MD	ANESTHESIA
OP60070568	GETZ, JEREMY	DO	ANESTHESIA
MD00043168	GONTER, AARON	MD	ANESTHESIA
MD61040976	HAEDER, PAUL	MD	ORTHO
MD60322718	HAFNER, DAVID	MD	ANESTHESIA
MD60967202	HARRIS, BRADLEY	MD	ANESTHESIA
MD60843173	HECHT, AVRAM	MD	ENT
MD61103723	HENDRICKS, EDWARD	MD	ANESTHESIA
MD60221728	HIGGINS, MICHAEL	MD	GEN
MD60902133	HILLES, ROBYN	MD	ANESTHESIA
MD00039875	HOEKEMA, JOEL	MD	ORTHO
OP00001819	HOLSTINE, JAMES	DO	ORTHO

PROSC List of Physicians

License Number	Name	Title	Speciality
MD60080820	HUYNH, BAO	MD	ANESTHESIA
MD60771703	IRWIN, LISA	MD	ANESTHESIA
MD00042055	KAEPERNICK, LISA	MD	GYN
MD60518533	KASSEM, JEAN	MD	EYE
MD60130214	KIESAU, ANN	MD	ANESTHESIA
MD60125328	KIESAU, CARTER	MD	ORTHO
MD00045399	KIM, JAMES	MD	EYE
MD60091659	KING, JAMES	MD	ANESTHESIA
MD00031678	KNOPS, JOOST	MD	ENT
MD00041342	KOLOGYCHUK, LEONARD	MD	ORTHO
MD00042140	KULLAS, CHRISTOPHER	MD	EYE
MD61185777	LARSEN, MELISSA	MD	PLASTIC SURGERY
OP601255454	LEEDOM, TYLER	DO	ANESTHESIA
MD60461074	LEVIN, DINA	MD	GYN
MD60137777	LICHTENBERGER, JASON	MD	ENT
MD000044722	LONNER, JAY	MD	ANESTHESIA
MD61045070	LOTH, KARL	MD	ANESTHESIA
MD00049359	LUDWIG, THOMAS	MD	ANESTHESIA
MD00038824	MALLORY, MICHAEL	MD	GYN
MD00039465	MATTEUCCI, VINCENT	MD	EYE
PO60940994	MCALLISTER, GEOFFREY	DPM	PODIATRY
MD60012912	MILLER, CAMILLE	MD	GEN
MD60339118	MOLLER, JEFFREY	MD	ANESTHESIA
MD00036443	MORA, SHAYNE	MD	GYN
MD00043237	NEWELL, CHRIS	MD	ANESTHESIA
MD00040892	O'KEEFE, CASEY	MD	UROLOGY
MD60978272	OLDROYD, DANIEL	MD	ANESTHESIA
MD00042819	OLSON, DAVID	MD	ENT
OP00002206	OSWIN, MATTHEW	DO	ORTHO
MD0024911	PETTIT, JOHN	MD	UROLOGY
MD00023940	PIETRO, MICHAEL	MD	GEN
MD60071861	PITSCH, TREVOR	MD	ANESTHESIA
PO61170848	PLYLER, DANNY	DPM	PODIATRY
OP60451484	PODOREAN, KATHERINE	DO	ANESTHESIA
MD61138313	PRIEM, MICHAEL	MD	ANESTHESIA
MD00027775	RAMUSACK, RAYMOND	MD	ANESTHESIA
MD60954714	RAYBECK, MARK	MD	ANESTHESIA
MD60634618	REZNICEK, DANIEL	MD	UROLOGY
MD00041609	ROBINSON, ALLISON	MD	GEN
MD60615492	ROETER, DANIEL	MD	UROLOGY
MD60770459	RUBENSTEIN, PETER	MD	ANESTHESIOLOGY
MD61122453	RUST, DAVID	MD	ORTHO-PH
OP60560011	SAVERY, AMANDA	DO	GYN
MD60082178	SAXE, NEAL	MD	ANESTHESIA

PROSC List of Physicians

License Number	Name	Title	Speciality
MD60907935	SCHOENE, PETER	MD	ANESTHESIA
MD00039983	SCHROETER, JOHN	MD	LOCUM
MD00036798	SHAW, REGINA	MD	ANESTHESIA
MD60657485	SHEWMAKER, ERIC	MD	ANESTHESIA
MD60461259	SKJEI, SCOTT	MD	ANESTHESIA
MD60658279	SKIRBALL, JARRETT	MD	ANESTHESIA
MD60652460	SNEED, NATHAN	MD	ANESTHESIA
MD00042578	SPIPKER, CHRIS	MD	ANESTHESIA
MD00029527	STACKHOUSE, THOMAS	MD	ENT
OP60078047	STARR, TAMMY	DO	GYN
MD00020213	SULLIVAN, SHAUN	MD	LOCUM
MD60082307	SUTHERLAND, MICHAEL	MD	ANESTHESIA
MD60917685	SWAN, MALCOLM	MD	ANESTHESIA
MD00047509	TAN, CHEE	MD	OB/GYN
OP00002156	TARANOW, WARREN	DO	ORTHO
MD61078007	TRAUSCHT, DAVID	MD	ANESTHESIA
MD61031268	UDAWATTA, THIRAN	MD	ORTHO-PODIATRY
MD00037002	VANDERGRIEND, KEITH	MD	GEN
MD60208322	VANDERLEEST, SCOTT	MD	ANESTHESIA
MD60130985	VAN HOFWEGEN, CHRIS	MD	ORTHO
MD60273897	VAN MIEGHEM, JOHN	MD	ANESTHESIA
MD00047524	VERNEUIL, ANDREW	MD	ENT
MD00038923	VONFELDT, MATTHEW	MD	ANESTHESIA
MD00036764	WALTERS, LARRY	MD	ANESTHESIA
MD00042035	WHITNEY, TIMOTHY	MD	PLASTICS
OP60396655	WOO, KAREN	DO	GENERAL
MD00043020	YOOS, JESSICA	MD	ANESTHESIA

Exhibit 18.
Credential Staff List

PROSC Credentialed Staff

STAFF MEMBER	CREDENTIAL NUMBER
REGISTERED NURSE	
BAUER, AMANDA	RN60891065
BIELEFELD, MEGAN	RN60221923
BOS, MONICA	RN60635973
BRANDT, AARON	RN60968072
BROWN, BRYNN	RN60564508
BROWN, RACQUEL	RN61133957
BUCKNER, KAREN	RN00150880
CARTWRIGHT, PULVIA	RN60735965
CHERVENOCK, JESSICA	RN60257258
COE, ANNALISE	RN60724966
ERIKSON, JANNA	RN60092984
GARDAM, ELIZABETH	RN60690624
HAAS, SONORA	RN60968382
HATHAWAY, OFA	RN60861524
JURASEVICH, BRANDI	RN60704359
KRUEGER, CHRISTINA	RN60476968
MARTINEZ, DANIELLE	RN60396844
MCWILLIAM, RACHEL	RN61020042
MEDE, JENNIFER	RN60832972
PEREZ, NANCY	RN60640634
PUGH, BRIANNE	RN00163629
REED (KYLINGMARK), JENNA	RN60764393
RYAN, JESSI	RN60292360
SMITH, KELLY	RN60487054
SULLIVAN, DARIA	RN60767033
TARENTA, RICHARD	RN60471610
TURNER, SHAYLEE	RN60761699
VIDANA, ELIZABETH	RN60485782
VILLARS, MICHELLE	RN00142352
WARNER, LYNZEE	RN60666815
SURGICAL TECH	
ALARCON, LINDSEY	ST60999128
BROWN, TRAVIS	ST61129481
KOCHUBEY (KNIGHT), YANA	ST61173570
MILLER, STEPHANIE	ST60671205
PECARICH, STEPHANIE (SWAAB)	ST00003238
SARGENT, MICHELLE	ST60863052
SHPAK, ANDREY	ST60476232
SIDOR, HAYLEY (NYMAN)	ST60477373
TORRES, ALYSSA	ST60668930

Exhibit 19.
Transfer Agreement

PATIENT TRANSFER AGREEMENT

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

Sending Facility

Pacific Rim Outpatient Surgery Center, LLC
2979 Squalicum Parkway #203
Bellingham, WA 98225

Receiving Facility

PeaceHealth, d/b/a
PeaceHealth St. Joseph Medical Center
2901 Squalicum Parkway
Bellingham, WA 98225

2. **Purpose.** The Parties agree to be contractually bound by the terms of this Agreement in order to establish procedures and responsibilities that will facilitate the timely transfer of patients, the timely transfer of patients' records, and the continuity of patient care.
3. **Patient Transfer Process.** When the patient's attending physician at the Sending Facility has determined it is in the best interest of patient care to transfer him/her to the Receiving Facility so that the patient can receive care not available at the Sending Facility, the Sending Facility shall:
- 3.1. **Obtain the patient's consent** to transfer; or
- If the patient is not competent, obtain a family member's consent; or
- If a family member's consent cannot be obtained in a timely fashion, the Sending Facility shall: (a) notify the Receiving Facility of the circumstances, (b) review the clinical necessity for transfer and (c) obtain the Receiving Facility's agreement to receive the patient without a signed transfer consent.
- 3.2. **Obtain the Receiving Facility's consent** to accept the patient for the unavailable services at the Sending Facility and immediate relevant care normally associated with patient's condition. Consent shall be given so long as customary admission requirements are met, adequate bed space and qualified personnel are available, and there has been compliance with federal and state laws.
- 3.3. **Provide records sufficient to enable continuity of patient care** to the Receiving Facility at time of transfer or as promptly thereafter as possible. To the extent possible, the records shall include:
-

- 3.3.1. Patient's name, age, address, telephone number and the address and telephone number for next of kin;
 - 3.3.2. History of the illness or injury;
 - 3.3.3. Condition on admission;
 - 3.3.4. Tests and procedures performed (lab, x-ray, etc.);
 - 3.3.5. Diagnosis;
 - 3.3.6. Treatment provided, including medications and/or fluids given and route of administration;
 - 3.3.7. Name and phone number of referring physician; and
 - 3.3.8. Name and phone number of receiving physician.
- 3.4. **Secure transportation for the patient** to the Receiving Facility by appropriate mode and with appropriate accompanying health care practitioners.
- 3.5. **Safeguard patient's personal effects.** If patient's personal effects are transferred to the Receiving Facility, the Sending Facility shall secure a signed inventory of items from the person in charge of the transporting medium, who in turn shall secure a signed inventory of items from the Receiving Facility upon tendering them.
- 3.6. **Informed decision.** Sending Facility shall inform its patients of the transfer procedures encompassed in this Agreement prior to the patient giving consent to undergo procedures at the Sending Facility.

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.
 - 4.2 Each Party shall be responsible only for collecting its own payment for services rendered to the patient. Neither Party shall have any liability to the other for such charges.
 - 4.3 Should transferred patient have continuing care needs upon discharge from Receiving Facility, Sending Facility agrees to arrange for appropriate care.
-

4.4 Each party agrees to be liable for its own conduct and to indemnify the other party against any and all losses therefor. In the event that loss or damage results from the conduct of more than one party, each party agrees to be responsible for its own proportionate share of the claimant's damages.

5. **Term and Termination.** This Agreement shall remain in effect until written notice of termination has been provided to either Party from the other.

6. **Miscellaneous Terms.**

6.1 The Parties are independent contractors: neither has authority to act on behalf of the other.

6.2 Nothing in this Agreement shall be construed as limiting the rights of either Party to contract with any other entity on a limited or general basis.

6.3 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.

6.4 Each Party agrees that it shall not discriminate in the provision of services to any patient on the basis of source of payment or any legally protected status of the patient.

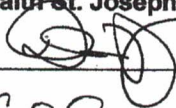
6.5 The interpretation of this Agreement and the resolution of any disputes arising under it shall be governed by the laws of the State of Washington.

6.6 The individuals executing this Agreement represent and warrant that they are competent and capable of entering into a binding contract, and that they are authorized to execute this Agreement on behalf of the parties hereto.

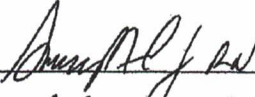
6.7 Each party represents and warrants that it is not excluded from participation, and is not otherwise ineligible to participate in a "Federal health care program", as defined in 42 U.S.C. Section 1320a-7b(f) or in any other governmental payment program. In the event either party is excluded from participation, or becomes otherwise ineligible to participate in any such program during the term of this Agreement, the excluded/ineligible party will notify the other party in writing within three (3) days after such event, and upon the occurrence of such event. Whether or not such a notice is given by the excluded/ineligible party, the other party may immediately terminate this Agreement upon written notice to the excluded/ineligible party.

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

**PeaceHealth d/b/a
LLC
PeaceHealth St. Joseph Medical Center**

By: 
Its: C00
Date: 2/28/13

Pacific Rim Outpatient Surgery Center,

By: 
Its: Administrator
Date: 1/31/2013