



VANCOUVER CLINIC

**Certificate of Need Application
to
Amend CN #1803
Due to a Change in Financing**

November 2022

INTRODUCTION

In July of 2019, The Vancouver Clinic (TVC) was issued Certificate of Need #1803 to establish a new six (6) room Ambulatory Surgery Center (ASC) in the Salmon Creek area of Vancouver, Clark County. The approved project had an estimated capital expenditure of nearly \$32 million and was to be financed with a combination of reserves and debt.

In its Certificate of Need (CN) analysis, the Certificate of Need Program (the Program) found the project met all applicable criteria contained in WAC 246-310-210 through WAC 246-310-240.

In the spring of 2021, TVC notified the Program that it had concluded that having a developer construct the medical office building in which the ASC was to be located in and construct and complete all improvements to the ASC space was a superior alternative to the financing approved in CN #1803. TVC was advised by the Program that this change in financing would require the filing of an amendment application, and that consistent with WAC 246-310-570(2):

An application to amend a certificate of need shall be submitted and the certificate of need will be issued or denied prior to project completion except for projects involving construction. For projects involving construction, an amendment application may be submitted up to ninety days after project completion

Construction of the ASC was completed in early November with the issuance of the certificate of occupancy. The ASC's license is also pending, and we are awaiting survey. We expect to be fully operational in Q1 2023.

While a change in financing is not specified in rule as an action that requires an amendment; consistent with the Program's request, TVC has filed this amendment application. We understand that the scope of the amendment is limited to continued conformance of the Project to the financial feasibility criteria in WAC 246-310-220. After conversation with the Program, TVC elected not make any significant changes to the utilization or other financial assumptions included in the original application; so that the Program can easily ascertain the impact of the change in financing on the originally issued CN #1803.

**SECTION 1
APPLICANT DESCRIPTION**

A. Legal name(s) of applicant(s)

The legal name of the applicant is The Vancouver Clinic, Inc., P.S (TVC).

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

The address of TVC is:

700 NE 87th Ave,
Vancouver, WA 98664

The name of the proposed facility is the TVC Salmon Creek ASC. The address is:

2529 NE 139th St,
Vancouver, WA 98686

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

TVC is a Washington professional corporation.

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

The owning entity is the same as the applicant.

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

Please address all correspondence to:

Mark E. Mantei, MHSA, FACHE
Chief Executive Officer
The Vancouver Clinic
360.397.5530
mmantei@tvc.org

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

An organizational chart for TVC is included in Exhibit 1.

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

The operating entity is the same as the applicant. No change is proposed as result of this amendment.

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

As detailed in Table 1, TVC operates an existing (certificate of need exempt) licensed and certified ASC at our 87th Avenue address in Vancouver. This location will continue to be an ASC post the opening of the Salmon Creek ASC. While the Salmon Creek ASC has been issued a license number, the actual license is pending per the Department of Health’s provider credential website.

The license information is:

**Table 1
TVC ASCs**

Facility	Address	License Number
The Vancouver Clinic Surgery Center	700 NE 87th Avenue Vancouver, WA 98664-1913	ASF.FS.60103037
The Vancouver Clinic Surgery Center at Salmon Creek	2529 NE 139 th St, Vancouver, WA 98686	ASF.FS.61343857

Source: Applicant

No other licensed facilities are owned or operated by TVC. However, TVC does own and operate primary care, urgent care and specialty clinics at 15 locations in Clark County and in the Portland Metro area.

I. Facility licensure/accreditation status.

The TVC Salmon Creek ASC has received its Washington State license number and is process of securing accreditation on from the Accreditation Association of Ambulatory Health Care (AAAHC). The ASC will also be certified by both Medicare and Medicaid.

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

Once the TVC Salmon Creek ASC has secured accreditation, TVC will finalize its applications and receive approval and new provider numbers from both Medicare and Medicaid. TVC’s existing ASC is reimbursed for services under Titles XVIII and XIX of the Social Security Act. The provider numbers for TVC’s existing ASC are delineated in Table 2:

**Table 2
Medicare and Medicaid Provider Numbers**

	Medicare Provider Number	Medicaid Provider Number
TVC ASF	AB03565	2005340

Source: Applicant

K. Geographic identification of primary service area.

Consistent with WAC 246-310-270(3), the Clark County Secondary Health Services Area (Clark County) is the primary service area for this project.

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

This amendment application proposes a change in financing only. TVC provided information on its active medical staff in the original CN filing, and it was found to meet all requirements.

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

This amendment application proposes a change in financing for a prior CN approved project. TVC understands that the focus of the application will be on the project's continued compliance with WAC 246-310-220. We further understand that the project's compliance to all other applicable review criteria in WAC 246-310-210, WAC 246-310-230 and WAC 246-310-240 are deemed met. Since *Need* is not a consideration in this application, we have not updated this information.

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

1. Ambulatory Surgical Facility - surgeries per year

While the TVC Salmon Creek ASC is not yet operational, TVC does operate an existing ASC and its historical volumes were provided in Table 4 of the original application. TVC notes that due to COVID-19 pandemic related shutdowns, historical utilization was lower than expected in 2020 and 2021. However, full year 2022 has largely returned to pre-pandemic levels.

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

TVC has no history related to the sanctions described in WAC 246-310-230 (5) (a).

SECTION 2 PROJECT DESCRIPTION

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

On July 31, 2019, the Program approved TVC's request to establish a six (6) operating room ASF to be located in the Salmon Creek neighborhood of Vancouver, within Clark County. Surgical services that were approved in the CN award include orthopedics, ENT, podiatry, urology, pain management, general surgery, gynecology, ophthalmology, cardiology, and sports medicine. The approved capital expenditure was \$31,862,603. The ASC was expected to become operational in February 2021; and the financing was to be one-third from TVC reserves and two-thirds from financing provided by US Bank.

Beginning with the Q3 2020 progress report, TVC notified the Program that a possible change in financing was being contemplated. This change in financing was confirmed in the Q1 2021 progress report, and a May 2021 email from the Program stated that the change would require an amendment application to be filed. In that same email, the Program confirmed that TVC had commenced the project.

The ASC's construction is now complete (with the issuance of a certificate of occupancy), and CRS recently provided its final project sign-off. While the actual license is pending, the ASC has also received its license number. We are awaiting our accreditation survey; and expect to fully operational by Q1 2023.

The modification to the financing involved a developer constructing the building and related improvements and then leasing it back to TVC. Specifically, PMB Vancouver Investors, LLC constructed the building and related improvements and then entered into a lease with TVC. A copy of the executed lease agreement is included in Exhibit 2 with an effective date of February 5, 2021. The term of the lease is for 15 years. TVC ultimately funded the equipment, furnishings and select other costs and fees (accreditation, legal, software licenses and moving/relocation costs) with debt. The total cost of the expenditures funded by TVC was \$9,183,941. Given the changing market caused by COVID, supply chain and subsequent inflation, the change in financing was very advantageous for TVC: the project was able to move forward timely thereby limiting capital cost increases. TVC now carries less debt than was estimated in the original CN and we subsequently have been able to preserve more cash than would have occurred under the original CN approved financing.

In order for the Program to determine the impact of the change in financing on the approved project, TVC made no change to utilization or revenue. Changes made to the operating expenses were limited to known areas of change in line items including rentals and leases, depreciation, interest, supplies and purchased services - utilities.

The pro formas included in Exhibit 3 provides the information needed for the Program to determine that the project still meets all applicable criteria in WAC 246-310-220.

B. Total estimated capital expenditures.

The actual capital expenditure, now limited to equipment, was \$9,183,941.

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

The opening date is scheduled for February 2023. Original and amended operating expenses for the first two years are in Table 3:

**Table 3
The Vancouver Clinic
Original and Amended Operating Expenses, Years 1 and 2**

	Original	Amended
Year 1	12,768,984	13,376,670
Year 2	13,565,439	14,015,779

Source: Applicant

D. New services/changes in services represented by this project.

As was noted in the original application, the TVC Salmon Creek ASC will provide new freestanding ASC capacity within the Clark County Secondary Health Services Planning Area (Clark County). No change is proposed with this amendment application.

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

The TVC Salmon Creek ASC was approved for the following surgical services:

- | | |
|----------------------|-----------------|
| Orthopedics | Urology |
| Otolaryngology (ENT) | Cardiology |
| Podiatry | Pain Management |
| General Surgery | Ophthalmology |
| Gynecology | Sports Medicine |

No change in type of patients is proposed with this amendment application.

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

Table 4 details the projected utilization of services for the first three full years of operation. Consistent with the original application, Year 1 is still a partial year. No change in utilization is proposed with the amendment.

**Table 4
Projection Utilization: Years 1-4**

Year	Cases
2023- Year 1 (partial year)	6,640
2024- Year 2	7,101
2025- Year 3	7,738
2026=Year 4	8,444

Source: Applicant

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

A copy of the letter of intent submitted to the Program related to this amendment application is included in Exhibit 4.

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

The original CN application provided this data for our existing 87th Avenue ASC. Table 5 restates this information. The Program found the payer mix reasonable, and approved CN #1803. No change in payer mix has been assumed with this amendment application.

**Table 5
Existing Source of Revenue by Payer**

Payer	Percent of Total
Medicare	22.86%
Medicaid	14.81%
Commercial	55.48%
Workers Compensation	1.00%
Other Government	5.57%
Other	0.28%
Total	100.0%

Source: Applicant

I. Sources (s) of financing.

The original application assumed that TVC would use a combination of existing reserves (one-third) and debt financing provided by US Bank to fund the project. In 2021, TVC modified the financing to a lease arrangement; with TVC using financing for the equipment costs.

J. Equipment proposed:

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

Exhibit 5 includes listing of the equipment that has already been acquired. No equipment was replaced as a result of this project.

K. Drawings:

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

The TVC Salmon Creek ASC is a new facility. This question is not applicable.

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

Updated single line drawings of the new ASC are included in Exhibit 6.

- 3. Total net and gross square feet of project.**

The completed ASC includes a total of approximately 27,600 gross square feet and 23,300 net square feet; the same as was originally proposed.

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

This question is not applicable; there is no dialysis capacity proposed.

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

As previously noted, the project commenced in February 2021. Construction is complete and the facility is awaiting accreditation (the ASF license number has been assigned). The ASC will be operational in Q1 2023.

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

Anticipating the needs of the community and providing the most cost-effective care is an integral part of TVC's planning. Utilization of ASCs as preferred sites for appropriate surgeries continue to grow. As a result, there continues to be increasing demand and pressure from both patients and payers for the provision of accessible outpatient surgical services in non-hospital-based settings in an effort to reduce the cost of care.

The newly completed ASC will provide new access and offer an option to serve the residents in the setting that provides the most value to the patient and payer.

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

Construction is complete. None of the above impacted the project or usage of the site.

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

The ASC's construction is completed. The requested information was included in the original CN approval and found to be in compliance with CN requirements at that time.

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

The developer is the owner of the site. TVC's 15 year executed lease agreement is included as Exhibit 2. Please note that the lease agreement is for the entire building which also includes medical office space. The ASC occupies a portion of the building, and the lease expense has been allocated accordingly.

Exhibit 2 also includes the executed first and second amendments to the lease.

SECTION 3
PROJECT RATIONALE
Need (WAC 246-310-210)

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

The Program's analysis that resulted in the award of CN #1803 agreed that there was a need and approved TVC to construct an ASC with six new ORs. Construction of the ASC is now completed. It will be operational by Q1 2023.

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

The population expected to be served by this project continues to be the population within the Clark County Secondary Health Services Planning Area. The Program's analysis that resulted in the award of CN #1803 agreed that this was the correct service area population. This amendment has no impact on the service area population.

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

The Program analysis that resulted in the award of CN #1803 agreed that the underlying assumptions and the resultant utilization volumes were reasonable. The change in financing has no impact on the utilization. In the original CN, the project was expected to be operational in Q1 of 2021. Construction was delayed by COVID, and the new operational date is Q1 2023; the original surgical volumes were advanced by two years to reflect the new opening without any adjustments. For reader ease, the years are listed as 1-4 with Year 1 being a partial year (11 months). This is the same as the original Year 1, which was also expected to be a partial year with 11 months as well.

Table 6
TVC Salmon Creek ASC Projected Utilization, Years 1-4

Specialty	Year 1	Year 2	Year 3	Year 4
Orthopedics	1,545	1,606	1,783	1,854
ENT	800	896	1,004	1,124
Podiatry	693	700	707	813
Urology	210	290	400	552
Pain Management	1,030	1,041	1,051	1,062
General Surgery	800	880	968	1,065
Gynecology	524	568	614	664
Ophthalmology	779	856	942	1,036
Cardiology	115	120	125	130
Sports Medicine	144	144	144	144
Total	6,640	7,101	7,738	8,444

Source: Applicant

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

The Program analysis that resulted in the award of CN #1803 found that the proposed ASC was not an unnecessary duplication. There has been no change in supply of ORs in the Planning Area since the award of the CN. The six new ORs are now complete and will be operational by Q1 2023.

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

The Program analysis that resulted in the award of CN #1803 found that TVC's adopted policies and procedures assure access to all persons regardless of income, race, ethnicity, gender, and disability status. It also found that the TVC's non-discrimination and charity care policies (Financial Consideration) met requirements. There have been no changes to the previously reviewed and approved policies.

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

This project is not a relocation, reduction or elimination.

iii Applicants should include the following:

▪ **Copy of admissions policy;**

The admission policy for TVC Salmon Creek ASC was reviewed in the original CN decision, and CN #1803 found the policy to be consistent with CN requirements. There has been no change to the previously reviewed and approved policies.

▪ **Copy of community service policy;**

TVC does not now, and did not in the original CN application, have a community service policy. That said, TVC is committed to meeting the community health needs. CN #1803 found this response to be consistent with CN requirements; and the CN was approved.

▪ **Reference appropriate access problems and discuss how this project addresses such problems;**

The Program analysis that resulted in the award of CN #1803 found that there was numeric need for additional ORs and that the project would improve access. Nothing in this amendment application alters this conclusion.

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

- a. **The special needs and circumstances of entities such as medical and other health professions' schools, multi-disciplinary clinics, and specialty centers that provide a substantial portion of their services, resources, or both, to individuals not residing in the health services areas in which the entities are located or in adjacent health services areas.**

This question is not applicable.

- b. **The special needs and circumstances of biomedical and behavioral research projects which are designed to meet a national need and for which local conditions offer special advantages.**

This question is not applicable.

- c. **The special needs and circumstances of osteopathic hospitals and non-allopathic services with which the proposed facility/service would be affiliated.**

This question is not applicable.

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

1. Proposed capital expenditures should be broken out in detail.

The revised capital expenditure for this amendment application is detailed in Table 7:

**Table 7
Estimated Capital Expenditure**

	Description	Estimated Cost
a.	Land Purchase	
b.	Land/Building Improvements	
c.	Building Purchase	
d.	Residual Value of Facility	
e.	Building Construction	\$0
f.	Moveable Equipment	
g.	Fixed Equipment	\$8,203,091
h.	Architect/Engineer Fees	\$0
i.	Consulting Fees	\$0
j.	Site Preparation	
k.	Supervision and Inspection	\$0
l.	Cost of securing financing	\$0
m.	Costs Associated with Financing to Include Interim Interest	
n.	Sales Tax	\$710,589
o.	Other Project Costs:	
	DOH Licensing	\$19,650
	DOH CRS	\$40,000
	AAAHC fees	\$50,000
	Furnishings	\$160,311
p.	Total Estimated Capital Costs	\$9,183,941

Source: Applicant

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

The capital expenditure is limited to equipment, furnishings and miscellaneous fees. TVC has already purchased the equipment, and furnishings and all has been installed and/or set-up in the ASC. The capital information included in Table 7 reflects the actual cost.

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

The capital cost for the approved CN #1803 was \$31,832,603 of which TVC was going to contribute about one third (\$10,621,000) in reserves. The amended capital expenditure is about 70% lower; and TVC's contribution is about 14% less than the original; which was made by debt, not by use of reserves.

As was noted in the original application, the project and initial capital investment was necessary in order to support community need. The Program's analysis concluded that the approval of the project would not likely have an unreasonable impact on the costs and charges for health care services. This amendment application does not alter this finding and in fact provides TVC, and therefore the patients and communities we exist to serve, with additional benefits. These included but are not limited to timely completion of the project and therefore avoidance of capital increases from inflation and preservation of cash.

In addition, and as was noted in the original application, TVC Salmon Creek ASC's expanded ASC capacity will also potentially decrease out of pocket expenses for patients who may be traveling outside of Clark County for services and/or receiving services in a hospital-based setting.

4. Source(s) of financing (*loan, grant, gifts, etc.*). Provide all financing costs, including reserve account, interest expense, and other financing costs. If acquisition of the asset is to be by lease, copies of any lease agreements, and/or maintenance repair contracts should be provided. The proposed lease should be capitalized with interest expense and principal separated. For debt amortization, provide a repayment schedule showing interest and principal amount for each year over which the debt will be amortized.

In the original application, TVC was expected to fund approximately 33% of the project, or approximately \$10 million. Now, TVC's contribution, which has been completed, was less, albeit via debt, and not use of reserves. The revised pro forma financials included with this amendment application, delineates the impact of the change of financing.

- 5. Provide a cost comparison analysis of the following alternative financing methods: purchase, lease, board-designated reserves, and interfund loan or bank loan. Provide the rationale for choosing the financing method selected.**

TVC opted to revise the financing for this project from debt financing to a lease arrangement as we concluded that, in today's uncertain economic market, it was a preferred and prudent approach to completing this much needed project in a timely manner. In addition, at the time that the financing was intended to close, banks in general had slowed the loan application and approval process due to COVID-19. The change in financing allowed TVC to continue to move the project forward and avoid cost escalation from inflation. As the revised financials in Exhibit 3 document, TVC, while preserving cash, has essentially 'swapped' depreciation and interest expense for a lease expense. The project continues to meet all applicable requirements of WAC 246-310-220.

- 6. Provide a pro forma balance sheet and the accounting statement, statement of changes in financial position of unrestricted funds and changes in components of working capital.**

The requested financial information is included in Exhibit 3.

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

This project requires no capital expenditures beyond those identified in the proposal. This question is not applicable.

- 8. The expected sources of revenues for the applicant's total operations (e.g., Medicaid, Blue Cross, Labor and Industries, etc.) with anticipated percentage of revenue from each source.**

As was noted in earlier sections of this application, TVC Salmon Creek's payer mix was based on the existing payer mix for TVC's 87th Avenue ASC. The Program found the approach and proposed payer mix to be reasonable. No change has been assumed with this amendment application. The proposed payer mix is provided in Table 8:

Table 8
Proposed Source of Revenue by Payer

Payer	Percent of Total
Medicare	22.86%
Medicaid	14.81%
Commercial	55.48%
Workers Compensation	1.00%
Other Government	5.57%
Other	0.28%
Total	100.00%

Source: Applicant

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

TVC's audited financial statements are included in Appendix 1.

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

TVC's audited financial statements are included in Appendix 1.

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

TVC's audited financial statements are included in Appendix 1.

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

In its analysis, the Program concluded that TVC had demonstrated that the staffing model and assumptions were reasonable. No change in the FTE is proposed with this amendment application.

SECTION 5
PROJECT RATIONALE
Structure and Process (Quality) of Care (WAC 246-310-230)

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

The Program's analysis that resulted in the award of CN #1803 concluded that TVC had demonstrated that it would have a sufficient supply of qualified staff for this project either through recruitment of new and/or relocation of existing staff to the new ASC.

Despite the current workforce environment, we have very recently started recruiting for the ASC and have been pleased with the number and skills of candidates interested in working in the new multispecialty ASC.

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

The Program's analysis that resulted in the award of CN #1803 concluded that TVC had demonstrated medical directorship via an employed medical director. The Program analysis also concluded appropriate relationships with, and availability of, clinical support services staff. There have been no changes as a result of this amendment.

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

The Program analysis that resulted in the award of CN #1803 found that TVC's medical director job description met all requirements. There have been no changes to the previously reviewed and approved job description.

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

The Program's analysis that resulted in the award of CN #1803 concluded that TVC would have the appropriate ancillary and support services to meet the demands of the proposed project. This amendment has no impact on those relationships.

- 5. The specific means by which the proposed project will promote continuity in the provision of health care to the defined population and avoid unwarranted fragmentation of services. This section should include the identification of existing and proposed formal working relationships with hospitals, nursing homes, and other health service resources serving your primary service area. This description should include recent, current, and pending cooperative planning activities, shared services agreements, and transfer agreements. Copies of relevant agreements and other documents should be included.**

The Program analysis that resulted in the award of CN #1803 found that the Project would not result in unwarranted fragmentation of services and that TVC had, in place, the working relationships with other providers and services within the planning area. This amendment has not altered that finding.

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

Neither at the time of the original CN award or today does TVC have any history with respect to the actions noted in Q6.

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

At the time of the original CN award as well as today, TVC continues to operate all its programs and services in conformance with applicable federal and state laws.

SECTION 6
PROJECT RATIONALE
Cost Containment (WAC 246-310-240)

1. Exploration of alternatives to the project you have chosen to pursue, including postponing action, shared service arrangements, merger, contract services, and different methods of service provision, including different spatial configurations you have evaluated and rejected. Each alternative should be analyzed by application of the following:

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

The Program analysis that resulted in the award of CN #1803 found that the project proposed by TVC was the best available alternative. This amendment application is limited to a change in the financing of the project. The rationale and reasons for the altering the financing were provided in previous sections of this amendment application and included managing total project costs, preservation of cash during uncertain times, and more flexibility to TVC to adapt to changing times, reimbursement and technologies.

As shown in the pro forma, there is a small increase in operating costs, but the ASC continues to operate with a positive bottom line beginning in Year 1. The resultant increases in operating expenses ranges from 4.8% in Year 1 to 3.8% in Year 4. Had we remained with the CN approved financing method, we estimate that the project costs would have increased by at least 10-12% and the impact on operations would have been in a similar range.

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

The Program analysis that resulted in the award of CN #1803 found that the project was appropriate and needed and that the project “*has the potential to improve the delivery of health services. The department concludes the addition of multispecialty operating rooms will appropriately improve the delivery of health services in Clark County.*”¹

This amendment does not alter that finding.

¹Evaluation dated July 31, 2019 of the Certificate of Need Application submitted by Vancouver Clinic proposing to establish an ASC in Clark County, p. 35.

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

The building was designed and built to same standards identified in the original application. The only change was in a developer assuming responsibility for financing and construction. Construction is now complete, and services are expected to commence in Q1 2023.

The Program analysis that resulted in the award of CN #1803 found that the project met all applicable cost containment criteria contained in WAC 246-310-240. Nothing about the amendment has altered that finding.

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

The building was designed and built to same standards identified in the original application. The same methods of energy consumption identified in the original CN were retained as well. The only change was in a developer assuming responsibility for financing and construction. Construction is now complete, and services are expected to commence in Q1 2023.

The Program analysis that resulted in the award of CN #1803 found that the project met all applicable cost containment criteria contained in WAC 246-310-240. Nothing about the amendment has altered that finding.

Exhibit 1
Organizational Chart

Keren Rosenblum, MD
 Chair, Board of Directors
 397-5521

Mark Mantei, FACHE
 Chief Executive Officer
 397-5520

Alfred Seekamp, MD
 Chief Medical Officer
 397-5515

Rebecca Birenbaum
 Chief Operating Officer
 397-5522

Stan Bower
 Director of Operations
 Primary Care
 397-5528

Renee Busey
 Director of Operations
 Project Management
 397-3701

Adam Cowling, PT
 Director of Operations
 Surgical Specialty Care
 397-3614

Jeff Love
 Director of Operations
 ASC
 397-3126

Melissa McDermott
 Director of Operations
 Urgent Care
 541-4582

Shay Miller
 Director of Operations
 MSK
 397-5541

Donna Obot
 Director of Operations
 Medical Specialty Care
 397-5538

Mike Uphoff
 Director
 Facilities
 397-4007

Isabel Waite
 Director of Operations
 Women & Children Services
 397-3806

Jon Wilson
 Director of Operations
 Ancillary Service
 397-4069

Betsy Suydam
 Chief Financial Officer
 397-5526

Rodney George
 Sr. Controller
 Finance
 541-3417

Suzanne Graham
 Controller
 Finance
 397-3768

Rob Koyama
 Director
 Supply Chain
 541-5683

Cyndi Popejoy
 Director
 Finance
 397-3414

Meredith Rowan
 Director
 Contracting & Payor Relations
 397-4461

Rajesh Sinha
 Senior Director
 Data Strategy, Reporting &
 Analytics
 541-3518

Tonya Tenold
 Director
 Patient Financial Services
 397-3566

Jeremy Chrisman, DO
 Chief Transformation Officer
 397-5541

Eric Diaz
 Director of Operations
 Access Services
 397-4030

Dustin Miller
 Administrator
 Population Health
 541-1253

Kelly Love
 Director of Marketing &
 Strategic Communications
 397-3860

Robert Martin
 Chief Human Resources Officer
 397-5519

Joe Chapman
 Director
 Human Resources
 397- 4523

Colby Parrott
 Director
 Organizational Effectiveness
 397- 3587

Tom O'Neal
 Chief Information Officer
 397-5533

Mike Bray
 Chief Information
 Security Officer
 397-3489

Eric Lowe
 Sr. Manager
 IT Design / Engineering
 397-3470

Tyler Melero
 Director
 IS Operations
 397-4494

LeRoy Vaughn
 Manager IS
 Learning & Development
 397-3467

Alex Meinig
 Director of Compliance and
 Risk Management
 397-4452

Carol Bunten, MD
 Associate Medical Director:
 Surgical Specialties

Kyle Lamb, MD
 Associate Medical Director:
 Population Health

Michael Paull, MD
 Medical Director:
 Adult Primary Care
 397-3396

Elliott Palmer, MD
 Associate Medical Director of
 MSK
 397-3106

Craig Riley, MD
 Medical Director Primary Care &
 Medical Education
 397-4432

Amelia Ryan, MD
 Medical Director
 Women and Children Services
 397-3536

Gayle Seifullin, RN
 Director
 Quality and Medical Affairs
 397-5527

Marcia Sparling, MD
 Chief Medical Information Officer
 Medical Director Specialties
 397-5535

Lynda Tang, DO
 Associate Medical Director
 of Communications
 397-3461

Loran Yehudai, MD
 Medical Director:
 Medical Specialty Care
 397-3812

Department Chairs
 24

Exhibit 2
Lease Agreement

LEASE AGREEMENT

Between

PMB Vancouver LLC, as Landlord

and

The Vancouver Clinic, Inc., P.S., as Tenant

SUMMARY OF TERMS
(“Summary of Terms”)

TENANT: The Vancouver Clinic, Inc., P.S., a Washington professional service corporation, whose address is 700 NE 87th Ave., Vancouver, WA, 98664, Attention: Chief Financial Officer.

LANDLORD: PMB Vancouver LLC, a Delaware limited liability company, whose address is c/o PMB LLC, 3394 Carmel Mountain Road, Suite 200, San Diego, CA 92121, Attn: Ben Ryan.

EFFECTIVE DATE: February 5, 2021.

PREMISES: The Real Estate, Building, any other improvements located on the Real Estate, and all rights, and easements appurtenant to the Real Estate.

BUILDING: The medical office building to be located at 2529 NE 139th Street in the City of Vancouver, State of Washington.

RENTABLE SQUARE FEET (“RSF”): 80,225 rentable square feet.

TERM: The period beginning on the Commencement Date and ending on the date which is fifteen (15) years following the Rent Commencement Date.

EXTENSION OPTIONS: Three (3) extension options of ten (10) years each.

INITIAL BASE RENT (Estimated): \$57.96 per RSF of the Premises per year based on the Project Cost of \$74,400,000 multiplied by the Rental Factor.

INITIAL BASE RENT (actual): \$[] per RSF of the Premises per year, as calculated in accordance with Section 2.1(A) below.

RENTAL FACTOR: 6.25%

ANNUAL ESCALATOR: 2.25%

SUBSTANTIAL COMPLETION DATE: The meaning ascribed to it in the Development Agreement.

COMMENCEMENT DATE: The Effective Date.

RENT COMMENCEMENT DATE: The Substantial Completion Date.

SECURITY DEPOSIT: None for original Tenant named under this Lease.

BROKER: None.

GUARANTOR: Vancouver Clinic Building, LLC, a Washington limited liability company.

LEASE AGREEMENT

THIS LEASE AGREEMENT (this "Lease") is executed as of the Effective Date by and between PMB Vancouver LLC, a Delaware limited liability company ("Landlord"), and The Vancouver Clinic, Inc., P.S., a Washington professional service corporation ("Tenant").

W I T N E S S E T H:

WHEREAS, concurrently herewith, Landlord, Landlord's affiliate, PMB Vancouver Investors LLC, a Delaware limited liability company, as "Developer," and Tenant have entered into that certain Development Agreement (the "Development Agreement"), pursuant to which Landlord shall construct Building on the Real Estate and related improvements; and

WHEREAS, once Landlord has fulfilled its obligations to construct the Building and related improvements pursuant to the terms of the Development Agreement, Tenant desires to lease the Premises, subject to and in accordance with the terms hereof.

That in consideration of the rents, covenants and conditions herein set forth, Landlord and Tenant agree as follows:

Section 1 – Summary; Premises, Term

1.1 **Summary of Terms.** The Summary of Terms are made a part of this Lease, but the provisions of this Lease addressing those matters in detail control over any inconsistent provisions in the Summary of Terms. All terms capitalized but not otherwise defined herein have the respective meanings ascribed to them on Schedule 1.1 attached hereto and made a part hereof.

1.2 **Premises.** Subject to the Permitted Encumbrances and the terms and conditions of this Lease, Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, the Real Estate, Building and any other improvements located on the Real Estate (collectively, the "Premises"), a site plan of which is attached hereto as Exhibit A (referred to herein from time to time as the "Premises"), with the Building consisting of approximately 80,225 Rentable Square Feet (defined below). "Rentable Square Feet" and "Usable Square Feet" shall each be computed in accordance with the American National Standard of the Building Owners and Managers Association, International, Standard Method for Measuring Floor Area in Office Buildings. Subject to the terms of the Development Agreement, Tenant acknowledges that it is leasing the Premises "as is" without any representations or warranties.

1.3 **Term.** The term of this Lease (the "Term") shall commence upon the Commencement Date as set forth on the Summary of Terms and shall terminate on the date which is fifteen (15) years following the Rent Commencement Date, unless sooner terminated or extended as provided herein.

1.4 **Use; Compliance; Operation.**

(A) **Permitted Use.** Tenant shall continuously occupy and use the Premises for ordinary and customary ambulatory medical care service purposes and lawful activities normally incidental thereto and for no other purpose.

(B) **Compliance.** At its cost, Tenant shall observe and comply, and shall cause the Tenant Parties to observe and comply, with all Governmental Regulations. However, Tenant, at Tenant's sole cost and expense and after notice to Landlord, may contest, by appropriate proceedings prosecuted diligently and in good faith, the legality or applicability of any Governmental Regulations affecting the

Premises provided that: (i) Landlord shall not be subject to criminal or civil penalties or caused to be in default under any contract, nor shall the Premises or any part thereof be subject to being condemned or vacated, nor shall the certificate of occupancy or any temporary certificate of occupancy for the Premises be suspended or threatened to be suspended by reason of non-compliance or by reason of such contest; (ii) before the commencement date of such contest, if Landlord may be subject to any civil fines or penalties or if Landlord may be liable to any independent third party as a result of such noncompliance, then Tenant shall furnish to Landlord either (1) a bond of a surety company reasonably satisfactory to Landlord, in form and substance reasonable satisfactory to Landlord, and in an amount at least equal to Landlord's reasonable estimate of the sum of (A) the cost of such compliance, (B) the penalties, fines and damages that may accrue by reason of such non-compliance and (C) the amount of such liability to independent third parties, and shall indemnify Landlord against the cost of such compliance and liability arising from or incurred in connection with such contest or non-compliance; or (2) other security satisfactory to Landlord; (iii) such non-compliance or contest shall not constitute or result in a violation of the terms of any mortgage, deed of trust or other financing or security agreement that encumbers all or any portion of the Premises ("Security Instrument"), or if such Security Instrument conditions such non-compliance or contest upon the taking of action or furnishing of security by Landlord, such action shall be taken or such security shall be furnished at the expense of Tenant; and (iv) Tenant shall keep Landlord regularly advised as to the status of such proceedings.

1.5 **Option to Extend.**

(A) **Grant of Option.** Subject to the terms of this Section 1.5, Tenant shall have three (3) option(s) to extend the term of this Lease for an additional period of ten (10) years each (each an "Option Period" and collectively, the "Option Periods"), with each Option Period to begin upon the expiration of the Term (as the same may have been extended). No concessions, abatements or allowances granted with respect to the Term shall be applicable to any Option Period, and the Option Period, once exercised, cannot be exercised again.

(B) **Conditions to Exercise of Option.** In order for Tenant to exercise its option to extend under this Section 1.5, the following conditions must be satisfied on the date that Tenant delivers its Preliminary Extension Notice (defined below) as well as on the date that the Option Period is to commence: (1) no Event of Default shall exist and no event shall exist which, by the giving of notice or the passage of time, or both, would mature into an Event of Default, (2) the originally named Tenant shall not have assigned this Lease to anyone other than as expressly permitted hereunder, and (3) Tenant is occupying the Premises.

(C) **Procedure.** So long as the foregoing conditions are satisfied, Tenant shall provide Landlord with notice of its desire to extend the Term for an Option Period not less than nine (9) months nor more than twelve (12) months ("Notification Period") prior to the scheduled expiration of the Term (as the same may have been previously extended by an Option Period) (each such notice, a "Preliminary Extension Notice"). If Tenant fails to timely deliver a Preliminary Extension Notice, then Landlord shall send Tenant a written notice ("Reminder Notice") following expiration of the Notification Period advising Tenant that Tenant's failure to timely deliver a Preliminary Extension Notice within ten (10) business days after delivery of the Reminder Notice shall conclusively be deemed Tenant's waiver of its right to extend the Term; provided that Landlord's failure to deliver a Reminder Notice shall not be deemed in any way to be a waiver of the other requirements of this Section 1.5. If following the delivery of the Reminder Notice Tenant fails to deliver to Landlord the Preliminary Extension Notice within such ten (10) business day period, then Tenant shall be conclusively deemed to have waived its extension rights.

(D) **Notice and Determination of Base Rent.** If Tenant timely delivers a Preliminary Extension Notice, Landlord shall deliver to Tenant, within thirty (30) days after receipt of the Preliminary

Extension Notice, notice (the "Rent Notice") of Landlord's determination of the Base Rent for the first year of the applicable Option Period (the "Option Period Base Rent"), which shall be made using Landlord's good faith judgment and which shall be the greater of (1) the annual Base Rent amount in effect immediately prior to the commencement of the Option Period, increased by the Annual Escalator (the "Base Rent Floor"), and (2) the then prevailing fair market annual Base Rent for the Premises. For purposes hereof, "prevailing fair market annual Base Rent " shall mean the arms-length fair market annual rental rate per rentable square foot under renewal leases and amendments entered into on or about the date on which the prevailing fair market annual Base Rent is being determined hereunder for space comparable in size to the Premises that are comparable in size, same sub-market area, age and amenities, for renewal periods equal to the Option Period. The prevailing fair market annual Base Rent shall exclude the value of any improvements, alterations or trade fixtures installed at Tenant's sole cost and expense. The determination of the prevailing fair market annual Base Rent shall take into account any material economic differences between the terms of this Lease and any comparison lease or amendment, such as rent abatements, construction costs and other concessions and the manner, if any, in which the landlord under any such lease is reimbursed for operating expenses, taxes and electrical costs and the creditworthiness of Tenant. The determination of the prevailing fair market annual Base Rent shall also take into consideration any reasonably anticipated changes in the prevailing fair market annual Base Rent from the time such prevailing fair market annual Base Rent is being determined and the time such prevailing fair market annual Base Rent will become effective under this Lease.

If Landlord's Rent Notice sets forth that the Option Period Base Rent shall be equal to the Base Rent Floor, then the Term shall be extended for the applicable Option Period and the Option Period Base Rent shall be equal to the Base Rent Floor. If Landlord's Rent Notice sets forth that the Option Period Base Rent shall be equal to the fair market annual Base Rent for the Premises, and Tenant does not agree with Landlord's determination, then Landlord and Tenant shall commence negotiations to attempt to agree on each party's determination of the Option Period Base Rent within thirty (30) days after Landlord's delivery of its Rent Notice to Tenant ("Outside Agreement Date"). If the parties cannot reach agreement within that time period, then, each party shall place in a separate sealed envelope their final proposal as to prevailing fair market annual Base Rent and such determination shall be submitted to arbitration in accordance with subsections (i) through (v) below.

(i) Landlord and Tenant shall meet with each other within five (5) business days of the Outside Agreement Date and exchange the sealed envelopes and then open such envelopes in each other's presence. If Landlord and Tenant do not mutually agree upon the fair market annual Base Rent within one (1) business day of the exchange and opening of envelopes, then, within ten (10) business days of the exchange and opening of envelopes Landlord and Tenant shall agree upon and jointly appoint a single arbitrator who shall by profession be a real estate lawyer or broker who shall have been active over the five (5) year period ending on the date of such appointment in the leasing of comparable commercial properties in the vicinity of the Premises. Neither Landlord nor Tenant shall consult with such broker or lawyer as to his or her opinion as to fair market annual Base Rent prior to the appointment. The determination of the arbitrator shall be limited solely to the issue of whether Landlord's or Tenant's submitted fair market annual Base Rent for the Premises is the closer to the actual fair market annual Base Rent for the Premises as determined by the arbitrator, taking into account the requirements of this Section. Such arbitrator may hold such hearings and require such briefs as the arbitrator, in his or her sole discretion, determines is necessary. In addition, Landlord or Tenant may submit to the arbitrator with a copy to the other party within five (5) business days after the appointment of the arbitrator any market data and additional information that such party deems relevant to the determination of fair market annual Base Rent ("FMRR Data") and the other party may submit a reply in writing within five (5) business days after receipt of such FMRR Data.

(ii) The arbitrator shall, within thirty (30) days of his or her appointment, reach a decision as to whether the parties shall use Landlord's or Tenant's submitted fair market annual Base Rent, and shall notify Landlord and Tenant of such determination.

(iii) The decision of the arbitrator shall be binding upon Landlord and Tenant.

(iv) If Landlord and Tenant fail to agree upon and appoint an arbitrator, then the appointment of the arbitrator shall be made by the Presiding Judge of the Superior Court, or, if he or she refuses to act, by any judge having jurisdiction over the parties.

(v) The cost of arbitration shall be paid by Landlord and Tenant equally.

On the commencement of each Lease Year during any Option Period (excluding the first day of the Option Period, which is addressed in this Section 1.5(D)), Base Rent shall increase as set forth in Section 2.1(A).

(E) **Condition of Premises.** Landlord shall have no obligation to refurbish or otherwise improve the Premises for any Option Period. The Premises shall be tendered on the commencement date of each Option Period in "as-is where is" condition.

Section 2 – Rent

2.1 Base Rent.

(A) **Amount.** Tenant shall pay to Landlord the annual rentals (the "Base Rent") set forth in this Section 2.1(A). Base Rent shall be paid in equal monthly installments on or before the first day of each month, in advance, commencing upon the Rent Commencement Date and continuing through the last calendar month that falls within the Term. If the Rent Commencement Date is not the first day of a calendar month, then the Base Rent due for the month in which the Rent Commencement Date occurs shall be prorated based upon the number of days in that month falling on or after the Rent Commencement Date.

The Initial Base Rent shall be one-twelfth (1/12th) of the product obtained by multiplying the actual Project Costs (exclusive of the Development Fee (as the same may be increased with respect to the cost savings, if any, that accrues to Landlord's benefit in accordance with the Development Agreement) by the Rental Factor. At least thirty (30) days prior to the Rent Commencement Date, Landlord shall notify Tenant, in writing, of Landlord's best estimate of the actual Project Costs and the Initial Base Rent shall be initially calculated based on such estimate. Landlord's notice shall include reasonably detailed information supporting Landlord's estimate of the Project Costs. Pursuant to the Development Agreement, as soon as the actual Project Costs are known, Landlord shall notify Tenant, in writing, of the actual Project Costs and the Initial Base Rent calculated based thereon. Landlord and Tenant shall execute a written certificate setting forth the exact Initial Base Rent for the first (1st) year of the Lease term and insert the same in the Summary of Terms. Within thirty (30) days after any recalculation of the actual Project Costs, Landlord or Tenant, as applicable, shall make any payments necessary to cause Tenant to have paid the correct Base Rent with respect to prior periods. Notwithstanding anything to the contrary, for purposes of calculating the Initial Base Rent, in no event will the actual Project Costs exceed the Maximum Project Costs, as the same may be increased in accordance with the Development Agreement, and as adjusted for any cost savings allocated to Tenant pursuant to the Development Agreement.

Base Rent from the Rent Commencement Date through the end of the first Lease Year shall be the Initial Base Rent set forth on the Summary of Terms. Commencing with the second Lease Year and on the

commencement of each Lease Year thereafter during the Term, Base Rent shall be increased to an amount equal to the sum of:

(1) the Base Rent amount (as increased by any prior rental adjustments pursuant to these provisions) in effect immediately prior to that increase, plus

(2) the product of (a) the Base Rent amount (as increased by any prior rental adjustments pursuant to these provisions) in effect immediately prior to that increase, multiplied by (b) the Annual Escalator set forth on the Summary of Terms.

(B) **Manner of Payments.** The payment of Base Rent, Additional Rent and any other sums due from Tenant to Landlord under this Lease (collectively, "Rent") shall be made in lawful money of the United States of America and made payable to Landlord or another person designated by Landlord in writing from time to time, and at the place Landlord designates in writing from time to time. Landlord may require that Tenant pay Landlord Rent electronically through an online portal, ACH payments or another method as Landlord may reasonably require. Tenant's obligation to pay Rent is independent of any obligation of Landlord hereunder and shall be paid without offset, abatement, reduction, demand or set-off, except as otherwise specifically provided herein. If a due date is not set forth in this Lease with respect to any particular type of Rent payment, then that payment shall be due and payable to Landlord within ten (10) days after Landlord's request therefor.

(C) **Late Payments.** If any payment of Rent is more than five (5) days past due, Tenant shall pay to Landlord on demand an administrative charge equal to five percent (5%) of the past due amount ("Late Charge"). In addition, any Rent payment more than thirty (30) days past due shall accrue interest from the due date at the rate (the "Default Rate") of 12% per annum (or the highest lawful rate allowable if less than 12%) until paid in full, and Tenant shall pay interest to Landlord on demand. Notwithstanding the foregoing, however, Landlord shall waive the first Late Charge in any twelve (12) month period so long as Tenant pays the overdue amount within three (3) business days after receipt of written notice from Landlord that such amount has not been received; provided that failure by Landlord to deliver such notice shall not be deemed to be a waiver of any Late Charge.

2.2 Additional Rent.

(A) **Amount.** Commencing on the Rent Commencement Date, Tenant shall pay to Landlord at the same time as it is required to make payment of Base Rent, an amount (the "Additional Rent") equal to the Taxes and Expenses attributable to the Premises for any full or partial calendar year during the Term.

(B) **Payment.** Prior to any calendar year and from time to time during any calendar year, Landlord may notify Tenant of monthly installments of Additional Rent payable by Tenant based on Landlord's reasonable estimate of each of Taxes and Expenses for that calendar year. On the first day of the calendar month after Landlord's notice of any increase in these installments, Tenant shall pay to Landlord (in addition to the revised monthly estimate) a lump sum payment in an amount so that Tenant's total payments for the calendar year will equal Landlord's revised estimate of Additional Rent. Additional Rent for the calendar year in which the Rent Commencement Date occurs (if the Rent Commencement Date is other than January 1) shall be prorated based upon the number of days in that year falling on or after the Rent Commencement Date. Additional Rent for the last calendar year in which the Term falls (if the Term ends on a date other than December 31) shall be prorated based upon the number of days in the Term falling within that year.

(C) **Reconciliation.** After Landlord has ascertained the actual amount of Taxes and Expenses for the prior calendar year, Landlord shall notify Tenant of the actual Additional Rent due from Tenant for that year (an "Annual Additional Rent Notice"). If the Additional Rent actually due exceeds total estimated payments of Additional Rent made by Tenant for that calendar year, then Tenant shall pay Landlord the deficiency within ten (10) days after receiving the Annual Additional Rent Notice. If the Additional Rent actually due is less than the total estimated payments made by Tenant for that calendar year, then Landlord shall, at its option, credit any excess to Rent next owing by Tenant or refund the excess to Tenant (though if the Term has expired, then Landlord may only refund the excess to Tenant). Neither Landlord nor Tenant shall be liable to the other for any retroactive Tax adjustments made more than six months after the expiration of this Lease.

(D) **Rent Taxes; Taxes on Tenant Property.** Tenant shall pay to Landlord, at the same time as Tenant is required to pay Rent, an amount equal to all federal, state and local gross proceed taxes, privilege taxes, sales taxes, value added taxes, or similar taxes (collectively, "Rent Taxes") now or hereafter levied or assessed upon that Rent, or the payment or receipt thereof, or that Landlord will be required to pay as a result of its receipt of Tenant's payment thereof. Tenant shall be responsible for and shall pay before delinquent all municipal, county, state and federal taxes assessed during the Term against any leasehold interest of Tenant or any property owned by Tenant and located in the Premises. The provisions of this Section 2.2 shall survive the expiration or earlier termination of this Lease.

(E) **Tenant's Right to Contest.** Nothing contained in this Lease shall prevent Tenant from contesting in good faith in Landlord's name the validity or the amount of Taxes or assessments by appropriate proceedings commenced before such Taxes or assessments become delinquent; provided, however, that (i) Tenant shall not commence such proceedings without first giving written notice to Landlord of Tenant's intention to do so not less than fifteen (15) business days before such Taxes or assessments become delinquent; and (ii) concurrently with such written notice, Tenant shall provide and continue to provide Landlord with security approved by Landlord as to quality and quantity to assure full payment of all of such Taxes or assessments and all interest and penalties which may accrue or be assessed thereon or with respect to such Taxes. Tenant shall not be deemed in default under this Lease because of its failure to pay any Taxes or assessments subject to a pending appeal of such Taxes or assessments. Any contest or appeal by Tenant under this Section shall be at Tenant's sole cost and expense which costs and expenses shall not be reimbursable by Landlord regardless of the outcome of any contest or appeal.

2.3 **Absolute Net Lease:** All Rent payments shall be absolutely net to Landlord, free of any and all taxes, assessments and operating or other costs and expenses of any kind whatsoever, all of which shall, unless otherwise expressly provided in this Lease, be paid by Tenant. Tenant shall continue to perform its obligations under this Lease even if Tenant claims that it has been damaged by Landlord or Landlord has defaulted hereunder.

2.4 **Landlord Expenses.** Tenant shall pay on behalf of Landlord, or reimburse Landlord for, all reasonable out-of-pocket costs and expenses paid or incurred by Landlord, including reasonable attorneys' fees, in connection with any of the following activities undertaken by, or on behalf of, Landlord:

(A) Following any Event of Default, the review by Landlord or its representatives of (1) any notices, reports or other information required to be submitted to Landlord by Tenant under this Lease or (2) any invoices, bills, receipts or other documents required to be reviewed by Landlord, in its reasonable discretion, to monitor Tenant's compliance with the terms of this Lease in respect of utility charges, Premises services charges or any other provisions under this Lease requiring Tenant to make payments to any third party;

(B) The review, execution, negotiation or delivery of any consent, waiver, estoppel, subordination agreement or approval requested of Landlord by Tenant under this Lease, including any request for consent to Alterations, or any so-called "landlord's waiver" (up to a maximum of \$2,500.00); or

(C) Any other negotiation, request or other activity reasonably comparable to any of the foregoing. Tenant's obligations under this Section 2.4 shall survive the expiration or termination of this Lease.

Section 3 – Alterations

3.1 Alterations.

(A) **Alterations.** All improvements or alterations in or additions, changes or installations to the Premises ("Alterations") performed by or on behalf of Tenant or any of its subtenants shall be governed by the terms of this Section 3. So long as an Event of Default does not exist hereunder, Tenant shall not be required to obtain Landlord's consent for any Alterations that (i) do not impact the structural components of the Building; (ii) do not materially and negatively impact the utility or mechanical systems of the Premises; (iii) are not visible from the outside of the Premises; (iv) do not affect any existing building warranty, and (v) cost \$500,000 or less to complete ("Minor Alterations"). Any Alterations that are not Minor Alterations shall require Landlord's consent (which shall not be unreasonably withheld). For avoidance of doubt, Tenant may relocate interior demising walls and associated plumbing and electrical systems to create new suites and or offices as it may deem necessary for the operation of its business without Landlord's consent. Tenant will provide Landlord with notice prior to commencing construction of any Alteration not requiring Landlord's consent that is in excess of \$100,000.

(B) **Procedures.** Prior to the commencement of any Alteration that is not a Minor Alteration, Tenant shall submit detailed plans and specifications for Landlord's review and approval. Landlord shall notify Tenant of its approval or disapproval of those plans and specifications and the work described therein within fifteen (15) business days after receipt thereof. Landlord shall state in writing and in reasonable detail any objection to the proposed Alteration. Tenant may revise its plans and specifications to incorporate those comments and, if Tenant does so, it may again request Landlord's consent pursuant to the process described above. Neither approval of the plans and specifications nor supervision of the Alteration by Landlord shall constitute a representation or warranty by Landlord as to the accuracy, adequacy, sufficiency or propriety of the plans and specifications or the quality of workmanship or the compliance of the Alteration with Governmental Regulations. If Tenant desires to revise any plans and specifications after obtaining Landlord's approval thereof, Tenant shall re-submit the revised plans and specifications to Landlord for its approval as provided above.

(C) **Performance.** Tenant shall pay the entire cost of any Alteration permitted hereunder, including Landlord's reasonable charges for review of the plans and specifications for any Alteration and Landlord's reasonable charge for supervision of any approved Alteration. If requested by Landlord, Tenant shall provide evidence reasonably satisfactory to Landlord of Tenant's financial ability to pay the cost of the Alteration. All Alterations shall be performed in a good and workmanlike and first-class lien free manner, using new materials and in accordance with the plans and specifications submitted to and approved by Landlord (if applicable) as well as in accordance with all applicable Governmental Regulations (and, for the avoidance of doubt, Tenant shall be responsible for obtaining all consents required under the CC&Rs and Permitted Encumbrances, and for posting any notices that may be required under applicable Governmental Regulations). All Alterations shall be performed by contractors and subcontractors who possess the requisite experiences, personnel, financial strength and other resources necessary to perform and complete the proposed Alteration in a good and workmanlike lien free manner,

and who are approved by Landlord in advance in its reasonable discretion. Tenant shall provide to Landlord evidence reasonably satisfactory to Landlord that those contractors and subcontractors satisfy the aforementioned requirements and possess the insurance required under Section 4. Prior to commencing any Alteration, Tenant shall obtain and deliver to Landlord complete copies of all permits and approvals required by applicable Governmental Regulations to commence and complete that Alteration, and evidence of any consents that Tenant has obtained under the CC&Rs and Permitted Encumbrances.

3.2 Removal by Tenant. Each Alteration made by Tenant in or upon the Premises shall become Landlord's property upon its attachment to the Premises and shall remain upon the Premises at the expiration or termination of this Lease without compensation to Tenant, but Tenant shall remove any Alteration if Landlord directs Tenant to do so. Landlord shall inform Tenant at the time Landlord consents to any Alteration whether Landlord requires removal of that Alteration at the expiration or termination of this Lease. When removing an Alteration, Tenant shall bear the expense of removal and restore the Premises to the condition existing immediately prior to the Alteration at the expiration or termination of this Lease.

3.3 Liens. Tenant shall keep all of the portions of the Premises free and clear of all liens arising out of, or claimed by reason of, any work performed, material furnished or obligations incurred by or at the insistence of Tenant or any of its subtenants. If, under applicable Governmental Regulations, Tenant may post a notice of non-responsibility (or other similar notice or posting) at the Premises to protect the Premises from the liens of Tenant's contractors, subcontractors or material suppliers, then Tenant shall do so (in a form and manner that complies with Governmental Regulations) prior to the deadline for posting that notice. Upon completion of any Alteration, Tenant shall promptly furnish Landlord with final sworn owner's and contractors' statements and full and final waivers of lien covering all labor and materials included in the Alteration. If Tenant, within fifteen (15) days after notice from Landlord, fails to (1) fully discharge any lien or claim of lien or (2) insure or bond over the lien by title endorsement or bond satisfactory to Landlord and Landlord's lender, if any (which endorsement or bond shall also cover costs of defense), Landlord may, at its option and without limitation of its other rights and remedies, fully or partially pay the lien amount. Tenant shall reimburse Landlord the amount Landlord paid plus interest at the Default Rate from the date incurred until the date Tenant fully reimburses Landlord. Reimbursement is due on demand. No liens of any character created or suffered by Tenant or any Tenant Party shall in any way, or to any extent, attach to or effect the rights of Landlord in the Premises.

3.4 Survival. Tenant's obligations in this Section 3 shall survive the expiration or termination of this Lease.

Section 4 – Insurance

4.1 Tenant's Insurance. Tenant shall, at its expense, including any insurance policy deductibles or self-insured retentions, keep in full force and effect all of the following insurance policies during the Term and any extension thereof with carriers that maintain an A.M. Best Rating of A-VII or better:

(A) Commercial property insurance (1) insuring 100% of the full replacement cost of all Alterations made at Tenant's expense or direction during the performance of and when completed, and all other property owned or used by Tenant and located in the Premises, including at least 12 months of business interruption coverage, and (2) written on an "all risk" or "special perils" policy form, including coverage for the perils of windstorm, flood and earthquake, including earth movement, (which perils may be sub-limited with Landlord's prior approval). The proceeds of Tenant's commercial property insurance shall be used for the repair or replacement of the property so insured, except that if this Lease is terminated

following a casualty, the proceeds shall be paid to Landlord and the proceeds applicable to Tenant's personal property shall be paid to Tenant.

(B) Commercial general liability insurance written on an occurrence policy form that is at least as broad as the coverage provided by ISO Form CG 00 01 04 13, covering damages because of bodily injury, property damage and personal and advertising injury, arising out of Tenant's premises, operations or products-completed operations, with limits of liability of not less than \$1,000,000 for bodily injury and property damage per occurrence and \$3,000,000 general annual aggregate and a \$3,000,000 products-completed operations aggregate.

(C) Commercial automobile liability insurance covering liability arising from the use or operation of any auto, including those owned, hired, leased, rented, borrowed, non-owned or otherwise operated or used by or on behalf of Tenant. The coverage shall be on an occurrence form with combined single limits of not less than \$1,000,000 per accident for bodily injury (including death) and property damage. Alternatively, Tenant may insure for the risks required to be insured against under this Section 4.1(C) through its commercial general liability insurance policy.

(D) Workers' compensation insurance in compliance with all Governmental Regulations, and employer's liability insurance with limits not less than \$1,000,000 for bodily injury for each accident, \$1,000,000 for bodily injury by disease for each employee and \$1,000,000 for bodily injury by disease policy limit.

(E) If healthcare services are provided by Tenant, healthcare professional liability insurance with limits of not less than \$1,000,000 each claim and \$3,000,000 in the aggregate.

(F) Umbrella/excess liability insurance covering in excess of (and written on a form at least as broad as) the primary commercial general liability, employer's liability and automobile liability insurance policies with limits not less than \$5,000,000 each occurrence and \$5,000,000 annual aggregate.

(G) During the performance of all Alterations, Tenant shall also cause its contractor or subcontractor, as appropriate, performing the Alteration to maintain, (1) commercial general liability insurance as described in Section 4.1(B), but with limits not less than \$1,000,000 for bodily injury and property damage per occurrence and \$2,000,000 general annual aggregate and a \$2,000,000 products-completed operations aggregate; (2) commercial automobile liability insurance as described in Section 4.1(C); (3) workers' compensation insurance and employer's liability insurance as described in Section 4.1(D); and (4) umbrella/excess liability insurance covering in excess of (and written on a form at least as broad as) the primary commercial general liability, employer's liability and automobile liability insurance policies with limits not less than \$1,000,000 each occurrence and \$1,000,000 annual aggregate. In addition, if design, engineering or other professional services are provided in connection with the Alteration, Tenant shall cause the party providing those services to maintain professional liability insurance with limits not less than \$1,000,000 each claim and \$1,000,000 in the aggregate.

(H) In connection with a sale, financing, or refinancing of the Premises, such other coverage as a mortgagee may reasonably require but only if the coverage is then customarily required by lenders financing the ambulatory care clinic projects, is customarily required in the immediately surrounding metropolitan area, and available at commercially reasonable rates.

4.2 Form of Policy. All policies of insurance carried by Tenant, and all policies of insurance Tenant causes its contractors and subcontractors to maintain, shall (a) be issued by insurers authorized to do business in the state in which the Premises is located; (b) on the commercial general liability policy, automobile liability policy and any umbrella/excess liability policy, name the Landlord Indemnified Parties

as additional insureds; (c) name the Landlord Indemnified Parties as additional insureds; (d) contain a waiver of any rights of subrogation and all rights of recovery in favor of and against the Landlord Indemnified Parties; and (e) be primary and non-contributing with any insurance maintained by the Landlord Indemnified Parties. Any loss adjustment in excess of \$100,000 must require the written consent of Landlord and Tenant. With respect to Tenant's commercial general liability insurance, additional insured coverage shall be provided via the ISO CG 20 11 endorsement or its equivalent. Tenant shall, on or before the Rent Commencement Date, and within ten (10) days before the expiration of each policy, deliver to Landlord certificates of insurance (in form and substance reasonably acceptable to Landlord) showing compliance with the insurance requirements set forth above. Tenant shall provide thirty (30) days' prior written notice to Landlord ten (10) days for non-payment of premium) in the event of cancellation or non-renewal of any insurance referred to therein. The insurance policies and limits required under this Lease shall not limit the liability of Tenant under this Lease, and Landlord makes no representation that these types or amounts of insurance are sufficient or adequate to protect Tenant's interests or liabilities.

4.3 Claims Made Policies' Requirements. If Tenant's insurance, or Tenant's contractors or subcontractors insurance, is written on a claims made policy form, Tenant shall, or shall cause its contractors or subcontractors to, (a) confirm that the retroactive date precedes the Effective Date (in the case of Tenant) or the commencement of the Alterations (in the case of Tenant's contractor or subcontractor), (b) keep in force the claims made insurance for at least five (5) years after the expiration or termination of this Lease (in the case of Tenant) or the completion of the Alterations (in the case of Tenant's contractor or subcontractor) or acquire or purchase extended reporting coverage on the policy existing as of the expiration or termination of this Lease (in the case of Tenant) or the completion of the Alterations (in the case of Tenant's contractor or subcontractor) that has a term of at least three years after the expiration or termination of this Lease (in the case of Tenant) or the completion of the Alterations (in the case of Tenant's contractor or subcontractor), and (c) if the retroactive date is advanced or the policy is cancelled or not renewed and not replaced with a policy with the same retroactive date, acquire or purchase extended reporting coverage for the cancelled or non-renewed policy for at least five (5) years following the date that policy was cancelled or not renewed. The obligations referenced in clauses (b) and (c) of this Section 4.3 shall survive the expiration or termination of this Lease.

4.4 Service Providers. Tenant shall cause all individuals and entities providing services at the Premises to carry insurance with policy types and minimum limits, and issued by insurers, that are in each case acceptable to Tenant in its reasonable discretion, which policies must (a) be issued by insurers authorized to do business in the state in which the Premises is located; (b) on any commercial general liability policy, automobile liability policy and any umbrella/excess liability policy, name the Landlord Indemnified Parties as additional insureds; (c) contain a waiver of any rights of subrogation and all rights of recovery in favor of and against the Landlord Indemnified Parties; and (d) be primary and non-contributing with any insurance maintained by the Landlord Indemnified Parties.

4.5 Failure to Carry. Without limiting Landlord's remedies set forth in Section 10.2, if Tenant fails to carry and maintain the insurance coverages set forth in this Section 4, Landlord may, upon ten (10) business days' prior notice to Tenant (unless the coverages will lapse within that time period, in which event no notice shall be necessary), procure those policies of insurance and Tenant shall promptly reimburse Landlord the cost thereof with interest thereon at the Default Rate from the date incurred until the date paid.

4.6 Landlord's Insurance. Landlord shall, during the Term, at Tenant's cost and expense, maintain commercial property insurance for 100% of the full replacement costs of the Building (exclusive of land, foundations and footings). Landlord shall use its commercially reasonable efforts to obtain such coverage at market competitive rates.

4.7 **Waiver of Subrogation.** Commercial property insurance policies carried by either party covering the Premises will expressly waive any right on the part of the insurer against the other party. As to any loss or damage which may occur and be covered (or required by the terms of this Lease to be covered) under any commercial property insurance policy(ies), the party obligated to carry the insurance hereby releases the other from any amount of liability for such loss or damage. The release includes a release of liability for the full amount of any deductible maintained by a party under its commercial property insurance policy.

Section 5 – Repairs and Maintenance; Compliance; Services

5.1 **Tenant's Maintenance Obligations.** Tenant shall make and pay for all maintenance, replacement, alterations and repairs (interior and exterior, structural and nonstructural, ordinary and extraordinary, foreseen and unforeseen) necessary to keep the Premises (including all equipment and facilities serving the Premises) in a first-class condition and good state of repair consistent with a first-class ambulatory care clinic project of similar character as the Premises in the Metropolitan Area, in compliance with all Governmental Regulations, CC&Rs, and in tenable, safe condition. Tenant shall, at its own expense, install and maintain fire extinguishers and other fire protection devices at the Premises as may be required from time to time by any Governmental Regulations or the insurance underwriters insuring the Premises. Tenant must, prior to making any repairs to the Premises that materially impact or affect the structural components of the Building, obtain Landlord's prior consent to the scope of those repairs and the plans and specifications therefor (to be given or withheld in Landlord's reasonable discretion). In addition, Tenant shall, within ten (10) days after Landlord's request, deliver to Landlord copies of maintenance logs and service contracts for the Premises, and any other information that is reasonably requested by Landlord in order to demonstrate Tenant's compliance with its obligations under this Section 5.1. Except as set forth in the Development Agreement and in Section 6 and Section 7, Landlord shall have no obligation to maintain or repair the Premises. Tenant acknowledges that Landlord shall have no responsibility for the design or engineering of the Improvements and Landlord makes no representation or warranty regarding the suitability or quality of the Improvements with respect to any Material Site Defect or a Preexisting Condition.

5.2 **Premises Services.** Tenant shall be responsible from and after the Rent Commencement Date for directly contracting and paying for all services to the Premises that are required by Tenant or any of the Tenant Parties during the Term, including telephone services, landscaping services, janitorial services and utility services. Neither Tenant nor any Tenant Party may engage any third party to provide property management services at the Premises without obtaining Landlord's prior consent, to be given or withheld in Landlord's sole discretion. Tenant may self-manage without the need to obtain Landlord's consent. For purposes hereof, "Tenant" shall include Affiliated Entities. Tenant shall be responsible for ascertaining the maximum amount of load or demand for use of electrical current that can safely be permitted at the Premises, taking into account the capacity of the electric wiring in the Building, and shall not in any event connect a greater load than that safe capacity. Tenant's obligations under this Section 5.2 shall survive the expiration or termination of this Lease.

5.3 **Interruption of Services.** No interruption or discontinuation of any service or utility servicing the Premises shall constitute an eviction or disturbance of Tenant's possession of any part of the Premises or render Landlord liable to Tenant for damages, or otherwise affect the rights and obligations of Landlord or Tenant under this Lease.

5.4 **Granting of Easements.** Landlord may, from time to time, with respect to all or any part of the Premises: (a) grant easements, covenants and restrictions, and other rights in the nature of easements, covenants and restrictions, (b) release and amend easements, covenants and restrictions, or other rights in the nature of easements, covenants or restrictions, that are for the benefit of or affect any part of the

Premises, (c) dedicate or transfer unimproved portions of the Premises for road, highway or other public purposes, and (d) execute petitions to have any part of the Premises annexed to any municipal corporation or utility district, in each case without obtaining Tenant's consent, so long as that easement or other instrument or action contemplated by this Section 5.4 does not unreasonably or materially interfere with Tenant's use and occupancy of the Building as permitted under this Lease and does not materially increase Tenant's cost of doing business from the Premises. If any easement or other instrument or action described in this Section 5.4 unreasonably or materially interferes with Tenant's use and occupancy of the Building, Landlord shall obtain Tenant's prior consent to the proposed easement, instrument or action, which consent may be granted or withheld by Tenant in its sole discretion (and which consent shall be deemed denied if not expressly accepted by Tenant, in writing, within ten (10) business days after Landlord's delivery of that request).

Section 6 – Damage to Premises

6.1 Destruction of Premises.

(A) Subject to Section 6.2, if the Premises is damaged by fire or other casualty, Landlord shall restore the damage to the Premises to the same condition as existed on the Rent Commencement Date exclusive of any Alterations. Tenant shall notify Landlord as soon as is reasonably practical of any casualty damage to the Premises. Landlord shall commence the repair, restoration or rebuilding thereof within ninety (90) days after that damage (subject to delays resulting from Tenant's failure to timely notify Landlord of the damage, and delays in the adjustment of insurance) and shall substantially complete the restoration, repair or rebuilding as promptly as practicable after the commencement thereof, subject to delays caused by events of Force Majeure or by the acts or omissions of Tenant or any Tenant Party. Landlord shall promptly and diligently seek adjustment of insurance proceeds after any casualty. For the avoidance of doubt, if Landlord repairs, restores or rebuilds the Premises, then Tenant shall reimburse Landlord as Additional Rent for any commercially reasonable insurance deductibles paid by Landlord in connection with the casualty. Landlord shall not be required to repair or replace any alterations or betterments within the Premises (which shall be with due diligence repaired and restored by Tenant at Tenant's sole cost and expense) or any furniture, equipment, trade fixtures or personal property of Tenant, and Landlord's obligation to repair or restore the Premises shall be limited to the extent of the insurance proceeds actually received by Landlord for the Casualty. If Tenant has failed to maintain insurance on such items as required by this Lease, Tenant shall pay Landlord an amount equal to the proceeds Landlord would have received had Tenant maintained insurance on such items as required by this Lease. Landlord shall not be liable to Tenant for any inconvenience or loss of business on account of any repairs made by Landlord under this Section 6.1 or otherwise under this Lease unless Landlord has breached its obligations under this Lease.

(B) If the fire or other casualty or the repair, restoration or rebuilding required by Landlord shall render the Building untenable in whole or in part, then Base Rent shall proportionately abate from the date when the damage occurred until the date on which the Building is in the condition required by this Section 6.1; except that Tenant shall not be entitled to a Base Rent abatement during the first twelve (12) months after the date of the casualty. The proportion shall be computed on the basis that the Rentable Square Feet of the portion of the Building rendered untenable and not occupied by Tenant bears to the aggregate Rentable Square Feet of the Building. Notwithstanding the foregoing, in the event of a casualty where the repair, restoration or rebuilding required results in whole or in part from a Material Site Defect or Preexisting Condition, then Tenant shall not be entitled to any Base Rent abatement.

6.2 Right to Terminate.

(A) If the casualty results in damage to the Premises that Landlord reasonably estimates will take in excess of (i) eighteen (18) months after the beginning of restoration to restore the Premises to the same condition as existed on the Rent Commencement Date (but excluding Alterations) and occurs at any time during the Term, (ii) three (3) months after the beginning of restoration to restore the Premises to the same condition as existed on the Rent Commencement Date (but excluding Alterations) and occurs during the last two (2) years of the Term, as extended, (iii) regardless of the extent of damage to the Premises, the damage is not fully covered by insurance policies (exclusive of any deductible), or (iv) Landlord's mortgagee requires any insurance proceeds arising out of the Casualty must be paid to Landlord's mortgagee, then Landlord may elect to terminate this Lease upon giving notice of its election to Tenant within sixty (60) days after the casualty; provided, however, if Landlord elects to terminate because the casualty occurs during the last two (2) years of the Term, Tenant shall have the option to exercise any remaining Option to Extend (even if such exercise would be early under Section 1.5) by written notice given within ten (10) business days after Tenant's receipt of Landlord's election to termination, in which event Landlord's election to terminate shall be void ab initio and this Lease shall continue in full force and effect. In addition, if the restoration is prohibited by any Governmental Regulation, then Landlord may elect to terminate this Lease upon giving notice of the election to Tenant within sixty-five (65) days after the casualty.

(B) If this Lease is terminated as provided above, the termination shall be effective on the date specified in the notice received by Tenant, but no earlier than thirty (30) days after the occurrence of the event causing the damage and no later than ninety (90) days after the occurrence of the event causing the damage. In such event, Tenant shall be obligated to pay the Rent accrued to the effective date of the termination, less any Base Rent abated pursuant to Section 6.1, which obligation shall survive termination. Unless this Lease is terminated as provided in this Section 6, this Lease shall remain in full force and effect, notwithstanding the damage or casualty. If this Lease is terminated under the provisions of this Section, Landlord shall be entitled to the full proceeds of the insurance policies providing coverage for the Premises, and all alterations, improvements, and betterments in the Premises.

Section 7 – Eminent Domain

7.1 **Total Condemnation.** In the event of a Substantial Taking of the Premises (defined below), both Landlord and Tenant shall have the right to terminate this Lease by notice to the other within thirty (30) days after the date of the effectiveness of that taking. Tenant shall notify Landlord as soon as is reasonably practical of Tenant's receipt of any notice (oral or written) of any proposed Taking of the Premises or any portion thereof. "Substantial Taking of the Premises" means a Taking (defined below) either of the entire Premises or a portion thereof, and in Tenant's commercially reasonable opinion, the remainder of the Premises cannot be restored to an economically viable first-class ambulatory care clinic without either substantial alteration of the Premises or relief from Governmental Regulation. "Taking" means a taking or condemnation for a public or quasi-public use by a competent governmental authority. If this Lease is terminated pursuant to this Section 7.1, the Term shall terminate upon the delivery of possession to the condemning authority and Tenant shall pay the Rent accruing to the date of termination, which obligation shall survive termination. If neither Landlord nor Tenant terminates this Lease within the applicable time period, this Lease shall continue in full force and effect, as modified pursuant to Section 7.2.

7.2 **Partial Condemnation.** If a Taking occurs that does not entitle Landlord or Tenant to terminate this Lease under Section 7.1 or if neither Landlord nor Tenant exercises a right to terminate this Lease granted under Section 7.1, then Landlord shall repair and restore the Premises to the extent practicable, to the condition as existed on the Rent Commencement Date, excluding any Alterations, except that Landlord is not required to expend for repair and restoration any sum in excess of an amount equal to

the Award (defined below). If as a result of the Taking, the Rentable Square Feet of the Building is permanently reduced, Base Rent shall proportionately abate from the date when possession of the portion of the Building is given to the condemning authority. In addition, if the repair, restoration or rebuilding required by Landlord as a result of that Taking renders the Building untenable in whole or in part, Base Rent shall proportionately abate from the date when possession of the Building is given to the condemning authority until the date on which the Building is, as nearly as practicable, in the condition as existed on the Rent Commencement Date, excluding any Alterations; except that Tenant shall not be entitled to a Base Rent abatement under this sentence during the first twelve (12) months after the date of the Taking. The proportionate abatement shall be computed on the basis that the Rentable Square Feet of the Building either reduced or rendered untenable and not occupied by Tenant bears to the aggregate Rentable Square Feet of the Building.

7.3 **Award.** Any award, compensation or damages (the "Award") for a partial or total taking shall be paid to and be the sole property of Landlord. Tenant shall have the right, to the extent the Award is not diminished, to make a separate claim against the condemning authority for compensation as may be separately awarded to a tenant.

Section 8 – Assignment and Subletting

8.1 Assignment and Subletting.

(A) Tenant shall not assign, pledge or encumber this Lease or any interest under it or sublet all or any portion of the Premises (individually or collectively, a "Transfer"), without Landlord's consent. Landlord's consent shall not be unreasonably withheld, conditioned or delayed. Each of the following shall also constitute a Transfer (excluding in each instance the transfer of any publicly traded stock, and excluding any Transfers that may arise out of the admission and/or the exit of physician members from Tenant): the dissolution, merger or consolidation of Tenant or any entity holding a direct or indirect ownership interest in Tenant; any issuance, sale, gift, transfer or redemption of any ownership interest in Tenant or any entity holding a direct or indirect ownership interest in Tenant (whether voluntary, involuntary or by operation of law, or any combination of the foregoing, whether in one or a series of transactions) but not including the exclusion of physicians as provided herein above) that causes a change in control in any direct or indirect power to affect the management or policies of Tenant; or any direct or indirect change in control of the ownership interest in Tenant. Landlord may condition its consent on its receipt of any excess rents generated by any assignment or sublease (after deduction therefrom any reasonable third-party costs incurred Tenant in securing the assignment or sublease) and may, instead of granting its consent with respect to an assignment, recapture the Premises and terminate this Lease. As used in this Section, the term "control" shall mean the ownership of and the power to vote more than fifty percent (50%) of the voting stock of a corporation or more than fifty percent (50%) of the ownership interests in any partnership or other business entity.

(B) Landlord will not be considered to have unreasonably withheld its consent to a sublease if Landlord's consent is withheld because: (1) an Event of Default then exists; (2) the portion of the Premises that Tenant proposes to sublease, including the means of ingress thereto and egress therefrom, or the remaining portion of the Premises, or any combination of the above, will violate any Governmental Regulations; (3) in the reasonable judgment of Landlord, the proposed subtenant is not sufficiently financially responsible to perform its obligations under the proposed sublease; or (4) the proposed sublease would result in a prohibited transaction under ERISA (defined below). The foregoing, however, are merely examples of reasons that Landlord may withhold its consent and should not be deemed to be exclusive of any other reasons for reasonably withholding consent, whether similar to or dissimilar from the foregoing examples.

(C) Notwithstanding any language to the contrary contained in Section 8.1(A), the following shall not be considered "Transfers" and shall not require Landlord's consent:

(1) The issuance, redemption, conversion, consolidation, and/or transfer(s) of capital stock of Tenant to current, new and/or future equity owners (a "Recapitalization") if such Recapitalization occurs in connection with a bonafide financing or capitalization for the benefit of Tenant (and not to avoid any obligations under this Lease) and provided that as a condition to such Recapitalization, (a) the operations for Permitted Use of Premises shall not change, (b) the parties having control of the management and policies of Tenant after the Recapitalization shall remain unchanged (whether through a management service agreement or otherwise), (c) the creditworthiness and net worth of Tenant immediately after the Recapitalization shall not be less than Tenant's (or any entity controlled by or under common control with Tenant) creditworthiness and net worth equal to the creditworthiness and the net worth as of the date immediately preceding the effective date of the Recapitalization, (d) the Recapitalization does not violate any of the terms of Landlord's loan documents relating to the Property; provided that Landlord has provided Tenant with a copy thereof, (e) Tenant is not in default hereunder prior to such Recapitalization, (f) within thirty (30) days prior to the effective date of Recapitalization, Tenant shall have provided to Landlord all of the information required for Landlord to determine that such transaction is a permitted Recapitalization, and (g) Tenant (or new owners of Tenant) shall execute any such documents (including but not limited to any additional lease guaranties or joinder to Lease) that Landlord reasonably deems necessary. No Recapitalization shall release Guarantor from the Guaranty.

(2) An assignment of the Lease (by merger, consolidation or otherwise) to another entity simultaneously acquiring a controlling interest in Tenant's ownership interests or all or substantially all of Tenant's assets, provided that: (a) the assignee shall simultaneously be acquiring control of the clinics conducted under the same trade name as herein set forth, (b) Tenant shall not at the time of such assignment be in default under any of the terms, covenants and conditions of this Lease beyond any applicable grace or cure period provided by this Lease, (c) such assignee shall, as of the date immediately prior to the effective date of the assignment, have a net worth equal to or greater than the net worth of Tenant as of the date of Tenant's execution of this Lease or as of the date immediately preceding the effective date of such transfer, whichever of such net worth amounts shall be the greater, (d) such assignee (and any person or entity acquiring a controlling interest in Tenant's ownership interests) shall agree in writing to assume and perform all of the unperformed terms, covenants and conditions of this Lease (whether accruing prior to, on, or after the effective date of the assignment), (e) Tenant shall agree in writing to at all times remain primarily obligated for the performance of the terms, covenants and conditions of this Lease, (f) such assignee shall have demonstrated experience in the operation of an ambulatory care clinic (or shall have retained management personnel with such experience) and (g) no later than thirty (30) days after the effective date of the assignment, Tenant shall have supplied Landlord with all back-up information reasonably required by Landlord to establish that all of the foregoing conditions have been satisfied. In the event of an assignment of this Lease by virtue of a transfer of Tenant's ownership interests in the absence of a merger, then the use of the term "assignee" shall refer to Tenant as Tenant shall exist on the date following the date of the transfer.

(3) An assignment of this Lease to a parent entity of Tenant, to a wholly owned subsidiary of Tenant or to an entity which is under common ownership and control with Tenant, shall be permitted, without Landlord's consent, provided (a) Tenant shall not at the time of such assignment be in default under any of the terms, covenants and conditions of this Lease beyond any applicable grace or cure period provided by this Lease, (b) such assignee shall agree in writing to perform all of the unperformed terms, covenants and conditions of this Lease (whether accruing prior to, on, or after the effective date of the assignment), (c) Tenant shall agree in writing to at all times remain primarily obligated for the performance of the terms, covenants and conditions of this Lease, and (d) such assignee shall, as of the date immediately prior to the effective date of the assignment, have a net worth equal to or greater than

the net worth of Tenant as of the date of Tenant's execution of this Lease or as of the date immediately preceding the effective date of such transfer, whichever of such net worth amounts shall be the greater; provided, however, that for the purposes of calculating such net worth test, Tenant's net worth shall be added to assignee's net worth since such entities remain primarily liable under this Lease. Tenant agrees to provide Landlord with a written notice regarding such permitted transfer within thirty (30) days after the effective date of such permitted transfer and back up information, as Landlord may reasonably request establishing that the foregoing conditions have been met; provided, however, Landlord's agreement to receive notice of any such transfer after the effective date of such transfer shall not constitute a waiver of any right of Landlord to determine that the transfer does not meet the foregoing conditions. In the event of an assignment of this Lease by virtue of a transfer of Tenant's ownership interests in the absence of a merger, then the use of the term "assignee" shall refer to Tenant as Tenant shall exist on the date following the date of the transfer.

(4) Sublease of up to seven thousand five hundred (7,500) square feet, in the aggregate, to a third party to occupy and operate within portions of the Premises for the provision of certain medical services that are not offered by and are complementary to the services offered by Tenant ("Permitted Occupants"). Tenant's right hereunder shall be subject to Tenant's compliance with the following requirements: (a) the use of the Premises by such Permitted Occupants shall be memorialized by a written agreement, in a form reasonably acceptable to Landlord (each, a "Permitted Sublease"), (b) the Permitted Sublease shall at all times be subject and subordinate to this Lease and (c) the use of the Premises by such Permitted Occupant shall be in compliance with all of the terms and conditions of this Lease. Tenant agrees to provide Landlord with written notice of any such Permitted Occupant within thirty (30) days after the effective date of such Permitted Sublease; provided, however, that Landlord's agreement to receive notice of any such Permitted Sublease after the effective date of such Permitted Sublease shall not constitute a waiver of any right of Landlord to determine that the sublease is not a Permitted Sublease hereunder.

"Net worth" mean the excess of total assets over total liabilities, in each case as determined in accordance with generally accepted accounting principles consistently applied ("GAAP"), excluding, however, from the determination of total assets all assets which would be classified as intangible assets under GAAP including goodwill, licenses, patents, trademarks, trade names, copyrights and franchises.

(D) In the event of a Recapitalization that does NOT meet the requirements of Section 8.1(C)(1), Landlord may in its reasonable discretion condition its consent on Tenant, or its assignee or transferee providing Landlord with a letter of credit in a form and substance reasonably acceptable to Landlord as additional security for the faithful performance and observance by Tenant of all provisions of the Lease. The amount of the letter of credit shall be equal to the sum of Rent for a period of two (2) years following the Transfer ("Letter of Credit Required Amount"). The letter of credit shall be issued or confirmed by a banking organization chartered by the United States of America and insured by the Federal Deposit Insurance Corporation, whose long-term, unsecured and unsubordinated debt obligations are rated "AAA" and whose short-term deposit rating is "A-1" by Standard & Poor's Rating Service (the "LOC Criteria"). If during the Term the banking organization shall fail to meet the LOC Criteria, Tenant shall replace such letter of credit after notice from Landlord with another letter of credit issued by a banking organization that meets the LOC Criteria. In the event of a default by Tenant with respect to any of the terms, provisions or conditions of this Lease, Landlord shall be permitted to draw down the entire amount of the letter of credit or any portion thereof and apply the proceeds (or a portion thereof) in accordance with the terms and provisions hereinafter set forth. Landlord shall also have the right to draw down the entire amount of the letter of credit in the event that Landlord receives notice that the date of expiration of the letter of credit will not be extended by the issuing bank. If any default occurs, Landlord may draw all or any portion of the letter of credit but no such draw shall work to diminish or limit the damages suffered or recoverable by Landlord, it being agreed that the letter of credit is Landlord's property and its return to

Tenant is a reduction of the consideration for this Lease in consideration of Tenant's complete performance of its obligations. The amount of the letter of credit or any portion thereof applied to cure any default or reimburse Landlord for any costs or damages shall not be construed as liquidated damages or deemed to limit any damages for which Landlord has a right to recover or otherwise to limit any right or remedy of Landlord at law or in equity. Tenant shall not assign or encumber or attempt to assign or encumber the letter of credit delivered under this Section and that neither Landlord nor its successors or assigns shall be bound by any such assignment, encumbrance, attempted assignment or attempted encumbrance.

8.2 Tenant to Remain Obligated. No Transfer shall relieve Tenant from any covenant, liability or obligation hereunder (whether past, present or future) and Tenant shall remain liable under this Lease as a principal and not as a surety. Landlord's consent to a Transfer shall not constitute a consent to any subsequent Transfer. Tenant shall pay all of Landlord's reasonable, out-of-pocket costs, charges and expenses, including reasonable attorney's fees, incurred in connection with any Transfer requested by Tenant up to a maximum of \$2,500.00.

8.3 Assignee to Assume Obligations. If Tenant assigns this Lease as permitted herein, the assignee shall expressly assume all of the obligations of Tenant hereunder from and after the date of assignment and agree to comply with and be bound by all of the terms, provisions and conditions of this Lease. The assumption shall be evidenced in a written instrument satisfactory to Landlord. If Tenant subleases the Premises as permitted herein, that sublease shall be in a written form satisfactory to Landlord and contain the agreement of the subtenant to attorn to Landlord, at Landlord's option and request, in the event this Lease terminates before the expiration of the sublease.

Section 9 – Signage

Except for the initial installation of Tenant's signage in accordance with the Development Agreement ("**Initial Tenant Signage**"), subject to Landlord's prior approval of Tenant's plans and specifications, Tenant's compliance with all Governmental Regulations, CC&Rs, and subject to Tenant obtaining all required permits and approvals from the applicable governmental agencies, Tenant shall be entitled to install additional or replacement Building signage ("**Additional Tenant Signage**") on the following terms and conditions: (a) Tenant shall be responsible, at its sole cost and expense, for all costs associated with the design, fabrication, permitting, installation, repair, maintenance, replacement, removal of all Additional Tenant Signage and the repair of any damage to the Building or sign monument, if any, resulting from the removal of such signage, provided, however Landlord reserves the right to install and maintain Additional Tenant Signage, in which event Tenant shall reimburse Landlord for all reasonable, out-of-pocket costs and expenses incurred by Landlord pursuant to this Section; and (b) Tenant, at its sole cost and expense, shall remove any Additional Tenant Signage upon the expiration or sooner termination of the Term and repair any damage caused by installation and removal of such signage. Further, Tenant shall be responsible, at its sole cost and expense, for all costs associated with the repair, replacement and maintenance of the Initial Tenant Signage. The signage rights granted herein are personal to the original Tenant executing this Lease and may not be assigned, voluntarily or involuntarily, by or to any person or entity other than the original Tenant executing this Lease and any Affiliated Entity without Landlord's prior approval, which shall not be unreasonably withheld, conditioned or delayed. The signage rights granted to the original Tenant hereunder are not assignable separate and apart from this Lease, nor may any signage right granted herein be separated from this Lease in any manner, either by reservation or otherwise. The "Initial Tenant Signage" and "Additional Tenant Signage" may be referred to herein collectively, as "Tenant Signage".

Section 10 – Defaults and Remedies

10.1 **Tenant Events of Default.** Each of the following constitutes an event of default (an “Event of Default”) hereunder:

(A) **Rent.** If Tenant fails to pay Rent on the date due and does not cure such failure within five (5) business days after receipt of written notice from Landlord, provided that Landlord shall not be obligated to provide such notice to Tenant more than twice during any twelve (12)-month period;

(B) **Insurance.** If Tenant fails to maintain the insurance required to be maintained by Tenant hereunder and that failure is not cured within the time period set forth in Section 4.4; or

(C) **Abandonment.** Tenant abandons or vacates all or a material portion of the Premises; or

(D) **Transfer.** A Transfer occurs without Landlord’s consent to the extent required, and as provided, herein; or

(E) **Bankruptcy.** One of the following credit defaults occurs:

(1) Tenant or any guarantor of this Lease commences any proceeding under any law relating to bankruptcy, insolvency, reorganization or relief of debts, or seeks appointment of a receiver, trustee, custodian or other similar official for Tenant or any guarantor of this Lease or for any substantial part of its respective property, or any of those proceedings is commenced against Tenant or any guarantor of this Lease and either remains undismissed for a period of sixty (60) days or results in the entry of an order for relief against Tenant or any guarantor of this Lease that is not fully stayed within thirty (30) days after entry; or

(2) Tenant or any guarantor of this Lease becomes insolvent or bankrupt, does not generally pay its respective debts as they become due, or admits in writing its inability to pay its debts, or makes a general assignment for the benefit of creditors; or

(3) Any third party obtains a levy or attachment under process of law against Tenant’s leasehold interest or other property or assets or any property or assets of any guarantor; or

(F) **Other Defaults.** If Tenant is in default under any other provision of this Lease (other than those specified above) and remains so for a period of thirty (30) days after Landlord has provided notice to Tenant of that default, but if that default cannot reasonably be remedied by Tenant within thirty (30) days after notice of default, then Tenant shall have additional time as is reasonably necessary to remedy the default if during that time Tenant is continuously and diligently pursuing the remedy necessary to cure the default.

10.2 **Landlord’s Remedies.**

(A) **Landlord’s Remedies.** Upon the occurrence of an Event of Default, Landlord may:

(1) **Termination of Lease.** Terminate this Lease and Tenant shall pay to Landlord, upon demand, an accelerated lump sum amount equal to the amount by which Landlord’s commercially reasonable estimate of the aggregate amount of Rent owing from the date of termination through the scheduled expiration date of the Term, plus Landlord’s commercially reasonable estimate of

the aggregate expenses of reletting the Premises (including brokerage fees, unamortized leasing commissions and tenant concessions incurred or estimated to be incurred by Landlord; costs of removing and storing any property in the Premises; costs of repairing, altering, remodeling or otherwise putting the Premises into condition acceptable to new tenants; and all reasonable expenses incurred by Landlord in pursuing its remedies, including reasonable attorneys' fees and court costs (collectively, "Reletting Costs"), exceeds Landlord's commercially reasonable estimate of the fair rental value of the Premises for the same period (after giving effect to the time needed to relet the Premises) both discounted to present value at the rate at which U.S. Treasuries are then yielding for a term closest to the scheduled expiration date of the Term; or

(2) **Termination of Possession.** Terminate Tenant's right of possession of the Premises without termination of this Lease, re-enter the Premises by summary proceedings or otherwise, expel Tenant and remove all property therefrom, using the level of effort mandated by the laws of the state where the Premises are located to relet the Premises at market rent and receive the rent from reletting, and Tenant is not entitled to receive any of that rent and remains liable for the equivalent of the amount of all Rent reserved herein less the proceeds of reletting, if any, after deducting therefrom the Reletting Costs. Any and all monthly deficiencies payable by Tenant under this clause shall be paid monthly on the date herein provided for the payment of Base Rent; or

(3) **Application of Amounts Owed to Tenant.** Apply against any amounts owed by Landlord to Tenant, any amounts then due and payable by Tenant to Landlord; or

(4) **Right to Cure.** At its option, perform any obligations of Tenant under this Lease and all costs and expenses incurred by Landlord in performing those obligations, together with interest thereon at the Default Rate from the date incurred until paid in full, shall be reimbursed by Tenant to Landlord on demand and constitute Rent for purposes of this Lease; or

(5) **Property.** Re-enter, seize and take possession of Tenant's personal property, fixtures and equipment located at the Premises, all of which shall be deemed abandoned by Tenant, and to sell that property at public or private sale.

(B) **Additional Landlord Remedies.** In addition to the remedies set forth in Section 10.2(A), if Landlord incurs any attorneys' fees or other costs or expenses in connection with any breach of or default under this Lease by Tenant, Tenant shall reimburse Landlord upon demand for those reasonable attorneys' fees or other costs, and that reimbursement constitutes a part of the Rent. Additionally, upon an Event of a Default under Section 10.1(E), Tenant shall pay any and all Rent for the month of any petition and thereafter promptly and the failure of Tenant to do so shall constitute an Event of Default entitling Landlord to immediate relief from the automatic stay and to terminate the Lease. Tenant further agrees that the Rent constitutes the value of Tenant's occupancy of the Premises, and if Tenant fails to pay any Rent as set forth herein, the unpaid Rent shall constitute an allowed super-priority administrative expense in favor of Landlord to which Landlord is entitled to immediate payment, in full, and Tenant shall agree to enter into an order to that effect in a bankruptcy case.

(C) **Landlord Remedies Cumulative.** Any and all remedies of Landlord set forth in this Lease: (i) are in addition to any and all other remedies Landlord may have at law or in equity, (ii) are cumulative, and (iii) may be pursued successively or concurrently as Landlord may elect. The exercise of any remedy by Landlord does not constitute an election of remedies or preclude Landlord from exercising any other remedies in the future.

10.3 Landlord's Default; Tenant's Remedies.

Landlord shall be in default under this Lease if Landlord breaches any provision of this Lease and that breach remains uncured for a period of thirty (30) days after Tenant has provided notice to Landlord of the breach, but if that breach cannot reasonably be remedied by Landlord within thirty (30) days after notice of breach, then Landlord shall have additional time as may be reasonably necessary to remedy the breach if during that time Landlord is continuously and diligently pursuing the remedy necessary to cure the breach.

Section 11 – Covenant of Quiet Enjoyment

Landlord covenants that Tenant, on payment of the Rent and performance of the covenants and agreements set forth herein, shall peaceably and quietly have, hold and enjoy the Premises during the Term without interference of any person claiming through Landlord.

Section 12 – Subordination

12.1 Subordination, Attornment.

(A) Unless elected otherwise by the mortgagee, this Lease shall be subordinate to any present or future mortgage respecting the Premises, and any amendments thereto. That subordination is automatically effective without any action or notice by the mortgagee to Tenant on condition that (1) the mortgagee recognizes the validity of this Lease, and (2) the mortgagee agrees that (and by having the Lease be so subordinate that party is deemed to have agreed that), notwithstanding any default by Landlord with respect to the mortgage or any termination or foreclosure thereof, Tenant's possession and right of use under this Lease and the rights of Tenant under this Lease in and to the Premises shall not be disturbed by the mortgagee unless and until an Event of Default occurs.

(B) If any mortgage foreclosed or deed in lieu of foreclosure given, Tenant shall attorn to that mortgagee or purchaser at that foreclosure sale, and this Lease shall continue in effect as a direct lease between Tenant and the mortgagee or purchaser. The mortgagee or purchaser shall (1) be liable as Landlord only for the obligations of Landlord accruing after that the mortgagee or purchaser has taken fee title to the Premises and (2) not be liable for (a) any Rent paid more than thirty (30) days in advance, or (b) any offsets, claims or defenses that Tenant may have against the previous Landlord. Tenant shall within ten (10) days business after request by Landlord or mortgagee or purchaser (in case of attornment), execute and deliver to the requesting party a subordination, non-disturbance and attornment agreement substantially in the form then used by the requesting party.

(C) In addition to, and not as a limitation of the above, upon request from Tenant, Landlord agrees that it shall exercise reasonable efforts to obtain a non-disturbance and attornment agreement for Tenant from its current lender, if any, and, upon written request from Tenant in each instance, shall exercise reasonable efforts to obtain a non-disturbance and attornment agreement for Tenant from its future lenders.

12.2 Security Deposit. Any mortgagee or purchaser shall be responsible for the return of any security deposit and rent voluntarily paid in advance by Tenant only to the extent the security deposit or rent is received by or credited to the mortgagee or purchaser.

12.3 Definitions. As used in this Section 12, "mortgage" includes "trust deed" and "deed of trust" and "mortgagee" includes "trustee" and "beneficiary." and "mortgagee" and "purchaser at a foreclosure sale" includes, in each case, all of its successors and assigns, however remote.

Section 13 – Indemnification

13.1 Indemnity by Tenant. Except to the extent related to or arising out of Landlord's gross negligence or willful misconduct, Tenant shall protect, indemnify, defend and save harmless the Landlord Indemnified Parties for, from, against and regarding any and all foreseeable or unforeseeable third-party claims, suits, proceedings, actions, liabilities, expenses, losses, costs, deficiencies, fines, penalties or damages (including consequential or punitive damages) of any kind or nature (collectively, "Claims"), including reasonable attorneys' fees, on account of any matter or thing, action or failure to act arising out of or in connection with this Lease, the Premises or the operations of Tenant or any Tenant Party on any portion of the Premises. Notwithstanding anything in this Lease to the contrary, Tenant's indemnification obligations under this Lease shall include, and extend to, any and all Claims regardless of whether the possibility of those Claims has been disclosed to Tenant in advance or whether the possibility of those Claims could have been reasonably foreseen by Tenant.

13.2 Survival. The provisions of this Section 13 shall survive the expiration or termination of this Lease with respect to any Claims asserted against Landlord, or asserted by Landlord directly against Tenant, within any applicable statute of limitations.

Section 14 – Surrender

Upon the expiration or earlier termination of this Lease, Tenant shall peaceably leave and surrender the Premises to Landlord in the condition in which the Premises are required to be maintained by the terms of this Lease, reasonable wear and tear excepted, and (without limiting the foregoing) with the Building in broom clean condition. Tenant shall surrender all keys for the Premises to Landlord and shall inform Landlord of the combinations to all locks, safes and vaults at the Premises. At or prior to the expiration or termination of this Lease, Tenant shall, at its expense, remove from the Building all of its trade fixtures, equipment, furniture and other personal property, and the Alterations that are required to be removed under Section 3.2, and repair any damage caused by that removal. However, Tenant shall not remove any equipment, conduits or fixtures providing water, plumbing, electricity, heating, ventilation, air conditioning, lighting, life safety, sprinkler or sewer service to the Premises, regardless of whether the same were installed by or on behalf of Tenant or Landlord. Any furnishings, fixtures, equipment and personal property not removed by Tenant shall (if not already) become Landlord's property upon the expiration or earlier termination of this Lease and shall be conclusively presumed to have been conveyed to Landlord under this Lease via a bill of sale without payment or credit by Landlord to Tenant. Landlord may remove any property not removed by Tenant and store and/or retain or sell that property, and Tenant shall pay Landlord the actual and reasonable cost of the removal, storage and disposition as well as the actual and reasonable cost of repairing any damages caused by the removal within thirty (30) days after demand, and those sums shall accrue interest at the Default Rate from the date incurred until paid in full. Tenant's obligations under this Section 14 survive the expiration or earlier termination of this Lease.

Section 15 – Hazardous Materials and Infectious Wastes

15.1 Tenant Covenants. Tenant shall, and shall cause the Tenant Parties to, (a) not use, maintain, generate, store, treat or dispose of any Hazardous Materials at, on or about the Premises other than *de minimis* amounts of materials that are required for the normal maintenance and operation of the Premises for normal ambulatory clinic use and that are used, stored and disposed of in accordance with all Environmental Requirements, (b) clean or remediate, in accordance with all Environmental Requirements, any Hazardous Materials or Infectious Wastes that may contaminate, or emanate from, any part of the Premises or the soils, ground water or aquifer under the Premises as a result of Tenant's or the Tenant Parties' use or occupancy of the Premises, (c) not place or permit to be placed any Hazardous Materials or Infectious Wastes in any receptacle not specifically designated and permitted for those materials, (d) cause all Hazardous Materials and Infectious Wastes to be disposed of by licensed, reputable contractors approved by Landlord and (e) promptly provide Landlord with any notice received by Tenant or the Tenant Parties

concerning Hazardous Materials or Infectious Wastes. Nothing herein shall restrict Tenant from using, maintaining, generating, storing, treating or disposing of Infectious Wastes, however, so long as Tenant is doing so in the ordinary course of its business and such Infectious Wastes are handled and disposed of in accordance with all applicable codes, laws, rules, and regulations and otherwise in compliance with (b), (c), (d) and (e) above.

15.2 Indemnity. Without limiting the indemnification contained in Section 13 above, Tenant shall indemnify, defend (with counsel reasonably approved by Landlord) and hold the Landlord Indemnified Parties harmless from and against any Claims, including cleanup, engineering and attorneys' fees and expenses that Landlord or the indemnified parties may incur, by reason of (1) a violation of the covenants set forth in Section 15.1 above, (2) Tenant's or the Tenant Parties' use, maintenance, generation, storage, treatment or disposal of any Hazardous Materials or Infectious Wastes at, on, under or about the Premises, (3) the violation of any applicable Environmental Requirement by Tenant or the Tenant Parties and relating to the Premises or Tenant's or the Tenant Parties' use, occupancy or operation thereof, (4) any Claim brought or asserted against Landlord or the Indemnified Parties, regardless of when brought, which directly or indirectly relates to or arises out of any of the matters indemnified in this Section 15.2 or (5) any investigation or claim of any governmental agency or third party for any actions taken by Tenant or the Tenant Parties at or about the Premises. Tenant's indemnity obligations under this Section 15.2 shall survive the cancellation or termination of this Lease.

Section 16 – Holding Over

If Tenant remains in occupancy of any portion of the Premises after the expiration or termination of the Term, Tenant shall become a month-to-month tenant upon all terms of this Lease as might be applicable to the month-to-month tenancy, except that Tenant shall pay Base Rent and Additional Rent at a rate equal to 150% of the rate effective immediately prior to the holdover ("Holdover Rent"). Tenant shall also be liable for any and all damages incurred by Landlord as a result of holding over. No acceptance of Rent payable pursuant to this Section 16 by Landlord or the creation of the month-to-month tenancy constitutes a waiver of Tenant's default or a waiver of Landlord's right to regain possession of the Premises or any other remedy. Notwithstanding the foregoing, however, if Landlord and Tenant are negotiating in good faith for the extension of the Term or its renewal, then the Holdover Rent shall not apply during the pendency of such negotiations.

Section 17 – Notices

All notices and demands, consents, approvals, requests, or other commitments required or permitted to be given under this Lease shall be in writing and sent by United States certified mail, return receipt requested, postage prepaid, or by FedEx or similar generally recognized overnight courier regularly providing proof of delivery, addressed to the parties as set forth in the Summary of Terms (subject to the right of any party to designate a different address for its receipt of notices hereunder within the 48 contiguous continental United States of America by notice duly given). Delivery shall be treated as given as of the first to occur of (i) actual delivery, (ii) if mailed, the second business day after being deposited in U.S. Mail, proper postage prepaid, addressed as provided above, or (iii) if sent by overnight courier, on the first business day after being delivered to that courier with all charges for overnight delivery having been prepaid. An electronic communication ("Electronic Notice") shall be deemed written notice for purposes of this Section 17 if sent to the electronic mail address specified by the receiving party under separate cover. Electronic Notice shall be deemed received at the time the party sending Electronic Notice receives verification of receipt by the receiving party. Any party receiving Electronic Notice may request and shall be entitled to receive the notice on paper, in a nonelectronic form ("Nonelectronic Notice") which shall be sent to the requesting party within ten (10) days of receipt of the written request for Nonelectronic Notice.

Section 18 – Broker’s Representation

Except for the broker, if any, identified on the Summary of Terms, Landlord represents that it dealt with no broker or brokers and Tenant represents that it dealt with no broker or brokers in connection with the negotiation, execution and delivery of this Lease. Landlord and Tenant shall indemnify and hold the other harmless from and against any losses, damages, penalties, claims or demands of whatsoever nature arising from a breach of its foregoing representation including reasonable attorneys’ fees and expenses. The representations and indemnifications set forth in this Section 18 survive the cancellation or termination of this Lease.

Section 19 – Rights Reserved to Landlord

The following rights, exercisable without affecting any of Tenant’s obligations under this Lease, are all reserved by Landlord: (1) upon no less than twenty-four (24) hours’ notice, to, or have its agents, exhibit the Premises at reasonable hours to prospective purchasers and mortgagees of the Premises and, in the final nine months of the Term, to prospective tenants; (2) to, or have its agents, decorate, remodel, repair, alter or otherwise prepare the Premises for reoccupancy at any time after Tenant vacates or abandons the Premises; and (3) to, or have its agents, enter the Premises after no less than twenty-four (24) hours’ notice at reasonable hours (except in the event of an emergency, when no notice need be given) for reasonable purposes, including inspection, the provision of services and the performance of the obligations of Tenant hereunder. Notwithstanding anything to the contrary set forth in this Section 19, (1) Tenant may designate certain areas of the Premises as “Secured Areas” should Tenant require such areas for the purpose of securing certain confidential information and valuable property, (2) a representative of Tenant may accompany Landlord during any period of Landlord excess (except in the event of an emergency), and (3) Landlord shall comply with Tenant’s reasonable security protocol, if any, implemented to protect the confidential information of Tenant’s patients.

Section 20 – Other Matters

20.1 Interpretation. Captions of this Lease are solely for convenience of reference and shall not in any way limit or amplify the terms and provisions hereof. Whenever the words “including,” “include,” or “includes” are used in this Lease, they shall be interpreted in a non-exclusive manner as though the words “without limitation” immediately followed.

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

20.3 Entire Agreement. All understandings and agreements, oral or written, previously made between the parties are merged into this Lease and this Lease fully and completely expresses the agreement between Landlord and Tenant. This Lease cannot be amended or modified except by a written instrument executed by Landlord and Tenant.

20.4 Governing Law. This Lease, and all disputes arising under or related to this Lease, shall be governed by and construed in accordance with the internal laws of the State of Washington.

20.5 Successors and Assigns. Subject to Section 8 and Section 12, this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors and assigns.

20.6 **Waiver.** No failure by either party to exercise, or delay in exercising, any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof, or the exercise of any other right, power or privilege. Any consent or approval given by Landlord in any one instance shall not constitute consent or approval for any subsequent matter, even if similar to the matter for which that consent or approval was originally given.

20.7 **Litigation and Arbitration Costs.** In the event of any litigation or arbitration between Tenant and Landlord to enforce any provision of this Lease or any right of either party hereto, the unsuccessful party to that litigation or arbitration shall pay to the successful party all costs and expenses, including reasonable attorneys' fees, incurred by the successful party therein.

20.8 **Counterparts; Electronic Execution and Delivery.** This Lease may be executed electronically and in any number of counterparts, each of which constitutes an original and all of which, when taken together, shall constitute one and the same agreement. Further, electronic copies of the executed copies of this Lease may be delivered to the parties by facsimile transmission or email (including as an attachment in .PDF format) and, upon receipt, shall constitute originals and binding upon the parties hereto.

20.9 **Modifications to Lease.** If, in connection with Landlord's obtaining financing for the Premises, the proposed lender requests reasonable modification of this Lease as a condition of that financing, Tenant shall not unreasonably withhold or delay its agreement to those modifications so long as those modifications do not materially increase the obligations or materially and adversely affect the rights of Tenant under this Lease, both as determined by Tenant in the exercise of its commercially reasonable judgment.

20.10 **Accord and Satisfaction.** No payment by Tenant or receipt by Landlord of a lesser amount than the Rent stipulated herein shall be deemed to be other than on account of the earliest stipulated Rent, nor shall any endorsement or statement on any check or any letter accompanying any check or payment of Rent constitute an accord and satisfaction. Landlord may accept that check or payment without prejudice to Landlord's right to recover the balance of Rent or to pursue any other remedy in this Lease.

20.11 **Time of the Essence.** Time is of the essence of each provision of this Lease.

20.12 **WAIVER OF TRIAL BY JURY. EACH PARTY WAIVES TRIAL BY JURY IN THE EVENT OF ANY LEGAL PROCEEDING BROUGHT BY THE OTHER IN CONNECTION WITH THIS LEASE. EACH PARTY SHALL BRING ANY ACTION AGAINST THE OTHER IN CONNECTION WITH THIS LEASE IN FEDERAL OR STATE COURTS LOCATED IN THE DISTRICT WHERE THE PREMISES ARE LOCATED, CONSENTS TO THE JURISDICTION OF THOSE COURTS, AND WAIVES ANY RIGHT TO HAVE ANY PROCEEDING TRANSFERRED FROM THOSE COURTS.**

20.13 **Due Authorization.** Landlord and Tenant hereby covenant, warrant and represent that: (1) the individual executing this Lease on its behalf is duly authorized to execute and deliver this Lease in accordance with that party's organizational documents; (2) this Lease is binding upon that party and (3) the execution and delivery of this Lease will not result in any breach of, or constitute a default under any mortgage, deed of trust, lease, loan, credit agreement, partnership agreement or other contract or instrument to which it is a party or by which it may be bound.

20.14 **Tenant Financials.** If Landlord is required to furnish that information in connection with the closing of a proposed sale or refinancing of the Premises or if Tenant is in default hereunder, Tenant shall provide Landlord, upon ten (10) days' prior notice from Landlord, with its then most-current financial

statement for Tenant's business (such statement to be prepared in accordance with Tenant's standard business practices). The information provided by Tenant shall be kept confidential by Landlord and Landlord's lender or prospective purchaser, except to the extent already a part of the public domain, disclosure is required by applicable Governmental Regulations or to enforce this Lease. Upon Tenant's request, Landlord shall obtain a confidentiality and non-disclosure agreement from the party to receive Tenant's financial statement as a condition precedent to Tenant's obligation to provide same.

20.15 Force Majeure. Both Landlord and Tenant shall be excused from performing their obligations or undertakings provided in this Lease, in the event of, but only so long as the performance of any of those obligations are prevented or delayed, retarded or hindered by, an event of Force Majeure, but this Section 20.15 shall not apply to any obligation to pay money or perform any financial obligations hereunder.

20.16 ERISA. Tenant represents and warrants that it is not and is not acting on behalf of (1) an "employee benefit plan" within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), (2) a "plan" within the meaning of Section 4975 of the Internal Revenue Code of 1986, as amended or (3) an entity deemed to hold "plan assets" within the meaning of 29 C.F.R. § 2510.3-101 of any such employee benefit plan or plans.

20.17 Estoppel Certificates. Within ten (10) business days after request by Landlord, Tenant shall execute and deliver to Landlord a written certificate as to the status of this Lease, any existing defaults, the status of the payments and performance of the parties required hereunder and any other information concerning the status of the Lease that may be reasonably requested.

20.18 Landlord's Interest. Landlord's liability under this Lease is limited solely to Landlord's equity in the Premises, and in no event shall recourse be had to any other property or assets of Landlord or against any property or assets of any member, partner, shareholder, trustee, officer or director of Landlord or its members, partners or shareholders. If Landlord at any time transfers its interest in the Premises or this Lease, then so long as the transferee assumes in writing Landlord's obligations under this Lease, Landlord shall be released of any obligations occurring after that transfer, and Tenant shall look solely to Landlord's successors for performance of those obligations.

20.19 Joint and Several. If Tenant is more than one person, all obligations of Tenant hereunder are joint and several obligations of each person executing this Lease as Tenant.

20.20 Recordation; Confidentiality. Tenant shall not record or file, or permit to be recorded or filed, a copy of this Lease (or a memorandum thereof) or otherwise disclose the terms of this Lease without first obtaining Landlord's consent, which may not be unreasonably withheld, conditioned, or delayed.

20.21 Security. Landlord has no duty to provide security for any portion of the Premises and Tenant assumes sole responsibility and liability for the security of itself, its employees, customers and invitees and their respective property, in the Premises.

20.22 OFAC Certification.

(A) Tenant represents, warrants and covenants to Landlord that Tenant, its affiliates, and their respective officers, directors, members, partners, shareholders and other equity interest holders are not and will not at any time from the Effective Date through the end of the Term be (1) in violation of any of the Anti-Terrorism Laws (as defined in this Section 20.22), or (2) a Prohibited Person (as defined in this Section 20.22). Tenant further certifies that it has not entered into this Lease, directly or indirectly on

behalf of any Prohibited Person or for the purpose of effecting any act that would violate the Anti-Terrorism Laws.

(B) “Anti-Terrorism Laws” shall mean any federal law, regulation, rule or order relating to terrorism or money laundering that may now or hereafter be in effect, including Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001, any regulations of the U.S. Treasury Department’s Office of Foreign Assets Control (“OFAC”) related to Specially Designated Nationals and Blocked Persons that may now or hereafter be in effect, and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Public Law 107-56) as amended, International Money Laundering Abatement and Financial Anti-Terrorism Act of 2001, the Bank Secrecy Act, the Trading with the Enemy Act, and the International Emergency Economic Powers Act and the rules and regulations promulgated under those acts.

(C) “Prohibited Person” shall mean any person or entity owned or controlled by, affiliated with, or acting for or on behalf of, any person, group or entity or nation named by any Executive Order or the United States Treasury Department as a “specially designated national and blocked person”, or a terrorist on the then most current list published by OFAC at its official website, <http://www.treas.gov/offices/enforcement/ofac/sdn/t11sdn.pdf>, or at any replacement website or other replacement official publication of that list.

20.23 Security Deposit.

(A) **Security Amount.** Tenant shall pay to Landlord upon the execution and delivery of this Lease the Security Deposit amount (the “Security Amount”) set forth in the attached Summary of Terms as security (the “Security Deposit”) for the full and faithful performance by Tenant of each and every term, provision, covenant, and condition of this Lease. The Security Deposit shall not be deemed an advance payment of Rent or a measure of Landlord’s damages for any Tenant default, nor shall it be a bar or defense to any action that Landlord may at any time commence against Tenant. The Security Deposit shall be the property of Landlord and Landlord may commingle the Security Deposit with other assets of Landlord or its affiliates and use the Security Deposit to reduce the indebtedness of Landlord or its affiliates, and Tenant shall not be entitled to any interest on the Security Deposit.

(B) **Application of Security Deposit.** Upon the occurrence of any Event of Default, Landlord, at its option and in the order that Landlord in its discretion determines, may apply the Security Deposit to any (1) obligation of Tenant under this Lease or (2) loss or expense that Landlord may incur in connection with or related to this Lease or any Event of Default, whether the obligation or loss or expense accrues before or after the Event of Default.

(C) **Transfer of Security Deposit.** If Landlord sells or transfers the Building or Landlord ceases to have an interest in the Building, Landlord may remit any unapplied part of the Security Deposit to the successor owner of the Building, and from and after that payment or transfer, Landlord shall be relieved of all liability with respect thereto.

(D) **Restoration of Security Deposit.** If Landlord applies the Security Deposit (or any portion thereof) from time to time as provided in this Lease, Tenant shall replenish the Security Deposit in full, within ten (10) days after demand by Landlord, by paying to Landlord the amount of the Security Deposit so applied.

(E) **Return of Security Deposit at Expiration or Termination of Lease.** If: (1) no Event of Default has occurred and is continuing under this Lease and (2) Tenant has fully performed and satisfied all of its obligations under this Lease, then Landlord shall pay the Security Deposit, or the

remaining unapplied portion thereof, to Tenant within thirty (30) days after the expiration or earlier termination of this Lease and the surrender of the Premises to Landlord in accordance with the terms of this Lease; but Landlord may retain an amount of the Security Deposit, as it shall reasonably determine, to secure the payment of any Rent, the amount of which Landlord is then unable to determine finally (and Landlord shall return any retained amount to Tenant promptly following the final determination of that Rent amount and the full payment to Landlord of that Rent).

20.24 **Guaranty.** Landlord's obligations under this Lease are contingent upon its receipt of a guarantee of Tenant's obligations hereunder from the guarantor(s) identified in the attached Summary of Terms in a form substantially similar to that attached as Exhibit C.

20.25 **Option to Purchase.** So long as this Lease is in effect, Tenant will have the option to purchase the Premises (the "Option") at the tenth (10th) anniversary of the Rent Commencement Date and on each fifth (5th) anniversary of such date thereafter (i.e., 15th, 20th, 25th, etc.) (each such date being referred to in this Section 20.25 as an "Option Date"). In each instance, the Option must be exercised, if at all, in writing and not later than the 180th day prior to the applicable Option Date ("Option Notice"); if not exercised timely, the Option will lapse as to such Option.

(A) **Option Price.** The purchase price for the Premises and Landlord's interest therein (the "Option Price") will be the greater of (i) the then outstanding principal balance together with any accrued and unpaid interest under any mortgage (collectively, the "Debt"), (ii) the Fair Market Value (assuming ten (10) years remain on the Lease Term for valuation purposes), (iii) 110% of final Project Cost (adjusted for inflation by comparison with the Index); and (iv) 110% of the most recent purchase price paid for the Premises and/or the Landlord's interest therein by a bona fide purchaser in an arms'-length transaction (including a transfer of the ownership interests or voting rights in Landlord or any other arrangement that has substantially the same effect). Regardless of the applicable Option Price methodology, Tenant shall either satisfy the Debt or assume the Debt in connection with the closing of the acquisition of the Premises pursuant to the Option. If the Debt can be assumed and Tenant elects to do so, then Tenant shall pay all commercially reasonable costs and expenses associated with such assumption. If the Debt cannot be assumed, then it shall be paid off at the closing by Landlord and all cost and expenses associated with its satisfaction, including any prepayment penalties, defeasance costs or similar charges assessed by the mortgagee in connection with such satisfaction or assumption, shall be Landlord's. Tenant will receive a credit against the Option Price, equal to the Debt if Tenant assumes the Debt.

(B) **Fair Market Value.** Landlord and Tenant will endeavor in good faith to agree upon the fair market value of the Premises and Landlord's interest therein within thirty (30) days following delivery of the Option Notice. In the event that the Landlord and Tenant are unable to agree upon the fair market value of the Premises and Landlord's interest therein within such thirty (30) day period, then Landlord and Tenant will, within ten (10) days following such thirty (30) day period, each select an Appraiser to determine the fair market value of the Premises and Landlord's interest therein. If either Landlord or Tenant does not select an Appraiser within such ten (10) day period, the determination of the single Appraiser selected shall be final and binding upon the parties. If the two Appraisers do not agree on the fair market value of the Premises within such ninety (90) day period and the difference between the two appraisals is less than or equal to ten percent (10%) of the greater appraisal, then the average of the two (2) appraisals shall be used as the fair market value of the Premises. If the difference between the two appraisals is greater than ten percent (10%) of the greater appraisal, then the two Appraisers shall select a third Appraiser within ten (10) days and the average of the three appraisals shall be used as the fair market value of the Premises and Landlord's interest therein. Each party shall pay the cost of its chosen Appraiser and should a third Appraiser be necessary, Landlord and Tenant shall each pay one-half (1/2) of the cost of the third Appraiser.

(C) **Closing.** In the event of the purchase of the Premises by Tenant pursuant to the terms of this Section 20.25, Landlord shall convey to Tenant good and marketable title to the Premises evidenced by a standard ALTA title policy, subject only to those liens, interests and encumbrances that are of record at the time the Landlord acquired the Premises or that arise in connection with Landlord's development or the operation of the Premises. Tenant may, at its option, obtain an extended ALTA title policy and Landlord covenants and agrees to provide a standard commercial owner's affidavit in connection therewith. Any additional premium associated with obtaining an extended policy shall be Tenant's obligation. The Option Price shall be paid at the time of the closing by wire transfer or by certified or cashier's check. Upon Tenant's purchase of the Premises and Landlord's interest in this Lease pursuant to exercise of the Option, closing costs shall be allocated between Landlord and Tenant in accordance with local custom. The closing under this Section 20.25 shall take place no later than thirty (30) days after the date of final determination of Option Price and through an escrow holder at First American Title Insurance Company, located at 4380 La Jolla Village Drive, Suite #110, San Diego, California 92122. The Premises shall be conveyed by Landlord on an "AS-IS," "WHERE-IS," "WITH ALL FAULTS" basis.

(D) **Extension of Option Date.** With respect to a mortgage or other loan documents that contain a lockout period during which the Debt cannot be prepaid or defeased, if an Option Date falls during any such lockout period, the Option Date shall automatically be extended until the expiration of the lockout period.

20.26 **Waiver.** Notwithstanding any of the other provisions of this Lease, Landlord waives any statutory liens and any rights of distraint with respect to the personal property of Tenant from time to time located within the Premises, including, but not limited to Tenant's furniture, furnishings, equipment, movable partitions of less than full height from floor to ceiling, trade fixtures, and other property installed by Tenant (collectively, the "Tenant's FF&E"). This Lease does not grant a contractual lien or any other security interest to Landlord or in favor of Landlord with respect to Tenant's FF&E. Landlord further agrees to subordinate any statutory lien Landlord may have in and to all of Tenant's FF&E, to the lien of any equipment supplier, chattel mortgagee, secured party, vendor, lessor and/or lender (herein a "Secured Party") that Tenant may grant in connection with financing of its construction and/or installation of such items. In furtherance of the foregoing, Landlord shall execute and deliver to the Secured Party an instrument in form reasonably satisfactory to Landlord and the Secured Party.

20.27 **Washington Provisions.** With respect to any of the Premises located in the State of Washington, Landlord and Tenant agree as follows:

(A) **Indemnification Modifications.** In compliance with RCW 4.24.115 as in effect on the date of this Lease, to the extent, if at all, that any provisions of this Lease pursuant to which Landlord or Tenant (for purposes of this Section, the "Indemnitor") agrees to indemnify (including any provision, or payment of costs, of any defense of) the other (for purposes of this, the "Indemnitee") against liability for damages arising out of bodily injury to persons or damage to property relative to the construction, alteration or repair of, addition to, subtraction from, improvement to, or maintenance of, any building, road, or other structure, project, development or improvement attached to real estate (including the Premises), including moving or demolition in connection therewith, is found to be within the scope of RCW 4.24.115, or in any way subject to, or conditioned upon consistency with, the provisions of RCW 4.24.115 for its enforceability, then such provision (regardless of whether it makes reference to this or any other limitation provision): (i) shall not apply to damages caused by or resulting from the sole negligence of the Indemnitee, its agents or employees and (ii) to the extent caused by or resulting from the concurrent negligence of (x) the Indemnitee or the Indemnitee's agents or employees, and (y) the Indemnitor or the Indemnitor's agents or employees, shall apply only to the extent of the Indemnitor's negligence; provided, however, the limitations on indemnity set forth in this Section shall automatically and without further act by either Landlord or Tenant

be deemed amended so as to remove any of the restrictions contained in this Section no longer required by then Applicable Law.

(B) **Waiver of Worker's Compensation Immunity.** Solely for the purpose of effectuating Tenant's indemnification obligations under this Lease, and not for the benefit of any third parties (including but not limited to employees of Tenant), Tenant specifically and expressly waives any immunity that may be granted it under the Washington State Industrial Insurance Act, Title 51 RCW, if applicable. Furthermore, the indemnification obligations under this Lease shall not be limited in any way by any applicable limitation on the amount or type of damages, compensation or benefits payable to or for any third party under worker compensation acts, disability benefit acts or other employee benefit acts now or hereafter in effect in the State of Washington. The parties acknowledge that the foregoing provisions of this paragraph have been specifically and mutually negotiated between the parties.

(C) **Reentry of Premises.** Should Landlord reenter any facility under any provisions of this Lease relating to an Event of Default by Tenant hereunder, Landlord shall not be deemed to have terminated this Lease, or the liability of Tenant to pay the Rent thereafter accruing, or to have terminated Tenant's liability for damages under any of the provisions of this Lease, by any such reentry or by any action, in unlawful detainer or otherwise, to obtain possession of such facility, unless Landlord shall have notified Tenant in writing that Landlord had elected to terminate this Lease. Tenant further covenants that the service by Landlord of any notice pursuant to the unlawful detainer statutes of the State of Washington and/or the surrender of possession pursuant to such notice shall not (unless Landlord elects to the contrary at the time of or at any time subsequent to the serving of such notices and such election is evidenced by a written notice to Tenant) be deemed to be a termination of this Lease.

(D) **No Authority to Cause Liens.** Notwithstanding anything to the contrary contained elsewhere in this Lease, Tenant shall have no right or authority to cause or allow any of the Premises or the Landlord's estate or interest therein or in and to this Lease to be subjected to any such lien.

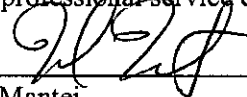
SIGNATURES ON FOLLOWING PAGE

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The parties have executed and delivered this Lease as of the Effective Date.

TENANT:

The Vancouver Clinic, Inc., P.S.,
a Washington professional service corporation

By: 
Name: Mark Mantei
Title: Chief Executive Officer
Date: 2/3/21

STATE OF WASHINGTON)
) ss.
COUNTY OF Clark)

I certify that I know or have satisfactory evidence that MARK MANTEI is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the CHIEF EXECUTIVE OFFICER of The Vancouver Clinic, Inc., P.S. to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: February 3, 2021

Notary Public
State of Washington
Melody S Urban
Commission No. 20117176
Commission Expires 9/23/2024

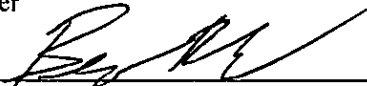
Melody S. Urban
Print name: Melody Urban
Notary Public in and for the State of Washington
residing at 1006 NE 135 Ave Vancouver WA 98682
My appointment expires: 9/23/2024

[Notary Seal]

LANDLORD:

PMB Vancouver LLC,
a Delaware limited liability company

By: PMB LLC,
a California limited liability company,
its Manager

Name: 
Title: CHIEF FINANCIAL OFFICER
Date: 2/3/2021

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)

COUNTY OF _____)

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

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

WITNESS my hand and official seal.

Signature

(Seal)

1000

1000

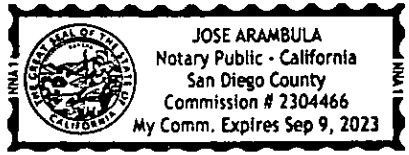
CALIFORNIA ACKNOWLEDGMENT

CIVIL CODE § 1189

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California }
County of San Diego }
On February 3, 2021 before me, Jose Arambula, Notary Public
Date Here Insert Name and Title of the Officer
personally appeared BENJAMIN R. RYAN
Name(s) of Signer(s)

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



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

WITNESS my hand and official seal.

Place Notary Seal and/or Stamp Above

Signature [Handwritten Signature]
Signature of Notary Public

OPTIONAL

Completing this information can deter alteration of the document or fraudulent reattachment of this form to an unintended document.

Description of Attached Document

Title or Type of Document: _____

Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____

- Corporate Officer – Title(s): _____
- Partner – Limited General
- Individual Attorney in Fact
- Trustee Guardian or Conservator
- Other: _____

Signer is Representing: _____

Signer's Name: _____

- Corporate Officer – Title(s): _____
- Partner – Limited General
- Individual Attorney in Fact
- Trustee Guardian or Conservator
- Other: _____

Signer is Representing: _____

[Faint handwritten text, possibly a name or title]

[Faint handwritten text]

[Faint handwritten text, possibly a list or notes]

LANDLORD:

PMB Vancouver LLC,
a Delaware limited liability company

By: PMB LLC,
a California limited liability company,
its Manager

Name: _____

Title: _____

Date: _____

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)

COUNTY OF _____)

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

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

WITNESS my hand and official seal.

Signature

(Seal)

EXHIBIT A

LEGAL DESCRIPTION

Real property in the County of Clark, State of Washington, described as follows:

PARCEL I:

A TRACT OF LAND IN THE NORTH HALF OF THE NORTHEAST QUARTER OF THE NORTHEAST QUARTER OF SECTION 26, TOWNSHIP 3 NORTH, RANGE 1 EAST OF THE WILLAMETTE MERIDIAN, CLARK COUNTY, WASHINGTON, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHEAST CORNER OF SECTION 26, BEING MARKED BY A CLARK COUNTY CONCRETE MONUMENT WITH BRASS CAP IN MONUMENT BOX PER THAT SURVEY RECORDED IN BOOK 38 PAGE 94, RECORDS OF CLARK COUNTY; THENCE NORTH 88°44'30" WEST ALONG THE NORTH LINE OF SAID SECTION 974.33 FEET; THENCE SOUTH 01°15'30" WEST 35.00 TO THE NORTHWEST CORNER OF LOT 2 PER SHORT PLAT RECORDED UNDER BOOK 3 PAGE 676 AND THE TRUE POINT OF BEGINNING; THENCE ALONG THE WEST LINE OF SAID LOT 2 SOUTH 01°14'18" WEST 110.31 FEET; THENCE ALONG THE SOUTHWEST LINE OF SAID LOT 2 SOUTH 43°45'36" EAST 292.08 FEET; THENCE ALONG THE SOUTH LINE OF SAID LOT 2 SOUTH 88°45'36" EAST 107.94 FEET TO THE SOUTHEAST CORNER OF LOT SAID LOT 2; THENCE ALONG THE EAST LINE OF LOT 1 OF SAID SHORT PLAT SOUTH 01°40'46" WEST 34.25 FEET TO THE NORTHERLY LINE OF THAT TRACT OF LAND DESCRIBED IN DOCUMENT RECORDED UNDER AUDITOR'S FILE NUMBER 3779607 CLARK COUNTY DEED RECORDS; THENCE ALONG SAID NORTHERLY LINE SOUTH 88°44'30" EAST 249.00 FEET TO THE EASTERLY LINE OF THAT TRACT OF LAND DESCRIBED IN QUIT CLAIM DEED RECORDED UNDER AUDITOR'S FILE NUMBER 9306180154 CLARK COUNTY DEED RECORDS; THENCE ALONG SAID EASTERLY LINE NORTH 01°40'29" EAST 178.00 FEET TO A POINT ON THE SOUTHERLY LINE OF THAT TRACT OF LAND DESCRIBED IN DOCUMENT RECORDED UNDER AUDITOR'S FILE NUMBER 9108150257 CLARK COUNTY DEED RECORDS; THENCE ALONG SAID SOUTHERLY LINE NORTH 88°44'30" WEST 7.88 FEET TO THE WESTERLY LINE THEREOF; THENCE ALONG SAID WESTERLY LINE NORTH 01°41'06" EAST 173.00 FEET TO A POINT ON THE SOUTHERLY RIGHT-OF-WAY OF NE 139 STREET; THENCE ALONG SAID RIGHT-OF-WAY NORTH 88°44'30" WEST 558.03 FEET TO THE POINT OF BEGINNING.

PARCEL IA:

Easements for vehicular and pedestrian ingress and egress and parking created in the Reciprocal Easement Agreement recorded February 8, 2018 as Recording No. 5486052 as amended by that certain Amendment to Reciprocal Easement Agreement recorded ____, 2021 as Recording No. ____.

PARCEL IB:

Easements for access, use of driveway and utilities right of way created in Short Plat recorded March 30, 2006 as Book 3 of Short Plats, Page 676 and the Joint Access Agreement recorded March 30, 2006 as Recording No. 4145730.

PARCEL II:

THE NORTHEAST QUARTER OF THE NORTHEAST QUARTER OF THE NORTHEAST QUARTER OF SECTION 26, TOWNSHIP 3 NORTH, RANGE 1 EAST OF THE WILLAMETTE MERIDIAN IN CLARK COUNTY, WASHINGTON.

EXCEPTING THEREFROM THE NORTH 473 FEET.

ALSO EXCEPTING THEREFROM THAT PORTION CONVEYED TO CLARK COUNTY, WASHINGTON BY QUIT CLAIM DEED RECORDED MAY 16, 1961 AS RECORDING NO. G307980.

ALSO EXCEPTING THEREFROM THAT PORTION CONVEYED TO CLARK COUNTY, WASHINGTON BY DEDICATION QUIT CLAIM DEED RECORDED MARCH 30, 2019 AS RECORDING NO. 5593307.

PARCEL IIA:

Easements for vehicular and pedestrian access and underground utility service created in the Reciprocal Access and Utility Easement recorded February 20, 2009 as Recording No. 4533072.

Tax Parcel ID No. 186629-000 and 186535-000

EXHIBIT B

ACCEPTANCE OF OCCUPANCY

TENANT: The Vancouver Clinic, Inc., P.S., a Washington professional service corporation

LANDLORD: PMB Vancouver LLC, a Delaware limited liability company

BUILDING:

PREMISES:

DATE OF LEASE:

This Acceptance of Occupancy is executed by Tenant and Landlord pursuant to the provisions of the Lease referenced above. All terms capitalized but not defined herein shall have the respective meanings ascribed to them in the Lease.

1. Tenant acknowledges that it has inspected the Premises and finds same to be substantially complete and now suitable for Tenant's permitted use. Except for latent defects and any work that is not code compliant, Tenant and Landlord hereby agree that all work done to the Premises is acceptable and that the only work remaining to be done to the Premises, all of which is of a minor nature, is as follows (collectively, the "Punch List"):

The Punch List is the responsibility of Landlord to complete. That party hereby agrees to promptly undertake the completion of same. Tenant agrees that the work may be completed after it has taken occupancy, and the Term of the Lease had commenced or is to commence on the Commencement Date set forth in the Lease. Tenant shall not be entitled to any abatement of Rent on account of the performance of the Punch List. For purposes of clarity, nothing contained in this Section 1 obviates or negates any of Landlord's obligations under the Warranty granted to Tenant under the Development Agreement.

2. Tenant and Landlord hereby agree that the Initial Base Rent is \$ _____.

3. Tenant and Landlord hereby agree that the actual Rent Commencement Date shall be _____, and that the Rent shall commence as of that date, and the Term shall expire on _____.

4. This Acceptance of Occupancy may be executed electronically and in any number of counterparts, each of which shall be deemed to be an original and all of which, when taken together, shall constitute one and the same agreement. Further, electronic copies of the executed copies of this Acceptance of Occupancy may be delivered to the parties by facsimile transmission or email (including as an attachment in .PDF format) and, upon receipt, shall be deemed originals and binding upon the parties hereto.

SIGNATURES ON FOLLOWING PAGE

Executed as of the latest date of execution set forth below.

TENANT:

The Vancouver Clinic, Inc., P.S.,
a Washington professional service corporation

By: _____

Name: _____

Title: _____

Date: _____

LANDLORD:

PMB Vancouver LLC,
a Delaware limited liability company

By: PMB LLC,
a California limited liability company,
its Manager

Name: _____

Title: _____

Date: _____

EXHIBIT C

FORM OF GUARANTY

For value received and in consideration for and as an inducement to PMB VANCOUVER LLC, a Delaware limited liability company, as landlord (“**Landlord**”) to lease certain real property to THE VANCOUVER CLINIC, INC., P.S., a Washington professional service corporation, as tenant (“**Tenant**”), pursuant to that certain Lease Agreement dated _____, 20__ (the “**Lease**”) by and between Landlord and Tenant, the undersigned, [INSERT TENANT GUARANTOR AND ENTITY], with a mailing address of [INSERT MAILING ADDRESS] (“**Guarantor**”) unconditionally and irrevocably guarantees to Landlord the punctual payment of all Base Rent and Additional Rent (including without limitation Taxes, Rent Taxes, and Expenses) and any other costs and charges specified in the Lease and payable by Tenant under the Lease (collectively, “**Rent**”) throughout the term of the Lease and any and all further renewals and extensions thereof in accordance with and subject to the provisions of the Lease, and the full performance and observance of all other terms, covenants, conditions and agreements in the Lease provided to be performed and observed by Tenant under the terms of the Lease, for which the undersigned shall be jointly and severally liable with Tenant. If any default on the part of Tenant shall occur under the Lease, the undersigned covenants and agrees to pay to Landlord upon demand in each and every instance such sum or sums of money and to perform each and every covenant, condition and agreement under the Lease as Tenant is and shall become liable for or obligated to pay or perform under the Lease, together with the costs reasonably incurred by Landlord in connection therewith, including without limitation, reasonable attorney fees.

The Landlord shall send the Guarantor a written notice of nonpayment or nonperformance to the following addresses, which may be changed by Guarantor by written notice to Landlord of a different United States address (provided, however, that such new address must be a physical address and may not be a P.O. Box):

Vancouver Clinic Building LLC
The Vancouver Clinic, Inc., P.S.
Attn: Betsy Suydam and Mark Mantei
700 NE 87th Ave.
Vancouver, WA 98664
Email: bsuydam@tvc.org and mmantei@tvc.org
Phone: 360-397-5526

With a courtesy copy to:

Davis Wright Tremaine LLP
Attn: Michael Zahn and Ingrid Brydolf
1300 SW 5th Ave., Suite 2400
Portland, OR 97201
Email: michaelzahn@dwt.com
Phone: (503) 778-5348

The maintenance of any action or proceeding by Landlord to recover any sum or sums that may be or become due under the Lease and to secure the performance of any of the other terms, covenants and conditions of the Lease shall not preclude Landlord from thereafter instituting and maintaining subsequent actions or proceedings for any subsequent default or defaults of Tenant under the Lease. The undersigned consents that without affecting the liability of the undersigned under this Guaranty and without notice to the undersigned, time may be given by Landlord to Tenant for payment of Rent and such other sums and performance of other terms, covenants and conditions, or any of them, and such time extended and indulgence granted, from time to time, or Tenant may be dispossessed or Landlord may avail itself of or exercise any or

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all of the rights and remedies against Tenant provided by law or by the Lease, and may proceed either against Tenant alone or jointly against Tenant and the undersigned or against the undersigned alone without first prosecuting or exhausting any remedy or claim against Tenant. The undersigned consents further to any subsequent change, modification or amendment of the Lease in any of its terms, covenants or conditions, or in the Rent payable thereunder, or in the premises demised thereby, or in the term thereof, and to any assignment or assignments of the Lease, and to any subletting or sublettings of the premises demised by the Lease, and to any renewals or extensions thereof, all of which may be made without notice to or consent of the undersigned and without in any manner releasing or relieving the undersigned from liability under this Guaranty.

The undersigned agrees that the bankruptcy of Tenant shall have no effect on the obligations of the undersigned. The undersigned agrees further that in respect of any payments made by the undersigned, the undersigned shall not have any rights based on suretyship, subrogation or otherwise to stand in the place of Landlord so as to compete with Landlord as a creditor of Tenant, unless and until all claims of Landlord under the Lease shall have been fully paid and satisfied.

Neither this Guaranty nor any of the provisions of this Guaranty can be modified, waived or terminated, except by a written instrument signed by Landlord. The provisions of this Guaranty shall apply to, bind and inure to the benefit of the undersigned and Landlord and their respective heirs, legal representatives, successors and assigns. The undersigned, if there be more than one, shall be jointly and severally liable, and for purposes of such several liability the word "undersigned" wherever used shall be construed to refer to each of the undersigned parties separately, all in the same manner and with the same effect as if each of them had signed separate instruments, and this Guaranty shall not be revoked or impaired as to any of such parties by the death of another party or by revocation or release of any obligations under this Guaranty of any other party. If Landlord should retain counsel and/or institute any suit against Guarantor to enforce this Guaranty or any covenants or obligations under this Guaranty, then Guarantor shall pay to Landlord, upon demand, all reasonable attorney fees, costs and expenses, including without limitation, court costs, filing fees, recording costs, and all other costs and expenses incurred in connection with such enforcement efforts (all of which are referred to herein as "Enforcement Costs"), in addition to all other amounts due under this Guaranty.

Any notice or other communication to be given to Landlord or the undersigned shall be in writing and sent in accordance with the notice provisions of the Lease. Notices to Landlord shall be delivered to Landlord's address set forth in the Lease. Notices to the undersigned shall be addressed at the address of the Guarantor. In the event Guarantor's notice address as set forth above changes, Guarantor agrees to provide written notice to Landlord of such change in address. If there is more than one Guarantor or if Guarantor is comprised of more than one party or entity, the obligations imposed upon Guarantor shall be joint and several obligations of all the parties and entities, and requests or demands from any one person or entity comprising Guarantor shall be deemed to have been made by all such persons or entities. Notices to any one person or entity shall be deemed to have been given to all persons and entities.

Any capitalized terms in this Guaranty not otherwise defined shall have the meanings ascribed to them in the Lease.

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This Guaranty shall be construed and enforced in accordance with the laws of the State of Washington. Any legal action or proceeding with respect to this Guaranty and any action for enforcement of any judgment with respect to the same may be brought in the courts of Washington or the United States of America for the Western District of Washington and by execution and delivery of this Guaranty, Guarantor accepts unconditionally the non-exclusive jurisdiction of the aforementioned courts and their respective appellate courts. Guarantor irrevocably consents to the service of process out of any of these aforementioned courts in any such action or proceeding by the mailing of copies thereof by a reputable international courier to Guarantor at the addresses provided in this Guaranty. Guarantor irrevocably waives any objection which it may have now or in the future to the laying of venue in any of the courts referred to above arising out of or in connection any action or proceeding on this Guaranty brought in any of the courts referred to above and further irrevocably waives and agrees not to plead or claim in any such court that any such action or proceeding has been brought in an inconvenient forum.

IN WITNESS WHEREOF, the undersigned has executed this Guaranty as of the date of the Lease.

GUARANTOR:

**VANCOUVER CLINIC BUILDING LLC,
a Washington limited liability company**

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

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SCHEDULE 1.1

Definitions

“Affiliated Entity/ies” shall mean any entity controlling, controlled by, or under common control with Tenant.

“Applicable Laws” shall mean all applicable governmental laws, statutes, orders, ordinances, codes, rulings, common law, regulations, directives and decrees.

“Building” shall mean three-(3) story building containing 80,225 rentable square feet to be located on the Real Estate.

“CC&Rs” shall mean all covenants, conditions and restrictions, or similar use, maintenance or ownership obligations, encumbering or binding upon the Real Property or Building, including, for the avoidance of doubt, the Reciprocal Easement Agreement.

“Development Fee” has the meaning set forth in the Development Agreement.

“Environmental Requirements” collectively shall mean and include all present and future laws and any amendments (whether common law, statute, rule, order, regulation or otherwise), permits, and other requirements or guidelines of governmental authorities applicable to the Premises and relating to the environment and environmental conditions or to any Hazardous Materials and/or Infectious Wastes (including the Comprehensive Environmental Response Compensation, and Liability Act of 1980, 42 U.S.C. §§ 9601 et seq., the Federal Resource Conservation and Recovery Act of 1976, 42 U.S.C. §§ 6901 et seq., the Hazardous Materials Transportation Act, 49 U.S.C. §§ 6901 et seq., the Federal Water Pollution Control Act, 33 U.S.C. §§ 1251 et seq., the Clean Air Act, 42 U.S.C. §§ 7401 et seq., the Toxic Substances Control Act, 15 U.S.C. §§ 2601-2629, the Safe Drinking Water Act, 42 U.S.C. §§ 300f-300j, the Emergency Planning and Community Right-To-Know Act, 42 U.S.C. §§ 1101 et seq., and any so-called “Super Fund” or “Super Lien” law).

“Expenses” shall mean the following costs and expenses paid or incurred by or on behalf of Landlord: (a) the cost of any insurance maintained by Landlord with respect to the Premises (including any premiums and commercially reasonable deductibles); (b) costs and expenses imposed against or attributed to Landlord or the Premises pursuant to any CC&Rs; (c) [reserved]; and (d) any other costs and expenses reasonably incurred by or on behalf of Landlord in connection with the operation, maintenance, repair, upgrading, replacement or management of the Premises.

Expenses shall not include items included within the meaning of the term: Taxes; interest and principal payments on mortgages; brokerage and leasing commissions; interest and penalties on any Expenses, except to the extent incurred as a result of a default by Tenant in its obligation to make timely payments of Expenses; any cost or expenditure for which Landlord is directly reimbursed by Tenant under other provisions of this Lease (i.e., other than through payments for Taxes and Expenses); any items for which Landlord is reimbursed by insurance or compensated for due to loss or damage, to the extent of that compensation or reimbursement; costs of items considered capital repairs, replacements, improvements and equipment under generally accepted accounting principles consistently applied or otherwise (“Capital Items”), except for (i) the annual amortization (amortized over the useful life) of costs incurred by Landlord after the Commencement Date for any Capital Items installed or paid for by Landlord and required by any new (or change in) laws, rules or regulations of any governmental or quasi-governmental authority which are enacted after the Commencement Date; or (ii) the annual amortization (amortized over the useful life) of costs for any equipment, device or Capital Item purchased or incurred as a labor-saving measure or to

affect other economics in the operation or maintenance of the Building (provided the annual amortized costs does not exceed the actual cost savings realized).

“Force Majeure” shall mean acts of God, fire, earthquake, flood, explosion, actions of the elements, war, invasion, insurrection, riot, mob violence, sabotage, inability to procure or general shortage of labor, equipment, facility, materials or supplies in the open market, failure of transportation, strikes, lock outs, actions of labor unions, condemnation, requisition, laws, governmental action or inaction, orders of government or civil or military or naval authorities or any cause, whether similar or dissimilar to the foregoing, not within their reasonable control of, as applicable, Landlord or the Landlord Indemnified Parties, or Tenant or the Tenant Parties. In no event, however, shall a lack of money be grounds for Force Majeure.

“Governmental Regulations” shall mean all CC&Rs and other instruments of record that burden the Real Estate; and all laws, requirements, rules, orders, ordinances, codes and regulations of the federal, state and municipal governments or other duly constituted public authority, and of any board of insurance regulators or underwriters, health officer, fire marshal, and/or building inspector, and all judicial and administrative orders, rulings, judgments and decrees, affecting or relating to the Premises, the business conducted at the Premises and Tenant’s use of the Premises including the making of Alterations.

“Hazardous Materials” shall mean, at any time, (1) asbestos and any asbestos containing material, (2) any substance that is then defined or listed in, or otherwise classified pursuant to, any Environmental Requirements or any applicable laws or regulations as a “hazardous substance”, “hazardous material”, “hazardous waste”, “infectious waste”, “toxic substance”, “toxic pollutant” or any other formulation intended to define, list, or classify substances by reason of deleterious properties such as ignitability, corrosivity, reactivity, carcinogenicity, toxicity, reproductive toxicity, or “EP toxicity”, (3) petroleum products and waste, (4) polychlorinated biphenyls, (5) urea formaldehyde, (6) radon gas, (7) radioactive matter, (8) medical waste, (9) mold, or (10) any product that is inflammable, combustible, corrosive, caustic, poisonous, explosive or hazardous.

As defined in Environmental Requirements, Tenant is and shall be deemed to be the “operator” of Tenant’s “facility” and the “owner” of all Hazardous Materials or Infectious Wastes brought on or generated at the Premises by Tenant, its subtenants, assignees, agents, employees, contractors or invitees, and the wastes, by-products, or residues generated, resulting, or produced therefrom.

“Index” shall mean the Portland-Vancouver-Hillsboro, OR-WA CPI-U.

“Infectious Wastes” shall mean: any solid waste capable of producing an infectious disease, including all bulk blood and blood products; cultures of specimens from medical, pathological, pharmaceutical, research, commercial and industrial laboratories; human tissues; organs, body parts, secretions, blood and body fluids removed during surgery, medical procedures and autopsies; the carcasses and body parts of all animals exposed to pathogens in research, used in the vivo testing of pharmaceuticals or that died of known or suspected infectious diseases; and needles, syringes and scalpel blades.

“Landlord Indemnified Parties” shall mean, collectively, Landlord, its affiliates and their respective directors, officers, shareholders, members, managers, partners, agents, employees, representatives, successors and assigns.

“Lease Year” shall mean each consecutive 12-month period beginning with the Rent Commencement Date, except that if the Rent Commencement Date is other than the first day of a calendar month, then the first Lease Year shall be the period from the Rent Commencement Date through the date

12 months after the last day of the calendar month in which the Rent Commencement Date occurs, and each subsequent Lease Year shall be the period of 12 months following the last day of the prior Lease Year.

“Material Site Defect” shall have the meaning set forth in the Development Agreement.

“Maximum Project Cost” shall have the meaning set forth in the Development Agreement.

“Metropolitan Area” shall mean the Portland-Vancouver-Hillsboro, OR-WA metropolitan area.

“Permitted Encumbrances” shall mean all of the following (subject to the terms and conditions of the Lease): (a) all easements, covenants, conditions, restrictions, agreements and other matters with respect to the Premises that are of record as of the Effective Date; (b) all easements, covenants, conditions, restrictions, agreements and other matters with respect to the Premises, whether or not of record, that are executed by Tenant or approved or consented to by Tenant; (c) any easements, covenants, conditions, restrictions or utility agreements entered into by Landlord with respect to the Premises after the Effective Date; (d) any agreement required pursuant to any Governmental Regulations entered into by Landlord with respect to the Premises after the Effective Date; (e) any real estate taxes, assessments and other governmental levies, fees or charges imposed with respect to the Premises that are not yet due and payable; (f) any zoning or building codes and other land use laws regulating the use or occupancy of the Premises; and (g) any other matters affecting title to the Premises or any portion thereof caused by Tenant or any Tenant Party.

“Preexisting Condition” shall have the meaning set forth in the Development Agreement.

“Project” shall mean the Building and all related improvements, including but not limited to, parking areas, landscaping, driveways, sidewalks, and other improvements located or to be located on the Real Estate.

“Project Costs” shall have the meaning set forth in the Development Agreement.

“Real Estate” shall mean the real property more particularly described in Exhibit A.

“Reciprocal Easement Agreement” means that certain Reciprocal Easement Agreement between Vancouver Clinic Building, LLC; and HCP Properties- Salmon Creek WA LLC, dated as February 2, 2018, and recorded on February 8, 2018, as Instrument No. 5486052 in the Official Records of Clark County, as the same may be amended from time to time.

“Taxes” shall mean all taxes and assessments, special or ordinary, and all other impositions of every kind and nature whatsoever (including any transit tax, sewer rents, impact fee, school district assessments and taxes based on gross receipts of rent or payments received for services), which may be levied, assessed, charged or imposed upon the Project or any personal property owned or leased by Landlord and used therewith, together with all fees and costs incurred by Landlord for the purpose of contesting or protesting the amounts or rates of Taxes. Taxes shall not include any income tax (or tax that Landlord determines in its reasonable discretion is a successor thereto) or any excess profit, franchise, capital stock, estate or inheritance tax payable by Landlord except as specifically provided in the next sentence. If at any time during the Term the method of taxation prevailing at the Commencement Date shall be altered so that any new or additional tax assessment, levy, imposition, or charge, or any part thereof, shall be imposed in place or partly in place of any Taxes or contemplated increase therein, then all of those taxes, assessments, levies, impositions or charges shall be deemed to be Taxes for the purpose hereof. If any assessments constituting Taxes are or may be payable to the applicable taxing authority in installments over more than one calendar year then, to the extent permitted by its lender, Landlord shall cause those Taxes to be paid in installments,

and only those installments (plus any interest thereon) payable during a calendar year in which the Term falls shall be included in Taxes for that calendar year. Otherwise, Taxes “for” a calendar year shall be deemed to refer, at Landlord’s option, either to Taxes payable in that calendar year or to Taxes levied, assessed or otherwise accrued or imposed for that calendar year without regard to when those Taxes are payable. Taxes shall not include interest and penalties for late payment, except to the extent that the penalty or interest is attributable to Tenant’s failure to remit to Landlord on a timely basis Tenant’s payment of Taxes, in which case Tenant shall be solely responsible for payment of that interest and/or penalty.

“Tenant Parties” shall mean, collectively, Tenant’s subtenants, assignees, agents, licensees, contractors, subcontractors, concessionaires, clients, customers, guests, patients and employees, and any other individual or entity using or occupying the Premises by, through or under Tenant.

Exhibit C
Lease Guaranty (Exhibit 5) Executed

GUARANTY

For value received and in consideration for and as an inducement to PMB VANCOUVER LLC, a Delaware limited liability company, as landlord (“**Landlord**”) to lease certain real property to THE VANCOUVER CLINIC, INC., P.S., a Washington professional service corporation, as tenant (“**Tenant**”), pursuant to that certain Lease Agreement dated February 5, 2021 (the “**Lease**”) by and between Landlord and Tenant, the undersigned, VANCOUVER CLINIC BUILDING LLC, a Washington limited liability company, with a mailing address of 700 NE 87th Ave., Vancouver, WA 98664 (“**Guarantor**”) unconditionally and irrevocably guarantees to Landlord the punctual payment of all Base Rent and Additional Rent (including without limitation Taxes, Rent Taxes, and Expenses) and any other costs and charges specified in the Lease and payable by Tenant under the Lease (collectively, “**Rent**”) throughout the term of the Lease and any and all further renewals and extensions thereof in accordance with and subject to the provisions of the Lease, and the full performance and observance of all other terms, covenants, conditions and agreements in the Lease provided to be performed and observed by Tenant under the terms of the Lease, for which the undersigned shall be jointly and severally liable with Tenant. If any default on the part of Tenant shall occur under the Lease, the undersigned covenants and agrees to pay to Landlord upon demand in each and every instance such sum or sums of money and to perform each and every covenant, condition and agreement under the Lease as Tenant is and shall become liable for or obligated to pay or perform under the Lease, together with the costs reasonably incurred by Landlord in connection therewith, including without limitation, reasonable attorney fees.

The Landlord shall send the Guarantor a written notice of nonpayment or nonperformance to the following addresses, which may be changed by Guarantor by written notice to Landlord of a different United States address (provided, however, that such new address must be a physical address and may not be a P.O. Box):

Vancouver Clinic Building LLC
The Vancouver Clinic, Inc., P.S.
Attn: Betsy Suydam and Mark Mantei
700 NE 87th Ave.
Vancouver, WA 98664
Email: bsuydam@tvc.org and mmantei@tvc.org
Phone: 360-397-5526

With a courtesy copy to:

Davis Wright Tremaine LLP
Attn: Michael Zahn and Ingrid Brydolf
1300 SW 5th Ave., Suite 2400
Portland, OR 97201
Email: michaelzahn@dwt.com
Phone: (503) 778-5348

The maintenance of any action or proceeding by Landlord to recover any sum or sums that may be or become due under the Lease and to secure the performance of any of the other terms, covenants and conditions of the Lease shall not preclude Landlord from thereafter instituting and maintaining subsequent actions or proceedings for any subsequent default or defaults of Tenant under the Lease. The undersigned consents that without affecting the liability of the undersigned under this Guaranty and without notice to the undersigned, time may be given by Landlord to Tenant for payment of Rent and such other sums and performance of other terms, covenants and conditions, or any of them, and such time extended and indulgence granted, from time to time, or Tenant may be dispossessed or Landlord may avail itself of or exercise any or all of the rights and remedies against Tenant provided by law or by the Lease, and may proceed either against

Tenant alone or jointly against Tenant and the undersigned or against the undersigned alone without first prosecuting or exhausting any remedy or claim against Tenant. The undersigned consents further to any subsequent change, modification or amendment of the Lease in any of its terms, covenants or conditions, or in the Rent payable thereunder, or in the premises demised thereby, or in the term thereof, and to any assignment or assignments of the Lease, and to any subletting or sublettings of the premises demised by the Lease, and to any renewals or extensions thereof, all of which may be made without notice to or consent of the undersigned and without in any manner releasing or relieving the undersigned from liability under this Guaranty.

The undersigned agrees that the bankruptcy of Tenant shall have no effect on the obligations of the undersigned. The undersigned agrees further that in respect of any payments made by the undersigned, the undersigned shall not have any rights based on suretyship, subrogation or otherwise to stand in the place of Landlord so as to compete with Landlord as a creditor of Tenant, unless and until all claims of Landlord under the Lease shall have been fully paid and satisfied.

Neither this Guaranty nor any of the provisions of this Guaranty can be modified, waived or terminated, except by a written instrument signed by Landlord. The provisions of this Guaranty shall apply to, bind and inure to the benefit of the undersigned and Landlord and their respective heirs, legal representatives, successors and assigns. The undersigned, if there be more than one, shall be jointly and severally liable, and for purposes of such several liability the word "undersigned" wherever used shall be construed to refer to each of the undersigned parties separately, all in the same manner and with the same effect as if each of them had signed separate instruments, and this Guaranty shall not be revoked or impaired as to any of such parties by the death of another party or by revocation or release of any obligations under this Guaranty of any other party. If Landlord should retain counsel and/or institute any suit against Guarantor to enforce this Guaranty or any covenants or obligations under this Guaranty, then Guarantor shall pay to Landlord, upon demand, all reasonable attorney fees, costs and expenses, including without limitation, court costs, filing fees, recording costs, and all other costs and expenses incurred in connection with such enforcement efforts (all of which are referred to herein as "Enforcement Costs"), in addition to all other amounts due under this Guaranty.

Any notice or other communication to be given to Landlord or the undersigned shall be in writing and sent in accordance with the notice provisions of the Lease. Notices to Landlord shall be delivered to Landlord's address set forth in the Lease. Notices to the undersigned shall be addressed at the address of the Guarantor. In the event Guarantor's notice address as set forth above changes, Guarantor agrees to provide written notice to Landlord of such change in address. If there is more than one Guarantor or if Guarantor is comprised of more than one party or entity, the obligations imposed upon Guarantor shall be joint and several obligations of all the parties and entities, and requests or demands from any one person or entity comprising Guarantor shall be deemed to have been made by all such persons or entities. Notices to any one person or entity shall be deemed to have been given to all persons and entities.

Any capitalized terms in this Guaranty not otherwise defined shall have the meanings ascribed to them in the Lease.

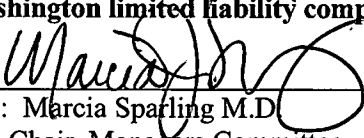
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This Guaranty shall be construed and enforced in accordance with the laws of the State of Washington. Any legal action or proceeding with respect to this Guaranty and any action for enforcement of any judgment with respect to the same may be brought in the courts of Washington or the United States of America for the Western District of Washington and by execution and delivery of this Guaranty, Guarantor accepts unconditionally the non-exclusive jurisdiction of the aforementioned courts and their respective appellate courts. Guarantor irrevocably consents to the service of process out of any of these aforementioned courts in any such action or proceeding by the mailing of copies thereof by a reputable international courier to Guarantor at the addresses provided in this Guaranty. Guarantor irrevocably waives any objection which it may have now or in the future to the laying of venue in any of the courts referred to above arising out of or in connection any action or proceeding on this Guaranty brought in any of the courts referred to above and further irrevocably waives and agrees not to plead or claim in any such court that any such action or proceeding has been brought in an inconvenient forum.

IN WITNESS WHEREOF, the undersigned has executed this Guaranty as of the date of the Lease.

GUARANTOR:

**VANCOUVER CLINIC BUILDING LLC,
a Washington limited liability company**

By: 
Name: Marcia Spauling M.D.
Title: Chair, Managers Committee

First Amendment to Lease Agreement

FIRST AMENDMENT TO LEASE AGREEMENT

This First Amendment to Lease Agreement ("First Amendment") is entered into as of March 10, 2021 ("Effective Date"), by and between PMB VANCOUVER LLC ("Landlord"), and THE VANCOUVER CLINIC INC., P.S. ("Tenant").

RECITALS:

A. Landlord and Tenant entered into that certain Lease Agreement having an Effective Date of February 5, 2021 ("Original Lease"), concerning an approximately 80,225 rentable square foot ambulatory care clinic to be located at 2529 NE 139th Street, Vancouver, Washington ("Premises"). As used herein, "Lease" means the Original Lease as modified by this First Amendment.

B. In connection with construction financing to be obtained by Landlord to complete construction of the Project, the administrative agent and one of the construction loan lenders thereof, Siemens Financial Services, Inc. ("Administrative Agent"), requires Tenant to provide Administrative Agent with certain financial statements.

C. Landlord and Tenant desire to amend the Original Lease to provide for the above, all on the terms and conditions set forth in this First Amendment.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

AGREEMENT:

1. **Defined Terms**. Except as explicitly set forth in this First Amendment, each initially capitalized term when used herein shall have the same respective meaning as is set forth in the Original Lease.

2. **Financial Statements**. The following paragraph is hereby added to the Lease as Section 20.28.

Notwithstanding anything to the contrary contained in Section 20.14 of the Lease, Tenant shall deliver to Administrative Agent, within forty-five (45) days after the end of each calendar year, unaudited copies of (i) an income statement for Tenant as of the end of such calendar year, (ii) an income statement for Tenant with prior year comparison as of the end of such calendar year, (iii) a balance sheet for Tenant with prior year comparison as of the end of such calendar year, and (iv) a cash flow statement for Tenant with prior year comparison as of the end of such calendar year ("Financial Statements"). At least one time annually, Tenant shall provide Administrative Agent with audited copies of the Financial Statements. Tenant shall send the Financial Statements to the following address until such time as Administrative Agent notifies Tenant in writing of a different address:

Siemens Financial Services, Inc.

170 Wood Avenue South
Iselin, NJ 08830
Attention: Portfolio Manager – Structured Finance Real Estate
Reference: PMB Vancouver

Unless otherwise required by Landlord's mortgage lender, Tenant's obligation to provide financial statements to the Administrative Agent hereunder shall continue for so long as the Indebtedness (as defined under Landlord's construction loan agreement ("Loan Agreement") with Administrative Agent) remains outstanding.

Tenant authorizes Administrative Agent and each Lender (as defined in the Loan Agreement), as applicable, to disclose information about Tenant that Administrative Agent or such Lender may at any time possess to any Affiliate (as defined in the Loan Agreement) of a Lender or Administrative Agent, whether such information was supplied by Tenant or otherwise obtained by Administrative Agent or such Lender; provided to the extent Administrative Agent or any Lender receives material non-public information hereunder concerning Tenant and its Affiliates, Administrative Agent and each Lender agrees to use such information in compliance with all relevant policies, procedures and contractual obligations and applicable requirements of law (including United States federal and state security laws and regulations).

3. **No Other Modifications.** Except as otherwise provided herein, all other terms and provisions of the Original Lease shall remain in full force and effect and unmodified by this First Amendment. Tenant confirms that Landlord is not now and has not in the past been in default under the Lease, and that Tenant has no claim against Landlord for damages or offset of any kind.

4. **Counterparts.** This First Amendment may be executed in any number of original counterparts. Any such counterpart, when executed, shall constitute an original of this First Amendment, and all such counterparts together shall constitute one and the same First Amendment.

5. **Conflict.** In the event of any conflict between the Original Lease and this First Amendment, this First Amendment shall prevail.

6. **Entire Agreement.** This First Amendment and the Original Lease constitute the entire agreement between Landlord and Tenant with respect to the subject matter of this First Amendment.

7. **Authority.** Landlord and Tenant each represents and warrants to the other that the party signing below on its behalf has the full power, capacity, authority and legal right to execute and deliver this First Amendment and to fully bind it to the terms hereof.

8. **Ratification.** Tenant hereby ratifies and confirms its obligations under the Lease and represents and warrants to Landlord that it has no defenses thereto. Additionally, Tenant further confirms and ratifies that, as of the date hereof, (a) the Lease is and remains in good standing and full force and effect, and (b) Tenant has no claims, counterclaims, set-offs or defenses against Landlord arising out of the Lease or in any way relating thereto or arising out of any other transaction between Landlord and Tenant

IN WITNESS WHEREOF, the parties have entered into this First Amendment as of Effective Date

LANDLORD:

PMB VANCOUVER, LLC,
a Delaware limited liability company

By: *Benjamin R. Ryan*
Name: Benjamin R. Ryan
Its: CFO

TENANT:

THE VANCOUVER CLINIC, INC., P.S.
a Washington professional services
corporation

By: *Mark Mantei*
Name: Mark Mantei
Its: Chief Executive Officer

STATE OF WASHINGTON)
) ss.
COUNTY OF CLARK)

I certify that I know or have satisfactory evidence that MARK MANTEI is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instruction and acknowledged it as the CHIEF EXECUTIVE OFFICER of The Vancouver Clinic, Inc., P.S. to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: March 15, 2021

Notary Public
State of Washington
Melody S Urban
Commission No. 20117176
Commission Expires 9/23/2024

Melody S Urban
Melody Urban
Notary Public in and for the State of Washington
residing at 10006 NE 133rd Ave Vancouver WA
My appointment expires: 9/23/2024

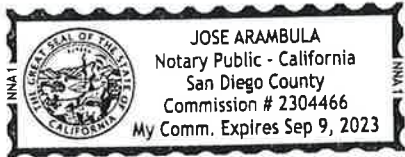
CALIFORNIA ACKNOWLEDGMENT

CIVIL CODE § 1189

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California }
County of San Diego }
On March 25, 2021 before me, Jose Arambula, Notary Public
Date Here Insert Name and Title of the Officer
personally appeared BENJAMIN R. RYAN
Name(s) of Signer(s)

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



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

WITNESS my hand and official seal.

Signature [Handwritten Signature]
Signature of Notary Public

Place Notary Seal and/or Stamp Above

OPTIONAL

Completing this information can deter alteration of the document or fraudulent reattachment of this form to an unintended document.

Description of Attached Document

Title or Type of Document: _____

Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____

Corporate Officer – Title(s): _____

Partner – Limited General

Individual Attorney in Fact

Trustee Guardian or Conservator

Other: _____

Signer is Representing: _____

Signer's Name: _____

Corporate Officer – Title(s): _____

Partner – Limited General

Individual Attorney in Fact

Trustee Guardian or Conservator

Other: _____

Signer is Representing: _____

Second Amendment to Lease Agreement

SECOND AMENDMENT TO LEASE AGREEMENT

This **SECOND AMENDMENT TO LEASE AGREEMENT** (“Amendment”) is made and entered into as September 20, 2022 (“Effective Date”), by and between PMB Vancouver LLC, a Delaware limited liability company (“Landlord”) and The Vancouver Clinic, Inc., P.S., a Washington professional service corporation (“Tenant”).

WHEREAS, Landlord and Tenant entered into that certain Lease Agreement dated as of February 5, 2021 and that certain First Amendment to Lease dated as of March 10, 2021 (collectively, the “Lease”), pursuant to which Tenant leased from Landlord the Premises (as defined in the Lease).

WHEREAS, the Tenant has requested Landlord provide Tenant with an additional time to obtain certain licensing for operations of a surgical clinic within the third (3rd) floor of the Premises prior to commencement of Base Rent with respect to that portion of the Premises.

WHEREAS, in consideration for Landlord’s agreement to abate a portion of the Base Rent, Tenant has agreed (a) to commence Base Rent on October 1, 2022, and (b) extend the Term of the Lease for an additional three (3) months, all on the terms and conditions set forth in this Amendment.

NOW, THEREFORE, in consideration of the premises, Landlord and Tenant agree as follows:

1. **Term.** The definition of “Term” in the Summary of Terms of the Lease is hereby replaced in its entirety as follows:

“**TERM:** The period beginning on the Commencement Date and ending on the date which is fifteen (15) years and three (3) months following the Rent Commencement Date.”

2. **Rent Commencement Date.** The definition of “Rent Commencement Date” in the Summary of Terms of the Lease is hereby replaced in its entirety as follows:

“**RENT COMMENCEMENT DATE:** October 1, 2022.”

3. **Base Rent.** Section 2 of the Lease shall be amended to add the following:

“**2.5 Rent Abatement.** Notwithstanding anything to the contrary contained herein and provided that no default by Tenant occurs hereunder beyond any applicable notice and cure period, Landlord hereby agrees that Tenant shall not be required to pay a portion of the monthly Base Rent for the first three (3) months of the Initial Term (“Abatement Period”) with respect to the third (3rd) floor of the Premises. The amount of monthly Base Rent abated for each month during the Abatement Period shall be determined by multiplying the monthly Initial Base Rent by thirty three percent (33%) (the “Abatement Amount”);

During the Abatement Period, Tenant shall still be responsible for the payment of all of its other monetary obligations under this Lease, including, all Additional Rent, and any other sums due from Tenant to Landlord under the Lease. In the event of a default by Tenant under the terms of this Lease during the Abatement Period, then in addition to any other remedies to which Landlord is entitled to under the Lease, Landlord shall be entitled to the immediate recovery of the Abatement Amount that was abated under this Section 2.4.”

4. Limited Amendment. Except as amended hereby, the Lease shall remain in full force and effect, and its provisions are ratified and affirmed.
5. Counterparts. This Amendment may be signed in one or more counterparts, each of which shall be deemed an original and all of which counterparts shall be deemed one. Delivery of an executed counterpart of this Amendment by facsimile, email, or any other form of electronic transmission shall be equally as effective as delivery of an original executed counterpart thereof.

(signatures on the following page)

IN WITNESS WHEREOF, the parties have executed this Amendment as of the Effective Date.

LANDLORD:

PMB Vancouver LLC,
a Delaware limited liability company

By: PMB LLC,
a California limited liability company

By: *Benjamin R. Ryan*
Name: BENJAMIN R. RYAN
Title: CFO

[acknowledgment appears following page]

[Signatures continue on following pages.]

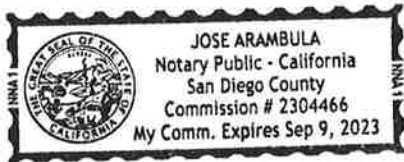
CALIFORNIA ACKNOWLEDGMENT

CIVIL CODE § 1189

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California }
County of San Diego }
On SEPTEMBER 20, 2022 before me, Jose Arambula, Notary Public
Date Here Insert Name and Title of the Officer
personally appeared BENJAMIN A. RYAN
Name(s) of Signer(s)

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



I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.
WITNESS my hand and official seal.

Place Notary Seal and/or Stamp Above

Signature [Handwritten Signature]
Signature of Notary Public

OPTIONAL

Completing this information can deter alteration of the document or fraudulent reattachment of this form to an unintended document.

Description of Attached Document


Title or Type of Document:
Document Date: Number of Pages:
Signer(s) Other Than Named Above:

Capacity(ies) Claimed by Signer(s)

Signer's Name: Signer's Name:
[] Corporate Officer - Title(s): [] Corporate Officer - Title(s):
[] Partner - [] Limited [] General [] Partner - [] Limited [] General
[] Individual [] Attorney in Fact [] Individual [] Attorney in Fact
[] Trustee [] Guardian or Conservator [] Trustee [] Guardian or Conservator
[] Other: [] Other:
Signer is Representing: Signer is Representing:

TENANT:

The Vancouver Clinic Inc., P.S.,
a Washington professional service corporation


By: 
Name: Mark Mantei
Title: CEO

State of Washington)
) ss.
County of Clark)

I certify that I know or have satisfactory evidence that Mark Mantei is the person who appeared before me, and said person acknowledged that (he/she) signed this instrument, on oath stated that (he/she) was authorized to execute the instrument and acknowledged it as the Chief Executive Officer of The Vancouver Clinic Inc., P.S. to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: August 29, 20 22

Notary Public
State of Washington
Melody S Urban
Commission No. 20117176
Commission Expires 9/23/2024


Print Name: Melody Urban
Notary Public in and for the State of Washington
Residing at 10006 NE 133rd Ave, Vancouver, WA
My appointment expires: _____, 20__

Acknowledgment and Consent of Guarantor

The undersigned Guarantor under the original Guaranty dated February 5, 2021 (the "Guaranty"), does hereby consent to the foregoing Amendment. Guarantor acknowledges and agrees that the Guaranty is in full force and effect and shall continue to apply to the Lease, as amended by this Amendment.

Guarantor:

Vancouver Clinic Building LLC,
a Washington limited liability company

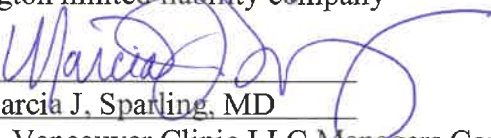
By: 
Name: Marcia J. Sparling, MD
Its: Chair, Vancouver Clinic LLC Managers Committee

Exhibit 3
Revised Pro Forma Financials

TVC SALMON CREEK
COMPARISON STATEMENT OF REVENUE & EXPENSE-UNRESTRICTED
FUNDS-

	CURRENT	PROJECTED	PROJECTED	PROJECTED	PROJECTED
	BUDGET YR	YR 1	YR 2	YR 3	YR 4
1 OPERATING REVENUE:					
2 Inpatient Revenue	0	0	0	0	0
3 Outpatient Revenue	24,756,594	27,402,018	29,144,744	31,752,030	34,627,566
4 TOTAL PATIENT SERVICES REVENUE	24,756,594	27,402,018	29,144,744	31,752,030	34,627,566
5					
6 DEDUCTIONS FROM REVENUE:					
7 Provision for Bad Debt	237,009	262,335	279,019	303,980	331,509
8 Contractual Adjustments	11,544,798	12,534,408	13,331,576	14,524,218	15,839,564
9 Charity and Uncompensated Care	321,836	356,226	378,882	412,776	450,158
10 Other Adjustments and Allowances					
11 TOTAL DEDUCTIONS FROM REVENUE	12,103,643	13,152,969	13,989,477	15,240,975	16,621,232
12 NET PATIENT SERVICE REVENUE	12,652,951	14,249,049	15,155,267	16,511,055	18,006,334
13					
14 OTHER OPERATING REVENUE					
15 Other Operating Revenue					
16 Tax Revenues					
17 TOTAL OTHER OPERATING REVENUE	0	0	0	0	0
18 TOTAL OPERATING REVENUE	12,652,951	14,249,049	15,155,267	16,511,055	18,006,334
19					
20 OPERATING EXPENSES					
21 Salaries and Wages	2,974,687	3,211,439	3,417,857	3,703,392	4,020,294
22 Employee Benefits	722,958	788,808	842,064	915,732	997,492
23 Professional Fees	0	0	0	0	0
24 Supplies	4,034,813	4,454,791	4,763,470	5,190,601	5,664,641
25 Purchased Services - Utilities	63,423	441,834	442,435	443,333	444,323
26 Purchased Services - Other	290,544	324,337	345,804	376,772	411,025
27 Depreciation	663,610	1,264,367	1,333,574	1,359,889	1,388,912
28 Rentals and Leases	373,620	2,519,756	2,524,176	2,530,790	2,538,084
29 Insurance	4,423	4,984	5,301	5,775	6,298
30 License and Taxes	109,561	123,444	131,295	143,040	155,994
31 Interest	0	239,960	206,666	172,213	136,799
32 Other Direct Expenses	2,619	2,950	3,138	3,419	3,728
33 Allocated Expenses	0	0	0	0	0
34 TOTAL OPERATING EXPENSES	9,240,257	13,376,670	14,015,779	14,844,956	15,767,591
35 OPERATING INCOME (LOSS)	3,412,693	872,380	1,139,488	1,666,099	2,238,744
36					
37 NON-OPERATING REVENUE-NET OF E	0	0	0	0	0
38					
39 NET REVENUE BEFORE ITEMS LISTED	3,412,693	872,380	1,139,488	1,666,099	2,238,744
40					
41 EXTRAORDINARY ITEM	0	0	0	0	0
42 FEDERAL INCOME TAX	682,537	174,476	227,898	333,220	447,749
43					
44 NET INCOME (LOSS)	2,730,156	697,904	911,590	1,332,879	1,790,995
45 EXPLANATION:					

TVC Salmon Creek
DEDUCTIONS FROM REVENUE

	ACCT:	ITEM:	CURRENT BUDGET YR (2018)	PROJECTED YR 2021	PROJECTED YR 2022	PROJECTED YR 2023	PROJECTED YR 2024
1	5800	PROVISION FOR BAD DEBTS	237,009	262,335	279,019	303,980	331,509
2							
3		CONTRACTUAL ADJUSTMENTS					
4	5810	Medicare	3,904,717	4,321,965	4,596,835	5,008,067	5,461,609
5	5820	Medicaid	2,627,159	2,907,890	3,092,828	3,369,512	3,674,663
6	5830	Workers Compensation	119,803	132,605	141,038	153,656	167,571
7	5840	Other Government Programs	849,689	940,484	1,000,297	1,089,784	1,188,477
8	5850	Negotiated Rates	4,016,699	4,201,875	4,469,108	4,868,914	5,309,854
9	5860	Other	26,732	29,588	31,470	34,285	37,390
10		Total Contractual Adjustments	11,544,798	12,534,407	13,331,576	14,524,218	15,839,564
11							
12		CHARITY CARE					
13	5900	Inpatient	0	0	0	0	0
14	5910	Outpatient	321,836	356,226	378,882	412,776	450,158
15							
16							
17		Total Charity Care	321,836	356,226	378,882	412,776	450,158
18							
19	5970	ADMINISTRATIVE ADJUSTMENTS					
20							
21	5980	OTHER DEDUCTIONS (Specify)					
22		TOTAL DEDUCTIONS FROM REVENUE	12,103,643	13,152,969	13,989,477	15,240,975	16,621,232
23	EXPLANATIONS:						

Exhibit 4
Letter of Intent



Received: 05/31/22-KN
Expires: 11/30/22

VANCOUVER CLINIC[®]

May 24, 2022

Eric Hernandez, Manager
Certificate of Need Program
Department of Health
Olympia, WA 98504-7852
Via email: FSLCON@DOH.WA.GOV, eric.hernandez@doh.wa.gov

Dear Mr. Hernandez:

In accordance with WACs 246-310-080 and WAC 246-310-270, the Vancouver Clinic, Inc., P.S. (TVC) here within submits a letter of intent to file an amendment to CN# 1803. Which approved the establishment of an Ambulatory Surgery Center (ASC) in the Clark County Secondary Health Services Area.

In conformance with WAC, the following information is provided:

1. A Description of the Extent of Services Proposed:

CN#1803 approved the establishment of a six OR multi-specialty ASC in Clark County. TVC changed the method of financing, and while neither WAC nor RCW identify that a change in financing as requiring a CN amendment, the Program has asked that we file an amendment.

2. Estimated Cost of the Proposed Project:

The CN approved capital expenditure was \$31,862,603. The change in financing, which changed the TVC constructing and equipping the building to a lease agreement, results in the overall capital expenditure decrease.

3. Description of the Service Area:

The primary service area is the Clark County Secondary Health Services Area.

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

Sincerely,



Mark Mantei,
Chief Executive Officer

**Exhibit 5
Equipment List**

ROOM #	RM NAME	QTY	GENERIC	MANUFACTURER	MODEL	EQ #
3601	HALLWAY	1	DISPENSER ACCESSORY, WALL BRACKET	METREX RESEARCH	13-1175/6TWG1	DPS05
3601	HALLWAY	1	DISPENSER, GLOVE	BOWMAN MANUFACTURING COMPANY	GS-123	GLV02
3601	HALLWAY	1	WASTE RECEPTACLE	RUBBERMAID COMM. PRODUCTS	SLIM JIM	
3601	HALLWAY	1	NOTE:	ZZZ - NOTE: (U.S.)		
3708.1	ANTE ROOM	1	CART, EXCHANGE	INTERMETRO INDUSTRIES CORP.	-	CTE01
3708.1	ANTE ROOM	1	HAMPER, LINEN	BLICKMAN, INC.	2118	
3708.1	ANTE ROOM	1	WASTE RECEPTACLE	RUBBERMAID COMM. PRODUCTS	SLIM JIM	
3709	OFFICE, SPD	1	SHELVING, WIRE	INTERMETRO INDUSTRIES CORP.	SASE	SHV14
3710	STERIL SUPPLY	6	CART, CASE	PEDIGO PRODUCTS, INC.	-	CTC01
3710	STERIL SUPPLY	1	SHELVING, HIGH DENSITY	DISTRIBUTION SYSTEMS INTERNATIONAL	OPEN RACK SYSTE	SHV11
3711	INSTRUMENTS	6	SHELVING	DISTRIBUTION SYSTEMS INTERNATIONAL	MODUMAX TRIP A	SHV12
3712	STERILIZERS	2	STERILIZER	STERIS CORPORATION	EVOLUTION	STE05
3712	STERILIZERS	1	STERILIZER	STERIS CORPORATION	AMSCO 400 /SMAL	STE03
3712	STERILIZERS	4	STERILIZER ACCESSORY, CARRIAGE, TRANSFER	STERIS CORPORATION	ATLAS	STA01
3712	STERILIZERS	1	STERILIZER, LOW TEMP	STERIS CORPORATION	VP30002101	STE04
3713	PREP & PACK	3	TABLE, WORK, ADJUSTABLE	PRO-LINE	HDSS	TBW04
3713	PREP & PACK	1	TABLE, WORK	PEDIGO PRODUCTS, INC.	W/WRAP FRAME	TBW01
3713	PREP & PACK	1	CLEANER, SCOPE	MEDIVATORS REPROCESSING SYSTEMS	ADVANTAGE PLUS	CLE03
3713	PREP & PACK	1	SEALING UNIT	RENNCO, INCORPORATED	LS18D	SEA01
3713	PREP & PACK	1	SHELVING, WIRE	INTERMETRO INDUSTRIES CORP.	SUPER ERECTA	SHV09
3713	PREP & PACK	1	CABINET, SCOPE	INNERSPACE A STANLEY WORKS COMPANY	-	CAB02
3713	PREP & PACK	1	SHELVING, WIRE	INTERMETRO INDUSTRIES CORP.	SUPER ERECTA	SHV08
3713	PREP & PACK	1	WORKSTATION	INTERMETRO INDUSTRIES CORP.	SMARTLEVER	WKS01
3713	PREP & PACK	1	STAND, PRINTER	BALT MANUFACTURING	LOW PROFILE	

ROOM #	RM NAME	QTY	GENERIC	MANUFACTURER	MODEL	EQ #
3714	CART WASHER	1	WASHER, CART	STERIS CORPORATION		WSC01
3715	DECONTAM	2	COUNTER, CLEAN-UP	STERIS CORPORATION	AMSCO 73	COU01
3715	DECONTAM	1	CLEANER, SCOPE, ACCESSORY	MEDIVATORS REPROCESSING	EFA-US-G	
3715	DECONTAM	2	DISPENSER, CHEMICAL/CLEANER	STERIS CORPORATION	SD914	DPS04
3715	DECONTAM	1	HAMPER, LINEN	BLICKMAN, INC.	2118	
3715	DECONTAM	1	WASTE RECEPTACLE	RUBBERMAID COMM. PRODUCTS	SLIM JIM	
3715	DECONTAM	2	WASHER/DISINFECTOR	STERIS CORPORATION	480V/FH05042	WSH05
3715	DECONTAM	2	WASHER, ACCESSORY, AUTOMATED TRANSPORT SYSTEM	STERIS CORPORATION		WSH02
3715	DECONTAM	1	WASHER, ACCESSORY	STERIS CORPORATION	UNIVERSAL	WSH03
3715	DECONTAM	1	WINDOW, PASS- THROUGH	STERIS CORPORATION	-	WIN01
3715	DECONTAM	1	WASHER, ACCESSORY	STERIS CORPORATION	UNIVERSAL	WSH03
3715	DECONTAM	1	CONVEYOR SYSTEM	STERIS CORPORATION	SCS-B	CON01
3715	DECONTAM	8	WASHER, ACCESSORY	STERIS CORPORATION	FD74-900	WSH04
3715	DECONTAM	4	DISPENSER, CHEMICAL/CLEANER	STERIS CORPORATION	AL1000	DPS03
3101.1	PT AREA	1	EXERCISE UNIT, STAIRCASE	HAUSMANN INDUSTRIES, INC.	MINI STAIRCASE	EXE15
3103	SUPPLY CHAIN	5	SHELVING, WIRE	INTERMETRO INDUSTRIES CORP.	SUPER ERECTA	SHV09
3103	SUPPLY CHAIN	1	CART, SUPPLY	INTERMETRO INDUSTRIES CORP.	SUPER ERECTA	CTS06
3103	SUPPLY CHAIN	1	CART, LINEN	INTERMETRO INDUSTRIES CORP.	SASE	CTL02
3105	STORAGE	1	VENTILATOR	CAREFUSION	3100B	VNT01
3105	STORAGE	1	CART, SUPPLY	INTERMETRO INDUSTRIES CORP.	SUPER ERECTA	CTS06
3105	STORAGE	1	I.V. INFUSION PUMP	BD CAREFUSION ALARIS	MED SYSTEM III	
3105	STORAGE	2	HYPERthermia UNIT	ARIZANT HEALTHCARE, A 3M COMPANY	750	HYP01
3105	STORAGE	1	CHAIR, RECLINER	CUSTOM COMFORT MEDTEK	MC1227	CHR02
3105	STORAGE	4	WHEELCHAIR	MEDLINE INDUSTRIES, INC.	MDS806300N	WHL01
3105	STORAGE	1	ELECTROCARDIOGRAPH	GE MEDICAL SYSTEMS	MAC 3500	

ROOM #	RM NAME	QTY	GENERIC	MANUFACTURER	MODEL	EQ #
3105	STORAGE	1	WALKER, FOLDING, ADULT	PERFORMANCE HEALTHCARE	DAYS TWO BUTTON	
3105	STORAGE	2	IMAGING, ULTRASOUND SCANNER	SONOSITE, INC.	EDGE	IMU03
3105	STORAGE	2	CART, PROCEDURE	INTERMETRO INDUSTRIES CORP.	MBP3110TL	CTP04
3105	STORAGE	2	STOOL, FOOT, STEP	PEDIGO PRODUCTS, INC.	-	
3108	UTILITY, SOILED	1	TRUCK, TILT	RUBBERMAID COMM. PRODUCTS		TRK02
3108	UTILITY, SOILED	1	TRUCK, TILT	RUBBERMAID COMM. PRODUCTS	1305-73	TRK04
3108	UTILITY, SOILED	1	TRUCK/BIN, LINEN	INTERMETRO INDUSTRIES CORP.	TXPB-BLK48	TRK01
3108	UTILITY, SOILED	1	CART, UTILITY	LAKESIDE MFG. CO.	311	CTU01
3108	UTILITY, SOILED	1	DISPENSER, GLOVE	BOWMAN MANUFACTURING COMPANY	GS-123	GLV02
3108	UTILITY, SOILED	1	WASTE RECEPTACLE	RUBBERMAID COMM. PRODUCTS	UNTOUCHABLE	
3201.2	MEDS (QTY 3)	1	NOTE:	ZZZ - NOTE: (U.S.)		
3201.2	MEDS (QTY 3)	3	DISPENSER, MEDICATION, AUTOMATED	BD CAREFUSION PYXIS	2 DRAWER MAIN	DMA0 2
3201.2	MEDS (QTY 3)	3	DISPENSER, GLOVE	BOWMAN MANUFACTURING COMPANY	GS-123	GLV02
3201.2	MEDS (QTY 3)	3	DISPOSAL CONTAINER, WASTE, PHARMACEUTICAL	CACTUS MAT MFR. CO.	SMART SINK	DSP04
3203	ALCOVE, POCT (QTY 3)	1	NOTE:	ZZZ - NOTE: (U.S.)		
3203	ALCOVE, POCT (QTY 3)	3	DISPENSER, GLOVE	BOWMAN MANUFACTURING COMPANY	GS-123	GLV02
3203	ALCOVE, POCT (QTY 3)	3	HAMPER, LINEN	BLICKMAN, INC.	2118	
3203	ALCOVE, POCT (QTY 3)	3	WASTE RECEPTACLE	RUBBERMAID COMM. PRODUCTS	UNTOUCHABLE	
3203	ALCOVE, POCT (QTY 3)	1	WASTE RECEPTACLE	RUBBERMAID COMM. PRODUCTS	UNTOUCHABLE	
3203	ALCOVE, POCT (QTY 3)	3	WASTE RECEPTACLE, STEP-ON	RUBBERMAID COMM. PRODUCTS	SLIM JIM	
3205.1	ALCOVE, STORAGE	1	NOTE:	ZZZ - NOTE: (U.S.)		
3205.2	NOURISHMENT (QTY 3)	1	NOTE:	ZZZ - NOTE: (U.S.)		

ROOM #	RM NAME	QTY	GENERIC	MANUFACTURER	MODEL	EQ #
3205.2	NOURISHMENT (QTY 3)	3	ICE MAKER W/WATER DISPENSER	MANITOWOC ICE, INC.	AIR COOLED	ICE01
3205.2	NOURISHMENT (QTY 3)	3	REFRIGERATOR, UNDERCOUNTER	HAIER AMERICA	BLACK	REF03
3205.2	NOURISHMENT (QTY 3)	3	COFFEE BREWER	BUNN-O-MATIC CORP.	AXIOM-DV-APS	COF01
3206	PRE/POST (18)	18	MONITOR, VITAL SIGNS	PHILIPS MEDICAL SYSTEMS	SURESIGNS VS4	MON03
3206	PRE/POST (18)	18	WALL CHANNEL	GCX CORPORATION	GCX	WLL01
3206	PRE/POST (18)	18	MONITOR ACCESSORY	EVOLUTION MEDICAL PRODUCTS, INC.	CORD CADDY	
3206	PRE/POST (18)	18	MONITOR ACCESSORY, MOUNTING ASSEMBLY	GCX CORPORATION	M SERIES	MNA01
3206	PRE/POST (18)	18	STRETCHER	STRYKER CORP/MEDICAL DIV	1115-BIG WHEEL	STR01
3206	PRE/POST (18)	18	CART, SUPPLY	ARMSTRONG MEDICAL INDUSTRIES	AMC-1/ACC	CTS01
3206	PRE/POST (18)	18	CABINET	HEALTH CARE LOGISTICS	AMBU BAG	CAB05
3206	PRE/POST (18)	18	HYPERTHERMIA UNIT	ARIZANT HEALTHCARE, A 3M COMPANY	BAIR PAWS 875	
3206	PRE/POST (18)	18	STOOL, REVOLVING	MIDMARK CORPORATION	272	STL01
3206	PRE/POST (18)	36	REGULATOR, SUCTION, CONTINUOUS &	OHIO MEDICAL CORPORATION	PTS-ISU	
3206	PRE/POST (18)	36	FLOWMETER, OXYGEN	OHIO MEDICAL CORPORATION		
3206	PRE/POST (18)	18	DISPOSAL CONTAINER, SHARPS W/BACKET	BECTON DICKINSON	-	DSP03
3206	PRE/POST (18)	18	DISPENSER, GLOVE	BOWMAN MANUFACTURING COMPANY	GS-123	GLV02
3206	PRE/POST (18)	18	DISPENSER	CENTURION MEDICAL PRODUCTS	EMEBAG	DPS01
3206	PRE/POST (18)	18	TABLE, OVERBED	HILL-ROM	ART OF CARE	
3206	PRE/POST (18)	18	SCALE, STAND-ON	TANITA CORPORATION		SCL02
3206	PRE/POST (18)	18	WASTE RECEPTACLE	RUBBERMAID COMM. PRODUCTS	1630TPLCH	
3212	TEAM STATION (QTY)	1	NOTE:	ZZZ - NOTE: (U.S.)		
3212	TEAM STATION (QTY)	3	SPHYGMOMANOMETER, ANEROID, HANDHELD	WELCH ALLYN, INC.	PLATINUM SERIES	
3212	TEAM STATION (QTY)	1	OPHTHALMOSCOPE/OTOSCOPE	WELCH ALLYN, INC.	7670-12	

ROOM #	RM NAME	QTY	GENERIC	MANUFACTURER	MODEL	EQ #
3212	TEAM STATION (QTY	3	BELT, WALKING	ALCO SALES & SERVICE	60" VINYL	
3305.1	ALCOVE, STORAGE	1	CABINET, WARMING	PEDIGO PRODUCTS, INC.	ELITE SERIES	CBW01
3305.1	ALCOVE, STORAGE	1	CART, RESUSCITATION, CARDIAC	HARLOFF COMPANY, INC.	AL809-STJADU	CTR01
3305.1	ALCOVE, STORAGE	1	RESUSCITATOR, PEDIATRIC	ARMSTRONG MEDICAL INDUSTRIES	AE-4700	
3405.1	ALCOVE, STORAGE	1	CABINET, WARMING	PEDIGO PRODUCTS, INC.	ELITE SERIES	CBW01
3414	CARTS (QTY 3)	1	NOTE:	ZZZ - NOTE: (U.S.)		
3414	CARTS (QTY 3)	6	CART, PROCEDURE	INTERMETRO INDUSTRIES CORP.	FL24K/ACC	CTP05
3414	CARTS (QTY 3)	1	LAB ANALYZER, CHEMISTRY, MANUAL	ABBOTT LABORATORIES/DIAGNOSTIC DIV.	I-STAT 1	LAB01
3414	CARTS (QTY 3)	1	LAB ANALYZER, COAGULATION	ROCHE DIAGNOSTIC SYSTEMS		LAB05
3414	CARTS (QTY 3)	3	LAB ANALYZER, GLUCOSE	ROCHE DIAGNOSTIC SYSTEMS	ACCUCHEK INFORM	LAB02
3703	LOCKER (QTY 2)	2	SHELVING, WIRE	INTERMETRO INDUSTRIES CORP.	SE/SASE	SHV10
3703	LOCKER (QTY 2)	3	HAMPER, LINEN	BLICKMAN, INC.	2118	
3112	STAFF LOUNGE	1	ICE MAKER W/WATER DISPENSER	MANITOWOC ICE, INC.	AIR COOLED	ICE01
3112	STAFF LOUNGE	1	REFRIGERATOR/FREEZER , UPRIGHT	SEARS COMMERCIAL SALES	46-68802	REF04
3112	STAFF LOUNGE	1	REFRIGERATOR, UPRIGHT	SEARS COMMERCIAL SALES	46-70722	REF14
3112	STAFF LOUNGE	2	OVEN, MICROWAVE	AMANA	COMMERCIAL	OVE01
3112	STAFF LOUNGE	1	COFFEE BREWER	BUNN-O-MATIC CORP.	AXIOM-DV-APS	COF01
3602.1	ALCOVE, STRETCHER (QTY 3)	3	STRETCHER	STRYKER CORP/MEDICAL DIV	1115-BIG WHEEL	STR01
3602.2	ALCOVE, SCRUB STATION (4)	4	SINK, SCRUB	STERIS CORPORATION	FLEXMATIC	SNK01
3602.2	ALCOVE, SCRUB STATION (4)	8	SHELF	GANDER, LLC	TSWS-1224	SHF01
3602.2	ALCOVE, SCRUB STATION (4)	16	DISPENSER	GANDER, LLC	GO1	DPS02
3602.2	ALCOVE, SCRUB STATION (4)	4	WASTE RECEPTACLE	RUBBERMAID COMM. PRODUCTS	SLIM JIM	

ROOM #	RM NAME	QTY	GENERIC	MANUFACTURER	MODEL	EQ #
3602.7	ALCOVE, LINEN	1	CART, LINEN	INTERMETRO INDUSTRIES CORP.	CLTS2448C	CTL01
3603	O.R. (6)	1	NOTE:	ZZZ - NOTE: (U.S.)		
3603	O.R. (6)	6	TABLE, SURGICAL	STERIS CORPORATION	4085	TBS01
3603	O.R. (6)	12	MEDICAL GAS ARTICULATING BOOM ACCESSORY	ZZZ - GENERIC DESCRIPTIONS		
3603	O.R. (6)	6	MEDICAL GAS ARTICULATING BOOM	STERIS CORPORATION	HARMONY	MGA0 3
3603	O.R. (6)	6	MEDICAL GAS ARTICULATING BOOM, ANESTHESIA	STERIS CORPORATION	XGENGREQD	MGA0 2
3603	O.R. (6)	12	LIGHT, SURGICAL, SINGLE W/FLAT PANEL ARM	STERIS CORPORATION	LED	LTS02
3603	O.R. (6)	6	AUDIO/VISUAL SYSTEM, INTEGRATED, SURGERY	ZZZ - GENERIC DESCRIPTIONS		AVS01
3603	O.R. (6)	6	SCOPE, VIDEO SYSTEM	ZZZ - GENERIC DESCRIPTIONS		
3603	O.R. (6)	6	MONITOR, VIDEO	STERIS CORPORATION		MTV02
3603	O.R. (6)	12	MONITOR, VIDEO	ZZZ - GENERIC DESCRIPTIONS		MTV01
3603	O.R. (6)	6	TOURNIQUET	ZIMMER PATIENT CARE	A.T.S. 2000	
3603	O.R. (6)	6	TABLE, WORK	PEDIGO PRODUCTS, INC.	STERIL-GARD	TBW03
3603	O.R. (6)	12	TABLE, UTILITY	PEDIGO PRODUCTS, INC.	STERIL-GARD	
3603	O.R. (6)	6	STAND, MAYO	BLICKMAN, INC.	JUMBO BENJAMIN	
3603	O.R. (6)	6	STAND, BASIN, SINGLE	PEDIGO PRODUCTS, INC.	-	
3603	O.R. (6)	12	KICKBUCKET	BREWER COMPANY	-	
3603	O.R. (6)	12	STOOL, FOOT	RUBBERMAID COMM. PRODUCTS	SMALL	
3603	O.R. (6)	2	STOOL, REVOLVING	STRYKER CORP/MEDICAL DIV	SURGIStOOL	STL02
3603	O.R. (6)	24	STOOL, REVOLVING	PEDIGO PRODUCTS, INC.	HANDS FREE	STL03
3603	O.R. (6)	4	WASTE MANAGEMENT SYSTEM	STRYKER INSTRUMENTS	0702-001-000	WMS0 1
3603	O.R. (6)	6	ELECTROSURGICAL UNIT	VALLEYLAB, A COVIDIEN BRAND	-	ESU01
3603	O.R. (6)	2	ELECTROSURGICAL UNIT	VALLEYLAB, A COVIDIEN BRAND	-	ESU02
3603	O.R. (6)	6	HEADLIGHT SYSTEM	INTEGRA LIFESCIENCES CORP	LUXTEC	

ROOM #	RM NAME	QTY	GENERIC	MANUFACTURER	MODEL	EQ #
3603	O.R. (6)	6	ANESTHESIA MACHINE	DATEX OHMEDA, INC.	S/5 AVANCE	ANE01
3603	O.R. (6)	6	MONITOR, PHYSIOLOGICAL	ZZZ - MONITORING		MON0 4
3603	O.R. (6)	6	MONITOR, BISPECTRAL INDEX	COVIDIEN	186-1014	MON0 1
3603	O.R. (6)	6	CART, SUPPLY	INTERMETRO INDUSTRIES CORP.	STARSYS	CTS02
3603	O.R. (6)	6	HYPERTHERMIA UNIT	ARIZANT HEALTHCARE, A 3M COMPANY	750	
3603	O.R. (6)	6	PUMP, COMPRESSION	KENDALL HEALTHCARE, COVIDIEN	700 SERIES	
3603	O.R. (6)	6	BOARD, PATIENT TRANSFER	MCAULEY MEDICAL INC	SAMARIT	BRD01
3603	O.R. (6)	12	DISPENSER, GLOVE	BOWMAN MANUFACTURING COMPANY	GS-123	GLV02
3603	O.R. (6)	6	DISPOSAL CONTAINER, WASTE, PHARMACEUTICAL	KENDALL HEALTHCARE, COVIDIEN	8617RC	
3603	O.R. (6)	6	DISPOSAL CONTAINER, WASTE, PHARMACEUTICAL	CACTUS, A STRYKER COMPAY		DSP06
3603	O.R. (6)	12	CART, SHARPS	KENDALL HEALTHCARE, COVIDIEN	SHARPSTAR	CRS01
3603	O.R. (6)	18	HAMPER, LINEN	BLICKMAN, INC.	2118	
3603	O.R. (6)	6	WASTE RECEPTACLE	RUBBERMAID COMM. PRODUCTS	BRUTE RED	WST01
3607	STORAGE, EQUIPMENT SUPPLY	2	IMAGING, X-RAY, C-ARM	ZIEHM IMAGING, INC	SOLO	IMX05
3607	STORAGE, EQUIPMENT SUPPLY	2	IMAGING, X-RAY, C-ARM	GE OEC MEDICAL SYSTEMS		IMX02
3607	STORAGE, EQUIPMENT SUPPLY	1	IMAGING, X-RAY UNIT, MOBILE, BATTERY	GE MEDICAL SYSTEMS	OPTIMA XR220AMX	IMX01
3607	STORAGE, EQUIPMENT SUPPLY	1	TABLE, SURGICAL	ORTHOPEDIC SYSTEMS INC./OSI	6850	TBS02
3607	STORAGE, EQUIPMENT SUPPLY	1	TABLE, SURGICAL	MIZUHO OSI	JTS	TBS03
3607	STORAGE, EQUIPMENT SUPPLY	2	ELECTROSURGICAL UNIT	VALLEYLAB, A COVIDIEN BRAND	-	ESU01
3607	STORAGE, EQUIPMENT SUPPLY	1	HYPERTHERMIA UNIT	ARIZANT HEALTHCARE, A 3M COMPANY	750	

ROOM #	RM NAME	QTY	GENERIC	MANUFACTURER	MODEL	EQ #
3607	STORAGE, EQUIPMENT SUPPLY	1	PUMP, COMPRESSION	KENDALL HEALTHCARE, COVDIEN	700 SERIES	
3607	STORAGE, EQUIPMENT SUPPLY	1	LIFTER TRANSFER SYSTEM, PATIENT	HOVERTECH INTERNATIONAL	HM39HS	
3607	STORAGE, EQUIPMENT SUPPLY	1	LIFTER TRANSFER SYSTEM, PATIENT	HOVERTECH INTERNATIONAL	-	
3607	STORAGE, EQUIPMENT SUPPLY	1	CART	HOVERTECH INTERNATIONAL	HMC-U	CRT01
3607	STORAGE, EQUIPMENT SUPPLY	1	CHAIR	ZZZ - FURNISHINGS		
3607	STORAGE, EQUIPMENT SUPPLY	1	PHACOEMULSIFICATION MACHINE	ABBOTT MEDICAL OPTICS	NGP680300	PHA01
3607	STORAGE, EQUIPMENT SUPPLY	1	SHELVING, WIRE	INTERMETRO INDUSTRIES CORP.	SUPER ERECTA	SHV09
3607	STORAGE, EQUIPMENT SUPPLY	2	MICROSCOPE, OPERATING	CARL ZEISS,INC.	PENTERO 900	MIC02
3607	STORAGE, EQUIPMENT SUPPLY	1	IMAGING, ULTRASOUND SCANNER	SONOSITE, INC.	-	IMU01
3607	STORAGE, EQUIPMENT SUPPLY	1	SCOPE, COLPOSCOPE	WALLACH SURGICAL DEVICES, INC.	ZOOMSCOPE	
3608	MED WORK	1	SHELVING, WIRE	INTERMETRO INDUSTRIES CORP.	SUPER ERECTA	SHV08
3608	MED WORK	1	DISPOSAL CONTAINER, WASTE, PHARMACEUTICAL	KENDALL HEALTHCARE, COVDIEN	8618RC	DSP05
3608	MED WORK	1	DISPOSAL CONTAINER, SHARPS W/BRACKET	BECTON DICKINSON	-	DSP03
3613	HALLWAY, STAGING	4	SHELVING, WIRE	INTERMETRO INDUSTRIES CORP.		SHV13
3613	HALLWAY, STAGING	2	DISPENSER, MEDICATION, AUTOMATED	BD CAREFUSION PYXIS	MEDSTATION 3500	DMA0 3
3613	HALLWAY, STAGING	2	DISPENSER, SUPPLY, AUTOMATED	BD CAREFUSION PYXIS	SINGLE MAIN	DSA01
3613	HALLWAY, STAGING	2	DISPENSER, MEDICATION, ACCESSORY	BD CAREFUSION PYXIS	MSRM	DMA0 1
3613	HALLWAY, STAGING	2	REFRIGERATOR, UNDERCOUNTER, MEDICAL GRADE	FOLLETT CORPORATION	REF5P-00-GD	REF09

ROOM #	RM NAME	QTY	GENERIC	MANUFACTURER	MODEL	EQ #
3613	HALLWAY, STAGING	2	FREEZER, UNDERCOUNTER	SO-LOW ENVIRONMENTAL EQUIPMENT CO.		FRZ05
3613	HALLWAY, STAGING	1	CART, UTILITY	ZZZ - GENERIC DESCRIPTIONS		
3613	HALLWAY, STAGING	1	CABINET, WARMING	PEDIGO PRODUCTS, INC.	FLUID/BLANKET	CBW03
3613	HALLWAY, STAGING	12	CART, CASE	PEDIGO PRODUCTS, INC.	-	CTC02
3613	HALLWAY, STAGING	1	CART, PROCEDURE	ARMSTRONG MEDICAL INDUSTRIES	PEL-SB-30	CTP01
3613	HALLWAY, STAGING	1	CART, RESUSCITATION, CARDIAC	ARMSTRONG MEDICAL INDUSTRIES	A-SMART	CTR03
3613	HALLWAY, STAGING	1	DEFIBRILLATOR	PHILIPS MEDICAL SYSTEMS	HEARTSTART XL	DEF03
3613	HALLWAY, STAGING	1	CART, RESUSCITATION, CARDIAC	ARMSTRONG MEDICAL INDUSTRIES	A-SMART	CTR03
3613	HALLWAY, STAGING	1	DEFIBRILLATOR	PHILIPS MEDICAL SYSTEMS	HEARTSTART XL	DEF03
3613	HALLWAY, STAGING	4	CART, PROCEDURE	INTERMETRO INDUSTRIES CORP.	MBP3110TL	CTP04
3613	HALLWAY, STAGING	1	CART, PROCEDURE	INTERMETRO INDUSTRIES CORP.	FL24K/ACC	CTP05
3613	HALLWAY, STAGING	2	CART, ANESTHESIA	INTERMETRO INDUSTRIES CORP.	FL30K	CTA02
3613	HALLWAY, STAGING	2	CART, I.V.	GLOBAL INDUSTRIAL	TRIPPNT 51063	CTI02
3613	HALLWAY, STAGING	1	SCOPE, LARYNGOSCOPE	VERATHON MEDICAL	GLIDESCOPE	
3613	HALLWAY, STAGING	1	SCOPE, LARYNGOSCOPE	VERATHON MEDICAL	GLIDESCOPE	
3613	HALLWAY, STAGING	1	CART, SUTURE	LOGIQUIP	SUTURE CART SYS	CTS07
3613	HALLWAY, STAGING	2	RACK, APRON	INFAB CORPORATION	BUDGET SAVER	RCK03
3613	HALLWAY, STAGING	2	TABLE, SURGICAL ACCESSORY	ALLEN MEDICAL SYSTEMS	O-YFES	
3613	HALLWAY, STAGING	1	SHIELD, LEAD, BARRIER	BAR-RAY PRODUCTS, INC.		SHL01
3704.1	GOWN	1	SHELVING, WIRE	INTERMETRO INDUSTRIES CORP.	SUPER ERECTA	SHV09
3716	SOILED ROOM	1	TRUCK, TILT	RUBBERMAID COMM. PRODUCTS		TRK02
3716	SOILED ROOM	1	TRUCK, TILT	RUBBERMAID COMM. PRODUCTS	1305-73	TRK04

ROOM #	RM NAME	QTY	GENERIC	MANUFACTURER	MODEL	EQ #
3716	SOILED ROOM	1	TRUCK, WASTE RECEPTACLE/UTILITY	GRAINGER, INC.		TRK05
3716	SOILED ROOM	1	TRUCK/BIN, LINEN	INTERMETRO INDUSTRIES CORP.	TXPB-BLK48	TRK01
3716	SOILED ROOM	1	CABINET, PERSONAL PROTECTION	BOWMAN MANUFACTURING COMPANY	LD-064	PPE01
3716	SOILED ROOM	2	SHELF	GANDER, LLC	TSWS-1224	SHF01
3716	SOILED ROOM	1	WASTE RECEPTACLE	RUBBERMAID COMM. PRODUCTS	UNTOUCHABLE	
3716	SOILED ROOM	1	CART, SHARPS	STERICYCLE	MOBILE	CRS02
3716	SOILED ROOM	2	WASTE MANAGEMENT SYSTEM	STRYKER INSTRUMENTS	0702-014-000	WMS0 1

Salmon Creek | Design Development Furniture Estimate

	Qty	Manuf	Product	COM	COMMENTS
LEVEL THREE					
GALLERIA/ WAITING					
Item - Lounge Chair	4	Carolina	Rein	U4, U5	With Wood Arm Caps
Item - Coffee Table Oval	1	Carolina	Rein	-	HPL Top
Item - Coffee Table Round	1	Global	River	-	
Item - Personal Table	2	Global	River	-	
Item - Modular Loveseat	2	Global	River	U4, U8	No Arms or Power Module
Item - Modular Sofa	1	Global	River	U4, U8	No Arms or Power Module
Item - Modular Side Table	2	Global	River	-	With Power Module & WM
Item - Modular Loveseat, Curved	1	Global	River	U4, U8	With One Arm & Power Module
Item - Modular Loveseat, Curved	1	Global	River	U4, U8	With One Arm & Power Module
Item - Modular Wedge Side Table	1	Global	River	-	With Power Module
Item - High Table, 3'x9'x3'H	1	Spec	Endzone	-	With (2) Power Modules & WM
Item - Stool	6	Leland	Slam	U11	Oak Shell, Upholstered Seat
Item - Guest Chair, Easy Access	6	Carolina	Rein	U4, U5	
Item - Guest Chair, Double	6	Carolina	Rein	U4, U5	
Item - Guest Chair, Double	4	Carolina	Rein	-	
Item - Guest Chair, Triple	2	Carolina	Rein	-	
Item - 20" Cube Table	2	Carolina	X	-	With Power Module
Item - 24" Cube Table	2	Carolina	X	-	With Power Module
Item - Ottoman	1	Leland	Beach Stone A	U13	
Item - Ottoman	1	Leland	Beach Stone B	U16	
Item - Ottoman	1	Leland	Beach Stone D	U19	
Item - Brochure Rack 10-Pocket	1	Peter Pepper	Model 604 5-Pocket	-	For Provider Info Cards
Item - Planters, Square Low	3	Nevins	Benningford	-	18" Sq
Item - Planters, Rectangle Medium	2	Nevins	Benningford	-	36" x 14" x 30"H
Item - Infection Prevention	1	Peter Pepper	Custom ICF-2M	-	Est \$/ Mask, Tissue, HS
Item - Waste & Recycle Bins, Large	1	Peter Pepper	Stream	-	Set of Trash & Comingled
CHECK-IN					
Item - Task Stool	3	Krug	Aqua	(Gr 2)	With Arms
Item - Mobile Box/File	3	Watson	Zo Ped w/ Cushion	-	Locking, Keyed Separately
Item - Desk 60" W - Adjustable	3	Watson	Seven	-	Adjustable Height
Item - Desk TB Panels	3	Watson	Tak	-	Tackable Surface
Item - Desk TB Panels	3	Watson	Tak	-	Tackable Surface
Item - Pencil Drawer	3	Mockett	DWR5A	-	
Item - Monitor Arm	3	Humanscale	M8 Monitor Arm	-	Single Monitor Arm

Salmon Creek | Design Development Furniture Estimate

	Qty	Manuf	Product	COM	COMMENTS
Item - Shred Bin Liner	1	Rubbermaid	Rigid Liner	-	
CONSULT					
Item - Meeting Table	1	Watson	Seven	-	Changed to Rectangle
Item - Meeting Chair	4	Global	Spritz	U11	
Item - Printer Stand	1	Watson	Zo Tech Bay	-	
PRE-POST					
Item - Guest Chair Armless	18	Global	Frolick	U11	With Wall Saver Legs
Item - Guest Chair w/ Arms	18	Global	Frolick	U11	With Wall Saver Legs
Item - Cubicle Curtain	32	CS Group	Snap Lock System	U1	Updated Cost
TEAM SPACE/ DICTATION					
Item - Task Chair	13	Krug	Aqua	(Gr 2)	With Arms
Item - Desk 48" W	13	Watson	Seven	-	Adjustable Height
Item - Monitor Arm	13	Humanscale	M8 Monitor Arm	-	Dual Monitor Arm
Item - Pencil Drawer	13	Mockett	DWR5A	-	
Item - Mobile Box/File	13	Watson	Zo Ped w/ Cushion	-	Locking, Keyed Separately
MD WORKROOM					
Item - Task Chair	1	Krug	Aqua	(Gr 2)	With Arms
Item - Desk 48" W	1	Watson	Seven	-	Adjustable Height
Item - Monitor Arm	1	Humanscale	M8 Monitor Arm	-	Dual Monitor Arm
Item - Pencil Drawer	1	Mockett	DWR5A	-	
Item - Modular Chair	1	Global	River		
Item - Modular Loveseat	1	Global	River	U4, U8	With One Arm & Power Module
Item - Modular Corner	1	Global	River	U4, U8	
Item - Personal Table	1	Global	River	-	
Item - Modular Side Table	1	Global	River	-	W/o Power Module
Item - Waste & Recycle Bins	1	Peter Pepper	Stream	-	Set of Trash & Comingled
OFFICES/ WORKSPACE					
Item - Task Chair	5	Krug	Aqua	(Gr 2)	With Arms
Item - Desk 54" W	5	Watson	Seven	-	Adjustable Height
Item - Desk TB Panels, 24"	5	Watson	Tak	-	Tackable Surface
Item - Desk TB Panels, 54"	5	Watson	Tak	-	Tackable Surface
Item - Monitor Arm	5	Humanscale	M8 Monitor Arm	-	Dual Monitor Arm
Item - Pencil Drawer	5	Mockett	DWR5A	-	
Item - Mobile Box/File	5	Global	Spritz	U11	
Item - Printer Stand	1	Global	River	-	
Item - Side Chair	3	Watson	Zo Ped w/ Cushion	-	Locking, Keyed Separately

Salmon Creek Design Development Furniture Estimate					
	Qty	Manuf	Product	COM	COMMENTS
Item - Personal Table	2	Watson	Sto	-	
Item - 4-High Lateral File	1	Global	1900P	-	With Laminate Top
Item - Bookcase	2	Watson	Zo Tech Bay	-	
Item - Task Stool	3	Krug	Aqua	(Gr 2)	With Arms
LOCKER ROOMS					
Item - Shower Curtain	1	CS Group	Snap Lock System	U1	<i>Estimate Cost</i>
RESPITE					
Item - Lounge Chair	1	Carolina	Rein	U4, U5	With Wood Arm Caps
Item - Ottoman	1	Carolina	Patient Ottoman	U4	
Item - Personal Table	1	Global	River	-	
Salmon Creek Design Development Furniture Estimate					
	Qty	Manuf	Product	COM	COMMENTS
STAFF LOUNGE					
Item - Chairs	16	Leland	Slam	-	Poly Shell, No Upholstery
Item - Stools	6	Leland	Slam	-	Poly Shell, No Upholstery
Item - Table, 36" Round	4	Watson	Seven	-	
Item - High Table 3-Person	2	Spec	Endzone	-	With Custom Charging Ledge
Item - Waste & Recycle Bins	1	Peter Pepper	Stream	-	Set of Trash & Comingled

Exhibit 6
Single Line Drawings

FIRE AND LIFE SAFETY LEGEND

- FIRE BARRIER - 1 HR
- FIRE BARRIER - 2 HR
- FIRE SMOKE BARRIER, 1 HR
- FIRE SMOKE PARTITION

GENERAL NOTES

1. SEE SHEET A8.01 FOR PARTITION TYPES.
2. SEE ENLARGED PLANS FOR ADDITIONAL DIMENSIONS AND PARTITION TAGS.
3. PLAN DIMENSIONS ARE TO FACE OF PARTITION ASSEMBLY, COLUMN GRIDLINES, OR FACE OF MASONRY UNLESS NOTED OTHERWISE.
4. DOOR LOCATIONS ARE PER DETAIL 104.10 UNO



ZIMMER GUNDEL ARCHITECTS LLP
 PORTLAND
 SEASIDE
 WASHINGTON DC
 1223 SW Washington Street
 Suite 200
 Portland, OR 97205
 T 503 224 3880
 F 503 224 2482
 www.zgf.com

- Consultants
- STRUCTURAL**
 KPFF
 111 SW FIFTH AVE, SUITE 2500
 PORTLAND, OR 97204
 T 503 227 3251
 - MECHANICAL**
 STRIMER
 740 N KNOTT STREET
 PORTLAND, OR 97227
 T 503 288 9393
 - PLUMBING**
 ALLIANT
 351 NW 12TH AVE
 PORTLAND, OR 97209
 T 503 419 4000
 - ELECTRICAL**
 MILL PLAN ELECTRIC
 6000 NE 80TH ST, SUITE B-105
 VANCOUVER, WA 98665
 T 360 574 7285
 - LOW VOLTAGE**
 MACTYCHEN
 121 SW SALMON ST, SUITE 1000
 PORTLAND, OR 97204
 T 503 401 9860
 - FIRE PROTECTION**
 MCKINSTRY
 1030 NE MASON ST, SUITE 100
 PORTLAND, OR 97201
 T 503 331 2460
 - MEDICAL EQUIPMENT**
 MITCHELL PLANNING ASSOCIATES
 830 SUNKING RD, SUITE 340
 NORTHBROOK, IL 60062
 T 847 430 0200
 - CONTRACTOR**
 ANDERSON CONSTRUCTION
 6712 N CUTLER CIRCLE
 PORTLAND, OR 97217
 T 503 263 6712

Revisions

A	PERMIT REVIEW	02/11/19
B	CONSTRUCTION REVIEW	02/11/19
D	ISSUE FOR GMP REVIEW	02/11/19
K	PERMIT REVIEW 3	04/12/19
3	ASH 003	06/04/21
4	ASH 004	07/23/21
11	RFI 0237	9/16/21
19	ASH 006	12/17/21

TVC EXPANSION SALMON CREEK CAMPUS

2208 NE 138TH STREET
 VANCOUVER, WA 98686

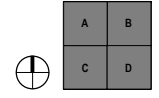
FLOOR PLAN, LEVEL 1

Date: 11/13/20
 Job No: 23366.02
 Drawn By: Author
 Checked By: Checker

A2.01
CONFORMED SET



FLOOR PLAN, LEVEL 1
 1/8" = 1'-0"



11/16/2022 10:20:39 AM

Revisions

A	PERMIT REVIEW	02/11/19
D	ISSUE FOR GMP	02/11/19
19	ISSI 006	12/17/21
22	RFI 026P	12/17/21

**TVC EXPANSION
SALMON CREEK
CAMPUS**

2208 NE 138TH STREET
VANCOUVER, WA 98686

Drawing Title
**FLOOR PLAN,
LEVEL 3**

Date:	11/13/20
Job No:	23368.02
Drawn By:	Author
Checked By:	Checker

Drawing No.

A	B
C	D

**A2.03
CONFORMED
SET**

FIRE AND LIFE SAFETY LEGEND

- FIRE BARRIER - 1 HR
- FIRE BARRIER - 2 HR
- FIRE SMOKE BARRIER - 1 HR
- FIRE SMOKE PARTITION

GENERAL NOTES

1. SEE SHEET A8.01 FOR PARTITION TYPES.
2. SEE ENLARGED PLANS FOR ADDITIONAL DIMENSIONS AND PARTITION TAGS.
3. PLAN DIMENSIONS ARE TO FACE OF PARTITION ASSEMBLY, COLUMN GRIDLINES, OR FACE OF MASSARY UNLESS NOTED OTHERWISE.
4. DOOR LOCATIONS ARE PER DETAIL 104.10 UNO



FLOOR PLAN, LEVEL 3
1/8" = 1'-0"

11/16/2020 10:23:47 AM

Appendix 1
Audited Financials



REPORT OF INDEPENDENT AUDITORS AND
CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

**THE VANCOUVER CLINIC, INC., P.S.
AND VANCOUVER CLINIC BUILDING, LLC**

December 31, 2021 and 2020

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Report of Independent Auditors

To the Board of Directors
The Vancouver Clinic, Inc., P.S. and
Vancouver Clinic Building, LLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Vancouver Clinic, Inc., P.S. and Vancouver Clinic Building, LLC (the Companies) which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of income, other comprehensive income, changes in owners' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Vancouver Clinic, Inc., P.S. and Vancouver Clinic Building, LLC as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Vancouver Clinic, Inc., P.S. and Vancouver Clinic Building, LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Vancouver Clinic, Inc., P.S. and Vancouver Clinic Building, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Vancouver Clinic, Inc., P.S. and Vancouver Clinic Building, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Vancouver Clinic, Inc., P.S. and Vancouver Clinic Building, LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Moss Adams LLP

Portland, Oregon
March 30, 2022

**The Vancouver Clinic, Inc., P.S. and
Vancouver Clinic Building, LLC
Consolidated Balance Sheets**

ASSETS

	December 31,	
	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 25,162,882	\$ 16,320,603
Accounts receivable	27,820,354	23,282,518
Income taxes receivable	1,527,723	-
Other receivables	1,104,106	5,104,018
Inventory	2,330,302	2,649,363
Prepaid expenses	11,454,675	4,758,462
	<u>69,400,042</u>	<u>52,114,964</u>
PROPERTY AND EQUIPMENT		
Real property	172,036,290	166,147,581
Equipment	80,071,459	74,354,951
Operating lease right-of-use asset	14,209,652	16,354,415
Finance lease right-of-use asset	3,616,626	1,609,621
Construction in progress	2,951,193	13,693,479
	<u>272,885,220</u>	<u>272,160,047</u>
Less accumulated depreciation and amortization	<u>(121,685,241)</u>	<u>(109,202,841)</u>
	<u>151,199,979</u>	<u>162,957,206</u>
OTHER ASSETS		
Insured malpractice claims receivable	2,260,965	1,653,457
Deposits	189,071	198,639
Investments	5,000,000	-
Goodwill and other intangibles	4,254,833	4,255,802
	<u>11,704,869</u>	<u>6,107,898</u>
Total other assets	<u>11,704,869</u>	<u>6,107,898</u>
Total assets	<u>\$ 232,304,890</u>	<u>\$ 221,180,068</u>

**The Vancouver Clinic, Inc., P.S. and
Vancouver Clinic Building, LLC
Consolidated Balance Sheets**

LIABILITIES AND OWNERS' EQUITY

	December 31,	
	2021	2020
CURRENT LIABILITIES		
Accounts payable	\$ 764,750	\$ 913,242
Accrued expenses	5,329,384	5,554,910
Accrued payroll and related expenses	22,135,108	22,607,517
Accrued profit sharing	287,426	257,036
Medical claims payable	2,350,487	1,839,700
Income taxes payable	-	754,563
Current portion of due to retired members	167,100	251,900
Current portion of operating lease liabilities	2,003,287	2,017,561
Current portion of finance lease liabilities	803,619	494,309
Current portion of debt	1,720,000	6,663,466
Total current liabilities	35,561,161	41,354,204
LONG-TERM LIABILITIES		
Accrued expenses	390,031	317,113
Deferred income taxes	7,557,785	6,194,334
Insured malpractice claims liability	2,260,965	1,653,457
Interest rate swap	1,089,306	3,409,147
Long-term portion of due to retired members	323,560	358,240
Long-term portion of operating lease liabilities	12,554,955	14,520,088
Long-term portion of finance lease liabilities	1,616,440	751,268
Long-term portion of debt	39,353,812	41,037,781
Total long-term liabilities, net	65,146,854	68,241,428
OWNERS' EQUITY		
The Vancouver Clinic, Inc. equity		
Common stock, no par value, 5,000 shares authorized	1,711,559	1,600,035
Retained earnings	129,417,040	110,511,376
Due from stockholders	(306,175)	(253,229)
Total The Vancouver Clinic, Inc. equity	130,822,424	111,858,182
Noncontrolling interest	774,451	(273,746)
Total owners' equity	131,596,875	111,584,436
Total liabilities and owners' equity	\$ 232,304,890	\$ 221,180,068

**The Vancouver Clinic, Inc., P.S. and
Vancouver Clinic Building, LLC
Consolidated Statements of Income**

	Years Ended December 31,	
	<u>2021</u>	<u>2020</u>
REVENUE		
Patient service revenue	\$ 336,479,225	\$ 265,365,547
Other medical revenue	24,077,725	21,059,793
Provider relief fund revenue	<u>6,534,829</u>	<u>5,010,491</u>
	<u>367,091,779</u>	<u>291,435,831</u>
EXPENSES		
Providers' salaries and benefits	128,945,194	111,231,143
Other salaries and benefits	119,342,813	98,834,270
Clinical expense	34,585,241	25,443,548
General and administrative	29,993,205	24,659,349
Depreciation and amortization	12,557,589	10,497,098
Occupancy expense	10,466,933	8,372,941
Purchased medical services	644,444	583,773
Insurance	<u>4,995,877</u>	<u>3,694,019</u>
	<u>341,531,296</u>	<u>283,316,141</u>
OPERATING INCOME	<u>25,560,483</u>	<u>8,119,690</u>
OTHER INCOME (EXPENSE)		
Rent income	396,369	421,583
Interest and other income	799,105	302,315
Interest expense	(1,369,590)	(413,120)
Loss on disposal of fixed assets	<u>(23,032)</u>	<u>(9,384)</u>
	<u>(197,148)</u>	<u>301,394</u>
INCOME BEFORE PROVISION FOR INCOME TAXES	25,363,335	8,421,084
PROVISION FOR INCOME TAXES	<u>5,076,165</u>	<u>806,638</u>
NET INCOME	20,287,170	7,614,446
LESS NET INCOME ATTRIBUTABLE TO		
Noncontrolling interest	<u>1,381,506</u>	<u>2,880,458</u>
NET INCOME ATTRIBUTABLE TO		
The Vancouver Clinic, Inc.	<u>\$ 18,905,664</u>	<u>\$ 4,733,988</u>

**The Vancouver Clinic, Inc., P.S. and
Vancouver Clinic Building, LLC
Statements of Other Comprehensive Income**

	<u>Years Ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Net income	\$ 20,287,170	\$ 7,614,446
Change in estimated fair value of interest rate swap agreement	<u>2,319,841</u>	<u>(3,253,680)</u>
Comprehensive income	<u>\$ 22,607,011</u>	<u>\$ 4,360,766</u>

**The Vancouver Clinic, Inc., P.S. and
Vancouver Clinic Building, LLC
Consolidated Statements of Changes in Owners' Equity**

	Noncontrolling Interest			The Vancouver Clinic, Inc.				
	Retained Earnings	Accumulated	Total	Common Stock		Due from Stockholders	Retained Earnings	Total
		Comprehensive Loss		Shares	Amount			
BALANCE, December 31, 2019	\$ 1,415,843	\$ (155,467)	\$ 1,260,376	\$ 4,875	\$ 1,542,011	\$ (244,887)	\$ 105,777,388	\$ 108,334,888
Net income	2,880,458	-	2,880,458	-	-	-	4,733,988	7,614,446
Other comprehensive loss	-	(3,253,680)	(3,253,680)	-	-	-	-	(3,253,680)
Common stock issued	-	-	-	425	146,200	(129,000)	-	17,200
Common stock redeemed	-	-	-	(275)	(88,176)	-	-	(88,176)
Repayments by stockholders	-	-	-	-	-	120,658	-	120,658
Redemption of members' interests	(151,200)	-	(151,200)	-	-	-	-	(151,200)
Distributions to members	(1,009,700)	-	(1,009,700)	-	-	-	-	(1,009,700)
BALANCE, December 31, 2020	3,135,401	(3,409,147)	(273,746)	5,025	1,600,035	(253,229)	110,511,376	111,584,436
Net income	1,381,506	-	1,381,506	-	-	-	18,905,664	20,287,170
Other comprehensive income	-	2,319,841	2,319,841	-	-	-	-	2,319,841
Common stock issued	-	-	-	575	197,800	(197,800)	-	-
Common stock redeemed	-	-	-	(275)	(86,276)	-	-	(86,276)
Repayments by stockholders	-	-	-	-	-	144,854	-	144,854
Redemption of members' interests	(213,200)	-	(213,200)	-	-	-	-	(213,200)
Distributions to members	(2,439,950)	-	(2,439,950)	-	-	-	-	(2,439,950)
BALANCE, December 31, 2021	<u>\$ 1,863,757</u>	<u>\$ (1,089,306)</u>	<u>\$ 774,451</u>	<u>\$ 5,325</u>	<u>\$ 1,711,559</u>	<u>\$ (306,175)</u>	<u>\$ 129,417,040</u>	<u>\$ 131,596,875</u>

**The Vancouver Clinic, Inc., P.S. and
Vancouver Clinic Building, LLC
Consolidated Statements of Cash Flows**

	Years Ended December 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 20,287,170	\$ 7,614,446
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and finance lease amortization	12,520,589	10,460,098
Amortization of loan fees	36,031	36,031
Amortization of intangible assets	969	969
(Gain) loss on disposal of property and equipment	(309,210)	9,384
Change in deferred income taxes	1,363,451	1,038,420
(Increase) decrease in		
Accounts receivable	(4,537,836)	(3,101,966)
Note receivable	3,999,912	(4,465,736)
Income taxes receivable	(1,527,723)	657,644
Inventory	319,061	(1,914,913)
Deposits	9,568	(158,365)
Prepaid expenses	(6,696,213)	2,084,815
Operating lease right-of-use asset	2,201,030	1,899,200
Increase (decrease) in		
Accounts payable	(148,492)	(797,651)
Accrued expenses	(152,608)	1,499,384
Accrued payroll and related expenses	(472,409)	7,348,053
Accrued profit sharing	30,390	30,594
Medical claims payable	510,787	120,926
Income taxes payable	(754,563)	754,563
Payments on operating lease obligations	(2,035,674)	(1,715,966)
Interest payments on finance lease obligations	-	(28,698)
Net cash provided by operating activities	<u>24,644,230</u>	<u>21,371,232</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(15,377,262)	(27,386,003)
Purchase of investment	(5,000,000)	-
Purchase of acquired business, net of cash acquired	-	(119,408)
Proceeds from sale of property and equipment	14,948,840	-
Net cash used in investing activities	<u>(5,428,422)</u>	<u>(27,505,411)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Draws on line of credit	-	62,638,998
Payments on line of credit	-	(68,856,542)
Issuance of new debt	-	30,243,466
Net payments on long-term debt	(6,663,466)	(260,000)
Loan fees and costs	-	(23,280)
Principal payments on finance lease obligations	(996,011)	(335,346)
Payments to retired members	(332,680)	(165,500)
Distributions to noncontrolling interest members	(2,439,950)	(981,300)
Repayments from stockholders	144,854	120,658
Redemption of common stock	(86,276)	(88,176)
Proceeds from sale of common stock	-	17,200
Net cash provided by financing activities	<u>(10,373,529)</u>	<u>22,310,178</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	8,842,279	16,175,999
CASH AND CASH EQUIVALENTS, beginning of year	<u>16,320,603</u>	<u>144,604</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 25,162,882</u>	<u>\$ 16,320,603</u>

See accompanying notes.

**The Vancouver Clinic, Inc., P.S. and
Vancouver Clinic Building, LLC
Consolidated Statements of Cash Flows**

	Year Ended December 31,	
	2021	2020
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest, net of capitalized interest	\$ 1,369,590	\$ 1,009,837
Cash paid for taxes, net of refunds	\$ (5,995,000)	\$ (1,643,989)
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Malpractice claims payable reimbursable from insurance	\$ (607,508)	\$ (731,645)
Redemption of members' interests with payables	\$ (88,900)	\$ (179,600)
Redemption of members' interests with reductions of amounts due from members	\$ (74,800)	\$ (36,400)
Distributions to members to reduce notes due from members	\$ (406,000)	\$ (171,600)
Capital contributions by new members financed with notes due from members	\$ 828,000	\$ 612,000
Common stock issued financed with notes due from stockholders	\$ 197,800	\$ 129,000
Change in fair value of interest rate swap	\$ 2,319,841	\$ (3,253,680)
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 56,267	\$ 18,253,615
Right-of-use assets obtained in exchange for capital lease liabilities	\$ 2,170,493	\$ 1,609,621

The Vancouver Clinic, Inc., P.S. and Vancouver Clinic Building, LLC

Notes to Consolidated Financial Statements

Note 1 – Description of Operations and Summary of Significant Accounting Policies

Operations

The Vancouver Clinic, Inc., P.S. (the Clinic) and Vancouver Clinic Building, LLC (the LLC) are under substantially the same ownership and management. The Clinic is an established corporation of medical doctors who provide multi-specialty outpatient care in a variety of medical fields such as Primary Care, Medical and Surgical Specialties, Ambulatory Surgery Centers and Ancillaries. The LLC owns and leases buildings under long-term leases to the Clinic. The Clinic has thirteen locations in and around Vancouver, Washington and Gresham, Oregon.

Variable interest entities

Variable interest entities (VIEs) are primarily entities that lack sufficient equity to finance their activities without additional subordinated financial support from other parties or whose equity holders as a group lack certain power, obligations, or rights. Generally accepted accounting principles require a reporting entity to consolidate a VIE when the reporting entity has a variable interest that provides it with a controlling financial interest in the VIE. The entity that consolidates a VIE is referred to as the primary beneficiary of that VIE. The Clinic uses qualitative and quantitative analyses to determine if it is the primary beneficiary of VIEs.

The Clinic has a noncontrolling equity interest in the LLC. The Clinic has concluded that the LLC is a VIE and that they are the primary beneficiary. Accordingly, the Clinic's consolidated financial statements include the accounts of the LLC. The Clinic has concluded that its other equity investments do not require consolidation as either they are not VIEs, or in the event that they are VIEs, the Clinic is not the primary beneficiary. These VIEs do not involve any material exposure to the Clinic.

Principles of consolidation

The consolidated financial statements include the financial statements of the Clinic and the LLC (the Companies), of which the Clinic is the primary beneficiary. All transactions and balances between the Clinic and the LLC have been eliminated upon consolidation.

Basis of accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Significant estimates underlying the accompanying financial statements which are particularly susceptible to change include the determination of the uncollectible accounts receivable and contractual adjustments.

The Vancouver Clinic, Inc., P.S. and Vancouver Clinic Building, LLC

Notes to Consolidated Financial Statements

Note 1 – Description of Operations and Summary of Significant Accounting Policies (continued)

Cash and cash equivalents

The Companies consider all highly liquid financial instruments purchased with a maturity of three months or less to be cash equivalents. The Companies maintain cash in bank deposit accounts which, at times, may exceed federally insured limits.

Patient service revenue and accounts receivable

As provided in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers* (“ASC 606”), patient service revenue is reported at the amount that reflects the consideration to which the Clinic expects to be entitled in exchange for providing patient care. These amounts, representing transaction price, are due from third-party payers (including health insurers and government programs), patients and others. Generally, the Clinic bills the third-party payers and patients several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

The Clinic measures the performance obligation at the time the services are performed. Because all of its performance obligations relate to contracts with a duration of less than one year, the Clinic has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The performance obligations for these contracts are generally completed at the time of service.

The Clinic is utilizing the portfolio approach practical expedient in ASC 606 for contracts related to patient service revenue. The Clinic accounts for the contracts within each portfolio as a collective group, rather than individual contracts, based on the payment pattern expected in each portfolio category and the similar nature and characteristics of the patients within each portfolio. As a result, the Clinic has concluded that revenue for a given portfolio would not be materially different than if accounting for revenue on a contract-by-contract basis.

The Clinic has agreements with third-party payers, which include commercial insurance and preferred provider organization (PPO) contracts, managed care contracts with health maintenance organizations (HMOs), Medicare and Medicaid, and other third-party payers, that generally provide for payments to the Clinic at amounts different from its established rates. The Clinic recognizes revenue based on established or contracted rates, subject to certain discounts and implicit price concessions as determined by the Clinic. The Clinic determines the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payers, discounts provided to uninsured patients in accordance with the Clinic’s policy, and implicit price concessions provided to patients. Implicit price concessions represent differences between amounts billed and the estimated consideration the Clinic expects to receive from payers and patients, which are determined based on historical collection experience, current market conditions and other factors. The Clinic determines its estimates of contractual adjustments and discounts based on contractual agreements, discount policies, and historical experience.

**The Vancouver Clinic, Inc., P.S. and
Vancouver Clinic Building, LLC**
Notes to Consolidated Financial Statements

Note 1 – Description of Operations and Summary of Significant Accounting Policies (continued)

Entities doing business with governmental payers, including Medicare and Medicaid, are subject to risks unique to the government-contracting environment that is difficult to anticipate and quantify. Revenues are subject to adjustment as a result of examination by government agencies as well as auditors, contractors, and intermediaries retained by the federal, state, or local governments (collectively “government agents”). Resolution of such audits or reviews often extends (and in some cases does not even commence until) several years beyond the year in which services were rendered and/or fees received.

Moreover, different government agents frequently interpret government regulations or other requirements differently. For example, government agents might disagree on a patient’s principal medical diagnosis, the appropriate code for a clinical procedure, or many other matters. Such disagreements might have a significant effect on the ultimate payout due from the government to fully recoup sums already paid. Governmental agencies may make changes in program interpretations, requirements, or “conditions of participation,” some of which may have implications for amounts previously estimated. In addition to varying interpretation and evolving codification of the regulations, standards of supporting documentation and required data are subject to wide variation.

In accordance with generally accepted accounting principles, to account for the uncertainty around Medicare and Medicaid revenues, the Clinic estimates the amount of revenue that will ultimately be received under the Medicare and Medicaid programs. Amounts ultimately received or paid may vary significantly from these estimates.

Several of the Clinic’s contracts with third-party payers provide for incentive payments based on various quality and financial performance metrics. These incentives provide financial incentive payments to the Clinic if certain thresholds are achieved. Several other contracts with third-party payers have provisions where financial risk (both upside and downside risk) is shared between the payer and the Clinic. Certain other contracts have provisions for shared savings only. To the extent that actual health care costs are less than agreed-upon target medical loss ratios, a portion of such amounts is returned to the Clinic. Conversely, for those contracts with downside risk, if actual healthcare costs exceed the target medical loss ratios, the Clinic must reimburse the third-party payers for a portion of that additional cost. The Clinic recognizes revenue from incentive contract payments and financial risk agreements when notified by the payer of the settlement amount for each contract, based on the timing and frequency of settlement established in the contracts. The Clinic earned \$16,112,527 and \$13,903,549 in 2021 and 2020, respectively, from achieving or exceeding quality and financial performance targets on such contracts.

Generally, patients who are covered by third-party payers are responsible for patient responsibility balances, including deductibles and coinsurance established by their insurance plans, which vary in amount. The Clinic estimates the transaction price for patients with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period such changes occur or it can be reasonably determined such change is probable. Adjustments arising from a change in the transaction price were not significant in the years ending December 31, 2021 and 2020.

**The Vancouver Clinic, Inc., P.S. and
Vancouver Clinic Building, LLC
Notes to Consolidated Financial Statements**

Note 1 – Description of Operations and Summary of Significant Accounting Policies (continued)

The composition of patient care service revenue by payer and revenue agreement for the years ended December 31 are as follows:

	Year Ended December 31, 2021					
	Patient Service Revenue	Risk Pool Revenue	Other Medical Revenue	Total Other Medical Revenue	Provider Relief Fund Revenue	Total Operating Revenue
Third-party payors	\$ 232,446,863	\$ 16,112,527	\$ -	\$ 16,112,527	\$ -	\$ 248,559,390
Medicare	73,491,052	-	-	-	-	73,491,052
Medicaid	18,083,211	-	-	-	-	18,083,211
Private	9,152,737	-	-	-	-	9,152,737
Self-pay	3,305,362	-	-	-	-	3,305,362
Provider relief fund revenue	-	-	-	-	6,534,829	6,534,829
Miscellaneous	-	-	7,965,198	7,965,198	-	7,965,198
	<u>\$ 336,479,225</u>	<u>\$ 16,112,527</u>	<u>\$ 7,965,198</u>	<u>\$ 24,077,725</u>	<u>\$ 6,534,829</u>	<u>\$ 367,091,779</u>
	Year Ended December 31, 2020					
	Patient Service Revenue	Risk Pool Revenue	Other Medical Revenue	Total Other Medical Revenue	Provider Relief Fund Revenue	Total Operating Revenue
Third-party payors	\$ 184,322,249	\$ 13,903,549	\$ -	\$ 13,903,549	\$ -	\$ 198,225,798
Medicare	57,271,779	-	-	-	-	57,271,779
Medicaid	13,848,777	-	-	-	-	13,848,777
Private	7,270,408	-	-	-	-	7,270,408
Self-pay	2,652,334	-	-	-	-	2,652,334
Provider relief fund revenue	-	-	-	-	5,010,491	5,010,491
Miscellaneous	-	-	7,156,244	7,156,244	-	7,156,244
	<u>\$ 265,365,547</u>	<u>\$ 13,903,549</u>	<u>\$ 7,156,244</u>	<u>\$ 21,059,793</u>	<u>\$ 5,010,491</u>	<u>\$ 291,435,831</u>

The Clinic has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Clinic's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payer pays for that service will be one year or less. However, the Clinic does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

The Company grants credit in the normal course of business to private individuals, other businesses, governmental agencies, and insurance companies. The Company performs ongoing credit evaluations and generally does not require collateral. The Company receives payment for services rendered from private pay payors, Medicare and Medicaid programs, Veterans Administration, and third-party payors. Management does not believe there are any credit risks associated with receivables from governmental agencies. Private and other receivables consist of receivables from a large number of payors involved in diverse activities and subject to differing economic conditions, which do not represent any concentrated credit risks to the Company.

**The Vancouver Clinic, Inc., P.S. and
Vancouver Clinic Building, LLC
Notes to Consolidated Financial Statements**

Note 1 – Description of Operations and Summary of Significant Accounting Policies (continued)

Concentrations of net patient accounts receivable as of December 31, 2021 and 2020, were approximately as follows:

	<u>2021</u>	<u>2020</u>
Third-party payors	77%	79%
Medicare	15%	13%
Medicaid	4%	4%
Private	2%	3%
Self-pay	<u>2%</u>	<u>1%</u>
Total	<u><u>100%</u></u>	<u><u>100%</u></u>

Other receivables

Other receivables at December 31, 2021, are comprised of outside income contracts and other medical revenue receivables totaling \$1,104,106. Other receivables at December 31, 2020, primarily related to the Humana Medicare Advantage relief program. The Clinic entered into an agreement with Humana for their Medicare Advantage relief program during 2020 which they received a one-time lump sum payment of \$3.3 million for the covered services provided from July 1, 2020 through December 31, 2020.

Inventory

Inventory consists of medical supplies and drugs and is stated at the lower of cost or market using the first-in, first-out method.

Property and equipment

Property and equipment are recorded at cost. Expenditures for maintenance, repairs, and renewals are charged to expense as incurred, whereas major betterments are capitalized as property and equipment. Property and equipment are depreciated using both straight-line and accelerated methods over the useful lives of the assets which range from 5 to 39 years.

The companies contracted with construction and architectural firms for the design and construction of buildings and improvements totaling approximately \$7.2 million in 2021.

Debt issuance costs

Debt issuance costs are amortized over the term of the credit facilities using the effective-interest method.

Investments

In 2020, PMB Vancouver LLC (“PMB LLC”) was formed and owned by the initial member, PMB LLC (“PMB”). During 2021, PMB admitted and assigned 1% membership interest of the PMB LLC to Vancouver Clinic Building, LLC (“VCB”) and 99% membership interest to PMB Vancouver Investors LLC (“PMBVI”) and PMB withdrew as a member of the PMB LLC. The Clinic (VCB) contributed \$5,000,000 to PMB LLC during 2021 for 22% ownership in the LLC. The Company accounts for the investment using the equity method.

The Vancouver Clinic, Inc., P.S. and Vancouver Clinic Building, LLC

Notes to Consolidated Financial Statements

Note 1 – Description of Operations and Summary of Significant Accounting Policies (continued)

In 2021, VCB entered into a sale-leaseback transaction with PMB LLC and sold the land at Salmon Creek II for \$8,864,126. The Vancouver Clinic Building also received reimbursement payments from PMB LLC of \$6,051,602 for costs already spent on the Salmon Creek II property. The Clinic then entered into a lease with PMB LLC to lease back the medical office building space for an initial 15-year term. Lease payments do not begin until the construction of the building is substantially complete.

Goodwill and other intangibles

The Clinic records goodwill as the excess of purchase price over the fair value of the tangible and identifiable assets acquired and liabilities assumed. Goodwill is non-amortizing and is tested for impairment on an annual basis, or sooner if necessary. There were no impairment charges for the years ended December 31, 2021 and 2020.

Insured malpractice claims receivable and liability

The insurance receivable from the issuance carrier and the liability for unpaid malpractice claims have been recorded in the consolidated balance sheets at the gross estimated receivable and liability of the Clinic's open malpractice claims at December 31, 2021 and 2020.

Accrued personal leave

The Clinic provides personal leave for substantially all non-provider employees. These benefits are accrued and expensed as they are earned. Terminated employees will be paid up to 528 hours of accrued paid time off.

Medical claims payable

The Clinic retains risk for employee health insurance claims. The Clinic has individual specific stop loss insurance which applies separately to each participant whose claim exceeds \$250,000. The exposure for unpaid claims and associated expenses, including incurred but not reported claims, is estimated with historical data, pending claims and historical trends. The gross estimated liability associated with health insurance claims as of December 31, 2021 and 2020 was \$2,350,487 and \$1,839,700, respectively.

Interest rate swap agreement

The LLC participates in two interest rate swap agreements ("Swap Agreements") – which are derivative financial instruments – to reduce interest rate risk associated with its long-term debt (see Note 3). The LLC does not hold or issue derivative financial instruments for trading purposes. Changes in the fair value of the Company's qualifying swaps are recorded through other comprehensive income.

Advertising costs

Advertising costs are generally charged to expense during the year in which they are incurred. Advertising costs incurred by the Clinic and charged to expense during the years ended December 31, 2021 and 2020, were \$329,667 and \$303,452, respectively.

**The Vancouver Clinic, Inc., P.S. and
Vancouver Clinic Building, LLC**
Notes to Consolidated Financial Statements

Note 1 – Description of Operations and Summary of Significant Accounting Policies (continued)

Income taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are provided on a liability method, whereby deferred tax assets are recognized for deductible temporary differences and operating loss carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The LLC has elected to be taxed under the provisions of the Washington Limited Liability Company Act. Under those provisions, the LLC does not pay federal income tax on its taxable income. Instead, the members are liable for income taxes on the LLC's taxable income.

The Companies have accounted for uncertain tax positions, whereby the effect of the uncertainty would be recorded if the outcome was considered probable and was reasonably estimable. It is the Companies' policy to record any penalties or interest arising from federal or state taxes as a component of the provision for federal income taxes. As of December 31, 2021 and 2020, the Companies have not identified any uncertain tax positions requiring accrual or disclosure. The Companies are no longer subject to U.S. federal or state and local income tax examinations by tax authorities for years before 2018.

Fair value measurements

Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. Market participants are buyers and sellers, who are independent, knowledgeable, and willing and able to transact in the principal (or most advantageous) market for the asset or liability being measured.

Fair value is based on quoted market prices, when available, for identical or similar assets or liabilities. In the absence of quoted market prices, management determines the fair value of the Companies' assets and liabilities using valuation models or third-party pricing services, both of which rely on market-based parameters when available, such as interest rate yield curves, option volatilities and credit spreads. The valuation techniques used are based on observable and unobservable inputs.

Observable inputs are those assumptions which market participants would use in pricing the particular asset or liability. These inputs are based on market data and are obtained from a source independent of the Companies.

Unobservable inputs are assumptions based on the Companies' own information or estimate of assumptions used by market participants in pricing the asset or liability. Unobservable inputs are based on the best and most current information available on the measurement date.

The Vancouver Clinic, Inc., P.S. and Vancouver Clinic Building, LLC

Notes to Consolidated Financial Statements

Note 1 – Description of Operations and Summary of Significant Accounting Policies (continued)

The accounting guidance establishes a three-level valuation hierarchy for determining fair value that is based on the transparency of the inputs used in the valuation process. The inputs used in determining fair value in each of the three levels of the hierarchy are as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Either: (i) quoted prices for similar assets or liabilities; (ii) observable inputs, such as interest rates or yield curves; or (iii) inputs derived principally from or corroborated by observable market data.

Level 3 – Unobservable inputs.

The hierarchy gives the highest ranking to Level 1 inputs and the lowest ranking to Level 3 inputs.

The level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the overall fair value measurement.

The following methods and assumptions were used by the Companies in estimating fair values of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents – The carrying amount approximates fair value because of the short maturity of these instruments.

Accounts receivable, accounts payable and accrued expenses – The Companies carry accounts receivable, accounts payable, and accrued expenses at historical costs; their respective estimated fair values approximate carrying values due to their current nature.

Long-term debt – The Companies' long-term debt has variable interest rate terms. Therefore, the fair value determination of long-term debt, using discounted cash flows, approximates its carrying amount.

Accounting standards update

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which increases transparency and comparability among entities by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements in the financial statements of lessees. On January 1, 2020, the Clinic adopted Topic 842 using the modified retrospective transition method which allowed the Clinic to continue to apply legacy guidance for periods prior to 2020. The Clinic elected the package of transition practical expedients which, among other things, allowed the Clinic to keep the historical lease classifications and not reassess the lease classification for any existing leases as of the date of adoption. The Clinic also made an accounting policy election to apply the short-term lease exception, which allows the Clinic to keep leases with an initial term of twelve months or less off the consolidated balance sheet. Upon adoption, the Clinic recognized right-of-use assets and lease liabilities for operating leases of approximately \$18 million.

**The Vancouver Clinic, Inc., P.S. and
Vancouver Clinic Building, LLC**
Notes to Consolidated Financial Statements

Note 1 – Description of Operations and Summary of Significant Accounting Policies (continued)

In March 2020, the FASB issued ASU No. 2020-04, Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting, to provide optional guidance, if certain criteria are met, for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. This new ASU provides stakeholders with the guidance they need to ease the process of migrating away from LIBOR and other interbank offered rates to new reference rates. This update is effective for all entities as of March 12, 2020 through December 31, 2022. Management is currently evaluating the impact of the provisions of this update on the financial statements.

Reclassifications

Certain account reclassifications and adjustments have been made to the consolidated financial statements of the prior year in order to conform to current year presentation. These reclassifications have no effect on previously reported net income or owners' equity.

Subsequent events

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are available to be issued. The Companies recognize in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Companies' financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before the financial statements are available to be issued.

The Companies have evaluated subsequent events through March 30, 2022, which is the date the financial statements were issued.

Note 2 – Income Taxes

The provisions for income taxes for the years ended December 31 are as follows:

	<u>2021</u>	<u>2020</u>
Current federal	\$ 3,712,714	\$ (231,782)
Deferred federal	<u>1,363,451</u>	<u>1,038,420</u>
Total provision for income taxes	<u>\$ 5,076,165</u>	<u>\$ 806,638</u>

The provision for income taxes differs from that computed at federal statutory rates primarily due to nondeductible expenditures and the tax status of the LLC.

The significant temporary differences between the carrying amounts and tax basis of existing assets and liabilities that give rise to deferred tax assets and liabilities include liabilities deductible when paid, receivables taxable when collected, and accelerated depreciation on equipment.

**The Vancouver Clinic, Inc., P.S. and
Vancouver Clinic Building, LLC
Notes to Consolidated Financial Statements**

Note 2 – Income Taxes (continued)

Net deferred tax assets, in the accompanying balance sheets, include the following components as of December 31:

	<u>2021</u>	<u>2020</u>
Deferred tax assets (liabilities)		
Liabilities deductible when paid	<u>\$ 6,986,157</u>	<u>\$ 6,779,118</u>
Total deferred tax assets	<u>6,986,157</u>	<u>6,779,118</u>
Property and equipment	(5,128,949)	(5,003,050)
Other intangibles	(854,000)	(854,000)
Receivables taxable when collected	(8,560,071)	(7,110,402)
Goodwill	<u>(922)</u>	<u>(6,000)</u>
Total deferred tax liabilities	<u>(14,543,942)</u>	<u>(12,973,452)</u>
Net deferred tax liability	<u>\$ (7,557,785)</u>	<u>\$ (6,194,334)</u>

As of December 31, 2021, the Companies did not have any Federal operating loss carryforwards which may be used to offset future taxable income.

Note 3 – Debt

The Clinic has a revolving loan payable with a maximum balance of \$25 million with a maturity date of January 2022. The revolving loan is subject to the terms of a loan agreement that contains provisions among others, requiring the maintenance of certain ratios and covenants. This loan requires monthly interest payments at 1.25% plus daily reset LIBOR rate. This revolving loan payable did not have any outstanding borrowings as of December 31, 2021, and 2020. In January 2022, the revolving loan payable maturity date was extended to June 30, 2025.

On November 6, 2019, the LLC entered into a second term loan, “Columbia Palisades Term Loan” with US Bank to borrow \$30,000,000. Columbia Palisades is a ten-year term loan that is amortized over twenty-five years. The purpose of this debt was to provide additional borrowing capacity for new construction projects. The term loan requires monthly interest payments at the pricing grid applicable margin plus the monthly reset LIBOR rate (approximately 1.35% as of December 31, 2021) and quarterly principal payments that started June 30, 2021 for \$300,000. There is one final balloon payment due at maturity of \$19,800,000. The maturity date for this loan is November 13, 2029.

**The Vancouver Clinic, Inc., P.S. and
Vancouver Clinic Building, LLC**
Notes to Consolidated Financial Statements

Note 3 – Debt (continued)

On January 31, 2019, the LLC entered into a term loan payable, “Ridgefield Term Loan” with US Bank to borrow \$13,000,000. Ridgefield is a ten-year term loan that is amortized over twenty-five years. The purpose of this debt was to provide additional borrowing capacity for new construction projects. This loan requires monthly interest payments at 1.25% plus monthly reset LIBOR rate (approximately 1.35% as of December 31, 2021) and quarterly principal payments that started September 30, 2020 for \$130,000. There is one final balloon payment due at maturity of \$8,580,000. The maturity date for this loan is January 31, 2029. In January 2022, the interest rate was updated to be an annual rate equal to 1.35% plus the Daily Simple Secured Overnight Financing Rate (SOFR).

During 2020, the Clinic entered into three separate provider advance agreements. The purpose of the advances was to prefund future reimbursement claim payments due to the temporary disruption in services and business processes related to the COVID-19 pandemic. The Clinic entered into a provider advance agreement with Regence BlueCross BlueShield of Oregon (Regence) for \$5,000,000, an advance agreement with Humana Health Plan for \$2,311,976, and an advance agreement with Premera Blue Cross for \$337,438. All advances were interest free and were paid back in full during 2020.

	<u>2021</u>	<u>2020</u>
Columbia Palisades term loan	\$ 29,100,000	\$ 30,000,000
Ridgefield term loan	12,220,000	12,740,000
Regence Advance	-	3,750,000
Humana loan	-	1,155,988
Premera Advance	-	337,478
	<u>41,320,000</u>	<u>47,983,466</u>
Total		
Less amounts due within one year	(1,720,000)	(6,663,466)
Less unamortized debt issuance costs – net	<u>(246,188)</u>	<u>(282,219)</u>
Long-term debt	<u>\$ 39,353,812</u>	<u>\$ 41,037,781</u>

On November 6, 2019, the LLC entered into a Swap Agreement with US Bank to reduce the LLC's exposure to fluctuations in interest rates on the Columbia Palisades term loan. This Swap Agreement – which terminates on November 1, 2029 – is an interest rate cash flow swap in which the Clinic pays a fixed interest rate of 1.82% to US Bank and receives the one-month LIBOR (approximately .10% as of December 31, 2021) from US Bank. The notional amount under this Swap Agreement decreases as principal payments are scheduled to be made on the Columbia Palisades term loan so that the notional amount approximately equals the expected principal balance outstanding on the Columbia Palisades term loan. This Swap Agreement had a notional value of \$30,000,000 as of December 31, 2021 and 2020.

On February 28, 2020, the LLC entered into a Swap Agreement with US Bank to reduce the LLC's exposure to fluctuations in interest rates on the Columbia Palisades term loan. This Swap Agreement – which terminates on January 31, 2029 – is an interest rate cash flow swap in which the Clinic pays a fixed interest rate of 1.22% to US Bank and receives the one-month LIBOR (approximately .10% as of December 31, 2021) from US Bank.

The Vancouver Clinic, Inc., P.S. and Vancouver Clinic Building, LLC

Notes to Consolidated Financial Statements

Note 3 – Debt (continued)

The notional amount under this Swap Agreement decreases as principal payments are scheduled to be made on the Columbia Palisades term loan. so that the notional amount approximately equals the expected principal balance outstanding on the Columbia Palisades term loan. This Swap Agreement had a notional value of \$10,000,000 as of December 31, 2021.

Amortization of debt issuance costs is computed over the terms of the respective debt using the effective interest method. The carrying amount of the loan fees was \$631,602 for December 31, 2021 and 2020, respectively. Accumulated amortization on debt issuance costs was \$385,414 and \$349,383 for the years ended December 31, 2021 and 2020, respectively. Amortization expense on these fees was \$36,031 for the years ended December 31, 2021 and 2020, respectively.

Principal maturities of long-term debt as of December 31, 2021 are as follows:

2022	\$ 1,720,000
2023	1,720,000
2024	1,720,000
2025	1,720,000
2026	1,720,000
Thereafter	<u>32,720,000</u>
Total	<u>\$ 41,320,000</u>

Note 4 – Leases

The Clinic leases its facilities under long-term, non-cancelable operating lease agreements from the LLC and from unrelated parties. The Clinic lease payments to the LLC are eliminated upon consolidation and not included in the schedule below. Building leases from unrelated parties expire at various dates through 2033. The agreements generally require the payment of utilities, real estate taxes, insurance and repairs. Some leases include renewal options. The Clinic also leases medical and office equipment under operating agreements expiring at various dates through 2025. The Clinic's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Clinic determines if an arrangement is a lease at inception. Leases with an initial term of twelve months or less are not recorded on the balance sheet; costs for these leases are recognized on a straight-line basis over the lease term. Right-of-use assets and lease liabilities are recognized based on the present value of lease payments over the lease term at the commencement date. Because most of the Clinic's leases do not provide an implicit rate of return, the Clinic uses its asset-based lending rate in determining the present value of lease payments. Some of the Clinic's lease agreements contain non-lease components, which are accounted for separately.

**The Vancouver Clinic, Inc., P.S. and
Vancouver Clinic Building, LLC
Notes to Consolidated Financial Statements**

Note 4 – Leases (continued)

Net lease cost consists of the following:

	<u>2021</u>	<u>2020</u>
Operating lease cost	\$ 2,651,332	\$ 2,308,526
Finance lease cost:		
Amortization of right-of-use assets	562,133	195,574
Interest on lease liabilities	99,604	28,697
Short-term lease cost	581,859	502,790
Sublease income	<u>(396,367)</u>	<u>(421,583)</u>
Net lease cost	<u>\$ 3,498,561</u>	<u>\$ 2,614,004</u>

The future maturities of the non-related party leases as of December 31, 2021 are as follows:

	<u>Finance Leases</u>	<u>Operating Leases</u>
2022	\$ 915,508	\$ 2,396,587
2023	704,244	2,357,869
2024	484,600	2,356,158
2025	381,379	2,030,218
2026	118,236	1,360,088
Thereafter	<u>-</u>	<u>5,913,690</u>
Total lease payments	2,603,967	16,414,610
Less amounts representing interest	<u>(183,908)</u>	<u>(1,856,368)</u>
Present value of lease liabilities	2,420,059	14,558,242
Less current portion of lease liabilities	<u>(803,619)</u>	<u>(2,003,287)</u>
Lease liabilities, less current portion	<u>\$ 1,616,440</u>	<u>\$ 12,554,955</u>

The following table summarizes the lease terms and discount rates for the lease liabilities as of December 31, 2021:

Weighted-average remaining lease term (years)	
Finance leases	41.79%
Operating leases	8.13%
Weighted-average discount rate	
Finance leases	4.18%
Operating leases	2.87%

The Vancouver Clinic, Inc., P.S. and Vancouver Clinic Building, LLC

Notes to Consolidated Financial Statements

Note 5 – Commitments and Contingencies

Stock repurchase commitments

The Clinic is obligated to acquire the stock of any stockholder who, for any reason, ceases employment with the Clinic. In the event of retirement or termination of employment, the cost to repurchase the stock is the original purchase price. The total common stock outstanding was \$1,711,559 and \$1,600,035 as of December 31, 2021 and 2020. During 2021 and 2020, the Clinic repurchased 275 shares each year of common stock for \$86,276 and \$88,176, respectively.

Due to retired members

The LLC is obligated to buy out a member's equity account upon the occurrence of certain events involving individual physician members. The buy-out amount is calculated under the terms of the LLC operating agreement and is payable in five equal annual payments plus interest at variable rates based on the annual mid-term applicable federal rate (AFR) (1.75% at December 2021). The events that obligate the LLC to buy out members' equity include retirement, termination of employment, permanent disability, death and personal bankruptcy.

Principal maturity of amounts due to retired members as of December 31, 2021 is as follows:

2022	\$	167,100
2023		124,460
2024		85,900
2025		56,560
2026		56,640
		<hr/>
	\$	490,660
		<hr/> <hr/>

**The Vancouver Clinic, Inc., P.S. and
Vancouver Clinic Building, LLC**
Notes to Consolidated Financial Statements

Note 5 – Commitments and Contingencies (continued)

Self-insured medical claims

The Clinic is self-insured for each employee's (and covered dependents') medical claims up to \$250,000 per year, with an aggregate stop loss limit for all employees (including covered dependents) not to exceed approximately \$2.0 million. The Clinic is also self-insured for all dental and prescription drug claims. The provision and accrual for estimated claims include estimates of the ultimate costs for both reported claims and incurred but not reported (IBNR) claims and are based upon the estimated costs of settlement. Based on estimates provided by the Clinic's third-party administrator, the Clinic has recorded estimated liabilities for reported and IBNR medical, dental, and prescription drug claims aggregating to \$2,391,072 and \$1,880,285 as of December 31, 2021 and 2020, respectively, which are included in medical claims payable in the accompanying balance sheets. The Clinic believes that these liabilities are adequate; however, the establishment of estimated liabilities for IBNR medical, dental, and prescription drug claims is an inherently uncertain process, and there can be no assurance that currently established reserves will prove adequate to cover actual ultimate expenses. Subsequent actual experience could result in reserves being too high or too low, which could positively or negatively impact the Clinic's reported results of operations in future periods.

Note 6 – Risks and Uncertainties

In March 2020, the World Health Organization declared the novel coronavirus outbreak a public health emergency. Due to this pandemic as well as steps taken by Washington state, there has been an impact to our operations. This outbreak has caused a disruption to the normal activity of treating patients, for both the health and safety of the patients as well as our own employees. In addition, supply chain disruptions have limited our ability to obtain materials needed for patient care, and in particular, access to needed personal protective equipment. We have taken steps to reduce face-to-face patient appointments and have expanded video visits and telephonic visits in order to reduce the risk of virus exposure of all parties. Our clinical personnel have significantly expanded their work to test for and treat COVID-19, the disease caused by the coronavirus. At this time, it is not possible to estimate the additional cost or the impact on patient revenue that may still be incurred as a result of this event.

The Vancouver Clinic, Inc., P.S. and Vancouver Clinic Building, LLC

Notes to Consolidated Financial Statements

Note 7 – Provider Relief Funds (PRF)

On March 27, 2020, the United States Congress passed the Coronavirus Aid, Relief, and Economic Securities (“CARES”) Act. The CARES Act included provisions for health care under the Provider Relief Fund. For the years ended December 31, 2021 and 2020, the Clinic received funds under the Provider Relief Fund, administered by the U.S. Department of Health & Human Services (HHS) of \$6,534,829 and \$5,010,491, respectively. The Clinic was required to, and did, timely sign attestations agreeing to the terms and conditions of payment. Those terms and conditions include measures to prevent fraud and misuse. Documentation is required to ensure that these funds are to be used for healthcare-related expenses or lost revenue attributable to COVID-19, limitations of out-of-pocket payments from certain patients, and the acceptance of several other reporting and compliance requirements. It is noted that anti-fraud monitoring and auditing will be performed by HHS and the Office of the Inspector General. The Clinic’s management is currently determining its ability to comply with these terms and conditions. For the years ended December 31, 2021 and 2020, the Clinic has recognized \$6,534,829 and \$5,010,491, respectively, of the Provider Relief Funds on its statement of income.

The Clinic’s management has been closely monitoring the impact of COVID-19 on the Clinic’s operations, including the impact on its patients and employees. The duration and intensity of the pandemic is uncertain but may influence patient decisions, donor decisions, and may also negatively impact collections of the Clinic’s receivables.

Note 8 – Profit Sharing Plan

The Clinic has a profit sharing plan which is qualified under Section 401(k) of the Internal Revenue Code. All employees over 21 years of age who have completed 1,000 hours of service within 12 consecutive months of employment are eligible to participate in the plan. Safe harbor contributions of 3% of eligible compensation are made to all participants. All other contributions are made on a discretionary basis by the Board of Directors. For the years ended December 31, 2021 and 2020, the Clinic contributed \$10,684,346 and \$9,327,215, respectively, in profit sharing contributions.

Note 9 – Malpractice Insurance

The Clinic, as well as the physicians employed by the Clinic, are insured by Physicians Insurance Company. The Clinic’s financial obligation is limited to its premiums for malpractice insurance coverage. Physicians Insurance Company provides claims-based malpractice insurance coverage, which covers only asserted malpractice claims within policy limits.

The Clinic has recorded a liability of \$2,260,965 and \$1,653,457 for December 31, 2021 and 2020, respectively, related to malpractice claims reported as insured malpractice claims liability. A corresponding receivable for the same amount is also recorded as insured malpractice claims receivable. Management does not believe there are any material uninsured malpractice costs at December 31, 2021.

**The Vancouver Clinic, Inc., P.S. and
Vancouver Clinic Building, LLC**
Notes to Consolidated Financial Statements

Note 10 – Transaction in Owners’ Equity

The LLC

Members – The LLC had 219 and 201 regular members at December 31, 2021 and 2020, respectively. Retiring members may elect, subject to approval, special member status. Special member status changes the voting interest and can minimize liability for future debts. It also changes the profit allocation formula. The status can be terminated by written notice or death. Twenty-four retired members have elected special member status as of December 31, 2021.

Due from members – Notes receivable due from individual members for capital contributions are payable as reductions of monthly distributions, generally at the rate of \$400 monthly. The notes are non-interest bearing. At December 31, 2021 and 2020, the balance due from members was \$2,694,000 and \$2,346,800, respectively, and is included in noncontrolling interest on the balance sheets.

The Clinic

Due from stockholders – Notes receivable due from physicians for stock purchases are due in monthly payments of \$200 and the notes bear interest at the monthly mid-term AFR at the time documents are issued. At December 31, 2021 and 2020, the balance due from stockholders was \$306,175 and \$253,229, respectively.

Note 11 – Related Party Transactions

The Clinic has an agreement with the LLC under which the LLC owns several medical office buildings and leases them to the Clinic. Payments under the lease are based on market rates. The initial 10-year lease term is non-cancelable with 30 years of additional renewal period options. The leases expire from September 2023 to September 2030. Rental revenue recorded by the LLC, expensed by the Clinic was \$8,842,836 and \$9,525,674 for the years ended December 31, 2021 and 2020, respectively. The amounts have been eliminated from the consolidated financial statements.

Future minimum lease payments due under these leases as of December 31, 2021 are as follows:

2022	\$ 11,371,230
2023	10,366,807
2024	6,319,799
2025	3,353,833
2026	2,295,987
Thereafter	<u>58,468,618</u>
	<u>\$ 92,176,274</u>

The Clinic and the LLC are under substantially the same ownership and management; however, the Clinic has no direct ownership interest in the LLC. The Clinic guarantees all of the LLC’s debt and is the primary beneficiary of the LLC under generally accepted accounting principles. Therefore, the Clinic consolidates the results of the LLC’s operations, consisting primarily of depreciation and interest expense, and eliminates the related operating lease expense.

**The Vancouver Clinic, Inc., P.S. and
Vancouver Clinic Building, LLC
Notes to Consolidated Financial Statements**

Note 11 – Related Party Transactions (continued)

Consolidated assets and liabilities include approximately \$7 million in accounts and notes receivable, approximately \$157 million in real property, and approximately \$41 million in debt, which is collateralized by the real property.

The following table summarizes the balance sheet effect of consolidating the VIE of which the Clinic is the primary beneficiary as of December 31:

	2021	
	LLC	Consolidated Total
Current assets	\$ 7,090,102	\$ 69,400,042
Property, equipment, and other assets	106,218,507	162,904,848
Total assets	<u>\$ 113,308,609</u>	<u>\$ 232,304,890</u>
Current liabilities	\$ 1,948,056	\$ 35,561,161
Intercompany current liabilities	69,819,424	-
Total current liabilities	<u>71,767,480</u>	<u>35,561,161</u>
Long-term debt and other liabilities	40,766,678	65,146,854
Equity	774,451	131,596,875
Total liabilities and equity	<u>\$ 113,308,609</u>	<u>\$ 232,304,890</u>
	2020	
	LLC	Consolidated Total
Current assets	\$ 6,757,726	\$ 52,114,964
Property, equipment, and other assets	119,816,937	169,065,104
Total assets	<u>\$ 126,574,663</u>	<u>\$ 221,180,068</u>
Current liabilities	\$ 2,376,537	\$ 41,354,204
Intercompany current liabilities	79,666,704	-
Total current liabilities	<u>82,043,241</u>	<u>41,354,204</u>
Long-term debt and other liabilities	44,805,168	68,241,428
Equity	(273,746)	111,584,436
Total liabilities and equity	<u>\$ 126,574,663</u>	<u>\$ 221,180,068</u>

Supplementary Information

**The Vancouver Clinic, Inc., P.S. and
Vancouver Clinic Building, LLC
Consolidating Balance Sheet
December 31, 2021**

	The Vancouver Clinic, Inc., P.S.	Vancouver Clinic Building, LLC	Eliminations	Consolidated
CURRENT ASSETS				
Cash and cash equivalents	\$ 25,162,882	\$ -	\$ -	\$ 25,162,882
Accounts receivable	27,820,354	-	-	27,820,354
Inter-company receivable	69,819,424	7,090,102	(76,909,526)	-
Income taxes receivable	1,527,723	-	-	1,527,723
Other receivables	1,104,106	-	-	1,104,106
Inventory	2,330,302	-	-	2,330,302
Prepaid expenses	11,454,675	-	-	11,454,675
Total current assets	139,219,466	7,090,102	(76,909,526)	69,400,042
PROPERTY AND EQUIPMENT				
Real property	15,479,286	156,557,004	-	172,036,290
Equipment	80,071,459	-	-	80,071,459
Operating lease right-of-use asset	52,755,438	-	(38,545,786)	14,209,652
Capital lease right-of-use asset	3,616,626	-	-	3,616,626
Construction in progress	2,951,193	-	-	2,951,193
	154,874,002	156,557,004	(38,545,786)	272,885,220
Less accumulated depreciation and amortization	(66,346,744)	(55,338,497)	-	(121,685,241)
Total property and equipment, net	88,527,258	101,218,507	(38,545,786)	151,199,979
OTHER ASSETS				
Insured malpractice claims receivable	2,260,965	-	-	2,260,965
Deposits	189,071	-	-	189,071
Investments	-	5,000,000	-	5,000,000
Goodwill and other intangibles	4,254,833	-	-	4,254,833
Total other assets	6,704,869	5,000,000	-	11,704,869
Total assets	\$ 234,451,593	\$ 113,308,609	\$ (115,455,312)	\$ 232,304,890

**The Vancouver Clinic, Inc., P.S. and
Vancouver Clinic Building, LLC
Consolidating Balance Sheet
December 31, 2021**

	The Vancouver Clinic, Inc., P.S.	Vancouver Clinic Building, LLC	Eliminations	Consolidated
CURRENT LIABILITIES				
Accounts payable	\$ 761,278	\$ 3,472	\$ -	\$ 764,750
Accrued expenses	5,271,900	57,484	-	5,329,384
Accrued payroll and related expenses	22,135,108	-	-	22,135,108
Accrued profit sharing	287,426	-	-	287,426
Medical claims payable	2,350,487	-	-	2,350,487
Current portion of due to retired members	-	167,100	-	167,100
Current portion of operating lease liabilities	12,400,165	-	(10,396,878)	2,003,287
Current portion of capital lease liabilities	803,619	-	-	803,619
Current portion of debt	-	1,720,000	-	1,720,000
Inter-company payable	7,090,102	69,819,424	(76,909,526)	-
	<u>51,100,085</u>	<u>71,767,480</u>	<u>(87,306,404)</u>	<u>35,561,161</u>
Total current liabilities				
LONG-TERM LIABILITIES				
Accrued expenses	390,031	-	-	390,031
Deferred income taxes	7,557,785	-	-	7,557,785
Insured malpractice claims liability	2,260,965	-	-	2,260,965
Interest rate swap	-	1,089,306	-	1,089,306
Long-term portion of due to retired members	-	323,560	-	323,560
Long-term portion of operating lease liabilities	40,703,863	-	(28,148,908)	12,554,955
Long-term portion of capital lease liabilities	1,616,440	-	-	1,616,440
Long-term portion of debt	-	39,353,812	-	39,353,812
	<u>52,529,084</u>	<u>40,766,678</u>	<u>(28,148,908)</u>	<u>65,146,854</u>
Total long-term liabilities, net				
OWNERS' EQUITY				
The Vancouver Clinic, Inc. equity				
Common stock, no par value, 5,000 shares authorized	1,711,559	-	-	1,711,559
Retained earnings	129,417,040	-	-	129,417,040
Due from stockholders	(306,175)	-	-	(306,175)
	<u>130,822,424</u>	<u>-</u>	<u>-</u>	<u>130,822,424</u>
Total The Vancouver Clinic, Inc. equity				
Noncontrolling interest	-	774,451	-	774,451
	<u>-</u>	<u>774,451</u>	<u>-</u>	<u>774,451</u>
Total owners' equity				
	<u>130,822,424</u>	<u>774,451</u>	<u>-</u>	<u>131,596,875</u>
Total liabilities and owners' equity				
	<u>\$ 234,451,593</u>	<u>\$ 113,308,609</u>	<u>\$ (115,455,312)</u>	<u>\$ 232,304,890</u>

**The Vancouver Clinic, Inc., P.S. and
Vancouver Clinic Building, LLC
Consolidating Statement of Income
For the Year Ended December 31, 2021**

	The Vancouver Clinic, Inc., P.S.	Vancouver Clinic Building, LLC	Eliminations	Consolidated
REVENUES				
Patient service revenue	\$ 336,479,225	\$ -	\$ -	\$ 336,479,225
Other medical revenue	24,077,725	-	-	24,077,725
Provider relief fund revenue	6,534,829	-	-	6,534,829
Rental revenue	-	8,842,836	(8,842,836)	-
	<u>367,091,779</u>	<u>8,842,836</u>	<u>(8,842,836)</u>	<u>367,091,779</u>
EXPENSES				
Providers' salaries and benefits	128,945,194	-	-	128,945,194
Other salaries and benefits	119,330,813	12,000	-	119,342,813
Clinical expense	34,585,241	-	-	34,585,241
General and administrative	29,929,900	63,305	-	29,993,205
Depreciation and amortization	8,408,343	4,149,246	-	12,557,589
Occupancy expense	18,877,293	36,107	(8,446,467)	10,466,933
Purchased medical services	644,444	-	-	644,444
Insurance	4,995,877	-	-	4,995,877
	<u>345,717,105</u>	<u>4,260,658</u>	<u>(8,446,467)</u>	<u>341,531,296</u>
OPERATING INCOME	21,374,674	4,582,178	(396,369)	25,560,483
OTHER INCOME (EXPENSE)				
Rent income	-	-	396,369	396,369
Interest and other income	2,770,207	332,242	(2,303,344)	799,105
Interest expense	(140,020)	(3,532,914)	2,303,344	(1,369,590)
Loss on sale of assets	(23,032)	-	-	(23,032)
	<u>2,607,155</u>	<u>(3,200,672)</u>	<u>396,369</u>	<u>(197,148)</u>
INCOME BEFORE PROVISION FOR INCOME TAXES	23,981,829	1,381,506	-	25,363,335
PROVISION FOR INCOME TAXES	5,076,165	-	-	5,076,165
NET INCOME	<u>18,905,664</u>	<u>1,381,506</u>	<u>-</u>	<u>20,287,170</u>
OTHER COMPREHENSIVE INCOME ADJUSTMENT FROM INTEREST RATE SWAP	-	2,319,841	-	2,319,841
COMPREHENSIVE INCOME	<u>\$ 18,905,664</u>	<u>\$ 3,701,347</u>	<u>\$ -</u>	<u>\$ 22,607,011</u>

**The Vancouver Clinic, Inc., P.S. and
Vancouver Clinic Building, LLC
Consolidating Statement of Changes in Owners' Equity
For the Year Ended December 31, 2021**

	Balance, December 31, 2020	Net Income	Accumulated Other Comprehensive Income	Common Stock Issued	Common Stock Redeemed	Repayments by Stockholders	Members' Capital Contributions	Redemption of Members' Interests	Distributions to Members	Balance, December 31, 2021
Controlling interest										
Common stock	\$ 1,600,035	\$ -	\$ -	\$ 197,800	\$ (86,276)	\$ -	\$ -	\$ -	\$ -	\$ 1,711,559
Retained earnings	110,511,376	18,905,664	-	-	-	-	-	-	-	129,417,040
Due from stockholders	(253,229)	-	-	(197,800)	-	144,854	-	-	-	(306,175)
Subtotal	111,858,182	18,905,664	-	-	(86,276)	144,854	-	-	-	130,822,424
Noncontrolling interest										
Retained earnings	5,482,201	1,381,506	-	-	-	-	828,000	(288,000)	(2,845,950)	4,557,757
Accumulated comprehensive loss	(3,409,147)	-	2,319,841	-	-	-	-	-	-	(1,089,306)
Due from members	(2,346,800)	-	-	-	-	-	(828,000)	74,800	406,000	(2,694,000)
Subtotal	(273,746)	1,381,506	2,319,841	-	-	-	-	(213,200)	(2,439,950)	774,451
Consolidated totals										
Common stock	1,600,035	-	-	197,800	(86,276)	-	-	-	-	1,711,559
Retained earnings	113,646,777	20,287,170	-	-	-	-	828,000	(288,000)	(2,845,950)	131,280,797
Accumulated comprehensive loss	(3,409,147)	-	2,319,841	-	-	-	-	-	-	(1,089,306)
Due from stockholders/ members	(253,229)	-	-	(197,800)	-	144,854	(828,000)	74,800	406,000	(306,175)
Total	\$ 111,584,436	\$ 20,287,170	\$ 2,319,841	\$ -	\$ (86,276)	\$ 144,854	\$ -	\$ (213,200)	\$ (2,439,950)	\$ 131,596,875

**The Vancouver Clinic, Inc., P.S. and
Vancouver Clinic Building, LLC
Consolidating Balance Sheet
December 31, 2020**

	The Vancouver Clinic, Inc., P.S.	Vancouver Clinic Building, LLC	Eliminations	Consolidated
CURRENT ASSETS				
Cash and cash equivalents	\$ 16,320,603	\$ -	\$ -	\$ 16,320,603
Accounts receivable	23,282,518	-	-	23,282,518
Inter-company receivable	79,666,704	6,757,726	(86,424,430)	-
Other receivables	5,104,018	-	-	5,104,018
Inventory	2,649,363	-	-	2,649,363
Prepaid expenses	4,758,462	-	-	4,758,462
	<u>131,781,668</u>	<u>6,757,726</u>	<u>(86,424,430)</u>	<u>52,114,964</u>
PROPERTY AND EQUIPMENT				
Real property	7,489,177	158,658,404	-	166,147,581
Equipment	74,354,951	-	-	74,354,951
Operating lease right-of-use asset	65,002,041	-	(48,647,626)	-
Capital lease right-of-use asset	1,609,621	-	-	-
Construction in progress	1,309,308	12,384,171	-	13,693,479
	<u>149,765,098</u>	<u>171,042,575</u>	<u>(48,647,626)</u>	<u>272,160,047</u>
Less accumulated depreciation and amortization	<u>(57,977,203)</u>	<u>(51,225,638)</u>	<u>-</u>	<u>(109,202,841)</u>
	<u>91,787,895</u>	<u>119,816,937</u>	<u>(48,647,626)</u>	<u>162,957,206</u>
OTHER ASSETS				
Insured malpractice claims receivable	1,653,457	-	-	1,653,457
Deposits	198,639	-	-	198,639
Goodwill and other intangibles	4,255,802	-	-	4,255,802
	<u>6,107,898</u>	<u>-</u>	<u>-</u>	<u>6,107,898</u>
Total other assets	<u>6,107,898</u>	<u>-</u>	<u>-</u>	<u>6,107,898</u>
Total assets	<u>\$ 229,677,461</u>	<u>\$ 126,574,663</u>	<u>\$ (135,072,056)</u>	<u>\$ 221,180,068</u>

**The Vancouver Clinic, Inc., P.S. and
Vancouver Clinic Building, LLC
Consolidating Balance Sheet
December 31, 2020**

	The Vancouver Clinic, Inc., P.S.	Vancouver Clinic Buildings, LLC	Eliminations	Consolidated
CURRENT LIABILITIES				
Accounts payable	\$ 885,530	\$ 27,712	\$ -	\$ 913,242
Accrued expenses	4,877,985	676,925	-	5,554,910
Accrued payroll and related expenses	22,607,517	-	-	22,607,517
Accrued profit sharing	257,036	-	-	257,036
Medical claims payable	1,839,700	-	-	1,839,700
Income taxes payable	754,563	-	-	754,563
Current portion of due to retired members	-	251,900	-	251,900
Current portion of operating lease liabilities	12,119,403	-	(10,101,842)	2,017,561
Current portion of capital lease liabilities	494,309	-	-	494,309
Current portion of debt	5,243,466	1,420,000	-	6,663,466
Inter-company payable	6,757,726	79,666,704	(86,424,430)	-
	<u>55,837,235</u>	<u>82,043,241</u>	<u>(96,526,272)</u>	<u>41,354,204</u>
LONG-TERM LIABILITIES				
Accrued expenses	317,113	-	-	317,113
Deferred income taxes	6,194,334	-	-	6,194,334
Insured malpractice claims liability	1,653,457	-	-	1,653,457
Interest rate swap	-	3,409,147	-	3,409,147
Long-term portion of due to retired members	-	358,240	-	358,240
Long-term portion of operating lease liabilities	53,065,872	-	(38,545,784)	14,520,088
Long-term portion of capital lease liabilities	751,268	-	-	751,268
Long-term portion of debt	-	41,037,781	-	41,037,781
	<u>61,982,044</u>	<u>44,805,168</u>	<u>(38,545,784)</u>	<u>68,241,428</u>
OWNERS' EQUITY				
The Vancouver Clinic, Inc. equity				
Common stock, no par value, 5,000 shares authorized	1,600,035	-	-	1,600,035
Retained earnings	110,511,376	-	-	110,511,376
Due from stockholders	(253,229)	-	-	(253,229)
	<u>111,858,182</u>	<u>-</u>	<u>-</u>	<u>111,858,182</u>
Noncontrolling interest				
	<u>-</u>	<u>(273,746)</u>	<u>-</u>	<u>(273,746)</u>
Total owners' equity	<u>111,858,182</u>	<u>(273,746)</u>	<u>-</u>	<u>111,584,436</u>
Total liabilities and owners' equity	<u>\$ 229,677,461</u>	<u>\$ 126,574,663</u>	<u>\$ (135,072,056)</u>	<u>\$ 221,180,068</u>

**The Vancouver Clinic, Inc., P.S. and
Vancouver Clinic Building, LLC
Consolidating Statement of Income
For the Year Ended December 31, 2020**

	The Vancouver Clinic, Inc., P.S.	Vancouver Clinic Building, LLC	Eliminations	Consolidated
REVENUES				
Patient service revenue	\$ 265,365,547	\$ -	\$ -	\$ 265,365,547
Other medical revenue	21,059,793	-	-	21,059,793
Provider relief fund revenue	5,010,491	-	-	5,010,491
Rental revenue	-	9,525,674	(9,525,674)	-
	<u>291,435,831</u>	<u>9,525,674</u>	<u>(9,525,674)</u>	<u>291,435,831</u>
EXPENSES				
Providers' salaries and benefits	111,231,143	-	-	111,231,143
Other salaries and benefits	98,822,270	12,000	-	98,834,270
Clinical expense	25,443,548	-	-	25,443,548
General and administrative	24,560,786	98,563	-	24,659,349
Depreciation and amortization	6,877,723	3,619,375	-	10,497,098
Occupancy expense	17,427,077	49,955	(9,104,091)	8,372,941
Purchased medical services	583,773	-	-	583,773
Insurance	3,694,019	-	-	3,694,019
	<u>288,640,339</u>	<u>3,779,893</u>	<u>(9,104,091)</u>	<u>283,316,141</u>
OPERATING INCOME	2,795,492	5,745,781	(421,583)	8,119,690
OTHER INCOME (EXPENSE)				
Rent income	-	-	421,583	421,583
Interest and other income	2,894,680	-	(2,592,365)	302,315
Interest expense	(140,162)	(2,865,323)	2,592,365	(413,120)
Loss on sale of assets	(9,384)	-	-	(9,384)
	<u>2,745,134</u>	<u>(2,865,323)</u>	<u>421,583</u>	<u>301,394</u>
INCOME BEFORE PROVISION FOR INCOME TAXES	5,540,626	2,880,458	-	8,421,084
INCOME TAX EXPENSE	806,638	-	-	806,638
NET INCOME	4,733,988	2,880,458	-	7,614,446
OTHER COMPREHENSIVE LOSS ADJUSTMENT FROM INTEREST RATE SWAP	-	(3,253,680)	-	(3,253,680)
COMPREHENSIVE INCOME (LOSS)	\$ 4,733,988	\$ (373,222)	\$ -	\$ 4,360,766

**The Vancouver Clinic, Inc., P.S. and
Vancouver Clinic Building, LLC
Consolidating Statement of Changes in Owners' Equity
For the Year Ended December 31, 2020**

	Balance, December 31, 2019	Net Income	Accumulated Other Comprehensive Loss	Common Stock Issued	Common Stock Redeemed	Repayments by Stockholders	Members' Capital Contributions	Redemption of Members' Interests	Distributions to Members	Balance, December 31, 2020
Controlling interest										
Common stock	\$ 1,542,011	\$ -	\$ -	\$ 146,200	\$ (88,176)	\$ -	\$ -	\$ -	\$ -	\$ 1,600,035
Retained earnings	105,777,388	4,733,988	-	-	-	-	-	-	-	110,511,376
Due from stockholders	(244,887)	-	-	(129,000)	-	120,658	-	-	-	(253,229)
Subtotal	107,074,512	4,733,988	-	17,200	(88,176)	120,658	-	-	-	111,858,182
Noncontrolling interest										
Retained earnings	3,358,643	2,880,458	-	-	-	-	612,000	(216,000)	(1,152,900)	5,482,201
Accumulated comprehensive loss	(155,467)	-	(3,253,680)	-	-	-	-	-	-	(3,409,147)
Due from members	(1,942,800)	-	-	-	-	-	(612,000)	64,800	143,200	(2,346,800)
Subtotal	1,260,376	2,880,458	(3,253,680)	-	-	-	-	(151,200)	(1,009,700)	(273,746)
Consolidated totals										
Common stock	1,542,011	-	-	146,200	(88,176)	-	-	-	-	1,600,035
Retained earnings	107,193,231	7,614,446	-	-	-	-	612,000	(216,000)	(1,152,900)	113,646,777
Accumulated comprehensive loss	(155,467)	-	(3,253,680)	-	-	-	-	-	-	(3,409,147)
Due from stockholders/ members	(244,887)	-	-	(129,000)	-	120,658	(612,000)	64,800	143,200	(253,229)
Total	\$ 108,334,888	\$ 7,614,446	\$ (3,253,680)	\$ 17,200	\$ (88,176)	\$ 120,658	\$ -	\$ (151,200)	\$ (1,009,700)	\$ 111,584,436



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