



July 17, 2020

CN21-12

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

VIA Email: eric.hernandez@doh.wa.gov

Dear Mr. Hernandez:

Enclosed please find a copy of Northwest Endoscopy Center, LLC's Certificate of Need (CN) application proposing to relocate and expand its existing ambulatory surgery center in Bellingham, Whatcom County. The CN review fees have been sent separately to the CN Program's mailing address. A copy of the documentation from USPS is attached with the application. Northwest Endoscopy Center, LLC understands that this documentation is sufficient to demonstrate submittal of the review fees.

If you have any questions, please do not hesitate to contact me at 360-543-5051 or sjvanderya@hinet.org.

Sincerely,

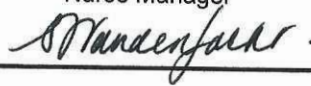
Sandra VanderVacht,
Nurse Manager
Northwest Endoscopy Center, LLC

Date
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Certificate of Need Application
Ambulatory Surgical Facilities
Ambulatory Surgery Centers

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

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

Name, Title, and Signature of Responsible Officer: Sandra VanderYacht Nurse Manager 	Phone Number: 360-543-5051
Dated: July 17, 2020	Email Address: sjvanderya@hinet.org
Legal Name of Applicant: Northwest Endoscopy Center, LLC	Number of Operating Rooms requested – include procedure rooms: To relocate and expand existing ASF from 3 to 5 procedure rooms.
Address of Applicant: 2930 Squalicum Pkwy, Suite 202 Bellingham, WA 98225	Estimated Capital Expenditure: \$8,006,777

Identify the Planning Area for this project as defined in [WAC 246-310-270\(3\)](#):

Whatcom Secondary Health Services Area



**NORTHWEST ENDOSCOPY CENTER, LLC
CERTIFICATE OF NEED APPLICATION
PROPOSING TO
RELOCATE AND EXPAND
AN
EXISTING AMBULATORY SURGERY CENTER**

July 2020

**SECTION 1
APPLICANT DESCRIPTION**

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

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

The legal name for the applicant is Northwest Endoscopy Center, LLC (NWEC).

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

NWEC is a Limited Liability Company (LLC), registered to do business in Washington State. NWEC’s UBI number is: 601 886 708.

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

Questions regarding this application should be sent to:

Sandra VanderYacht, RN, CGRN
Nurse Manager
Northwest Endoscopy Center, LLC
2930 Squalicum Pkwy, Suite 202
Bellingham, WA 98225
360-543-5051
sjvanderya@hinet.org

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

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

Jody Carona
Health Facilities Planning & Development
120 1st Avenue West, Suite 100
Seattle, WA 98119
(206) 441-0971
HealthFac@healthfacilitiesplanning.com

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

The requested information is included in Exhibit 1. NWECC is owned 30% by Physicians Endoscopy, LLC and 70% by the physician practice owners¹. The physician owners are listed in the organizational chart.

¹ Physicians Endoscopy is owned by KIA IX (PE) Investor, L.P. (89%) and the remaining owners own less than 5% of Physicians Endoscopy.

SECTION 2 PROJECT DESCRIPTION

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

The name and address of the existing facility is:

Northwest Endoscopy Center
2930 Squalicum Pkwy, Suite 202
Bellingham, WA 98225

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

The name and address of the proposed facility is

Northwest Endoscopy Center
3111 Woburn St.
Bellingham, WA 98226

3. Provide a detailed description of the proposed project.

NWEC has operated its existing 3 procedure room facility at its present location for 26 years; first under a practice exemption and then under a Certificate of Need (CN #1507), which was approved in 2013. The existing facility is reaching the end of its useful life and NWEC has outgrown the space. NWEC is proposing to relocate and expand its facility at a new site. The expanded facility will add an additional two procedure rooms and allow for future growth. The new facility, which will have more than twice the square footage of the existing facility, will also expand the pre and post spaces and will have six pre-procedure and 12 private post-procedure rooms.

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

Table 1 provides the projected timeline for this project.

Table 1
Northwest Endoscopy Center
Projected Timeline

Event	Anticipated Month/Year
Design Complete	August 2020
Construction Commenced	January 2021
Construction Completed	March 2022
Facility Prepared for Survey	March 2022
Project Completion	March 2022

Source: Applicant

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

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

The procedures offered by this facility will be all be GI related, including colonoscopies, upper endoscopies, enteroscopies and flexible sigmoidoscopies.

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

NWEC's proposal represents a subspecialty of gastroenterology (endoscopy).

- | | | |
|---|--|-----------------------------------|
| <input checked="" type="checkbox"/> Endoscopy | <input type="checkbox"/> Bariatric Surgery | <input type="checkbox"/> Other: _ |
|---|--|-----------------------------------|

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

This project does not propose the addition of any new specialties or services.

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

The completed facility will contain five procedure rooms.

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

All 5 procedure rooms will be dedicated to gastroenterology.

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

The primary ambulatory surgical procedures anticipated to be performed include colonoscopies, flexible sigmoidoscopies, enteroscopies, and upper endoscopies. NWECC's patients are generally age 16 and over but, as indicated in the admission policy (Exhibit 2), patients are accepted based on clinical need and not age.

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

A copy of the letter of intent is included in Exhibit 3.

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

Single line drawings of the current and proposed facilities are included in Exhibit 4.

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

NWECC is already an existing licensed and certified ASF. No change is proposed with the relocation and expansion. The requested information is as follows:

License #: ASF.FS.6009957

Medicare #: 50C0001082

Medicaid #: 3303309

We will timely notify the State, our intermediary and CMS of a change of information (new address), but we will continue to operate with the same provider numbers.

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

NWEC has no plans to seek any accreditation at this time.

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

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

NWEC has submitted a technical assistance application to CRS (CRS #61086340). NWEC had its Technical Assistance meeting with CRS on July 16, 2020.

SECTION 3 PROJECT NEED RATIONALE

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

The other surgical facilities in the Whatcom Secondary Health Services Area (Whatcom) are detailed in Table 2:

Table 2
Whatcom Secondary Health Services Area Planning Area Surgery Providers

Facility name	Facility type
PeaceHealth St. Joseph Medical Center	Hospital
Bellingham Ambulatory Surgery Center	ASF
PeaceHealth Medical Group Endoscopy Center	ASF
Pacific Cataract and Laser Institute	ASF
Bellingham Urology Group PLLC	ASF
Cascade Outpatient Spine Center	ASF
Pacific Northwest Urology Surgery Center	ASF
Plastic Surgery Bellingham	ASF
Parkway Surgical Center	ASF
Whatcom Surgery Center	ASF
Pacific Rim Outpatient Surgery Center	ASF

Source: Washington Department of Health Facility Credential Search

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

Other providers of endoscopy services in Whatcom County include:

PeaceHealth Medical Group Endoscopy Center
PeaceHealth St. Joseph Medical Center

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

This project proposes to expand a well utilized facility that is unable to meet current demand. In our 2012 application, NWECA assumed an annual growth rate of 2%. In fact, and as seen in Table 3, NWECA's actual growth rate averaged nearly 4% annually between 2013 and 2019 with growth of 5-6% annually for the past three years. Growth, in total, since 2013, has been 30%. Currently, NWECA has a six-month waiting list for procedures or an average of 1,000/month.

Table 3
Northwest Endoscopy, Projected and Actual Procedures by Year, 2013-2019

Year	2013 CN Application Projected No. of Procedures	Actual No. of Procedures	% that Actual Volume Exceeded Estimated	Actual Year- over-Year % Change
2013	8,177	8,457	3.4%	
2014	8,341	9,224	10.6%	9.1%
2015	8,508	9,135	7.4%	-1.0%
2016	8,678	9,296	7.1%	1.8%
2017	8,851	9,763	10.3%	5.0%
2018		10,384		6.4%
2019		11,026		6.2%

Source: Applicant

Washington State statistics from the American Cancer Society indicate that the incidence rates for Colorectal cancer (2012-2016) rank it the 4th most common cancer diagnosis and the 4th leading cause of cancer death (2013-2017 data). The American Cancer Society's 2020 estimates project that nearly 3,000 Washington State residents will be newly diagnosed with colorectal cancer in 2020 and 1,050 people will die of colorectal cancer this year². These statistics project that colorectal cancer will be the second most common cause of cancer death in the State.

Screening for colon cancer can greatly reduce the number of deaths by identifying polyps in an early stage and removing them before they become cancerous and a 2016 article from the American Journal of Gastroenterology reviewed 11 studies and found that colonoscopy was associated with a 61% reduction in colorectal cancer mortality³.

Historically, colon cancer screening candidates included all persons over 50 years of age and all individuals with a family history of diagnosed colon cancer at an age recommended by their physician; typically, 35 years of age. In 2018, the American Cancer Society recommended that screening begin at age 45 rather than age 50. The 45-49-year-old age cohort in Whatcom County is expected to grow at twice the rate of the total population between 2020 and 2025.

All persons should be screened once at least every 10 years after their initial screening. In addition, patients who have had polyps removed are called back for rescreening at least every 1-3 years.

Based on our backlog, and the demographics of Whatcom County, this project helps to assure necessary access and is not duplicative.

² American Cancer Society, Cancer Statistics Center by State, by cancer type, 2020-2022

³ "Colonoscopy Reduces Colorectal Cancer Incidence and Mortality in Patients With Non-Malignant Findings: A Meta-Analysis", *Am J Gastroenterol*. 2016 Mar; 111(3): 355-365.

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

This question is not applicable as NWECC is exclusively dedicated to Endoscopy.

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

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

The numeric need methodology does not apply to this project.

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

Table 4 provides the historical utilization for the last three full calendar years.

Table 4
Northwest Endoscopy, Actual Procedures by Year, 2017-2019

Year	Actual No. of Procedures
2017	9,763
2018	10,384
2019	11,026

Source: Applicant

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

The projected utilization for 2020 (current year) through 2025, the third full year following project completion, is included in Table 5:

Table 5
Northwest Endoscopy Center Projected Utilization and Assumptions, 2020-2025

Year	No. of Procedures	Assumption
2020	11,136	1% increase over 2019; facility essentially at capacity
2021	11,248	1% increase over 2020; facility essentially at capacity
2022	12,864	1% increase over 2021; plus, additional 1,500 cases from wait list. Assumes 4 procedure rooms in use
2023	16,200	Growth of 3,336 cases due to wait list. Assumes 4 procedure rooms in use.
2024	17,010	5% growth in volumes due to population growth and aging
2025	21,252	Assumes 5 procedure rooms in use.

Source: Applicant

8. **Identify any factors in the planning area that could restrict patient access to outpatient surgical services.**

If this project is not approved and NWECC is not permitted to expand, wait times for colonoscopy screenings will continue to increase. This has the potential to delay lifesaving treatments for the segment of the population that is ultimately diagnosed with polyps or with colon cancer.

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

Admission to NWECC is based on clinical need. Services are made available to all persons regardless of race, color, religion, national origin, age, financial class, gender and/or handicap. A copy of NWECC’s admission policy is included as Exhibit 2.

10. Provide a copy of the following policies:

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

The policies are included as Exhibit 2.

**SECTION 4
PROJECT RATIONALE
FINANCIAL FEASIBILITY**

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

Historical and projected financial statements are included in Exhibit 5: The financial assumptions are included in Exhibit 5.

- 2. Provide the following applicable agreements/contracts:**

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

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

NWEC has an existing management agreement with Physicians Endoscopy. The existing agreement, which has a six-year term, commenced in 2014. The agreement will not be renewed. The expenses associated with this agreement (\$1,000 annually) have been included in the financials through 2020.

There are no other agreements associated with this project.

The medical director is employed. Therefore, there is not contract.

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

The only hospital located in the ASF Planning Area is PeaceHealth St. Joseph Medical Center, and its charity care percentage is detailed in Table 6. NWECH's financial projections assume the same percentage of charity care (1.08%).

Table 6
PeaceHealth St. Joseph Medical Center Historical Charity Care Percentage of Total Revenue, 2016-2018 Average

Hospital	Percentage of Charity Care (Total Revenue)
PeaceHealth St. Joseph Medical Center 2016-2018 Average Charity Care as a Percentage of Total Revenue	1.08%

Source: Department of Health Office of Hospital and Patient Data System, 2016-2018 Charity Care Report by Region

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

NWECH will enter into a lease agreement with Talbot Real Estate, LLC. The lease agreement for the new site is included as Exhibit 6. Documentation from the Whatcom County Assessor's office demonstrating that Talbot Real Estate, LLC is the owner of the site is included in Exhibit 7. The specific lease cost by month and year is included in Exhibit 5.

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

The zoning for the proposed site is "Zone 13". "Zone 13" is defined as "Industrial, planned". Under this zoning, Medical, professional, general business offices are an allowable use. Therefore, NWECH's proposed facility is permitted under the current Bellingham Municipal Code. A copy of the zoning regulations is included in Exhibit 8.

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

The capital expenditure detail is provided in Table 7. Given that the landlord will undertake the majority of the capital expenditure for this project, NWECC is providing the capital expenditure breakout consistent with the CN Program's memorandum from 2011 regarding building owner tenant improvements:

Table 7
Northwest Endoscopy Center
Estimated Capital Expenditure

Item	NWECC	Landlord	Total Cost
a. Land Purchase (1/2 of property cost)		\$861,617	\$861,617
b. Utilities to Lot Line		\$0	\$0
c. Land Improvements		\$0	\$0
d. Building Purchase		\$0	\$0
e. Residual Value of Replaced Facility		\$0	\$0
f. Building Construction		\$4,769,000	\$4,769,000
g. Fixed Equipment (not already included in the construction contract)		\$0	\$0
h. Movable Equipment	\$696,000		\$696,000
i. Architect and Engineering Fees		\$400,000	\$400,000
j. Consulting Fees	\$25,000		\$25,000
k. Site Preparation		\$731,000	\$731,000
l. Supervision and Inspection of Site		\$25,000	\$25,000
m. Any Costs Associated with Securing the Sources of Financing (include interim interest during construction)	\$	\$	\$
n. Washington Sales Tax	\$	\$	\$
1. Land	\$0	\$0	\$0
2. Building	\$435,000	\$435,000	\$435,000
3. Equipment	\$59,160		\$59,160
4. Other (legal costs for LLC)	\$5,000		\$5,000
Total Estimated Capital Expenditure	\$1,220,160	\$7,221,617	\$8,006,777

Source: Applicant

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

As indicated in Exhibit C of the lease agreement, the landlord agrees to construct the building which will house NWECH. Landlord will also complete the tenant improvements for ASC (90% of total costs). NWECH will be responsible for the remainder.

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

As NWECH is an existing operation, no start up costs have been assumed for this project.

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

A non-binding contractor's estimate will be submitted with the request for supplemental information.

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

NWECH's charges for services are not based upon the capital costs associated with this project. As noted in other sections of this application, NWECH has outgrown its existing facility and an expanded facility is much needed to address demand. NWECH's rates are based on fee schedules with CMS and negotiated rates with other payers. These are not directly impacted by project-related costs.

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

Please see the response to Question #10.

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

NWEC is not assuming any change in our current payer mix resulting from this project. The requested information is included in Table 8:

**Table 8
Northwest Endoscopy Center
Current and Projected Payer Mix**

Payer	Percentage by Revenue WAC 246-310-220(1)	Percentage by Patient WAC 246-310-210(2)
Medicare	25%	41%
Medicaid	4%	8%
Commercial	56%	49%
Other	15%	2%
Total	100%	100.0%

Source: Applicant

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

The information was provided in response to Question #12.

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

The proposed equipment list is included in Table 9:

Table 9
Northwest Endoscopy Center
Proposed Equipment List

Equipment	Quantity	Price per unit	Estimated Cost
Medivators Advantage Plus endoscopic reproprocessors	4	\$60,000	\$240,000
colonoscopes	6	\$30,000	\$180,000
EGD scopes	4	\$30,000	\$120,000
blanket warmers	2	\$1,500	\$3,000
Magnifying light	1	\$500	\$500
Stretchers	7	\$7,500	\$52,500
Computers, tablets, and printers	34 (tablets, desktop)		\$30,000
ERBE generator	2	\$10,000	\$20,000
Endoscope Drying Cabinet	1	\$50,000	\$50,000

Source: Applicant

All other equipment will be transferred from the existing NWECC location.

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

As noted in response to earlier questions, the landlord will build the building and complete the tenant improvements. NWECC will pay for the capital expenditure associated with this project through its lease expense.

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

This project will not be debt financed by NWECC. Therefore, this question is not applicable.

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

NWEC does not have audited financial statements. However, historical financial statements have been included in Exhibit 9. This is the same level of information provided and accepted by the CN Program in our 2013 application.

SECTION 5
PROJECT RATIONALE
STRUCTURE AND PROCESS (QUALITY) OF CARE

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

NWEC does not own, operate, or manage any other facilities, but Physician Endoscopy does. A listing of Physician Endoscopy facilities, by state, is included in Exhibit 10.

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

The requested information is included in Table 10:

Table 10:
Current and Proposed Staffing by Year

Position	2017	2018	2019	2020	Partial Year New Location (2022)	1st full Year New Location (2023)	2nd full Year New Location (2024)	3rd full Year New Location (2025)
Clinical Director	1	1	1	1	1	1	1	1
Asst Nurse Manager	1	1	1	1	1	1	1	1
RNs	11	12	13	16	17	19	19	21
LPNs/CMA's	12	13	13	10	11	12	12	14
Scope Washers/Techs	6	7	8	9	9	10	10	11
Registration/Reception	1.5	1.5	1.5	1.5	1.5	2	2	2.5
Schedulers	3	3	3.5	3.5	3.5	4	4	4.5
Total	35.5	38.5	41	42	44	49	49	55

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

The assumptions are based on our existing staff to patient ratios adjusted for estimated cases and scheduled hours of operation.

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

The current medical director is Benjamin Siemanowski, MD. Dr. Siemanowski's professional license number is MD00047499. The assistant medical director is Christoph Reitz, MD. Dr. Reitz's professional license number is MD00039787.

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

The medical director is an appointment. The medical director does not receive compensation for this position. The medical director's job description is included as Exhibit 11.

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

The key clinical staff are Sandra VanderYacht RN, CGRN, Nurse Manager and Laura McPeak, Assistant Nurse Manager.

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

Table 11 details the names of the physicians that currently use the ASC. Each of these providers is expected to continue to perform cases in the new location.

**Table 11:
Northwest Endoscopy Center's Physician Staff**

Physician	Specialty	MD License Number
Benjamin Siemanowski, MD	Internal Medicine and Gastroenterology	MD00047499
Christoph Reitz, MD	Internal Medicine and Gastroenterology	MD00039787
Gregory Munson, MD	Gastroenterology	MD60200734
Hannah Sheinin, MD	Internal Medicine and Gastroenterology	MD00042994
James Schoenecker, Jr, MD	Gastroenterology	MD00045819
Kelly McCullough, MD	Internal Medicine and Gastroenterology	MD00040121
Todd Witte, MD	Internal Medicine and Gastroenterology	MD00047632
Donald Gullickson III, MD	Gastroenterology	MD60650203
Kristina Ross, MD	Gastroenterology	MD60938371

Source: Washington State Department of Health Provider Credential Search, Applicant

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

The names and professional license numbers of the existing staff are included in Exhibit 12.

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

As noted in Table 11, NWECC is proposing to increase staff twice during the first three years of expanded operation. NWECC has been in operation for more than 25 years in Bellingham and has always been able to recruit and retain staff. NWECC offers a competitive wage and benefit package (401k, general vacation, and flexible scheduling. NWECC also serves as a precepting site for nursing students. These factors have proven to be attractive recruitment and retention tools. For these reasons, NWECC does not anticipate any difficulties recruiting the small number of incremental staff required.

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

The current ancillary and support services, and the current vendors are summarized below:

- Aramark-Linen service
- Clean Care Professionals-Janitorial Service
- Fujinon-Endoscope repair service
- Medivators-AER (automated endoscope reprocessor)
- NW Biomedical-Provides annual biomed checks and service as needed
- Salish Sedation Services (owned by NWG) provides CRNAs (contracted) to administer MAC to all patients

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

This question is not applicable.

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

No changes to any of the ancillary or support agreements are anticipated as a result of this project.

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

NWEC has worked closely with PeaceHealth St. Joseph Medical for a number of years, and we maintain an existing transfer agreement with them.

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

The existing relationship with PeaceHealth St. Joseph Medical is not expected to change as a result of this project.

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

As this project proposes the relocation and expansion of an existing ASF, this question is not applicable.

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

NWEC's existing transfer agreement with PeaceHealth St. Joseph Medical Center is included in Exhibit 13.

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

The relocated and expanded facility will provide improved access to gastroenterology procedures for patients residing in Whatcom County. Currently, as detailed in other parts of this application, the wait time for routine colonoscopies are at six months. We understand that patients that cannot or choose not to wait are increasingly travelling out of the planning area for the procedure. This both increases costs and has the potential to cause fragmentation.

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

NWEC works closely with other providers within the area including, but not limited to, the hospital, physician clinics, other ambulatory surgery providers, as needed.

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

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

Neither NWECC, its members nor any provider associated with NWECC has a history of any actions noted in WAC 246-210-230(5).

SECTION 6 PROJECT RATIONALE COST CONTAINMENT

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

Given the very high occupancy and long waiting times, the only options considered were:

- 1) Replace and expand the current facility, or
- 2) Build a second facility and continue operating at the current location

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

Option #2 was explored, but ultimately rejected even though the initial capital investment is less (less square footage and rooms). This option was eliminated due to higher ongoing operating costs. The costs of operating two nearly identical ASCs would require significant investments in staff, two sets of licensure and certification, and duplication in inventory. These were deemed to more than offset the lower one-time capital investment.

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

The proposed relocated and expanded ASF will occupy a building that is being built to exceed all energy code requirements. The envelope design will incorporate efficiencies to enhance the thermal performance of the building and substantially reduce energy costs while increasing building indoor comfort. High performance LED Lighting will be incorporated throughout the facility, including occupancy sensors and energy control systems. Mechanical HVAC design is intended to use VRF technology with ERV heat recovery ventilation for enhanced energy conservation and comfort for applied space usage. Recirculated hot water tanks will be used that have a 96.6% AFUE efficiency.

Exhibit 1
Organizational Chart

NORTHWEST ENDOSCOPY CENTER, LLC ORGANIZATION CHART

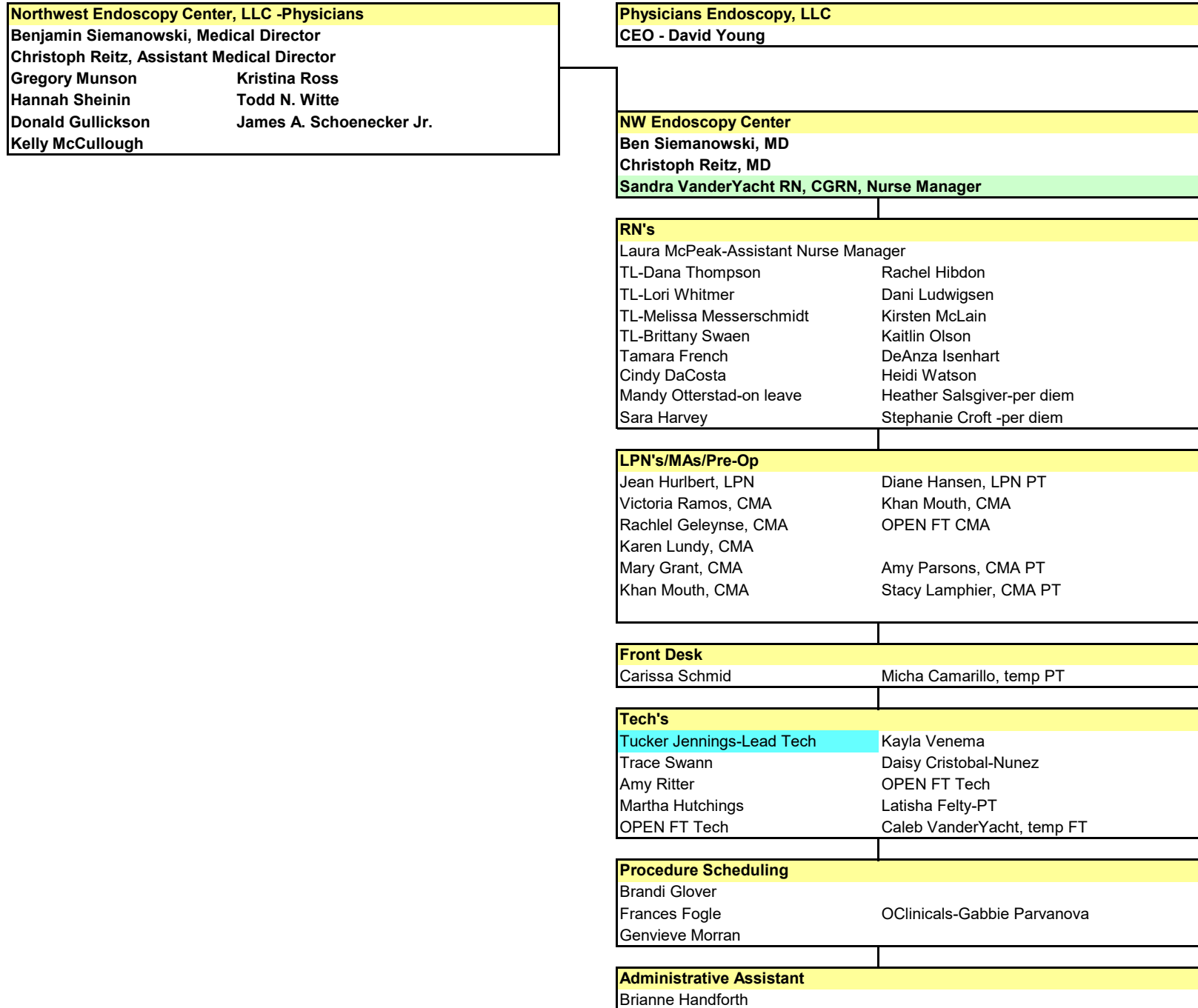


Exhibit 2
Policies

NORTHWEST ENDOSCOPY CENTER, LLC

ADMISSION POLICY

POLICY:

Northwest Endoscopy Surgery Center will not deny care to any patient due to race, color, religion, national origin, age, financial class, gender and/or handicap.

OBJECTIVE:

To treat all patients in a professional and empathetic manner and respect each patient's dignity as a spiritual being, regardless of the patient's ability to pay but within the financial capability of the center.

PROCEDURE:

1. Assure all patients or their representatives are informed of their patient rights and responsibilities before admission, or in certain circumstances, on the day of admission.
2. For non-English speaking patients, Northwest Endoscopy Surgery Center will provide interpreter services whenever possible.
3. Permission for treatment and procedures must be signed by each patient or guardian. Minors must be accompanied by parent or legal guardian who must sign for the minor.

Charity Care Policy

Northwest Gastroenterology (NWG), PLLC, and Northwest Endoscopy Center (NWE), LLC, recognize their obligations to serve all individuals in need of medical care, regardless of financial ability. No individual will be turned away from NWG/NWE based on ability to pay.

Charity care is defined here as the amount of medical care (including but not limited to office visits and endoscopic procedures) provided at no cost to an individual who is unable to pay for some or all of the care. The average level of charity care locally is 1.08% of revenue. The goal of NWG/NWE is to meet or exceed this level of charity care.

An individual obtaining medical care at NWG/NWE can request charity care by contacting a Collections Specialist in our billing department; alternatively, the request can be discussed with the Provider of Service, who will notify the Collections Specialist. The request should be made as soon as possible, preferably before or at the time of service. All requests will be reviewed by the Collections Specialist and all charity care will be approved or denied by either the Provider of Service or the NWG/NWE Medical Directors.

The amount of charity care approved by NWG/NWE will be based on factors such as the individual's financial situation (income and net worth), any change in employment or health status, and/or co-existing medical bills from other health care organizations. Spousal factors will be considered if the individual is married. Parental factors will be considered for children under age 19 or full-time students still supported by parents or guardians. If an individual currently qualifies for Bridge Assistance via PeaceHealth, NWG/NWE will automatically qualify the individual for charity care at NWG/NWE.

In cases where an individual has not requested charity care but has an outstanding balance, the Collections Specialist may inform the individual about our charity care policy; however, accounts that have already been sent to our collection agency will not be considered for charity care. Documentation of successful and unsuccessful requests for charity care will be maintained in the Charity Care folder in the Business Services drive on the server. Patient unresponsiveness to the collection efforts will also be documented.

In addition to charity care, unpaid balances may be written off by the Provider of Service as bad debt. The billing office will make every effort to differentiate charity care from bad debt. If a patient has had an unpaid balance written off to bad debt but later makes a payment on the debt, the payment will be accepted; however, any subsequent payment on balances written off to charity care will not be accepted.



Federal Regulations now require Healthcare Facilities to notify each patient of the following information.

Patient Rights

The patient may exercise all their rights without fear of discrimination or reprisal. The patient has the right to expect the following from his/her Physician and Northwest Endoscopy Center staff:

Respect

- The patient has the right to respectful care given by competent personnel.

Consideration

- The highest priority will be given to the patient's personal and spiritual needs and requests within the confines of the Center's policy and procedures.
- The patient has the right to quality care and services delivered pursuant to high professional standards that are consistently reviewed and maintained.
- The patient has the right to medical services without discrimination based upon age, race, color, religion, sex, national origin, handicap, disability or source of payment.
- Any patient who does not speak English shall have access, where possible, to an interpreter.
- The patient has a right to expect that the Center will be managed in a fashion that encourages efficiency and ensures the patient's comfort and safety.
- The patient has the right to expect emergency procedures to be readily available and implemented without unnecessary delay.

Dignity/Privacy

- Personal Privacy: Having respect for a patient's privacy will include these procedures: the patient will change into their gown in a private curtained area, the procedure room, or restroom. All questions regarding the patient's medical condition and history will be within the confines of the curtained area or an area separate from other patients. The cubicle curtains are always drawn between patients and completely around the patient when redressing for discharge.
- The patient has the right to privacy regarding his or her own medical care. Case discussion, consultation, examination, and treatment are considered confidential and shall be discussed discreetly with the patient.
- The patient has the right to be free and protected from all forms of abuse or harassment and have access to protected services.

Confidentiality

- Confidentiality of medical records. The Center must comply with rules for the privacy and security of individually identifiable health information, as specified by 45 CFR parts 160 and 164.
- A patient has the right to have records pertaining to his/her medical care treated as confidential except as otherwise provided by law or third party contractual arrangements. No information will be disclosed to third parties without patient approval and/or notification.
- Any information given to other offices or insurance companies is done with the patient's knowledge and approval. The patient has the right to refuse the release of their medical records.
- All Physicians and employees sign a statement of confidentiality that is kept in their credentialing file.

Information

- The patient has the right, upon request, to be given the name of his/her attending Physician, the names of all other Physicians directly participating in his/her care, and the names and functions of other health care personnel having direct contact with him/her.
- The Center must disclose, when applicable, Physician financial interests or ownership in the facility. Disclosure of information must be in writing and furnished to the patient in advance of their procedure.
- The patient has the right to request information regarding their providers' credentials.
- The patient has the right to be informed of the services provided at the Center, and the provisions for off-hour emergency coverage.
- The patient has the right to know what Center rules and regulations apply to his/her conduct as a patient.

- The patient has the right to full information in layman's terms, concerning diagnosis, treatment, and prognosis, including information about alternative treatment and possible complications (consent, discharge Instructions, patient education handouts). When it is not medically advisable to give the information to the patient, the information shall be given on his/her behalf to a responsible person. Except for emergencies, the practitioner shall obtain the necessary informed consent prior to the procedure.
- The Center shall provide the patient and their family, or designee of the patient, upon request, access to information contained in his/her medical records, unless the attending practitioner specifically restricts access for medical reasons.
- If an emergency arises, and the patient is transferred to another facility, the responsible party shall be notified. The facility to which the patient is to be transferred shall be notified prior to the patient's transfer.
- The patient has the right to have information regarding advance directives, as required by state or federal law and regulations.
- Provide the patient or, as appropriate, the patient's representative in advance of the procedure, with information concerning its policies on advanced directives, including a description of applicable State health and safety laws and, if requested, official State advance directive forms.
- Document in a prominent part of the patient's current record, whether or not the individual has executed an advanced directive.
- The patient has the right to examine and receive a detailed explanation of his/her bill for services.
- The patient has the right to be informed about procedures for expressing suggestions/concerns to the facility and policies regarding grievance procedures as required by state and federal law and regulations. The patient also has a right to voice a grievance without fear of restraint, interference, reprisal, discrimination, or denial of care.
- The Center must establish a grievance procedure for documenting the existence, submission, investigation, and disposition of a patient's grievance to the Center.
- All alleged violations/grievances relating, but not limited to, mistreatment, neglect, verbal, mental, sexual, or physical abuse, must be fully documented.
- All allegations must be immediately reported to a person in authority in the Center. Only substantiated allegations must be reported to the State authority or the local authority, or both.
- The grievance process must specify timeframes for review of the grievance and the provisions of a response.
- The Center, in response to the grievance, must investigate all grievances made by a patient or the patient's representative regarding treatment or care that is (or fails to be) furnished.
- The Center must document how the grievance was addressed, as well as provide the patient with written notice of its decision. The decision must contain the name of a Center contact person, the steps taken to investigate the grievance, the results of the grievance process, and the date the grievance process was completed. The patient has a right to a timely complaint resolution, usually within 12 business days of receipt of the complaint.
- The patient has the right to expect that the Center will provide information for continuing health care requirements following discharge and the means for meeting them.
- The patient will be informed of his/her rights prior to their procedure.
- The patient will be informed of unanticipated outcomes.

Participation in care

- The patient has the right to actively participate in decisions about his/her care, as well as resolving problems with care decisions.
- A patient has the right to refuse drugs or procedures, to the extent permitted by statute, and a practitioner shall inform the patient of medical consequences of the patient's refusal of drugs or procedures.
- The patient has the right to have family input in care decisions, in compliance with existing legal directives of the patient or existing court-issued legal orders.
- Patients may also change Physicians, at their own discretion, and upon approval of the physician taking over care.
- A patient may refuse to participate in a research project. A patient may refuse to continue in a program to which he/she has previously given informed consent.

If a patient is adjudged incompetent under applicable State health and safety laws by a court of proper jurisdiction, the rights of a patient are exercised by the person appointed under State law to act on the patient's behalf. If a State court has not adjudged a patient incompetent, any legal representative designated by the patient in accordance with State law may exercise the patient's rights to the extent allowed by State law.

Patient Responsibilities

The patient has the responsibility to do the following:

- To follow any directions given pre-procedure, e.g., the preparation for the procedure and any written instructions given at discharge.
- To ask any and all questions of the Physician and staff in order that he or she may have full knowledge of the procedure and after care.
- To provide accurate and complete information regarding your medical history and changes in your condition.
- To demonstrate respect and consideration for other patients, escorts, Center staff and Physicians. Maintain civil language and conduct during all interactions while at the Center.
- To meet financial commitments. Deal with your bill promptly, contact the billing department if you need to make special arrangements.

Patient Grievances

Patients and family are encouraged to help the facility improve its understanding of the patient's environment by providing feedback, suggestions, comments and/or complaints regarding the service needs and expectations.

A complaint or grievance should be registered by contacting the Center's Nurse Manager or a patient advocate at the Washington State Department of Health or Medicare. See numbers listed below.

The Center will respond in writing (if applicable) with notice of how the grievance has been addressed.

Contacts:	Northwest Endoscopy Center, LLC Sandra VanderYacht, Nurse Manager 2930 Squalicum Parkway, #202 Bellingham, WA 98225 (360) 734-1420 sjvanderya@hinet.org	Washington State Department of Health HSQA Complaint Intake P.O. Box 47857 Olympia, WA 98504-7857 1-800-633-6828 or 360-236-4700 HSQAComplaintIntake@doh.wa.gov
	Medicare Beneficiary Ombudsman 1-800-MEDICARE (1-800-633-4227) http://www.cms.hhs.gov/claims-and-appeals/medicare-rights/get-help/ombudsman.html	

Notice Regarding Advance Directives and/or Living Wills

The Governing Body has reviewed and approved the following standards regarding Advance Directives and/or Living Wills in the Center:

In the event a life-threatening emergency occurs, the Center will implement the following on all patients

- Perform emergency procedures as necessary to stabilize the patient
- Transfer the patient to PeaceHealth, St Joseph Medical Center, where the attending physician and family can make an informed decision regarding the patient's well being

If, at any time during the patient's stay, the patient, family and/or Physician do not agree with the policies of the Center regarding Advance Directives and/or Living Wills, arrangements will be made to provide care in another location or by another practitioner without discrimination or malice toward the Center, its staff, the Physician, or the patient and family

Physician Participation

This is to inform you that your Physician might have a financial interest or ownership in this center. The following are physicians who have a direct ownership interest:

Alan Chang, MD	NPI# 1255398285	2979 Squalicum Parkway, #301 Bellingham WA 98225
Benjamin Siemanowski, MD	NPI# 1548301120	2979 Squalicum Parkway, #301 Bellingham WA 98225
Christoph Reitz, MD	NPI# 1639135007	2979 Squalicum Parkway, #301 Bellingham WA 98225
Gregory Munson, MD	NPI # 1982610937	2979 Squalicum Parkway, #301 Bellingham WA 98225
Hannah Sheinin, MD	NPI# 1023017274	2979 Squalicum Parkway, #301 Bellingham WA 98225
Jim Schoenecker, MD	NPI# 1871565572	2979 Squalicum Parkway, #301 Bellingham WA 98225
Kelly McCullough, MD	NPI# 1841256260	2979 Squalicum Parkway, #301 Bellingham WA 98225
Todd Witte, MD	NPI# 1093847949	2979 Squalicum Parkway, #301 Bellingham, WA 98225

Exhibit 3
Letter of Intent

Northwest Gastroenterology, PLLC
2979 Squalicum Parkway, Suite 301
Bellingham, WA 98225
(360) 734-1420



Northwest Endoscopy Center, LLC
2930 Squalicum Parkway, Suite 202
Bellingham, WA 98225
(360) 734-1420

Donald E. Gullickson III, M.D. Kelly McCullough, M.D. Gregory W. Munson, M.D. Christoph Reitz, M.D. Kristina Ross, M.D.
James A. Schoenecker Jr., M.D. Hannah Sheinin, M.D. Benjamin Siemanowski, M.D. Todd N. Witte, M.D.
Jody Bauer, ARNP Kristin Page, ARNP Elizabeth Waltman, PA-C Darla Woolman, PA-C

April 27, 2020

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

RECEIVED

**Certificate of Need Program - Apr 27, 2020
expired: Oct 27, 2020**

In accordance with WAC 246-310-080, Northwest Endoscopy Center, LLC hereby submits a letter of intent proposing to relocate and expand our current ASC. Northwest Endoscopy Center (NWECC) has a current Certificate of Need (#1507) in Bellingham, located in Whatcom County.

NWECC proposes to construct a new facility at 3111 Woburn St., Bellingham, WA, 98226 located in Whatcom County. In doing so, the Center can expand from 3 procedure rooms to 5 procedure rooms to provide additional GI endoscopy only services to the community, specifically residents of Whatcom County.

The capital expenditure associated with this project is \$9 million which includes cost of property, construction, equipment and relocation.

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

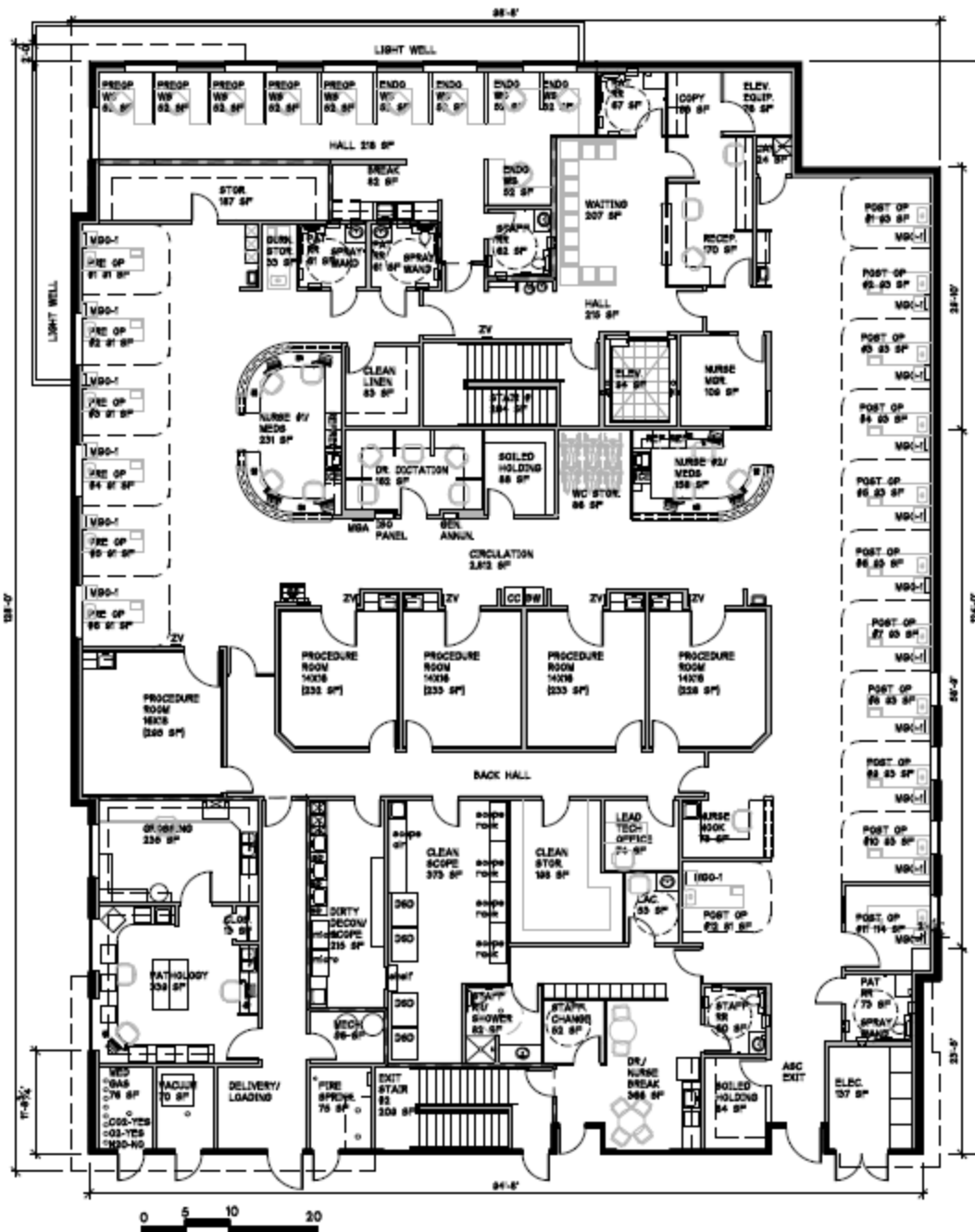
Sincerely,

Sandra VanderYacht RN, CGRN
Nurse Manager
Northwest Endoscopy Center, LLC
2930 Squalicum Parkway, #202
Bellingham, WA 98225
360-543-5051

Exhibit 4
Single Line Drawing
(Existing)



Exhibit 4
Single Line Drawing
(Proposed)



LOWER LEVEL FLOOR PLAN

11,859 s.f.

SCALE 1/8"=1'-0"

Exhibit 5
Projected Financials, Financial Assumptions and Lease Expense Detail

Northwest Endoscopy Center

Detailed Operating Projections

9 Months								
			Current Space 3 months	3 rms/6 mons 4 rms/3 mons	4 rms	4 rms	5 rms	
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Procedures	11,026	11,136	11,248	2,812	9,648	16,200	17,010	21,252
Expected Charges per procedure	1,211	1,211	1,211	1,211	1,211	1,211	1,211	1,211
Expected Collections per procedure	652	652	652	652	652	652	652	652
Total Collections	7,195,816	7,260,672	7,333,696	1,833,424	6,290,496	10,562,400	11,090,520	13,856,304
Medicare Collections	1,487,669	1,524,741	1,540,076	385,019	1,321,004	2,218,104	2,329,009	2,909,824
Medicaid Collections	246,670	217,820	220,011	55,003	188,715	316,872	332,716	415,689
Commerical Collections	4,582,093	4,646,830	4,693,565	1,173,391	4,025,917	6,759,936	7,097,933	8,868,035
Patient Collections	879,384	871,281	880,044	220,011	754,860	1,267,488	1,330,862	1,662,756
Net Revenue per procedure	653	652	652	652	652	652	652	652
Income:								
Gross Charges	13,358,991	13,485,696	13,621,328	3,405,332	11,683,728	19,618,200	20,599,110	25,736,172
Estimated Contractual Allowance	(6,145,136)	(6,203,420)	(6,265,811)	(1,566,453)	(5,374,515)	(9,024,372)	(9,475,591)	(11,838,639)
Net Charges	7,213,855	7,282,276	7,355,517	1,838,879	6,309,213	10,593,828	11,123,519	13,897,533
Estimated Charity Care	(63,128)	(145,646)	(147,110)	(36,778)	(126,184)	(211,877)	(222,470)	(277,951)
Estimated Bad Dept	(28,995)	(29,043)	(29,335)	(7,334)	(25,162)	(42,250)	(44,362)	(55,425)
Net Revenue	7,121,732	7,107,588	7,179,072	1,794,768	6,157,867	10,339,702	10,856,687	13,564,157

				9 Months				
				Current Space 3 months	3 rms/6 mons 4 rms/3 mons	4 rms	4 rms	5 rms
				<u>2022</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Direct Operating Expenses:	<u>2019</u>	<u>2020</u>	<u>2021</u>					
Salary & Wages	2,102,545	2,102,545	2,102,545	525,636	1,804,685	2,974,120	3,063,344	3,944,055
Payroll Taxes	178,200	160,845	160,845	40,211	138,058	227,520	234,346	301,720
Employee Benefits - Insurance	186,474	205,121	225,634	56,408	195,798	205,588	215,867	226,660
Employee Benefits - 401k Match	119,088	84,102	84,102	21,025	93,782	131,295	137,859	144,752
Drugs & Medications	45,620	46,103	46,567	11,642	39,919	67,027	70,379	87,930
Medical Supplies	664,283	670,944	677,692	169,423	581,263	976,001	1,024,801	1,280,368
Office Supplies	21,432	22,272	22,496	5,624	18,753	31,489	33,064	41,309
Postage & Printing	4,103	4,120	4,162	1,040	3,590	6,028	6,330	7,908
Repairs, Maintenance, & Cleaning	150,992	158,542	166,469	41,617	132,121	221,846	232,938	291,029
Uniforms & Laundry	143,013	144,768	146,224	36,556	125,140	210,122	220,629	275,650
TOTAL DIRECT OPERATING EXP	3,615,750	3,599,362	3,636,734	909,184	3,133,109	5,051,036	5,239,555	6,601,382
Direct Operating Exp %	49%	49%	49%	49%	49%	51%	52%	51%

				9 Months				
				Current Space 3 months	3 rms/6 mons 4 rms/3 mons	4 rms	4 rms	5 rms
				<u>2022</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Operating Inc (Loss) Before Other Exp	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
	3,505,982	3,508,226	3,542,338	885,584	3,024,758	5,288,666	5,617,132	6,962,775
OTHER EXPENSES								
Accounting & Consulting	30,360	5,000	5,000	-	5,000	5,000	5,000	5,000
Bank & Collection Fees	43,082	43,564	44,002	11,001	37,743	63,374	66,543	83,138
Billing Service Fees	485,719	490,095	495,024	123,756	424,608	712,962	748,610	935,301
Dues and Subscription Exp	62,811	62,811	62,811	15,703	47,108	62,811	62,811	62,811
Insurance	4,567	4,567	4,567	1,142	3,425	4,567	4,567	4,567
Management Fees	1,000	1,000		-	-	-	-	-
Miscellaneous	31,940	32,000	32,000	8,000	27,000	28,350	29,768	31,256
Rent	167,403	167,403	167,403	41,851	375,086	459,481	470,968	482,742
Triple Net - 5% of gross rent					18,754	22,974	23,548	24,137
Seminars & Conference Fees	5,270	5,500	5,500	-	5,500	5,500	5,500	5,500
Taxes & Licenses	172,517	174,256	176,009	44,002	150,972	253,498	266,172	332,551
Telephone & Utilities	9,915	10,000	10,000	4,000	6,000	10,000	10,000	10,000
Travel & Entertainment	8,870	2,000	10,000	500	1,500	10,000	2,000	10,000
TOTAL OTHER EXPENSES	1,023,454	998,197	1,012,316	249,954	1,102,697	1,638,517	1,695,487	1,987,003
EBITDA	2,556,612	2,663,114	2,684,645	674,287	2,054,690	3,872,847	4,155,478	5,267,920
Depreciation	(200,794)	(210,834)	(221,375)	(10,540)	(210,835)	(221,377)	(232,446)	(244,068)
Interest expense	(5,536)	(1,500)						
Gain(loss) on Assets	-							
Income (loss)	2,350,282	2,450,780	2,463,270	663,747	1,843,855	3,651,470	3,923,032	5,023,852
Principal Payments on Debt	121,269	96,600						

**Northwest Endoscopy Center
Financial Assumptions**

Line Item	Assumption
Revenue	Charge per procedure at 2019 rate (\$1,211). Net Revenue per Procedure ((\$652) based on current collection rate
Charity Care	1.08% of gross revenue
Bad Debt	0.4% of gross revenue
Salaries and Wages	Based on FTEs and average salary per FTE
Payroll Taxes	7.65% of Salary and Wages
Employee Benefits-Insurance	5% of Salary and Wages
Employee Benefits-401K match	4% of Salary and Wages
Drugs and Medication	\$4.14 per procedure (2019 actual)
Medical Supplies	\$60.25 per procedure (2019 actual)
Office Supplies	\$1.94 per procedure (2019 actual)
Postage & Printing	\$60.25 per procedure (2019 actual)
Repairs, Maintenance, & Cleaning	5% increase annually beginning in 2020 due to volume increases
Uniforms & Laundry	per procedure
Accounting & Consulting	Assumed to be \$5,000 per year. 2019 contained additional one time only costs that are not expected to occur again.
Bank & Collection Fees	.6% of total collections based on 2019 experience.
Billing Service Fees	6.75% of collections to billing service.
Dues and Subscription Exp	2019 costs were assumed each year (no change due to new site or increases in volume)
Insurance	2019 costs were assumed each year (no change due to new site or increases in volume)
Management Fee	\$1,000 per year per current agreement for 2019 and 2020 only.
Miscellaneous	Interpretation services, security services/access to building, shredding service, patient statements; another collection agency, cleaning (curtains), staff appreciation
Rent	Based on lease agreement
Triple Net -	5% of gross rent
Seminars & Conference Fees	Assumed to be \$5,500 per year
Taxes & Licenses	2.4% of total collections for B&O taxes, state, city and property taxes, state licenses
Telephone & Utilities	Assumed to be \$10,000 based on 2019

Line Item	Assumption
Travel & Entertainment	Assumed to be \$2,000 in even years for staff travel and entertainment. Every other year, NWECC provides a holiday party for staff (this increased the line item by \$8,000)
Depreciation	Assumed to increase by 5% per year.
Interest Expense	Current loans paid off in 2020. No further loans anticipated.

Lease Detail		
Month	Monthly Cost	
Jan-22	0.00	
Feb-22	0.00	
Mar-22	37,508.63	1
Apr-22	37,508.63	2
May-22	37,508.63	3
Jun-22	37,508.63	4
Jul-22	37,508.63	5
Aug-22	37,508.63	6
Sep-22	37,508.63	7
Oct-22	37,508.63	8
Nov-22	37,508.63	9
Dec-22	37,508.63	10
Amount		
Included in	375,086.30	
Jan-23	37,508.63	11
Feb-23	37,508.63	12
Mar-23	38,446.34	13
Apr-23	38,446.34	14
May-23	38,446.34	15
Jun-23	38,446.34	16
Jul-23	38,446.34	17
Aug-23	38,446.34	18
Sep-23	38,446.34	19
Oct-23	38,446.34	20
Nov-23	38,446.34	21
Dec-23	38,446.34	22
Amount		
Included in	459,480.66	
Jan-24	38,446.34	23
Feb-24	38,446.34	24
Mar-24	39,407.50	25
Apr-24	39,407.50	26
May-24	39,407.50	27
Jun-24	39,407.50	28
Jul-24	39,407.50	29
Aug-24	39,407.50	30
Sep-24	39,407.50	31
Oct-24	39,407.50	32
Nov-24	39,407.50	33
Dec-24	39,407.50	34
Amount		
Included in		
2024		
Proforma	470,967.68	

Month	Monthly Cost	
Jan-25	39,407.50	35
Feb-25	39,407.50	36
Mar-25	40,392.69	37
Apr-25	40,392.69	38
May-25	40,392.69	39
Jun-25	40,392.69	40
Jul-25	40,392.69	41
Aug-25	40,392.69	42
Sep-25	40,392.69	43
Oct-25	40,392.69	44
Nov-25	40,392.69	45
Dec-25	40,392.69	46
Amount Included in 2025 Proforma	482,741.90	

Exhibit 6
Lease Agreement

LEASE AGREEMENT

This LEASE AGREEMENT (this “**Lease**”) is made and entered into as of this _____ day of _____, 2020, by and between Talbot Real Estate L.L.C., a Washington limited liability company (“**Landlord**”), and NORTHWEST ENDOSCOPY CENTER LLC, a Washington professional limited liability company (“**Tenant**”).

1. FUNDAMENTAL LEASE PROVISIONS, EXHIBITS, DEFINED TERMS

1.1. Fundamental Lease Provisions.

1.1.1. Premises. A portion of the Building which will contain approximately 11,691 rentable square feet and be located on the Land legally described below.

1.1.2. Building. The building which will be constructed at 3111 Woburn Street, Bellingham, Washington 98226 and will contain approximately 23,382 rentable square feet.

1.1.3. Term. Commencing on the Commencement Date (as defined in Section 3) and continuing for 120 full calendar months, plus any partial month in which the Commencement Date occurs.

1.1.4. Base Rent. Tenant will pay Base Rent according to the terms and schedule on Exhibit B attached hereto.

1.1.5. Tenant’s Share: 50%

1.1.6. Permitted Uses: Group B medical office and no other use or purpose.

1.1.7. Security Deposit: \$46,843.14

1.1.8. Tenant’s Broker: Tracy Carpenter - Gage Commercial Real Estate LLC

Landlord’s Broker: Talbot Services, L.L.C.

1.1.9. Tenant’s Trade Name: Northwest Endoscopy Center

1.1.10. Tenant’s Guarantors:

Gregory Munson and spouse
Kelly McCullough and spouse
James Schoenecker Jr. and spouse
Christoph Reitz and spouse
Hanna Sheinin and spouse
Todd Witte and spouse
Benjamin Siemanowski and spouse

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

- EXHIBIT A. Site Plan and Space Plan
- EXHIBIT B. Base Rent Determination and Table
- EXHIBIT C. Build to Suit Tenant Improvements
- EXHIBIT D. Rules and Regulations
- EXHIBIT E. Tenant's Sign Plans
- EXHIBIT F. Form of Personal Guaranty of Lease

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

"Building Standard" means the specifications for materials, construction methods and finishes for the Building contained in Exhibit C, and to the extent not therein specified, the materials, construction methods and finishes typically employed by Landlord in comparable tenant improvements in the Project.

"Land" means the following real property: Lot 3 of Barkley Specific Site Plan as recorded under Auditor's File No. 2021104585, records of Whatcom County, Washington.

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

"Person" means any individual, partnership, firm, association, corporation and/or any other form of business or legal entity.

"Property" means the Building, the portion of the Land as depicted on Exhibit A, and all improvements located thereon.

"Project" means the Barkley Village complex including the Property.

1.4 Amounts Payable by Tenant on Lease Execution. On mutual execution of this Lease, Tenant shall pay Landlord the following amounts:

Security Deposit:	\$ 46,843.14
<u>First Month's Base Rent:</u>	<u>\$ 37,508.63</u>
Total:	\$ 84,351.77

2. PREMISES AND COMMON AREAS

2.1 Premises. Landlord leases to Tenant the Premises for the Term, but reserving to Landlord, the use of the exterior thereof, all space above any suspended ceiling, all space beneath the floor, and the right to install, maintain, use, repair, relocate and replace stacks, pipes, ducts, conduits, wire and utilities leading through the Premises in locations which do not materially interfere with Tenant's use thereof. Tenant shall have access to the Premises at all times (24 hours a day, seven days a week, and every day of the year).

2.2 Common Areas. Landlord will make available from time to time such “common areas” (including, but not limited to, driveways, lobby, parking lot and landscaped areas) as Landlord deems appropriate. Landlord may from time to time change the size, location, nature and use of any common areas and make installations therein and move and remove the same provided that Landlord will not materially diminish the usefulness of such items.

2.3 Use of Common Areas. Tenant and its employees, agents and invitees shall have the nonexclusive right (in common with other Occupants, Landlord and others to whom Landlord grants such rights) to use the common areas which from time to time are designated for such use by Landlord. Without limiting the foregoing, Tenant agrees to ensure that its employees do not park in the “visitor” stalls and only park in the “disabled” parking stalls if they have obtained the appropriate permit from the Department of Motor Vehicles. Landlord may temporarily close any common areas for construction, repairs, or modifications, or to prevent the acquisition of public rights in such areas; and may do such other acts in and to the common areas as in its judgment may be desirable. Tenant shall not interfere with the rights of Landlord or others to use any part of the common areas.

2.4 Parking Areas. At all times during the Lease, subject to casualty and temporary loss of parking for repairs and maintenance as needed, Landlord shall provide Tenant with non-exclusive parking spaces, in the amount required by applicable law for Tenant’s occupancy of the Premises. Tenant has the right to use of the parking stalls on the Property throughout the Term without additional charge or fee. Tenant shall ensure compliance by its employees and invitees of all rules and regulations applicable to the common areas of the Property, including the parking areas. Landlord is not responsible for any theft of or damage to vehicles or their contents.

3. LEASE COMMENCEMENT AND EXPIRATION DATES

3.1 Initial Term. The Term shall commence (the “**Commencement Date**”) on the earlier of (a) the date the Landlord delivers possession of the Premises to Tenant with Landlord’s Work (as defined in Exhibit C) substantially complete, (b) the date Landlord’s Work would have been Substantially Complete (as reasonably determined by Landlord) but for the occurrence of any Tenant Delays, or (c) the date Tenant commences occupancy of all or any portion of the Premises. When the Commencement Date has been determined, Landlord and Tenant shall sign a statement specifying the Commencement Date and expiration date. When the actual Commencement Date has occurred, Tenant shall execute a Commencement Date Memorandum on Landlord’s standard form within 5 days after Landlord’s request therefore. Tenant’s failure to execute such memorandum or dispute the proposed terms of the memorandum within said 5 day period shall constitute Tenant’s acknowledgment of the truth of the facts contained therein as delivered by Landlord to Tenant. Landlord and Tenant anticipate the Term will commence twenty (20) months after mutual execution of this Lease (the “**Anticipated Commencement Date**”), but the Anticipated Commencement Date shall in no event affect the actual Commencement Date, which shall be determined as set forth in this Section 3.1. If Landlord cannot deliver possession of the Premises to Tenant on or before the Anticipated Commencement Date or any other date for any reason, Landlord shall not be subject to any liability therefor, and such failure shall not affect the validity of this Lease or the obligations of Tenant hereunder. If the Commencement Date is a day other than the first day of a calendar month, the Term shall be extended through the end of the month in which the Lease expires, so that the Term expires on the last day of such month.

3.2. Options to Extend. Provided Tenant has not defaulted in the performance of any obligation hereunder and failed to cure any such default within the cure period, Tenant shall have 2 consecutive options to extend the Lease Term for a period of 60 months each (each an “**Option Term**”), upon the same terms and conditions as are set forth in the Lease, except (a) there shall be no tenant improvement allowance nor tenant improvements by Landlord, (b) there shall be no further options to extend, and (c) the Base Rent shall be increased at the commencement of each Option Term to the then Fair Market Rent for the Premises (determined pursuant to Section 4.2 below), but not less than the Base Rent for the period immediately prior to the Option Term. Thereafter, the annual Base Rent rate during the Option Term shall increase each year on the anniversary of the first day of the Option Term by 3% over the immediately preceding annual rent rate. The option shall be exercised, if at all, by written notice to Landlord 9 months prior to the expiration of the initial term. This option is personal to Tenant and Tenant’s Approved Transferee and shall extend the Lease for the entire Premises.

4. RENT

4.1. Base Rent. Commencing on the Commencement Date, Tenant shall pay to Landlord the Base Rent set forth in Section 1.1 above, at Talbot Real Estate L.L.C., 2219 Rimland Drive, Suite 115, Bellingham, WA 98226 (or such other address as is specified by the Landlord) on the first day of each month, in advance without notice or demand, offset or deduction. The Base Rent for any partial calendar months shall be prorated. Base Rent for the first calendar month in which Base Rent is due shall be paid upon execution of this Lease. All amounts due to Landlord hereunder other than Base Rent shall be referred to as “**Additional Rent.**” Base Rent and Additional Rent are collectively referred to as “**rent**”.

4.2. Fair Market Rent. As used herein “**Fair Market Rent**” shall mean the market rent for the Option Term for premises of a similar quality, location and size located in the Project and is understood to mean the rents which a landlord would receive annually by then renting the space in question assuming the landlord to be a prudent person willing to lease but being under no compulsion to do so, assuming the tenant to be a prudent person willing to lease but under no compulsion to do so, and incorporating a fixed annual escalation factor consistent with then market practice. Fair Market Rent shall take into consideration all relevant factors including the condition of the space. Tenant’s estimation of the Fair Market Rent (“**Tenant’s Rent Proposal**”) shall be included with Tenant’s option exercise notice. Landlord shall give Tenant notice of Landlord’s estimation of the Fair Market Rent within 30 days after receiving Tenant’s Rent Proposal but not earlier than 4 months prior to the start of the Option Term. If there is a disagreement on the Fair Market Rent, the parties shall promptly meet and negotiate in good faith to attempt to resolve their differences. If the differences are not resolved within 30 days, then Landlord and Tenant shall each select a real estate broker familiar with then current rental rates for comparable space in the surrounding area and those two brokers shall meet and work in good faith to reach agreement on the Fair Market Rent. If they reach agreement, then their decision shall be binding on the parties. If the two brokers aren’t able to reach agreement, then the first two brokers shall (a) put in writing their determination of the Fair Market Rent, and (b) jointly select a third broker, also familiar with the current rental rates in the area of the Building. The job of the third broker will be to determine which of the four Rent Proposals (Tenant’s, Landlord’s, Landlord’s Broker’s and Tenant’s Broker’s) most closely approximates what the third broker believes to be the Fair Market Rent. The Fair Market Rent established by the third broker shall be determined no later than 30 days

prior to the start of the extension term and shall be binding on the parties. Each party shall pay the cost of its broker and half the cost of the third broker.

5. TENANT IMPROVEMENTS

5.1. Delivery. Landlord will deliver possession of the Premises with the Landlord's Work (as defined in Exhibit C) substantially complete subject to punchlist items, which Landlord will cause to be completed or corrected promptly after the Commencement Date. Except as otherwise specifically provided herein, Tenant shall accept the Premises from Landlord in its "AS-IS" condition, and Tenant acknowledges and agrees that Landlord has no obligation to improve, alter or remodel the Premises in any manner whatsoever. The Premises and all improvements made thereto shall be deemed approved by Tenant in all respects when Tenant begins moving its equipment into the Premises or begins doing other work in the Premises excepting only as to items of Landlord's Work which are not completed or do not conform to Exhibit C and as to which Tenant gives Landlord written notice prior to the date Tenant begins moving its equipment into the Premises or begins doing other work in the Premises. Tenant acknowledges that neither Landlord nor any of Landlord's agents has made any representations or warranties as to the suitability or fitness of the Premises or the Property for the conduct of Tenant's business, including, but not limited to, any representations or warranties regarding zoning or other land use matters, or for any other purpose, and that neither Landlord nor any of Landlord's agents has agreed to undertake any alterations or additions or construct any tenant improvements to the Premises except as expressly provided in this Lease.

5.2. Tenant Delays. Tenant shall work diligently and in good faith with Landlord and the space planner and architect so that the design process moves forward as quickly as possible. If the completion of the Tenant Improvements is delayed by Tenant's failure to respond to any requests for comments or approvals, Landlord shall so notify Tenant. The Commencement Date shall not be delayed or postponed due to Tenant Delays (as defined in Exhibit C attached hereto), and the Term, Tenant's obligations to pay Rent and all of Tenant's other obligations under this Lease shall commence upon the date which would have been the Commencement Date but for Tenant Delays.

5.3. Tenant's Personal Property. Tenant is responsible for procuring or installing in the Premises any trade fixtures, equipment, furniture, furnishings, telephone equipment or other personal property, at Tenant's expense. Tenant shall conform to the Building's wiring standards in installing any telephone and computer equipment and shall be subject to any and all rules of the site during construction of the Tenant Improvements. Tenant's contractors and vendors must make prior arrangements with Landlord before scheduling telephone and computer equipment installation.

5.4. Ownership. It is acknowledged and agreed that all Tenant Improvements constructed pursuant to the terms of this Lease are and shall be the property of Landlord from and after the date of installation or construction.

6. USE AND OPERATIONS

6.1. Negative Covenants. Tenant shall not (i) injure, overload, deface or otherwise harm the Premises or the Property or any part thereof or any equipment or installation therein; (ii) permit the emission of any noise or odor to emanate from the Premises which, in Landlord's opinion, is objectionable; (iii) make any use of the Premises or of any part thereof or equipment therein which is improper, offensive or contrary to any law or ordinance or the certificate of occupancy; (iv) use the Premises for any purpose other than the Permitted Use; (v) place trash or other articles outside the Building except in a screened location consistent with the other buildings within the Project; or (vi) solicit business or distribute handbills or other advertising media in any common area of the Project.

6.2. Repairs and Maintenance. Tenant shall keep the Premises, including all equipment and fixtures located inside the Premises (but excluding HVAC equipment and maintenance or repairs to the doors and windows and door and window closures and hardware and Building systems such as electrical, mechanical and plumbing, which shall be maintained by Landlord as an Operating Cost), clean, neat and in good repair and keep all interior glass, including that in windows, doors and skylights, clean. Tenant shall pay the cost of all repairs or alterations to the Premises required by any law or ordinance or any order or regulation of any public authority having jurisdiction as an Operating Cost. Tenant shall procure any licenses and permits required for Tenant's use. Tenant shall comply with the orders and regulations of all governmental authorities having jurisdiction over the Premises. Tenant shall pay the cost of repair of any damage to the Property arising out of the activities of Tenant, its employees, contractors, agents, invitees or visitors as Additional Rent. If Tenant fails to maintain, repair or replace the Premises as required by this Section, Landlord may, upon 10 days' prior notice to Tenant (except no notice is required in an emergency), enter the Premises and perform Tenant's obligations on behalf of Tenant and Tenant shall reimburse Landlord for all costs incurred as Additional Rent.

6.3. Signs and Trade Name. Subject to Landlord's approval of all aspects of the sign (including size, materials, location, method of attachment, colors and design) and subject to Tenant obtaining all necessary governmental permits and approvals, Tenant may place one (1) sign on the exterior of the Building in a location designated by Landlord. Tenant's approved sign specifications and plans are attached hereto as Exhibit E. Tenant shall be responsible for all costs related to the exterior signage including the permitting fees and any out-of-pocket costs incurred by Landlord in connection with its review of the detailed sign drawings. Prior to expiration or termination of this Lease, Tenant shall remove the signage and repair the installation area to the condition and appearance prior to the installation of Tenant's signage. Tenant shall not display any other sign or any advertising material, visible from anywhere outside the Building without first obtaining Landlord's written consent. A-frame signage is not permitted in the Project. Tenant consents to Landlord's use of Tenant's name and/or Trade Name, if any, on Landlord's directory for the Project, whether electronic or otherwise.

6.4. Contract Services. No contractor or vendor shall work on Tenant's behalf on the Property or in the Premises for the purpose of providing services, performing maintenance or repairs to the Premises, or constructing alterations or improvements to the Premises, without (a) Landlord's prior written approval of such contractor or vendor, and (b) prior to any such work being performed, Tenant completing and returning to Landlord an executed contractor/vendor

agreement, as applicable, on Landlord's standard form or a form reasonably acceptable to Landlord.

6.5. Rules and Regulations. Tenant shall comply and shall cause its employees, agents and invitees to comply with, the Rules and Regulations promulgated by Landlord, and such amendments and additions as from time to time may be adopted by Landlord, to govern the use, occupancy and operation of the Property (the "**Rules and Regulations**"). Amendments and additions to the Rules and Regulations shall not conflict with the rights granted to Tenant pursuant to this Lease. See Exhibit D for the current Rules and Regulations. Landlord shall use commercially reasonable efforts to enforce the Rules and Regulations against any other Occupant of the Property but shall not be liable for third party acts or omissions.

6.6. Liens. At its expense, Tenant shall cause to be fully and completely discharged of record, within 20 days of Landlord's demand, any mechanic's lien or other lien filed against the Premises or any portion of the Property for work claimed to have been done for, or materials furnished to, or on behalf of Tenant (other than Landlord's Work). If Tenant fails to cause the release of record of any lien(s) filed against the Property or any portion thereof or its leasehold estate in the Premises by payment or posting of a lien release bond under RCW 60.04.151 within 20 days from the date of the lien filing(s), then Landlord may, at Tenant's expense, cause such lien(s) to be released by any means Landlord deems proper, including, but not limited to, payment of or defense against the claim giving rise to the lien(s). All sums reasonably disbursed, deposited or incurred by Landlord in connection with the release of the lien(s), including, but not limited to, all costs, expenses and actual attorneys' fees, shall be due and payable by Tenant to Landlord, as an item of Additional Rent, on demand by Landlord, together with interest thereon at the Default Rate from the date of such demand until paid by Tenant.

6.7. Landlord's Right of Access. Landlord, its agents, employees, and any other person or persons authorized by Landlord, has the right to access the Premises at all reasonable times, and at any time in the event of an emergency, to enable them to inspect, examine, show for lease or sale or to prospective lenders, and to make such repairs, additions and alterations to the Building, or to the fixtures, appurtenances or equipment therein or conduct such tests in order to monitor Tenant's compliance with this Lease and applicable law, as Landlord may deem advisable; provided that Landlord shall use reasonable efforts to (i) minimize disruption of Tenant's business caused by such access, and (ii) provide Tenant advance notice (which may be given by e-mail, facsimile or pursuant to the Notice provision in Section 20.11 below) except in the event of emergency. The foregoing shall not be construed as requiring Landlord to complete repairs, maintenance or replacements after normal business hours. There shall be no diminution of rent and no liability on the part of Landlord due to inconvenience, annoyance or injury to business from such access or activities. Following the day Tenant vacates the Premises, in the event of an uncured default by Tenant, and in the final 9 months of the Term, Landlord may place "for lease" signs upon the Premises. Landlord has the right to market the Premises and show the same to prospective tenants no more frequently than twice each week upon 24 hours advance notice to Tenant within 90 days of the expiration of the Term or upon the expiration of Tenant's right to extend the Term, if any, should Tenant fail to exercise such right.

6.8. Comply with Laws. At its expense, Tenant shall comply with all laws, orders and regulations of federal, state, or other governmental authorities and with any direction of any public

officer or officers, with respect to the use and occupancy of the Premises by Tenant. Landlord shall comply with all laws, orders and regulations of federal, state, or other governmental authorities and with any direction of any public officer or officers, with respect to the Land and Building at Landlord's expense, and with respect to the Premises, to the extent the same is not Tenant's obligation, as an Operating Cost.

6.9. Not Invalidate Insurance. Tenant shall not do or permit to be done any act or thing upon the Premises which invalidates or conflicts with the certificate of occupancy for the Property or any insurance policies on the Property or increases the rates or premium for insurance on any part of the Property. If Landlord's insurance rates or premiums are increased because of Tenant's failure to comply with its obligations under this Lease, then Tenant shall pay the cost of any such increase, as Additional Rent, immediately upon demand.

6.10. Insurance. At its expense, Tenant shall obtain and carry at all times (i) commercial general liability insurance (including bodily injury, property damage and personal injury) covering the Premises, on an occurrence basis, with limits of at least \$3 million per occurrence, \$3 million general aggregate per location, or such higher amounts as Landlord from time to time reasonably designates by not less than 30 days' notice to Tenant; (ii) "special form" property insurance (commonly called "all-risk") covering Tenant's inventory, equipment, moveable, unattached trade fixtures, furnishings and other personal property for their full replacement cost; (iii) business interruption insurance in amounts sufficient to cover costs, expenses, Rent due hereunder, damages and lost income should the Premises not be useable for a period up to 12 months; (iv) umbrella policy of insurance in an amount not less than \$10 million; and (v) other coverages Landlord reasonably requires. If Tenant manufactures consumer goods on the Premises using any materials supplied by Landlord (including but not limited to water), Tenant's insurance shall include products liability insurance in the amount specified for commercial general liability insurance. The policies shall be written by insurers with an A.M. Best rating of A-:VIII or better, and shall contain waivers of subrogation with regard to Landlord and the other additional insureds. Such insurance policies shall not contain deductibles exceeding \$10,000 without Landlord's prior written approval. Tenant's commercial general liability insurance shall be primary to and shall seek no contribution for any insurance available to the Landlord or any agent of Landlord, with Landlord's (or Landlord agent's) insurance being excess, secondary and non-contributing. The specifications herein of minimum limits do not limit the limits of coverage to be available to the Landlord Parties as additional insureds. If Tenant's insurance has limits greater than the limits set forth in this Section, the amount of coverage available to Landlord Parties shall be increased to the limits of Tenant's insurance, including limits under any umbrella or excess policies. Tenant's insurance coverage shall not contain any non-standard, special or unusual exclusions or restrictive endorsements without Landlord's written approval. The personal injury contractual liability exclusion shall be deleted. All insurers shall agree not to cancel such policies without at least 30 days prior written notice to Landlord (except in the case of Tenant's property insurance). Tenant shall furnish Landlord with certificates of insurance at all times during the Term of this Lease evidencing coverage as follows:

- (a) Liability and property insurance as specified above in this Section;

(b) Tenant's policies shall be endorsed to provide that all such insurers shall agree not to cancel Tenant's policies without at least 30 days prior written notice to Landlord (except in the case of Tenant's property insurance);

(c) Tenant's liability policy shall be on an occurrence form;

(d) Tenant's liability policy shall specifically name the Landlord, and its mortgagees and property manager (to the extent identified to Tenant in writing) ("**Landlord Parties**") as additional insureds on an unmodified ISO endorsement CG 20 11 01 96, or equivalent form;

(e) Tenant's commercial general liability coverage shall be endorsed to provide primary and non-contributory liability with Landlord's insurance; and

(f) Tenant shall obtain a waiver of subrogation from its respective insurer either via endorsement or by virtue of a provision in the applicable insurance policy.

As part of Operating Costs, Landlord shall maintain (a) property insurance on the Property; (b) commercial general liability insurance insuring Landlord; (c) rental loss insurance; and (d) such other insurance as Landlord reasonably elects to carry pertaining to the Property. Landlord shall not obtain insurance for Tenant's furniture, fixtures or equipment or Tenant's other personal property. Operating Costs shall include the deductibles on Landlord's coverage. Tenant shall not knowingly do or permit anything to be done which invalidates Landlord's insurance policies and if Landlord's premiums are increased due to Tenant's act or omission, any increase shall be paid by Tenant. Landlord shall have the right to impose additional insurance requirements, including without limitation higher limits and limited deductibles, as a condition to its consent to any assignment of this Lease or subletting of all or a portion of the Premises by Tenant.

Landlord and Tenant release and relieve the other, and waive the entire right of recovery for loss or damage to property located within or constituting a part or all of the Premises, the Building or the Land to the extent that the loss or damage is actually covered (and claim amount recovered) by commercial insurance carried by either party and in force at the time of such loss or damage. This waiver applies whether or not the loss is due to the negligent acts or omissions of Landlord or Tenant, or their respective officers, directors, employees, agents, contractors, or invitees. Each of Landlord and Tenant shall have their respective property insurers endorse the applicable insurance policies to reflect the foregoing waiver of claims, provided, however, that the endorsement shall not be required if the applicable policy of insurance permits the named insured to waive rights of subrogation on a blanket basis, in which case the blanket waiver shall be acceptable.

6.11. Surrender. At the termination of this Lease, subject to ordinary wear and tear and casualty loss, Tenant shall peaceably give up and surrender the Premises, in good order, repair and condition, including all alterations and additions made by Tenant and all fixtures permanently attached to the Premises during the Term, but excluding trade fixtures, alterations or additions Landlord directs Tenant to remove and Accessible Cabling (defined below). If termination occurs by virtue of any provision of Section 17, Tenant shall, additionally, yield up and surrender, if Landlord so directs, all equipment and furnishings in any way bolted or otherwise attached to the Premises, excluding Accessible Cabling, and all such equipment and furnishings shall become the

property of Landlord. Tenant shall, at the time of termination, remove its property, the Accessible Cabling, and any Tenant alterations (including Tenant's Work, if any) that Landlord directs Tenant to remove and shall make any repairs to the Premises necessitated by such removal, leaving the Premises clean and tenantable. If Tenant fails to remove any of its personal property, Landlord may either have the property removed and stored in any public warehouse at the risk of Tenant (the expense of such removal, reasonable repairs and storage of personal property necessitated by such removal shall be borne by Tenant or reimbursed by Tenant to Landlord) or deem the same to be abandoned, and become the property of Landlord without payment or offset therefor. Tenant waives any claim against Landlord for damage to or disposal of any personal property left in the Premises. If Tenant fails to remove the Accessible Cabling or any alterations required by Landlord, Landlord may remove and dispose of them at the expense of Tenant. "**Accessible Cabling**" means Tenant's Class 2, Class 3, and PLTC cables that are capable of being removed or exposed without damaging the Building structure or finish and not permanently closed in by the structure or finish of the Building, and shall include, without limitation, cable above the drop ceiling.

7. UTILITIES, LANDLORD REPAIRS AND SERVICES

7.1. Utilities. Tenant shall promptly pay for utilities and related services rendered or furnished to the Premises during the Term, including but not limited to, gas, garbage, water, sewer, electricity and telephone charges, including repair, replacement and hook-up and installation charges. If any utilities are not separately metered, Landlord shall allocate the cost of such utilities among the users with Tenant paying Tenant's Share of such costs within 10 days after receipt of Landlord's invoice or Landlord may elect to include the same in Operating Costs. Landlord may require Tenant to install a separate electrical meter in the Premises, at Tenant's expense. On or around the Commencement Date, Landlord and Tenant shall coordinate efforts to transfer separately metered utilities into Tenant's name and arrange for invoices to be sent directly to Tenant. In the event Landlord receives invoices for separately metered services attributable to the Term, Landlord may pay the same and Tenant shall reimburse Landlord for the amount paid as Additional Rent.

7.2. Interruption of Service. Landlord does not warrant that any utilities or any of the services referred to in this Lease, or any other services which Landlord may supply, will be free from interruption including by reason of accident or repairs, alterations or improvements, or causes beyond the reasonable control of Landlord. No such interruption shall be deemed an eviction or disturbance of Tenant's use and possession of the Premises or any part thereof, or render Landlord liable to Tenant for damages, or relieve Tenant from the performance of Tenant's obligations under this Lease.

7.3. Landlord Repairs. Landlord shall maintain and repair the portions of the Premises and Property which are not Tenant's responsibility. Landlord's responsibility shall include the structural components of the Building, the roof, HVAC equipment, and electrical, plumbing and other mechanical systems serving the Property. Notwithstanding any other provisions of this Lease to the contrary, if any repairs are necessitated by damage or misuse by Tenant, its agents or employees, Landlord shall have the option to bill Tenant directly for the cost of the repairs, and the invoice shall be paid by Tenant within 10 days.

7.4. Services.

7.4.1. Supplies and Windows. As part of Operating Costs, Landlord agrees, during the Term of this Lease, to operate the Building in a reasonably similar manner to other buildings within the Project, including providing hot and cold water, sewage, heat, air conditioning, janitorial service (including toilet room supplies), snow removal, upkeep of the landscaping, exterior window cleaning, Building Standard lamp replacement, services for common areas (including cleaning, maintenance, and repair), and exterior window washing at reasonable intervals.

7.4.2. Security and Access. As part of Operating Costs, Landlord shall provide exterior security including security patrols for the Project and FOB key access to the Premises for after-hours access. Landlord shall not be liable to Tenant for injury to its agents, employees, customers or invitees, or for losses due to theft or burglary, or for damages done by unauthorized persons. Landlord shall provide to Tenant, at no charge, the Building Standard number of keys and FOB access cards for the lobby door entering the Premises, and additional keys and FOB access cards at a charge by Landlord on an order signed by Tenant. The Building Standard for lobby keys is 1 key and FOB access card per 1,000 square feet of rentable space in the Premises plus two. For example, a tenant occupying 5,000 rentable square feet would receive 7 keys and 7 FOB access cards. All such keys and FOB access cards shall remain the property of Landlord. No additional locks shall be allowed on any door of the Premises without Landlord's written consent, and Tenant shall not make, or permit to be made, any duplicate keys, except those furnished by Landlord. Upon termination of this Lease, Tenant shall surrender to Landlord all keys and FOB access cards to the Premises.

7.4.3. Janitorial Service. Subject to the terms and conditions of the Lease, Landlord shall provide Building Standard janitorial service to the Premises on Monday through Friday of each week, excluding holidays, consisting of routine dusting, vacuum cleaning or dust mopping floors, removing normal trash, and periodic cleaning of exterior windows and cleaning entrance doors of the Premises. Landlord shall have no liability to Tenant or any other person for any loss of or damage to personal property on or about the Premises, however occurring, including any damage done by a janitor.

7.4.4. Additional Services. Except as otherwise provided herein, if Tenant desires any of the aforementioned services (or items) in amounts in excess of the Building Standard and if Landlord agrees to provide such additional quantities or services, Tenant shall pay to Landlord as Additional Rent hereunder, the cost of providing such additional services (or items), upon receipt of billings therefore.

7.5. Telecommunications.

7.5.1. Alternate Telecommunications Provider. If Tenant wishes to utilize the services of a telephone or telecommunications provider whose equipment is not servicing the Property as of the date of Tenant's execution of this Lease ("**Provider**"), no such Provider shall be permitted to install its lines or other equipment within the Building or on or under the Property without first securing the prior written consent of Landlord. Unless all of the following conditions are satisfied to Landlord's satisfaction in a written agreement between Provider and Landlord or

by any other means acceptable to Landlord, it shall be reasonable for Landlord to refuse to give its consent: (a) Landlord shall incur no expense whatsoever with respect to any aspect of Provider's provision of its services, including without limitation, the costs of installation, materials, and service; (b) prior to commencement of any work in or about the Building or Property by Provider, Provider shall supply Landlord with such written indemnities, insurance verifications, financial statements, and such other items as Landlord deems to be necessary to protect its financial interests and the interest of the Building relating to the proposed activities of Provider; (c) prior to the commencement of any work in or about the Building or Property by Provider, Provider shall agree to abide by such rules and regulations, job site rules, and such other requirements as reasonably determined by Landlord to be necessary to protect the interest of the Building, the tenants in the Building, and the Landlord, including without limitation, providing security in such form and amount as determined by Landlord; (d) Landlord reasonably determines that there is sufficient space in the Building both for the placement of all of Provider's equipment and materials and for future needs of the Building and other tenants; and (e) Provider is licensed and reputable. Landlord's consent under this section shall not be deemed a warranty or representation of any kind by Landlord, including without limitation, any warranty or representation as to the suitability, competence, or financial strength of Provider. Landlord's refusal to consent to any prospective Provider shall not be deemed a default or breach by Landlord of its obligations under this Lease unless the Landlord has acted recklessly or maliciously with respect to its refusal; provided, however, if the Landlord's consent is requested with respect to work, alterations, improvements or additions located outside of the Building, Landlord may withhold its consent in its sole discretion. Notwithstanding any provision herein to the contrary, Landlord's refusal to consent to any prospective Provider shall not be deemed a default or breach by Landlord of its obligations under this Lease unless and until Landlord is adjudicated in a final and unappealable court decision to have acted recklessly or maliciously with respect to its refusal. The provisions of this Section may be enforced solely by the Tenant and Landlord and are not for the benefit of any other party, and no telephone or telecommunications provider shall be deemed a third party beneficiary of the Lease.

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

8. OPERATING COSTS

8.1. Definition of Operating Costs. "**Operating Costs**" shall mean any and all amounts incurred or expended by Landlord in connection with or allocable to the management, maintenance, operation, ownership, security or repair of the Property, including, without limitation, a management fee of 5% of total gross rents for the Property, Real Property Taxes (as defined in Section 8.2), wages and salaries of all employees engaged in operation, maintenance, repair, or security of the Property, all taxes, insurance and benefits relating to such employees; all insurance costs, including deductibles; utility costs; reasonable reserves for replacements and/or repair of Property improvements, equipment and supplies; the charges of any agent or independent

contractor employed in the repair, care, operation, management, maintenance or security of the Property; any other expenses or charges, which in accordance with generally accepted accounting and management practices would be considered an expense of maintenance, management, operation, ownership or repairs of the Property, excluding or deducting: (i) initial leasing costs for other tenants, including tenant improvements and leasing commissions; and (ii) costs of any special services rendered to individual tenants for which a special charge is collected. Operating Costs shall include amortization (including interest) of repairs and improvements which are capitalized, but Tenant shall be charged for only that portion of the useful life of any capital costs occurring within the relevant period of the Lease.

8.2. Real Property Taxes. “Real Property Taxes” shall mean all taxes, charges, assessments (or any installment thereof due during the applicable year) and other impositions, however denominated, levied from time to time with respect to the Land, or any improvements, fixtures and equipment and all other property of Landlord, real or personal, used directly in the operation of the Property; any taxes levied or assessed (or any installment thereof due during the Term) in addition to or in lieu of, in whole or in part, such taxes; any other tax upon leasing or rents of the Property; any other tax or surcharge such as, for example, payments to or on account of public transit or carpooling or environmental facilities; and all costs incurred by Landlord in connection with the attempt to reduce any of the foregoing, whether by negotiation or contest. Real Property Taxes shall not include any franchise or state income tax, inheritance tax, or estate tax. Notwithstanding the other terms of this Lease, to the extent and in the event the Land includes leasable space which is not a part of the Premises, Tenant’s Share for purposes of calculating Real Property Taxes included in Operating Costs shall be adjusted such that Tenant shall only pay Real Property Taxes for its proportionate share of leasable space on the Land.

8.3. Additional Rent for Operating Costs. Commencing on the Commencement Date, Tenant shall pay to Landlord, Tenant’s Share of Operating Costs. Tenant’s Share of Operating Costs for any portion of a year at the beginning or end of the Term shall be adjusted based on the proportion of that year included in the Term. Tenant’s Share of Operating Costs shall be paid in estimated monthly installments on the first day of each calendar month in an amount specified by Landlord. Landlord may from time to time revise such estimates by notice to Tenant whereupon subsequent payments by Tenant for the remainder of the year shall be based upon such revised estimates. After the close of each year, Landlord shall deliver to Tenant a certified statement setting forth the total amount of Tenant’s Share of Operating Costs for such year, whereupon there shall be a final adjustment between Landlord and Tenant and Tenant shall pay Landlord any amount due Landlord within 30 days of receipt of such certified statement, and any amount due Tenant shall be credited to the next amounts due Landlord or, if the Lease has terminated or expired, shall be refunded to Tenant.

8.4. Personal Property Taxes. Tenant shall pay, prior to delinquency, all personal property taxes on Tenant’s property.

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

Landlord so elects, the expenses arising from such shared operations shall be Operating Costs, and shall be allocated by Landlord among the Property and the other properties on a good faith basis. Without limiting Landlord's allocation rights, it shall be deemed in good faith to allocate on the basis of relative rentable area, usage or benefit.

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

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

9. HAZARDOUS MATERIALS

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

10. SECURITY DEPOSIT

Upon the execution of this Lease, Tenant shall deposit with Landlord the amount specified in Section 1 as a Security Deposit. Landlord may apply all or part of the Security Deposit to any unpaid rent from Tenant or to cure any other defaults of Tenant. If Landlord uses any part of the Security Deposit, Tenant shall restore the Security Deposit to its original amount within 10 days after Landlord's written request. The Security Deposit may be commingled with Landlord's other funds and shall not bear interest. If twice within any 12-month period, late charges are assessed against Tenant by Landlord, Landlord may, by written notice to Tenant, require Tenant to pay Landlord an amount equal to one month's Base Rent, and Tenant's Share of Operating Costs as an increase in the Security Deposit, which additional amount shall be due within 5 days after Tenant's receipt of the notice. If Landlord transfers its interest in the Premises, Landlord shall transfer the Security Deposit to its successor in interest, whereupon Landlord shall be automatically released from any liability for the return of the Security Deposit. If this Lease is terminated prior to the end of the Term, any Rent paid for any period beyond the termination date will be considered an additional Security Deposit. If, at the end of the Lease Term or the earlier termination hereof, Tenant has fully complied with all obligations under this Lease to that time, then the remaining Security Deposit shall be returned to Tenant after Landlord has verified that Tenant has fully vacated the Premises, removed all of its property and surrendered the Premises in the condition required by this Lease; provided that Landlord may hold back a portion of the Security Deposit until final determination of Tenant's Share of Operating Costs, whereupon any final adjustment shall be made and any remaining Security Deposit shall be returned to Tenant. As with all other defaults, if the Premises are not surrendered in the condition required, Landlord may perform the work necessary to put them in that condition and deduct the cost from the Security Deposit. Landlord's obligations with respect to the Security Deposit are those of a debtor and not of a trustee.

11. ALTERATIONS

Tenant shall not alter the Premises without the prior written consent of Landlord, which consent shall not be unreasonably withheld if Tenant agrees to remove the alteration and repair any damage caused thereby at the end of the Term at Landlord's request. Landlord's approval of plans or specifications for alterations shall not constitute an assumption of the responsibility for the accuracy or sufficiency of such plans and specifications, or their compliance with applicable codes, regulations or statutes, which responsibility shall be solely Tenant's. All such alterations shall be made at Tenant's sole cost and expense and prior to commencing work, all contractors/subcontractors/vendors selected by Tenant to work on the alterations must (a) be approved in writing by Landlord, and (b) deliver to Landlord certificates of insurance evidencing that such contractor or vendor maintains policies of insurance which fully comply with Landlord's insurance requirements. All alterations shall be made in a good and workmanlike manner and in compliance with all governmental requirements, codes and rating bureau recommendations and shall become the property of Landlord upon expiration or termination of this Lease. Upon completion of the alterations, Tenant shall deliver to Landlord a set of as-built plans showing the alterations. Tenant shall hold Landlord harmless and indemnified from all injury, loss, claims or damage to any person or property occasioned by, or in connection with Tenant's alterations. Tenant shall obtain all necessary permits from governmental authorities for its alterations. Tenant shall repair any damage and perform any necessary clean-up arising in connection with alterations.

12. DAMAGE OR DESTRUCTION

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

13. INDEMNIFICATION AND CLAIMS

13.1. Indemnification. To the fullest extent permitted by law, Tenant shall indemnify and defend (using legal counsel reasonably acceptable to Landlord) Landlord, its mortgagees, agents, and employees from any claims, damage, losses or expenses (including attorneys' and consultants' fees, and litigation costs) arising out of or related to use or occupancy of the Premises or acts or omissions of Tenant, its agents, invitees, or employees (including, without limitation, any work undertaken by or for Tenant, its agents or employees), any accident, injury, or occurrence in or about the Premises; and any claim against Landlord by any employee or former employee of Tenant (excluding any physical or verbal assault by a specific employee of Landlord against a specific employee of Tenant). With regard to matters arising from the joint negligence of Landlord and Tenant, this indemnity shall only apply to the extent of Tenant's negligence. The provisions of this Section shall survive expiration or termination of this Lease and shall include, but not be limited to, all claims against Landlord by any employee or former employee of Tenant, and Tenant hereby shall not assert any immunity or limitation on liability arising from any industrial insurance act, or other employee benefit act with regard to an indemnity claim. To the fullest extent permitted by law, Landlord shall indemnify and defend (using legal counsel reasonably acceptable to Tenant) Tenant from any claims, damage, losses or expenses (including attorneys' and consultants' fees, and litigation costs) arising out of or related to the gross negligence or willful

misconduct of Landlord and its agents. With regard to matters arising from the joint negligence of Tenant and Landlord, this indemnity shall only apply to the extent of Landlord's negligence. The provisions of this Section shall survive expiration or termination of this Lease and shall include, but not be limited to, all claims against Tenant by any employee or former employee of Landlord, and Landlord hereby shall not assert any immunity or limitation on liability arising from any industrial insurance act, or other employee benefit act with regard to an indemnity claim.

13.2. Construction Claims. Notwithstanding any other provisions of this Lease to the contrary, in compliance with RCW 4.24.115 as in effect on the date of this Lease, all provisions of this Lease pursuant to which a party (the "**Indemnitor**") agrees to indemnify the other (the "**Indemnatee**") against liability for damages arising out of bodily injury to persons or damage to property relative to the construction, alteration, repair, 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, (i) shall not apply to damages caused by or resulting from the sole negligence of the Indemnatee, its agents or employees, and (ii) to the extent caused by or resulting from the concurrent negligence of (a) the Indemnatee or the Indemnatee's agents or employees, and (b) 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 be deemed amended so as to remove any of the restrictions contained in this Section no longer required by then applicable law.

14. SURVIVAL OF TERMS

All covenants and indemnities set forth herein which contemplate the payment of sums, or the performance by Landlord or Tenant after the Term or following an event of default by Landlord or Tenant, including specifically, but not limited to, Landlord's or Tenant's covenants and indemnities and all representations and warranties of Landlord or Tenant, shall survive the expiration or sooner termination of this Lease.

15. EMINENT DOMAIN

If condemnation or conveyance in lieu thereof results in (a) a reduction of the parking area such that the Building and Tenant's use of the Premises no longer complies with applicable Code and Landlord is not able to provide alternate, reasonable parking to serve the Premises, or (b) a taking of 25% or more of the Premises, Landlord may terminate this Lease as of the date of taking of possession by the governmental authority. If the taking reduces the Premises rentable square feet by 25% or more or reduces the number of parking spaces on the Property below that required by Code, Tenant may terminate this Lease as of the date of the condemning authority takes possession. If neither party elects to terminate this Lease, and if the taking results in a reduction in the square footage of the Premises, then the Base Rent shall be reduced pro-rata to reflect the floor area of the Premises which is condemned or taken and the loss of parking (which is not replaced with alternate, reasonable parking), and Landlord shall, at its expense and with reasonable diligence, repair, alter and restore the remaining part of the Premises and the parking area to substantially its former condition to the extent reasonably feasible. Landlord shall be entitled to the entire award in any condemnation proceeding, including any award for the value of the unexpired term of this Lease, and Tenant shall have no claim against Landlord or against the condemnation proceeds except that Tenant shall have the right to claim and recover from the

condemning authority compensation for Tenant's moving expenses, business interruption or taking of Tenant's personal property (not including Tenant's leasehold interest); provided that such damages may be claimed only if they are separately awarded and do not reduce the damages recoverable by Landlord. Upon request, Tenant will grant possession and use to the governmental authority.

16. ASSIGNMENT AND SUBLETTING

16.1. Transfers. Tenant shall not voluntarily or involuntarily assign or encumber this Lease or any interest therein, or sublet the whole or any part of the Premises (any of which being a "**Transfer**" and any such assignee, mortgagee, or other transferee being a "**Transferee**") without obtaining Landlord's prior written consent. To assist Landlord in determining whether to consent to a Transfer, Tenant shall submit the following to Landlord as well as any other information reasonably requested by Landlord, (i) the name and jurisdiction of the Transferee; (ii) the proposed use of the Premises; (iii) the terms of the proposed Transfer; (iv) current financial statements and the most recent filed federal income tax return of the proposed Transferee; and (v) the proposed Transfer documents. Consent to any Transfer shall not operate as a waiver of the necessity of a consent to any subsequent Transfer. Landlord's consent shall not be unreasonably withheld if all of the following conditions precedent are satisfied:

(a) The Transferee has a tangible net worth which is equal to or greater than that of Tenant when Tenant entered into this Lease and is at least as creditworthy as Tenant when Tenant entered into this Lease;

(b) The proposed Transferee will use the Premises for uses which (i) in Landlord's reasonable opinion, are consistent with the general character and reputation of the Property and Project, (ii) will not increase the rate of wear and tear to the Premises or increase the risk of environmental contamination of the Property, (iii) will not require new tenant improvements incompatible with then existing building systems and components, and (iv) do not violate the exclusive use clauses of any other tenant of the Project;

(c) Tenant pays Landlord's administrative fee described below and Landlord's actual, reasonable, out of pocket costs and attorneys' fees incurred in connection with negotiation, review and processing of the Transfer; and

(d) Tenant is not then in default at the time of requesting a Transfer or prior to the date of the Transfer.

16.2. Entity Ownership. The cumulative (*i.e.*, in one or more sales or transfers, by operation of law or otherwise) transfer of an aggregate of 50% or more of the ownership interests which is (i) Tenant, and (ii) an assignee of Tenant, shall be deemed a Transfer of this Lease and shall be subject to the provisions of Section 16.1. Any entity which has undergone any of the changes described in this Section 16.2 shall be deemed to be a Transferee. The terms of this Section 16.2, however, shall not be applicable to any tenant corporation the outstanding voting stock of which is listed on a national securities exchange actively traded "over the counter." In the event any of the owners, members or shareholders of Tenant sell or otherwise transfer their interests, shares or ownership in Tenant, the succeeding owner, shareholder or member shall sign

the personal guaranty of lease in the form attached as Exhibit F prior to the effective date of any such entity ownership change.

16.3. Transferee Obligation. Any assignee shall assume all obligations of Tenant in writing and shall be jointly and severally liable with Tenant for the payment of rent and performance of all of Tenant's obligations under this Lease. Any sublessee will be required to assume all obligations of Tenant to the extent they relate to the subleased premises. Tenant shall provide Landlord with duplicate originals of all Transfer documents. In the event of default, Landlord may, without affecting Landlord's rights against Tenant, its Transferee or any other Person, proceed against Tenant or any Transferee or any other Person liable for Tenant's obligations hereunder. Tenant shall provide the notice address for any subtenant or assignee to Landlord prior to the effective date of the Transfer and if it is not provided, the applicable notice address shall be deemed to be the Premises.

16.4. Excess Rent. Any amounts payable by an assignee to its assignor in excess of the Base Rent and Additional Rent due hereunder shall be allocated 50% to Landlord and 50% to Tenant. Similarly, any amounts payable by a sublessee to its sublessor which, on a per square foot basis exceed the Base Rent and Additional Rent due hereunder, shall be allocated 50% to Landlord and 50% to Tenant. The terms of this Section 16.6 shall not be applicable in the event of a Transfer to an Approved Transferee.

16.5. Fees. Any request for consent to a Transfer shall be accompanied by payment of a non-refundable fee equal to \$150.00 per hour of Landlord's administrative time to compensate Landlord for the process associated with the request. In addition, Tenant shall reimburse Landlord for any actual, reasonable out-of-pocket costs incurred by Landlord in connection with the request.

16.6. Right to Recapture. In lieu of granting consent to any proposed Transfer, Landlord reserves the right to terminate this Lease or, in the case of subletting of less than all the Premises, to terminate this Lease with respect to such portion of the Premises, as of the proposed effective date of such Transfer, in which event Landlord may enter into the relationship of landlord and tenant with such proposed Transferee without liability to Tenant. The terms of this Section 16.6 shall not be applicable in the event of a Transfer to an Approved Transferee.

16.7. Approved Transferees. Notwithstanding anything to the contrary in the Lease, Tenant may without the consent of Landlord, sublet or assign the Lease or its interest thereunder to any corporation, limited liability company, general or limited partnership, limited liability partnership, trust, or other entity that controls or is controlled by, or is under common control with Tenant or is related to Tenant by merger or consolidation (an "**Approved Transferee**"). In order for a Transfer to an Approved Transferee to be effective, prior to any such Transfer, Tenant must provide to Landlord a notice of the Transfer containing the full legal name and notice address of the Approved Transferee and its relationship to Tenant, and within 10 days after the Transfer is effective, Tenant must give notice of the effective date to Landlord along with a copy of the Transfer document. Further, if the Transfer is an assignment, Tenant must provide an acknowledgement by any assignee of its assumption of the Tenant's obligations under this Lease. If the Transfer is a sublease, Tenant must provide an acknowledgement by the subtenant that it waives all claims against Landlord, it agrees to abide by the terms of this Lease including the Rules and Regulations, and any other terms reasonably requested by Landlord. Tenant shall also provide

any evidence reasonably requested by Landlord to prove the relationship between Tenant and the Approved Transferee.

17. INSOLVENCY AND DEFAULT

17.1. Defaults. Tenant shall be in default under this Lease if (a) Tenant fails to pay any rent when due, (b) Tenant breaches any agreement, covenant or representation under this Lease or fails to perform any obligation under this Lease, or (c) a default by Northwest Gastroenterology Professional Limited Liability Company occurs and is not cured within the applicable notice and cure period provided in the lease between such tenant and Landlord for a portion of the Building. Subject to the late charges and interest due under Section 17.7 and the fee described in this Section 17.1, Landlord agrees that it shall not invoke its remedies under this Section 17 following a default by Tenant if, in the case of a monetary default, Tenant cures the default within 5 business days after written notice of the default from Landlord, and in the case of a non-monetary default, if Tenant cures the default within 20 days after written notice of the default from Landlord; provided that if the non-monetary default cannot be cured within 20 days, then Tenant shall be granted such additional time to cure the default as is reasonably necessary if Tenant commences the cure as soon as reasonably possible and within the 20-day period and diligently pursues the cure to completion. Tenant shall also be in default hereunder if a Financial Distress Default occurs (defined below). If a default occurs and Tenant fails to cure the default within any applicable cure period, Landlord may, immediately or at any time thereafter, and without preventing Landlord from exercising any other right or remedy, elect to terminate this Lease by notice, by lawful entry or otherwise, whereupon Landlord shall be entitled to recover possession of the Premises from Tenant and those claiming through or under Tenant. Termination of this Lease and any repossession shall be without prejudice to any remedies Landlord has for arrears of rent or for a prior breach of any of the provisions of this Lease. In addition, Landlord may require Tenant to pay to Landlord a fee of \$300 for each non-monetary default that is not cured within the applicable cure period. The fee shall be due and payable within 10 days after Landlord's invoice and if not paid within that time period shall represent a monetary default.

In case of such termination, Tenant shall indemnify Landlord against all costs and expenses including the amounts due under Sections 17.2 and 17.3. If Tenant fails to perform any of Tenant's covenants which Tenant has failed to perform at least twice previously in any 12-month period (although Tenant shall have cured any such previous breaches after notice from Landlord, and within the cure period), then Landlord may there-after, without further notice, exercise any remedies permitted by this Section 17 or by law, including but not limited to termination of this Lease.

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

17.2. Expense Recovery. Items of expense for which Tenant shall indemnify Landlord shall include but not be limited to: (i) all reasonable costs and expenses incurred in collecting amounts due from Tenant under this Lease or obtaining Tenant's compliance with this Lease

(including attorneys' fees); (ii) the unamortized portion of (a) leasing commissions paid in connection with this Lease, and (b) all reasonable and necessary costs incurred by Landlord to improve the Premises (such amortization to be based on a straight line basis over the initial Term with interest at 12%); and (iii) all Landlord's other costs proximately caused by the termination. The above sums shall be due and payable immediately upon notice from Landlord without regard to whether the cost or expense was incurred before or after the termination of this Lease. If proceedings are brought under the Bankruptcy Code, including proceedings brought by Landlord, which relate in any way to this Lease (in any of such cases a "**Proceeding**"), then Landlord shall be paid the costs incurred by Landlord in connection with the Proceedings.

17.3. Damages. Notwithstanding termination of this Lease and reentry by Landlord pursuant to Section 17.1, Landlord shall be entitled to recover from Tenant:

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

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

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

17.3.4. Any other amount necessary to compensate Landlord for all the damage proximately caused by Tenant's failure to perform Tenant's obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including amounts due and payable pursuant to Section 17.2.

17.4. Non-Termination of Lease. No act of Landlord other than a written declaration of termination of Lease shall serve to terminate this Lease. If Tenant defaults hereunder and fails to cure the default within any applicable cure period, Landlord shall have the right to reenter the Premises and relet the Premises for Tenant's account, without terminating the Lease. If Landlord reenters the Premises and does not elect to terminate this Lease, Tenant shall indemnify Landlord for the loss of rent by a payment at the end of each month during the remaining Term representing the difference between the Base Rent, and other charges which would have been paid in accordance with this Lease and the rental actually derived from the Premises by Landlord for such month. Separate actions may be maintained by Landlord against Tenant from time to time to recover any damages which, at the commencement of any action, are then due and payable to Landlord under this Section 17 without waiting until the end of the Term of this Lease.

17.5. Reletting. If Tenant's right of possession has been terminated (with or without termination of this Lease), Landlord may at any time, and from time to time, relet the Premises in

whole or in part either in its own name or as agent of Tenant for any period equal to or greater or less than the remainder of the then-current Term. All rentals received by Landlord from such reletting shall be applied first to the payment of any amounts other than rent due hereunder from Tenant to Landlord; second, to the payment of any costs and expenses of such reletting and of alterations and repairs; third, to the payment of rent and additional rent due and unpaid hereunder; and the residue, if any, shall be held by Landlord and applied in payment of future rent and additional rent as they become due hereunder. Upon a reletting of the Premises, Landlord shall not be required to pay Tenant any sums received by the Landlord in excess of amounts payable in accordance with this Lease.

17.6. Right of Landlord to Cure Defaults. If Tenant defaults under this Lease, Landlord may cure the default, at Tenant's expense, immediately and without notice if Landlord believes the default creates a risk of damage to persons or interests of others, or in any other case only upon Tenant's failure to remedy such default within 10 days after Landlord notifies Tenant in writing of such default. Tenant shall reimburse Landlord for any reasonable costs of the cure with interest at the Default Rate. Landlord shall have the same rights and remedies as for the non-payment of sums due under this Section 17 as in the case of default by Tenant in the payment of rent.

17.7. Unpaid Sums and Service Charge. Any amounts owing from Tenant to Landlord under this Lease shall bear interest at 12% per annum (the "**Default Rate**"), calculated from the date due or expended until the date of payment. In addition, if any payment of rent, or other charges, is not paid within 10 days of its due date, Tenant shall pay a late charge equal to the greater of \$150 or 10% of the overdue amount as liquidated damages for Landlord's extra expense and handling of such past due account.

Landlord shall use commercially reasonable efforts to mitigate its damages within the ordinary course of Landlord's real estate business but such mitigation efforts shall not be required by this Lease or applicable law to include a sale of the Property or prioritizing a lease of the Premises over other vacant or otherwise available space within the Project.

17.8. Financial Distress.

17.8.1. Definition. Each of the following shall be a "**Financial Distress Default**" under this Lease unless cured within the cure periods set forth below: (a) the making by Tenant of any general assignment or general arrangement for the benefit of creditors; the filing by or against Tenant of a petition to have Tenant adjudged a bankrupt, or a petition for reorganization or arrangement under any law relating to bankruptcy; (b) the appointment of a trustee or a receiver to take possession of all or any part of Tenant's assets; or (c) the entry of any final judgment against Tenant. Tenant shall immediately notify Landlord upon the occurrence of any Event of Financial Distress. Tenant shall have 60 days to cure a default under clause (a) above by having the petition dismissed. Tenant shall have 30 days to cure a default under clause (b) above by having the trustee or receiver dismissed or otherwise regaining possession of Tenant's assets. Tenant shall have 30 days to cure a default under clause (c) above by having the judgment discharged or satisfied. If the particular Financial Distress Default is not cured within the time periods provided above, then the provisions of Section 17.8.2 shall apply.

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

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

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

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

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

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

(f) For the purposes of Section 365(b)(1) the Bankruptcy Code, adequate assurance of future performance of this Lease by Tenant, Trustee or any proposed assignee of the Lease will require that Tenant, Trustee or the proposed assignee deposit 2 months of Base Rent and additional rent payments into an escrow fund (to be held by the court or an escrow agent approved by Landlord and the court) as security for such future performance. In addition, if the Lease is to be assigned, adequate assurance of future performance by the proposed assignee shall require that: (i) the assignee have a tangible net worth equal to 5 times the annual rent due hereunder or that such assignee’s performance be unconditionally guaranteed by a person or entity that has a tangible net worth not less than the above amount; (ii) assignee assume in writing all of Tenant’s obligations under the Lease.

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

17.9. Landlord Defaults. If at any time Landlord has failed to perform any of its obligations hereunder, Tenant may give written notice to Landlord with the specifics of the problem and Landlord shall promptly commence and diligently pursue a cure of any default by it

hereunder. Tenant shall have all rights and remedies available at law and in equity other than the right to self-help, offset against rent or termination the Lease.

17.10. Liquidated Damages. In addition to all other rights and remedies of Landlord herein, including the amounts payable to Landlord pursuant to Sections 17.2-17.7, in the event of a default by Tenant resulting in the termination of this Lease or termination of Tenant's right of possession of the Premises between the date Landlord commences construction on the Premises in accordance with Exhibit C and the end of the 12th month of the Term, to compensate Landlord for the lost opportunity costs associated with the Premises in recognition that Landlord would not have otherwise developed the Land or would not have built the Building in the size or otherwise as required by Tenant, Tenant agrees to pay Landlord (a) the tenant improvement costs specific to Tenant's plans for the Building; and (b) liquidated damages in the amount of \$250,000.00. The parties have agreed that Landlord's actual damages, in the event of Tenant's default would be extremely difficult or impracticable to determine. After negotiation, the parties have agreed that, considering all the circumstances existing on the date of this Lease, the amount of the liquidated damages stated herein is a reasonable estimate of the damages that Landlord would incur in such event. The parties agree the amounts described above in clauses (a) and (b) shall only be sufficient to compensate Landlord for its lost opportunity costs as it relates to the Land and development and shall not be sufficient to compensate Landlord for an early termination of this Lease or a breach or default by Tenant, the damages for which are set forth in Section 17 above and shall be in addition to all liquidated damages described in this Section.

18. SUBORDINATION AND ESTOPPEL

18.1. Priority. Landlord warrants that there is no Mortgage (defined below) on the Land, Building, Premises, or any interest of Landlord therein as of the date of this Lease. For any new Mortgage placed upon the Land, Building, Premises, or any interest of Landlord therein, after the date of this Lease, Landlord shall use commercially reasonable efforts to obtain an executed Subordination, Non-Disturbance, and Attornment Agreement ("SNDA") executed by Landlord and Landlord's lender for Tenant. This Lease shall be subordinate to any financing, now existing or hereafter placed upon the Property by Landlord (each, a "**Mortgage**"). The foregoing provision shall be self-operative. However, Tenant shall execute and deliver any subordination agreement satisfactory in form and substance to the holder of a Mortgage if such subordination agreement provides in substance that so long as Tenant is not in default under this Lease, Tenant shall have the continued enjoyment of the Premises free from any disturbance or interruption by any holder of a Mortgage or any purchaser at a foreclosure or private sale of the Property. If Landlord's interest in the Premises is acquired by any ground lessor, holder of a Mortgage, or purchaser at a foreclosure sale, or transferee thereof, Tenant shall attorn to the transferee of or successor to Landlord's interest in the Premises and recognize such transferee or successor as Landlord under this Lease. Tenant waives the protection of any statute or rule of law which gives or purports to give Tenant any right to terminate this Lease or surrender possession of the Premises upon the transfer of Landlord's interest.

18.2. Estoppel Certificates. Tenant shall, within 10 days of demand, execute and deliver to Landlord a written statement certifying, to Tenant's knowledge: (i) the commencement and the expiration date of the Lease Term; (ii) the amount of Base Rent and the date to which it has been paid; (iii) that this Lease is in full force and effect and has not been assigned or amended

(or specifying the date and terms of each agreement) and that no part of the Premises has been sublet (or if not the case, a copy of any sublease); (iv) that Landlord is not in default under this Lease (or if not the case, an explanation of such default); (v) there are no defenses or claims which Tenant has against the enforcement of this Lease by Landlord (or if such is not the case, an explanation of same); (vi) the amount of the Security Deposit then held by Landlord; and (vii) any other fact or representation that a mortgagee or purchaser requests. It is intended that any such statement shall be binding upon Tenant and may be relied upon by a prospective purchaser or mortgagee. If Tenant fails to respond within 10 days of receipt of written notice from Landlord requesting such a statement, in addition to Landlord's rights under Section 17 above, (a) Tenant shall be deemed to have given a certificate as above provided, without modification, and shall be conclusively deemed to have admitted the accuracy of any information supplied by Landlord to a prospective purchaser or mortgagee, and (b) Landlord may impose a fee of \$250 per day for each day of delay in providing the statement by Tenant after the 10-day period.

18.3. Notice. Tenant shall give written notice of any failure of Landlord to perform any of its obligations under this Lease to Landlord and to any ground lessor, mortgagee or beneficiary under any deed of trust encumbering the Project whose name and address have been furnished to Tenant and such parties shall have the right but no obligation to cure the default on Landlord's behalf. Landlord shall not be in default under this Lease unless Landlord (or such ground lessor, mortgagee or beneficiary) fails to cure such non-performance within 15 days after receipt of Tenant's notice, or such longer period as is reasonably necessary for the cure.

19. LANDLORD'S LIABILITY

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

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

20. MISCELLANEOUS PROVISIONS

20.1. Holding Over. If Tenant retains possession of the Premises after termination or expiration of this Lease, then for each day or part thereof Tenant retains possession, Tenant shall pay Landlord 150% the amount of the daily Rent payable by Tenant hereunder during the calendar month immediately preceding such termination or expiration together with any damages sustained

by Landlord as a result thereof, such tenancy shall be from month to month, and Landlord may terminate any such tenancy upon 30 days' notice to Tenant.

20.2. Headings. The titles and the table of contents are for convenience only and shall not be considered in construing or interpreting the scope or intent of this Lease.

20.3. Words. Words of any gender used in this Lease shall be deemed to include the other gender or the neuter and words in the singular shall be deemed to include the plural and the plural to include the singular where the sense requires. The adverbs "herein", "hereof", "hereunder", "hereto", "hereby", "hereinafter", and the like, wherever they appear herein, mean and refer to this Lease in its entirety and not to any specific Section or paragraph.

20.4. Heirs and Assigns. Subject to Section 16, this Lease shall inure to the benefit of and be binding upon Landlord and Tenant and their respective heirs, executors, administrators, successors and assigns and shall also run to the benefit of all future owners of the Premises. If more than one person or entity executes this Lease as Tenant, the liability of each shall be joint and several.

20.5. Non Waiver. Failure of either Tenant or Landlord to insist, in any one or more instances, upon strict performance of any term of this Lease, or to exercise any option herein contained, shall not be construed as a waiver, of such term or option. The receipt by Landlord of Base Rent or Additional Rent with knowledge of a breach of any of the terms of this Lease by Tenant shall not be deemed a waiver of such breach. Landlord shall not be deemed to have waived any provision of this Lease unless expressed in writing and signed by Landlord.

20.6. Entire Agreement. This Lease contains the entire agreement of the parties with respect to the subject matter hereof and no representations or agreements, oral or otherwise, between the parties not embodied herein shall be of any force or effect. No provisions of this Lease may be changed orally, but only in writing executed by Landlord and Tenant.

20.7. Interpretation. Any provision of this Lease which shall prove to be invalid or illegal shall in no way affect or invalidate any other provision hereof and the remaining provisions hereof shall remain in full force and effect. This Lease has been negotiated at arm's length and between persons sophisticated and knowledgeable in the matters dealt with herein. Each party had the opportunity to be represented by experienced and knowledgeable legal counsel. Accordingly, any rule of law or legal decision that would require interpretation of any ambiguities in this Lease against the drafter is not applicable and is waived.

20.8. Brokers. Tenant warrants to Landlord that except for any brokers listed in Section 1.1, it has not engaged any broker, finder or other person entitled to any commission or fee for the negotiation, execution or delivery of this Lease. Any fee due from Landlord to a Tenant's broker must be set forth in a separate agreement between Landlord and such broker. Tenant shall indemnify and defend Landlord against any other claims for commission arising out of agreements made or alleged to have been made by or on behalf of Tenant. Landlord shall indemnify and defend Tenant against any other claims for commission arising out of agreements made or alleged to have been made by or on behalf of Landlord.

20.9. Force Majeure. Time periods for Landlord's or Tenant's performance under any provisions of this Lease (except for the payment of money) shall be extended for periods of time during which the non-performing party's performance is prevented due to circumstances beyond the party's control, including, without limitation, strikes, embargoes, governmental regulations, inclement weather and other acts of God, war or other strife.

20.10. No Accord or Satisfaction. Payment by Tenant or receipt by Landlord of a lesser amount than the rent and other charges stipulated herein shall be deemed to be on account of the earliest stipulated rent or other charges. No endorsement on any check or any letter accompanying any payment shall be deemed an accord and satisfaction, and Landlord's acceptance of such check or payment shall be without prejudice to Landlord's right to recover the balance of the amount due or pursue any other remedy to which it is entitled.

20.11. Notices. All notices and requests to be given under this Lease (except as otherwise provided herein) shall be in writing and either delivered in person or sent by overnight courier, if sent to Landlord, to **2219 Rimland Drive, Suite 115, Bellingham, WA 98226**, and if to Tenant, to the Premises, with a copy via e-mail or facsimile to: _____, or such other e-mail addresses and/or facsimile numbers as may hereafter be designated by either party in writing. Notices shall be deemed given when delivered (including by courier) or if mailed as aforesaid, shall be deemed given upon receipt or refusal to accept. Tenant hereby appoints as its agent to receive the service of all dispossessory proceedings or proceedings to seize Tenant's personal property and notices thereunder the person in charge of or occupying the Premises at the time, and, if no person shall be in charge of occupying the same, then such service may be made by attaching the same on the main entrance of the Premises.

20.12. Tax on Rent. The rent herein is exclusive of any sales, business and occupation, gross receipts or other tax based on rents, or tax on Tenant's property or tax upon or measured by the number of employees of Tenant, or any similar tax or charge. If any such tax or charge be hereinafter enacted, and imposed upon Landlord, Tenant shall pay Landlord the amount thereof concurrently with each monthly rent payment. If it shall not be lawful for Tenant so to reimburse Landlord, the monthly rent payable to Landlord under this Lease shall be revised to net Landlord the same net rental after imposition of any such tax or charge upon Landlord as would have been payable to Landlord prior to the imposition of such tax or charge. Tenant shall not be liable to reimburse Landlord for any federal income tax or other income tax of a general nature applicable to Landlord's income, or tax upon or measured by the number of employees of Landlord.

20.13. Changes. Landlord reserves the right at any time, without thereby creating an actual or constructive eviction or incurring any liability to Tenant, to change the arrangement or location of public areas, including entrances, passageways, parking lots and other public service areas of the Project provided such changes do not materially diminish the availability or the utility of such items. Tenant acknowledges Landlord's intention to construct other improvements in the Project and on the Land. Tenant agrees not to object to Landlord's other developments provided they do not unreasonably interfere with the Tenant. Landlord agrees to comply with all local planning ordinances and building codes in the construction of these additional developments. Landlord does not guarantee the continued present status of light or air over any property adjoining or in the vicinity of the Property. Any diminution or shutting off of light, air or view by any

structure which may be erected near or adjacent to the Property shall in no way affect this Lease or impose any liability on Landlord.

20.14. Title. So long as Tenant performs all of Tenant's obligations under this Lease, Tenant's right to possession of the Premises shall not be interfered with by Landlord or any third parties claiming superior possessory rights.

20.15. Financial Statements. Within 20 days of request by Landlord, Tenant shall provide to Landlord copies of Tenant's most recent financial statements and tax returns for Tenant, and any assignee, subtenant, and guarantor under this Lease.

20.16. Corporate Authority. If Tenant is a business entity, then each individual signing this Lease on behalf of Tenant represents and warrants that he/she is duly authorized to execute and deliver this Lease on behalf of such business entity, and that this Lease is binding on Tenant in accordance with its terms. Concurrently with the execution of this Lease, Tenant shall deliver to Landlord any entity resolutions or consents requested by Landlord to evidence such authority.

20.17. Costs and Attorneys' Fees. In the event of litigation between the parties hereto, declaratory or otherwise, for the enforcement of any of the covenants, terms or conditions of this Lease, the non-prevailing party shall pay the costs thereof and attorneys' fees actually incurred by the prevailing party, in such suit, at trial and on appeal. In addition, if Landlord engages counsel to enforce the terms of this Lease, including without limitation, for the purpose of preparing a delinquency notice, Tenant shall be required to reimburse Landlord for all costs incurred before the subject default is considered cured. In addition, if Tenant becomes involved in any bankruptcy proceedings, Tenant shall reimburse Landlord for all attorneys' fees and costs incurred by Landlord in connection with such proceedings, including fees and costs incurred in Landlord's effort to protect its interests.

20.18. No Reservation. The submission of this Lease for examination does not constitute a reservation or option to Lease the Premises and this Lease becomes effective as a Lease only upon execution and delivery thereof by Landlord and Tenant and further, at Landlord's option is only effective upon (a) delivery by Tenant of the Security Deposit and any pre-paid rent required by this Lease, and (b) Landlord's receipt of fully executed personal guarantees of this Lease from each of the Guarantors listed in Section 1.1. above on the form attached hereto as Exhibit F.

20.19. Counterparts and Recording. This Lease may be executed and delivered in counterpart, and delivery may be by fax or e-mail PDF. A digital version of the fully assembled, fully executed Lease is binding as an original and are "best evidence" hereof. This Lease shall not be recorded by either party.

20.20. Choice of Law and Venue. This Lease shall be governed by the law of the State of Washington and venue for any litigation, dispute or proceeding shall be in Whatcom County, Washington.

20.21. Nondisclosure of Lease Terms. Unless Landlord elects otherwise, the terms and conditions of this Lease constitute proprietary information of Landlord that Tenant will keep confidential. Tenant's disclosure of the terms of this Lease could adversely affect Landlord's ability to negotiate other leases and/or impair Landlord's relationship with other tenants.

Accordingly, Tenant will not directly or indirectly disclose the terms or conditions of this Lease to any person or entity other than Tenant's affiliates, subsidiaries, parent entities, partners, beneficiaries, trustees, officers, directors, shareholders, principals, owners, members, managers, insurers, employees, agents, lenders, attorneys or accountants and proposed assignees, sublessees, purchasers, and transferees who have a legitimate need to know such information and who, if requested by Landlord, agree in a written form to keep the same confidential.

20.22. Measurement/Adjustment. The rentable area of the Premises set forth in Section 1.1 is subject to adjustment based on measurement of the Building by Landlord and if such area is adjusted, the Tenant's Share shall be automatically adjusted based on the new measurement.

20.23. USA Freedom Act and Anti-Terrorism Laws. Landlord and Tenant each represent and warrant that neither they nor the officers and directors controlling Landlord and Tenant, nor any person or entity that directly owns a 10% or greater equity interest in it, respectively, are or are acting, directly or indirectly, for or on behalf of any person, group, entity, or nation with whom U.S. persons or entities are restricted from doing business under the regulations of the Office of Foreign Asset Control ("OFAC") of the United States Treasury Department, including those named on the OFAC's Specially Designated National and Blocked Person List, or are or are acting directly or indirectly for or on behalf of any person, group, entity, or nation designated in Presidential Executive Order 13224 signed on September 24, 2001 ("Executive Order") or in the USA Freedom Act (enacted June 2, 2015) ("USA Freedom Act") as a person who commits, threatens to commit, or supports terrorism; or are or are acting directly or indirectly for a person, group, entity or nation in violation of the International Money Laundering Abatement and Financial Anti-Terrorism Act of 2001 or the regulations or orders promulgated thereunder (the "Money Laundering Act"); and that they are not engaged in this transaction directly or indirectly on behalf of, or facilitating this transaction directly or indirectly on behalf of, any such person, group, entity or nation. Each party agrees during the Term of this Lease to comply with the Executive Order, USA Freedom Act and the Money Laundering Act, and to defend, indemnify, and hold harmless the other party from and against any and all claims, damages, losses, risks, liabilities and expenses (including reasonable attorneys' fees and costs) arising from or related to any breach of the foregoing representation and warranty.

20.24. Intentionally omitted.

20.25. Time of the Essence. Time is of the essence hereof.

20.26. Effect of Words; Gender; Singular; Plural. Whenever any words of obligation or duty regarding either of the parties are used in this Lease, such words shall have the same force and effect as though in the express form of covenants. Whenever appropriate from the context, the use of any gender shall include any other or all genders, and the singular number shall include the plural, and the plural shall include the singular. Unless otherwise expressly provided, the word "including" means "including, without limitation," and does not limit the preceding words or terms.

20.27. Cooperation. Landlord hereby agrees to reasonably cooperate (at no out of pocket cost to Landlord) with Tenant in Tenant's efforts to apply for and secure any building permit,

signage variances or permission of any duly constituted authority for the purpose of doing any of the things which Tenant is required or permitted to do under the provisions of this Lease.

20.28. Pets and Bicycles. Tenant expressly acknowledges and agrees Tenant and its employees and invitees are expressly prohibited from bringing bicycles and animals into the Building except in strict compliance with the Rules and Regulations as attached hereto and as the same may be reasonably amended from time to time.

20.29. Landlord Right to Terminate. In the event that either (a) simultaneously or within five (5) business days of mutual execution of this Lease by the parties hereto a new lease between Landlord and Northwest Gastroenterology Professional Limited Liability Company for 50% of the rentable square feet of the Building is not executed in full with submission to Landlord of the security deposit, pre-paid rent and fully executed personal guarantees of lease as required therein; or (b) the cost of construction of developing the Property and constructing the Building and Tenant Improvements increases after execution of this Lease and prior to the date Landlord commences construction and the date the contingencies set forth in Section 20.30 are waived or satisfied, to an extent making the terms of this Lease impracticable for Landlord, as reasonably determined by Landlord, and the parties do not enter into an amendment to this Lease adjusting Base Rent to account for such increased costs, Landlord has the right to terminate this Lease by written notice to Tenant and shall return to Tenant the pre-paid rent and Security Deposit and neither party shall have any further obligation to the other, except as may expressly survive termination of this Lease.

20.30 Lease Contingency. The effectiveness of this Lease is contingent on Tenant obtaining from the State of Washington a “certificate of need” pertaining to Tenant’s permitted use at the Premises. Tenant covenants to use commercially reasonable efforts to obtain the certificate described hereinabove; however, if such contingency is not satisfied within ___ days of mutual execution of this Lease, Tenant shall notify Landlord and this Lease shall terminate immediately with neither party having any further obligation to the other except that Landlord shall promptly return Tenant’s security deposit and pre-paid rent. Tenant agrees to provide prompt written notice to the other upon satisfaction of either contingency.

Signatures on following pages

Tenant: NORTHWEST ENDOSCOPY CENTER LLC,
a Washington professional limited liability company

By: _____
Benjamin Siemanowski, MD
Its: Medical Director and _____

STATE OF WASHINGTON)
) ss.
COUNTY OF _____)

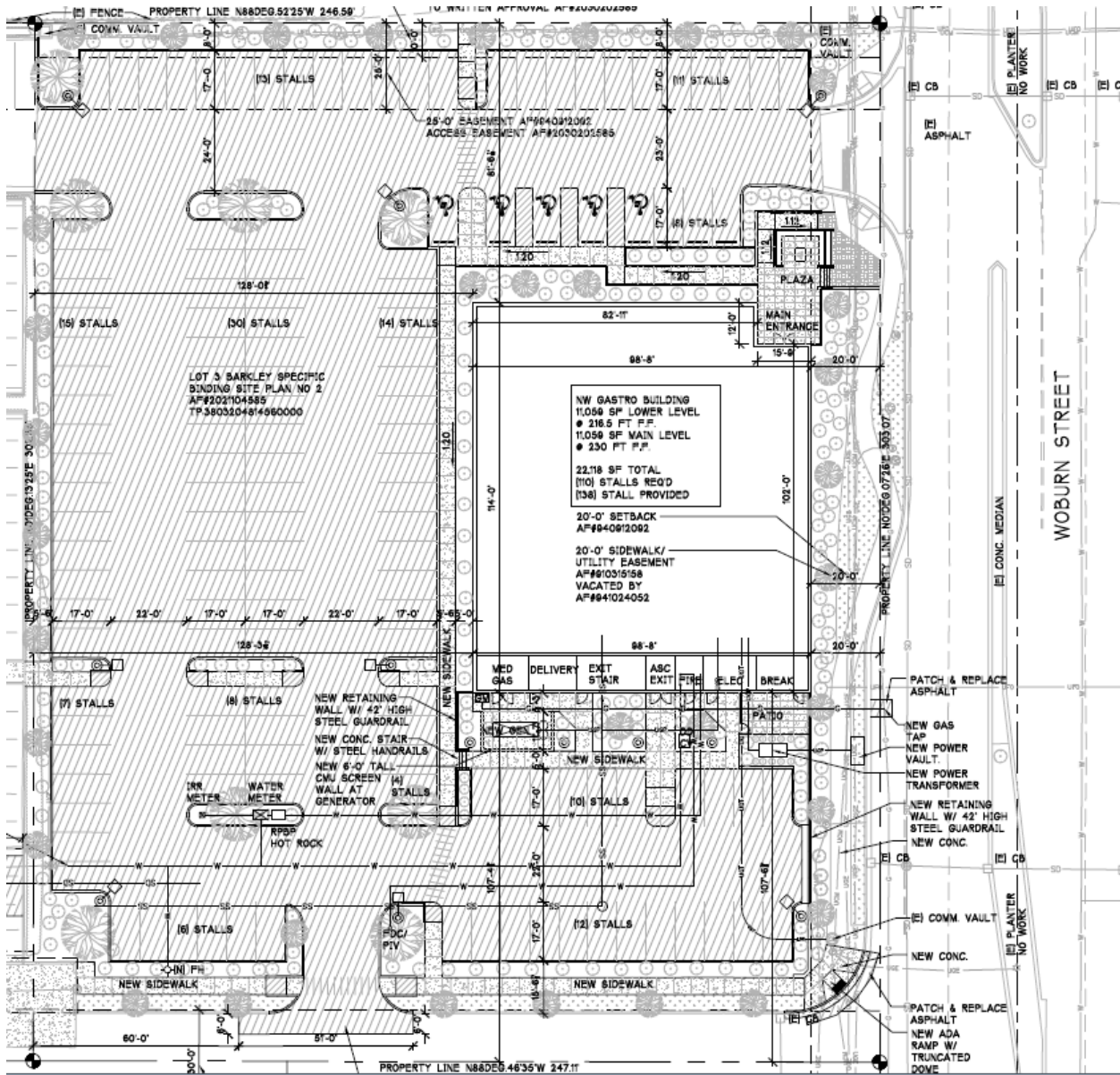
I certify that I know or have satisfactory evidence that **Benjamin Siemanowski, MD** signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the _____ of **Northwest Endoscopy Center LLC** to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: _____.

(Signature)

Title
My appointment expires _____

SITE PLAN



SPACE PLAN

TO BE PROVIDED

EXHIBIT B

BASE RENT SCHEDULE AND TABLE

1. Determination of Base Rent. Base Rent for the Building will be determined based on Landlord's cost to construct the Building and develop the Property according to Exhibit C. Base Rent will be calculated as a percentage of the total cost of Landlord's Work together with the current value of the Land and an annual return of 7.00%.

2. Tenant's Base Rent. Tenant will pay 50% of the Base Rent determined according to Section 1. Based upon current estimates, Tenant's annual payments of Base Rent in the first year of the Term would be \$450,103.50, or \$38.50/RSF multiplied by 11,691 RSF. Following actual determination of the cost of Landlord's Work, Landlord will revise the table below (provided as an example) and provide to Tenant an updated table setting forth the actual Base Rent for the Term, including annual escalations of the annual Base Rent rate of two and one half percent (2.5%) occurring on the anniversary of the Commencement Date throughout the Term.

3. Security Deposit and Pre-Paid Rent. The amount of Security Deposit and pre-paid rent due from Tenant upon execution of the Lease and provided in Section 1.1 of the Lease are estimates only. Upon final determination of Base Rent, Tenant shall deposit such additional funds with Landlord such that the Security Deposit will be equal to the actual last month's Base Rent and the pre-paid rent will be equal to the actual first month's Base Rent.

EXAMPLE BASE RENT TABLE

Period	Annual Rent/ RSF	Annual Base Rent	Monthly Base Rent	Tenant's Monthly Base Rent
Months 1 – 12	\$38.50	\$900,207.00	\$75,017.25	\$37,508.63
Months 13 –24	\$39.46	\$922,712.18	\$76,892.68	\$38,446.34
Months 25 – 36	\$40.45	\$945,779.98	\$78,815.00	\$39,407.50
Months 37 - 48	\$41.46	\$969,424.48	\$80,785.37	\$40,392.69
Months 49 - 60	\$42.50	\$993,660.09	\$82,805.01	\$41,402.50
Months 61 – 72	\$43.56	1,018,501.59	\$84,875.13	\$42,437.57
Months 73 – 84	\$44.65	1,043,964.13	\$86,997.01	\$43,498.51
Months 85 - 96	\$45.76	1,070,063.24	\$89,171.94	\$44,585.97
Months 97- 108	\$46.91	1,096,814.82	\$91,401.23	\$45,700.62
Months 109 – 120	\$48.08	\$1,205,610.42	\$93,686.27	\$46,843.14

EXHIBIT C

BUILD TO SUIT **TENANT IMPROVEMENTS**

Landlord agrees to construct a two story building of approximately 23,382 square feet in size on the terms set forth in this Exhibit C and the terms of the Lease. All of the work to be completed pursuant to the final Space Plan and all work to develop the Property (including landscaping, drive and parking areas, curbs, lighting, and utilities) shall be “**Landlord’s Work**”.

1. **Definition of Tenant Improvements.** Unless otherwise defined in this Exhibit C, the capitalized terms used herein shall have the meaning assigned to them in the Lease. The provisions of this Exhibit C shall apply to the planning and completion of tenant improvements requested by Tenant (the “**Tenant Improvements**”) for the fitting out of the Premises, as more fully set forth herein. Except as otherwise provided in this Exhibit C or in the Lease, Tenant shall accept the Premises from Landlord in its current “AS-IS” condition, and Landlord shall have no obligation to make any alterations, additions or improvements of any kind or nature in or to the Premises except as provided herein or in the Lease. In no event shall the Tenant Improvements include any personal property, or equipment or any telecommunications and/or data cabling or wiring desired by Tenant, the procurement and installation of which shall be the sole responsibility of Tenant, at its sole cost and expense. “**Tenant’s Work**” means any work required to prepare the Premises for Tenant’s use and occupancy other than the Tenant Improvements to be constructed by Landlord all of which shall be at Tenant’s sole cost and expense.

2. **Representatives.** Landlord hereby appoints **John Moullen** as Landlord’s representative to act for Landlord in all matters covered by this Exhibit C. Tenant hereby appoints _____ as Tenant’s representative to act for Tenant in all matters covered by this Exhibit C. All inquiries, requests, instructions, authorizations and other communications with respect to the matters covered by this Exhibit C shall be directed to Landlord’s representative or Tenant’s representative, as the case may be. Tenant will not make any inquiries of or request to, and will not give any instructions or authorizations to, any other employee or agent of Landlord, including Landlord’s architects, engineers, and contractors or any of their agents or employees, with regard to matters covered by this Exhibit C. Landlord will not make any inquiries of or request to, and will not give any instructions or authorizations to, any other employee or agent of Tenant, including Tenant’s contractors or any of their agents or employees, with regard to matters covered by this Exhibit C. Either Landlord or Tenant may change its representative at any time by written notice to the other. Tenant warrants and represents to Landlord that Tenant’s representative is duly authorized to act on Tenant’s behalf with respect to all matters covered by this Exhibit C, and agrees that Landlord and Landlord’s agents shall be entitled to rely on all requests, instructions, authorizations, approvals and other communications of any nature by, of or from such Tenant’s representative, it being agreed to by Tenant that such requests, instructions, authorizations, approvals and other communications shall be binding on Tenant for all purposes.

3. **Base, Shell and Core; Tenant Improvements.** Landlord shall construct, at its sole cost and expense (except as provided below), the base, shell, and core of the Building (the “**Base, Shell and Core**”) substantially in accordance with the specifications set forth on Schedule 1

attached hereto which shall include, without limitation, Building Standard electrical, Building Standard plumbing, exterior walls, ceilings, slab floors ready for floor covering, duct work to the Premises, and restrooms required by code. Landlord shall also construct certain improvements to the Premises requested by Tenant (the “**Tenant Improvements**”) pursuant to the plans and specifications approved by the Landlord and Tenant attached to this Lease as **Schedule 2** to this Exhibit C or, if the foregoing is not applicable, as finally approved by Landlord and Tenant, pursuant to Section 4 below (which shall include, without limitation, lighting fixtures, painting, carpeting, and blinds and window treatments). Tenant acknowledges and agrees that the Base, Shell and Core may be further defined and modified by Landlord during the planning and construction of the Building, it being understood and agreed that Landlord shall have the right to prepare and modify, as Landlord deems appropriate or desirable, plans and specifications for the Building (including the Base, Shell and Core) and that Landlord reserves the right to modify or revise the Tenant Improvements as they relate to the initial Premises, provided that (a) such modifications are required to comply with any applicable laws or (b) such modifications will not materially and adversely affect Tenant's permitted use of the Premises or the performance of Building systems relative to the specifications set forth in the Lease. Subject to the terms of this Exhibit C, Landlord shall construct the Base, Shell and Core and Tenant Improvements in compliance with all applicable laws.

4. Approval of Plans for Tenant Improvements. Landlord shall retain a licensed architect of its choice to prepare the plans and specifications for the Tenant Improvements. Promptly following the date of execution of the Lease by Tenant and direction by Tenant, Landlord shall cause its architect to furnish to Tenant for Tenant's approval a space plan for the Premises (collectively, the “**Space Plan**”). [Note: to be revised once final Space Plan is prepared and attached] If required, architect shall consult with Landlord's engineer in preparing the Space Plan, and incorporate such engineer's requirements into the Space Plan. The fees of such engineer shall be a Cost of Tenant Improvements (defined below). If Tenant fails to disapprove the Space Plan within the ten (10) business day period following its receipt of the Space Plan, the Space Plan shall be deemed approved. If Tenant shall disapprove of any portion of the Space Plan within such ten (10) business day period, Tenant shall advise Landlord of the reasons therefor and shall notify Landlord of the revisions to the Space Plan that are reasonably required by Tenant for the purpose of obtaining approval. Landlord shall within seven (7) days submit to Tenant, for Tenant's approval, a redesign of the Space Plan, incorporating the revisions required by Tenant. If the redesign of the Space Plan is not approved by Tenant within ten (10) business days following Tenant's receipt of same, then the period from the date of Tenant's receipt of such redesign until the date Tenant approves a subsequent redesign shall be deemed a “**Tenant Delay**” (as hereinafter defined). Landlord shall cause its architect to prepare from Tenant's approved Space Plan, complete architectural plans, drawings and specifications for Tenant's approval pursuant to the same process as set forth above for the Space Plan. The final plans for the construction of the Tenant Improvements are referred to herein as the “**Final Plans**”.

5. Cost of Tenant Improvements. Landlord shall construct the Tenant Improvements in the Premises in accordance with the Final Plans. Tenant Improvements Costs shall include preparation of the Final Plans and construction of the Tenant Improvements and all other hard and soft costs directly or indirectly related to furnishing and installing the Tenant Improvements, including, without limitation: the cost of constructing improvements; the cost of preparing engineering plans; architectural and other design fees, permit and other governmental fees; sales

and use taxes; traffic impact fees, costs of site services, facilities and utilities (such as trash removal, use of vertical transportation, electrical service, etc.). Tenant Improvements shall be constructed as specified in the Final Plans, and, except for Above-Standard Work, as defined below, shall be paid for by Landlord.

6. Approval of Final Tenant Cost Proposal. If the Final Tenant Cost Proposal includes any costs for Above-Standard Work, then the Final Tenant Cost Proposal shall be subject to Tenant's approval, which approval shall not be unreasonably withheld or delayed. Tenant shall deliver to Landlord written approval or disapproval of the Final Tenant Cost Proposal within ten (10) business days following Tenant's receipt thereof, if required. In the event that Tenant timely disapproves the Final Tenant Cost Proposal, Landlord and Tenant shall promptly work together in good faith to reach agreement on mutually acceptable reasonable changes to the Final Plans to achieve such cost reductions as are reasonably acceptable to Landlord and Tenant. Upon such changes, Landlord shall cause the Final Tenant Cost Proposal to be revised accordingly and resubmitted to Tenant for approval, which approval shall not be unreasonably withheld or delayed and such process shall be continued until the Final Tenant Cost Proposal is approved by Tenant. Landlord shall use reasonable care in preparing the Final Tenant Cost Proposal; provided, however, that the Final Tenant Cost Proposal shall not limit Tenant's obligation to pay the actual cost of any Above-Standard Work to the extent the costs in excess of the approved Final Tenant Cost Proposal are attributable to (a) any changes, modifications, or change orders requested by Tenant, (b) any Tenant Delay enumerated in Section 11 below that increases the cost of construction, and (c) any changes required by a governmental authority issuing the approvals and building permits for the Above-Standard Work requested by Tenant. **"Above-Standard Work"** means and includes costs attributable to: (i) office finishes above Building Standard, (ii) above-standard improvements such as rooftop gardens or similar features or solar panels, (iii) any changes, modifications, or change orders requested by Tenant to the Final Plans (after approved), (iv) any Tenant Delay enumerated in Section 11 below that increases the cost of construction, and (v) any changes required by a governmental authority issuing the approvals and building permits for the Above-Standard Work requested by Tenant and/or performing any inspection of the Above-Standard Work requested by Tenant.

7. Effect of Approval; Changes Required by Law. Tenant's approval of the Final Plans (initial or revised) will constitute Tenant's acknowledgment that such drawings correctly depict the proper layout and design for any and all improvements to the Premises desired by Tenant. Landlord shall cause the Tenant Improvements to be made in substantial conformance with the Final Plans, which work will be performed by one or more contractors engaged by Landlord. To the extent necessary, Landlord will submit the Final Plans to the appropriate governmental authorities for necessary approvals and building permits, and the approved Final Plans shall be revised to include such changes as may be required by such governmental authorities. In the event that any Above-Standard Work requested by Tenant triggers any requirements to make alterations, additions and/or changes to the Premises and/or any other portions of the Project or the Common Area, any such required alterations, additions and changes shall be considered part of the "Tenant Improvements" for purposes of this Exhibit C, whether or not such required alterations, additions or improvements are being made to the Premises, and the Final Tenant Cost Proposal shall be revised to include the cost thereof.

8. [Intentionally omitted].

9. [Intentionally omitted].

10. Tenant Delays. The term “**Tenant Delay(s)**” as used in the Lease and this Exhibit C shall include, without limitation:

(a) Tenant’s failure to timely supply information necessary to complete the Final Plans (or revisions to such drawings) or Tenant’s failure to otherwise comply with any time parameters set forth in this Exhibit C; or

(b) Tenant’s failure to timely approve the Final Tenant Cost Proposal, if required; or

(c) modifications, revisions and changes to the Final Plans requested by or on behalf of Tenant; or

(d) changes in the work requested by or on behalf of Tenant or orders to halt or delay the work given by or on behalf of Tenant; or

(e) any delay in the completion of the work caused by Tenant’s contractors or material suppliers; or

(f) any other delay of any kind or nature caused by Tenant or its contractors, architects, space planners or other agents or employees; or

(g) any delay in the completion of construction due to a cessation of work pursuant to Section 14 below.

11. Change Orders. Tenant may initiate changes in the work after approval of the Final Plans only by written instructions to Landlord’s representative on a form approved by Landlord. Such changes will be subject to Landlord’s prior written approval, which shall not be unreasonably withheld, conditioned, or delayed. Before commencing any change, Landlord will prepare and deliver to Tenant, for Tenant’s approval, the change order setting forth the additional time it will take to complete the Tenant Improvements and the cost of such change, which will include associated architectural, engineering and construction fees, if any, and the cost of such change for Landlord’s contractor’s overhead and profit. If Tenant fails to approve such change order within three (3) business days following its receipt of such change order, Tenant will be deemed to have withdrawn the proposed change and Landlord will not proceed to perform that change. If Tenant timely approves such change order, Tenant shall elect by written notice given to Landlord within five (5) business days to increase Base Rent in accordance with the terms of Exhibit B to the Lease or pay to Landlord the cost of the change in question (as quoted in the applicable change order) and, in the event that Tenant fails to pay such cost concurrently with its approval, then such failure shall constitute a Tenant Delay and Landlord shall have no obligation to proceed with the change until such payment is received from Tenant. Any delays resulting from requested change orders by Tenant or Tenant’s failure to comply with the time parameters set forth in this Exhibit C shall constitute a Tenant Delay.

12. Excessive Loads. Tenant agrees that should the nature of its layout or any of its equipment, fixtures or furnishings to be placed in the Premises place a burden in excess of the

Building's designed load, Tenant agrees to pay Landlord the cost of any modifications to the Building necessary to accommodate Tenant's furniture, furnishings or layout, as well as any design, engineering or other professional fees incurred by Landlord in connection with such modifications.

13. Alterations. Any alterations or improvements desired by Tenant after Landlord's delivery of the Premises shall be subject to the provisions of the Lease.

14. Defaults by Tenant. Any failure by Tenant to comply with any of the provisions of this Exhibit C shall constitute a Default by Tenant under the Lease, entitling Landlord to all remedies thereunder as well as all remedies otherwise available to Landlord. The amounts payable by Tenant hereunder shall constitute Additional Rent due under the Lease, and failure to make such payments when due shall constitute a Default by Tenant under the Lease, entitling Landlord to all remedies thereunder as well as all remedies otherwise available to Landlord. In addition, if any default by Tenant under the Lease or this Exhibit C occurs at any time prior to the completion of the Tenant Improvements, then, in addition to all other remedies otherwise available to Landlord under the Lease, Landlord shall have the right to cause the contractor to cease construction of the Tenant Improvements (and any such cessation shall constitute a Tenant Delay for purposes of this Exhibit C and the Lease) and all other obligations of Landlord under this Exhibit C shall be forgiven until such time as the default in question is cured pursuant to the terms of the Lease.

15. Punch List Items. Tenant shall have a period of thirty (30) days following the date that Tenant receives Notice from Landlord that the Tenant Improvements were Substantially Completed (the "**Substantial Completion Date**") to conduct a walkthrough of the Premises with Landlord to establish a punch list of items ("**Punch List Items**") to be completed by Landlord within a commercially reasonable period. The Punch List Items shall be limited to those components of the Tenant Improvements set forth in the Final Plans which Landlord is obligated to complete in accordance with this Exhibit C and which were not completed as of the Substantial Completion Date.

16. Building Systems. Landlord shall cause the roof of the Building, the windows in the Premises, the slab of the Building, the parking area serving the Premises and those portions of the Building systems located within and serving the Premises to be, as of the applicable Commencement Date, in good working order and condition; provided, however, that the foregoing shall not imply any representation or warranty as to the useful life of such systems, nor shall the foregoing diminish Tenant's responsibility to perform any repairs, modifications or improvements to the same necessitated after the Commencement Date, whether by reason of Tenant's use of the same, Tenant's Alterations, ordinary wear and tear, or otherwise.

Schedule 1 to Exhibit C

Construction of a two story office building shell containing approximately 23,382 rentable square feet with surface parking. Shell building includes a 671 SF exterior deck on the west side of the building, landscaping and all site improvements. Interior of the Core and Shell includes:

- All interior of exterior walls to level 4 smooth wall, primed and ready for final paint.
- Exterior walls duplex outlets to meet code.
- Armstrong prelude 2x4 ceiling grid; Armstrong 1761 tile throughout for open office.
- 2x4 flat panel LED Troffer lights at standard open office levels.
- VRF HVAC system with DOAS and HRV for ventilation.
- Common area restrooms required by code.
- Concrete floor ready for tenant selected flooring.

Schedule 2 to Exhibit C

Tenant Improvement Plans

General Notes:

- Level 4 smooth wall drywall finish.
- Three paint colors; one main and two accent.
- All partitions framed with 3-5/8" metal studs/track 20ga or equivalent.
- Acoustical batts insulation in all wall cavities, unless noted otherwise.
- All exterior south and west windows to have 1" horizontal metal miniblinds.

Entry/Vestibule 101:

- Walk-off carpet tile 7'5"x12' in vestibule.
- Wood cladding (Proderma, or similar) west vestibule wall to exterior building corner.
- (2) Vestibule (6) Entry LED can lights separately switched.
- Armstrong prelude 2x4 ceiling grid; Armstrong 1761 tile.
- Entry - Carpet tile flooring – Milliken integrated cushion backed or equivalent.
- Vestibule: one duplex outlet, Entry: two duplex outlets, one data location.
- 4" Rubber base both areas.
- Exterior vestibule entry 101A keyed storefront (Medeco IC cores) with access control (Electric strike and card reader to function with Brivo interface).
- Vestibule and entry storefront doors 42"
- Closers on both the exterior and interior vestibule doors 101A & 101B.

Hallways and Room Transitions:

- Carpet tile flooring – Milliken integrated cushion backed or equivalent.
- 4" Rubber base.
- Armstrong prelude 2x4 ceiling grid; Armstrong 1761 tile.
- 2x4 flat panel LED Troffer lights.
- Convenience duplex outlets, per code.

Offices:

- Partition walls framed to minimum 6" above drop ceiling.
- Armstrong prelude 2x4 ceiling grid; Armstrong 1761 tile.
- Carpet tile flooring – Milliken integrated cushion backed or equivalent.
- 4" Rubber base.
- Two double-duplex outlets, two data outlets with rings and strings (opposite walls).
- 2x4 flat panel LED troffer lights. 0-10V dimmable with occupancy sensor.
- 3070 Paint grade, full lite door in painted frame. Corbin Russwin, or equivalent cylindrical hardware with IC cores and Medeco keyways.

- ¼" Clear tempered glass in relights (where required) and full lite doors.

Open Offices:

- Armstrong prelude 2x4 ceiling grid; Armstrong 1761 tile.
- 2x4 flat panel LED troffer lights with light harvesting to meet code requirements.
- Carpet tile flooring – Milliken integrated cushion backed or equivalent.
- 4" Rubber base.
- Power and data distribution to open office workstations specified to VECA for pricing.

Common Bathrooms 125 & 127:

- Drywall hard-lid ceiling at 8'-6" AFF.
- Ceramic tile flooring and wainscot to 48".
- Floor drain.
- Power flush toilets, urinals with occupancy sensors.
- Bobrick, or equivalent toilet accessories.
- Semi-gloss paint.
- (5) LED can lights, one LED vanity light switched together.
- One GFCI outlet near sink.

Unisex Bathrooms 104 & 105

- Drywall hard-lid ceiling at 8'-6" AFF.
- Ceramic tile flooring and wainscot to 48".
- Floor drain.
- Power flush toilets.
- Bobrick, or equivalent toilet accessories.
- Semi-gloss paint.
- Two LED can lights, one LED vanity light switched together.
- One GFCI outlet near sink.

Conference Rooms 103,106,107,108,110 & 111:

- All walls framed to structure, finished at least 6" above drop ceiling.
- Armstrong prelude 2x4 ceiling grid; Armstrong 1761 tile.
- 2x4 flat panel LED troffer lights. 0-10V dimmable with occupancy sensor.
- Carpet tile flooring – Milliken integrated cushion backed or equivalent.
- 4" Rubber base.
- Two quad outlets, one duplex outlet, two data locations (rings and strings).
- Outlet and data ring and string for TV 60" AFF on one wall TBD in each conference room; include blocking.
- One floor box with duplex outlets and data conduit and string in each conference room.
- Two 3070 Paint grade, full lite door in painted frame. Double doors with spring hinges on conference room 103.
- ¼" Clear tempered glass in relights (where required) and full lite doors.
- Operable partitions between conference rooms 106, 107 & 108. Moderco 742 Series with Minimum STC 50 (or equivalent).

Breakroom 128:

- LVT plank flooring.
- 4" Rubber base.
- Armstrong prelude 2x4 ceiling grid; Armstrong 1761 tile.
- Keyed storefront on doors 124 and 132 (Medeco IC cores) with access control (Electric strike and card reader to function with Brivo interface).

Millwork:

- Lowers: 24" deep laminate counters with closed P-Lam base cabinets. Lower cabinets shall each have a top drawer and two adjustable shelves per cabinet. ADA compliant height.
- Uppers: 36" tall x 14" deep P-Lam upper cabinets with two adjustable shelves per cabinets.
- Peninsula: 36" wide x length indicated on plan. Solid surface countertop that overhangs 12" on south and west sides. Base cabinets under counter shall match other lower units.

Plumbing:

- One ADA dishwasher with stainless finish – G.E. GLDT696JSS (or equal).
- New 18ga stainless double basin sink with Delta Essa high arc single handle faucet, or equivalent.
- Garbage disposal.
- Dishwasher connection, 1/4" water line to tenant provided refrigerator, coffee maker and bottle-less water cooler.

Electrical/Lighting:

- Allow for four dedicated duplex outlets for dishwasher, microwaves (x2) and refrigerator.
- One GFI duplex and four convenience duplex outlets above counter. Include two under-counter duplex outlets at the peninsula.
- Three pendant lights on dimmer over peninsula; suspended track lighting or linear pendants on separate dimmer switch.
- Continuous LED task lighting under upper cabinets on independent switch.
- 2x4 flat panel LED troffer lights. 0-10V dimmable with occupancy sensor.

Server Room 130:

- LVT plank flooring.
- 4" Rubber base.
- Two 2x4 flat panel LED troffer lights, on occupancy sensor.
- Armstrong prelude 2x4 ceiling grid; Armstrong 1761 tile.
- Two 4x8 backer boards on east wall, painted to match. Two double duplex on 20A dedicated circuit.
- One 30A and 20A dedicated circuit above ceiling.
- HVAC: 1 ton dedicated unit.

IT Storage Room 129:

- LVT plank flooring.
- 4” Rubber base.
- Two 2x4 flat panel LED troffer lights, on occupancy sensor.
- Armstrong prelude 2x4 ceiling grid; Armstrong 1761 tile.

EXHIBIT D
RULES AND REGULATIONS

A. HOURS

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

B. SECURITY/SAFETY

1. Landlord may, from time to time, adopt appropriate systems and procedures for the security or safety of the Property and Tenant shall comply with those procedures.
2. Tenant assumes any and all responsibility for protecting its Premises from thefts.
3. If Tenant requires telegraphic, telephonic, burglar alarm or similar services, it shall first obtain, and comply with, Landlord's instructions as to their installation.
4. Tenant shall shut off all water faucets and lights not intended for overnight use before Tenant and its employees leave the Premises.
5. Landlord reserves the right to restrict or prohibit soliciting outside of the Premises. Tenant or Tenant's employees or agents shall not solicit business outside the Premises and shall not distribute or otherwise make available handbills or other advertising matter therein.
6. Landlord reserves the right to exclude or expel from the Property any person who, in Landlord's judgment, is under the influence of liquor or drugs or who violates any of the Rules and Regulations.
7. Tenant shall not use or keep in the Premises, any gasoline or other flammable fluid or material in violation of the Lease. Tenant shall not use, nor permit to be used in the Premises, any noxious gas or substance, nor permit or allow the Premises to be occupied or

used in a manner offensive or objectionable to Landlord or other Occupants by reason of noise, odors or vibrations.

8. Tenant shall comply with all safety, fire protection, and evacuation procedures and regulations established by Landlord or any governmental agency.

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

C. ACCESS. Tenant shall not obstruct or permit the obstruction of the parking or drive areas on the Property.

D. WASTE/REFUSE DISPOSAL

1. All garbage and refuse disposal shall be made in accordance with written directions issued from time to time by Landlord.

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

E. MAINTENANCE, IMPROVEMENTS AND OPERATIONS

1. Except as required of Landlord under the Lease, Tenant shall be responsible for all repairs and maintenance within the Premises.

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

F. MISCELLANEOUS

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

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

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

4. To the extent permitted by the Lease, Landlord reserves the right to amend and to make such other and reasonable Rules and Regulations as, in its judgment, may from time to time, be needed for safety and security, and/or for care and cleanliness of the Property and/or

for the preservation of good order therein. All such amended Rules and Regulations shall be binding upon Tenant upon receipt of a copy thereof.

5. Tenant shall provide Landlord with the names, email addresses and after hours telephone numbers of two employees of Tenant who may be contacted by Landlord in an emergency.

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

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

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

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

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

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

12. Except for guide, signal or service dogs in use by a blind, deaf or physically handicapped person, no animals shall be allowed, even temporarily, anywhere in or on the Property without the Landlord's prior written consent, which consent may be withheld, conditioned or delayed at the Landlord's discretion.

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

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

EXHIBIT E
TENANT'S SIGN PLANS

EXHIBIT F

PERSONAL GUARANTY FORM

This Guaranty is given by _____ and _____, a married couple/an unmarried person (individually and collectively, "Guarantor") to _____, a _____ limited liability company ("Landlord") as of the date of the Lease.

In consideration of Landlord entering into that certain Lease dated _____, 2020 (the "Lease"), with Northwest Endoscopy Center LLC ("Tenant"), Guarantor fully, completely and unconditionally guarantees the full and prompt performance of all obligations of Tenant, its successors and assigns under the Lease, including, without limitation, payment on demand to Landlord of all amounts which become due under the Lease.

This Guaranty shall be a continuing guaranty and shall not be affected by any amendment or modification of the Lease or by waiver by Landlord of any of Tenant's obligations, including, without limitation, any extension of time or indulgence of Tenant by Landlord or discharge of Tenant, or by any bankruptcy proceeding affecting Tenant. Guarantor's liability is independent of the liability of Tenant under the Lease, and a separate action may be brought against Guarantor whether or not the Tenant is joined in the action, or whether the Landlord has pursued its remedies against the Tenant. Guarantor hereby waives any right of subrogation against Tenant. The liability of each Guarantor shall be joint and several with any other guarantors. Each Guarantor's obligations hereunder shall be joint and several with all other Guarantors.

Guarantor agrees to pay for all costs and expenses incurred by Landlord in enforcing this Guaranty, including all attorneys' fees incurred, whether suit is brought or not and any and all attorneys' fees and costs incurred in connection with any bankruptcy proceeding involving Tenant or Guarantor, and all such sums shall bear interest from the date paid until Landlord is reimbursed at fifteen percent per annum. The obligations of Tenant under the Lease to execute and deliver estoppel and financial statements, as therein provided, shall be deemed to also require the Guarantor hereunder to do so and provide the same relative to Guarantor following written request by Landlord in accordance with the terms of the Lease.

Signed:	_____	_____
Name (Printed):	_____	_____
Address:	_____	_____
	_____	_____
Phone:	_____	_____
Social Security No.:	_____	_____

STATE OF _____

COUNTY OF _____

ss.

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 signatures(s) on the instrument, the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

Dated this _____ day of _____, 20_____.

(Signature of Notary Public)

(Printed Name of Notary Public)
Notary public in and for the State of
_____, residing at

My Appointment expires _____

Exhibit 7
Assessor Information

Whatcom County Assessor & Treasurer

Property Search Results > 65954 TALBOT REAL ESTATE LLC for Year 2019 - 2020

Property

Account

Property ID:	65954	Abbreviated Legal Description:	LOT 3 BARKLEY SPECIFIC BINDING SITE AS REC AF 2021104585
Parcel # / Geo ID:	3803204814560000	Agent Code:	
Type:	Real		
Tax Area:	0100 - BELLINGHAM 501 AH	Land Use Code	91
Open Space:	N	DFL	N
Historic Property:	N	Remodel Property:	N
Multi-Family Redevelopment:	N		
Township:	T38N	Section:	20
Range:	R03E	Legal Acres:	1.7200

Location

Address:	3111 WOBURN ST BELLINGHAM, WA	Mapsco:
Neighborhood:	5410020500	Map ID:
Neighborhood CD:	5410020500	

Owner

Name:	TALBOT REAL ESTATE LLC	Owner ID:	108534
Mailing Address:	ATTN JAMES G TALBOT 2219 RIMLAND DR STE 115 BELLINGHAM, WA 98226-8661	% Ownership:	100.0000000000%
		Exemptions:	

Owner

Name:	TALBOT REAL ESTATE LLC	Owner ID:	108534
Mailing Address:	ATTN JAMES G TALBOT 2219 RIMLAND DR STE 115 BELLINGHAM, WA 98226-8661	% Ownership:	100.0000000000%
		Exemptions:	

Owner

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Owner

Name: TALBOT REAL ESTATE LLC Owner ID: 108534
Mailing Address: ATTN JAMES G TALBOT % Ownership: 100.000000000000%
2219 RIMLAND DR STE 115
BELLINGHAM, WA 98226-8661

Exemptions:

Pay Tax Due

Select the appropriate checkbox next to the year to be paid. Multiple years may be selected.

Year - Statement ID	Tax	Assessment	Penalty	Interest	Total Due
2020 - 40764 (Balance)	\$8845.77	\$0.00	\$0.00	\$0.00	\$8845.77

Total Amount to Pay: \$

*Convenience Fee not included

Taxes and Assessment Details

Property Tax Information as of 05/18/2020

Amount Due if Paid on: **NOTE:** If you plan to submit payment on a future date, make sure you enter the date and click RECALCULATE to obtain the correct total amount due.

Click on "Statement Details" to expand or collapse a tax statement.

Year	Statement ID	First Half Base Amt.	Second Half Base Amt.	Penalty	Interest	Base Paid	Amount Due
▶ Statement Details							
2020	40764	\$8845.88	\$8845.77	\$0.00	\$0.00	\$8845.88	\$8845.77
▶ Statement Details							
2019	41108	\$8522.09	\$8522.02	\$0.00	\$0.00	\$17044.11	\$0.00
▶ Statement Details							
2018	41330	\$8899.58	\$8899.45	\$0.00	\$0.00	\$17799.03	\$0.00
▶ Statement Details							
2017	41657	\$8515.38	\$8515.29	\$0.00	\$0.00	\$17030.67	\$0.00

Values

Map List

Taxing Jurisdiction

Improvement / Building

Sketch

Property Image

Land

Roll Value History

Deed and Sales History

Payout Agreement

Assessor Home

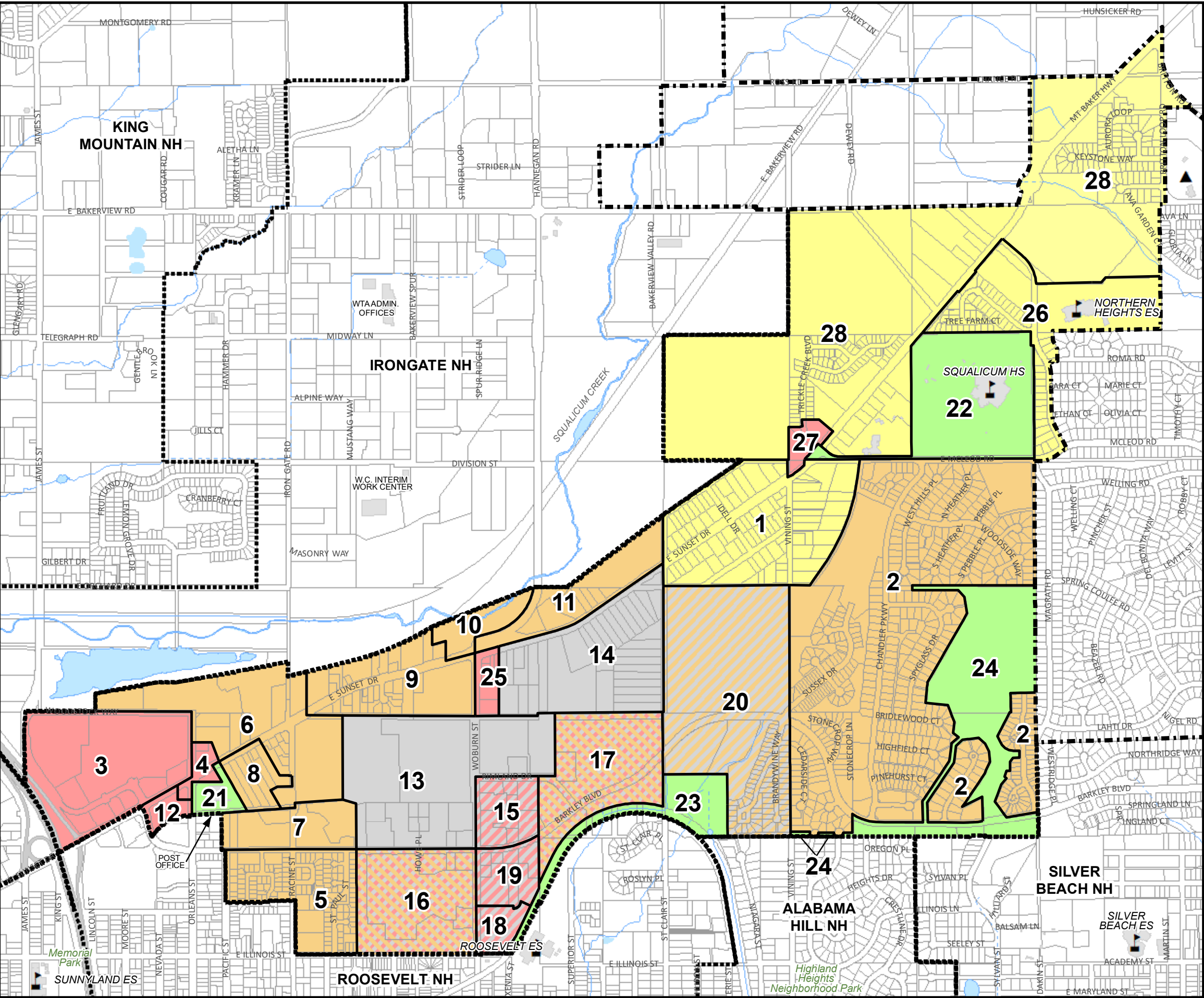
Treasurer Home

Website version: 9.0.50.1004

Database last updated on: 5/18/2020 2:41 AM

© N. Harris Computer Corporation

Exhibit 8
Zoning Information



BARKLEY NEIGHBORHOOD ZONING

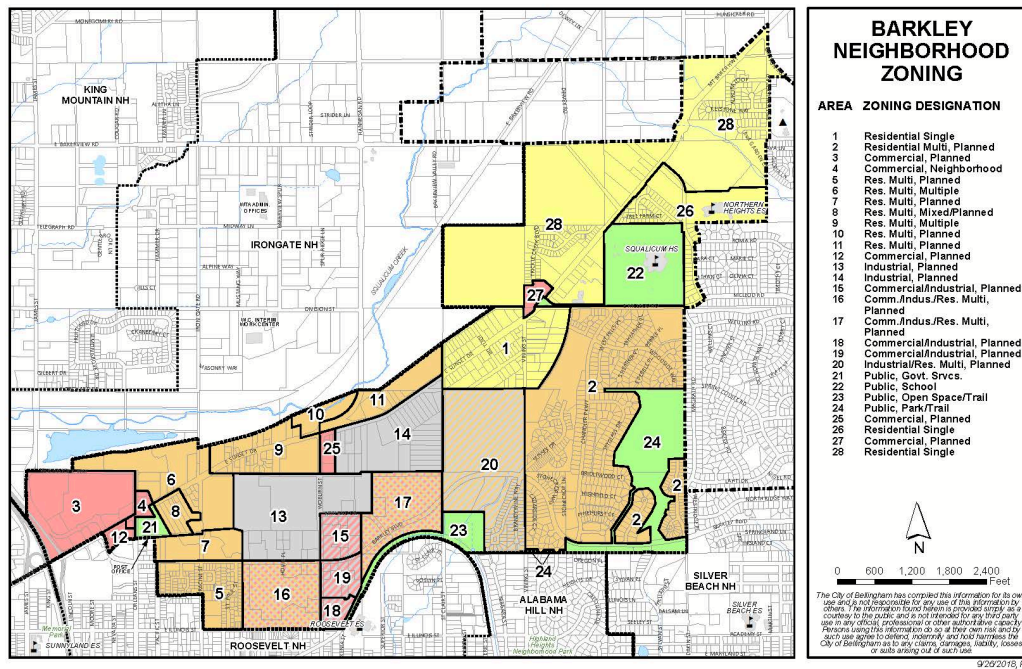
AREA ZONING DESIGNATION

- 1 Residential Single
- 2 Residential Multi, Planned
- 3 Commercial, Planned
- 4 Commercial, Neighborhood
- 5 Res. Multi, Planned
- 6 Res. Multi, Multiple
- 7 Res. Multi, Planned
- 8 Res. Multi, Mixed/Planned
- 9 Res. Multi, Multiple
- 10 Res. Multi, Planned
- 11 Res. Multi, Planned
- 12 Commercial, Planned
- 13 Industrial, Planned
- 14 Industrial, Planned
- 15 Commercial/Industrial, Planned
- 16 Comm./Indus./Res. Multi, Planned
- 17 Comm./Indus./Res. Multi, Planned
- 18 Commercial/Industrial, Planned
- 19 Commercial/Industrial, Planned
- 20 Industrial/Res. Multi, Planned
- 21 Public, Govt. Svcs.
- 22 Public, School
- 23 Public, Open Space/Trail
- 24 Public, Park/Trail
- 25 Commercial, Planned
- 26 Residential Single
- 27 Commercial, Planned
- 28 Residential Single

The City of Bellingham has compiled this information for its own use and is not responsible for any use of this information by others. The information found herein is provided simply as a courtesy to the public and is not intended for any third party use in any official, professional or other authoritative capacity. Persons using this information do so at their own risk and by such use agree to defend, indemnify and hold harmless the City of Bellingham as to any claims, damages, liability, losses or suits arising out of such use.

20.00.015 Barkley neighborhood table of zoning regulations.

BARKLEY NEIGHBORHOOD ZONING MAP



Areas 1 – 22

Area	Zoning	Use Qualifier	Density	Special Conditions	Prerequisite Considerations	Special Regulations
1	Residential Single	Detached	10,000 sq. ft. min. detached lot size	Clearing; shoreline; floodplain; corridor study prior to Sunset Drive improvements	Sufficient water capacity and supply	None
2	Residential Multi	Planned	10,000 sq. ft. per unit average overall density	View; clearing; wetlands; steep slopes; Fever Creek	Sufficient water capacity and supply	None
3	Commercial	Planned	N/A	Treatment and retention of stormwater runoff; limited access to arterials	None	None
4	Commercial	Neighborhood, Concomitant Agreement No. 98-20 for property at 1301 E. Sunset	10,000 sq. ft. of floor area per structure	Limited access to arterials; single curb cut for 3206 Orleans St.; buffer residential	Relocation of curb cuts for 1031 E. Sunset; lot consolidation, street dedication and other requirements in CA No. 98-20	See Concomitant Agreement No. 98-20
5	Residential Multi	Planned (Concomitant Agreement No. 3-3-91C)	3,600 sq. ft. per unit density; density transfer across Racine St. may be approved subject to site plan approval	Clearing; wetlands; open space set aside as described in neighborhood plan	Improvement of neighborhood streets to nearest neighborhood arterial	See Concomitant Agreement No. 3-3-91C

Areas 1 – 22

Area	Zoning	Use Qualifier	Density	Special Conditions	Prerequisite Considerations	Special Regulations
6	Residential Multi	Multiple	2,000 sq. ft. per unit	Clearing; wetlands; density transfers	Improvement of Sunset Drive; sufficient water capacity and supply	None
7	Residential Multi	Planned	2,000 sq. ft. per unit	Clearing; wetlands; density transfers	Improvement of neighborhood streets to nearest neighborhood arterial. Dedication of a one-acre park site adjacent the wetlands and tied into the city trail plan (see CA No. 3-3-91C for specifics)	See Concomitant Agreement No. 3-3-91C
8	Residential Multi	Planned, mixed (medical and professional offices and personal service facilities as defined by the land use code)	2,000 sq. ft. per unit; maximum commercial building size of 10,000 sq. ft.	Reduction of setbacks for residential development; limited access to Sunset; screening between commercial uses and abutting residential designations	A majority of the property owners must develop under a single planned contract to establish office and service uses; right-of-way dedication	None
9	Residential Multi	Multiple	2,000 sq. ft. per unit	Clearing; limited access to Sunset Drive	Sufficient water capacity and supply	None
10	Residential Multi	Planned, offices allowed	2,000 sq. ft. per unit	Limited access; views	Sufficient water capacity and supply; right-of-way dedication	None

Areas 1 – 22

Area	Zoning	Use Qualifier	Density	Special Conditions	Prerequisite Considerations	Special Regulations
11	Residential Multi	Planned, offices allowed	2,000 sq. ft. per unit	Limited access; views	Sufficient water capacity and supply; right-of-way dedication	None
12	Commercial	Planned (Ords. 8996 , 9202 , Res. 25-84, PC 87-11)	10,000 sq. ft. max. building size for commercial	Limited access; pedestrian easements	None	None
13	Industrial	Planned*	N/A	Trail; buffer (see neighborhood plan); limited access; Barkley urban village design guidelines (see Exhibit I at the end of this section)	Drainage improvements; buffer improvements	*Uses shall be limited to the following: 1. Private educational facilities 2. Medical, professional, general business offices. 3. Administrative office services 4. Research and development 5. Light manufacturing 6. Warehousing and distribution 7. Banks 8. Uses similar to the above
14	Industrial	Planned*	N/A	Limited access; drainage; warehousing and	Five-lane improvements to Sunset Drive or alternative	*Uses shall be limited to the following:

Areas 1 – 22

Area	Zoning	Use Qualifier	Density	Special Conditions	Prerequisite Considerations	Special Regulations
				distributions; Barkley urban village design guidelines (see Exhibit I at the end of this section)	access plan; construction and payment of Burns St. as described in the neighborhood plan	1. Private educational facilities 2. Research and development 3. Light manufacturing 4. Warehousing and distribution (except within the south and east 300 feet of Area 13A) 5. Medical, professional and general business offices 6. Administrative office services 7. Banks 8. Uses similar to the above 9. Existing single-family residences
15	Commercial/ Industrial	Planned*	N/A	Limited access; transfer of stand-alone commercial development rights**; Barkley urban village design guidelines (see	Drainage improvements	*Permitted industrial uses same as in Area 13. **If stand-alone commercial acreage is transferred to Areas 16 and/or 17, that acreage

Areas 1 – 22

Area	Zoning	Use Qualifier	Density	Special Conditions	Prerequisite Considerations	Special Regulations
				Exhibit I at the end of this section)		may only be developed with commercial uses as part of a mixed-use building or site. For example, if three acres of stand-alone commercial are transferred from Area 15 to Area 16, six acres of stand-alone commercial remain in Area 15. Commercial can only be developed on the other three acres in Area 15 as part of mixed-use development.
16	Industrial/ Commercial*/ Residential	Planned**	4,000 sq. ft. per detached unit	Trail; buffer (see neighborhood plan); limited access; Barkley urban village design guidelines (see Exhibit I at the end of this section)	Drainage improvements	*Unless stand-alone acreage from Area 15 is transferred, commercial uses are only allowed as part of a mixed-use building or a mix of uses in the subarea which meet a ratio of 50:50 for commercial uses developed in conjunction with residential uses or

Areas 1 – 22

Area	Zoning	Use Qualifier	Density	Special Conditions	Prerequisite Considerations	Special Regulations
						25:75 with commercial uses developing at 25 percent of the site or building area and industrial uses developing at 75 percent of the site or building area. **Permitted industrial uses same as in Area 13, except that warehousing and distribution uses are prohibited.
17	Industrial/ Commercial*/ Residential	Planned**	4,000 sq. ft. per detached unit	Buffer (see neighborhood plan); limited access; Barkley urban village design guidelines (see Exhibit I at the end of this section)	Drainage improvements	*Unless stand-alone acreage from Area 15 is transferred, commercial uses are only allowed as part of a mixed-use building or a mix of uses in the subarea which meet a ratio of 50:50 for commercial uses developed in conjunction with residential uses or 25:75 with commercial uses developing at 25

Areas 1 – 22

Area	Zoning	Use Qualifier	Density	Special Conditions	Prerequisite Considerations	Special Regulations
						percent of the site or building area and industrial uses developing at 75 percent of the site or building area. **Permitted industrial uses same as in Area 13, except that warehousing and distribution uses are prohibited.
18	Commercial/ Industrial	Planned*	N/A	Buffer (see neighborhood plan); limited access; water; Barkley urban village design guidelines (see Exhibit I at the end of this section)	Circulation and utility improvements; drainage improvements	*Permitted industrial uses same as in Area 13.
19	Commercial/ Industrial	Planned*	N/A	Buffer (see neighborhood plan); limited access; water; Barkley urban village design guidelines (see Exhibit I at the end of this section)	Circulation and utility improvements; drainage improvements	*Permitted industrial uses same as in Area 13.
20	Industrial/ Residential Multi	Planned*	4,000 sq. ft. per detached unit	View; limited access; clearing; water; buffer; drainage retention; play	Circulation and utility improvements	*Permitted industrial uses same as those in Area 13, except that

Areas 1 – 22

Area	Zoning	Use Qualifier	Density	Special Conditions	Prerequisite Considerations	Special Regulations
				lot park with residential; trails with industrial; active recreation area; Barkley urban village design guidelines (see Exhibit I at the end of this section)		warehousing and distribution uses are prohibited. A minimum of 50 percent of the developable area must be developed with residential uses.
21	Public	Governmental Services	N/A	None	Curb cut on Sunset should be limited to right-in, right- out only unless approved by public works department	None
22	Public	School	N/A	Limited access; spacing of curb cuts; wetlands; water system improvements	Improvements to E. McLeod Rd.; internal access roads; signalize Sunset/McLeod intersection	None

EXHIBIT I**BARKLEY URBAN VILLAGE****Design Guidelines – For Areas 13, 14, 15, 16, 17, 18, 19 and 20**

The specific guidelines are included in the Barkley neighborhood zoning section of the land use and development code. Discussed below are to be used in the preparation of planned development contracts for projects in the Barkley urban village and as the basis for development of future, more specific design standards. Guidelines are intended to supplement the regulations contained in the land use development ordinance or subsequent changes to this chapter by providing additional design guidance, but are not regulatory in the same manner as the standards contained in that ordinance. Developers may propose alternatives to achieve an equal or better design solution that meets the intent of this section. Applications for planned developments shall include adequate information in their submittal to specifically depict how the guidelines have been addressed.

When guidelines are applied to land developed under an existing planned development contract, their application should be roughly proportional to the degree of alteration proposed and bear a relationship to impacts from the proposed changes to the development.

1. Identity.

The Barkley Urban Village consists of subareas 13, 14, 15, 16, 17, 18, 19 and 20 as shown on the Barkley Urban Village Map.

Land Use

- Barkley Village should be encouraged to develop with a mix of residential, commercial, offices, and compatible light industrial uses in the areas designated for mixed-use development.
- The range of industrial uses throughout the Barkley urban village shall be limited to the following:
 1. Private educational facilities.
 2. Medical, professional, and general business offices.
 3. Administrative office services.
 4. Research and development.
 5. Light manufacturing
 6. Warehousing and distribution.
 7. Banks.
 8. Uses similar to the above.
 9. Existing single-family residences (Area 14 only).

- To help achieve compatibility, businesses that are primarily warehousing and distribution should not be allowed in certain subareas as specifically identified in the subarea plan text where the use could be disruptive to adjacent residential uses.
- To ensure that all subareas in the urban village are not dominated by commercial uses, a maximum of nine acres in subareas 15, 16, and 17 may be developed with stand-alone commercial uses without a corresponding amount of residential or industrial development as set forth below. Any additional commercial shall only be allowed in mixed use buildings or with development in the subarea which meets a ratio of 50:50 for commercial uses developed in conjunction with residential uses and 25:75 for commercial uses developed in conjunction with offices or light industrial uses.
- As a further means to help achieve compatibility and to ensure that all subareas of the Barkley Urban Village that allow a mix of uses do achieve a mix, there shall be established for each subarea a minimum and maximum percentage of land area available for each use. The mixed-use limitations are set forth in Table V-1 below.

Table V-1 Barkley Urban Village Mixed Use Limitations

Subarea	Total Acres	Zoning Designation*	Minimum Percentage			Maximum Percentage		
			Ind.	Com.	Res.	Ind.	Com.	Res.
13	51.5	Industrial	100%	NA	NA	100%	NA	NA
14	40.5	Industrial	100%	NA	NA	100%	NA	NA
15	9	Com/Ind	0%	0%	NA	100%	100%	NA
16	28.7	Res/Com/Ind	30%	10%	20%	70%	35%**	60%
17	23	Res/Com/Ind	15%	15%	15%	70%	42.5%**	70%
18, 19	13	Com/Ind	0%	0%	NA	100%	100%	NA
20	68.5	Ind/Res	0%	NA	50%	50%	NA	100%

- * All designations within the Barkley urban village carry the “planned” use qualifier.
- ** Maximum commercial percent is exclusive of any transfer of stand-alone commercial acres from Area 15.
- Additionally, for the purpose of determining these mixed use limitations, a maximum floor area ratio of 0.5:1 shall be applied to subareas 15, 16 and 17. Proposals to increase the floor area ratio above 0.5:1 to a maximum of 0.75:1 are subject to site plan review and approval by the planning commission.
- Uses which can be defined as either industrial and commercial shall be considered commercial for the purposes of determining the minimum and maximum allowed percentages, except that the following uses shall be considered industrial:
 - Medical, professional and general business office, including bank branches.
 - Research and development.
 - Private educational facilities.
 - Administrative office services.
- Overall residential density for the Barkley urban village shall be 10.5 units to the acre. Densities are transferable within the entire Barkley urban village where residential development is allowed. Minimum and maximum requirements for residential as depicted in the table above shall apply. Based on these percentages a minimum of 476 units must be developed within the Barkley urban village and a maximum of 1,116 units are allowed in the urban village (the maximum unit potential increases to 1,312 assuming a transfer of 196 units from Area 7). This provision is intended to encourage the development of neighborhoods that provide both renter and homeowner opportunities. Wherever possible, a mix of housing types should be encouraged.

2. Connectivity.

- Developments shall be connected by either public or private sidewalks.
- Site design shall include a pedestrian access element that provides pedestrian routes from streets, parking areas, and transit stops to building entrances and between buildings. Bus stops should be considered at locations recommended by Whatcom transportation authority.
- Trails along open space systems as recommended in the open space section shall be included in the project design and connected with the other pedestrian routes in the site.
- Pedestrian connections shall not cross truck-loading areas. Connections between private sidewalk systems in adjacent developments shall be provided if they are determined to be both feasible and necessary for a good pedestrian circulation plan.
- All subdivisions, short plats, lot line adjustments, and binding site plans shall be reviewed to ensure that they are consistent with driveway access point space policies and regulations along Woburn Street, Sunset Drive and Barkley Boulevard.

- Direct vehicular access shall be provided between developments whenever feasible to allow traffic to move between businesses without using arterial streets.

3. District Boundaries.

Measures to Enhance Compatibility Between Uses within the Barkley Urban Village and the Residential Areas Outside of the Urban Village.

- While district boundaries should maintain a distinction between the Barkley urban village and adjacent residential neighborhoods, site design and use location should encourage access between these areas. Site designs for industrial and commercial uses shall provide appropriate buffers to these adjacent users as specified in the open space section above and/or in the land use description of each subarea below. In addition, industrial and commercial uses locating adjacent to the adjoining residential neighborhoods shall incorporate the measures described below.

Measures to Enhance Compatibility among Different Use Types within the Barkley Urban Village.

- Restrictions on the types of uses permitted in the Barkley urban village should be maintained as provided in the identity section above.
- Permanent outdoor storage shall not be permitted unless it can be screened from view by adjacent residential uses (except for residential uses in mixed-use structures). The height of material displayed or stored shall be limited to assure adequate screening. Where land immediately adjacent to the proposed development is within the Barkley urban village, the land use designation of the adjacent property allows residential development and the adjacent land is vacant at the time of permitting of an industrial or commercial use, the design for the industrial or commercial use shall provide for the ability to retrofit the site to implement the necessary screening of any outside storage areas if and when a residential use is constructed and the city of Bellingham determines that such screening is necessary to ensure compatibility. Additionally, the owner of the site for which permitting is sought shall, prior to occupancy, irrevocably commit to install such screening if deemed necessary.
- Methods to attenuate noise from loading activity shall be employed as needed to protect residential uses immediately adjacent to the nonresidential use. This guidance will need to be applied with particular flexibility for residential uses in mixed-use buildings. Additionally, it is recognized that residential property in a mixed-use center will experience greater noise than property that is zoned strictly for residential uses. Thus, to the extent that noise regulations are applicable (see state noise regulation, Chapter [173-60 WAC](#)) all subareas designated for mixed use shall be applied a Class B EDNA (environmental designation for noise abatement) for receiving property.
- Use of outdoor speakers shall be prohibited, except when used for special events or when it can add to the pedestrian experience.
- Exterior lighting shall have a cut-off angle that reduces spillover of light into adjacent residential uses. Light sources shall be shielded as necessary to minimize glare impacts on adjacent residential uses. Where land immediately adjacent to a commercial or industrial development is within the Barkley urban village, the land use designation of the adjacent property allows residential development and the adjacent land is vacant at the time of permitting, exterior lighting and light sources shall be designed to meet these standards.

4. Natural Systems.

- Natural topographical features and amenities including but not limited to open space corridors shall be integrated into site designs as a significant design element.

5. Design.

- As a future component of Barkley urban village's development regulations, design guidelines should be developed for site layout, buildings, signs, and landscaping.

Site Components:

- New developments of over 20,000 square feet of gross floor area shall provide consolidated area for pedestrian plazas, parks, wider sidewalks or seating areas at the rate of one percent of the gross floor area. This area may be adjacent to a building entrance, bus stop or open space/trail area, provided it is abutting a pedestrian walkway, is lighted and is visible from a main entrance of the building. The area shall contain seating, trash container(s) and landscaping. Minimum width shall be 10 feet. The facility shall be available to residents, customers, and employees without a fee. Areas accessible to vehicles and areas immediately in front of entrance doors will not be counted in the calculation of this area. Indoor pedestrian plazas that are designed to provide an equivalent function and include windows to the outdoors, such as a mall courtyard, may be used to satisfy this provision.
- Developers are encouraged to incorporate crime prevention through the use of environmental design (CPTED).
- When feasible, site designs shall screen service areas from streets and pedestrian walkways. Adequate space shall be reserved for garbage and recycling functions where appropriate. These functions shall not be considered outside storage.

6. Grading.

- Site development shall incorporate the existing topography to the extent feasible. When retaining walls are necessary, terraced and landscaped walls are preferred.
- Where earth berms are used, adequate horizontal space shall be provided to allow appropriate side slopes and support proposed vegetation.
- Site clearing and grading shall only occur in conjunction with a development proposal. On-site storage of fill material shall be done in conjunction with a fill and grade permit and shall only be done in areas where existing drainage patterns will not be affected.

7. Landscaping.

- Parking areas shall contain landscaping islands to break up large expanses of hard surfacing. Scale of parking islands, their location and spacing and tree species shall be appropriate for the scale of the parking area. Planting areas shall be designed to protect trees from vehicles.

Areas 23 – 27

Area	Zoning	Use Qualifier	Density	Special Conditions	Prerequisite Considerations	Special Regulations
23	Public	Open space, trail	N/A	None	None	None
24	Public	Park, trail	N/A	None	None	None
25	Commercial	Planned	N/A	Access; drainage	Construction and payment of Burns St. as described in neighborhood plan	None
26	Residential Single	Detached, cluster detached and cluster attached; mixed uses*	Single-family – 10,000 sq. ft. min. lot size for detached and 10,000 sq. ft. overall density for cluster single-family development. Density bonuses may be achieved through the density bonus provision in Chapter 23.08 BMC as amended. Multifamily and duplex housing may only be permitted as part of a single-family development containing at least two acres. The number of multifamily and duplex units is limited to 25 percent of the allowed number of single-family units in the	No vehicular access to Mt. Baker Highway; drainage; wetlands	None	*Mixed uses are limited to duplex and multiple-family dwelling units within a development containing single-family and infill housing units. Duplex and multifamily building permits shall not be issued until at least 50 percent of the single-family or infill housing units have been constructed on site, except the director may waive this requirement; provided, that the duplex and multifamily housing is

Areas 23 – 27

Area	Zoning	Use Qualifier	Density	Special Conditions	Prerequisite Considerations	Special Regulations
			development after any applicable density bonus has been applied.			abutting or across the street right-of-way from a nonresidential single zone for the purpose of providing a transition area between zoning districts. Residential multi development regulations under Chapter 23.08 BMC, as amended, shall apply to development of duplex and multifamily lots. Infill housing forms are permitted per Chapter 20.28 BMC.
27	Commercial	Planned See Special Regulations*	Max. 2,500 sq. ft. of floor area per commercial use.	Critical areas. Limit access points on arterial street. Shared access/parking is encouraged. Transmission pipeline.	Sunset Drive improved to arterial standards.	*Uses are permitted as specified in Chapter 20.38 BMC, except the following uses are prohibited: 1. Drive-through establishments, except a drive-through coffee house with interior seating and a single drive-through lane is permitted.

Areas 23 – 27

Area	Zoning	Use Qualifier	Density	Special Conditions	Prerequisite Considerations	Special Regulations
						2. Service station. 3. Motel. 4. Mini storage. 5. Warehousing/wholesale. 6. Recycling collection center. See Exhibit 2 – Area 27 Design Standards:

Exhibit 2

Area 27 – Design Standards

Development in Area 27 shall comply with BMC [20.33.040](#), except for as modified below:

1. Buildings shall be oriented toward street frontages and located adjacent to the rights-of-way as close as allowed by BMC [20.33.040](#), except a drive-through coffee house may have a drive lane as provided below. Buildings may be located interior to lots when the prior street frontage requirement is satisfied.
2. Building facades shall contain glazing (windows) and architectural details that avoid large blank walls.
3. Parking shall be located to the rear or side of a building.
4. A 10-foot landscaped setback shall be provided between a drive-through lane and any property line abutting a street or residential development. No drive-through menu speaker shall be oriented to face a single-family use.
5. Pole signs are prohibited, except for directional signs that are limited to six square feet in area and three feet in height.
6. One monument sign per site is permitted whether it is for a single or mixed use. The monument sign shall not exceed 60 square feet per sign face and six feet in height measured from existing grade.
7. Wall signs are limited to 32 square feet of sign area per tenant space.
8. Animated, moving, blinking (LED or similar) signs are prohibited.

9. Signage and private lighting shall be designed and installed to minimize illumination of adjacent properties.
10. Trash and recycling areas, and roof-top equipment shall be screened from public view.
11. One privately owned public plaza with seating shall be incorporated into the development of Area 27 to serve building tenants, customers, and members of the public.

Area 28

Area	Zoning	Use Qualifier	Density	Special Conditions	Prerequisite Considerations	Special Regulations
28	Residential Single	Detached, cluster, cluster attached and cluster detached; mixed: limited duplex and multifamily (see Special Regulations)	7,200 sq. ft. per dwelling unit for detached and cluster lots up to 3,600 sq. ft. per dwelling unit using cluster bonus provisions in Chapter 23.08 BMC or adopted city TDR program or the "fee-in-lieu-of" option. Under the fee-in-lieu-of option, a property owner/developer can purchase additional density by paying a fee to the city's Lake Whatcom watershed property acquisition program (LWWPAP). The fee for density bonus is calculated on a per dwelling unit basis according to a fee schedule established by the city council. One unit of additional density will be allowed for each unit	Critical areas. Buffer separating industrial uses from residential zone. Neighborhood park. provide public trails as indicated in the Bellingham Comprehensive Plan. Limit access points on arterial streets. Shared access is encouraged.	Extension of the water/sewer mains. As development occurs downstream utilities may need to be upgraded. Sunset Drive improved to arterial standards. Dedication, extension, and improvements to E. Bakerview to arterial standards. Dewey Road improved to arterial standards.	Duplex and multifamily units shall require design review approval under Chapter 20.25 BMC and meet Chapter 20.32 BMC. Duplex and multifamily units shall not exceed 25 percent of the total allowed dwelling units for the entire site. Duplex and multifamily building permits shall not be issued until at least 50 percent of the single-family or infill housing units have been constructed on site, except the director may waive this requirement; provided, that the duplex and multifamily housing is abutting or across the street

Area 28

Area	Zoning	Use Qualifier	Density	Special Conditions	Prerequisite Considerations	Special Regulations
			<p>purchased through use of this option.</p> <p>An applicant's submittal for land use review shall include a letter from the Bellingham finance department documenting the amount to be contributed to the LWWPAP.</p> <p>Lots not created by cluster subdivision: 5,000 sq. ft.</p> <p>minimum detached lot size and a maximum density of 7,200 sq. ft. per unit.</p>	<p>High pressure natural gas/transmission pipelines.</p> <p>Overhead power transmission lines.</p>		<p>right-of-way from a nonresidential single zone for the purpose of providing a transition area between zoning districts.</p> <p>Infill housing forms are permitted per Chapter 20.28 BMC.</p> <p>The density bonus may exceed the 50 percent total maximum under Chapter 23.08 BMC but density shall not exceed 3,600 sq. ft. per dwelling.</p>

[Ord. 2018-12-036 § 12 (Exh. B); Ord. 2018-12-033 §§ 5 (Exh. D), 7 (Exh. F); Ord. 2017-09-023 § 1 (Exh. A); Ord. 2017-07-018 § 3 (Exh. C); Ord. 2015-11-044 §§ 6 (Exh. D), 7 (Exh. E); Ord. 2010-12-068].

The Bellingham Municipal Code is current through Ordinance 2020-06-015, passed June 22, 2020.

Disclaimer: The City Clerk Representative has the official version of the Bellingham Municipal Code. Users should contact the City Clerk Representative for ordinances passed subsequent to the ordinance cited above.

Note: This site does not support Internet Explorer. To view this site, Code Publishing Company recommends using one of the following browsers: Google Chrome, Firefox, or Safari.

[City Website: www.cob.org](http://www.cob.org)

City Telephone: (360) 778-8000

[Code Publishing Company](#)

Exhibit 9
Historical Financials

NORTHWEST ENDOSCOPY CENTER, LLC
General Ledger Trial Balance
As of Dec 31, 2016

Filter Criteria includes: Report order is by ID. Report is printed in Detail Format.

Account ID	Account Description	Debit Amt	Credit Amt
111000	Petty Cash	450.00	
111100	USBank - Checking Accou	74,275.31	
120004	USBank - Money Market	30,000.00	
170100	Med Equip & Furniture/Fixt	1,155,910.18	
170110	Computer Equipment	122,539.65	
170500	A/Dep - Med Equip & Furn/		708,001.77
170510	A/Dep - Computers		114,648.31
174000	Leasehold Improvements	688,347.50	
174100	A/Dep - Leasehold Imp		384,593.05
190065	Accounts Receivable	1,134,981.36	
190066	Contractual Allowance		30,000.00
190070	Estimated Contractual Allo		522,091.43
194870	Prepaid - Other	3,586.83	
210130	Retirement Contribution		45,240.00
210133	Accrued Flex Benefits		190.07
210145	Accrued Salaries		1,493.00
210146	Accrued Vacation		17,725.34
210155	Accrued Interest		23.23
210160	Accrued Expenses		28,801.00
210166	Landlord Incentive		80,012.00
220016	Notes Payable - Gastro		7,013.25
220017	Notes Payable - USBank 2		437,147.29
243167	Accrued Distribution		29,773.00
380000	Retained Earnings - Prior Y		800,724.50
480081	Gross Charges		11,348,338.37
480082	Contractual Allowance	5,251,835.49	
610010-10	Salaries Exp - RN	786,967.47	
610010-20	Salaries Exp - LPN	99,428.27	
610010-30	Salaries Exp - Tech/Aide	251,095.31	
610010-40	Salaries Exp - MA	249,929.94	
610010-50	Salaries Exp - Mgmt/Suppo	208,593.51	
610010-60	Salaries Exp - Proc Schedu	74,201.01	
610050	Salary/Wage Accruals	844.00	
620010	401K & Profit Sharing Exp	88,694.22	
620040	Payroll Tax Exp	131,220.82	
620080	STD/LTD/Life Ins Exp	32,292.69	
620100	Medical Ins Exp	95,463.08	
620150	Dental Ins Exp	22.91	
620200	Coffee Room Supplies	8,039.33	
630050	Rent or Lease Expense	150,681.00	
630070	Repairs & Maint - Building	4,218.20	
640010	Depreciation Expense	186,654.42	
640050	Repairs & Maint - Equipme	41,706.42	
640060	Repairs & Maint - Compute	27,952.27	
640070	Telephone Expense	4,232.82	
650060	Travel & Lodging Expense	1,745.01	
660010	Accounting/Audit Fees	4,237.61	
660015	Billing Service Fee Exp	409,921.00	
660030	Consultant Costs	2,027.50	
660090	Payroll Processing Fees	8,911.84	
660100	Recruiting Costs	2,909.50	
660130	Laundry and Uniforms Exp	125,057.13	
670030	Bank/Credit Card Fees	38,992.16	
670087	Drugs and Medications Exp	47,156.87	
670090	Dues and Subscriptions Ex	30,709.47	
670137	Office Cleaning	71,855.03	
670140	Insurance Expense	3,850.40	
670150	Licenses and Fees	1,893.00	
670170	Management Fees	1,000.00	
670175	Medical Supplies - Cleanin	104,524.12	
670176	Medical Supplies	522,110.34	
670177	Medical Waste Disposal	2,701.91	
670180	Miscellaneous	20,926.12	
670200	Office Supplies Expense	15,190.51	
670210	Postage/FedEx Exp	5,134.61	

NORTHWEST ENDOSCOPY CENTER, LLC
General Ledger Trial Balance
As of Dec 31, 2016

Filter Criteria includes: Report order is by ID. Report is printed in Detail Format.

Account ID	Account Description	Debit Amt	Credit Amt
670220	Printing Costs	117.94	
670240	Property & Other Misc Taxe	148,238.79	
670280	Seminars & Conferences	3,043.00	
670310	Temporary Help	6,581.57	
790000	Distribution to Partners	2,053,850.10	
810400	Interest Expense - Gastro	813.19	
810405	Interest Expense - USBank	18,152.88	
	Total:	14,555,815.61	14,555,815.61

NORTHWEST ENDOSCOPY CENTER, LLC

Balance Sheet
December 31, 2016

ASSETS

Current Assets		
Petty Cash	\$	450.00
USBank - Checking Account		74,275.31
USBank - Money Market		30,000.00
Accounts Receivable		1,134,981.36
Contractual Allowance		(30,000.00)
Estimated Contractual Allow		(522,091.43)
		<hr/>
Total Current Assets		687,615.24
Property and Equipment		
Med Equip & Furniture/Fixtures		1,155,910.18
Computer Equipment		122,539.65
A/Dep - Med Equip & Furn/Fixt		(708,001.77)
A/Dep - Computers		(114,648.31)
Leasehold Improvements		688,347.50
A/Dep - Leasehold Imp		(384,593.05)
		<hr/>
Total Property and Equipment		759,554.20
Other Assets		
Prepaid - Other		3,586.83
Accrued Distribution		(29,773.00)
		<hr/>
Total Other Assets		(26,186.17)
		<hr/>
Total Assets	\$	<u><u>1,420,983.27</u></u>

LIABILITIES AND CAPITAL

Current Liabilities		
Retirement Contribution	\$	45,240.00
Accrued Flex Benefits		190.07
Accrued Salaries		1,493.00
Accrued Vacation		17,725.34
Accrued Interest		23.23
Accrued Expenses		28,801.00
Landlord Incentive		80,012.00
		<hr/>
Total Current Liabilities		173,484.64
Long-Term Liabilities		
Notes Payable - Gastro		7,013.25
Notes Payable - USBank 2015		437,147.29
		<hr/>
Total Long-Term Liabilities		444,160.54
		<hr/>
Total Liabilities		617,645.18
Capital		
Retained Earnings - Prior Yrs		800,724.50
Distribution to Partners		(2,053,850.10)
Net Income		2,056,463.69
		<hr/>
Total Capital		803,338.09
		<hr/>
Total Liabilities & Capital	\$	<u><u>1,420,983.27</u></u>

NORTHWEST ENDOSCOPY CENTER, LLC
General Ledger Trial Balance
As of Dec 31, 2017

Filter Criteria includes: Report order is by ID. Report is printed in Detail Format.

Account ID	Account Description	Debit Amt	Credit Amt
111000	Petty Cash	450.00	
111100	USBank - Checking Accou	80,000.48	
120004	USBank - Money Market	35,000.00	
170100	Med Equip & Furniture/Fixt	1,126,498.28	
170110	Computer Equipment	125,659.21	
170500	A/Dep - Med Equip & Furn/		772,145.79
170510	A/Dep - Computers		97,415.72
174000	Leasehold Improvements	688,347.50	
174100	A/Dep - Leasehold Imp		430,825.33
190065	Accounts Receivable	1,073,094.50	
190066	Contractual Allowance		30,000.00
190070	Estimated Contractual Allo		493,623.47
194870	Prepaid - Other	6,552.08	
210130	Retirement Contribution		45,000.00
210133	Accrued Flex Benefits		127.57
210145	Accrued Salaries		1,550.00
210146	Accrued Vacation		25,729.94
210160	Accrued Expenses		33,997.00
210166	Landlord Incentive		66,680.00
220017	Notes Payable - USBank 2		324,381.98
380000	Retained Earnings - Prior Y		803,338.09
480080	Other Income		114.39
480081	Gross Charges		11,712,029.00
480082	Contractual Allowance	5,260,211.33	
610010-10	Salaries Exp - RN	848,659.70	
610010-20	Salaries Exp - LPN	95,644.82	
610010-30	Salaries Exp - Tech/Aide	278,242.56	
610010-40	Salaries Exp - MA	284,130.60	
610010-50	Salaries Exp - Mgmt/Suppo	212,786.91	
610010-60	Salaries Exp - Proc Schedu	89,280.21	
610050	Salary/Wage Accruals	57.00	
620010	401K & Profit Sharing Exp	93,323.57	
620040	Payroll Tax Exp	142,233.36	
620080	STD/LTD/Life Ins Exp	33,827.85	
620100	Medical Ins Exp	122,251.91	
620150	Dental Ins Exp	76.20	
620200	Coffee Room Supplies	7,459.60	
630050	Rent or Lease Expense	145,047.85	
630070	Repairs & Maint - Building	6,497.68	
640010	Depreciation Expense	174,176.43	
640040	Net (Gain)/Loss	42.78	
640050	Repairs & Maint - Equipme	38,246.72	
640060	Repairs & Maint - Compute	35,634.96	
640070	Telephone Expense	4,483.18	
650060	Travel & Lodging Expense	114.05	
660010	Accounting/Audit Fees	3,210.00	
660015	Billing Service Fee Exp	437,755.00	
660030	Consultant Costs	4,410.00	
660090	Payroll Processing Fees	9,531.30	
660100	Recruiting Costs	2,921.00	
660130	Laundry and Uniforms Exp	129,601.14	
670030	Bank/Credit Card Fees	41,993.93	
670087	Drugs and Medications Exp	46,355.80	
670090	Dues and Subscriptions Ex	50,272.71	
670137	Office Cleaning	70,702.42	
670140	Insurance Expense	3,058.60	
670150	Licenses and Fees	8,578.00	
670170	Management Fees	1,000.00	
670175	Medical Supplies - Cleanin	104,361.97	
670176	Medical Supplies	511,716.36	
670177	Medical Waste Disposal	4,015.48	
670180	Miscellaneous	24,732.24	
670200	Office Supplies Expense	18,142.49	
670210	Postage/FedEx Exp	5,793.62	
670220	Printing Costs	241.31	

NORTHWEST ENDOSCOPY CENTER, LLC
General Ledger Trial Balance
As of Dec 31, 2017

Filter Criteria includes: Report order is by ID. Report is printed in Detail Format.

Account ID	Account Description	Debit Amt	Credit Amt
670240	Property & Other Misc Taxe	170,009.36	
670280	Seminars & Conferences	4,164.00	
670310	Temporary Help	11,898.88	
790000	Distribution to Partners	2,150,309.90	
810400	Interest Expense - Gastro	112.16	
810405	Interest Expense - USBank	14,039.29	
	Total:	14,836,958.28	14,836,958.28

NORTHWEST ENDOSCOPY CENTER, LLC

Balance Sheet
December 31, 2017

ASSETS

Current Assets		
Petty Cash	\$	450.00
USBank - Checking Account		80,000.48
USBank - Money Market		35,000.00
Accounts Receivable		1,073,094.50
Contractual Allowance		(30,000.00)
Estimated Contractual Allow		(493,623.47)
		<hr/>
Total Current Assets		664,921.51
Property and Equipment		
Med Equip & Furniture/Fixtures		1,126,498.28
Computer Equipment		125,659.21
A/Dep - Med Equip & Furn/Fixt		(772,145.79)
A/Dep - Computers		(97,415.72)
Leasehold Improvements		688,347.50
A/Dep - Leasehold Imp		(430,825.33)
		<hr/>
Total Property and Equipment		640,118.15
Other Assets		
Prepaid - Other		6,552.08
		<hr/>
Total Other Assets		6,552.08
		<hr/>
Total Assets	\$	<u><u>1,311,591.74</u></u>

LIABILITIES AND CAPITAL

Current Liabilities		
Retirement Contribution	\$	45,000.00
Accrued Flex Benefits		127.57
Accrued Salaries		1,550.00
Accrued Vacation		25,729.94
Accrued Expenses		33,997.00
Landlord Incentive		66,680.00
		<hr/>
Total Current Liabilities		173,084.51
Long-Term Liabilities		
Notes Payable - USBank 2015		324,381.98
		<hr/>
Total Long-Term Liabilities		324,381.98
		<hr/>
Total Liabilities		497,466.49
Capital		
Retained Earnings - Prior Yrs		803,338.09
Distribution to Partners		(2,150,309.90)
Net Income		2,161,097.06
		<hr/>
Total Capital		814,125.25
		<hr/>
Total Liabilities & Capital	\$	<u><u>1,311,591.74</u></u>

NORTHWEST ENDOSCOPY CENTER, LLC
General Ledger Trial Balance
As of Dec 31, 2018

Filter Criteria includes: Report order is by ID. Report is printed in Detail Format.

Account ID	Account Description	Debit Amt	Credit Amt
111000	Petty Cash	450.00	
111100	USBank - Checking Accou	240,907.36	
120004	USBank - Money Market	40,000.00	
170100	Med Equip & Furniture/Fixt	1,150,378.28	
170110	Computer Equipment	132,378.60	
170500	A/Dep - Med Equip & Furn/		911,817.41
170510	A/Dep - Computers		110,141.07
174000	Leasehold Improvements	688,347.50	
174100	A/Dep - Leasehold Imp		485,639.65
190065	Accounts Receivable	1,211,581.36	
190066	Contractual Allowance		30,000.00
190070	Estimated Contractual Allo		557,327.43
194870	Prepaid - Other	7,477.89	
210130	Retirement Contribution		55,000.00
210133	Accrued Flex Benefits		127.57
210145	Accrued Salaries		24,371.00
210146	Accrued Vacation		43,700.18
210160	Accrued Expenses		32,794.77
210166	Landlord Incentive		53,348.00
220017	Notes Payable - USBank 2		207,442.03
380000	Retained Earnings - Prior Y		814,125.25
480081	Gross Charges		12,424,990.00
480082	Contractual Allowance	5,637,385.00	
610010-10	Salaries Exp - RN	890,222.10	
610010-20	Salaries Exp - LPN	100,966.45	
610010-30	Salaries Exp - Tech/Aide	299,879.65	
610010-40	Salaries Exp - MA	354,257.86	
610010-50	Salaries Exp - Mgmt/Suppo	234,705.57	
610010-60	Salaries Exp - Proc Schedu	81,886.71	
610050	Salary/Wage Accruals	22,821.00	
620010	401K & Profit Sharing Exp	117,932.65	
620040	Payroll Tax Exp	154,088.96	
620080	STD/LTD/Life Ins Exp	35,674.10	
620100	Medical Ins Exp	136,548.10	
620150	Dental Ins Exp		95.69
620200	Coffee Room Supplies	7,648.44	
630050	Rent or Lease Expense	166,145.74	
630070	Repairs & Maint - Building	11,379.08	
640010	Depreciation Expense	209,888.31	
640050	Repairs & Maint - Equipme	41,643.50	
640060	Repairs & Maint - Compute	24,224.97	
640070	Telephone Expense	10,402.70	
650030	Entertainment	253.47	
650060	Travel & Lodging Expense	494.16	
660010	Accounting/Audit Fees	2,745.00	
660015	Billing Service Fee Exp	453,116.00	
660030	Consultant Costs	34,660.60	
660090	Payroll Processing Fees	10,102.83	
660100	Recruiting Costs	2,167.00	
660130	Laundry and Uniforms Exp	125,616.49	
670030	Bank/Credit Card Fees	38,375.97	
670087	Drugs and Medications Exp	61,929.32	
670090	Dues and Subscriptions Ex	73,337.74	
670137	Office Cleaning	70,506.83	
670140	Insurance Expense	3,721.00	
670150	Licenses and Fees	3,156.00	
670170	Management Fees	1,000.00	
670175	Medical Supplies - Cleanin	116,542.36	
670176	Medical Supplies	528,845.89	
670177	Medical Waste Disposal	4,414.04	
670180	Miscellaneous	28,187.70	
670200	Office Supplies Expense	20,586.18	
670210	Postage/FedEx Exp	5,419.39	
670240	Property & Other Misc Taxe	170,896.49	
670280	Seminars & Conferences	4,935.06	

NORTHWEST ENDOSCOPY CENTER, LLC

General Ledger Trial Balance

As of Dec 31, 2018

Filter Criteria includes: Report order is by ID. Report is printed in Detail Format.

Account ID	Account Description	Debit Amt	Credit Amt
790000	Distribution to Partners	1,970,824.00	
810405	Interest Expense - USBank	9,864.65	
	Total:	15,750,920.05	15,750,920.05

NORTHWEST ENDOSCOPY CENTER, LLC

Balance Sheet
December 31, 2018

ASSETS

Current Assets		
Petty Cash	\$	450.00
USBank - Checking Account		240,907.36
USBank - Money Market		40,000.00
Accounts Receivable		1,211,581.36
Contractual Allowance		(30,000.00)
Estimated Contractual Allow		(557,327.43)
		<hr/>
Total Current Assets		905,611.29
Property and Equipment		
Med Equip & Furniture/Fixtures		1,150,378.28
Computer Equipment		132,378.60
A/Dep - Med Equip & Furn/Fixt		(911,817.41)
A/Dep - Computers		(110,141.07)
Leasehold Improvements		688,347.50
A/Dep - Leasehold Imp		(485,639.65)
		<hr/>
Total Property and Equipment		463,506.25
Other Assets		
Prepaid - Other		7,477.89
		<hr/>
Total Other Assets		7,477.89
		<hr/>
Total Assets	\$	<u><u>1,376,595.43</u></u>

LIABILITIES AND CAPITAL

Current Liabilities		
Retirement Contribution	\$	55,000.00
Accrued Flex Benefits		127.57
Accrued Salaries		24,371.00
Accrued Vacation		43,700.18
Accrued Expenses		32,794.77
Landlord Incentive		53,348.00
		<hr/>
Total Current Liabilities		209,341.52
Long-Term Liabilities		
Notes Payable - USBank 2015		207,442.03
		<hr/>
Total Long-Term Liabilities		207,442.03
		<hr/>
Total Liabilities		416,783.55
Capital		
Retained Earnings - Prior Yrs		814,125.25
Distribution to Partners		(1,970,824.00)
Net Income		2,116,510.63
		<hr/>
Total Capital		959,811.88
		<hr/>
Total Liabilities & Capital	\$	<u><u>1,376,595.43</u></u>

NORTHWEST ENDOSCOPY CENTER, LLC
General Ledger Trial Balance
As of Dec 31, 2019

Filter Criteria includes: Report order is by ID. Report is printed in Detail Format.

Account ID	Account Description	Debit Amt	Credit Amt
111000	Petty Cash	450.00	
111100	USBank - Checking Accou	269,470.16	
120004	USBank - Money Market	40,000.00	
170100	Med Equip & Furniture/Fixt	1,165,773.30	
170110	Computer Equipment	134,201.76	
170500	A/Dep - Med Equip & Furn/		1,037,738.54
170510	A/Dep - Computers		111,470.86
174000	Leasehold Improvements	688,347.50	
174100	A/Dep - Leasehold Imp		536,162.95
190065	Accounts Receivable	1,239,071.57	
190066	Contractual Allowance		30,000.00
190070	Estimated Contractual Allo		569,972.92
194870	Prepaid - Other	9,847.70	
210130	Retirement Contribution		60,000.00
210133	Accrued Flex Benefits		127.57
210145	Accrued Salaries		34,176.00
210146	Accrued Vacation		49,520.59
210160	Accrued Expenses		35,829.00
210166	Landlord Incentive		40,016.00
220017	Notes Payable - USBank 2		86,172.94
380000	Retained Earnings - Prior Y		959,811.88
480080	Other Income		0.93
480081	Gross Charges		13,359,571.00
480082	Contractual Allowance	6,148,910.78	
610010-10	Salaries Exp - RN	964,104.19	
610010-20	Salaries Exp - LPN	104,449.15	
610010-30	Salaries Exp - Tech/Aide	332,768.22	
610010-40	Salaries Exp - MA	357,120.67	
610010-50	Salaries Exp - Mgmt/Suppo	241,077.83	
610010-60	Salaries Exp - Proc Schedu	93,220.02	
610050	Salary/Wage Accruals	9,805.00	
620010	401K & Profit Sharing Exp	119,088.37	
620040	Payroll Tax Exp	167,147.70	
620080	STD/LTD/Life Ins Exp	39,358.76	
620100	Medical Ins Exp	146,969.24	
620150	Dental Ins Exp	145.60	
620200	Coffee Room Supplies	7,578.67	
630050	Rent or Lease Expense	167,403.36	
630070	Repairs & Maint - Building	16,795.62	
640010	Depreciation Expense	200,794.11	
640050	Repairs & Maint - Equipme	51,871.36	
640060	Repairs & Maint - Compute	19,081.40	
640070	Telephone Expense	9,915.08	
650030	Entertainment	7,948.33	
650060	Travel & Lodging Expense	921.72	
660010	Accounting/Audit Fees	2,700.00	
660015	Billing Service Fee Exp	485,719.00	
660030	Consultant Costs	27,660.00	
660090	Payroll Processing Fees	11,052.38	
660100	Recruiting Costs	3,567.08	
660130	Laundry and Uniforms Exp	143,013.16	
670030	Bank/Credit Card Fees	43,082.96	
670087	Drugs and Medications Exp	45,620.61	
670090	Dues and Subscriptions Ex	62,811.27	
670137	Office Cleaning	63,243.78	
670140	Insurance Expense	4,567.40	
670150	Licenses and Fees	2,345.00	
670170	Management Fees	1,000.00	
670175	Medical Supplies - Cleanin	135,861.71	
670176	Medical Supplies	528,421.91	
670177	Medical Waste Disposal	4,255.84	
670180	Miscellaneous	31,940.07	
670200	Office Supplies Expense	21,431.82	
670210	Postage/FedEx Exp	3,948.41	
670220	Printing Costs	154.98	

NORTHWEST ENDOSCOPY CENTER, LLC

General Ledger Trial Balance

As of Dec 31, 2019

Filter Criteria includes: Report order is by ID. Report is printed in Detail Format.

Account ID	Account Description	Debit Amt	Credit Amt
670240	Property & Other Misc Taxe	172,517.12	
670280	Seminars & Conferences	5,270.00	
790000	Distribution to Partners	2,351,214.00	
810405	Interest Expense - USBank	5,535.51	
	Total:	16,910,571.18	16,910,571.18

NORTHWEST ENDOSCOPY CENTER, LLC

Balance Sheet
December 31, 2019

ASSETS

Current Assets		
Petty Cash	\$	450.00
USBank - Checking Account		269,470.16
USBank - Money Market		40,000.00
Accounts Receivable		1,239,071.57
Contractual Allowance		(30,000.00)
Estimated Contractual Allow		(569,972.92)
		<hr/>
Total Current Assets		949,018.81
Property and Equipment		
Med Equip & Furniture/Fixtures		1,165,773.30
Computer Equipment		134,201.76
A/Dep - Med Equip & Furn/Fixt		(1,037,738.54)
A/Dep - Computers		(111,470.86)
Leasehold Improvements		688,347.50
A/Dep - Leasehold Imp		(536,162.95)
		<hr/>
Total Property and Equipment		302,950.21
Other Assets		
Prepaid - Other		9,847.70
		<hr/>
Total Other Assets		9,847.70
		<hr/>
Total Assets	\$	<u><u>1,261,816.72</u></u>

LIABILITIES AND CAPITAL

Current Liabilities		
Retirement Contribution	\$	60,000.00
Accrued Flex Benefits		127.57
Accrued Salaries		34,176.00
Accrued Vacation		49,520.59
Accrued Expenses		35,829.00
Landlord Incentive		40,016.00
		<hr/>
Total Current Liabilities		219,669.16
Long-Term Liabilities		
Notes Payable - USBank 2015		86,172.94
		<hr/>
Total Long-Term Liabilities		86,172.94
		<hr/>
Total Liabilities		305,842.10
Capital		
Retained Earnings - Prior Yrs		959,811.88
Distribution to Partners		(2,351,214.00)
Net Income		2,347,376.74
		<hr/>
Total Capital		955,974.62
		<hr/>
Total Liabilities & Capital	\$	<u><u>1,261,816.72</u></u>

Exhibit 10
Physicians Endoscopy Facilities List

Physicians Endoscopy, Inc.

Legal Business Name	Company Address Line 1	Company Address Line 2	City	State	Zip Code
AMBULATORY CENTER FOR ENDOSCOPY, LLC	7600 River Road	4th Floor	North Bergen	New Jersey	07047
ADVANCED ENDOSCOPY CENTER, LLC	5500 Broadway	Suite A	Bronx	New York	10463
AUGUSTA ENDOSCOPY CENTER, LLC	393 North Belair Road		Evans	Georgia	30809
ATLANTIC GASTRO SURGICENTER, LLC D/B/A ACCESS SURGERY CENTER	3205 Fire Road	Suite 3	Egg Harbor Township	New Jersey	08234-5884
LONG ISLAND DIGESTIVE ENDOSCOPY CENTER, LLC D/B/A ADVANCED SURGERY CENTER OF LONG ISLAND	1500 Route 112	Building #5	Port Jefferson Station	New York	11776-8054
BERKS CENTER FOR DIGESTIVE HEALTH, LP	1011 Reed Avenue	Suite 600	Wyomissing	Pennsylvania	19610
BURLINGTON COUNTY ENDOSCOPY CENTER, LLC	140 Mount Holly By-Pass	Unit 5	Lumberton	New Jersey	08048
BETHESDA ENDOSCOPY CENTER, LLC	10215 Fernwood Road	Suite 260	Bethesda	Maryland	20817
CENTRAL ARIZONA ENDOSCOPY, LLC	2158 North Gilbert Road	Bldg 1, Suite 103	Mesa	Arizona	85203
CARNEGIE HILL ENDOSCOPY, LLC	1516 Lexington Avenue		New York	New York	10029
CENTRAL JERSEY AMBULATORY SURGICAL CENTER, LLC	511 Courtyard Dr	Building #500	Hillsborough	New Jersey	08844
PRAIRIELAND OUTPATIENT DIAGNOSTIC CENTER, LLC DBA DIGESTIVE DISEASE ENDOSCOPY CENTER	1302 Franklin Avenue	Suite 1000	Normal	Illinois	61761-6506
DIGESTIVE DISEASE & ENDOSCOPY CENTER	3261 NW Mt Vintage Way	Suite 221	Silverdale	Washington	98383
DEKALB GASTROENTEROLOGY ASSOCIATES III, LLC D/B/A DEKALB ENDOSCOPY CENTER	2675 N. Decatur Road	Suite 506	Decatur	Georgia	30033-6134
DHA ENDOSCOPY, LLC	91 Montvale Avenue	Suite 103	Stoneham	Massachusetts	02180
DIGESTIVE HEALTH SPECIALISTS- ARIZONA ENDOSCOPY CENTER, LLC	8573 East Princess Drive	Suite 117	Scottsdale	Arizona	85255
DELMARVA ENDOSCOPY CENTER, LLC	11103 Cathage Road		Berlin	Maryland	21811
ENDOSCOPY ASSOCIATES OF VALLEY FORGE, LLC	420 W. Linfield-Trappe Road	Building B, 1st Floor	Limerick	Pennsylvania	19468
THE ENDOSCOPY CENTER AT BAINBRIDGE, LLC	8185 East Washington Street	Suite 6	Chagrin Falls	Ohio	44023-4574
ENDOSCOPY CENTER OF BUCKS COUNTY, LP	790 Newtown-Yardley Road	Suite 415	Newtown	Pennsylvania	18940
ENDOSCOPY CENTER OF NIAGARA, LLC	6930 Williams Road	Suite 3010	Niagara Falls	New York	14304-3096
ENDOSCOPY CENTER OF WESTERN NEW YORK, LLC	60 Maple Road	Suite 2	Williamsville	New York	14221
ENDOSCOPY CENTER AT ROBINWOOD, LLC	11110 Medical Campus Road	Suite 248	Hagerstown	Maryland	21742
ENDOSCOPY CENTER AT ST. MARY, LP	1205 Langhorne-Newtown Rd.	Suite 103	Langhorne	Pennsylvania	19047
THE ENDOSCOPY CENTER OF WEST CENTRAL OHIO, LLC	2793 Shawnee Road		Lima	Ohio	45806
EASTSIDE ENDOSCOPY CENTER, LLC	1135 116th Avenue, NE	Suite 570	Bellevue	Washington	98004
EASTSIDE ENDOSCOPY CENTER, LLC- ISSAQUAH	Issaquah Medical Bldg - 1301 4th Ave NW	Suite 301	Issaquah	Washington	98027
ELGIN GASTROENTEROLOGY ENDOSCOPY CENTER, LLC	745 Fletcher Drive	Suite 201	Elgin	Illinois	60123
EAST SIDE ENDOSCOPY, LLC	380 2nd Avenue	Concourse A	New York	New York	10010
FLUSHING ENDOSCOPY CENTER, LLC	136-02 Roosevelt Avenue		Flushing	New York	11355
GAF- GASTROENTEROLOGY ASSOCIATES OF FREDERICKSBURG, PC	1031 Care Way		Fredricksburg	Virginia	22401
GREATER GASTON ENDOSCOPY CENTER, LLC	920 Cox Rd	Building C Suite 201	Gastonia	North Carolina	28054
GASTROINTESTINAL ENDOSCOPY CENTER, LLC	1600 Horizon Drive	Suite 107	Chalfont	Pennsylvania	18914
GREAT SOUTH BAY ENDOSCOPY CENTER, LLC	260 Patchogue-Yaphank Road	Suite D	East Patchogue	New York	11772
MORRIS AVENUE ENDOSCOPY CENTER, LLC D/B/A GARDEN STATE ENDOSCOPY AND SURGERY CENTER	1700 Galloping Hill Road	Plaza 138	Kenilworth	New Jersey	07033
ISLAND DIGESTIVE HEALTH CENTER, LLC	471 Montauk Hwy		West Islip	New York	11795-4414
KALAMAZOO ENDO CENTER, LLC	3300 Cooley Court		Portage	Michigan	49024
LAREDO DIGESTIVE HEALTH CENTER, LLC	6999 McPherson Avenue	Suite 219	Laredo	Texas	78041
LIBERTY ENDOSCOPY CENTER, LLC	156 William Street	4th Floor	New York	New York	10038-2609
LONG ISLAND CENTER FOR DIGESTIVE HEALTH, LLC	106 Charles Lindbergh Boulevard	Suite C	Uniondale	New York	11553
LONE STAR ENDOSCOPY	1001 Surrey Lane		Flower Mound	Texas	75022
LONE STAR ENDOSCOPY	180 Bear Creek Parkway		Keller	Texas	76248
LONE STAR ENDOSCOPY	515 South Nolen Drive		Southlake	Texas	76092

Physicians Endoscopy, Inc.

Legal Business Name

Company Address Line 1

Company
Address Line 2

City

State

Zip Code

MID-BRONX ENDOSCOPY CENTER, LLC	51 West Burnside Avenue		Bronx	New York	10453
MICHIGAN ENDOSCOPY CENTER, LLC	30055 Northwestern Hwy	Suite L-60	Farmington Hill	Michigan	48334
MANHATTAN ENDOSCOPY CENTER, LLC	535 5th Avenue	5th Floor	New York	New York	10017
MICHIGAN ENDOSCOPY CENTER AT PROVIDENCE PARK,LLC	47601 Grand River Avenue	Suite D-110	Novi	Michigan	48374-1233
NORTHERN NEW JERSEY CENTER FOR ADVANCED ENDOSCOPY, LLC	270 Sylvan Avenue	Suite 100	Englewood Cliffs	New Jersey	07632
NORTHWEST ENDOSCOPY CENTER, LLC	2930 Squalicum Parkway	Suite 202	Bellingham	Washington	98225
PGC ENDOSCOPY CENTER FOR EXCELLENCE, LLC	700 Cottman Avenue		Philadelphia	Pennsylvania	19111
PUTNAM GI, LLC	667 Stoneleigh Avenue	Building A, Suite 201	Carmel	New York	10512
QUEENS BOULEVARD ASC, LLC	95-25 Queens Boulevard	Suite 3	Rego Park	New York	11374
QUEENS ENDOSCOPY ASC, LLC	Utopia Center, 176-60 Union Turnpike	Ground Floor	Fresh Meadows	New York	11366
SOUTH BROWARD ENDOSCOPY, LLC	11011 Sheridan Street	Suite 106	Cooper City	Florida	33026
DIGESTIVE DISEASES DIAGNOSTIC AND TREATMENT CENTER, LLC D/B/A SOUTH BROOKLYN ENDOSCOPY CENTER	214 Avenue P.		Brooklyn	New York	11204
SURGICAL CENTERS OF MICHIGAN, LLC D/B/A TROY ENDOSCOPY CENTER	4600 Investment Drive	Suite 270	Troy	Michigan	48098
YORKVILLE ENDOSCOPY, LLC D/B/A THE ENDOSCOPY CENTER OF NEW YORK	201 East 93rd Street		New York	New York	10128
UH CANTON ENDOSCOPY, LLC	3722 Dressler Road, N.W.	Suite B	Canton	Ohio	44718
UHNH- UH NORTH RIDGEVILLE ENDOSCOPY CENTER, LLC	32800 Lorain Road	Suite 2400	North Ridgeville	Ohio	44039
ECB - UNIVERSITY SUBURBAN ENDOSCOPY CENTER	1611 South Green Road	Suite 120	South Euclid	Ohio	44121

Exhibit 11
Medical Director Job Description

3.1 Medical Director/Assistant Medical Director

Start Date: 9/26/08

Revision Date: 10/08, 5/13, 11/17

By: Governing Body

Summary of Responsibilities

His/her primary mission is to make the Center operate in a cost efficient manner, while adhering to the policies and procedures upon which the Center was founded. In conjunction, with the Nurse Manager, the Medical Director will arbitrate, if a Physician questions a policy or procedure. The Medical Director will present all capital budget purchase recommendations to the Governing Board (AKA Board of Managers) and will act as Medical Liaison for the Center with outside agencies. The Medical Director's responsibilities can be designated to other members of the Governing Body in his/her absence and/or as appropriate.

Qualifications

The Medical Director is a Physician licensed and currently registered in the state of Washington. He/she must be in good standing as an active member of the local hospital staff and be board certified in Gastroenterology. The Medical Director should have a documented record of intensive experience beyond residency and have demonstrated administrative and leadership skills.

Appointment

The Medical Director is elected by the Executive Committee and approved by a majority vote of the Governing Body (AKA Board of Managers). He/she will serve for a period of three years and can be reappointed.

Responsibilities

The duties and responsibilities of the Director include, but are not limited to:

- A. The Medical Director shall serve as liaison for the Nurse Manager regarding issues concerning the Physicians and/or the staff.
- B. The Medical Director shall lead the Governing Body (AKA Board of Managers) in developing, recommending and updating policies and procedures for the Center, making recommendation for change when needed, and assuring compliance from the Physicians, to these policies.
- C. In conjunction with the Nurse Manager, the Medical Director shall develop monitors to evaluate the outside services provided to the Center.
- D. The Medical Director shall meet as needed with the Nurse Manager to review departmental issues, problems, and priorities.
- E. The Medical Director shall provide input to the Nurse Manager regarding the performance of personnel. The Medical Director shall provide input on education and training needs for personnel.
- F. The Medical Director shall provide information to the Governing Body (AKA Board of Managers) regarding problems arising from staffing, safety or other operational issues.
- G. The Medical Director shall provide consultation and feedback to the Governing Body (AKA Board of Managers) concerning equipment, services and supplies. The Medical Director shall consult with the other Physicians prior to making recommendation involving equipment purchase.

- H. The Medical Director shall appoint the Chairpersons of the subcommittees of the Executive Committee. These appointments shall be approved by the Governing Body (AKA Board of Managers) for a term of three years and can be reappointed. The Medical Director may serve on and share any of the subcommittees.
- I. The Medical Director shall serve as a resource person to other Physicians for the relevant policies, procedures, and other issues of significance in the Center.
- J. The Medical Director shall receive feedback from the Governing Body (AKA Board of Managers) relative to a Physician and/or Anesthesiologist's performance and shall take appropriate and timely action to resolve any issues that may arise.
- K. Deviations from accepted standards of medical care, referred to the Medical Director, shall be reviewed by the Director with the Physician. If resolution of the issues cannot be accomplished, the Medical Director may intervene directly in patient care, if in his/her opinion, it is in the patient's best interest. This may take the form of writing or canceling orders, and obtaining further consultation. The Medical Director should submit documentation to the CQI committee if such an incident occurs, so that it might be reviewed and appropriate action taken. Any such action must be reported to the Governing Body (AKA Board of Managers).
- L. At the Governing Body (AKA Board of Managers) meetings, the Medical Director should report on any issues involving appropriateness of patient population, management of cases, and the overall quality of care relating to the Center. The Medical Director shall review all adverse incidents, including deaths that occur at the Center. He/she will also perform a random Physician Review.
- M. The Medical Director will consult with other Endoscopy Centers in order to assure that the services provided by the Center are within community standards, and to keep himself/herself abreast of changes governing an ambulatory Endoscopy Center.

The Assistant Medical Director will assist the Medical Director in the governing of the Center, and will take on assignments, as needed, by the Medical Director. He/she will assume full responsibility in the Medical Director's absence. In addition, the Assistant Medical Director will act as a Chairperson of one of the subcommittees of the Executive Committee.

Exhibit 12
Staff Credential List

Sandra VanderYacht, RN	RNs00126295
Laura McPeak, RN	RN60002385
Dana Thompson, RN	RN00157576
Lori Whitmer, RN	RN60010413
Stephanie Croft, RN	RN60090984
Cindy DaCosta, RN	RN60342339
Tamara French, RN	RN60286239
Heather Salsgiver, RN	RN60240054
Tandra Varick, RN	RN60571060
Melissa Messerschmidt, RN	RN60157928
Brittany Swaen, RN	RN60732887
Mandy Otterstad, RN	RN60863801
Sara Harvey, RN	RN60570078
Rachel Hibdon, RN	RN60865929
Dani Ludwigsen, RN	RN60831756
Kirsten McLain, RN	RN60972167
Kaitlin Olson, RN	RN60912888
DeAnza Fox, RN	RN60940103
Jean Hurlbert, LPN	LP00022079
Diane Hansen, LPN	LP00054472
Rachel Geleynse, CMA	CM60395903
Victoria Ramos, CMA	CM60582905
Khan Mouth, CMA	CM60611396
Karen Lundy, CMA	CM60382029
Amy Parsons, CMA	CM60501544
Mary Grant, CMA	CM60528719
Stacy Lamphier, CMA	CM60752140
Bianca Vavra, CMA	CM60671074

Exhibit 13
Transfer Agreement

PATIENT TRANSFER AGREEMENT

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

Sending Facility

Northwest Endoscopy Center, LLC.
2930 Squalicum Parkway, Suite 202
Bellingham, WA 98225

Receiving Facility

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

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

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

4. **Legal Responsibilities Between the Parties.**

- 4.1 The Receiving Facility's responsibility for the patient's care shall not begin until the Patient has been admitted.
- 4.2 Each Party shall be responsible only for collecting its own payment for services rendered to the patient. Neither Party shall have any liability to the other for such charges.
- 4.3 The attending physicians at Sending Facility shall maintain admitting privileges at Receiving Facility in accordance with Medical Staff Bylaws. The attending physicians at Sending Facility shall maintain his/her care for the admitted patient for his/her specialty.

- 4.4 Should transferred patient have continuing care needs upon discharge from Receiving Facility, Sending Facility agrees to arrange for appropriate care.
- 4.5 Each party agrees to be liable for its own conduct and to indemnify the other party against any and all losses therefor. In the event that loss or damage results from the conduct of more than one party, each party agrees to be responsible for its own proportionate share of the claimant's damages.
5. **Term and Termination.** This Agreement shall remain in effect until written notice of termination has been provided to either Party from the other.
6. **Miscellaneous Terms.**
- 6.1 The Parties are independent contractors: neither has authority to act on behalf of the other.
- 6.2 Nothing in this Agreement shall be construed as limiting the rights of either Party to contract with any other entity on a limited or general basis.
- 6.3 This Agreement contains the entire understanding of the Parties and cannot be modified by course of dealing. All modifications or amendments to this Agreement must be in writing and signed by both parties.
- 6.4 Each Party agrees that it shall not discriminate in the provision of services to any patient on the basis of source of payment or any legally protected status of the patient.
- 6.5 The interpretation of this Agreement and the resolution of any disputes arising under it shall be governed by the laws of the State of Washington.
- 6.6 The individuals executing this Agreement represent and warrant that they are competent and capable of entering into a binding contract, and that they are authorized to execute this Agreement on behalf of the parties hereto.
- 6.7 Each party represents and warrants that it is not excluded from participation, and is not otherwise ineligible to participate in a "Federal health care program", as defined in 42 U.S.C. Section 1320a-7b(f) or in any other governmental payment program. In the event either party is excluded from participation, or becomes otherwise ineligible to participate in any such program during the term of this Agreement, the excluded/ineligible party will notify the other party in writing within three (3) days after such event, and upon the occurrence of such event. Whether or not such a notice is given by the excluded/ineligible party, the other party may immediately terminate this Agreement upon written notice to the excluded/ineligible party.

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

PeaceHealth d/b/a
PEACEHEALTH
ST. JOSEPH MEDICAL CENTER

By: _____

Its: _____

Date: 10/19/2010

NORTHWEST ENDOSCOPY CENTER,
LLC.

By: _____

Its: Medical Director

Date: 10.7.2010