Washington State Department of Health

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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: Katie Hoffman, RN, ASC Director Signature: Katie Hoffman RN Dated: 10/3/2024	Phone Number: 206-633-8199 Email Address: k.hoffman@proliancesurgeons.com
Legal Name of Applicant: Proliance Surgeons, Inc., P.S. dba Seattle Orthopedic Center	Number of Operating Rooms requested – include procedure rooms: One (1) additional operating room
Address of Applicant: 805 Madison Street, Suite 901, Seattle, WA 98104	Estimated Capital Expenditure: $4,760,921

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

North King

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Exhibit list

Exhibit Number	Exhibit Name
1	SOC Signed Progress Report
2	Letter of Intent
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5	Proliance Audited Financials, 2021 to 2022

1. Introduction and Rationale

Proliance Surgeons, Inc., PS ("Proliance") d/b/a Seattle Orthopedic Center ("SOC") is requesting an amendment approval to increase project capital expenditures to $4,760,921. It was approved (CN #1860) to expend $2,508,250. Its final costs exceeded this CN approval by an amount greater than twelve percent, the threshold recognized by the Department as a "trigger" requiring an amendment. This Amendment requests certificate of need ("CN") approval for the expenditure of $4,760,921 for the now-completed project referenced in CN 1860.

CN 1860 approved the conversion of SOC's existing two (2) OR CN-Approved Ambulatory Surgical Facility ("ASF") to a three (3) OR ASF for surgical services including orthopedic, ENT, eye, endocrine, digestive, gynecology, neurosurgery, plastic, urologic, vascular, pain management, podiatry, and general surgery.[1]

SOC was approved for this expansion in OR capacity on October 22, 2020, and this amended application requests approval for the increased capital expenditures which resulted both directly and indirectly from COVID-19. The direct effects included a state-wide moratorium on construction projects in 2020 and worker shortages related to sickness, quarantine, and worker concerns. Indirect effects include a supply chain crisis driven by increased demand, border closures, and import-export logistics which have resulted in dramatic and unexpected increases in building materials and other construction supplies.

In addition to reflecting increased capital expenditures, based on conversations with the Department, this amended application reflects updated utilization, staffing, and financial forecasts which correspond to the actual construction and build-out schedule. We have also provided updated historical utilization, staffing, financials, and audited financials. As will be demonstrated, the incremental cost impacts are modest, and the project remains financially viable.

[1] https://doh.wa.gov/sites/default/files/legacy/Documents/2300/2020/CN1860.pdf, Last Accessed August 19, 2024.

2. Applicant Description

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

1. **Provide the legal name(s) and address(es) of the applicant(s)**
   Note: The term "applicant" for this purpose includes any person or individual with a ten percent or greater financial interest in the partnership or corporation or other comparable legal entity. WAC 246-310-010(6)

   Proliance Surgeons, Inc. P. S. ("Proliance"), d/b/a Seattle Orthopedic Center is the legal name of the applicant. Seattle Orthopedic Center is owned and operated by Proliance.

   The applicant's address is:

   Proliance Surgeons, Inc., P.S.
   805 Madison, Suite 901
   Seattle, WA 98104

   The address of the Seattle Orthopedic Center is:

   Seattle Orthopedic Center
   2409 N. 45th Street,
   Seattle, WA 98103

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

   Seattle Orthopedic Center is solely owned by Proliance Surgeons, Inc.

   Proliance Surgeons, Inc. is a privately held, for-profit entity.

   The UBI number of Seattle Orthopedic Center is 601484763-001-0041.

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

   Katie Hoffman, RN
   ASC Director
   Seattle Orthopedic Center
   2409 N 45th St
   Seattle, WA 98103
   206-633-8199

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

   Frank Fox, PhD.
   Health Trends

511 NW 162nd St,
Shoreline, WA 98177
206.366.1550
frankgfox@comcast.net

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

Based on technical assistance received from the Department, this is not applicable because this is an amendment application for a cost increase.

3. **Project description**

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

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

   Seattle Orthopedic Center
   2409 N. 45th Street,
   Seattle, WA 98103

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.**

   This question is not applicable.

3. **Provide a detailed description of proposed project**

   Seattle Orthopedic Center is requesting an amendment approval to increase project capital expenditures to $4,760,921. It was approved (CN #1860) to expend $2,508,250. However, its final costs exceeded this CN approval by an amount greater than twelve percent, the threshold recognized by the Department as a “trigger” requiring an amendment. This Amendment requests certificate of need (“CN”) approval for the expenditure of $4,760,921 for the now-completed project referenced in CN #1860.

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:**

   As an amended application for a project that has already been completed, we present the timeline as expressed in the final progress report, dated September 5, 2024. Please see Exhibit 1 for a copy of this progress report.

Event	**Anticipated Month/Year**
Design Complete	January 2022
Construction Commenced	April 2022
Construction Completed	March 2024
Facility Prepared for Survey	N/A
Project Completion	March 2024

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

☒ Ear, Nose, & Throat	☐ Maxillofacial	☒ Pain Management
☒ Gastroenterology	☒ Ophthalmology	☒ Plastic Surgery
☒ General Surgery	☐ Oral Surgery	☒ Podiatry
☒ Gynecology	☒ Orthopedics	☒ Urology

☒Other? Describe in detail: _See below_____________________________________

Services offered include: orthopedic, ENT, eye, endocrine, digestive, gynecology, neurosurgery, plastic, urologic, vascular, pain management, podiatry, and general surgery.

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

☐ Endoscopy ☐ Bariatric Surgery ☐ Other:_______________

This includes the full spectrum of gastroenterological procedures.

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

SOC currently operates as a three-operating room, CN-Approved ambulatory surgical center. With CN #1860, services offered at this facility include: orthopedic, ENT, eye, endocrine, digestive, gynecology, neurosurgery, plastic, urologic, vascular, pain management, podiatry, and general surgery. There is no anticipated change because of this amendment.

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.**

SOC has been approved to operate three (3) operating rooms (CN #1860).

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

None of the operating rooms would be exclusively dedicated to endoscopy, cystoscopy, or pain management.

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

Seattle Orthopedic Center will serve patients ages two years and older who require orthopedic, ENT, eye, endocrine, digestive, gynecology, neurosurgery, plastic, urologic, vascular, pain management, podiatry, and general surgical procedures that can be served appropriately in an outpatient setting.

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

Please see Exhibit 2 for a Letter of Intent for this Amended Application.

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

Based on technical assistance received from the Department, this is not applicable because this is an amendment application for a cost increase. Moreover, there has been no change to the single-line drawings from the original application.

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.

This facility is currently and will continue to be licensed and certified by Medicare and Medicaid.

License #: ASF.FS.60101053

Medicare #: __50C0001244

Medicaid #: _1043814

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

This facility is accredited by the Accreditation Association for Ambulatory Health Care (AAAHC).

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.

The design and construction related to the proposed project was approved by CRS on January 24, 2022, with a project number of CRS #61032401.

4. <u>Certificate of Need Review Criteria</u>

A. **Need (WAC 246-310-210)**

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

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

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

   Please see Table 1 for a complete list of hospitals and ambulatory surgery facilities in the North King Planning Area. This table reflects CN #1860, the approval for SOC to expand from two to three ORs.

Table 1: Supply of Outpatient and Inpatient ORs in the North King Planning Area

Hospitals, CN-Approved	Mixed Use ORs	Outpatient ORs
Kindred Hospital		
Seattle Cancer Care Alliance at UWMC		
Seattle Children's Hospital	15	
Swedish Medical Center - Ballard	5	
University of Washington Medical Center	30	
UW Medicine/Northwest Hospital	12	4
ASCs, CN- Approved		
Seattle Orthopedic Surgery Center		3
Northwest Eye Surgeons		2
University of Washington Medical Center - Roosevelt		2
Eye Associates Northwest Surgery Center		2
ASCs, CN-Exempt		
EVIVA		2
Total CN-Approved ORs	**62**	**13**

Sources:
2019 Department of Health ASF Survey, 2018 Department of Health ASF Survey, 2017 Department of Health ASF Survey, Appendix A of DOH's January 2019 Review of CN app #18-15, Appendix A of DOH's November 2019 Review of CN #19-68.

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

   Aside from SOC, UWMC-Roosevelt is the only other freestanding ASF that provides outpatient orthopedic surgery services within the North King planning area.

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

   SOC has already been approved for three ORs (CN #1860). Thus, this question is not applicable because this is an amendment application for a project cost increase above that approved in CN #1860.

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.**

   Please see the Department's calculation of numeric need included in its October 8, 2020, evaluation and approval of the proposed project for estimates of numeric need within the North King Planning Area. As identified in the earlier application and the Department's evaluation, the numeric need methodology estimated a need for mixed-use rooms.

   Furthermore, SOC has already been approved for three ORs (CN #1860). Thus, this question is not applicable because this is an amendment application for a project cost increase above that approved in CN #1860.

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

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

   As demonstrated in Appendix A of the Department's evaluation of CN20-47, the numeric need methodology indicated a need for Mixed-Use rooms at that time. Furthermore, SOC has already been approved for three ORs (CN #1860). Thus, this question is not applicable because this is an amendment application for a project cost increase above that approved.

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

Table 2: Seattle Orthopedic Center Historical Utilization					
	2021	2022	2023	June 2024 YTD	2024 Annualized
Cases	1,906	1,963	2,076	1,196	2,392
Average Mins/Case	79.48	81.04	81.59	82.47	82.47
Minutes	151,481	159,073	169,387	98,630	197,260
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.**

In Table 3 we present annualized 2024 surgical volumes, projected volumes for 2025 and the first three full years of operation, post-Amendment approval. Currently, SOC provides outpatient services for orthopedic procedures. With the additional OR we expect to provide services across all specialties for which we are currently CN-approved as well as pain management and podiatry.

The specialty-specific case counts presented in Table 3 reflect an aggregation of procedures by ICD-9 group presented in Table 5. Some ICD-9 groups have a straightforward correspondence to a certain specialty group, while others bridge multiple specialty groups. For this reason, we apply mapping assumptions regarding *the expected proportion of procedures within a given ICD-9 group to fall within each of the different specialties for SOC*. These mapping assumptions are based on review of CPT and ICD-9 procedural classifications, the projected specialties of SOC and its historical utilization, and the types of cases performed by Proliance physicians within each of the different specialties. We emphasize that our mapping assumptions are distinct from our market share assumptions, which are outlined in Table 6. These mapping assumptions are:

- For ICD-9 group "Operations on the Nervous System," 50% are neurosurgery procedures and 50% are pain management procedures.
- For ICD-9 group "Operations on the Endocrine System, hemic and lymphatic system, and obstetrical procedures," 80% are Endocrine procedures, 10% are General Surgery procedures, and 10% are Gynecology procedures.
- For ICD-9 group "Operations on the Eye," 100% are Eye/Ophthalmological procedures.
- For ICD-9 group "Operations on the Ear," 100% are ENT procedures.
- For ICD-9 group "Operations on the Nose, Mouth and Pharynx," 100% are ENT procedures.
- For ICD-9 group "Operations on the Respiratory System," 100% are ENT procedures.
- For ICD-9 group "Operations on the Cardiovascular System," 10% are General Surgery procedures and 90% are Vascular Surgery procedures.
- For ICD-9 group "Operations on the Digestive System," 80% are Digestive procedures, 10% are ENT procedures, and 10% are General Surgery procedures.
- For ICD-9 group "Operations on the Urinary System," 100% are Urology procedures.

- For ICD-9 group “Operations on the Male Genital Organs,” 100% are Urology Procedures.
- For ICD-9 group “Operations on the Female Genital Organs,” 100% are Gynecology procedures
- For ICD-9 group “Operations on the Musculoskeletal System,” 95% are Orthopedics procedures and 5% are podiatry procedures.
- For ICD-9 group “Operations of the Integumentary System,” 100% are Plastic Surgery procedures.
- For ICD-9 group “Miscellaneous diagnostic and therapeutic procedures and new technologies,” 100% are General Surgery procedures.

Table 3: Seattle Orthopedic Center Projected Case Count

Specialty	Annualized June 2024 YTD	2025	2026	2027	2028
# of ORs	3	3	3	3	3
Digestive	-	50	50	50	51
Endocrine	-	3	3	3	4
ENT	-	52	53	53	53
Eye/Ophthalmology	-	49	49	49	50
General Surgery	-	44	45	45	45
Gynecological	-	22	22	23	23
Neurosurgery	-	26	26	26	27
Orthopedics	2,392	2,430	2,444	2,460	2,476
Pain Management	-	26	26	26	27
Plastic	-	54	54	54	55
Podiatry	-	62	63	63	63
Urologic	-	23	23	23	24
Vascular	-	12	12	12	12
Total	2,392	2,853	2,870	2,887	2,910

Sources: Applicant

The forecast model uses the following assumptions and methodologies:

1. Surgical use rates by ICD-9 procedure code group were derived from the latest National Center for Health Statistics (“NCHS”) survey study, “Ambulatory Surgery in the United States.” The report analyzed and presented summaries of data from the 2010 National Survey of Ambulatory Surgery (“NSAS”).[2] For utilization estimates by surgical specialty, per 10,000 persons, please see Table 4 below.

[2] The estimates are found in Table 4 of the report. This report was revised on February 28, 2017.

Table 4: National Center for Health Statistics. Ambulatory Surgery Utilization Estimates

Procedure Description (ICD-9-CM Code)	**ICD9 CM Code**	**Utilization Rate / 10,000**
All Operations		1560.3
Operations on the Nervous System	01-05	136.6
Operations on the Endocrine System, operations on the hemic and lymphatic system, and obstetrical procedures	06-07,40-41,72-75	11.3
Operations on the Eye	08-16	254.7
Operations on the Ear	18-20	34.1
Operations on the Nose, Mouth and Pharynx	21-29	77.8
Operations on the Respiratory System	30-34	9.1
Operations on the Cardiovascular System	35-39,00.50-00.51,00.53-00.55,00.61-00.66	34.7
Operations on the Digestive System	42-54	324.7
Operations on the Urinary System	55-59	43.6
Operations on the Male Genital Organs	60-64	17.0
Operations on the Female Genital Organs	65-71	57.1
Operations on the Musculoskeletal System	76-84,00.70-00.73,00.80-00.84	228.8
Operations of the Integumentary System	85-86	140.3
Miscellaneous diagnostic and therapeutic procedures and new technologies	87-99,00	190.5

Sources: "Ambulatory Surgery in the United States, 2010," US Department of Health and Human Services, National Center for Health Statistics, National Health Statistics Reports, Number 102, February 28, 2017; U.S. Census Annual Estimates of the Resident Population by Single Year of Age and Sex for the United States: April 1, 2010 to July 1, 2018.

Notes: Utilization rates calculated by dividing specialty-specific procedure counts available in Table 3 of "Ambulatory Surgery in the United States, 2010," by 2010 U.S. census population counts and multiplying by 10,000.

In this study, ambulatory surgery refers to surgical and nonsurgical procedures performed on an ambulatory basis in a hospital or freestanding center's general ORs, dedicated ambulatory surgery rooms, and other specialized rooms. This NCHS survey study is the principal source for published national data on the characteristics of visits to hospital-based and freestanding ASFs. The report was updated and revised in 2017 and contains NCHS estimates on ambulatory surgery case counts for the year 2010.[3] Estimates of population use rates were calculating by dividing the

[3] The NCHS survey covers procedures performed in ambulatory surgery centers, both hospital-based and freestanding. Hospitals include non-institutional hospitals exclusive of federal, military, and Department of Veterans Affairs located in the 50 states and the District of Columbia. Only short-stay hospitals—hospitals with an average length of stay less than 30 days—or those whose specialty was general medicine or general surgery were included in the survey. Freestanding facilities included those that were regulated by CMS for Medicare participation. The NSAS sample of facilities was selected using a multistage probability design with facilities having varying selection probabilities.

procedure case counts by 2010 U.S. census population counts and multiplying by 10,000.

The NCHS use rates were multiplied by 2025-2028 North King Planning Area population forecasts, and then divided by 10,000 in order to forecast Planning Area resident ambulatory surgeries by procedure type, by year. Table 5 presents these procedure estimates for the planning area.

Table 5: North King Ambulatory Surgery Forecasts

PROCEDURE (ICD-9-CM Code)		**Total Number of Procedures, North King Planning Area**			
	2010 Rate /10,000	**2025**	**2026**	**2027**	**2028**
All Operations (01-86)	1560.3	59,655	60,002	60,374	60,770
Operations on the Nervous System (01-05)	136.6	5,223	5,254	5,286	5,321
Operations on the Endocrine System (06-07), operations on the hemic and lymphatic system (40-41), and obstetrical procedures (72-75)	11.3	430	433	435	438
Operations on the Eye (08-16)	254.7	9,740	9,797	9,857	9,922
Operations on the Ear (18-20)	34.1	1,303	1,310	1,318	1,327
Operations on the Nose, Mouth and Pharynx (21-29)	77.8	2,975	2,992	3,011	3,031
Operations on the Respiratory System (30-34)	9.1	349	351	353	355
Operations on the Cardiovascular System (35–39,00.50–00.51,00.53–00.55,00.61–00.66)	34.7	1,325	1,333	1,341	1,350
Operations on the Digestive System (42-54)	324.7	12,416	12,488	12,566	12,648
Operations on the Urinary System (55-59)	43.6	1,667	1,677	1,688	1,699
Operations on the Male Genital Organs (60-64)	17.0	649	653	657	661
Operations on the Female Genital Organs (65-71)	57.1	2,183	2,196	2,209	2,224
Operations on the Musculoskeletal System (76–84,00.70–00.73,00.80–00.84)	228.8	8,746	8,797	8,852	8,910
Operations of the Integumentary System (85-86)	140.3	5,364	5,396	5,429	5,465
Miscellaneous diagnostic and therapeutic procedures and new technologies (87-99, 00)	190.5	7,283	7,325	7,371	7,419
Total Planning Area Cases		**59,653**	**60,001**	**60,373**	**60,769**
Service Area Population		**2025**	**2026**	**2027**	**2028**
North King		382,336	384,567	386,949	389,485

Source: Applicant

Market share figures were applied to each procedure code group based on current and planned surgeries. These market share figures are based on the historical utilization of Seattle Orthopedic Center, the existing subspecialty expertise of Proliance physicians, the expected expansion into additional CN-approved surgical specialties at SOC and the number of planning area ASFs performing procedures within the different specialties.

2. Table 6 presents our market share assumptions. For those CN-approved specialties in which SOC has not previously performed procedures, the market share figures begin with values ranging from 0.5% to 1% of the market. Market share figures for operations on the musculoskeletal system are based on estimated market share statistics determined from the historical case count data presented in Table 2, adjusted for a marginal increase in podiatry procedures.[4] 2025 market share statistics are assumed constant through 2028.

Table 6: Seattle Orthopedic Center Market Share Assumptions

SOC Market Share Calculations and Assumptions	2024	2025	2026	2027	2028
Market Share Growth		0.0%	0.0%	0.0%	0.0%
Operations on the Nervous System		1.0%	1.0%	1.0%	1.0%
Operations on the Endocrine System, hemic and lymphatic system, and obstetrical procedures		1.0%	1.0%	1.0%	1.0%
Operations on the Eye		0.5%	0.5%	0.5%	0.5%
Operations on the Ear		1.0%	1.0%	1.0%	1.0%
Operations on the Nose, Mouth and Pharynx		1.0%	1.0%	1.0%	1.0%
Operations on the Respiratory System		1.0%	1.0%	1.0%	1.0%
Operations on the Cardiovascular System		1.0%	1.0%	1.0%	1.0%
Operations on the Digestive System		0.5%	0.5%	0.5%	0.5%
Operations on the Urinary System		1.0%	1.0%	1.0%	1.0%
Operations on the Male Genital Organs		1.0%	1.0%	1.0%	1.0%
Operations on the Female Genital Organs		1.0%	1.0%	1.0%	1.0%
Operations on the Musculoskeletal System	27.5%	28.5%	28.5%	28.5%	28.5%
Operations of the Integumentary System		1.0%	1.0%	1.0%	1.0%
Miscellaneous diagnostic and therapeutic procedures and new technologies		0.5%	0.5%	0.5%	0.5%

Source: Applicant

Estimated planning area surgeries were then multiplied by the assumed market share figures for SOC, yielding forecasted number of procedures, by year. These projections are included below in Table 7. Given an expected CN approval in May 2025, Year One is 2026 since that is the first complete year after CN approval. Seattle Orthopedic Center's North King Planning Area market share is estimated to equal 4.0% of all planning area ambulatory surgeries in 2024 and is projected to increase to about 5% by 2028.

[4] Seattle Orthopedic Center reports an annualized equivalent of 2,392 Orthopedics cases in June 2024. This corresponds to about 27.5% of the 8,699 Operations on the Musculoskeletal System estimated to happen in the North King Planning Area in 2024.

Table 7: Seattle Orthopedic Center Projected Number of Ambulatory Surgeries by Type					
SOC Cases, Historical and Forecast Based on Market Share	**2024**	**2025**	**2026**	**2027**	**2028**
Operations on the Nervous System		52	53	53	53
Operations on the Endocrine System, hemic and lymphatic system, and obstetrical procedures		4	4	4	4
Operations on the Eye		49	49	49	50
Operations on the Ear		13	13	13	13
Operations on the Nose, Mouth and Pharynx		30	30	30	30
Operations on the Respiratory System		3	4	4	4
Operations on the Cardiovascular System		13	13	13	13
Operations on the Digestive System		62	62	63	63
Operations on the Urinary System		17	17	17	17
Operations on the Male Genital Organs		6	7	7	7
Operations on the Female Genital Organs		22	22	22	22
Operations on the Musculoskeletal System	2,392	2,493	2,507	2,523	2,539
Operations of the Integumentary System		54	54	54	55
Miscellaneous diagnostic and therapeutic procedures and new technologies		36.41	36.63	36.85	37.09
Total Cases	**2,392**	**2,854**	**2,871**	**2,889**	**2,908**
North King Planning Area Cases	59,329	59,653	60,001	60,373	60,769
SOC Market Share, North King Planning Area	4.0%	4.8%	4.8%	4.8%	4.8%
Average annual growth, cases	15.2%	19.3%	0.6%	0.6%	0.7%
Source: Applicant					

3. Based on the forecasted number of ambulatory surgeries at SOC, estimated utilization is provided in Table 8, where cases are translated into surgery minutes using SOC's June 2024 YTD outpatient surgery case per minute figure of 82.47 minutes. Based on WAC 246-310-270(9)(iii), three ORs at SOC would be efficiently utilized. Please see Table 8 below.

Table 8: Seattle Orthopedic Center, Projected Number of Ambulatory Surgeries and Operating Room Utilization					
Cases	2024	2025	2026	2027	2028
Operations on the Nervous System	-	52	53	53	53
Operations on the Endocrine System	-	4	4	4	4
Operations on the Eye	-	49	49	49	50
Operations on the Ear	-	13	13	13	13
Operations on the Nose, Mouth and Pharynx	-	30	30	30	30
Operations on the Respiratory System	-	3	4	4	4
Operations on the Cardiovascular System	-	13	13	13	13
Operations on the Digestive System	-	62	62	63	63
Operations on the Urinary System	-	17	17	17	17
Operations on the Male Genital Organs	-	6	7	7	7
Operations on the Female Genital Organs	-	22	22	22	22
Operations on the Musculoskeletal System	2,392	2,493	2,507	2,523	2,539
Operations of the Integumentary System	-	54	54	54	55
Miscellaneous diagnostic and therapeutic procedures and new technologies	-	36	37	37	37
Total Cases	**2,392**	**2,854**	**2,871**	**2,889**	**2,908**
Cases per Day (assumes 240 days of operation)	9.97	11.89	11.96	12.04	12.12
Surgery minutes per year (assumes East Pierce Planning Area outpatient minutes per case)	197,260	235,394	236,767	238,234	239,796
Estimated Number of Operating Rooms Needed (WAC 246-310-270 (9) (ii) (Minutes divided by 68,850.	2.87	3.42	3.44	3.46	3.48
Source: Applicant					

The NCHS use rates in the utilization forecast are based on national data sets and are national estimates. It is possible that local patterns could vary from the survey figures. However, there is no better statistical approach to estimate expected future volumes with procedural specificity. It is arguably reasonable to increase the use rate over time, given population aging and higher ambulatory surgery use rates for older age cohorts. However, we assume a constant use rate over our forecast period.

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

   SOC has already been approved for three ORs (CN #1860). Thus, this question is not applicable because this is an amendment application for a cost increase.

9. **In a CN-approved facility, WAC 246-310-210(2) requires that “all residents of the service area, including low-income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups and the elderly are likely to**

have adequate access to the proposed health service or services." Confirm your facility will meet this requirement.

Seattle Orthopedic Center is committed to meeting community and regional health needs. SOC will provide charity care consistent with the Proliance Charity Care Policy, included in its original application. This policy states that a charity care discount of up to 100% will be extended to eligible patients, where eligible patients are those whose monthly income falls at or below 200% of the Federal Poverty Level.

Our financial pro forma forecast provided in Exhibit 3 allocates 0.92% of total revenues to be provided for charity care, a figure equal to the North King Planning Area Average for hospitals over the period 2020-2022.[5]

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.**

Based on technical assistance received from the Department, this is not applicable because this is an amendment application for a cost increase.

[5] Average excludes Harborview. Hospitals included are Seattle Children's Hospital, Swedish Medical Center – Ballard, UW Medicine/ Northwest Hospital, UWMC, Seattle Cancer Care Alliance at UWMC, and Kindred Hospital.

B. Financial Feasibility (WAC 246-310-220)
Financial feasibility of a project is based on the criteria in WAC 246-310-220.

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

   Please see Exhibit 3 for historical financial statements and the Pro Forma financial forecast for the first three full years of operations.

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

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

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

   Seattle Orthopedic Center does not hold any of the above agreements. The Medical Director is a rotating position among employees.

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

   As stated above, charity care is assumed equal to 0.92% of total or gross revenue in Exhibit 3, the Pro Forma financial forecast. This figure is equal to the North King Planning Area Average over the period 2020-2022.

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.

To document site control, we include copies of a property tax statement for North Seattle ASC, LLC, a lease agreement between North Seattle ASC, LLC and Proliance Surgeons, Inc, and First Amendment to the Lease Agreement in Exhibit 4.

The lease terms specified in the lease and accompanying documents include:

- Basic Monthly Rent on June 1, 2020 for the entire space was $50,050.[6]
- Rent increases consistent with the CPI-U for the Seattle-Tacoma-Bellevue Metropolitan Statistical Area ("MSA") published by the Bureau of Labor Statistics.[7]
- Rent increases are constrained to be within the range of 1.5 percent and 4.5 percent. [8]

Because of the difference between the Lease Year and Calendar Year ("CY"), it is necessary to calculate an average CY base rent weighted for the months in the different lease years. Furthermore, because CPI-U is a historical statistic, it is necessary to forecast; we have assumed future CPI-U increases to equal that of the average annual percent increase over the 2020 to 2024 period. We present the calculation of Calendar Year Base Rent in Table 9 and schedule of lease costs for the Seattle Orthopedic Center ASF in Table 10.

Table 9: Calculation of Average CY Base Rent

Lease Year (LY)		Calendar Year (CY)		Sea-Tac-Bel June CPI-U*	Pct Increase	Base Rent (LY)	Avg CY Base Rent
Start (1)	End (2)	Start (3)	End (4)	(5)	(6)	(7)	(8)
6/1/2020	5/31/2021	1/1/2020	12/31/2020	281.1		$50,050	$50,050
6/1/2021	5/31/2022	1/1/2021	12/31/2021	296.6	4.50%	$52,302	$51,364
6/1/2022	5/31/2023	1/1/2022	12/31/2022	326.7	4.50%	$54,656	$53,675
6/1/2023	5/31/2024	1/1/2023	12/31/2023	341.7	4.50%	$57,115	$56,091
6/1/2024	5/31/2025	1/1/2024	12/31/2024	354.8	3.83%	$59,303	$58,392
6/1/2025	5/31/2026	1/1/2025	12/31/2025	*378.1*	4.50%	$61,972	$60,860
6/1/2026	5/31/2027	1/1/2026	12/31/2026	*402.9*	4.50%	$64,761	$63,599
6/1/2027	5/31/2028	1/1/2027	12/31/2027	*429.4*	4.50%	$67,675	$66,460
6/1/2028	5/31/2029	1/1/2028	12/31/2028	*457.5*	4.50%	$70,720	$69,451

Sources: Lease year specified in Lease and reiterated in First Amendment to Lease Agreement, paragraph 2. Seattle-Tacoma-Bellevue CPI-U from BLS News Release (https://www.bls.gov/regions/west/news-release/ConsumerPriceIndex_Seattle.htm)

Notes: "CY" represents "Calendar Year" and "LY" represents "Lease Year." CPI-U is a historical statistic so is necessary to forecast; we have assumed future CPI-U increases to

[6] First Amendment to the Lease Agreement, paragraph 2.
[7] First Amendment to Lease Agreement, paragraph 2; Lease Schedule 1.5, paragraph 1.3. We note this lease schedule references the designated metropolitan area called "Seattle-Tacoma-Bremerton," but since there is no designated metropolitan area as such, assume the lease meant to indicate "Seattle-Tacoma-Bellevue."
[8] Lease Schedule 1.5, paragraph 1.3.

equal that of the average annual percent increase over the 2020 to 2024 period. Avg. LY Base Rent inflated consistent with Percent Increase in Column 6. CY Base Rent (Column 8) calculated based on moving average of Column 7 where five months of prior year base rent are averaged with seven months of the current year base rent. For example, 2026 average CY base rent is equal to (61,972*5+64,761*7)/12 = 63,599. Numbers are rounded to the nearest hundredth of a decimal.

Table 10: Schedule of ASF Lease Costs

Year	Average CY Base Rent	ASF % of Space	Monthly Rent	Months of Operation	Incurred Rent
2025*	$61,972	68.17%	$42,246.17	7	$295,723.19
2026	$63,599	68.17%	$43,355.13	12	$520,261.58
2027	$66,460	68.17%	$45,306.11	12	$543,673.31
2028	$69,451	68.17%	$47,344.89	12	$568,138.68

Sources: Average CY Base Rent from Table 9

Notes: 2025 reflects the June to December period, so Base Rent based on the Lease Year rather than Calendar Year amount.

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

   This question is not applicable.

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.**

Item	Cost
a. Land Purchase	
b. Utilities to Lot Line	
c. Land Improvements	
d. Building Purchase	
e. Residual Value of Replaced Facility	
f. Building Construction	$2,810,914
g. Fixed Equipment (not already included in the construction contract)	
h. Movable Equipment	$1,369,971
i. Architect and Engineering Fees	$187,280
j. Consulting Fees	
k. Site Preparation	
l. Supervision and Inspection of Site	
m. Any Costs Associated with Securing the Sources of Financing (include interim interest during construction	$392,755
1. Land	
2. Building	

3. Equipment	
4. Other	
n. Washington Sales Tax	(Included above)
Total Estimated Capital Expenditure	**$4,760,921**

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.

Capital expenditures for the ASF were funded initially through a line of credit from U.S. Bank, and then converted into the following Equipment and Tenant Improvement (TI) loans:

- TI Loan 6932: $157,535.22 loan from U.S. Bank, all of which was used for the ASF project (3.6% of project costs, excluding finance costs[9])

- TI Loan 7369: $3,704,359.74 loan from U.S. Bank, $2,973,813.47 of which (80.3%) was used for the ASF project (68.1% of project costs, excluding finance costs)

- Equipment Loan 6957: $289,608.86 loan from U.S. Bank, all of which was used for the ASF project (6.6% of project costs, excluding finance costs)

- Equipment Loan 7344: $307,759.85 loan from U.S. Bank, all of which was used for the ASF project (7.0% of project costs, excluding finance costs)

- Equipment Loan 7633: $650,000 revolving line of credit from U.S. Bank, $639,448.22 was used, all for the ASF project (14.6% of project costs, excluding finance costs)

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.

SOC is currently fully operational, thus costs such as start-up staffing are unnecessary, and the costs of the project are fully represented within the Pro Forma forecast in Exhibit 3.

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

As described above, this project is complete. This amended application is being filed due to the increased costs of construction which occurred due to COVID-19 related factors. Please see Exhibit 1 for an itemization of final construction costs associated with the completed project.

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

[9] Project capital costs, net of interim interest, include: $4,760,921 - $392,755= $4,367,636. See CapEx table listed above.

The incremental depreciation and interest cost associated with the project are immaterial; for example, relative to Gross Patient Revenue, the sum of depreciation and interest are only 2.0% of Gross Patient Revenue in 2028. Please see Exhibit 3. Further, and more importantly, in general, Proliance does not set its rates. Reimbursement is based on set fee schedules with CMS and state payers and negotiated rates with principal payers, where rates are negotiated across all Proliance ASFs, not individual surgery centers.

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

Please our response to Question 10 above.

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

Forecast Payer Mix	Percentage by Gross Revenue (WAC 246-310-220(1))	Percentage by Patients (Cases) (WAC 246-310-220(2))
Commercial	73.3%	73.5%
L&I	2.3%	2.1%
Medicaid	0.4%	0.4%
Medicare / Medicare Advantage	20.4%	20.4%
Military	0.6%	0.4%
Other/Self Pay	1.3%	1.4%
Workers Comp	1.7%	1.8%
Total	**100.0%**	**100.0%**

The forecasted payer mix presented above is based on SOC June 2024 YTD actuals.

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

2023 Payer Mix	Percentage by Gross Revenue (WAC 246-310-220(1))	Percentage by Patients (Cases) (WAC 246-310-220(2))
Commercial	76.5%	74.2%
L&I	2.0%	2.0%
Medicaid	0.6%	0.9%
Medicare / Medicare Advantage	16.9%	19.0%
Military	0.4%	0.4%
Other/Self Pay	1.5%	1.3%
Workers Comp	2.1%	2.2%
Total	**100.0%**	**100.0%**

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.

Please see Table 11 for a list of equipment for the proposed project.

Table 11: Equipment List

Item	Amount	Item	Amount ($) (Includes sales tax, as applicable)
SP sink deposit	15,250.00	Low voltage Cabling	18,157.12
Med air deposit	5,447.50	Low voltage Cabling	3,177.22
RO water Deposit	5,000.00	Large Power sets	62,098.95
Decon Cab Deposit	6,642.00	Large power credit	-1,000.00
Sterile proc Deposit	180,786.47	OR cabinets	13,550.49
Furniture breakdown and storage	2,975.77	OR bed	35,549.86
OR cabinet deposit	20,000.00	OR bed install	1,973.72
Low voltage Cabling	23,313.40	ESU and tourniquet	7,304.60
1 preop monitor	2,432.99	RO water add on	2,240.09
3 pacu patient monitors	31,507.21	disposal old furniture	612.04
New OR anesthesia machine	19,646.65	office furniture	8,291.52
new anes machine vent component	2,807.06	office furniture	4,649.86
decontam cabinets	11,251.59	office furniture	18,987.89
SP sink Balance	20,155.73	office furniture	1,708.76
RO water system balance	7,348.00	office furniture	727.62
Med Air balance	10,819.92	office furniture	2,014.27
Furniture delivery and install	2,599.15	Gurney	16,508.57
Neptune Docking station	12,961.43	Hana table	45,337.23
Low voltage Cabling	876.05	Hana attachments	3,092.25
Skytron Washers	124,183.93	scope tower	38,799.52
Skytron Autoclave and new OR lights	170,421.29	power	51,454.95
Scrub sink, peel pack station	9,476.47	instrument pans	13,799.55
OR cabinets	9,193.37	Low voltage Cabling	5,602.20
Low voltage Cabling	13,988.05	Low voltage Cabling	16,465.40
anesthesia cart	5,000.00	Or cabinet Install	4,052.54
Core pan storage	43,435.75	mini c-arm	54,950.00
2 ultrasounds and stands	72,541.85	large c-arm	82,702.00
Low voltage Cabling	19,063.33	OR tables, Stretcher	8,038.20
Total			**1,369,971.38**

Source: Applicant

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

A letter of financial commitment is not applicable to this amendment, as this project is complete and has already been fully financed.

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

Exhibit 3 includes a debt repayment schedule with principal and interest.

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

Audited financial statements for Proliance Surgeons, Inc. for the period 2021 to 2022 are provided in Exhibit 5.

NOTE: Exhibit 4 represents the unofficial cash flow statements of Proliance Surgeons. This exhibit is confidential and proprietary to Proliance Surgeons and should not be used for any purpose other than evaluation of this CN application.

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

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

   This is not applicable because this is an amendment application for a cost increase.

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.**

   Please see Table 12 for the historical number of FTEs.

Table 12: Seattle Orthopedic Center FTEs by Type and Year, 2021 to June 2024 YTD (Productive & Non-Productive)

	2021	2022	2023	June 2024 YTD
ASC Director	0.46	1.00	1.00	1.00
Materials Management	0.89	0.95	1.01	1.01
Surgical Tech	3.14	3.14	3.03	3.54
RN	8.82	8.58	9.20	6.76
RN - Charge	1.00	1.00	0.30	1.60
Medical Assistants	0.68	0.65	0.31	0.47
Sterile Processing	1.00	0.86	0.98	0.95
Business Office	1.98	1.56	1.19	0.41
Administration - Other	0.64	0.10	0.09	0.01
Reception	0.26	0.00	0.18	0.10
TOTAL	**18.9**	**17.8**	**17.3**	**15.9**

Source: Applicant

Please see Table 13 for the forecast number of FTEs.

Table 13: Seattle Orthopedic Center FTEs by Type and Year Forecast, 2024 to 2028 (Productive & Non-Productive)						
	2024 Annualized	Jan to May 2025	Jun to Dec 2025	2026	2027	2028
ASC Director	1.00	1.00	1.0	1.0	1.0	1.0
Materials Management	1.01	1.01	1.0	1.0	1.0	1.0
Surgical Tech	3.54	3.54	4.22	4.25	4.27	4.31
RN	6.76	6.76	8.06	8.11	8.16	8.22
RN - Charge	1.60	1.60	1.91	1.92	1.93	1.95
Medical Assistants	0.47	0.47	0.56	0.56	0.57	0.57
Sterile Processing	0.95	0.95	1.13	1.14	1.15	1.16
Business Office	0.41	0.41	0.41	0.41	0.41	0.41
Administration - Other	0.01	0.01	0.01	0.01	0.01	0.01
Reception	0.10	0.10	0.10	0.10	0.10	0.10
TOTAL	**15.9**	**15.9**	**18.42**	**18.51**	**18.61**	**18.74**

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

   Staffing requirements are based on June 2024 YTD FTE counts at SOC and adjusted to reflect anticipated needs from expanding capacity and number of cases. Between 2024 and 2028, we expect the number of surgical cases to increase from 2,392 to 2,910. Given 240 working days per year, this represents a growth from about 10 cases per day to about 12 cases per day. We anticipate this additional case load will require additional surgical techs, nurses, medical assistants, and sterile processing FTEs, but no additional office or management FTEs. These increases across the nursing, clinic support, and technician FTE categories help maintain the constancy of the FTE-to-case ratio.

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 SOC Medical Director position is an uncompensated position held by a physician employed by Proliance Surgeons. The position is currently held by Dr. Grant Garcia, MD60876079.

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

   This is not applicable because this is an amendment application for a cost increase.

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

The Medical Director is Dr. Grant Garcia (MD60876079). The Executive Director is Somer Shields. The ASC Director is Kate Hoffman (RN60223989). The Clinical Director is Dr. Charles Peterson (MD00033841).

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).**

The list of active physicians at SOC include those listed in Table 14.

Table 14: Seattle Orthopedic Center Active Physicians

Name	Specialty	License Number
Alexis Falicov	Orthopedic/Spine Surgery	MD00044866
Andre Shaffer	Orthopedic/Spine Surgery	MD60858779
Anthony Yi	Orthopedic Surgery	MD61149499
Charles Peterson	Orthopedic Surgery	MD00033841
Grant Garcia	Orthopedic Surgery	MD60876079
Jeff Garr	Orthopedic/Spine Surgery	MD00038207
Joel Shapiro	Orthopedic Surgery	MD00039921
Mark Reed	Orthopedic Surgery	MD60279136
Phil Downer	Orthopedic Surgery	MD00041479
Scott Ruhlman	Orthopedic Surgery	MD60144741
Wayne Weil	Orthopedic Surgery	MD00043327
Alian Aquino	Anesthesiology	MD61108449
Dan Bailes	Anesthesiology	MD00036693
Brian Huntington	Anesthesiology	MD61269564
Andrew Chung	Anesthesiology	MD00043275
Zachary Emond	Anesthesiology	MD60389267
LeeAnne Jasper	Anesthesiology	MD60385721
Aris Kalnins	Anesthesiology	MD60760132
Kevin Kogut	Anesthesiology	MD00035435
Ben Maniwatana	Anesthesiology	MD60463403
Peter Mueting-Nelson	Anesthesiology	MD60158558
William Mondzac	Anesthesiology	MD00031202
Michael Podell	Anesthesiology	MD00037438
Ata Rahman	Anesthesiology	MD61043322
Mark Roberts	Anesthesiology	MD60447661
Gabriel Rodriquez	Anesthesiology	MD61148854
George Sarantinos	Anesthesiology	MD00031222
Zachary Singer	Anesthesiology	MD61241130

Source: Applicant

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

Please see Table 15: Seattle Orthopedic Center Credentialed Staff.

Table 15: Seattle Orthopedic Center Credentialed Staff

Name	Position	License Number
Nursing Staff		
Kate Hoffman	ASC Director	RN60223989
Karly Birch	Lead PACU RN	RN60472044
Elisabeth Mueller	RN	RN61091058
Emily Mandell	RN	RN60995445
Emma Dillard	RN	RN61260731
Gabriella Davis	RN	RN61462258
Katie Wright	RN	RN61268473
Lydia Marin	RN	RN61398093
Persephone Manwaring	RN	RN60309979
Rebecca Morin	RN	RN60766062
Samantha Bennett	RN	RN61268491
Samantha Hermes	RN	RN61055237
Samantha Young	RN	RN60533635
Stasia Uhrhammer	RN	RN60399250
Surgical Techs and Sterile Processing Technicians		
Amanda Stewart	CRCST	152814
Jeanie Macdonald	CRCST	50957
David Foreman	ST	ST60494754
Jason Morgan	ST	ST00001614
Vaid Olanday	ST	ST00003669
Wilfredo Rivera Soto	ST	ST60479476
Physician Assistants		
Brian Haid	Physician Assistant	PA10004770
Brittany Philio	Physician Assistant	PA61307442
Corbin Brokaw	Physician Assistant	PA60899309
Gail Petteruti	Physician Assistant	PA10004209
Meghan McDevitt	Physician Assistant	PA60979645
Arnold Ombati	Physician Assistant	PA60698887

Source: Applicant and Washington State Department of health Provider Credential Search, 2024.

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)

Proliance employs a very large number of general and specialty care providers. Therefore, we can utilize shared staff within Proliance, including selected administrative, clinical, and technical staff, as needed. Proliance offers an attractive work environment, hours, and pay, attracting residents and other applicants who are highly qualified. We do not expect any staffing challenges that would disrupt our ability to reach projected case volumes at SOC.

SOC is aware of the nursing shortage across Washington State. The nursing shortage has affected the Puget Sound area for several years, amplified by pandemic-factors. In response to this shortage, timely patient care is provided by carefully anticipating the needs of the center on a daily/weekly/monthly basis and utilizing agency staff when necessary. The ASC Director and Lead PACU RN is/are also working manager(s) and participate in patient care as necessary. We also delegate non-nursing tasks to appropriate personnel utilizing our nursing staff for patient care to the highest degree possible.

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

This is not applicable because this is an amendment application for a cost increase.

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)

This is not applicable because this is an amendment application for a cost increase.

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

This is not applicable because this is an amendment application for a cost increase.

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

This is not applicable because this is an amendment application for a cost increase.

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

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)

This is not applicable because this is an amendment application for a cost increase.

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)**

    This is not applicable because this is an amendment application for a cost increase.

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

    This is not applicable because this is an amendment application for a cost increase.

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.**

    No facility or practitioner associated with this application has a history of the listed actions.

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

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

   This is not applicable because this is an amendment application for a cost increase.

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.**

   This is not applicable because this is an amendment application for a cost increase.

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).**

   This is not applicable because this is an amendment application for a cost increase.

Exhibit 1
SOC Signed Final Progress Report

CERTIFICATE OF NEED
Progress Report

Washington Administrative Code 246-310-590 requires the Department of Health to monitor projects approved under Certificate of Need review. Part of that monitoring process includes assessing information on the status of the approved project and any changes.

Certificate of Need #	1860	Report for	Jan 01 – June 30, 2024
For Your Reference	LINK TO CN #1860	CN Expiration	October 22, 2022
Assigned Analyst	Kido	Expiration Extension	None

ALL PROJECTS

1. Has the legal name of the applicant changed? Yes ☐ No ☒
   If yes, identify the changes.

2. Has the address of the applicant changed? Yes ☐ No ☒
   If yes, identify the changes.

3. Has the type of service changed? Yes ☐ No ☒
   If yes, identify the changes.

4. Has the facility name changed? Yes ☐ No ☒
   If yes, identify the changes.

5. Has the facility address changed? Yes ☐ No ☒
   If yes, identify the changes.

6. Have there been any changes to the cost of the project? Yes ☒ No ☐
   If yes, identify the changes. Project completed. Amendment in process.

7. Are there any planned changes to the cost of the project? Yes ☐ No ☒
   If yes, identify the changes.

8. Have there been any changes (method and/or interest rate) in approved financing arrangements? Yes ☐ No ☒
   If yes, identify the changes. Project completed. Amendment in process.

9. Have there been any planned changes (method and/or interest rate) in approved financing arrangements? Yes ☐ No ☒
   If yes, identify the changes.

10. Have there been any other changes to the project as approved? Yes ☐ No ☒

If yes, identify the changes.

11. Are there any other planned changes to the project as approved? — Yes ☐ No ☒
If yes, identify the changes.

12. Provide the commencement date of the project? — 04/11/2022
As defined by WAC 246-310-010(13). — Anticipated ☐ Actual ☒
~~*As of 02/03/2021, anticipated 05/01/2021*~~
~~*As of 04/14/2021, anticipated 06/01/2021*~~
~~*As of 11/11/2021, anticipated 01/05/2022*~~
~~*As of 01/24/2022, anticipated 02/28/2022*~~
- *As of 05/27/2022, ACTUAL 04/11/2022*

13. Provide the completion date of the project? — 3/19/2024
~~*As of 02/03/2021, anticipated 08/31/2021*~~
~~*As of 04/14/2021, anticipated 09/30/2021*~~
~~*As of 11/11/2021, anticipated 06/01/2022*~~
~~*As of 01/24/2022, anticipated 08/30/2022*~~
~~*As of 05/27/2022, anticipated 12/31/2022*~~
~~*As of 08/19/2022, anticipated 04/01/2023*~~
~~*As of 02/14/2023, anticipated 06/01/2023*~~
~~*As of 05/25/2023, anticipated 09/30/2023*~~
~~*As of 08/02/2023, anticipated 09/30/2023*~~
- *As of 01/30/2024, anticipated 03/31/2024*

Anticipated ☐ Actual ☒

14. List here any comments or questions to your assigned analyst. — N/A
Any information for the assigned analyst must be included here, within this document. Do not expect that text within your progress report submission email will be reviewed by the assigned analyst.

15. Describe activities to date and not yet undertaken. — Project Complete

CONSTRUCTION PROJECTS ONLY

This section is complete. JK

16. What is the actual or anticipated date of submission of design documents to Construction Review Services (CRS)? — 02/18/2021 or 09/20/2021
~~*As of 02/03/2021, anticipated 03/31/2021*~~
~~*As of 04/14/2021, anticipated 04/30/2021*~~
- *As of 11/11/2021, actual 09/20/2021*
- *As of 01/24/2022, actual 02/18/2021*

Anticipated ☐ Actual ☒

17. What is the date that final drawings were approved by CRS?
    - *As of 01/24/2022, in progress*

03/29/2022

18. What is the actual or anticipated date of commencement of construction?
    - ~~*As of 02/03/2021, anticipated 05/01/2021*~~
    - ~~*As of 04/14/2021, anticipated 06/01/2021*~~
    - ~~*As of 11/11/2021, anticipated 01/15/2022*~~
    - ~~*As of 01/24/2022, anticipated 02/28/2022*~~
    - *As of 05/27/2022, actual 04/11/2022*

04/11/2022

Anticipated ☐ Actual ☒

19. Provide a copy of the building permit issued by the local area jurisdiction for this project.
    Received 05/27/2022

FINAL PROGRESS REPORT ONLY

20. Include a signed affidavit from the building contractor identifying the total final construction costs of the approved project.

Please attached letter from Ryan Thompson, GLY Construction. Construction costs were $2,810,914.

21. Identify the total final costs of the approved project.

$4,760,921

FOR DEPARTMENT USE ONLY

	Condition	Condition Met?
1.	Proliance Surgeons, Inc., P.S. dba Seattle Orthopedic Center agrees with the project description as stated above. Proliance Surgeons, Inc., P.S. dba Seattle Orthopedic Center further agrees that any change to the project as described in the project description above is a new project that requires a new Certificate of Need.	Yes & Ongoing ☒ *10/15/2020-JK*
2.	Proliance Surgeons, Inc., P.S. dba Seattle Orthopedic Center will maintain Medicare and Medicaid certification, regardless of facility ownership.	Yes & Ongoing ☒ *10/15/2020-JK*
3.	Proliance Surgeons, Inc., P.S. dba Seattle Orthopedic Center shall finance this project with a loan from US Bank, as described in the application.	Yes ☐ No ☒
4.	Proliance Surgeons, Inc., P.S. dba Seattle Orthopedic Center shall submit its updated and effective Admission Criteria Policy which should match the draft policy submitted to the department on June 3, 2020 in response to screening.	Yes ☒ No ☐ *10/15/2020-JK*

5. Proliance Surgeons, Inc., P.S. dba Seattle Orthopedic Center will provide charity care in compliance with its charity care policies reviewed and approved by the Department of Health. Proliance Surgeons, Inc., P.S. dba Seattle Orthopedic Center will use reasonable efforts to provide charity care in the amount identified in the application, or the North King Secondary Health Services Planning Area, whichever is greater. Currently North King hospitals contribute is 0.94% of gross revenue and 1.92% of adjusted revenue.
   Yes & Ongoing ☒
   10/15/2020-JK

6. Proliance Surgeons, Inc., P.S. dba Seattle Orthopedic Center will maintain records of charity care applications received and the dollar amount of charity care discounts granted at Seattle Orthopedic Center. The records must be available upon request.
   Yes & Ongoing ☒
   10/15/2020-JK

The conditions identified above must be met. I understand that the certificate holder must maintain compliance with the conditions as identified above. I further understand that any evasion or suppression of material facts, misrepresentation, false statements or misleading statements regarding any of the information contained in this progress report shall be grounds for actions under the provisions of Washington Administrative Code 246-310-500.

Kate Hoffman, ASC Director
Please print name and title of person completing this report

206-633-8199
Phone Number

Kate Hoffman
Signature

9/5/2024
Today's Date

Permit Number:
6812366-CN

CITY OF SEATTLE
Construction Permit

Seattle Department of
Construction and Inspections
700 Fifth Ave, Suite 2000
PO Box 34019
Seattle, WA 98124-4019
(206) 684-8600

DIST 03

APN #:

Site Address: 2409 N 45TH ST SEATTLE, WA 98103

Building ID: 000022620-BD-COMMERCIAL BLDG
Location: All proposed work to be limited to interior remodel.
Legal Description: LOTS 2-5, & N 12.5' LOT 6 & E 40' LOTS 24-27, BLK 12, BALTIMORE ADDN
Records Filed At: 2409 N 45TH ST

OWNER
HANNAH LAHRSON
SEATTLE ORTHOPEDIC CENTER
2409 N 45TH STREET
SEATTLE, WA 98103
Ph: 206-633-8121

CONTRACTOR

Application Date:	06/25/2021
Issue Date:	09/14/2021
Expiration Date:	03/14/2023
Fees Paid:	$14,746.50
As of Print Date:	09/14/2021

Description of Work: Tenant improvements to existing commercial building at basement and main level (Seattle Orthopedic Center), per plan.

Permit Remarks:

Curb Cut Size and Location:

Building Code: 2018 SBC (Struct) and SRC (Arch)
SDCI Valuation: $852,459
Occupancy Cert Required: N
Special Inspections: Y
Land Use Conditions: N
Non-Separated Uses: Y **Site Final Required:** N

Building Info:	
Basements:	1
Stories:	2
Mezzanines	0

Housing & Dwelling Unit(s) this Permit:

Unit Type	DU?	Units Add	Remove	
None	N	0	0	0

Zoning/Overlay:
NC2P-55 (M)
Council District 4
DESIGN_REVIEW_GUID
URBAN_VILLAGE Yes,
FREQ_TRANSIT_SRVC_
Additional Information on File

Occupancy per Building Code						Approved Use per Land Use Code	
Floors	**Type**	**Occupancy Group**	**Occupancy Type**	**Asmbly Load**	**Fire**	**Use**	**Location**
Main	Type IIB	B Clinic - Outpatient			Full System	Medical Services	N/A
Parking	Type IIB	S-2 Parking Garage -			Full System		

A/P #	Related Cases/Permits
6812366-CN-003	Developer Contributions
6812366-CN-001	Construction Application Intake
6812366-CN-002	Contractor Disclosure Form
6812366-CN-005	Upload Documents
6812366-CN-006	Upload Documents
6812366-CN-004	Special Inspection
Additional Information on File	

Project Contacts	Name	Phone
Ordinance Reviewer	AlanW SCI Lee	NA
Structural Reviewer	Byounggeon Kim	NA
Zoning Reviewer	Stephen Fesler	NA
Addressing Reviewer	Stephanie Commandest	206-615-1707
MHA Reviewer	Stephen Fesler	NA

Applicant Signature: **Date:**

Permitted work must not progress without prior inspection approval. When ready for inspection, make request with the Seattle Department of Construction and Inspections at (206) 684-8900 or on the internet at: https://cosaccela.seattle.gov/Portal. **Provide the permit number, site address, and contact phone.** Permission is given to do the above work at the site address shown, according to the conditions hereon and according to the specification pertaining thereto, subject to compliance with the Ordinances of the City of Seattle. Correct information is the responsibility of the applicant. Permits with incorrect information may be subject to additional fees.

You must have a paper copy of your approved and stamped plan set available at your job site for the City Inspector to review. If you do not have your plans printed and ready for review, you may fail your inspection.

PERMIT # 6812366-CN

City of Seattle
Seattle Department of Construction and Inspections
700 Fifth Ave, Suite 2000

POST THIS SIDE OUT

TO THE CONTRACTOR/OWNER:

Additional permits may be required for work occurring under this permit. This permit does not authorize Sewer, Public Right-of-Way Shoring, Drainage and Street Use, Fire Department, Boiler, Electrical, Elevator, Furnace, Gas Piping, Plumbing, or Sign permits. If other permits are required, they must be applied for separately from this permit. The requirements for all other permits related to this Permit, must be completed prior to the Final Inspection of this permit. The premises must not be occupied until the Final Inspection is completed and occupancy is authorized by the Seattle Department of Construction and Inspections. If your project is in a pre-1978 built residence, or pre-1978 built child-occupied facility, Washington's Lead Renovation Rule WAC 365-230-360 requires certification to perform your work. Call to ask for compliance details at (360) 586-5323, or email to: lbpinfo@commerce.wa.gov

PROPERTY LINES MUST BE ESTABLISHED BY SURVEY STAKES PRIOR TO SETBACK/FOUNDATION INSPECTION.

BEFORE BEGINNING CONSTRUCTION:

A) Before **First Ground Disturbance**, request an inspection of installed **Erosion Control Measures**.
B) When there is **Special Inspections**, Land Use conditions, and/or unusual design elements, a **Pre Construction Conference** is required **prior** to construction. Call 684-8860 to request a Pre Construction conference.
C) If this permit requires a **Soil Bearing Capacity** special inspection by a Geotechnical Engineer, that approval is required **before** the foundation pour.
D) When **Special Inspections** are required, notify the Special Inspection Agency at least 24 hours in advance.

INSPECTION REQUESTS: Please clarify which inspections your project requires **before** proceeding with your project. You may request an inspection on the internet or by phone. Inspection requests received **before 7:00 AM** are scheduled for the same working day. Inspection requests received **after 7:00 AM** are scheduled for the next working day. Inspectors are available between the hours of 7:30 AM and 8:30 AM.

A) **Internet:** https://cosaccela.seattle.gov/Portal Search for your record and click on the **Inspections & Appointments** link to schedule your inspection.
B) **24 hour inspection request line at (206) 684-8900, cell phones are discouraged** due to frequent connection problems.
C) **Customer Service at (206) 684-8950** between the hours of 7:30 AM and 4:30 PM.

DURING CONSTRUCTION:

SDCI inspectors will provide an electronic copy of each inspection report through the Seattle Services Portal. Go to the portal, print a copy of the inspection reports, and keep them together or with this Permit, where they can be conveniently referenced,

a.	**FIRST GROUND** (non distrubance areas, erosion control, tree protection)	f.	**INSULATION** (Slab, Walls, Ceiling)
b.	**SETBACK** (Location)	g.	**MECHANICAL COVER** (If HVAC is authorized by this permit)
c.	**FOUNDATION** (Footings, Walls) [Soil bearing, Reinforcing steel, Foundation drainage]	h.	**MECHANICAL FINAL** (If HVAC is authorized by this permit)
d.	**STRUCTURAL** (Shear Wall, HD's/Straps, Diaphragms)	i.	**SITE FINAL** (If required by this permit)
e.	**FRAMING** (Sub floor prior to sheathing, Walls, Ceiling)	j.	**FINAL INSPECTION** (After all other related permit requirements are completed)

PRIOR TO FINAL BUILDING APPROVAL:

Other permit approval sign-offs may be required prior to the Final Inspection of this permit. To speed-up Final approval of this permit, we recommend you acquire other permit final approvals in the signature boxes provided below.

SOIL BEARING Approved By Engineer Date	**BOILER** Approved By Date	**SEATTLE FIRE DEPARTMENT** Approved By Date
ELECTRICAL Approved By Date	**ELEVATOR** Approved By Date	**LAND USE/DESIGN REVIEW** Approved By Date
PLUMBING / GASPIPING / BACKFLOW Approved By Date	**SITE / SIDE SEWER** Approved By Date	**SDOT - PRVT CONTRACT/ST. USE** Approved By Date
MECHANICAL / REFRIGERATION Approved By Date	**OTHER** Approved By Date	**STREET TREES / ARBORIST** Approved By Date

March 19, 2024

2409 N. 45th Street
Seattle, WA 98103

RE: GLY Job Number: 13571
CON Clarification & Costs

To Whom it May Concern,

In regards to the total costs breakout for the ASC portions of work only this value is roughly equal to $2,810,914 of the total construction costs $4,325,625. The breakdown of the ASC costs vs the total project cost equates to $2,415,816 of for the initial base pricing + $395,098 worth of changes/added scope due to unforeseen issues and or additional scope requested, of which are the following items:

- PCO#1 – Added temperature & humidity controls to receiving/vendor/records room – Total $229,192
- PCO#15 – Upgraded RTU and panel to support new electrical loads - $60,257
- PCO#16 – Relocate waste lines for Trash chute installation - $2,436
- PCO#19 – Updated lighting controls (OR/Procedure Rooms) - $4395
- PCO#26 – OR Sprinkler Like Relocate - $2,301
- PCO#28 – Added electrical scope (box Walk) - $8,829
- PCO#34 – Nurse Call Additions – (ASC ONLY) - $11,346
- PCO#38 – West OR wall shift - $5,413
- PCO#39 – South OR Wall Extension - $3,986
- PCO#48 – RFI#23 Sterile Wall Scope - $27,512
- PCO#51 – OR Diffuser Relocation - $7,091
- PCO#55 – Critical Equipment relocation - $8,411
- PCO#63 – OR Workstation Emergency Circuits - $2,914
- PCO#72 – OR1 Bulb Replacement - $1,252
- PCO#75 – OR#2 Dimmer Switch - $2,492
- PCO#78 – Added AS144 Exhaust - $17,271

Respectfully,

GLY Construction, Inc.

Ryan Thompson Digitally signed by Ryan Thompson
DN: C=US,
E=Ryan.Thompson@gly.com,
O=GLY, CN=Ryan Thompson
Date: 2024.03.19 15:06:42-07'00'

Ryan Thompson, Project Manager

Exhibit 2

Letter of Intent

Proliance SURGEONS
Orthopedic Specialists of Seattle

Orthopedic Specialists of Seattle
Tallman Building
5350 Tallman Ave. N.W.
Suite 500
Seattle, WA 98107
206.784.8833
Fax 206.784.0676

Seattle Orthopedic Center
2409 North 45th St
Seattle, WA 98103
206.633.8100
Fax 206.633.6107

Philip R. Downer, M.D.
Orthopedic & Sports Medicine
Hip Preservation & Replacement

Grant H. Garcia, M.D.
Sports Medicine,
Shoulder, Knee & Elbow Surgery
Biological Therapies

Charles A. Peterson II, M.D.
Sports Medicine,
Orthopedic and Fracture Surgery
Total Joint Replacement

Mark A. Reed, M.D.
Orthopedic and Sports Medicine
Foot and Ankle Surgery

Scott D. Ruhlman, M.D.
Orthopedic and Sports Medicine
Hand & Upper Extremity Surgery

Andre D. Shaffer, MD
Orthopedic Surgeon
Spine, Pelvis & Trauma Specialist
Minimally Invasive Spine Surgery

Joel A. Shapiro, M.D.
Orthopedic & Sports Medicine
Shoulder & Elbow Surgery

Wayne M. Weil, M.D.
Orthopedic & Sports Medicine
Hand & Microvascular Surgery

Anthony Yi, M.D.
Orthopedic Surgeon
Foot & Ankle Specialist
Minimally Invasive Surgery

Corbin Brokaw, PA-C

Taylor Chong, PA-C

Brian Haid, PA-C

Meghan McDevitt, PA-C

A. Remmy Ombati, PA-C

Gail Petteruti, PA-C

September 5, 2024

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

Re: Letter of Intent for Amended Application: Proliance Surgeons, Inc., P.S. dba Seattle Orthopedic Center

Dear Mr. Hernandez:

In accordance with WAC 246-310-090 and WAC 246-310-100, Proliance Surgeons, Inc., P.S. ("Proliance Surgeons") dba Seattle Orthopedic Center submits this Letter of Intent for a change in the capital cost of its Certificate of Need ("CON") project approved on October 22, 2020 (CN1860). In accordance with WAC 246-310-080, the following information is provided:

1. <u>Description of the services proposed:</u>
   Request for an Amendment to CN1860 to construct and operate an additional third operating suite at Seattle Orthopedic Center, located in Seattle Washington.

2. <u>Estimated Cost of the Proposed Project:</u>
   Original estimate: $2,508,250
   Revised Estimate: $4,760,921

3. <u>Description of the Service Area:</u>
   The service area is the North King County secondary health services planning area.

Please feel free to contact me if there are any questions on this letter of intent. I can be reached at k.hoffman@proliancesurgeons.com

Sincerely,

Katie Hoffman, RN
ASC Director
Seattle Orthopedic Center
2409 N. 45th Street,
Seattle, WA 98101

Exhibit 3

Historical and Pro Forma Financial Statements

Seattle Orthopedic Center
Historical Income Statements

	2021	2022	2023	June 2024 YTD	2024 (Annualized)	Jan to May 2025
Revenue						
Gross Revenue	$20,646,675	$ 23,791,079	$ 28,484,785	$ 14,982,307	$ 29,964,614	$ 12,485,256
Bad Debt	($80,020.71)	$ (82,970)	$ (170,113)	$ (42,179)	$ (84,359)	$ (35,150)
Charity Care	($35,781)	$ (23,879)	$ (4,619)	$ (1,351)	$ (2,701)	$ (1,125)
Contractual Adjustments	($11,390,816)	$ (14,265,652)	$ (16,710,813)	$ (8,036,272)	$ (16,072,543)	$ (6,696,893)
Total Cash Revenue	$ 9,140,058	$ 9,418,578	$ 11,599,240	$ 6,902,505	$ 13,805,011	$ 5,752,088
Patient Refunds	$ (83,858)	$ (38,655)	$ (101,922)	$ (27,436)	$ (54,872)	$ (22,863)
Total Gross Profit[1]	$ 9,056,200	$ 9,379,923	$ 11,497,319	$ 6,875,069	$ 13,750,139	$ 5,729,224
Expenses						
Employee Salaries	$ 1,527,265	$ 1,556,249	$ 1,705,800	$ 806,530	$ 1,613,060	$ 672,108
Employee Benefits	$ 363,610	$ 391,028	$ 394,332	$ 155,383	$ 310,765	$ 129,485
Supplies	$ 2,719,763	$ 3,310,998	$ 3,721,060	$ 1,957,955	$ 3,915,909	$ 1,631,629
Rent/Lease Building	$ 350,875	$ 435,577	$ 477,551	$ 207,354	$ 414,708	$ 172,795
Rent/Lease Offsite Storage					$ -	$ -
Building Maintenance	$ 212,541	$ 207,981	$ 274,720	$ 116,735	$ 233,469	$ 97,279
Leased Equipment	$ 3,462	$ 3,907	$ (61,697)	$ 1,146	$ 2,292	$ 955
Equipment Maintenance	$ 160,068	$ 203,538	$ 161,005	$ 86,929	$ 173,858	$ 72,441
Purchased Services	$ 83,980	$ 51,908	$ 324,189	$ 339,006	$ 678,012	$ 282,505
Malpractice Insurance	$ 23,989	$ 28,175	$ 42,994	$ 15,755	$ 31,509	$ 13,129
Business and Operating Tax	$ 205,930	$ 212,213	$ 241,955	$ 148,855	$ 297,711	$ 124,046
Other Expenses	$ 142,128	$ 166,948	$ 203,852	$ 128,902	$ 257,804	$ 107,419
External Reimbursements		$ (22,866)	$ -	$ -	$ -	$ -
Overhead Allocation (Central Office)	$ 288,336	$ 311,119	$ 322,545	$ 137,616	$ 275,232	$ 114,680
Total Expenses	$ 6,081,947	$ 6,856,775	$ 7,808,305	$ 4,102,165	$ 8,204,330	$ 3,418,471
Net Income	**$ 2,974,253**	**$ 2,523,148**	**$ 3,689,013**	**$ 2,772,904**	**$ 5,545,809**	**$ 2,310,754**
Non-Operating Income/Expense	$ (253,272)	$ (35,152)	$ (15,204)	$ -	$ -	$ -
Depreciation	$ 113,081	$ 88,460	$ 140,390	$ 336,777	$ 673,555	$ 239,089
Interest Expense	$ 4,666	$ 43,830	$ 306,018	$ 230,058	$ 460,116	$ 114,765
Net Income Less Non Operating Expenses	**$ 3,109,778**	**$ 2,426,010**	**$ 3,257,808**	**$ 2,206,069**	**$ 4,412,138**	**$ 1,956,900**

[1]Proliance is on a cash basis, thus what it calls "Total Gross Profit" is actually cash receipts received.

Seattle Orthopedic Center
Revenue and Expense Statement

		---------FORECAST--------		
	Jun to Dec 2025	Year 1 2026	Year 2 2027	Year 3 2027
ASC Volumes				
OR Cases ("Procedures")	1,664	2,870	2,887	2,910
Gross Revenues	$20,693,875	$35,688,174	$35,901,133	$36,179,088
Deductions From Revenue				
Contractual Allowances	($11,159,991)	($19,246,260)	($19,361,106)	($19,511,004)
Patient Refunds	($37,895)	($65,353)	($65,743)	($66,252)
Bad Debt	($58,259)	($100,472)	($101,072)	($101,855)
Charity care	($190,384)	($328,331)	($330,290)	($332,848)
Total Deductions From Revenue	($11,446,529)	($19,740,416)	($19,858,211)	($20,011,958)
Net Revenue	$9,247,347	$15,947,758	$16,042,922	$16,167,130
Total Operating Expenses	$5,560,225	$9,595,982	$9,670,616	$9,764,253
Net Income from Operations	**$3,687,122**	**$6,351,776**	**$6,372,305**	**$6,402,876**
Non-Operating Expenses				
Depreciation, Buildout, and Equipment	$334,725	$573,814	$573,814	$573,814
Interest Expense	$148,126	$216,571	$167,491	$115,275
Total Non-Operating Expenses	**$482,851**	**$790,385**	**$741,304**	**$689,089**
Net Income (Loss) (Pre-Tax)	**$3,204,271**	**$5,561,391**	**$5,631,001**	**$5,713,788**

Revenues and Expenses per Case Forecasts				
Billed Revenues	$ 12,434.36	$ 12,434.90	$ 12,435.45	$ 12,432.68
Deductions From Revenue	$ (6,877.89)	$ (6,878.19)	$ (6,878.49)	$ (6,876.96)
Net Revenue	$ 5,556.46	$ 5,556.71	$ 5,556.95	$ 5,555.71
Total Operating Expenses	$ 3,340.98	$ 3,343.55	$ 3,349.71	$ 3,355.41
Total Indirect Expenses	$ 290.13	$ 275.40	$ 256.77	$ 236.80
Total Expenses	$ 3,631.11	$ 3,618.94	$ 3,606.48	$ 3,592.21
Net Income (Loss)	$ 1,925.35	$ 1,937.77	$ 1,950.47	$ 1,963.50

Revenues and Expenses per OR Minute Forecasts				
Billed Revenues	$ 152.39	$ 152.40	$ 152.41	$ 152.37
Deductions From Revenue	$ (84.30)	$ (84.30)	$ (84.30)	$ (84.28)
Net Revenue	$ 68.10	$ 68.10	$ 68.11	$ 68.09
Total Operating Expenses	$ 40.95	$ 40.98	$ 41.05	$ 41.12
Total Indirect Expenses	$ 3.56	$ 3.38	$ 3.15	$ 2.90
Total Expenses	$ 44.50	$ 44.35	$ 44.20	$ 44.03
Net Income (Loss)	$ 27.15	$ 27.12	$ 27.05	$ 26.97

Seattle Orthopedic Center
Volume and Revenue Statement

		---------FORECAST--------		
	Jun to Dec	Year 1	Year 2	Year 3
	2025	2026	2027	2028
ASC Volumes				
Total Cases	*1,664*	*2,870*	*2,887*	*2,910*
Total Patient Revenue	**$20,693,875**	**$35,688,174**	**$35,901,133**	**$36,179,088**
Payer Mix (% of Gross Revenue)				
Commercial	73.3%	73.3%	73.3%	73.3%
L&I	2.3%	2.3%	2.3%	2.3%
Medicaid	0.4%	0.4%	0.4%	0.4%
Medicare / Medicare Advantage	20.4%	20.4%	20.4%	20.4%
Military	0.6%	0.6%	0.6%	0.6%
Other/Self Pay	1.3%	1.3%	1.3%	1.3%
Workers Comp	1.7%	1.7%	1.7%	1.7%
Gross Revenue By Payer				
Commercial	$15,168,611	$26,159,432	$26,315,530	$26,519,272
L&I	$475,959	$820,828	$825,726	$832,119
Medicaid	$82,776	$142,753	$143,605	$144,716
Medicare / Medicare Advantage	$4,221,551	$7,280,387	$7,323,831	$7,380,534
Military	$124,163	$214,129	$215,407	$217,075
Other/Self Pay	$269,020	$463,946	$466,715	$470,328
Workers Comp	$351,796	$606,699	$610,319	$615,044
Total Gross Revenue	***$ 20,693,875***	***$ 35,688,174***	***$ 35,901,133***	***$ 36,179,088***
Contractual Adjustmets				
Contractual Adjustments (%)	53.9%	53.9%	53.9%	53.9%
Contractual Adjusments ($)	($11,159,991)	($19,246,260)	($19,361,106)	($19,511,004)
Patient Refunds	($37,895)	($65,353)	($65,743)	($66,252)
0.18%				
Bad Debt	($58,259)	($100,472)	($101,072)	($101,855)
0.28%				
Charity Care	($190,384)	($328,331)	($330,290)	($332,848)
0.92%				
Total Deductions	***($11,446,529)***	***($19,740,416)***	***($19,858,211)***	***($20,011,958)***
Total Net Revenues	***$9,247,347***	***$15,947,758***	***$16,042,922***	***$16,167,130***

Seattle Orthopedic Center
Revenue Assumptions (Forecasted Years)

Utilization	
Cases and Minutes	See utilization forecast
Revenue	
Revenue per case	Amounts based on Revenue Net Contractual Adjustments of $12,527 for surgical cases from historical financials, and $2,361 for pain management cases from Becker's ASC 2022 Average ASC Revenue per Case by Specialty. Revenue Net Contractual Adjustments inflated by contractual adjustment rate below.
Contractual Adjustments	Assumed constant at 53.93% of gross revenues based on June 2024 YTD historical financials
Bad Debt	Assumed constant at 0.28% of gross revenues based on June 2024 YTD historical financials
Patient Refunds	Assumed constant at 0.18% of gross revenues based on June 2024 YTD historical financials
Charity Care	Assumed constant at 0.92% of gross patient service revenues based on planning area hospitals

Payer Mix (based on June 2024 YTD actuals	% of Cases	% of Gross Revenue
Commercial	73.3%	73.5%
L&I	2.3%	2.1%
Medicaid	0.4%	0.4%
Medicare / Medicare Advantage	20.4%	20.4%
Military	0.6%	0.4%
Other/Self Pay	1.3%	1.4%
Workers Comp	1.7%	1.8%

Seattle Orthopedic Center
Operating and Non-Operating Expenses

	Jun to Dec 2025	Year 1 2026	Year 2 2027	Year 3 2028
Employee Salaries	$ 1,134,594	$ 1,954,726	$ 1,964,737	$ 1,978,307
Employee Benefits	$ 218,636	$ 376,676	$ 378,605	$ 381,220
Total Salaries and Benefits	$ 1,353,230	$ 2,331,401	$ 2,343,342	$ 2,359,526
Other direct expenses				
Supplies	$ 2,724,520	$ 4,698,436	$ 4,726,267	$ 4,763,920
Rent/Lease Building	$ 295,723	$ 520,262	$ 543,673	$ 568,139
Rent/Lease Offsite Storage	$ -	$ -	$ -	$ -
Building Maintenance	$ 68,095	$ 116,735	$ 116,735	$ 116,735
Leased Equipment	$ 1,594	$ 2,750	$ 2,766	$ 2,788
Equipment Maintenance	$ 120,963	$ 208,601	$ 209,837	$ 211,508
Purchased Services	$ 471,732	$ 813,501	$ 818,320	$ 824,839
Malpractice Insurance	$ 21,923	$ 37,806	$ 38,029	$ 38,332
Business and Operating Tax	$ 138,710	$ 239,216	$ 240,644	$ 242,507
Other Expenses	$ 179,369	$ 309,322	$ 311,154	$ 313,633
Overhead Allocation (Central Office)	$ 184,365	$ 317,952	$ 319,849	$ 322,325
Total Operating Expenses	**$ 5,560,225**	**$ 9,595,982**	**$ 9,670,616**	**$ 9,764,253**
Non-operating Expenses				
Non-Operating Income/Expense	$ -	$ -	$ -	$ -
Depreciation	$ 334,725	$ 573,814	$ 573,814	$ 573,814
Interest expense	$ 148,126	$ 216,571	$ 167,491	$ 115,275
Total Non-operating Expenses	**$ 482,851**	**$ 790,385**	**$ 741,304**	**$ 689,089**
Total Expenses	**$ 6,043,076**	**$ 10,386,366**	**$ 10,411,921**	**$ 10,453,342**

Other expenses include: Advertising & Marketing, Bank Fees, Books & Subscriptions, Business Licenses, Cell Phones & Pagers, Credentialing, Data Lines, Charitable Contributions, Dues, Memberships, License Fees, Employee Relations, Entertainment - Staff, Late Fees, Mail & Courier Services, Meals - Staff, Meetings & Travel - Staff, Merchant Fees, Mileage & Transportation, Other Operating Expense, Printing, Professional Development & Training, Recruiting, and Telephone Service

Seattle Orthopedic Center
Expense Assumptions

Category/Item	Assumption (Forecasted Years)
Utilization	
Cases and Minutes	See utilization forecast
Staffing Costs	
Salaries and Wages	Based on FTE schedule and historical compensation per FTE.
Benefits	19.27% of Salaries and Wages, based on June 2024 YTD historical financials
Other direct expenses	
Supplies	$1,637.09/case based on June 2024 YTD historical financials
Rent/Lease Building	Lease expenses equal to $42,246.17 per month in June to December 2025, $43,355.13 per month in 2026, $45,306.11 per month in 2027, and $47,344.89 per month in 2028. Amounts based on Lease Amendment rent, inflated consistent with CPI-U with 68.2% allocated to the ASC.
Rent/Lease Offsite Storage	0.00% of Lease $ based on historical amounts
Building Maintenance	$9,727.89/month based on June 2024 YTD historical financials
Leased Equipment	$0.96/case based on June 2024 YTD historical financials
Equipment Maintenance	$72.68/case based on June 2024 YTD historical financials
Purchased Services	$283.45/case based on June 2024 YTD historical financials
Malpractice Insurance	$13.17/case based on June 2024 YTD historical financials
Business and Operating Tax	1.50% of Net Revenue
Other Expenses	$107.78/case based on June 2024 YTD historical financials
Overhead Allocation (Central Office)	1.99% of Net Revenue based on historical amounts
Non-Operating Expenses	
Non-Operating Income/Expense	$0.00/case based on June 2024 YTD historical financials
Depreciation	$573,813.70/year based on depreciation schedule
Interest expense	Based on project-related interest from amortized loans

Seattle Orthopedic Center
FTE Schedule, Salaries, and Benefits

FTEs (Productive & Non-Productive)

	Jun to Dec 2025	2026	2027	2028
ASC Director	1.0	1.0	1.0	1.0
Materials Management	1.0	1.0	1.0	1.0
Surgical Tech	4.22	4.25	4.27	4.31
RN	8.06	8.11	8.16	8.22
RN - Charge	1.91	1.92	1.93	1.95
Medical Assistants	0.56	0.56	0.57	0.57
Sterile Processing	1.13	1.14	1.15	1.16
Business Office	0.41	0.41	0.41	0.41
Administration - Other	0.01	0.01	0.01	0.01
Reception	0.10	0.10	0.10	0.10
TOTAL	**18.42**	**18.51**	**18.61**	**18.74**

Staffing Assumptions

		Hourly Wage	# of Hours	Benefits %
ASC Director		$91.52	2080	19.27%
Materials Management		$38.12	2080	19.27%
Surgical Tech		$38.12	2080	19.27%
RN		$55.81	2080	19.27%
RN - Charge		$67.54	2080	19.27%
Medical Assistants		$28.53	2080	19.27%
Sterile Processing		$29.96	2080	19.27%
Business Office		$29.96	2080	19.27%
Administration - Other		$55.81	2080	19.27%
Reception		$24.72	2080	19.27%

	Jun to Dec 2025	2026	2027	2028
Number of Months	7	12	12	12

Seattle Orthopedic Center
FTE Schedule, Salaries, and Benefits

Salaries

	Jun to Dec 2025	2026	2027	2028
ASC Director	$ 111,044	$ 190,362	$ 190,362	$ 190,362
Materials Management	$ 46,715	$ 80,082	$ 80,082	$ 80,082
Surgical Tech	$ 195,289	$ 336,981	$ 338,567	$ 341,738
RN	$ 545,983	$ 941,448	$ 947,252	$ 954,217
RN - Charge	$ 156,387	$ 269,728	$ 271,133	$ 273,942
Medical Assistants	$ 19,405	$ 33,232	$ 33,825	$ 33,825
Sterile Processing	$ 41,189	$ 71,041	$ 71,664	$ 72,287
Business Office	$ 14,904	$ 25,550	$ 25,550	$ 25,550
Administration - Other	$ 677	$ 1,161	$ 1,161	$ 1,161
Reception	$ 2,999	$ 5,142	$ 5,142	$ 5,142
TOTAL	**$ 1,134,594**	**$ 1,954,726**	**$ 1,964,737**	**$ 1,978,307**

Benefits

	Jun to Dec 2025	2026	2027	2028
ASC Director	$ 21,398	$ 36,683	$ 36,683	$ 36,683
Materials Management	$ 9,002	$ 15,432	$ 15,432	$ 15,432
Surgical Tech	$ 37,632	$ 64,936	$ 65,242	$ 65,853
RN	$ 105,211	$ 181,417	$ 182,535	$ 183,878
RN - Charge	$ 30,136	$ 51,977	$ 52,247	$ 52,789
Medical Assistants	$ 3,739	$ 6,404	$ 6,518	$ 6,518
Sterile Processing	$ 7,937	$ 13,690	$ 13,810	$ 13,930
Business Office	$ 2,872	$ 4,923	$ 4,923	$ 4,923
Administration - Other	$ 130	$ 224	$ 224	$ 224
Reception	$ 578	$ 991	$ 991	$ 991
TOTAL	**$ 218,636**	**$ 376,676**	**$ 378,605**	**$ 381,220**

Salaries and Benefits

	Jun to Dec 2025	2026	2027	2028
ASC Director	$ 132,442	$ 227,044	$ 227,044	$ 227,044
Materials Management	$ 55,717	$ 95,514	$ 95,514	$ 95,514
Surgical Tech	$ 232,921	$ 401,917	$ 403,808	$ 407,591
RN	$ 651,194	$ 1,122,865	$ 1,129,787	$ 1,138,095
RN - Charge	$ 186,523	$ 321,704	$ 323,380	$ 326,731
Medical Assistants	$ 23,145	$ 39,636	$ 40,343	$ 40,343
Sterile Processing	$ 49,127	$ 84,731	$ 85,474	$ 86,217
Business Office	$ 17,776	$ 30,473	$ 30,473	$ 30,473
Administration - Other	$ 808	$ 1,385	$ 1,385	$ 1,385
Reception	$ 3,577	$ 6,133	$ 6,133	$ 6,133
TOTAL	**$ 1,353,230**	**$ 2,331,401**	**$ 2,343,342**	**$ 2,359,526**

Seattle Orthopedic Center
Depreciation and Interest Forecast

	Initial Investment	Useful Life Assumption	Jan to May 2025	Jun to Dec 2025	Year 1 2026	Year 2 2027	Year 3 2028
				Forecast			
Months			5	7	12	12	12
ASC OR Buildout (Including A&E Fees)	$ 2,998,194	10	$ 124,925	$ 174,895	$ 299,819	$ 299,819	$ 299,819
OR Equipment and Instruments	$ 1,369,971	5	$ 114,164	$ 159,830	$ 273,994	$ 273,994	$ 273,994
Capitalized Interest	$ 392,755	10	$ 16,365	$ 22,911	$ 39,276	$ 39,276	$ 39,276
Total Depreciation	**$ 4,760,921**		**$ 239,089**	**$ 334,725**	**$ 573,814**	**$ 573,814**	**$ 573,814**

	Jan to May 2025	Jun to Dec 2025	Year 1 2026	Year 2 2027	Year 3 2028
		Forecast			
Project-related interest expense, Construction Loans					
Loan 6932	$ 1,183	$ 1,445	$ 1,891	$ 1,130	$ 345
Loan 7369	$ 88,376	$ 114,952	$ 171,876	$ 137,689	$ 100,528
Project-related interest expense, Equipment Loans					
Loan 6957	$ 1,202	$ 1,221	$ 750	$ -	$ -
Loan 7344	$ 7,890	$ 9,840	$ 12,943	$ 7,757	$ 2,203
Loan 7633	$ 16,113	$ 20,669	$ 29,111	$ 20,915	$ 12,199
Total Project-related Interest Expense	**$ 114,765**	**$ 148,126**	**$ 216,571**	**$ 167,491**	**$ 115,275**

Seattle Orthopedic Center
Balance Sheet

ASSETS	5/31/2025	12/31/2025	12/31/2026	12/31/2027	12/31/2028
Current Assets					
Cash and Equivalents	$ 1,830,990	$ 4,732,055	$ 9,986,265	$ 15,365,857	$ 20,841,298
Accounts Receivable	$ 1,883,581	$ 2,171,588	$ 2,184,624	$ 2,197,660	$ 2,214,675
Total Current Assets	$ 3,714,570	$ 6,903,643	$ 12,170,889	$ 17,563,518	$ 23,055,973
Fixed Assets					
Property, Plant, & Equip	$ 4,760,921	$ 4,760,921	$ 4,760,921	$ 4,760,921	$ 4,760,921
Accumulated Depreciation & Amortization	$ (239,089)	$ (573,814)	$ (1,147,627)	$ (1,721,441)	$ (2,295,255)
Total Fixed Assets	$ 4,521,832	$ 4,187,107	$ 3,613,293	$ 3,039,480	$ 2,465,666
Other Assets					
Total Assets	**$ 8,236,402**	**$ 11,090,750**	**$ 15,784,182**	**$ 20,602,997**	**$ 25,521,639**
LIABILITIES AND CAPITAL					
Current Liabilities					
Accounts Payable & Accrued Expenses	$ 516,206	$ 660,800	$ 662,052	$ 663,171	$ 665,245
Accrued Compensation	$ 80,159	$ 96,659	$ 97,142	$ 97,639	$ 98,314
Interest Payable	$ 114,765	$ 148,126	$ 216,571	$ 167,491	$ 115,275
Total Current Liabilities	$ 711,130	$ 905,586	$ 975,765	$ 928,301	$ 878,834
Long Term Liabilities					
Loan 6932	$ 82,611	$ 69,356	$ 46,048	$ 21,977	$ -
Loan 7369	$ 2,445,466	$ 2,230,898	$ 1,837,884	$ 1,410,683	$ 946,321
Loan 6957	$ 90,159	$ 55,119	$ -	$ -	$ -
Loan 7344	$ 223,334	$ 189,340	$ 127,141	$ 59,755	$ -
Loan 7633	$ 558,007	$ 491,971	$ 372,481	$ 244,826	$ 108,259
Principal Repayments	$ 250,234	$ 362,891	$ 653,122	$ 646,312	$ 682,620
Total Long Term Liabilities	$ 3,649,810	$ 3,399,577	$ 3,036,676	$ 2,383,554	$ 1,737,200
Total Liabilities	$ 4,360,941	$ 4,305,162	$ 4,012,441	$ 3,311,855	$ 2,616,034
Equity					
Retained Earnings	$ 2,310,754	$ 3,687,122	$ 6,351,776	$ 6,372,305	$ 6,402,876
Residual Equity	$ 1,564,708	$ 3,098,466	$ 5,419,966	$ 10,918,837	$ 16,502,728
Total Equity	$ 3,875,461	$ 6,785,588	$ 11,771,742	$ 17,291,143	$ 22,905,605
Total Liabilities and Owner Equity	**$ 8,236,402**	**$ 11,090,750**	**$ 15,784,182**	**$ 20,602,997**	**$ 25,521,639**

Loan 6932 (TI) Amortization Schedule

Terms		Loan Summary	
Loan amount	$157,535.22	Scheduled payment	$2,100
Annual interest rate	3.2200%	Scheduled number of payments	85
Loan period months)	81	Actual number of payments	
Number of payments per year	12	Total early payments	
Start date of loan	11/30/2021	Total interest	$18,503.81
Start date of payments	1/31/2022	% Used for ASC	100.0%
Maturity Date of Loan	11/30/2028		

Payment Number	Payment Date	Beginning Balance	Total Payment	Principal	Interest	Ending Balance	Cumulative Interest
35	9/14/2024	$99,291.20	$2,100.00	$1,833.57	$266.43	$97,457.63	$11,754.01
36	10/15/2024	$97,457.63	$2,100.00	$1,838.49	$261.51	$95,619.14	$12,015.52
37	11/14/2024	$95,619.14	$2,100.00	$1,843.42	$256.58	$93,775.72	$12,272.10
38	12/15/2024	$93,775.72	$2,100.00	$1,848.37	$251.63	$91,927.35	$12,523.73
39	1/15/2025	$91,927.35	$2,100.00	$1,853.33	$246.67	$90,074.02	$12,770.41
40	2/12/2025	$90,074.02	$2,100.00	$1,858.30	$241.70	$88,215.72	$13,012.10
41	3/15/2025	$88,215.72	$2,100.00	$1,863.29	$236.71	$86,352.43	$13,248.82
42	4/14/2025	$86,352.43	$2,100.00	$1,868.29	$231.71	$84,484.15	$13,480.53
43	5/15/2025	$84,484.15	$2,100.00	$1,873.30	$226.70	$82,610.85	$13,707.23
44	6/14/2025	$82,610.85	$2,100.00	$1,878.33	$221.67	$80,732.52	$13,928.90
45	7/15/2025	$80,732.52	$2,100.00	$1,883.37	$216.63	$78,849.15	$14,145.53
46	8/15/2025	$78,849.15	$2,100.00	$1,888.42	$211.58	$76,960.73	$14,357.11
47	9/14/2025	$76,960.73	$2,100.00	$1,893.49	$206.51	$75,067.24	$14,563.62
48	10/15/2025	$75,067.24	$2,100.00	$1,898.57	$201.43	$73,168.67	$14,765.05
49	11/14/2025	$73,168.67	$2,100.00	$1,903.66	$196.34	$71,265.01	$14,961.39
50	12/15/2025	$71,265.01	$2,100.00	$1,908.77	$191.23	$69,356.23	$15,152.62
51	1/15/2026	$69,356.23	$2,100.00	$1,913.89	$186.11	$67,442.34	$15,338.72
52	2/12/2026	$67,442.34	$2,100.00	$1,919.03	$180.97	$65,523.31	$15,519.69
53	3/15/2026	$65,523.31	$2,100.00	$1,924.18	$175.82	$63,599.13	$15,695.51
54	4/14/2026	$63,599.13	$2,100.00	$1,929.34	$170.66	$61,669.79	$15,866.17
55	5/15/2026	$61,669.79	$2,100.00	$1,934.52	$165.48	$59,735.27	$16,031.65
56	6/14/2026	$59,735.27	$2,100.00	$1,939.71	$160.29	$57,795.56	$16,191.94
57	7/15/2026	$57,795.56	$2,100.00	$1,944.92	$155.08	$55,850.64	$16,347.03
58	8/15/2026	$55,850.64	$2,100.00	$1,950.13	$149.87	$53,900.51	$16,496.89
59	9/14/2026	$53,900.51	$2,100.00	$1,955.37	$144.63	$51,945.14	$16,641.53
60	10/15/2026	$51,945.14	$2,100.00	$1,960.61	$139.39	$49,984.53	$16,780.91
61	11/14/2026	$49,984.53	$2,100.00	$1,965.87	$134.13	$48,018.65	$16,915.04
62	12/15/2026	$48,018.65	$2,100.00	$1,971.15	$128.85	$46,047.50	$17,043.89
63	1/15/2027	$46,047.50	$2,100.00	$1,976.44	$123.56	$44,071.07	$17,167.45
64	2/12/2027	$44,071.07	$2,100.00	$1,981.74	$118.26	$42,089.32	$17,285.70
65	3/15/2027	$42,089.32	$2,100.00	$1,987.06	$112.94	$40,102.26	$17,398.64
66	4/14/2027	$40,102.26	$2,100.00	$1,992.39	$107.61	$38,109.87	$17,506.25
67	5/15/2027	$38,109.87	$2,100.00	$1,997.74	$102.26	$36,112.13	$17,608.51
68	6/14/2027	$36,112.13	$2,100.00	$2,003.10	$96.90	$34,109.03	$17,705.41
69	7/15/2027	$34,109.03	$2,100.00	$2,008.47	$91.53	$32,100.56	$17,796.94
70	8/15/2027	$32,100.56	$2,100.00	$2,013.86	$86.14	$30,086.70	$17,883.08
71	9/14/2027	$30,086.70	$2,100.00	$2,019.27	$80.73	$28,067.43	$17,963.81
72	10/15/2027	$28,067.43	$2,100.00	$2,024.69	$75.31	$26,042.74	$18,039.12
73	11/14/2027	$26,042.74	$2,100.00	$2,030.12	$69.88	$24,012.62	$18,109.01
74	12/15/2027	$24,012.62	$2,100.00	$2,035.57	$64.43	$21,977.06	$18,173.44
75	1/15/2028	$21,977.06	$2,100.00	$2,041.03	$58.97	$19,936.03	$18,232.41

Loan 6932 (TI) Amortization Schedule

Terms		Loan Summary	
Loan amount	$157,535.22	Scheduled payment	$2,100
Annual interest rate	3.2200%	Scheduled number of payments	85
Loan period months)	81	Actual number of payments	
Number of payments per year	12	Total early payments	
Start date of loan	11/30/2021	Total interest	$18,503.81
Start date of payments	1/31/2022	% Used for ASC	100.0%
Maturity Date of Loan	11/30/2028		

Payment Number	Payment Date	Beginning Balance	Total Payment	Principal	Interest	Ending Balance	Cumulative Interest
76	2/13/2028	$19,936.03	$2,100.00	$2,046.50	$53.50	$17,889.52	$18,285.91
77	3/15/2028	$17,889.52	$2,100.00	$2,052.00	$48.00	$15,837.53	$18,333.91
78	4/14/2028	$15,837.53	$2,100.00	$2,057.50	$42.50	$13,780.03	$18,376.41
79	5/15/2028	$13,780.03	$2,100.00	$2,063.02	$36.98	$11,717.00	$18,413.38
80	6/14/2028	$11,717.00	$2,100.00	$2,068.56	$31.44	$9,648.44	$18,444.82
81	7/15/2028	$9,648.44	$2,100.00	$2,074.11	$25.89	$7,574.33	$18,470.71
82	8/15/2028	$7,574.33	$2,100.00	$2,079.68	$20.32	$5,494.66	$18,491.04
83	9/14/2028	$5,494.66	$2,100.00	$2,085.26	$14.74	$3,409.40	$18,505.78
84	10/15/2028	$3,409.40	$2,100.00	$2,090.85	$9.15	$1,318.55	$18,514.93
85	11/14/2028	$1,318.55	$1,318.55	$1,315.01	$3.54	$0.00	$18,518.47

Loan 7369 (TI) Amortization Schedule

Terms		Loan Summary	
Loan amount	$3,704,358.74	Scheduled payment	$58,638
Annual interest rate	8.3700%	Scheduled number of payments	95
Loan period months)	82	Actual number of payments	
Number of payments per year	12	Total early payments	
Start date of loan	12/9/2022	Total interest	$1,392,590.62
Start date of payments	11/20/2023	% Used for ASC	80.3%
Maturity Date of Loan	10/9/2030		

Payment Number	Payment Date	Beginning Balance	Total Payment	Principal	Interest	Allocated Principal	Allocated Interest	Ending Balance	Cumulative Interest
22	9/14/2024	$3,371,294.84	$58,638.41	$35,123.63	$23,514.78	$28,196.82	$18,877.38	$3,336,171.21	$499,894.42
23	10/15/2024	$3,336,171.21	$58,638.41	$35,368.62	$23,269.79	$28,393.49	$18,680.70	$3,300,802.60	$523,164.22
24	11/14/2024	$3,300,802.60	$58,638.41	$35,615.31	$23,023.10	$28,591.53	$18,482.66	$3,265,187.28	$546,187.32
25	12/15/2024	$3,265,187.28	$58,638.41	$35,863.73	$22,774.68	$28,790.96	$18,283.23	$3,229,323.56	$568,962.00
26	1/15/2025	$3,229,323.56	$58,638.41	$36,113.88	$22,524.53	$28,991.78	$18,082.42	$3,193,209.68	$591,486.53
27	2/12/2025	$3,193,209.68	$58,638.41	$36,365.77	$22,272.64	$29,193.99	$17,880.20	$3,156,843.90	$613,759.17
28	3/15/2025	$3,156,843.90	$58,638.41	$36,619.42	$22,018.99	$29,397.62	$17,676.57	$3,120,224.48	$635,778.15
29	4/14/2025	$3,120,224.48	$58,638.41	$36,874.84	$21,763.57	$29,602.67	$17,471.52	$3,083,349.64	$657,541.72
30	5/15/2025	$3,083,349.64	$58,638.41	$37,132.05	$21,506.36	$29,809.15	$17,265.04	$3,046,217.59	$679,048.08
31	6/14/2025	$3,046,217.59	$58,638.41	$37,391.04	$21,247.37	$30,017.07	$17,057.12	$3,008,826.55	$700,295.45
32	7/15/2025	$3,008,826.55	$58,638.41	$37,651.84	$20,986.57	$30,226.44	$16,847.76	$2,971,174.70	$721,282.01
33	8/15/2025	$2,971,174.70	$58,638.41	$37,914.47	$20,723.94	$30,437.27	$16,636.93	$2,933,260.24	$742,005.96
34	9/14/2025	$2,933,260.24	$58,638.41	$38,178.92	$20,459.49	$30,649.57	$16,424.63	$2,895,081.32	$762,465.45
35	10/15/2025	$2,895,081.32	$58,638.41	$38,445.22	$20,193.19	$30,863.35	$16,210.85	$2,856,636.10	$782,658.64
36	11/14/2025	$2,856,636.10	$58,638.41	$38,713.37	$19,925.04	$31,078.62	$15,995.57	$2,817,922.73	$802,583.68
37	12/15/2025	$2,817,922.73	$58,638.41	$38,983.40	$19,655.01	$31,295.39	$15,778.80	$2,778,939.33	$822,238.69
38	1/15/2026	$2,778,939.33	$58,638.41	$39,255.31	$19,383.10	$31,513.68	$15,560.51	$2,739,684.02	$841,621.79
39	2/12/2026	$2,739,684.02	$58,638.41	$39,529.11	$19,109.30	$31,733.48	$15,340.71	$2,700,154.90	$860,731.09
40	3/15/2026	$2,700,154.90	$58,638.41	$39,804.83	$18,833.58	$31,954.83	$15,119.37	$2,660,350.07	$879,564.67
41	4/14/2026	$2,660,350.07	$58,638.41	$40,082.47	$18,555.94	$32,177.71	$14,896.48	$2,620,267.61	$898,120.61
42	5/15/2026	$2,620,267.61	$58,638.41	$40,362.04	$18,276.37	$32,402.15	$14,672.04	$2,579,905.56	$916,396.98
43	6/14/2026	$2,579,905.56	$58,638.41	$40,643.57	$17,994.84	$32,628.16	$14,446.04	$2,539,261.99	$934,391.82
44	7/15/2026	$2,539,261.99	$58,638.41	$40,927.06	$17,711.35	$32,855.74	$14,218.46	$2,498,334.94	$952,103.17
45	8/15/2026	$2,498,334.94	$58,638.41	$41,212.52	$17,425.89	$33,084.91	$13,989.29	$2,457,122.41	$969,529.06
46	9/14/2026	$2,457,122.41	$58,638.41	$41,499.98	$17,138.43	$33,315.67	$13,758.52	$2,415,622.43	$986,667.48
47	10/15/2026	$2,415,622.43	$58,638.41	$41,789.44	$16,848.97	$33,548.05	$13,526.14	$2,373,832.99	$1,003,516.45
48	11/14/2026	$2,373,832.99	$58,638.41	$42,080.92	$16,557.49	$33,782.05	$13,292.14	$2,331,752.06	$1,020,073.94
49	12/15/2026	$2,331,752.06	$58,638.41	$42,374.44	$16,263.97	$34,017.68	$13,056.51	$2,289,377.62	$1,036,337.91
50	1/15/2027	$2,289,377.62	$58,638.41	$42,670.00	$15,968.41	$34,254.95	$12,819.24	$2,246,707.62	$1,052,306.32
51	2/12/2027	$2,246,707.62	$58,638.41	$42,967.62	$15,670.79	$34,493.88	$12,580.31	$2,203,740.00	$1,067,977.10
52	3/15/2027	$2,203,740.00	$58,638.41	$43,267.32	$15,371.09	$34,734.47	$12,339.72	$2,160,472.68	$1,083,348.19
53	4/14/2027	$2,160,472.68	$58,638.41	$43,569.11	$15,069.30	$34,976.75	$12,097.45	$2,116,903.56	$1,098,417.48
54	5/15/2027	$2,116,903.56	$58,638.41	$43,873.01	$14,765.40	$35,220.71	$11,853.48	$2,073,030.55	$1,113,182.89
55	6/14/2027	$2,073,030.55	$58,638.41	$44,179.02	$14,459.39	$35,466.37	$11,607.82	$2,028,851.53	$1,127,642.27
56	7/15/2027	$2,028,851.53	$58,638.41	$44,487.17	$14,151.24	$35,713.75	$11,360.44	$1,984,364.36	$1,141,793.51
57	8/15/2027	$1,984,364.36	$58,638.41	$44,797.47	$13,840.94	$35,962.85	$11,111.34	$1,939,566.89	$1,155,634.46
58	9/14/2027	$1,939,566.89	$58,638.41	$45,109.93	$13,528.48	$36,213.70	$10,860.50	$1,894,456.96	$1,169,162.93
59	10/15/2027	$1,894,456.96	$58,638.41	$45,424.57	$13,213.84	$36,466.29	$10,607.91	$1,849,032.39	$1,182,376.77
60	11/14/2027	$1,849,032.39	$58,638.41	$45,741.41	$12,897.00	$36,720.64	$10,353.55	$1,803,290.98	$1,195,273.77
61	12/15/2027	$1,803,290.98	$58,638.41	$46,060.46	$12,577.95	$36,976.77	$10,097.43	$1,757,230.53	$1,207,851.73
62	1/15/2028	$1,757,230.53	$58,638.41	$46,381.73	$12,256.68	$37,234.68	$9,839.51	$1,710,848.80	$1,220,108.41
63	2/13/2028	$1,710,848.80	$58,638.41	$46,705.24	$11,933.17	$37,494.39	$9,579.80	$1,664,143.56	$1,232,041.58
64	3/15/2028	$1,664,143.56	$58,638.41	$47,031.01	$11,607.40	$37,755.91	$9,318.28	$1,617,112.55	$1,243,648.98
65	4/14/2028	$1,617,112.55	$58,638.41	$47,359.05	$11,279.36	$38,019.26	$9,054.93	$1,569,753.50	$1,254,928.34
66	5/15/2028	$1,569,753.50	$58,638.41	$47,689.38	$10,949.03	$38,284.45	$8,789.75	$1,522,064.12	$1,265,877.37
67	6/14/2028	$1,522,064.12	$58,638.41	$48,022.01	$10,616.40	$38,551.48	$8,522.71	$1,474,042.11	$1,276,493.77
68	7/15/2028	$1,474,042.11	$58,638.41	$48,356.97	$10,281.44	$38,820.38	$8,253.82	$1,425,685.14	$1,286,775.21
69	8/15/2028	$1,425,685.14	$58,638.41	$48,694.26	$9,944.15	$39,091.15	$7,983.04	$1,376,990.89	$1,296,719.37
70	9/14/2028	$1,376,990.89	$58,638.41	$49,033.90	$9,604.51	$39,363.81	$7,710.38	$1,327,956.99	$1,306,323.88
71	10/15/2028	$1,327,956.99	$58,638.41	$49,375.91	$9,262.50	$39,638.37	$7,435.82	$1,278,581.08	$1,315,586.38
72	11/14/2028	$1,278,581.08	$58,638.41	$49,720.31	$8,918.10	$39,914.85	$7,159.34	$1,228,860.77	$1,324,504.48
73	12/15/2028	$1,228,860.77	$58,638.41	$50,067.11	$8,571.30	$40,193.25	$6,880.94	$1,178,793.66	$1,333,075.79
74	1/15/2029	$1,178,793.66	$58,638.41	$50,416.32	$8,222.09	$40,473.60	$6,600.59	$1,128,377.34	$1,341,297.87
75	2/12/2029	$1,128,377.34	$58,638.41	$50,767.98	$7,870.43	$40,755.91	$6,318.29	$1,077,609.36	$1,349,168.30
76	3/15/2029	$1,077,609.36	$58,638.41	$51,122.08	$7,516.33	$41,040.18	$6,034.01	$1,026,487.28	$1,356,684.63
77	4/14/2029	$1,026,487.28	$58,638.41	$51,478.66	$7,159.75	$41,326.43	$5,747.76	$975,008.62	$1,363,844.38
78	5/15/2029	$975,008.62	$58,638.41	$51,837.72	$6,800.69	$41,614.69	$5,459.51	$923,170.89	$1,370,645.06
79	6/14/2029	$923,170.89	$58,638.41	$52,199.29	$6,439.12	$41,904.95	$5,169.24	$870,971.60	$1,377,084.18
80	7/15/2029	$870,971.60	$58,638.41	$52,563.38	$6,075.03	$42,197.24	$4,876.96	$818,408.21	$1,383,159.21
81	8/15/2029	$818,408.21	$58,638.41	$52,930.01	$5,708.40	$42,491.56	$4,582.63	$765,478.20	$1,388,867.60

Loan 7369 (TI) Amortization Schedule

Terms		Loan Summary	
Loan amount	$3,704,358.74	Scheduled payment	$58,638
Annual interest rate	8.3700%	Scheduled number of payments	95
Loan period months)	82	Actual number of payments	
Number of payments per year	12	Total early payments	
Start date of loan	12/9/2022	Total interest	$1,392,590.62
Start date of payments	11/20/2023	% Used for ASC	80.3%
Maturity Date of Loan	10/9/2030		

Payment Number	Payment Date	Beginning Balance	Total Payment	Principal	Interest	Allocated Principal	Allocated Interest	Ending Balance	Cumulative Interest
82	9/14/2029	$765,478.20	$58,638.41	$53,299.20	$5,339.21	$42,787.94	$4,286.25	$712,179.00	$1,394,206.81
83	10/15/2029	$712,179.00	$58,638.41	$53,670.96	$4,967.45	$43,086.39	$3,987.81	$658,508.04	$1,399,174.26
84	11/14/2029	$658,508.04	$58,638.41	$54,045.32	$4,593.09	$43,386.91	$3,687.28	$604,462.72	$1,403,767.36
85	12/15/2029	$604,462.72	$58,638.41	$54,422.28	$4,216.13	$43,689.54	$3,384.66	$550,040.44	$1,407,983.48
86	1/15/2030	$550,040.44	$58,638.41	$54,801.88	$3,836.53	$43,994.27	$3,079.92	$495,238.56	$1,411,820.02
87	2/12/2030	$495,238.56	$58,638.41	$55,184.12	$3,454.29	$44,301.13	$2,773.06	$440,054.44	$1,415,274.31
88	3/15/2030	$440,054.44	$58,638.41	$55,569.03	$3,069.38	$44,610.13	$2,464.06	$384,485.41	$1,418,343.68
89	4/14/2030	$384,485.41	$58,638.41	$55,956.62	$2,681.79	$44,921.29	$2,152.90	$328,528.79	$1,421,025.47
90	5/15/2030	$328,528.79	$58,638.41	$56,346.92	$2,291.49	$45,234.61	$1,839.58	$272,181.87	$1,423,316.96
91	6/14/2030	$272,181.87	$58,638.41	$56,739.94	$1,898.47	$45,550.12	$1,524.07	$215,441.93	$1,425,215.43
92	7/15/2030	$215,441.93	$58,638.41	$57,135.70	$1,502.71	$45,867.84	$1,206.35	$158,306.22	$1,426,718.13
93	8/15/2030	$158,306.22	$58,638.41	$57,534.22	$1,104.19	$46,187.76	$886.43	$100,772.00	$1,427,822.32
94	9/14/2030	$100,772.00	$58,638.41	$57,935.53	$702.88	$46,509.92	$564.27	$42,836.47	$1,428,525.21
95	10/15/2030	$42,836.47	$42,836.47	$42,537.69	$298.78	$34,148.73	$239.86	$0.00	$1,428,823.99

Loan 6957 (Equipment) Amortization

Terms		Loan Summary	
Loan amount	$289,608.86	Scheduled payment	$5,180
Annual interest rate	2.7700%	Scheduled number of payments	61
Loan period months)	60	Actual number of payments	
Number of payments per year	12	Total early payments	
Start date of loan	11/30/2021	Total interest	$20,080.45
Start date of payments	12/31/2021	% Used for ASC	100.0%
Maturity Date of Loan	11/30/2026		

Payment Number	Payment Date	Beginning Balance	Total Payment	Principal	Interest	Ending Balance	Cumulative Interest
35	9/14/2024	$134,400.01	$5,180.00	$4,874.01	$305.99	$129,526.00	$15,823.18
36	10/15/2024	$129,526.00	$5,180.00	$4,875.28	$304.72	$124,650.72	$16,127.91
37	11/14/2024	$124,650.72	$5,180.00	$4,896.21	$283.79	$119,754.52	$16,411.70
38	12/15/2024	$119,754.52	$5,180.00	$4,898.27	$281.73	$114,856.25	$16,693.44
39	1/15/2025	$114,856.25	$5,180.00	$4,909.79	$270.21	$109,946.46	$16,963.65
40	2/12/2025	$109,946.46	$5,180.00	$4,946.37	$233.63	$105,000.09	$17,197.28
41	3/15/2025	$105,000.09	$5,180.00	$4,932.98	$247.02	$100,067.12	$17,444.30
42	4/14/2025	$100,067.12	$5,180.00	$4,952.18	$227.82	$95,114.94	$17,672.12
43	5/15/2025	$95,114.94	$5,180.00	$4,956.23	$223.77	$90,158.71	$17,895.89
44	6/14/2025	$90,158.71	$5,180.00	$4,974.73	$205.27	$85,183.97	$18,101.16
45	7/15/2025	$85,183.97	$5,180.00	$4,979.60	$200.40	$80,204.38	$18,301.56
46	8/15/2025	$80,204.38	$5,180.00	$4,991.31	$188.69	$75,213.07	$18,490.25
47	9/14/2025	$75,213.07	$5,180.00	$5,008.76	$171.24	$70,204.30	$18,661.49
48	10/15/2025	$70,204.30	$5,180.00	$5,014.84	$165.16	$65,189.47	$18,826.65
49	11/14/2025	$65,189.47	$5,180.00	$5,031.58	$148.42	$60,157.88	$18,975.07
50	12/15/2025	$60,157.88	$5,180.00	$5,038.47	$141.53	$55,119.41	$19,116.60
51	1/15/2026	$55,119.41	$5,180.00	$5,050.33	$129.67	$50,069.09	$19,246.27
52	2/12/2026	$50,069.09	$5,180.00	$5,073.61	$106.39	$44,995.48	$19,352.66
53	3/15/2026	$44,995.48	$5,180.00	$5,074.14	$105.86	$39,921.34	$19,458.52
54	4/14/2026	$39,921.34	$5,180.00	$5,089.11	$90.89	$34,832.23	$19,549.41
55	5/15/2026	$34,832.23	$5,180.00	$5,098.05	$81.95	$29,734.17	$19,631.36
56	6/14/2026	$29,734.17	$5,180.00	$5,112.30	$67.70	$24,621.87	$19,699.05
57	7/15/2026	$24,621.87	$5,180.00	$5,122.07	$57.93	$19,499.79	$19,756.98
58	8/15/2026	$19,499.79	$5,180.00	$5,134.12	$45.88	$14,365.67	$19,802.85
59	9/14/2026	$14,365.67	$5,180.00	$5,147.29	$32.71	$9,218.38	$19,835.56
60	10/15/2026	$9,218.38	$5,180.00	$5,158.31	$21.69	$4,060.06	$19,857.25
61	11/14/2026	$4,060.06	$4,060.06	$4,050.82	$9.24	$0.00	$19,866.49

Loan 7344 (Equipment) Amortization Schedule

Terms		Loan Summary	
Loan amount	$307,759.85	Scheduled payment	$6,262
Annual interest rate	8.0350%	Scheduled number of payments	71
Loan period months)	57	Actual number of payments	
Number of payments per year	12	Total early payments	
Start date of loan	12/9/2022	Total interest	$84,763.23
Start date of payments	12/15/2023		
Maturity Date of Loan	10/9/2028	Pre Project Interest	$48,927.61

Payment Number	Payment Date	Beginning Balance	Total Payment	Principal	Interest	Ending Balance	Cumulative Interest
22	9/14/2024	$264,869.99	$6,261.87	$4,512.64	$1,749.23	$260,357.35	$38,949.38
23	10/15/2024	$260,357.35	$6,261.87	$4,485.13	$1,776.74	$255,872.22	$40,726.12
24	11/14/2024	$255,872.22	$6,261.87	$4,572.06	$1,689.81	$251,300.16	$42,415.93
25	12/15/2024	$251,300.16	$6,261.87	$4,546.94	$1,714.93	$246,753.23	$44,130.86
26	1/15/2025	$246,753.23	$6,261.87	$4,577.97	$1,683.90	$242,175.26	$45,814.77
27	2/12/2025	$242,175.26	$6,261.87	$4,769.14	$1,492.73	$237,406.12	$47,307.49
28	3/15/2025	$237,406.12	$6,261.87	$4,641.75	$1,620.12	$232,764.37	$48,927.61
29	4/14/2025	$232,764.37	$6,261.87	$4,724.67	$1,537.20	$228,039.70	$50,464.81
30	5/15/2025	$228,039.70	$6,261.87	$4,705.67	$1,556.20	$223,334.03	$52,021.01
31	6/14/2025	$223,334.03	$6,261.87	$4,786.95	$1,474.92	$218,547.08	$53,495.94
32	7/15/2025	$218,547.08	$6,261.87	$4,770.45	$1,491.42	$213,776.63	$54,987.35
33	8/15/2025	$213,776.63	$6,261.87	$4,803.01	$1,458.86	$208,973.62	$56,446.22
34	9/14/2025	$208,973.62	$6,261.87	$4,881.79	$1,380.08	$204,091.84	$57,826.30
35	10/15/2025	$204,091.84	$6,261.87	$4,869.10	$1,392.77	$199,222.74	$59,219.08
36	11/14/2025	$199,222.74	$6,261.87	$4,946.18	$1,315.69	$194,276.56	$60,534.77
37	12/15/2025	$194,276.56	$6,261.87	$4,936.08	$1,325.79	$189,340.48	$61,860.56
38	1/15/2026	$189,340.48	$6,261.87	$4,969.76	$1,292.11	$184,370.72	$63,152.66
39	2/12/2026	$184,370.72	$6,261.87	$5,125.44	$1,136.43	$179,245.28	$64,289.09
40	3/15/2026	$179,245.28	$6,261.87	$5,038.66	$1,223.21	$174,206.62	$65,512.31
41	4/14/2026	$174,206.62	$6,261.87	$5,111.39	$1,150.48	$169,095.23	$66,662.79
42	5/15/2026	$169,095.23	$6,261.87	$5,107.92	$1,153.95	$163,987.31	$67,816.73
43	6/14/2026	$163,987.31	$6,261.87	$5,178.88	$1,082.99	$158,808.43	$68,899.72
44	7/15/2026	$158,808.43	$6,261.87	$5,178.12	$1,083.75	$153,630.31	$69,983.47
45	8/15/2026	$153,630.31	$6,261.87	$5,213.46	$1,048.41	$148,416.85	$71,031.88
46	9/14/2026	$148,416.85	$6,261.87	$5,281.71	$980.16	$143,135.14	$72,012.04
47	10/15/2026	$143,135.14	$6,261.87	$5,285.08	$976.79	$137,850.06	$72,988.83
48	11/14/2026	$137,850.06	$6,261.87	$5,351.49	$910.38	$132,498.57	$73,899.21
49	12/15/2026	$132,498.57	$6,261.87	$5,357.67	$904.20	$127,140.90	$74,803.41
50	1/15/2027	$127,140.90	$6,261.87	$5,394.23	$867.64	$121,746.67	$75,671.05
51	2/12/2027	$121,746.67	$6,261.87	$5,511.44	$750.43	$116,235.23	$76,421.48
52	3/15/2027	$116,235.23	$6,261.87	$5,468.65	$793.22	$110,766.57	$77,214.70
53	4/14/2027	$110,766.57	$6,261.87	$5,530.36	$731.51	$105,236.22	$77,946.21
54	5/15/2027	$105,236.22	$6,261.87	$5,543.71	$718.16	$99,692.51	$78,664.37
55	6/14/2027	$99,692.51	$6,261.87	$5,603.49	$658.38	$94,089.02	$79,322.75
56	7/15/2027	$94,089.02	$6,261.87	$5,619.78	$642.09	$88,469.23	$79,964.84
57	8/15/2027	$88,469.23	$6,261.87	$5,658.13	$603.74	$82,811.10	$80,568.57
58	9/14/2027	$82,811.10	$6,261.87	$5,714.98	$546.89	$77,096.12	$81,115.47
59	10/15/2027	$77,096.12	$6,261.87	$5,735.75	$526.12	$71,360.38	$81,641.59
60	11/14/2027	$71,360.38	$6,261.87	$5,790.60	$471.27	$65,569.78	$82,112.86
61	12/15/2027	$65,569.78	$6,261.87	$5,814.41	$447.46	$59,755.37	$82,560.33
62	1/15/2028	$59,755.37	$6,261.87	$5,854.08	$407.79	$53,901.29	$82,968.11

Loan 7344 (Equipment) Amortization Schedule

Terms		Loan Summary	
Loan amount	$307,759.85	Scheduled payment	$6,262
Annual interest rate	8.0350%	Scheduled number of payments	71
Loan period months)	57	Actual number of payments	
Number of payments per year	12	Total early payments	
Start date of loan	12/9/2022	Total interest	$84,763.23
Start date of payments	12/15/2023		
Maturity Date of Loan	10/9/2028	Pre Project Interest	$48,927.61

Payment Number	Payment Date	Beginning Balance	Total Payment	Principal	Interest	Ending Balance	Cumulative Interest
63	2/13/2028	$53,901.29	$6,261.87	$5,917.77	$344.10	$47,983.52	$83,312.22
64	3/15/2028	$47,983.52	$6,261.87	$5,934.42	$327.45	$42,049.10	$83,639.67
65	4/14/2028	$42,049.10	$6,261.87	$5,984.17	$277.70	$36,064.93	$83,917.37
66	5/15/2028	$36,064.93	$6,261.87	$6,015.75	$246.12	$30,049.18	$84,163.48
67	6/14/2028	$30,049.18	$6,261.87	$6,063.42	$198.45	$23,985.75	$84,361.93
68	7/15/2028	$23,985.75	$6,261.87	$6,098.19	$163.68	$17,887.57	$84,525.61
69	8/15/2028	$17,887.57	$6,261.87	$6,139.80	$122.07	$11,747.77	$84,647.68
70	9/14/2028	$11,747.77	$6,261.87	$6,184.29	$77.58	$5,563.48	$84,725.27
71	10/15/2028	$5,563.48	$5,563.48	$5,525.51	$37.97	$0.00	$84,763.23

Loan 7633 (Equipment) Amortization Schedule

Terms

Initial Balance	$428,022.41
Annual interest rate	6.65%
Loan period months)	70
Number of payments per year	12
Start date of loan	12/5/2023
Start date of payments	8/15/2024
Maturity Date of Loan	10/15/2029

Loan Summary

Scheduled payment	N/A
Scheduled number of payments	71
Actual number of payments	
Total early payments	
Total interest	$141,204.57

Period Number	Statement Close Date	Beginning Balance	Payoff Payment	Total Contribution	Principal	Interest	Ending Balance	Cumulative Interest
10	9/15/2024	$639,448.22	$12,387.76	$12,387.76	$8,891.01	$3,496.74	$630,557.21	$28,771.37
11	10/16/2024	$630,557.21	$12,390.02	$12,390.02	$8,826.96	$3,563.06	$621,730.24	$32,334.43
12	11/15/2024	$621,730.24	$12,388.81	$12,388.81	$8,988.95	$3,399.85	$612,741.29	$35,734.29
13	12/16/2024	$612,741.29	$12,391.20	$12,391.20	$8,928.81	$3,462.39	$603,812.48	$39,196.68
14	1/16/2025	$603,812.48	$12,395.96	$12,395.96	$8,984.03	$3,411.94	$594,828.46	$42,608.61
15	2/13/2025	$594,828.46	$12,382.18	$12,382.18	$9,346.28	$3,035.90	$585,482.18	$45,644.51
16	3/16/2025	$585,482.18	$12,380.19	$12,380.19	$9,071.84	$3,308.36	$576,410.34	$48,952.87
17	4/15/2025	$576,410.34	$12,378.70	$12,378.70	$9,226.68	$3,152.03	$567,183.66	$52,104.89
18	5/16/2025	$567,183.66	$12,381.46	$12,381.46	$9,176.50	$3,204.96	$558,007.16	$55,309.85
19	6/15/2025	$558,007.16	$12,379.85	$12,379.85	$9,328.46	$3,051.39	$548,678.70	$58,361.25
20	7/16/2025	$548,678.70	$12,382.78	$12,382.78	$9,282.38	$3,100.39	$539,396.32	$61,461.64
21	8/16/2025	$539,396.32	$12,388.09	$12,388.09	$9,340.15	$3,047.94	$530,056.17	$64,509.58
22	9/15/2025	$530,056.17	$12,386.27	$12,386.27	$9,487.72	$2,898.55	$520,568.45	$67,408.13
23	10/16/2025	$520,568.45	$12,389.48	$12,389.48	$9,447.92	$2,941.55	$511,120.53	$70,349.68
24	11/15/2025	$511,120.53	$12,387.50	$12,387.50	$9,592.50	$2,795.00	$501,528.03	$73,144.68
25	12/16/2025	$501,528.03	$12,390.91	$12,390.91	$9,556.95	$2,833.96	$491,971.08	$75,978.64
26	1/16/2026	$491,971.08	$12,396.74	$12,396.74	$9,616.79	$2,779.96	$482,354.30	$78,758.60
27	2/13/2026	$482,354.30	$12,378.17	$12,378.17	$9,916.32	$2,461.85	$472,437.98	$81,220.45
28	3/16/2026	$472,437.98	$12,377.31	$12,377.31	$9,707.73	$2,669.58	$462,730.25	$83,890.03
29	4/15/2026	$462,730.25	$12,374.89	$12,374.89	$9,844.51	$2,530.38	$452,885.74	$86,420.41
30	5/16/2026	$452,885.74	$12,378.90	$12,378.90	$9,819.80	$2,559.10	$443,065.94	$88,979.52
31	6/15/2026	$443,065.94	$12,376.27	$12,376.27	$9,953.42	$2,422.85	$433,112.52	$91,402.37
32	7/16/2026	$433,112.52	$12,380.57	$12,380.57	$9,933.20	$2,447.37	$423,179.32	$93,849.74
33	8/16/2026	$423,179.32	$12,387.33	$12,387.33	$9,996.09	$2,391.24	$413,183.24	$96,240.98
34	9/15/2026	$413,183.24	$12,384.34	$12,384.34	$10,124.90	$2,259.44	$403,058.34	$98,500.42
35	10/16/2026	$403,058.34	$12,389.12	$12,389.12	$10,111.58	$2,277.54	$392,946.76	$100,777.96
36	11/15/2026	$392,946.76	$12,385.86	$12,385.86	$10,237.08	$2,148.78	$382,709.68	$102,926.74
37	12/16/2026	$382,709.68	$12,391.02	$12,391.02	$10,228.46	$2,162.56	$372,481.22	$105,089.30
38	1/16/2027	$372,481.22	$12,398.71	$12,398.71	$10,293.95	$2,104.76	$362,187.27	$107,194.06
39	2/13/2027	$362,187.27	$12,371.72	$12,371.72	$10,523.19	$1,848.54	$351,664.09	$109,042.60
40	3/16/2027	$351,664.09	$12,372.87	$12,372.87	$10,385.73	$1,987.13	$341,278.35	$111,029.73
41	4/15/2027	$341,278.35	$12,368.78	$12,368.78	$10,502.54	$1,866.24	$330,775.81	$112,895.97
42	5/16/2027	$330,775.81	$12,375.07	$12,375.07	$10,505.97	$1,869.10	$320,269.84	$114,765.07
43	6/15/2027	$320,269.84	$12,370.56	$12,370.56	$10,619.21	$1,751.36	$309,650.63	$116,516.43
44	7/16/2027	$309,650.63	$12,377.44	$12,377.44	$10,627.71	$1,749.73	$299,022.92	$118,266.16
45	8/16/2027	$299,022.92	$12,386.99	$12,386.99	$10,697.31	$1,689.68	$288,325.61	$119,955.83
46	9/15/2027	$288,325.61	$12,381.71	$12,381.71	$10,805.04	$1,576.67	$277,520.57	$121,532.50
47	10/16/2027	$277,520.57	$12,389.66	$12,389.66	$10,821.48	$1,568.17	$266,699.09	$123,100.68
48	11/15/2027	$266,699.09	$12,383.76	$12,383.76	$10,925.35	$1,458.41	$255,773.74	$124,559.09
49	12/16/2027	$255,773.74	$12,392.57	$12,392.57	$10,947.29	$1,445.29	$244,826.45	$126,004.38
50	1/16/2028	$244,826.45	$12,404.26	$12,404.26	$11,020.83	$1,383.43	$233,805.63	$127,387.81
51	2/14/2028	$233,805.63	$12,377.94	$12,377.94	$11,142.02	$1,235.92	$222,663.60	$128,623.72
52	3/16/2028	$222,663.60	$12,386.01	$12,386.01	$11,127.81	$1,258.20	$211,535.79	$129,881.92
53	4/15/2028	$211,535.79	$12,377.99	$12,377.99	$11,221.23	$1,156.76	$200,314.56	$131,038.68
54	5/16/2028	$200,314.56	$12,389.84	$12,389.84	$11,257.93	$1,131.91	$189,056.63	$132,170.59
55	6/15/2028	$189,056.63	$12,380.59	$12,380.59	$11,346.75	$1,033.83	$177,709.88	$133,204.42

Loan 7633 (Equipment) Amortization Schedule

Terms

Initial Balance	$428,022.41
Annual interest rate	6.65%
Loan period months)	70
Number of payments per year	12
Start date of loan	12/5/2023
Start date of payments	8/15/2024
Maturity Date of Loan	10/15/2029

Loan Summary

Scheduled payment	N/A
Scheduled number of payments	71
Actual number of payments	
Total early payments	
Total interest	$141,204.57

Period Number	Statement Close Date	Beginning Balance	Payoff Payment	Total Contribution	Principal	Interest	Ending Balance	Cumulative Interest
56	7/16/2028	$177,709.88	$12,394.23	$12,394.23	$11,390.06	$1,004.18	$166,319.82	$134,208.59
57	8/16/2028	$166,319.82	$12,411.42	$12,411.42	$11,471.61	$939.82	$154,848.21	$135,148.41
58	9/15/2028	$154,848.21	$12,399.58	$12,399.58	$11,552.81	$846.77	$143,295.40	$135,995.18
59	10/16/2028	$143,295.40	$12,417.09	$12,417.09	$11,607.38	$809.71	$131,688.02	$136,804.89
60	11/15/2028	$131,688.02	$12,402.75	$12,402.75	$11,682.63	$720.12	$120,005.39	$137,525.01
61	12/16/2028	$120,005.39	$12,424.11	$12,424.11	$11,746.00	$678.11	$108,259.39	$138,203.12
62	1/16/2029	$108,259.39	$12,450.64	$12,450.64	$11,838.90	$611.74	$96,420.49	$138,814.86
63	2/13/2029	$96,420.49	$12,330.44	$12,330.44	$11,838.33	$492.11	$84,582.16	$139,306.97
64	3/16/2029	$84,582.16	$12,356.17	$12,356.17	$11,878.23	$477.94	$72,703.93	$139,784.91
65	4/15/2029	$72,703.93	$12,328.65	$12,328.65	$11,931.07	$397.57	$60,772.85	$140,182.49
66	5/16/2029	$60,772.85	$12,372.52	$12,372.52	$12,029.11	$343.41	$48,743.74	$140,525.89
67	6/15/2029	$48,743.74	$12,330.27	$12,330.27	$12,063.72	$266.55	$36,680.02	$140,792.44
68	7/16/2029	$36,680.02	$12,404.60	$12,404.60	$12,197.34	$207.27	$24,482.68	$140,999.71
69	8/16/2029	$24,482.68	$12,522.25	$12,522.25	$12,383.91	$138.34	$12,098.77	$141,138.05
70	9/15/2029	$12,098.77	$12,342.78	$12,098.77	$12,032.61	$66.16	$66.16	$141,204.21
71	10/15/2029	$66.16	$66.16	$66.16	$65.80	$0.36	$0.36	$141,204.57

Exhibit 4

Site Control Documents

Exhibit 4a

Real Estate Tax Affidavit

PROPERTY TAX
ACCOUNT-NUMBER
051000-1750-03
8292 L 1/1

MAS CC #	Percentage	Total
64400-100500-0000	0.25	$12,631.15
64400-100501-0000	0.55	$27,788.52
64400-100502-0000	0.06	$ 3,031.47
64400-100503-0000	0.14	$ 7,073.44
PAYMENT 1	Total:	$50,524.58

NORTH SEATTLE ASC LLC 691136
2409 N 45TH ST
SEATTLE WA 98103

KING COUNTY

Make check payable to King County Treasury
500 FOURTH AVE - RM 600, SEATTLE WA 98104-2340
To pay online go to: www.kingcounty.gov/propertytax

CURRENT TAX DISTRIBUTION

State School Part One	10,430.13
State School Two - McCleary	3,883.07
Local School Support	7,351.06
County	6,636.44
City	12,135.32
Unincorporated/Road	
Port	667.74
Fire	
Hospital	
Library	
Other	1,163.11
Emergency Med Svc	1,184.71
Sound Transit	1,126.89
Flood Control	525.87

CURRENT BILLING INFORMATION

Land Value	3,325,800
Improvements	2,118,100
Less: Exempt Value	
TAXABLE VALUE	5,443,900
Levy Rate	8.28530
General Tax	45,104.34
Voter-Approved Portion	15,093.92
Other Charges:	
NOX WEED	5.46
KING CD	9.23
DRAINAGE	2,379.61
NT BILLING	47,498.64
- w/ OMITS	47,498.64
OTAL	26,775.26
GRAND TOTAL	74,273.90

MAS CC #	Percentage	Total
64400-100500-0000	0.25	$ 5,937.33
64400-100501-0000	0.55	$13,062.13
64400-100502-0000	0.06	$ 1,424.96
64400-100503-0000	0.14	$ 3,324.90
PAYMENT 2	Total:	$23,749.32

LOT	BLOCK	CODE	SEC	TWP	RG
POR	12	0010			

BALTIMORE THE ADD
2-3-4-5 & N 1/2 OF 6
TGW E 40 FT OF 24 THRU 27
LESS POR FOR ST

PROPERTY ADDRESS 2409 N 45TH ST

MAIL WITH 2ND HALF PAYMENT

2019 REAL ESTATE TAX

www.kingcounty.gov/propertytax

PROPERTY TAX ACCOUNT NUMBER
051000-1750-03

Second half payment must be paid or postmarked by October 31st or it becomes delinquent and accrues annual interest and penalty

DELINQUENT PAYMENTS RECEIVED WITHOUT INTEREST AND PENALTY WILL BE RETURNED. TO VIEW AMOUNT DUE AT ANY TIME VISIT: www.kingcounty.gov/propertytax

COMPLETE ONLY IF MAILING ADDRESS HAS CHANGED

NAME

NEW MAILING ADDRESS

CITY/STATE/ZIP

TAX TYPE	TAX YEAR	OMIT YEAR	INTEREST TO:	PENALTY (SEE REVERSE)	PRINCIPAL AMOUNT	* HALF AMOUNT
Current	19					23,749.32
Omitted						
Delinquent						All payments must include the PRINCIPAL + INTEREST + PENALTY when due.

NORTH SEATTLE ASC LLC 691136
2409 N 45TH ST
SEATTLE WA 98103

PAY THIS AMOUNT DUE OCTOBER 31 **$23,749.32**

0000000000000000000000000000000000000005100017500300237493208

MAIL WITH 1ST HALF PAYMENT

2019 REAL ESTATE TAX

www.kingcounty.gov/propertytax

PROPERTY TAX ACCOUNT NUMBER
051000-1750-03

First half payment must be paid or postmarked by April 30th. Payment after this date will accrue delinquent charges based on the full year amount.

DELINQUENT PAYMENTS RECEIVED WITHOUT INTEREST AND PENALTY WILL BE RETURNED. TO VIEW AMOUNT DUE AT ANY TIME VISIT: www.kingcounty.gov/propertytax

SAVE MONEY, PAY BEFORE APRIL

Pay before April, and you'll owe less interest than what's in this statement. Find out *exactly* how much you owe, as of today:

online www.kingcounty.gov/propertytax
call 206-263-2890 (option 5)

TAX TYPE	TAX YEAR	OMIT YEAR	INTEREST TO: 04/19	PENALTY (SEE REVERSE)	PRINCIPAL AMOUNT	* HALF AMOUNT
Current	19				47,498.64	23,749.32
Omitted						
Delinquent	18		1,392.72	1,797.14	23,585.40 H	26,775.26

NORTH SEATTLE ASC LLC 691136
2409 N 45TH ST
SEATTLE WA 98103

PAY THIS AMOUNT DUE APRIL 30 **$50,524.58**

00000000000000000000000023585400031898605100017500300237493218

Exhibit 4b

Lease

PROLIANCE LEASE AGREEMENT

1. Specific Information:

1.1. The "Landlord" is North Seattle ASC, LLC, a Washington Limited Liability Company.

1.2. The "Tenant" is Proliance Surgeons, Inc., P.S., a Washington Professional Service Corporation.

1.3. Premises: The leased premises (the "Premises") consist of the real property commonly known as 2409 North 45th in Seattle, Washington, and legally described on **Schedule 1.3.**

1.4. Lease Duration:

1.4.1. The "Commencement Date" of this Lease is January 1, 2005.

1.4.2. The "Termination Date" of this Lease is May 31, 2020.

1.4.3. The Termination Date may be extended three times, each time for a period of 5 years (each an "Extended Term"), as provided in Section 3.

1.5. The "Basic Monthly Rent" at the commencement of this Lease is Twenty-Five Thousand Six Hundred Twenty and 83/100 Dollars ($25,620.83) (which shall be adjusted periodically in accordance with **Schedule 1.5**).

1.6. The "Allowed Use" of the Premises is any office, medical or retail use including but not limited to medical offices, surgery center, physical therapy, imaging center, laboratory, and pharmacy, and related uses such as parking and storage.

1.7. On signing this Lease, Tenant shall pay Landlord Twenty-Five Thousand Six Hundred Twenty and 83/100 Dollars ($25,620.83) to be applied toward payment of the first month of the term of this Lease for which payment of Rent is due ("Advance Rent"). In consideration of the tenant improvements to be performed by Tenant, Landlord waives any requirement of a security deposit.

1.8. Notice Address of Tenant: Proliance Surgeons, Inc., P.S.
720 Olive Way, Suite 1505
Seattle, WA 98101
Attn: Chief Executive Officer
Fax No. 206-264-8689

1.9. Notice Address of Landlord: North Seattle ASC, LLC
1801 NW Market, #403
Seattle, WA 98107
Attn: Shirley Guilfoyle
Fax No. 206-706-0319

This Lease is dated, for reference purposes only, as of November 1, 2004.

2. Premises. Landlord hereby leases to Tenant and Tenant leases from Landlord for the term, at the rental, and on all of the terms and conditions of this Lease, the Premises.

3. Term.

3.1. **Term.** The term of this Lease is from the Commencement Date until the Termination Date, unless sooner terminated pursuant to any provision hereof. The period from the Commencement Date until the Termination Date set forth in Section 1.4.2 is the "Initial Term." References to the term of this Lease include the Initial Term and all Extended Terms, if any.

3.2. **Delay in Commencement.** Despite the stated Commencement Date, the Landlord shall not be liable to Tenant and this Lease and the Tenant obligations under this Lease shall be unaffected if, for reasons not the fault of Landlord or not within its control, Landlord does not deliver possession of the Premises to Tenant on the Commencement Date, but in such case Tenant shall have no obligation to pay rent until Landlord delivers possession of the Premises to Tenant. If Landlord has not delivered possession of the Premises to Tenant by ninety (90) days after the stated Commencement Date and until Landlord does deliver possession to the Premises to Tenant, Tenant may elect by written notice to Landlord to cancel this Lease. If Tenant elects to so cancel the Lease, Landlord shall return any money previously deposited by Tenant and the parties shall be discharged from all obligations hereunder. In the event delivery of possession of the Premises is delayed beyond the stated Commencement Date, the stated Commencement Date and the stated Termination Date each shall be extended by the number of days of such delay.

3.3. **Early Possession.** If Tenant occupies the Premises before the Commencement Date, all of Tenant's Lease obligations (except for payment of Operating Expenses and Basic Monthly Rent) shall become effective immediately although such early possession shall not accelerate the Termination Date of this Lease.

3.4. **Extended Term.** On the condition that Tenant is not in default under this Lease after notice and expiration of applicable grace periods, Tenant may extend this Lease for the Extended Terms provided for in Section 1.4.3. Each Extended Term will commence on the day following expiration of the prior Initial Term or Extended Term, as applicable. Except as otherwise expressly provided herein, all the provisions of this Lease will remain in effect during the Extended Terms. Tenant may not extend this Lease if and so long as Tenant is in default under this Lease after notice and expiration of applicable grace periods. Tenant's right to extend this Lease must be exercised by written notice given to Landlord not later than six (6) months and not earlier than twelve (12) months prior to expiration of the Initial Term or Extended Term then in effect, provided, however, Tenant may exercise its right to extend this Lease sooner in the event of casualty damage if extending the Term is a prerequisite to obligating Landlord to repair the Premises. Notwithstanding the foregoing, if Tenant neither timely notifies Landlord of Tenant's election to extend this Lease nor expressly waives in writing its right to extend this Lease, then Landlord shall remind Tenant of Tenant's right to extend this Lease by written notice ("Reminder Notice") delivered to Tenant before the Termination Date and providing that Tenant may exercise its right to extend this Lease for the next Extended Term by written notice delivered to Landlord no later than thirty (30) days after the date of delivery to Tenant of the Reminder Notice. If Tenant fails to extend this Lease by written notice to Landlord not later than thirty (30) days after the date of delivery to Tenant of the Reminder Notice, then Tenant's right to extend this Lease shall be terminated.

4. Rent.

4.1. **Basic Monthly Rent.** Tenant shall pay to Landlord as rent for the Premises the Basic Monthly Rent, in advance, on the first day of each month of the term hereof. Rent for any period during the term hereof which is for less than one (1) month shall be a pro-rata portion of the monthly installment. Rent shall be payable without notice or demand and without deduction, offset, or abatement, in lawful money of the United States of America to Landlord at Landlord's notice address set forth in this Lease or such different address as Landlord may designate in writing by notice to Tenant.

4.2. **Operating Expenses.**

4.2.1. In addition to the Basic Monthly Rent and commencing on the Commencement Date, Tenant shall pay to Landlord monthly and in advance the Operating Expenses of the Premises. Periodically Landlord shall submit to Tenant a statement of the anticipated monthly amount of the Operating Expenses, and Tenant shall pay the same and all subsequent monthly payments concurrently with the payment of Basic Monthly Rent or if no Basic Monthly Rent is due, payment of the Operating Expenses shall be due and payable on or before the first day of each month, in advance without adjustment or offset. Tenant shall continue to make said monthly payments until notified by Landlord of a change thereof. In the event that a Lender requires Landlord to make monthly or periodic deposits to an account for the payment of Insurance Premiums or Taxes, the amount of such required deposits shall be simultaneously due from Tenant rather than being due on the date when such Taxes or Insurance Premiums are paid. No later than March 15th of each year, Landlord shall give Tenant a statement showing the total Operating Expenses for the Premises actually incurred for the prior calendar year ("Final Annual Operating Expenses Statement"). In the event that the term of this Lease does not begin or end coincident with the calendar year, the statement for such year shall be prorated appropriately. In the event the total of the monthly payments which Tenant has made for the prior calendar year shall be less than the actual Operating Expenses as shown on the Final Annual Operating Expenses Statement, then Tenant shall pay the difference in a lump sum within thirty (30) days after receipt of such Statement; even though the Term may have expired or been terminated. Any overpayment made shall be refunded to Tenant within thirty (30) days after delivery to Tenant of the Final Annual Operating Expenses Statement or, at Landlord's option, credited towards the next Basic Monthly Rent payments coming due. In the case of the year in which the Lease expires or terminates, any overpayment will be refunded. In the event of any adjustment by Landlord of the estimated amount of the Operating Expenses, Tenant shall immediately commence paying the adjusted estimated amount.

4.2.2. **Definition of Operating Expenses.** "Operating Expenses" shall mean the total costs and expenses paid or incurred by Landlord in connection with the ownership, operation, maintenance and repair of the Premises, in accordance with reasonable accounting and management practices consistently applied, including, without limitation: (1) Taxes; (2) Insurance Premiums; (3) the cost of utilities consumed at the Premises if paid for by Landlord; (4) the costs incurred by Landlord due to a breach of this Lease by Tenant; (5) the cost of any governmentally required license, permit, or inspection for or of the Premises; (6) personal property taxes on any personal property owned by Landlord and located at the Premises and used for the maintenance or operation of the Premises; (7) any other costs and expenses of any other kind whatsoever reasonably incurred by Landlord in operating or maintaining the Premises; (8) reasonable property management fees paid to an unrelated third party and not exceeding four percent (4%) of Basic Monthly Rent, (9) repairs or other work occasioned by an insured casualty loss in an amount not to exceed the deductible, and (10) any other expense designated by this Lease to be an Operating Expense. Operating Expenses shall be "net" only and for that purpose shall be deemed reduced by the amounts of any insurance reimbursement or other reimbursement received by Landlord (or to the extent Landlord's insurance required under this Lease would have provided insurance, whichever is greater) in connection with such expenses. The following shall not be Operating Expenses: (1) repairs or other work occasioned by casualty except for the deductible portion of any insured casualty loss; (2) depreciation and amortization; (3) costs of a capital improvement nature; (4) costs of financing and refinancing including but not limited to interest on debt or principal payments to a Lender or rental under a ground lease (other than leasehold excise tax); (5) costs resulting from defective design or construction (including defective materials) of, or latent defects in, the improvements on the Premises except for improvements to the Premises made by Tenant (even if paid for by a tenant improvement allowance provided by Landlord); (6) expenses for the defense of Landlord's title to the Premises; (7) any costs, fines, or penalties incurred because Landlord violated any governmental rule or authority; (8) any amounts expended to remediate or as a result of any Hazardous Substance on the Premises existing as of the Commencement Date; (9) costs, including legal fees, arising from the negligence, willful misconduct or other tortious conduct of Landlord, its employees, agents or contractors; (10) any late payment fees or interest, late charges or penalties incurred as a result of Landlord's failure to pay an Operating Expense when due unless due to the failure of Tenant to timely pay Landlord; (11) any Operating Expense not billed to Tenant within twelve (12) months of the date incurred by Landlord; and (12) costs of Landlord's general overhead.

4.2.3. **Operating Expense Records.** Landlord or its agents shall keep records in reasonable detail showing all Operating Expense expenditures. Tenant shall have the right from time to time, but, except as expressly provided otherwise in this paragraph, not more than once as to any calendar year and no later than one year after receipt of the Final Annual Operating Expenses Statement for the calendar year in question, to inspect and copy such records at its cost at any reasonable time on reasonable notice. If, after such inspection and photocopying, Tenant disputes the amount of Operating Expenses, Tenant, or an agent designated by Tenant, shall be entitled to audit and/or review Landlord's records to determine the proper amount of Operating Expenses. If such audit or review reveals that Landlord has overcharged Tenant, then within five (5) days after the results of such audit are made available to Landlord, Landlord shall reimburse Tenant the amount of such overcharge plus interest at the rate of twelve percent (12%) per annum. If the audit reveals that Tenant was undercharged, then within five (5) days after the results of the audit are made available to Tenant, Tenant shall reimburse Landlord the amount of such undercharge plus interest thereon at the rate of twelve percent (12%) per annum. Tenant agrees to pay the cost of such audit, provided that, if the audit reveals that Landlord's determination of Operating Expenses was in error in Landlord's favor by three percent (3%) or more, Landlord shall pay the cost of such audit. Provided further, if the results of the audit indicate that Tenant is not entitled to a refund or credit or that the amount of same is less than $2,000, Tenant shall reimburse Landlord for any out-of-pocket costs incurred by Landlord in complying with Tenant's audit request. Landlord shall be required to maintain records of all Operating Expenses for three years. Notwithstanding the above, Tenant's right to audit records and to the refund of any overpayment of Operating Expenses as to any calendar year is waived one year after Tenant's receipt of Landlord's Final Annual Operating Expenses Statement for that year; provided that, if Tenant's audit reveals that Landlord's determination of Tenant's Pro Rata Share of Operating Expenses of the Premises was in error in Landlord's favor by three percent (3%) or more, then Tenant may at its sole election audit the previous two calendar years.

4.2.4. **Definition of Lender**. For the purposes of this Lease, a "Lender" is a mortgagee under a mortgage or a beneficiary under a deed of trust granted by Landlord or Landlord's predecessor and which is a lien on the Premises.

5. Security Deposit. The Security Deposit shall be security for Tenant's full performance of Tenant's lease obligations. If Tenant fails to pay rent or any other charges due from Tenant under this Lease, Landlord may elect to apply the Security Deposit toward the payment of such default. If Landlord applies any portion of the Security Deposit, Tenant shall, on ten (10) days written notice, deposit cash with Landlord in an amount sufficient to restore the Security Deposit to the full amount stated in Section 1; Tenant's failure to do so shall be a default. Landlord may commingle the Security Deposit with Landlord's other funds and no interest shall be paid or accrued on the Security Deposit. If Tenant performs all of Tenant's lease obligations, the Security Deposit (or so much as has not been applied by Landlord) shall be returned to Tenant (or, at Landlord's option, to the last assignee, if any, of Tenant's interest under the Lease) within thirty (30) days after the Termination Date. Landlord may transfer the Security Deposit to any purchaser of the Premises in which event Tenant shall look solely to such purchaser for return of the Security Deposit.

6. Use.

6.1. **Allowed Use.** The Premises shall be used and occupied only for the Allowed Use and for no other purpose without prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed. The designation of Tenant's Allowed Use shall not be deemed to be an agreement by Landlord to refrain from leasing other property to others for a similar use.

6.2. **Compliance with Law.** Tenant shall not cause or permit the Premises to be used in any way which violates any law, ordinance, or governmental regulation or order. Landlord represents to Tenant that, to the best of Landlord's knowledge, with the exception of any improvements to the Premises made by Tenant (even if paid for by a tenant improvement allowance provided by Landlord), as of the Commencement Date, the Premises comply with all applicable laws, rules, regulations, or orders, including without limitation, the Americans With Disabilities Act, if applicable, and Landlord shall be responsible to promptly cure any noncompliance which existed on the Commencement Date at Landlord's expense and not as an Operating Expense (except with respect to, or as a result of, any improvements to the Premises made by Tenant, the cost of cure of which shall be paid for by Tenant either directly or as an Operating Expense). Tenant shall be responsible for complying with all laws applicable to the

Premises as a result of Tenant's particular use, such as modifications required by the Americans With Disabilities Act as a result of Tenant opening the Premises to the public as a place of public accommodation. If the enactment or enforcement of any law, ordinance, regulation or code during the Lease term requires any changes to the Premises during the Lease term, then Tenant shall perform all such changes at its expense if the changes are required due to the nature of Tenant's activities at the Premises, or to alterations that Tenant seeks to make to the Premises; otherwise, Landlord shall perform all such changes at its expense.

6.3. **Insurance Cancellation.** Despite any other provision of this Lease, no use of the Premises may be made or permitted nor acts done that will result in the cancellation of, or impair the coverage provided by, any insurance policy maintained by Landlord.

7. Maintenance, Repairs and Alterations.

7.1. **Landlord's Obligation.** Landlord shall maintain and repair, at Landlord's expense and not as an Operating Expense: (i) the roof and roof covering, foundation and exterior walls (excluding glass, window casings and doors) of the improvements on the Premises except for any roof, foundation or exterior wall installed by Tenant (even if paid for by a tenant improvement allowance provided by Landlord), and (ii) utility lines from the meter or "main" to the point of entry into the improvements on the Premises except for utility lines installed by Tenant (even if paid for by a tenant improvement allowance provided by Landlord), unless (iii) such maintenance and repairs are caused in part or in whole by the act, neglect, fault or omission of any duty by Tenant, its agents, servants, employees, contractors or invitees, in which case Tenant shall pay to Landlord the reasonable cost of such maintenance and repairs. Notwithstanding the foregoing, the following shall be Operating Expenses: repair and maintenance of gutters, skylights and light wells, routine roof maintenance, minor roof repairs in an amount of no more than $1,000 in the aggregate in any calendar year, cleaning of exterior walls (including but not limited to removal of graffiti), and exterior painting. The cost of painting of substantial portions of the exterior walls (i.e., painting beyond "touch-up" or "patching") shall be amortized over the expected life of the painting and in any event not less than five years and such amortized amount shall be included in Operating Expenses, without interest. Landlord shall have no obligation to make such repairs until a reasonable time after receipt of written notice of the need for such repairs. Except as provided in this Section and as provided in this Lease as to damage by casualty or improvements to the Premises that Landlord is expressly obligated to make, if any, Landlord shall have no obligation to make any repair, change or improvement to the Premises.

7.2. **Tenant's Obligations.** Except for those portions of the Premises that are Landlord's obligation as set forth above, Tenant, at Tenant's expense, shall maintain in good condition and appearance all and every part of the Premises. Without limiting Tenant's duty, Tenant shall so maintain (including repainting when reasonably needed) all walls, ceilings, doors, glass, window casings, and skylights, all plumbing, heating, air conditioning, ventilating, electrical and lighting facilities and equipment, elevators, generators, fixtures, sidewalks, driveways, parking lots, landscaping, exterior lighting, fences and signs on the Premises. Tenant's agreement to maintain the Premises shall include the duty to replace as well as repair. If and as directed in writing by Landlord, Tenant shall contract, at Tenant's expense, for third party periodic preventative maintenance and servicing of heating, air conditioning and ventilating equipment, elevators, and other equipment specified by Landlord and serving the Premises.

7.3. **Initial Condition of Premises.** Subject to Landlord's obligation to make the improvements ("Landlord's Work") described in **Schedule 7.3**, if any, Tenant accepts the Premises in the condition existing when this Lease is signed, provided, however, such acceptance shall not constitute a waiver or release of Landlord's liability for breach of any of its obligations, representations or warranties in this Lease. Tenant acknowledges that neither Landlord nor any agent of Landlord has made any representation or warranty as to (i) the physical condition of the Premises except as expressly set forth in this Lease, or (ii) the suitability or zoning of the Premises for the conduct of Tenant's business. Unless expressly provided in a **Schedule 7.3** attached to the Lease and signed or initialed by Landlord, Landlord has no obligation to make any improvements or changes to the Premises. In the event that this Lease is executed prior to the finalization of **Schedule 7.3**, Landlord and Tenant agree that the scope of work included on **Schedule 7.3**, to be completed after the execution of the Lease, will be mutually agreed to by Landlord and Tenant.

7.4. **Surrender.** On the Termination Date of this Lease, or on any sooner termination of this Lease, Tenant shall remove Tenant's personal property, including all of its trade fixtures, furnishings and equipment, and surrender the Premises to Landlord in good condition and in accordance with Tenant's maintenance obligation and broom clean, ordinary wear and tear excepted. All alterations, improvements or additions which may be made on the Premises shall be owned by Landlord and shall remain upon the Premises without compensation to Tenant, provided, however, that Tenant shall remove on Landlord's request any alterations or improvements made by Tenant without the prior written approval of Landlord. Tenant shall also remove all of its personal property. Tenant shall repair all damage caused by removal including but not limited to patching, filling and painting resulting holes. If Tenant fails to remove any of Tenant's personal property within two days after the termination of this Lease or of Tenant's right to possession, Landlord, at Tenant's sole cost and expense, shall be entitled (but not obligated) to remove and store it. Landlord shall not be responsible for the value, preservation or safekeeping of Tenant's personal property. Tenant shall pay Landlord, upon demand, the expenses and storage charges incurred for Tenant's personal property. In addition, if Tenant fails to remove Tenant's personal property from the Premises or storage, as the case may be, within thirty (30) days after written notice, Landlord may deem all or any part of Tenant's personal property to be abandoned, and title to it shall be deemed to be immediately vested in Landlord.

7.5. **Landlord's Rights.** If Tenant fails to perform Tenant's maintenance obligations, Landlord may, at its option (but shall not be required to) enter the Premises, after ten (10) days prior written notice to Tenant or with no prior written notice in an emergency, and perform Tenant's maintenance obligations and Tenant shall immediately, fully reimburse Landlord for such expense together with interest thereon at the rate of twelve percent (12%) per annum and pay to Landlord an administrative surcharge equal to fifteen percent (15%) of the costs so incurred by Landlord.

7.6. **Alterations and Additions.**

7.6.1. Without Landlord's prior written consent, Tenant shall not make any alterations, improvements or additions to the Premises, except for non-permanent changes costing less than an amount equal to one month of Basic Monthly Rent in the aggregate in any calendar year. As a condition of consent, Landlord may require that Tenant be responsible to remove any such alterations, improvements or additions at the expiration of the Term, and to restore the Premises to the prior condition; Landlord may impose such other conditions as are reasonable. Tenant shall secure all governmental permits required in connection with any such work. Landlord may, at its sole option, require Tenant, at Tenant's expense, to obtain for Landlord's benefit a surety bond in an amount equal to the estimated cost of such work, to insure Landlord and the Premises against any liability for liens arising from such work and to insure completion of the work.

7.6.2. Before commencing any work relating to alterations, additions and improvements affecting the Premises (none of which are required or requested by Landlord, nor any obligation of Tenant under this Lease), Tenant shall notify Landlord in writing of the expected date of commencement thereof. Landlord shall then have the right at any time to maintain on the Premises such notices as Landlord reasonably deems necessary to protect the Premises and Landlord from any lien. In any event, Tenant shall pay, when due, all charges incurred by Tenant. Tenant shall not permit any lien to be asserted, against the Premises for any charge incurred or alleged to have been incurred by Tenant, and Tenant shall indemnify, defend Landlord against, and hold Landlord harmless from any and all liability, costs, and damages therefrom.

7.6.3. Landlord has consented to Tenant making the improvements or changes to the Premises ("Original Tenant Improvements") provided in a **Schedule 7.6** attached to the Lease (if any) and signed or initialed by the Landlord. Tenant shall in no event be required to remove the Original Tenant Improvements or any other alterations or improvements made by Tenant with the prior written approval of Landlord so long as such approval was not conditioned in writing, at the time it was given, upon Tenant's removal of the alteration or improvement at the expiration of the Term of this Lease. In the event that this Lease is executed prior to the finalization of **Schedule 7.6**, Landlord and Tenant agree that the scope of work included on **Schedule 7.6**, to be completed after the execution of the Lease, will be mutually agreed to by Landlord and Tenant.

8. Hazardous Substances.

8.1. As used in this Lease, the term "Hazardous Substance" means any substance or material, including biomedical waste, the storage, use or disposal of which is or becomes regulated under any law, now or hereafter in effect due to its potential harm to the health, safety or welfare of humans or the environment.

8.2. Landlord represents and warrants to Tenant that Landlord has not released or deposited on the Premises any Hazardous Substance, and that to the best of Landlord's knowledge, there is no Hazardous Substance on, in, or under the Premises as of the Commencement Date. If there is any Hazardous Substance on, in, or under the Premises as of the Commencement Date which has been or thereafter becomes unlawfully released through no fault of Tenant, then Landlord shall indemnify, defend and hold Tenant harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses including without limitation sums paid in settlement of claims, attorneys' fees, consultant fees and expert fees, incurred or suffered by Tenant either during or after the Lease term as the result of such Hazardous Substance, provided, however, that Landlord shall not be liable to Tenant for damages arising from the interruption of Tenant's business at the Premises including but not limited to lost profits.

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

8.4. Without limiting the foregoing, if the presence of any Hazardous Substance brought upon, kept or used in or about the Premises by Tenant, its agents, employees, contractors or invitees, results in any unlawful release of Hazardous Substance on the Premises or any other property, Tenant shall promptly take all actions, at its sole expense, as are necessary to return the Premises or any other property, to the condition existing prior to the release of any such Hazardous Substance; provided that Landlord's approval of such actions shall first be obtained, which approval shall not be unreasonably withheld, conditioned or delayed.

8.5. Each party shall promptly provide to the other copies of any reports, studies, correspondence, recommendations or requirements received from any third person including a governmental agency and concerning actual or suspected Hazardous Substance on or about the Premises.

8.6. The provisions of this Section 8 shall survive (and be enforceable thereafter) the termination or expiration of this Lease and the surrender of the Premises by Tenant.

9. Insurance; Indemnity.

9.1. **Payment of Premium.** "Insurance Premiums" are the actual cost of the insurance applicable to improvements on the Premises and required to be carried by Landlord by this Lease or by a Lender, provided, however that Insurance Premiums shall not include premiums for earthquake, earth movement, or similar insurance, nor shall Insurance Premiums include premiums for insurance not customarily required by institutional lenders for properties similar to the Premises or not available on commercially reasonable terms. The cost of Insurance Premiums shall be included as a portion of the Operating Expenses that Tenant shall pay.

9.2. **Liability Insurance.**

9.2.1. **Carried by Tenant.** Tenant shall obtain and keep in force during the term of this Lease a policy of commercial general liability insurance on an occurrence form, including but not limited to premises and operations; blanket contractual; products/completed operations; owners' and contractors' protective; employer's contingent liability (stop gap); personal injury; insuring Tenant's activities upon, in or about the Premises against claims of bodily injury or death or property damage or loss with a combined single limit of not less than Two Million Dollars ($2,000,000) per occurrence and Two Million Dollars ($2,000,000) in the aggregate. General aggregate shall apply on a per location basis. Landlord and others as required by Landlord shall be an additional insured.

9.2.2. **Carried by Landlord.** At Landlord's own expense and not as an Operating Expense, Landlord may also maintain liability insurance similar to that described in the preceding Section, in addition to and not in lieu of, the insurance required to be maintained by Tenant. Tenant shall not be named as an additional insured therein.

9.3. **Property Insurance - Building, Improvements and Rental Value.**

9.3.1. **Building and Improvements.** Landlord shall obtain and keep in force during the term of this Lease a policy or policies in the name of Landlord, with loss payable to Landlord and to any Lender(s), insuring against loss or damage to the Premises (including Landlord's Work and the Original Tenant Improvements, if any) with such deductible amount as is selected by Landlord, provided, however, that without the prior written consent of Tenant, such deductible amount shall not exceed ten thousand dollars ($10,000). Such insurance shall be for full replacement cost, as the same shall exist from time to time, or the amount required by any Lender(s), but in no event more than the commercially reasonable and available insurable value thereof if, by reason of the unique nature or age of the improvements involved, such latter amount is less than full replacement cost. If the coverage is available and commercially reasonable, Landlord's policy or policies may insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake), including coverage for any additional costs resulting from debris removal and reasonable amounts of coverage for the enforcement of any ordinance or law regulating the reconstruction or replacement of any undamaged sections of the Premises required to be demolished or removed by reason of the enforcement of any building, zoning, safety or land use laws as the result of a covered loss. Such policies may also contain an agreed valuation provision in lieu of any co-insurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor selected by the insurer.

9.3.2. **Rental Value.** Landlord shall also obtain and keep in force during the term of this Lease a policy or policies in the name of Landlord, with loss payable to Landlord and any Lender(s), insuring the loss of the full rental and other charges (including Operating Expenses) payable by Tenant to Landlord for one year. Said insurance may provide that in the event the Lease is terminated by reason of an insured loss, the period of indemnity for such coverage shall be extended beyond the date of the completion of repairs or replacement of the Premises, to provide for one full year's loss of rental revenues from the date of any such loss. Said insurance shall contain an agreed valuation provision in lieu of any co-insurance clause, and the amount of coverage shall be adjusted annually to reflect the projected payments payable by Tenant for the next 12-month period.

9.4. **Tenant's Property Insurance.** Tenant at its own cost shall maintain insurance coverage on all of Tenant's personal property, trade fixtures and Tenant-owned alterations and improvements in the Premises similar in coverage to that required by this Lease to be carried by Landlord. Such insurance shall be full replacement cost coverage with a deductible not to exceed Ten Thousand Dollars ($10,000) per occurrence. The proceeds from any such insurance shall be used by Tenant for the replacement of personal property, trade fixtures and the restoration of any Tenant owned improvements. Upon request from Landlord, Tenant shall provide Landlord with written evidence that such insurance is in force.

9.5. **Insurance Policies.** Insurance required hereunder shall be in companies duly licensed to transact business in the state where the Premises are located, and maintaining during the policy term a "General Policyholders Rating" of at least A- and a "Financial Rating" of VIII or better as set forth in the most current issue of Best's Insurance Reports, or such other rating as may be required by a Lender. Tenant shall not do or permit to be done anything that shall invalidate the insurance policies maintained by Landlord. Within ten (10) days after the execution of this Lease, Tenant and Landlord shall each deliver to the other copies of policies or certificates complying with this Lease. No policy required hereunder shall be cancelable or reducible in coverage except after thirty (30) days prior written notice to Landlord or Tenant (as applicable). At least thirty (30) days prior to the expiration of such policies, Tenant shall furnish Landlord with evidence of renewals or "insurance binders" evidencing renewal thereof, or Landlord may obtain such insurance and charge the cost thereof to Tenant, which amount shall be payable by Tenant to Landlord upon demand. If either party fails to obtain, maintain and/or provide evidence of insurance required hereunder, then the other party may obtain the same and the failing party shall, upon demand, reimburse the other party for the cost thereof. No such action or reimbursement shall be a waiver of default or other remedies.

9.6. **Waiver of Subrogation.** Without affecting any other rights or remedies, Tenant and Landlord each hereby release and relieve the other, and waive their entire right to recover damages (whether in contract or in tort) against the other, for loss or damage to their property arising out of or incident to the perils required to be insured against under this Lease to the actual extent of the insurance actually maintained. Landlord and Tenant agree to have their respective insurance companies issuing property damage insurance waive any right to subrogation that such companies may have against Landlord or Tenant, as the case may be, so long as the insurance is not invalidated thereby.

9.7. **Indemnity.** Except to the extent of Landlord's comparative negligence or breach of an express provision of this Lease, Tenant shall indemnify, protect, defend and hold harmless the Landlord and its Lenders from and against all claims, loss of rents and damages, costs, liens, judgments, penalties, loss of permits, attorneys' and consultants' fees, expenses and liabilities arising out of, involving, or in connection with, the occupancy of the Premises by Tenant, the conduct of Tenant's business, any act, omission or neglect of Tenant, its agents, contractors, employees or invitees. The foregoing shall include, but not be limited to, the defense or pursuit of any claim or any action or proceeding involved therein, and whether or not (in the case of claims made against Landlord) litigated or reduced to judgment. In case any action or proceeding is brought against Landlord by reason of any of the foregoing matters, Tenant upon notice from Landlord shall defend the same at Tenant's expense by counsel reasonably satisfactory to Landlord and Landlord shall cooperate with Tenant in such defense. Landlord need not have first paid any such claim in order to be so indemnified. In the event of concurrent negligence of Landlord and Tenant resulting in injury or damage to persons or property and which relates to the construction, alteration, repair, addition to, subtraction from, improvement to or maintenance of the Premises, the indemnifying party's obligation to indemnify the other party as set forth in this Section shall be limited to the extent of the indemnifying party's negligence, and that of its agents, employees, sublessees, invitees, licensees or contractors. The indemnification obligations contained in this paragraph shall not be limited by any worker's compensation, benefit or disability laws, and each indemnifying party hereby waives any immunity that the indemnifying party may have under the Industrial Insurance Act, Title 51 RCW and similar worker's compensation, benefit or disability laws. LANDLORD AND TENANT ACKNOWLEDGE BY THEIR EXECUTION OF THIS LEASE THAT EACH OF THE INDEMNIFICATION PROVISIONS OF THIS LEASE (SPECIFICALLY INCLUDING BUT NOT LIMITED THOSE RELATING TO WORKER'S COMPENSATION BENEFITS AND LAWS) WERE SPECIFICALLY NEGOTIATED AND AGREED TO BY LANDLORD AND TENANT.

9.8. **Deductibles.** The maximum insurance deductibles provided for under this Lease may be increased from time to time by that percentage equal to the then percentage increase, since the Commencement Date, in the Consumer Price Index for All Urban Consumers (CPI-U) for the U.S. City Average for All Items, 1982-84=100, as compiled by the United States Department of Labor's Bureau of Labor Statistics.

10. Damage or Destruction.

10.1. **Partial Damage - Insured.** If the Premises are Partially Damaged and such damage was caused by a casualty covered under an insurance policy maintained or required by this Lease to be maintained by Tenant or Landlord, Landlord shall repair such damage as soon as reasonably possible, and this Lease shall continue in full force and effect. If, however, the insurance proceeds actually available to Landlord (after deduction of any proceeds required by a Lender to be applied to reduction of indebtedness) are not sufficient to affect such repair and the terms of Section 10.3 are not applicable, then Landlord shall not be obligated to make such repairs. In the event that Landlord is not obligated and does not voluntarily agree to repair such damage, either Tenant or Landlord may declare this Lease terminated by thirty (30) days written notice to the other party; provided Tenant may avoid termination of this Lease if Tenant voluntarily agrees to pay, without right of reimbursement, all of the costs of such repairs by Landlord.

10.2. **Partial Damage - Uninsured.** In the event the Premises are Partially Damaged and such damage is not covered under an insurance policy maintained or required by this Lease to be maintained by Tenant or Landlord, Landlord may elect to repair such damage as soon as reasonably possible, and this Lease shall continue in full force and effect. If Landlord does not so elect within sixty (60) days after the occurrence of the casualty to repair and the terms of Section 10.3 are not applicable, either Tenant or Landlord may declare this Lease terminated by ten (10) days written notice to the other party; provided Tenant may avoid termination of this Lease if Tenant voluntarily agrees to pay, without right of reimbursement, all of the costs of such repairs by Landlord.

10.3. **Minor Damage.** If the Premises are Partially Damaged, the cost of repair of such damage that is not covered by insurance proceeds actually available to Landlord (after deduction of any proceeds required by a Lender to be applied to reduction of indebtedness) exclusive of the deductible payable by Tenant as an Operating Expense, is less than an amount equal to twelve times the amount of Basic Monthly Rent payable at the time of the casualty, and the unexpired Term of this Lease at the time of the casualty is at least five (5) years (including any Extended Term if Tenant elects to extend this Lease by written notice given to Landlord not later than sixty (60) days after the date of the casualty), then Landlord shall repair the Premises as soon as reasonably possible, and this Lease shall continue in full force and effect. If the terms of the preceding sentence are satisfied except that the cost of repair that is not covered by insurance proceeds actually available to Landlord exclusive of the deductible payable by Tenant as an Operating Expense, is greater than an amount equal to twelve times the amount of Basic Monthly Rent, then Landlord shall repair the Premises as soon as reasonably possible, and this Lease shall continue in full force and effect if Tenant voluntarily agrees to pay, without right of reimbursement, the costs of such repairs in excess of the sum of the available insurance proceeds and an amount equal to twelve times the amount of Basic Monthly Rent which shall be paid by Landlord.

10.4. **Total Destruction.** If the Premises are Totally Destroyed by a casualty covered under an insurance policy required to be maintained by Tenant or Landlord pursuant to this Lease, this Lease shall automatically terminate as of the date of such total destruction.

10.5. **Damage Near End of Term or Lengthy Repair Period.** If the Premises are Partially Damaged during the last two (2) years of the term of this Lease (and there is either no remaining Extended Terms or Tenant has not elected to extend this Lease by written notice given to Landlord no later than thirty (30) days after the date of the casualty) and such damage impairs Tenant's use of the Premises and requires more than thirty (30) days to repair, Landlord or Tenant may, at their option, cancel and terminate this Lease as of the date of occurrence of such damage by giving written notice to the other of their election to do so within thirty (30) days after Landlord receives notice of occurrence of such damage; provided Landlord shall continue to have all rights to receive the proceeds of any insurance policy required by the Lease to be maintained by Tenant. If the Premises are Partially Damaged and such damage impairs Tenant's use of the Premises and requires more than twelve (12) months to repair, Tenant may, at its option, cancel and terminate this Lease as of the date of occurrence of such damage by giving written notice to Landlord of Tenant's election to do so within thirty (30) days after Landlord receives notice of occurrence of such damage; provided Landlord shall continue to have all rights to receive the proceeds of any insurance policy required by the Lease to be maintained by Tenant.

10.6. **Abatement of Rent.** If the Premises are Partially Damaged, the rent (including both Basic Monthly Rent and Operating Expenses) payable while such damage, repair or restoration continues shall be abated in proportion to the degree to which Tenant's reasonable use of the Premises is substantially impaired. Except for abatement of rent, if any, Tenant shall have no claim against Landlord for any damage suffered by reason of any such damage, destruction, repair or restoration.

10.7. **Insurance Proceeds for Original Tenant Improvements.** To the extent that insurance proceeds are available with respect to loss suffered to the Original Tenant Improvements and such insurance proceeds are not used for rebuilding, then: (i) Landlord shall be entitled to that portion of the insurance proceeds equal to the total available insurance proceeds multiplied by a fraction, of which the numerator is the number of years elapsed from the Commencement Date to the date of the casualty damage and the denominator is the number of years in the Initial Term of this Lease, and (ii) Tenant shall be entitled to the balance. For example, if the insurance proceeds available with respect to loss suffered to the Original Tenant Improvements and not used for rebuilding total $1,000,000 and 4 years of the Lease have elapsed and the Initial Term is 10 years, then the Landlord's portion of the insurance proceeds would be equal to $400,000 [$1,000,000 x (4 years/10 years)] and the Tenant would be entitled to the balance of $600,000.

10.8. **Definitions**. For the purposes of this Lease, the term Partially Damaged shall be deemed to mean damage to the Premises (excluding any damage to Tenant owned property or alterations) which is reasonably estimated to cost to repair less than fifty percent (50%) and Totally Destroyed shall be deemed to mean damage to the Premises (excluding any damage to Tenant owned property or alterations) which is reasonably estimated to cost to repair fifty percent (50%) or more of the reasonable fair market value of the improvements constituting the Premises (but not the land) calculated immediately prior to the occurrence of the damage. Cost shall include the cost to rebuild all of the damaged improvements owned by Landlord including demolition, debris removal, requirements of applicable building codes and other laws, mitigation requirements and without regard for depreciation.

11. Taxes.

11.1. **Taxes.** Landlord shall pay all Taxes applicable to the Premises, the amount of which shall be included in calculating the total of Operating Expenses. If any Taxes cover any period of the time prior to or after expiration of the term hereof, Tenant's share of such taxes shall be equitably prorated to cover only the period of time within which this Lease shall be in effect. As used herein, the term Taxes shall include any form of required payment, assessment, license fee, tax on rent, levy, penalty, or tax (other than Landlord's net income tax and inheritance or estate taxes) imposed by any authority having the direct or indirect power to tax any legal or equitable interest of Landlord in the Premises or Landlord's right to rent or other income therefrom. Assessments shall be paid over the longest time period available. If Landlord deems such action to be warranted, the cost of contesting any Taxes or assessment affecting the Premises shall be an Operating Expense. Tenant shall have the right to contest, in good faith and by appropriate and timely legal proceedings, the legality, assessed valuation or amount of any tax or assessment which this Lease obligates Tenant to pay. Landlord shall reasonably cooperate with Tenant in the prosecution of such contest, provided that all expenses of same including, without limitation, all attorneys' fees, court and other costs, are paid solely by Tenant.

11.2. **Personal Property Taxes.** Tenant shall pay prior to delinquency all taxes assessed against and levied on any leasehold improvements, fixtures, furnishings, equipment and other property of Tenant. Tenant shall cause such Tenant property to be assessed separately from the Premises or reimburse Landlord for the taxes attributable to Tenant within ten (10) days after receipt of a written statement from Landlord setting forth the taxes applicable to Tenant's property.

12. Utilities. Tenant shall pay for all water, gas, drainage service, sewer service, garbage service, heat, light, power, telephone and other utilities and services supplied to the Premises, together with any taxes thereon. At the election of the Landlord, Landlord may pay the costs of any of such utilities which costs then shall be considered to be Operating Expenses for which Tenant shall reimburse Landlord. Landlord shall not be liable for an interruption or failure in the supply of any such utilities to the Premises except to the extent due to breach of Landlord's duty to maintain or repair under this Lease.

13. Assignment and Subletting.

13.1. **Landlord's Consent Required.** Tenant shall not voluntarily or by operation of law assign, transfer, mortgage, sublet, or otherwise transfer or encumber all or any part of Tenant's interest in this Lease or the Premises without Landlord's prior written consent, which consent may be conditioned, in addition to any other reasonable conditions, on a written assumption by the assignee or sublessee of the obligations of Tenant and a consent or reaffirmation of any guarantor of Tenant. Any purported assignment, transfer, mortgage, encumbrance, or subletting without consent shall be void and constitute a breach of this Lease. Notwithstanding the foregoing, Tenant may, without Landlord's prior consent: (A) assign this Lease or sublet all or a portion of the Premises to: (i) a subsidiary, parent, affiliate, division, or entity controlled or under common control of Tenant, (ii) a successor entity related to Tenant by merger, consolidation, non-bankruptcy reorganization, or governmental action, or (iii) a purchaser of substantially all of the Tenant's assets located in the Premises, or; (B) sublet no more than 2,000 square feet for the business convenience of Tenant to provide complementary services to the population served by Tenant's business at the Premises (each of the foregoing a "Permitted Transfer"). For the purpose of this lease, the sale, transfer, issuance, or resale of any equity interest of any class in Tenant shall not be deemed an assignment, subletting or any other transfer of this Lease or the Premises, nor require Landlord's consent. Except in connection with a Permitted Transfer, no option to renew or extend, if any, may be assigned by Tenant and no assignee or subtenant shall have any right to exercise any such option. The acceptance of rent by Landlord from a person other than Tenant shall not be deemed to be a waiver by Landlord of any provision hereof. Consent to one assignment or subletting shall not be deemed consent to any subsequent assignment or subletting.

13.2. **No Release of Tenant.** Regardless of Landlord's consent, no subletting or assignment shall release Tenant's primary obligation to pay or perform any obligation under this Lease.

13.3. **Assignment Fee.** In the event that Landlord shall consent to a sublease or assignment under Article 13.1, Tenant agrees to reimburse Landlord for the reasonable out-of-pocket expenses incurred by Landlord in connection with such consent.

13.4. **Assignment by Landlord.** Landlord shall be permitted freely to assign all of its rights and obligations hereunder. In the event of a sale or other transfer of the Premises, whether by foreclosure or otherwise, the Tenant agrees to attorn to the new owner and to recognize such owner as the Landlord under this Lease and Tenant shall thereafter look solely to such transferee for performance of this Lease on condition that the new owner/transferee assumes all of Landlord's obligations under this Lease.

14. Defaults; Remedies.

14.1. **Defaults.** The occurrence of any one or more of the following events shall constitute a default and breach of this Lease by Tenant:

14.1.1. The failure by Tenant to make any payment required to be made by Tenant hereunder, as and when due where such failure shall continue for a period of three (3) business days after written notice thereof from Landlord to Tenant;

14.1.2. The failure by Tenant to observe or perform any of the provisions of this Lease (other than the payment of money) to be observed or performed by Tenant where such failure shall continue for a period of ten (10) business days after written notice thereof from Landlord to Tenant; provided, however, that if the nature of Tenant's default is such that more than ten (10) business days are reasonably required for its cure, then Tenant shall not be deemed to be in default if Tenant commenced such cure within said ten (10) business days period and thereafter diligently prosecutes such cure to completion; and

14.1.3. The making by Tenant or any guarantor of Tenant of any general assignment, or general assignment for the benefit of creditors; (ii) the filing by or against Tenant or any guarantor of Tenant of a petition to have Tenant adjudged a bankrupt or petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant, the same is dismissed within sixty (60) days; (iii) the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within ten (10) days; or (iv) the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where such seizure is not discharged within ten (10) days.

14.2. **Remedies in Default.** Upon the occurrence of a Default by Tenant, Landlord, without notice to Tenant (except where expressly provided for in this Lease or by applicable law) may do any one or more of the following:

14.2.1. Elect to terminate this Lease and the tenancy created hereby by giving notice of such election to Tenant, and reenter the Premises, without the necessity of legal proceedings, and remove Tenant and all other persons and property from the Premises, and may store such property in a public warehouse or elsewhere at the cost of and for the account of Tenant without resort to legal process and without Landlord being deemed guilty of trespass or becoming liable for any loss or damage occasioned thereby; and

14.2.2. Exercise any other legal or equitable right or remedy which it may have, provided, however, that Landlord shall not be entitled to recover from Tenant

Basic Monthly Rent and Operating Expenses with respect to any time period later than the third (3rd) anniversary of the date that Tenant surrenders possession of the Premises to Landlord ("Rent Cut-off Date").

14.3. **Damages**. If this Lease is terminated by Landlord pursuant to this section, Tenant nevertheless shall remain liable for (a) any rents and damages which may be due or sustained prior to such termination, all reasonable costs, fees and expenses including, but not limited to, reasonable attorneys' fees, costs and expenses incurred by Landlord in pursuit of its remedies hereunder, or in renting the Premises to others from time to time until the Initial Termination Date of this Lease (all such rents, damages, costs, fees and expenses being referred to herein as "Termination Damages"), and (b) additional damages ("Post-Termination Damages"), which Post-Termination Damages, at the election of Landlord, shall be either:

14.3.1. an amount equal to the rents which, but for termination of this Lease, would have become due during the remainder of the Term and before the Rent Cut-off Date, less the amount of rents, if any, which Landlord shall receive during such period from others to whom the Premises may be rented, in which case such Post-Termination Damages shall be computed and payable in monthly installments, in advance, on the first day of each calendar month following termination of the Lease and continuing until the date on which the Term would have expired but for such termination or the Rent Cut-off Date, whichever is earlier, and any suit or action brought to collect any such Post-Termination Damages for any month shall not in any manner prejudice the right of Landlord to collect any Post-Termination Damages for any subsequent month by a similar proceeding; or

14.3.2. an amount equal to the present worth (as of the date of such termination) of rents which, but for termination of this Lease, would have become due during the remainder of the Term and before the Rent Cut-Off Date, less the fair rental value of the Premises, in which case such Post-Termination Damages shall be payable to Landlord in one lump sum on demand and shall bear interest at the Default Rate until paid. For purposes of this section, "present worth" shall be computed by discounting such amount to present worth at a discount rate equal to three percentage points (i.e., 300 basis points) above the discount rate then in effect at the Federal Reserve Bank nearest to the Premises; provided that Tenant may avoid the application of this section so long as Tenant voluntarily agrees to pay, and, in fact, does pay all sums due to date under the immediately preceding section within forty-five (45) days of receipt of notice of Landlord's declaration of the termination of this Lease and Tenant continues thereafter to pay such amounts monthly until the Termination Date.

14.4. **Miscellaneous**. If Landlord elects to terminate this Lease following the default of Tenant, Landlord may relet the Premises or any part thereof, alone or together with other premises, for such term or terms (which may be greater or less than the period which otherwise would have constituted the balance of the Term) and on such terms and conditions (which may include concessions or free rent, alterations of the Premises and payment of brokers) as Landlord, in its sole discretion, may determine, and the costs thereof shall be included in the total of Landlord's Termination Damages which shall be paid by Tenant. Nothing contained in this Lease shall limit or prejudice the right of Landlord to prove for and obtain, in proceedings for the termination of this Lease by reason of bankruptcy or insolvency, an amount equal to the maximum allowed by any statute or rule of law in effect at the time when, and governing the proceedings in which, the damages are to be proved, whether or not the amount be greater, equal to, or less than the amount of the loss or damages referred to above.

14.5. **Default by Landlord.** Landlord shall not be in default unless Landlord fails to perform obligations required of Landlord within a reasonable time, but in no event later than thirty (30) days after written notice (or such shorter time period as is reasonable in the event of an emergency) by Tenant to Landlord and any Lender whose name and address shall have been furnished to Tenant in writing, specifying wherein Landlord has failed to perform such obligation; provided, however, that if the nature of the Landlord's obligation is such that more than thirty (30) days are required for performance, then Landlord shall not be in default if Landlord commences performances within such thirty (30) day period and thereafter diligently prosecutes the same to completion.

14.6. **Late Charges and Interest.** Tenant hereby acknowledges that late payment by Tenant to Landlord of any sum due under this Lease will cause Landlord to incur costs not contemplated by this Lease and the amount of which is difficult to predict in advance. Accordingly, if any sum due from Tenant shall not be received by Landlord within ten (10) days after the date that said amount is due, then Tenant shall pay to Landlord a late charge of five percent (5%) of such overdue amount. In addition, any amount due to Landlord not paid when due shall bear interest at twelve percent (12%) per annum ("Default Rate") from the due date. Payment of such interest or late charge shall not excuse or cure any default by Tenant under this Lease. In the event that a check from Tenant is returned unpaid by Tenant's bank, Tenant shall pay an additional returned check charge of one hundred dollars ($100), which Tenant agrees is reasonable, and which is in addition to a late charge and interest charges, if otherwise applicable.

14.7. **Cure by Landlord.** Landlord, at any time after Tenant commits a default, may cure the default at Tenant's cost. If Landlord at any time pays any sum or does any act that requires the payment of any sum, repayment of the sum paid by Landlord shall be due immediately from Tenant together with interest at the Default Rate.

15. Condemnation. If all of the Premises or any portion of the Premises which is reasonably necessary for the reasonably convenient use of the Premises are taken under the power of eminent domain, or sold by Landlord under the threat of the exercise of said power (all of which is in referred to in this Lease as "condemnation") or if more than twenty-five percent (25%) of the floor area of the buildings on the Premises, or more than fifty percent (50%) of the parking areas on or serving the Premises is taken by condemnation, either Landlord or Tenant may terminate this Lease as of the date the condemning authority takes possession by notice in writing of such election within twenty (20) days after Landlord shall have notified Tenant of the taking, or, in the absence of such notice, then within twenty (20) days after the condemning authority shall have taken possession. If this Lease is not terminated by either Landlord or Tenant then it shall remain in full force and effect as to the portion of the Premises remaining, provided the Basic Monthly Rent shall be reduced by the proportion that the floor area of the Premises taken by condemnation bears to the total floor area of the Premises. All awards for the taking of any part of the Premises or any payment made under the threat of the exercise of power of eminent domain shall be the property of Landlord, whether made as compensation for diminution of value of the leasehold or for the taking of the fee or as severance damages; provided, however, that Tenant shall be entitled to any separately made award for Tenant's moving expenses or for loss of or damage to Tenant's trade fixtures and removable personal property, and provided, further, that Tenant shall be entitled to that portion of Landlord's award for the taking of the Premises equal to the unamortized cost of the Original Tenant Improvements (or, in the event of a partial taking not resulting in termination of this Lease, that portion of Landlord's award equal to the unamortized cost of the affected Original Tenant Improvements). The unamortized cost of the Original Tenant Improvements shall be determined by dividing the total cost of the Original Tenant Improvements by the number of years in the Initial Term and multiplying the dividend by the difference between the number of years in the Initial Term and the number of years elapsed from the Commencement Date to the date of the taking (or sale in lieu). For example, if the total cost of the Original Tenant Improvements is $1,000,000, the Initial Term is ten (10) years, and 4 years have elapsed from the Commencement Date, then the unamortized cost of the Original Tenant Improvements would be $600,000 [$1,000,000/10 x (10 years – 4 years)].

16. General Provisions.

16.1. **Reasonableness of Consent.** Whenever the consent of Landlord or Tenant is required by the terms of this Lease, such consent shall not be unreasonably withheld or delayed although it may be subject to reasonable conditions.

16.2. **Payments Are Rent**. All payments due to Landlord from Tenant shall be deemed to be rent due under this Lease. In the event of nonpayment, Landlord shall have all the rights provided for in this Lease as if the nonpayment were a nonpayment of Basic Monthly Rent.

16.3. **Brokers**. Landlord and Tenant each represents and warrants to the other that it did not deal with any broker in connection with this transaction. Each party agrees to indemnify and defend the other against any loss, cost or liability, including, without limitation, attorneys' fees, in connection with the claims of any broker arising from such party's acts.

16.4. **Estoppel Certificate.**

16.4.1. Tenant shall, at any time, on not less than ten (10) business days prior written notice from Landlord, sign and deliver to Landlord a statement in writing (i) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect) and the date to which the rent, security deposit, and other charges are paid in advance, if any, and (ii) acknowledging that there are not, to Tenant's knowledge, any uncured defaults on the part of Landlord or Tenant under this lease, or specifying such defaults, if any, which are claimed, and agreeing to give reasonable written notice to a Lender of any future default. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of the Premises.

16.4.2. Tenant's failure to deliver such statement within such time period shall be conclusive upon Tenant that (i) this Lease is in full force and effect, without modification except as may be represented by Landlord, (ii) there are no uncured defaults in Landlord's performance, and (iii) not more than one (1) month's rent has been paid in advance.

16.4.3. If Landlord desires to sell, finance or refinance the Premises, or any part thereof, Tenant hereby agrees to deliver to any prospective Lender or purchaser designated by Landlord such financial statements of Tenant as may be reasonably required by such prospective Lender or purchaser on condition that such prospective Lender or purchaser first executes and delivers to Tenant Tenant's standard confidentiality agreement. Such statements shall include the past three (3) years financial statements of Tenant. Any financial information received by Landlord from Tenant shall be in confidence and shall be used only for the purposes herein set forth.

16.5. **Landlord's Interest.** The term "Landlord" as used herein shall mean only the owner or owners at the time in question of the fee title, vendee's interest under a real estate contract, or a tenant's interest in a ground lease of the Premises. In the event of any transfer of such title or interest, Landlord herein named (and in case of any subsequent transfers, the then grantor) shall be relieved from and after the date of such transfer of all liability as respects Landlord's obligations thereafter to be performed, provided that any funds in the hands of Landlord or the then grantor at the time of such transfer, in which Tenant has an interest, shall be delivered to the grantee, and provided, further, that the grantee assumes all of Landlord's obligations under this Lease. The obligations contained in this Lease to be performed by Landlord shall be binding upon Landlord's successors and assigns, only during their respective periods of ownership.

16.6. **Tenant Signage**. At Tenant's own expense, Tenant may place one or more signs on the Premises so long as (i) the sign(s) identify the business(es) conducted by Tenant at the Premises, (ii) such sign(s) conform to all applicable governmental rules and regulations, (iii) Tenant maintains such sign(s) in good condition and appearance and (iv) at the termination of this Lease, Tenant shall remove all such signs and repair any damage caused by such sign or signage removal at Tenant's sole expense. For a reasonable period of time after termination of this Lease, Tenant may install a sign at the Premises directing customers to Tenant's new location.

16.7. **Severability.** The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

16.8. **Time of Essence.** Time is of the essence.

16.9. **Captions.** Article and paragraph captions are for convenience only and are not a part of this Lease.

16.10. **Incorporation of Prior Agreement; Amendments.** This Lease contains all agreements of the parties with respect to any matter mentioned herein. No prior agreement or understanding pertaining to any such matter shall be effective. This Lease may be modified in writing only, signed by the parties in interest at the time of the modification.

16.11. **Waiver.** No waiver by Landlord of any provision hereof shall be deemed a waiver of any other provision hereof or of any subsequent breach by Tenant of the same or any other provision. Landlord's consent to or approval of any act shall not be deemed to render unnecessary the obtaining of Landlord's consent to or approval of any subsequent act by Tenant. The acceptance of rent hereunder by Landlord shall not be a waiver of any preceding breach by Tenant of any provision hereof, other than the failure of Tenant to pay the particular rent so accepted regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such rent.

16.12. **Recording.** Neither party shall record this Lease. Landlord and Tenant agree to execute a Memorandum of Lease in recordable form, at the request of the other and such Memorandum of Lease will be incorporated into this Lease as **Exhibit A**. Recording costs shall be borne by Tenant. The provisions of this Lease shall control, however, with regard to any omissions from, or provisions hereof which may be in conflict with, the Memorandum of Lease.

16.13. **Holding Over.** If Tenant remains in possession of the Premises or any part thereof after the expiration of the term hereof without the express written consent of Landlord, such occupancy shall be a tenancy from month to month for a maximum period of six (6) months at a rental equal to the Basic Monthly Rent due for the last month of the Lease term plus all other charges payable hereunder, and upon the terms hereof applicable to a month to month tenancy. Such month-to-month tenancy shall be terminable by either party on twenty (20) days written notice to the other party, effective as of the last day of a calendar month.

16.14. **Cumulative Remedies.** No remedy or election hereunder shall be deemed exclusive, but shall wherever possible, be cumulative with all other remedies at law or in equity.

16.15. **Covenants and Conditions.** Each provision of this Lease performable by Tenant shall be deemed both a covenant and a condition.

16.16. **Binding Effect; Choice of Law; Proration.** Subject to any provisions hereof restricting assignment or subletting by Tenant or as may be expressly provided in this Lease, this Lease shall bind the parties, their personal representatives, successors and assigns. This Lease shall be governed by the laws of the state of Washington.

16.17. **Subordination.** This Lease is and shall be subordinate to any encumbrance now of record or any encumbrance hereafter recorded affecting the Premises, but Tenant's possession shall not be disturbed so long as Tenant performs all its obligations under this Lease. Tenant shall attorn to any purchaser at any foreclosure sale, or to any grantee or transferee designated in any deed in lieu of foreclosure. Tenant shall execute any documents required by any such holder to accomplish the purposes of this section, including subordination, non-disturbance and attornment agreements and estoppel certificates, and in such form as the lender may require and is consistent with commercial lending practices, provided that it also includes a nondisturbance agreement under which the holder agrees not to disturb Tenant's possession so long as Tenant performs all its obligations under this Lease. Tenant's failure to promptly execute such documents shall be a Default under this Lease.

16.18. **Attorneys Fees.** If Tenant or Landlord brings an action to enforce the terms hereof or declare rights hereunder, the prevailing party in any such action, on trial or appeal, shall be entitled to his reasonable attorneys fees to be paid by the losing party as fixed by the court.

16.19. **Landlord's Access.** Landlord and Landlord's agents shall have the right upon reasonable advance written notice to Tenant to enter the Premises at reasonable times for the purpose of inspecting the same, showing the same to prospective purchasers or Lenders, and making such repairs to the Premises as Landlord is obligated to perform under the terms of this Lease, subject to reasonable limitations on access due to state and federal law regarding the confidentiality of health care medical records. During the last sixty (60) days of the term of this Lease, Landlord may place one sign no more than twelve inches by eighteen inches in size on the Premises advertising the availability for lease of the Premises so long as such sign does not unreasonably obscure Tenant's existing signs identifying its business.

16.20. **Auctions.** Tenant shall not advertise or conduct any auction or going out of business sale in the Premises.

16.21. **Corporate Authority.** If Tenant is a legal entity, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Lease on behalf of such entity and that this Lease is binding upon such entity in accordance with its terms.

16.22. **Landlord's Liability.** Any claim by Tenant against Landlord shall be limited to the Landlord's interest in the Premises, and Tenant expressly waives any and all rights to proceed against any other assets of Landlord or any owner of Landlord.

16.23. **Notices.** Wherever under this Lease provision is made for any demand, notice or declaration of any kind, or where it is deemed desirable or necessary by either party to give or serve any such notice, demand or declaration to the other party, it shall be in writing and served either personally, by recognized courier service (Federal Express, UPS, etc.), or sent by United States mail, registered or certified, return receipt requested, postage prepaid, addressed to the address stated at the beginning of this Lease or such subsequent address as may have been specified for such purpose in a written notice given to the other party. Such notices shall be deemed given on the day delivered or on the third business day after deposit in the U.S. mail, registered or certified, return receipt requested, postage prepaid. Notices from either party may be delivered by their respective legal counsel.

16.24. **Tenant's Financing**. Notwithstanding any other provisions of this Lease, Tenant may, with Landlord's consent not to be unreasonably withheld, from time to time, secure financing or general credit lines and grant the lenders thereof, as security therefore, (i) a security interest in Tenant's fixtures, trade fixtures, furnishings, inventory and equipment (collectively, "Personalty"), (ii) the right to enter the Premises to realize upon any Personalty so pledged, provided that the Premises is repaired, and/or (iii) a collateral assignment of or leasehold encumbrance in Tenant's leasehold interest in the Premises, with rights of reassignment; provided, however, such collateral assignment may be made solely for the purpose of securing Tenant's indebtedness to such lenders and shall be subject to Landlord's prior written consent. Upon Tenant providing notice of such financing to Landlord, Landlord agrees to not unreasonably withhold its consent in writing to such security interest and agreement and to give such lenders the same notice and opportunity to cure any default of Tenant as is provided Tenant hereunder (including time to foreclose or otherwise take possession of the Premises, if necessary to effect such cure). In addition, Landlord agrees to ask any Lender specifically to acknowledge the rights of Tenant's lenders described herein.

16.25. **Landlord's Title; Leasehold Title Insurance.** Landlord represents and warrants that it has good and marketable title to the Premises. Upon receipt of a written request from Tenant to do so, Landlord shall cause a title insurance company of Tenant's choice to issue and deliver to Tenant a leasehold owner's policy of title insurance with ALTA 13 endorsement (revised October 17, 1992), reflecting the recorded memorandum of this Lease and insuring Tenant's leasehold interest in the Premises in an amount determined by Tenant, containing a zoning endorsement and such other endorsements as Tenant may reasonably request, subject only to those matters listed in **Exhibit B**; provided, however, that if the memorandum of this Lease is not recorded or the leasehold owner's policy of title insurance is not requested within twelve (12) months after the Commencement Date, then the leasehold owner's policy of title insurance may also be subject to additional matters (e.g. Landlord's financing) so long as Tenant's rights under this Lease are not thereby impaired. The premium for such policy of title insurance shall be paid for by Tenant, and shall be deemed additional rent due hereunder.

16.26. **Tenant's Property; Waiver of Landlord's Liens**. All of the Personalty shall be and remain the personal property of Tenant. Landlord shall subordinate its statutory or common law landlord's liens (as same may be enacted or may exist from time to time) and any and all rights granted under any present or future laws to levy or distrain for rent (whether in arrears or in advance) against the aforesaid property of Tenant on the Premises to the lien of any holders of a security interest in the Personalty and further agrees to execute any reasonable instruments evidencing such subordination, at any time or times hereafter upon Tenant's request.

16.27. **Force Majeure**. In the event that Landlord or Tenant shall be delayed or hindered in, or prevented from, the performance of any act required hereunder by reason of inability to procure materials, delay by the other party, failure of power or unavailability of utilities, riots, insurrection, war, labor disputes, weather or Act of God or other reason of a like nature not the fault of such party or not within its control, then performance of such act (other than the payment of money including but not limited to Basic Monthly Rent and Operating Expenses) shall be excused for the period of delay, and the period for the performance of any such act shall be extended for a period equivalent to the period of such delay but not to exceed ninety (90) days.

16.28. **Quiet and Peaceful Enjoyment**. So long as Tenant is not in default hereunder beyond any applicable cure period, Tenant shall have quiet and peaceful use, enjoyment and occupancy of the Premises.

16.29. **Special Articles.** The following Schedules and Exhibits are attached and are a part of this Lease:

Schedule 1.3	**Legal Description of Premises**
Schedule 1.5	**Basic Monthly Rent**
Schedule 7.3	**Landlord's Work**
Schedule 7.6	**Original Tenant Improvements**
Exhibit A	**Memorandum of Lease**
Exhibit B	**Title Matters**

LANDLORD:

North Seattle ASC, LLC

By: [signature]
Its: Owner

TENANT:

Proliance Surgeons, Inc., P.S.

By: [signature]
Its: CEO

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

I certify that I know or have satisfactory evidence that A. L. Franklin is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the Manager of North Seattle ASC, LLC, to be the free and voluntary act of such party for the uses and purposes stated therein.

Dated: 4/20/05.

ANTONIJA STIPETIC — NOTARY PUBLIC — COMMISSION EXPIRES 10-16-06 — STATE OF WASHINGTON

Name: Antonija Stipetic
NOTARY PUBLIC, State of Washington
My appointment expires 10/16/06

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

I certify that I know or have satisfactory evidence that David G Fitzgerald is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the President of Proliance Surgeons, Inc., P.S., to be the free and voluntary act of such party for the uses and purposes stated therein.

Dated: 4/21/05.

ANTONIJA STIPETIC — NOTARY PUBLIC — COMMISSION EXPIRES 10-16-06 — STATE OF WASHINGTON

Name: Antonija Stipetic
NOTARY PUBLIC, State of Washington
My appointment expires 10/16/06

Exhibit A
Memorandum of Lease

Return Address:

Montgomery, Purdue, Blankinship &
Austin, P.L.L.C.
5500 Bank of America Tower
701 Fifth Avenue
Seattle, WA 98104-7096

MEMORANDUM OF LEASE

Reference Number(s) of related document(s): N/A.

Grantor: North Seattle ASC, LLC.

Grantee: Proliance Surgeons, Inc., P.S.

Legal Description (abbreviated): Lots 2, 3, 4, 5, North Half of Lot 6, and east 40 feet of Lots 24, 25, 26 and 27, Block 12, Volume 7 of Plats, Page 89, in King County, Washington;

Full legal(s) on Exhibit A.

Assessor's Tax Parcel ID Number(s): 051000-1750-03

1. PURPOSE OF MEMORANDUM OF LEASE: The undersigned parties have signed and recorded this Memorandum of Lease in order to give actual and constructive notice to all other persons of the existence of a lease ("hereafter "Lease") of the real property located in the County of King, State of Washington between the Landlord and Tenant identified below and of the rights and interests of such Landlord and Tenant.

2. PARTIES:

2.1 LANDLORD: The Landlord under the Lease is North Seattle ASC, LLC, whose present address is 1801 NW Market, #403, Seattle, WA 98107.

2.2 TENANT: The Tenant under the Lease is Proliance Surgeons, Inc., P.S., whose present address is 720 Olive Way, Suite 1505, Seattle, WA 98101/

3. REAL PROPERTY AFFECTED BY THE LEASE: The real property affected by the Lease is the real property described on Exhibit A to this Memorandum which Exhibit A is incorporated herein by this reference.

4. TERM OF LEASE: The initial term of the Lease is January 1, 2005 to May 31, 2020, and Tenant has three renewal options of 5 years each.

5. ALL TERMS NOT CONTAINED IN THIS MEMORANDUM: All of the terms of the Lease are not contained in this Memorandum. This Memorandum neither expands nor modifies the Lease and the Lease shall control over this Memorandum in the event of any conflict or inconsistency. Any person who is potentially interested in the affected real property or lease should make further inquiry of the parties hereto.

LANDLORD:

North Seattle ASC, LLC

By: [signature]
Its: Owner

TENANT:

Proliance Surgeons, Inc., P.S.

By: [signature]
Its: CEO

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

I certify that I know or have satisfactory evidence that J. L. Franklin is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the Manager of North Seattle ASC, LLC, to be the free and voluntary act of such party for the uses and purposes stated therein.

Dated: 4/26/05.

ANTONIJA STIPETIC NOTARY PUBLIC STATE OF WASHINGTON COMMISSION EXPIRES 10-16-06

Name: Antonija Stipetic
NOTARY PUBLIC, State of Washington
My appointment expires 10/16/06

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

I certify that I know or have satisfactory evidence that David G Fitzgerald is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the President of Proliance Surgeons, Inc., P.S., to be the free and voluntary act of such party for the uses and purposes stated therein.

Dated: 4/21/05.

Name: Antonija Stipetic
NOTARY PUBLIC, State of Washington
My appointment expires 10/16/06

ANTONIJA STIPETIC NOTARY PUBLIC STATE OF WASHINGTON COMMISSION EXPIRES 10-16-06

EXHIBIT A

Address: 2409 North 45th Street, Seattle, Washington.

Lots 2, 3, 4, 5 and the North Half of Lot 6, Block 12, Baltimore Addition to the City of Seattle, according to the Plat thereof, recorded in Volume 7 of Plats, Page 89, in King County, Washington,
except portion of Lot 2 condemned in King County Superior Court Cause Number 42256 for North 45th Street as provided by Ordinance Number 10566 of the City of Seattle;

Together with the east 40 feet of Lots 24, 25, 26 and 27 Block 12, Baltimore Addition to the City of Seattle, according to the Plat thereof, recorded in Volume 7 of Plats, Page 89, in King County, Washington,
except that portion of Lot 27, heretofore condemned in King County Superior Court Cause Number 42256 for street purposes, as provided by Ordinance Number 10566 of the City of Seattle.

Exhibit B
Title Matters

1. MATTERS DISCLOSED BY PHYSICAL INSPECTION DATED JANUARY 28, 2004, AND BY SURVEY BY BARGHAUSEN CONSULTING ENGINEERS, INC., DATED MARCH 16, 2004, JOB NO. 11380, AS FOLLOWS:

   A) ENCROACHMENT OF EXISTING BUILDING 0.1'-0.2' INTO THE RIGHT OF WAY FOR NORTH 45TH STREET;
   B) ENCROACHMENT OF PLANTERS INTO THE RIGHTS OF WAY FOR NORTH 45TH STREET AND EASTERN AVENUE NORTH;
   C) ENCROACHMENT OF POWER METER INTO THE RIGHT OF WAY FOR NORTH 45TH STREET;
   D) EAVES APPURTENANT TO BUILDING LOCATED ON THE PROPERTY ADJOINING TO THE WEST ENCROACH 0.2' ONTO THE NORTHWESTERLY PORTION OF THE SUBJECT PROPERTY; AND
   E) APPARENT ACCESS TO AND FROM 16-FOOT DOOR LOCATED IN THE SOUTHWESTERLY PORTION OF THE SUBJECT PROPERTY IS ACROSS PROPERTY ADJOINING TO THE WEST WITHOUT APPARENT BENEFIT OF RECORDED EASEMENT.

2. DEED OF TRUST TO SECURE AN INDEBTEDNESS:

GRANTOR:	NORTH SEATTLE ASC LLC, A WASHINGTON LIMITED LIABILITY COMPANY
TRUSTEE:	PRLAP, INC.
BENEFICIARY:	BANK OF AMERICA, N.A.
AMOUNT:	$ 2,600,000.00
DATED:	SEPTEMBER 15, 2004
RECORDED:	SEPTEMBER 27, 2004
RECORDING NUMBER:	20040927000787
LOAN NUMBER:	6369004903

Schedule 1.3.

Legal Description of Premises

Address: 2409 North 45th Street, Seattle, Washington.

Lots 2, 3, 4, 5 and the North Half of Lot 6, Block 12, Baltimore Addition to the City of Seattle, according to the Plat thereof, recorded in Volume 7 of Plats, Page 89, in King County, Washington,except portion of Lot 2 condemned in King County Superior Court Cause Number 42256 for North 45th Street as provided by Ordinance Number 10566 of the City of Seattle;

Together with the east 40 feet of Lots 24, 25, 26 and 27 Block 12, Baltimore Addition to the City of Seattle, according to the Plat thereof, recorded in Volume 7 of Plats, Page 89, in King County, Washington, except that portion of Lot 27, heretofore condemned in King County Superior Court Cause Number 42256 for street purposes, as provided by Ordinance Number 10566 of the City of Seattle.

Schedule 1.5

Schedule of Rents

1. Rent From Commencement Date to May 31, 2020.

1.1 Commencement Date to May 31, 2005. Notwithstanding any terms of this Lease to the contrary, Tenant shall pay no Basic Monthly Rent, Operating Expenses, or any other Rent from the Commencement Date of this Lease through May 31, 2005.

1.2 June 1, 2005 - May 31, 2006. Tenant shall pay Basic Monthly Rent, Operating Expenses and all other charges provided for in this Lease commencing on June 1, 2005. The Basic Monthly Rent payable by Tenant from June 1, 2005, to May 31, 2006, shall be $25,620.83 per month.

1.3 June 1, 2006 – May 31, 2020. On June 1, 2006 and each subsequent June 1st through and including June 1, 2019 (each an "Increase Date"), the Basic Monthly Rent shall be increased by the same percentage as the percentage increase in the Consumer Price Index for All Urban Consumers, All Items (1982-84 = 100) issued by the United States Department of Labor, Bureau of Labor Statistics for the Seattle-Tacoma-Bremerton metropolitan area ("CPI").

1.3.1 Notwithstanding the provisions hereof, the Basic Monthly Rent shall be increased on each Increase Date by no less than one and one-half percent (1.5%) and no more than four and one-half (4.5%) percent of the Basic Monthly Rent in effect immediately preceding the Increase Date.

1.3.2 The percentage increase in the CPI shall be calculated by (i) subtracting from the CPI for the most recently available month before the Increase Date ("Current CPI") the CPI for the same month one year prior ("Base CPI"), and then (ii) dividing the difference (only if the difference is greater than zero) by the Base CPI. For example, if the Current CPI for the Increase Date of June 1, 2006, is for the month of April 2006 and is 210, and the Base CPI (which would be the CPI for the same month of April one year prior, i.e. April 2005) is 200, then the percentage increase in the CPI would be five percent (5%) [(i) Current CPI of 210 – Base CPI of 200 = 10, and then (ii) difference of 10 divided by Base CPI of 200 = 5%]. Since 5% is greater than the maximum increase in Basic Monthly Rent of 4.5%, the Basic Monthly Rent on the Increase Date would be equal to the Basic Monthly Rent in effect immediately preceding the Increase Date increased by 4.5%. If the Current CPI is less than the Base CPI, then the percentage increase in the CPI shall not be calculated and the Basic Monthly Rent on the Increase Date will be equal to the Basic Monthly Rent in effect immediately preceding the Increase Date increased by the minimum increase of 1.5%.

1.3.3 The CPI is presently issued bi-monthly on even months. If the CPI, in future, is not issued in such a manner as to be available to provide a Current CPI and a Base CPI exactly 12 months apart as provided above, then a Current CPI and a Base CPI shall be selected for months approximating as closely as possible the months called for by the terms of this Lease with an approximate 12 month interval in between. If the CPI is discontinued, modified so that it no longer is applicable for the intent and purposes of this Lease, or published less frequently than annually, the index promulgated by the Department of Labor or other governmental agency, which most closely approximates the CPI, shall be used.

ASC 56.37% Clinic 22.86%

MRI 2.68%

PT 18.08%

2. Rent After May 31, 2020. Basic Monthly Rent for the first twelve (12) months of any Extended Term, shall be equal to Fair Market Rental Value determined as provided in this Section. Each anniversary of the first day of an Extended Term shall be an Increase Date on which the Basic Monthly Rent shall be increased by the same percentage as the percentage increase in the CPI in the same manner as provided above for the Initial Term.

2.1 Agreement on Basic Monthly Rent. If Landlord and Tenant have not reached agreement on the Basic Monthly Rent (i) within ninety days of the Landlord's receipt of the Tenant's notice to extend this Lease under Section 3.4 of the Lease, with respect to the first twelve (12) months of any Extended Term, then (ii) either party may demand, by written notice to the other, determination of the Basic Monthly Rent amount by appraisal -- which shall be the only forum for resolution-- and the Basic Monthly Rent shall be determined as set forth below.

2.2 Selection of Appraisers. All of the appraisers selected to determine the Basic Monthly Rent must be M.A.I.-certified appraisers with at least five (5) years full-time commercial real estate appraisal experience in Western Washington.

2.3 First Appraisal. The party making the appraisal demand shall within sixty (60) days after such demand, at its expense deliver to the other a complete copy of an appraisal ("First Appraisal") prepared by an appraiser who meets the requirements of this Section 2 and sets forth the Fair Market Rental Value as defined below. Unless the other party fails to deliver written notice to the initiating party of the unacceptability of the First Appraisal within thirty (30) days after delivery of the First Appraisal to the other party, the First Appraisal shall be deemed to be acceptable to the other party and the Fair Market Value shall be as set forth in the First Appraisal.

2.4 Second Appraisal. If the First Appraisal is unacceptable to the other party, the other party shall at its expense, within sixty (60) days after delivery to it of the First Appraisal, deliver to the initiating party a complete copy of an appraisal ("Second Appraisal") prepared by an appraiser who meets the requirements of this Section 2 and sets forth the Fair Market Rental Value as defined below. Failure to timely deliver the Second Appraisal shall be deemed to constitute approval of the First Appraisal and the Fair Market Rental Value shall be as set forth in the First Appraisal. If the higher of the Fair Market Rental Values established by the First and Second Appraisals does not exceed the lower by more than ten percent (10%), then the average of the two Fair Market Rental Values shall be deemed to be the Fair Market Rental Value.

2.5 Third Appraisal. If the higher of the Fair Market Rental Values established by the First and Second Appraisals exceeds the lower by more than ten percent (10%), then the two party-designated appraisers shall select a third qualified appraiser to appraise the Fair Market Rental Value, and the Fair Market Rental Value in such event shall be determined by the selection by the third appraiser of either the First Appraisal or the Second Appraisal as the closest approximation of the Fair Market Rental Value. The third appraiser shall be provided copies of the First and Second Appraisals at the time of acceptance of appointment as the third appraiser and shall render its decision in writing within thirty (30) days thereafter. If the two party-designated appraisers are unable or unwilling to agree on selection of the third appraiser within fifteen (15) days after delivery of the Second Appraisal to the initiating party, the third appraiser shall be designated by the then-presiding judge of the King County, Washington, Superior

Court, upon the application of any of the parties. Each party shall pay one-half of the fee of the third appraiser.

2.6 Fair Market Rental Value. Unless the parties jointly inform the appraiser(s) otherwise, the Fair Market Rental Value shall mean the monthly base rent that a ready and willing tenant would pay, as of the first day of the Extended Term, as Basic Monthly Rent to a ready and willing landlord of premises comparable to the Premises if such premises were exposed for lease on the open market for a reasonable period of time and if the Premises were in their then current condition (including the Original Tenant Improvements) and used for the same purpose as the then existing use of the Premises; provided, however, that the Fair Market Rental Value shall in no event be less than the Basic Monthly Rent in the preceding year, and provided, further, that Fair Market Rental Value shall be adjusted to take into account and give Tenant the benefit of the fact that expenses associated with a new lease will not be incurred by Landlord including but not limited to brokerage fees, tenant improvement allowances, free rent periods, and so forth. Fair Market Rental Value shall also reflect appropriate consideration to the Basic Monthly Rent escalation clause contained in this Lease to increase the Basic Monthly Rent on each Increase Date and to the Operating Expenses and any other Rent to be paid by Tenant under this Lease compared to costs passed through to tenants in the marketplace.

2.7 Basic Monthly Rent. The Basic Monthly Rent for the applicable period shall be the Fair Market Rental Value as determined above. In the event that the Basic Monthly Rent has not been determined by the commencement of the applicable period, Tenant shall continue to pay the Basic Monthly Rent then in effect until such time as the new Basic Monthly Rent has been determined. Upon such determination, the Basic Monthly Rent shall be retroactively adjusted to the commencement of the applicable period. If such adjustment results in an underpayment of Basic Monthly Rent by Tenant, Tenant shall pay Landlord the amount of such underpayment, without interest, within thirty (30) days after the determination thereof.

2.8 Tenant Termination Right. If the Basic Monthly Rent for the first twelve (12) months of any Extended Term is determined by appraisal as set forth above, rather than by agreement between Landlord and Tenant, then Tenant may, in its discretion, elect to terminate this Lease by written notice delivered to Landlord ("Termination Notice") no later than thirty (30) days after the date that Tenant is notified in writing of the amount of the Basic Monthly Rent determined by appraisal. The Termination Notice shall set forth the effective date of termination of the Lease which date shall not be sooner than twelve (12) months after the date that the Termination Notice is delivered to Landlord. The terms of this Lease, including the determination of the Basic Monthly Rent by appraisal, shall remain in full force and effect until the termination date of this Lease.

Schedule 7.3

Landlord's Work

Schedule 7.6

Original Tenant Improvement

Exhibit 4c

First Amendment to Lease

First Amendment to Proliance Lease Agreement

THIS FIRST AMENDMENT TO PROLIANCE LEASE AGREEMENT ("Amendment") is for reference purposes May 29, 2020, and modifies the Proliance Lease Agreement dated November 1, 2004 ("Lease") by and between North Seattle ASC, LLC, a Washington limited liability company, ("Landlord"); and Proliance Surgeons, Inc., P.S., a Washington professional service corporation d/b/a Orthopedic Specialists of Seattle ("Tenant") for the premises commonly known as 2409 North 45th Street in Seattle, Washington. To the extent the terms of this Amendment are inconsistent with the other terms of the Lease, the terms of this Amendment shall control. Unless specifically stated otherwise, all capitalized terms in this Amendment shall have the same meaning as defined in the Lease.

1. Termination Date. The Termination Date is hereby extended to May 31, 2025.

2. Basic Monthly Rent. Beginning on June 1, 2020 ("Extended Term Commencement Date"), the Basic Monthly Rent shall be fifty thousand, fifty dollars ($50,050.00). Each anniversary of the Extended Term Commencement Date shall be an Increase Date as set forth in Schedule 1.5 of the Lease.

3. Remaining Options to Extend. Tenant retains two (2) options to extend the term of this lease for a period of five (5) years each as provided in Section 1.4.3 and 3 of the Lease.

4. Guarantee. Attached hereto as Exhibit A is a guarantee, which shall be signed by all current shareholders of Tenant assigned to Orthopedic Specialists of Seattle and the Seattle Orthopedic Center ("Guarantors").

5. Assignment. Assignment. In the event of an assignment of the Lease to: (a) a transferee of all or substantially all of the Tenant's assets located in the Premises or (b) in connection with a deemed withdrawal from Tenant of any division of Tenant doing business in the Premises, Tenant, but not Guarantors, shall be released from all Lease obligations arising from and after such assignment, including but not limited to all payments of rent that become due after such assignment.

6. **Miscellaneous.**

6.1. Representation. The parties acknowledge that the law firm of Montgomery Purdue Blankinship & Austin PLLC has represented only Tenant in the preparation of this Amendment and the transactions described herein and does not represent Landlord or any Guarantors individually.

6.2. Counterparts. This Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

6.3. Ratification. The Lease remains in full force and effect and is otherwise unchanged except as explicitly provided in this Amendment.

IN WITNESS WHEREOF, the undersigned have executed this Amendment as of the date first referenced above.

TENANT:

PROLIANCE SURGEONS, INC., P.S.

By: ______________________

~~Mark Barnhart~~, ~~CEO~~
Ken Overbey, COO

LANDLORD:

NORTH SEATTLE ASC, LLC

By: JOEL SHAPIRO

Printed Name: JOEL SHAPIRO

Title: MANAGING PARTNER

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

This record was acknowledged before me by ~~Mark Barnhart~~ Ken Overbey as Chief ~~Executive~~ Operating Officer of PROLIANCE SURGEONS, INC., P.S.

Notarial Stamp/Seal

ERIN SHORE
COMMISSION EXPIRES
NOTARY
PUBLIC
12-09-20
STATE OF WASHINGTON

Name: Erin Shore
NOTARY PUBLIC, State of Washington
My appointment expires 12/9/20

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

This record was acknowledged before me on April 17, 2020 by Joel Shapiro as Managing Partner of NORTH SEATTLE ASC, LLC.

Notarial Stamp/Seal

ERIN SHORE
COMMISSION EXPIRES
NOTARY
PUBLIC
12-09-20
STATE OF WASHINGTON

Name: Erin Shore
NOTARY PUBLIC, State of Washington
My appointment expires 12/9/20

EXHIBIT A
Guarantee of Lease

1. To induce and as consideration for North Seattle ASC, LLC, a Washington limited liability company ("Landlord") and Proliance Surgeons, Inc., P.S., a Washington professional service corporation ("Tenant") to enter into an Amendment to Lease Agreement (together with such Lease Agreement, the "Lease"), with respect to the real property described in such Lease, the undersigned (each of whom is referred to herein as "Guarantor") irrevocably guarantee to Landlord, its successors and assigns, the full and due performance by Tenant, and by its successors and assigns, of all the terms, obligations, covenants and agreements under the Lease, and each of them, on the part of Tenant, its successors and assigns and subtenants to be observed or performed, and, without limiting the foregoing, the full and punctual payment by Tenant and its successors and assigns and subtenants of all rentals, additional rentals and other sums of money as and when they become due and payable as provided in the Lease throughout the entire term of the Lease, including any extension or renewal of the Lease. The singular term "Guarantor" is used in this Guarantee document to refer to all individuals named herein (and any and all as may hereafter as agree to be bound by this Guarantee).

2. The Lease is incorporated herein by this reference as though set out in full in this Guarantee.

3. Guarantor waives notice of acceptance of this Guarantee and agrees that this Guarantee shall be a continuing Guarantee.

4. Notice of any and all defaults on the part of Tenant, and any successor, assignee or subtenant of Tenant or of the foregoing, is waived, and consent is given to all extensions of time, waivers or indulgences of any kind, that Landlord, its successors or assigns, may grant to Tenant, and any successors, assignee or subtenants of Tenant or of the foregoing with reference to the performance by Tenant or any successor, assignee or subtenant of Tenant or of the foregoing, of any of the terms, obligations, covenants or agreements in or under the Lease. Full consent is also given by Guarantor to any and all changes, modifications or amendments in, of or to any such terms, obligations, covenants or agreements as well as to conditions of, in or under the Lease that may be made by agreement between Landlord or its successors or assigns and Tenant or any successor, assignee or subtenant of Tenant or the foregoing, or otherwise; and Guarantor waives any and all requirements whatsoever on the part of Landlord or its successors or assigns first to exhaust or pursue its, or their, remedies against Tenant, its successors or assigns, before Landlord or its successors or assigns shall have the right to proceed directly, and recover against, Guarantor.

5. Guarantor, without limiting any of the provisions of this Guarantee, also waives notice of any and all changes, modifications or amendments in, of or to the Lease, that may be agreed upon between Landlord or Landlord's successors or assigns and Tenant, or successors, assigns or subtenants of Tenant's or of the foregoing, or that may be permitted or suffered in connection with the Lease, or the performance thereof, as well as notice of any waivers, indulgences or extensions granted or suffered by Landlord or its successors or assigns. Guarantor further agrees that, notwithstanding any waivers, extensions or indulgences granted or suffered by Landlord, or its

successors or assigns, and notwithstanding any changes, amendments or modifications in, of or to the Lease, by agreement or otherwise, Guarantor shall be and remain, and is absolutely and fully liable to Landlord and its successors and assigns for the full and punctual payment of all rentals, additional rentals and other payments to be made, and for the full and due performance of all the other terms, obligations, covenants, agreements and conditions of, in or under the Lease, and in any change, amendment or modification thereof, by Tenant and its successors and assigns, without any notice whatsoever.

6. Without limiting any of the provisions of this Guarantee, Guarantor further agrees that this Guarantee, and the obligations of Guarantor under it, shall in no way be terminated, affected or impaired by reason of the assertion by Landlord, its successors or assigns against Tenant, its successors or assigns, of any rights or remedies reserved to Landlord pursuant to or by virtue of the provisions of the Lease or any change, amendment or modification of the Lease.

7. This Guarantee is executed by Guarantor to induce Landlord to execute and deliver the Lease well knowing that Landlord would not do so without this Guarantee.

8. The liability of each Guarantor shall be joint and several, unconditional and unlimited.

9. Guarantor represents to Landlord that all of the following statements are factually true and accurate:

a. Guarantor is financially interested in the operation of a business which is expected to be operated at the leased Premises and seeks financial benefit from Landlord's agreement to lease the Premises to Tenant on the basis of the Lease and Guarantee.

b. Guarantor has read and understands all of the Lease and this Guarantee and understands that this Guarantee is legally binding on Guarantor regardless of any future events.

c. Guarantor knows that its obligations and liability under this Guarantee will not terminate when or if Guarantor's involvement, financial or otherwise, in Tenant or the leased Premises may terminate; instead Guarantor will remain liable to Landlord even though the leased Premises are leased, assigned or subleased to someone else.

d. Guarantor has requested that Landlord agree to the terms of the Lease and this Guarantee for the benefit of Guarantor.

e. Each individual Guarantor has signed this Guarantee to bind himself and his marital community to the obligations of this Guarantee.

Guarantors:

Jonathan Franklin, M.D.	Philip Downer, M.D.
Charles Peterson II, M.D.	Herbert Clark, M.D.
Joel Shapiro, M.D.	Mark Reed, M.D.
Wayne Weil, M.D.	Scott Ruhlman, M.D.

Exhibit 5

Proliance Consolidated Financial Statements

Proliance
SURGEONS®

CONSOLIDATED FINANCIAL STATEMENTS

AND CONSOLIDATING INFORMATION

DECEMBER 31, 2022 AND 2021

MHM

CONTENTS

MHM

Board of Directors
Proliance Surgeons, Inc., P.S.
Seattle, Washington

Independent Auditors' Report

Opinion

We have audited the consolidated financial statements of Proliance Surgeons, Inc., P.S., which comprise the consolidated balance sheet as of December 31, 2022 and 2021, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Proliance Surgeons, Inc., P.S as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Change in Accounting Principle

As discussed in Note 1 to the financial statements, Proliance Surgeons, Inc., P.S changed its method of accounting for leases as a result of the adoption of Accounting Standards Codification Topic 842, *Leases*, effective January 1, 2022, under the modified retrospective transition method. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Mayer Hoffman McCann P.C.
11100 NE 8th St., Suite 400
Bellevue, WA 98004

Phone: 425.454.7990
Fax: 425.454.7742
mhmcpa.com

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Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Moss Adams...

Bellevue, Washington
October 27, 2023

ASSETS

December 31,	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	$ 7,407,174	$ 1,263,737
Accounts receivable		
Trade	68,298,613	61,395,553
Other	52,000	3,065,513
Inventory	5,702,463	4,843,301
Prepaid expenses	16,924,051	15,896,006
Other current assets	108,326	2,835
TOTAL CURRENT ASSETS	98,492,627	86,466,945
EQUIPMENT AND LEASEHOLD IMPROVEMENTS, net	61,681,649	61,806,581
OPERATING LEASE RIGHT OF USE ASSETS	127,314,086	-
FINANCING LEASE RIGHT OF USE ASSETS	661,244	-
OTHER ASSETS	497,879	549,589
GOODWILL, net	25,815,603	28,578,374
TOTAL ASSETS	$ 314,463,088	$ 177,401,489

LIABILITIES AND STOCKHOLDERS' EQUITY

	2022	2021
CURRENT LIABILITIES		
Checks issued in excess of bank balance	$ -	$ 1,758,505
Lines of credit	17,665,199	5,380,605
Accounts payable	5,796,885	6,591,544
Accrued liabilities	13,159,898	14,466,386
Medical claims payable	2,202,020	1,191,800
Federal income taxes payable	-	60,359
Current portion of long-term debt	8,399,478	9,217,538
Current portion of operating lease liabilities	25,126,599	-
Current portion of financing lease liabilities	312,603	-
Current portion of capital lease obligations	-	109,594
TOTAL CURRENT LIABILITIES	72,662,682	38,776,331
LONG-TERM DEBT, less current portion	24,801,356	22,419,981
OPERATING LEASE LIABILITIES, less current portion	103,225,103	-
FINANCING LEASE LIABILITIES, less current portion	344,432	-
DEFERRED INCOME TAXES	15,676,663	16,372,115
CAPITAL LEASE OBLIGATIONS, less current portion	-	60,145
TOTAL LIABILITIES	216,710,236	77,628,572
STOCKHOLDERS' EQUITY	97,752,852	99,772,917
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 314,463,088	$ 177,401,489

The accompanying notes are an integral part of these financial statements.

Years Ended December 31,	2022	2021
Patient service revenue, net	$ 478,847,336	$ 494,104,841
Operating expenses		
Nonphysician salaries	124,020,950	120,854,410
Medical and surgical supplies	70,746,297	86,546,816
Occupancy and use - facilities	38,763,918	38,442,801
Nonphysician fringe benefits	30,401,203	26,870,627
Purchased services	20,986,872	16,073,607
Depreciation and amortization	12,296,533	8,696,850
Business taxes and licenses	8,321,771	10,476,036
Occupancy and use - equipment	8,237,567	9,845,975
Professional liability insurance	7,058,795	5,953,194
Miscellaneous	12,778,841	12,144,772
Total operating expenses	333,612,747	335,905,088
INCOME FROM OPERATIONS BEFORE PHYSICIANS' COMPENSATION	145,234,589	158,199,753
Physicians' compensation		
Physician salaries	137,680,959	151,309,924
Physician fringe benefits	18,400,963	18,645,329
Total physicians' compensation	156,081,922	169,955,253
LOSS FROM OPERATIONS	(10,847,333)	(11,755,500)
Other income (expense)		
Nonoperating revenue	12,177,101	12,319,990
Gain on sale of investment in subsidiary	-	1,800,043
Provider Relief Fund grant income (Note 14)	-	1,152,099
Miscellaneous expense	(110)	-
Loss on disposal of equipment and leasehold improvements	(81,601)	(1,264,791)
Interest expense	(1,183,595)	(1,104,488)
Total other income (expense), net	10,911,795	12,902,853
INCOME BEFORE TAXES	64,462	1,147,353
Federal income tax expense (benefit), net	(604,137)	827,237
NET INCOME	668,599	320,116
Net loss attributable to noncontrolling interest	1,387,621	1,698,416
NET INCOME ATTRIBUTABLE TO PROLIANCE SURGEONS, INC., P.S.	$ 2,056,220	$ 2,018,532

The accompanying notes are an integral part of these financial statements.

	Number of shares issued & outstanding	Common stock*	Retained earnings	Total	Noncontrolling interests	Total stockholders' equity
Balance at January 1, 2021	1,008,451	$ 925,990	$ 49,185,935	$ 50,111,925	$ (689,543)	$ 49,422,382
Repurchase of common stock	(5,000)	(5,000)	-	(5,000)	-	(5,000)
Issuance of common stock	60,000	60,000	-	60,000	-	60,000
Contributions	-	-	-	-	49,136,714	49,136,714
Net income (loss)	-	-	2,018,532	2,018,532	(1,698,416)	320,116
Deconsolidation of Overlake ASC, LLC	-	-	-	-	838,705	838,705
Balance at December 31, 2021	**1,063,451**	**980,990**	**51,204,467**	**52,185,457**	**47,587,460**	**99,772,917**
Repurchase of common stock	(5,000)	(5,000)	-	(5,000)	-	(5,000)
Issuance of common stock	5,000	5,000	-	5,000	-	5,000
Net income (loss)	-	-	2,056,220	2,056,220	(1,387,621)	668,599
Distributions	-	-	-	-	(2,688,664)	(2,688,664)
Balance at December 31, 2022	**1,063,451**	**$ 980,990**	**$ 53,260,687**	**$ 54,241,677**	**$ 43,511,175**	**$ 97,752,852**

* No par value; 250,000,000 shares authorized.

Years Ended December 31,	2022	2021
CASH FLOW FROM OPERATING ACTIVITIES		
Net income	$ 668,599	$ 320,116
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	11,835,603	8,696,850
Loss on disposal of equipment and leasehold improvements	81,601	1,264,791
Deferred income taxes	(695,452)	766,878
Noncash lease expense	24,143,036	-
Amortization of financing lease right of use assets	460,930	-
Deferred rent	-	(506,745)
Gain on sale of investment in subsidiary	-	(1,800,043)
Changes in assets and liabilities		
Trade accounts receivable	(6,903,060)	(5,846,162)
Other receivables	3,013,513	10,272,023
Inventory	(859,162)	635,700
Prepaid expenses	(1,028,045)	2,304,615
Other current assets	(105,491)	(2,835)
Other assets	51,710	(36,266)
Accounts payable	(794,659)	1,597,049
Accrued liabilities	(1,306,488)	(6,653,788)
Medical claims payable	1,010,220	(771,253)
Federal income taxes payable	(60,359)	60,359
Operating lease liabilities	(23,105,420)	-
Net cash provided by operating activities	6,407,076	10,301,289
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of equipment and leasehold improvements	(9,296,512)	(12,340,337)
Proceeds from sale of equipment	53,000	3,699
Investment in subsidiary	-	2,888,326
Proceeds from sale of investment in subsidiary	-	793,179
Net cash used in investing activities	(9,243,512)	(8,655,133)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	12,515,570	5,820,238
Net borrowings (repayments) on lines of credit	12,284,594	(14,619,395)
Principal payments on long-term debt	(10,952,255)	(6,464,464)
Distributions	(2,688,664)	-
Checks issued in excess of bank balance	(1,758,505)	1,758,505
Principal payments on financing lease liabilities	(420,867)	-
Issuance of common stock	5,000	60,000
Repurchase of common stock	(5,000)	(5,000)
Principal payments on capital lease obligations	-	(134,673)
Net cash provided by (used in) financing activities	8,979,873	(13,584,789)
NET CHANGE IN CASH AND CASH EQUIVALENTS	6,143,437	(11,938,633)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,263,737	13,202,370
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 7,407,174	$ 1,263,737

SUPPLEMENTAL INFORMATION

	2022	2021
Operating lease right of use assets obtained in exchange for operating lease liabilities at January 1, 2022 (Note 1)	$ 128,596,980	$ -
Operating lease right of use assets obtained in exchange for new operating lease liabilities	$ 22,860,143	$ -
Cash paid during the year for interest	$ 1,183,595	$ 1,149,911
Financing lease right of use assets obtained in exchange for new financing lease liabilities	$ 908,162	$ -
Cash paid during the year for income taxes	$ 260,000	$ -
Financing lease right of use assets obtained in exchange for financing lease liabilities at January 1, 2022 (Note 1)	$ 214,011	$ -
Assets acquired in business combination	$ -	$ 43,733,410
Equipment acquired under capital leases	$ -	$ 100,616

The accompanying notes are an integral part of these financial statements.

Note 1 - OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS AND ORGANIZATION

Proliance Surgeons, Inc., P.S. ("the Company"), a Washington corporation which began operations on January 1, 1994, was organized to provide medical services to individual patients at care centers primarily located throughout the Puget Sound region. The consolidated financial statements include the accounts of each care center.

Proliance Surgery Center at Valley LLC ("PSCV") is a limited liability company organized in December 2021 as a surgery center in Renton, Washington. Proliance Surgery Center at Valley, LLC is approximately 51% Proliance Surgeons owned and 49% King County Public Hospital District No. 1, d/b/a Valley Medical Center ("VMC") owned.

Proliance Care Suites at Valley LLC ("Care Suites") is a limited liability company organized in December 2021. The purpose of Care Suites is to own and operate care recovery suites and provide related services for patients recovering from surgery or procedures performed at PSCV. Care Suites at Valley, is 100% owned by PSCV.

Overlake Surgery Center, LLC ("Overlake") is a limited liability company organized in June 1998 as a multi-specialty surgery center in Bellevue, Washington. Overlake was approximately 51.0% Proliance Surgeons owned, 30.1% Overlake Hospital Medical Center owned, and 18.9% physician owned. On July 29, 2021, Proliance Surgeons, Inc., P.S. sold its 51% ownership interest in Overlake.

The Company's contracts and resulting revenues may be impacted by the healthcare and related insurance industries.

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements have been prepared solely from the accounts of Proliance Surgeons, Inc., P.S. and its majority owned (PSCV and Overlake) subsidiaries, as well as PSCV's wholly-owned (Care Suites) subsidiary, (collectively "the Company"). All significant intercompany accounts and transactions have been eliminated in consolidation. Upon the Company's sale of its ownership interest in Overlake on July 29, 2021, the entity was deconsolidated in the preparation of the consolidated financial statements.

DECONSOLIDATION OF SUBSIDIARY

As a result of the ownership sale by Proliance Surgeons, Inc., P.S., the Company no longer has a controlling interest in Overlake. For the period beginning January 1, 2021 and ending July 29, 2021, Overlake generated a loss of $304,412. As the Company owned 51% of Overlake prior to July 29, 2021, 51% of the losses incurred through July 29, 2021 have been recorded in the accompanying consolidated financial statements for the year ended December 31, 2021. Proliance Surgeons, Inc., P.S. sold their interest in Overlake for $793,179 and recorded a gain on sale of investment in subsidiary of $1,800,043, which is included as a component of other income (expense) in the accompanying consolidated statement of income for the year ended December 31, 2021.

BASIS OF PRESENTATION

The consolidated financial statements are prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when or as the Company transfers goods and services to patients in an amount equal to the consideration the Company receives or expects to receive. Expenses are recognized when resources are used and a liability is incurred.

The Company's federal income tax return is prepared using the cash basis of accounting. Revenues from services are recognized when received and expenses are recognized when paid.

The Company uses the optional straight-line and accelerated depreciation methods for tax reporting and the straight-line depreciation method for financial statement reporting. Deferred tax assets and liabilities are recorded for the expected future benefits or tax consequences of temporary differences of depreciation between the consolidated financial statements and tax bases at the enacted tax rates.

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid debt instruments purchased with a remaining maturity of three months or less and funds held in money market funds to be cash equivalents.

ACCOUNTS RECEIVABLE, NET

Patient accounts receivable are stated at the estimated transaction price for the services provided. The transaction price is estimated based on a standard charge less contractual adjustments, discounts and implicit price concessions. Interest is not accrued on outstanding accounts receivable. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

In evaluating the transaction price and collectability of accounts receivable, the Company analyzes its negotiated contracts as well as past history and identifies trends for each of its major payor sources of revenue to estimate any implicit price concessions. For receivables associated with services provided to patients who have third-party coverage, the Company analyzes contractually due amounts and provides an adjustment for implicit price concessions, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Company records an adjustment for implicit price concessions in the period of service on the basis of past experience, which indicates certain patients are unable or unwilling to pay the portion of their bill for which they are financially responsible.

INVENTORY

Inventory consists primarily of drugs and medical supplies on hand. Inventory is based on a physical count and is stated at the lower of cost, using the average cost method of accounting or net realizable value.

Equipment and leasehold improvements

The cost of equipment and leasehold improvements is depreciated and amortized using the straight-line method over the estimated useful lives of the assets, which range as follows:

Leasehold improvements	5-40 years
Medical equipment	3-7 years
Computer equipment	3-7 years
Office furniture and equipment	3-10 years

Construction in progress primarily represents leasehold improvements and equipment that will be placed in service and depreciated or amortized once construction is complete.

Goodwill

The excess of the purchase price over the fair market value of assets is allocated to goodwill. The Company has applied the alternative accounting provisions of FASB ASC 350-20, *Goodwill*, relating to the subsequent measurement of goodwill. Under the alternative accounting guidance, goodwill is amortized on a straight-line basis over the shorter of the estimated useful life or ten years. Management has elected to amortize goodwill over ten years. Goodwill is analyzed upon the occurrence of events or circumstances indicating an impairment may exist. Impairment losses, if any, are recorded in the consolidated statement of income as part of income from operations.

Self-funded insurance plan

The Company acts as a self-insurer for medical, dental, and vision coverage of its employees. Accrued liabilities include $2,202,020 and $1,191,800 for unpaid employee medical, dental, and vision claims incurred as of December 31, 2022 and 2021, respectively. The self-insured program is insured with stop-loss coverage on an individual and cumulative claim basis.

Net patient service revenue

Patient service revenue is recognized at a point in time when the Company satisfies its performance obligation which is when the services are rendered. Generally, each patient encounter is considered a single performance obligation. The Company primarily performs outpatient procedures and therefore, performance obligations are generally satisfied on the same day and revenue is recognized on the date of service. Generally, the Company bills the patients and third-party payors several days after the services are performed and the performance obligation is satisfied.

Revenue from medical services provided to patients is recorded at the amount that reflects the consideration to which the Company expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government payors), and others. The Company has agreements with third-party payors that provide for payments to the Company at amounts different from its established rates. The Company recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on a net basis using the established contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Company recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a portion of the Company's uninsured patients will be unable or unwilling to pay for the services provided. Therefore, the Company has determined it has provided implicit price concessions to uninsured patients and other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference billed to patients and the amount the Company expects to collect based on its collection history with those patients.

NONCONTROLLING INTEREST

Noncontrolling interest on the consolidated statements of income and stockholders' equity represents the minority members' proportionate shares of members' equity and income (losses) of PSCV, Care Suites, and Overlake. The noncontrolling interest at the date of sale for Overlake was eliminated upon deconsolidation of the entity.

USE OF ESTIMATES

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

Material estimates that are particularly susceptible to change relate to the determination of trade net accounts receivable, including adjustments for implicit price concessions and contractual adjustments.

CONCENTRATION OF RISK

Financial instruments that potentially subject the Company to concentrations of market and credit risk consist principally of cash deposits in excess of federally insured limits and accounts receivable. Concentrations of credit risk with respect to cash deposits are mitigated due to the Company's deposit of these balances with high credit quality financial institutions.

The accounts receivable credit risk of the Company is represented by unsecured net receivables on the consolidated balance sheet. The Company follows normal trade practices in granting credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. Management does not anticipate any material adverse effect on the Company's financial position resulting from these credit risks.

COST INVESTMENTS

The Company owns a 22.59% interest in Northwest Medical Group Alliance, LLC, which was purchased for $6,400. This investment is accounted for using the cost method and is included with other assets in the accompanying consolidated balance sheet.

The Company periodically evaluates the investment for potential impairment. An impairment loss would be recognized as the amount by which the cost of the investment exceeds the fair market value. The Company determined there was no impairment at December 31, 2022 and 2021.

GRANT INCOME ACCOUNTING POLICY

Currently there is no authoritative guidance under U.S. GAAP that addresses accounting and reporting by a nongovernmental entity, that is not a not-for-profit entity, (that is, it is a for-profit business entity) that receives a grant from a government entity. Accordingly, the Company has elected to analogize to International Accounting Standards 20, *Accounting for Government Grants and Disclosure of*

Government Assistance, which states that a grant from the government is recorded as income when there is reasonable assurance that applicable terms and conditions required to retain the funds have been met. Accordingly, the Company presents income from grants from government entities within other income (expense) in the accompanying consolidated statement of income when all performance obligations have been satisfied and forgiveness is reasonably assured.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases* (Topic 842) to increase transparency and comparability among organizations by requiring the recognition of right of use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Company adopted the standard effective January 1, 2022 and recognized and measured leases existing at, or entered into after, January 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment using a modified retrospective approach, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840, *Leases*.

The Company elected the available package of practical expedients to account for existing capital leases and operating leases as financing leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting pronouncement, the Company recognized on January 1, 2022, operating lease liabilities of $128,586,980, which represents the present value of the remaining operating lease payments, discounted using the applicable risk-free rate obtained from the United States Treasury, and operating lease right of use assets of $128,596,980. The Company also recognized on January 1, 2022 financing lease liabilities at the carrying amount of the capital lease obligations on December 31, 2021, of $169,739 and financing lease right of use assets at the carrying amount of the capital lease assets of $214,011.

The standard had a material impact on the Company's consolidated balance sheet as a result of the recognition of the operating lease right of use assets and related operating lease liabilities, but did not have a material impact on the consolidated statements of income, stockholders' equity, or cash flows.

LEASES

The Company maintains various operating leases for office space and equipment. The Company also maintains various financing leases for equipment. The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right of use (ROU) assets and operating lease liabilities on the accompanying consolidated balance sheet. Financing leases are included in financing lease right of use assets and financing lease liabilities on the accompanying consolidated balance sheet.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the Company's operating leases do not provide an implicit rate, the Company uses the United States Treasury's risk-free rate in determining the present value of lease payments. The operating lease ROU assets also include any lease payments made and excludes lease incentives. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Operating lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Company uses the rate implicit in the lease to determine the present value of financing lease payments. Financing lease ROU assets are amortized over the term of the lease.

The Company has lease agreements with lease and non-lease components, which are generally accounted for separately. These variable leases payments, which are primarily comprised of common area maintenance, utilities, and real estate taxes that are passed on from the lessor in proportion to the space leases, are recognized in operating expenses in the period in which the obligation for those payments was incurred.

CAPITAL LEASES

During 2021, the Company leased certain equipment and software under capital leases. At the inception of the lease, the asset and liability under capital leases were recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets were being amortized over their estimated useful life. Upon adoption of ASU 2016-02, *Leases*, using the modified retrospective method, the carrying value of the capital lease assets and liabilities are classified as financing lease right of use assets and financing lease liabilities, respectively.

Note 2 - ADVANCES

Reflected in other current assets are advances that primarily consist of net amounts due to and due from stockholders, which are due within one year. These advances are unsecured and are non-interest bearing. The outstanding balance of amounts due totaled $0 and $2,835 at December 31, 2022 and 2021, respectively.

Note 3 - EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements at December 31 consists of the following:

	2022	2021
Leasehold improvements	**$ 71,202,867**	$ 66,434,722
Medical equipment	**48,721,198**	46,565,925
Construction in progress	**10,513,364**	9,335,998
Computer equipment	**8,522,950**	12,614,230
Office furniture and equipment	**4,822,328**	5,009,954

Total equipment and leasehold improvements, at cost	**143,782,707**	139,960,829
Less accumulated depreciation and amortization	**(82,101,058)**	(78,154,248)
Total equipment and leasehold improvements, net	**$ 61,681,649**	$ 61,806,581

Depreciation and amortization expense for the years ended December 31, 2022 and 2021, totaled $9,072,832 and $8,696,850, respectively.

Note 4 - GOODWILL

Goodwill at December 31, consists of the following:

	2022	2021
Goodwill	**$ 28,578,374**	$ 28,578,374
Less accumulated amortization	**(2,762,771)**	-
Net goodwill	**$ 25,815,603**	$ 28,578,374

The change in carrying value of goodwill during the years ended December 31, is as follows:

	2022	2021
Carrying value, beginning of year	**$ 28,578,374**	$ 950,667
Amortization expense	**(2,762,771)**	-
Goodwill acquired (Note 17)	**-**	27,627,707
Carrying value, net, end of year	**$ 25,815,603**	$ 28,578,374

Future estimated amortization expense for goodwill is $2,762,771 for each of the next five years.

Note 5 - LINES OF CREDIT

The Company maintains a $10,000,000 revolving line of credit payable to U.S. Bank, which is based on eligible collateral. The credit agreement includes temporary increases to $20,000,000 from November 21, 2022 through February 15, 2023 and from November 15, 2021 through February 15, 2022, to fund capital expenditure purchases that will primarily be converted to permanent financing in the near term. The interest rate varies at 1.12% plus the greater of 0% or the one-month SOFR rate and matures October 31, 2023. The line of credit is collateralized by substantially all Company assets. The outstanding balance was $17,465,199 and $5,380,605 at December 31, 2022 and 2021, respectively. The revolving line of credit agreement with U.S. Bank contains covenants, which require the Company to maintain certain financial ratios.

PSCV maintains a $500,000 revolving line of credit payable to U.S. Bank, which is based on eligible collateral. The interest rate varies at 1.12% plus the greater of 0% or the one-month SOFR rate and matures October 31, 2023. The line of credit is collateralized by substantially all Company assets. The outstanding balance was $200,000 and $0 at December 31, 2022 and 2021, respectively. The revolving line of credit agreement with U.S. Bank contains covenants, which require the Company to maintain certain financial ratios.

Note 6 - Long-term debt

Long-term debt at December 31 consists of the following:

	2022	2021
Notes payable to U.S. Bank, interest rates range from 1.86% to 7.71%, currently due in combined monthly installments of $774,159 including interest, maturing from January 2023 to October 2030, collateralized by substantially all Company assets	**$ 33,200,834**	$ 31,637,519
Less current portion	**(8,399,478)**	(9,217,538)
Long-term portion	**$ 24,801,356**	$ 22,419,981

Maturities of long-term debt based on interest rates and terms in effect at December 31, 2022 are as follows:

Year ending December 31,	
2023	$ 8,399,478
2024	8,089,744
2025	5,000,744
2026	3,881,498
2027	3,008,355
Thereafter	4,821,015
Total	$ 33,200,834

Certain debt agreements contain financial ratio and reporting covenants.

Note 7 - Leases - FASB ASC 842

Operating Leases

The Company leases office space and facilities from related entities comprised of certain Company physicians and members. The Company's management believes the terms of all of the foregoing leases are comparable to those that could have been obtained from unrelated parties. Total amounts paid to related parties under noncancellable leases totaled approximately $8,999,000 during the year ended December 31, 2022, which is included as a component of operating lease cost. As of December 31, 2022, operating lease right of use assets and liabilities were $26,809,686 and $26,785,972, respectively, related to leases with related entities.

The Company also leases office space and various equipment from unrelated vendors under noncancellable and month-to-month lease agreements. The Company is generally responsible for property taxes, maintenance, insurance, utilities. The Company's leases often include an options to extend the terms of the leases. The Company is generally not reasonably certain to exercise these renewal options, and as a result, the options are not included in the lease term, and associated potential option payments are excluded from the lease liabilities.

As of December 31, 2022, operating lease right of use assets and liabilities were $127,314,086 and $128,351,702, respectively.

Financing Leases

The Company leases medical equipment various financing leases with unrelated parties. As of December 31, 2022, financing lease right of use assets and liabilities were $661,244 and $657,035, respectively.

The components of lease expense for the year ended December 31, 2022 are as follows:

Operating lease cost	$	26,066,521
Variable lease cost		10,449,048
Financing lease cost		
Amortization of financing lease right of use assets		460,930
Interest on lease liabilities		45,955
Total financing lease cost		506,885
Total lease expense	$	37,022,454

Other information		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$	25,028,904
Financing cash flows from financing leases		420,865
Operating cash flows from financing leases		45,955
Weighted-average remaining lease term-financing leases		2.25 years
Weighted-average remaining lease term-operating leases		6.80 years
Weighted-average discount rate-financing leases		4.38%
Weighted-average discount rate-operating leases		2.04%

Future minimum lease payments under noncancellable leases are as follows:

Year ending December 31,	Operating leases	Financing leases	Total
2023	$ 25,304,661	$ 318,473	$ 25,623,134
2024	22,116,384	268,812	22,385,196
2025	19,732,213	96,723	19,828,936
2026	16,186,841	4,201	16,191,042
2027	14,143,863	-	14,143,863
Thereafter	40,177,253	-	40,177,253
Total undiscounted lease payments	137,661,215	688,209	138,349,424
Less: imputed interest	(9,309,513)	(31,174)	(9,340,687)
Total lease liabilities	$ 128,351,702	$ 657,035	$ 129,008,737

Note 8 - Capital Lease Obligations - FASB ASC 840

In accordance with the adoption of the FASB ASC 842, the Company used the modified retrospective approach and is required to disclose the 2021 lease information under FASB ASC 840.

Capital lease obligations at December 31, 2021 consist of the following:

Capital leases payable to De Lage Landen Financial Services, Inc., certain leases due in combined monthly installments of $2,531 and one lease due in annual installments of $33,539, installments include imputed interest varying from 0% to 5.99%, maturing September 2022 through December 2023, collateralized by equipment	$ 79,791
Capital leases payable to GE Capital, due in combined monthly installments of $3,032 including imputed interest varying from 6.35% to 7.08%, maturing September 2022 through December 2023, collateralized by equipment	61,083
Capital lease payable to Phillips, due in monthly installments of $1,584 including imputed interest of 7.09%, maturing November 2022, collateralized by equipment	23,180
Capital lease payable to NewLane Finance Co., due in monthly installments of $406 including imputed interest of 3.5%, maturing January 2023, collateralized by equipment	5,685

Total long-term debt		169,739
Less current portion		(109,594)
Long-term portion	$	60,145

Future payments to be made on these capital leases at December 31, 2021 are as follows:

Year ending December 31,		
2022	$	114,100
2023		62,614
Total payments		176,714
Less financing costs		(6,975)
Total capital lease obligations	$	169,739

At December 31, 2021, property recorded under capital leases is included in the accompanying consolidated balance sheet as leasehold improvements, medical equipment and computer equipment. The property is recorded at $543,206 and has accumulated amortization of $329,195 at December 31, 2021. Amortization of capital lease assets is included with depreciation in the accompanying consolidated financial statements.

Note 9 - Leases - FASB ASC 840

In accordance with the adoption of FASB ASC 842, the Company used the modified retrospective approach and is required to disclose the 2021 lease information under FASB ASC 840.

During 2021, the Company leased office space and facilities from related entities comprised of certain Company physicians and members. The Company's management believes the terms of all of the foregoing leases are comparable to those that could have been obtained from unrelated parties.

During 2021, the Company also leased office space and various equipment from unrelated vendors under noncancellable and month-to-month operating lease agreements. The Company was generally responsible for property taxes, maintenance, and insurance.

Minimum future payments under the noncancellable operating leases at December 31, 2021 are as follows:

Year ending December 31,		
2022	$	22,454,537
2023		20,711,083
2024		18,312,983
2025		16,403,622
2026		13,124,049
Thereafter		37,774,430
Total	$	128,780,704

Total rent expense under noncancellable and month-to-month agreements totaled $30,887,231 for the year ended December 31, 2021. Included in occupancy expense was approximately $9,390,000 of rent paid to related parties for the year ended December 31, 2021.

Note 10 - Contingencies

Industry regulations

The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditations, government health care program participation requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Company is in compliance with fraud and abuse, as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Network security incident

Subsequent to December 31, 2022, the Company experienced a cyberattack that affected certain systems on their network. The Company is currently investigating the network security incident through third-party cybersecurity professionals and have notified patients that certain files containing personal information may have been accessed by an unauthorized party. The financial impact of the network security incident has not been determined at this time.

Other

The Company is a party to various legal actions and administrative proceedings and subject to various claims arising in the ordinary course of business. The Company does not believe that the ultimate disposition of these matters will have a material adverse effect on the financial position or results of operations of the Company.

Note 11 - Employee benefit plan

The Company provides a defined contribution plan, including 401(k) provisions, for employees meeting certain age and service requirements. Employee contributions are matched by the Company at a 100% rate up to a maximum employer contribution of 5% of the employee's eligible compensation, subject to statutory limitations. Additionally, profit sharing contributions are made on behalf of eligible employees and vary according to job classification. Employer contributions vest over a period of five years. The Company contributed $14,161,736 and $13,791,611 to the plan for the years ended December 31, 2022 and 2021, respectively.

Note 12 - FEDERAL TAXES ON INCOME

PROLIANCE SURGEONS, INC., P.S.

The Company has adopted the provisions of FASB ASC 740-10, *Income Taxes*, relating to accounting for uncertain tax positions. FASB ASC 740-10 defines a recognition threshold and measurement process for accounting for uncertain tax positions and also provides guidance on various related matters such as interest, penalties, derecognition and disclosures. FASB ASC 740-10 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax returns were "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as tax expense in the current year.

The Company does not have any entity level uncertain tax positions at December 31, 2022 and 2021. The Company reports accrued interest and penalties related to unrecognized tax benefits as income tax expense. As of December 31, 2022 and 2021, the Company has not accrued interest or penalties related to uncertain tax positions.

The Company files their income tax return in the U.S. federal jurisdiction. In the normal course of business, the Company is subject to examination by taxing authorities. The Company is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2019.

Income taxes are accounted for using an asset and liability approach, which requires the recognition of deferred tax assets and liabilities for the expected future benefits or tax consequences of temporary differences between the consolidated financial statements and tax bases of assets and liabilities at the enacted tax rates. FASB ASC 740-10 requires a valuation allowance against deferred tax assets if, based on the weight of the available evidence, it is more likely than not that some or all of its deferred tax assets will not be realized. Management believes that all deferred tax assets will be realized and no valuation allowance is necessary at December 31, 2022 and 2021.

Provision for deferred income taxes results from temporary differences between financial statement and taxable income. The temporary tax differences at December 31 are as follows:

	2022	2021
Deferred tax assets		
Lease liabilities	$ **24,753,916**	$ -
Net operating loss carryforward, charitable contributions	**1,053,585**	998,462
Passthrough differences	**696,775**	-
Total deferred tax asset	**26,504,276**	998,462
Deferred tax liability		
Right of use assets	**(24,571,006)**	-
Conversion from accrual basis to cash basis	**(13,429,827)**	(11,690,040)
Excess of financial statement basis of fixed assets over tax basis	**(3,925,175)**	(5,680,537)
Other temporary differences	**(254,931)**	-

Total deferred tax liability	(42,180,939)	(17,370,577)
Net deferred tax liability	$ (15,676,663)	$ (16,372,115)

A breakout of current and deferred income tax expense for the year ended December 31 is as follows:

	2022	2021
Federal income tax expense (benefit)		
Current	$ 91,315	$ 60,359
Deferred	(695,452)	766,878
Total federal income tax expense (benefit)	$ (604,137)	$ 827,237

The Company's effective income tax rate for 2022 and 2021 was different from the federal statutory rate of 21%, due primarily to minority interests not subject to entity-level taxation, true-ups, and nondeductible fringe benefits, meals, and entertainment. A reconciliation of income tax at the statutory rate to the company's effective rate at December 31 is as follows:

	2022		2021	
Loss before taxes for the year ended December 31	$ (6,786,429)	100 %	$ 1,014,356	100 %
Federal income tax expense (benefit)				
Tax at statutory rate	(1,425,150)	21	213,015	21
Non-controlling interests	659,254	(10)	608,683	60
Permanent differences	194,560	(3)	187,159	18
True-ups	(32,801)	(0)	(181,620)	(17)
Net income tax expense (benefit)	$ (604,137)	8 %	$ 827,237	82 %

Realization of the deferred tax assets are dependent on generating sufficient taxable income. Although realization is not assured, management believes, based upon available information, it is more likely than not that the deferred assets will be realized in the normal course of operations. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income are reduced.

At December 31, 2022, the Company had net operating losses available to offset future taxable income amounting to approximately $3,704,000, which originated post December 31, 2017, are not subject to expiration and are able to offset 80% of future taxable income. Changes in ownership, as defined in Section 382 of the Internal Revenue Code, may limit the amount of net operating loss carryforwards used in any one year. Realization is also dependent on generating sufficient taxable income prior to the expiration of the loss carryforwards. Although realization is not assured, the Company's management believes, based upon available information, it is more likely than not that the net operating loss carryforwards will be realized and no valuation allowance has been recorded. The amount of the net operating loss carryforwards considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

Proliance Surgery Center at Valley

PSCV has adopted the provisions of FASB ASC 740-10, *Income Taxes*, relating to accounting for uncertain tax positions. ASC 740-10 defines a recognition threshold and measurement process for accounting for uncertain tax positions and also provides guidance on various related matters such as interest, penalties, derecognition and disclosures. PSCV does not have any entity level uncertain tax positions. PSCV files income tax returns in the U.S. federal jurisdiction.

The LLC is taxed as a partnership under the Internal Revenue Code. As such, PSCV does not pay federal corporate income taxes on its taxable income. The members pay taxes on the LLC's taxable income on their federal income tax returns.

Note 13 - Contractual arrangements

The Company has Stock Purchase and Repurchase Agreements whereby physicians approved for stockholder status purchase Company stock. The Board of Directors determines stock purchase and redemption prices. The Company is obligated to purchase a stockholder's share of the Company's common stock in the event of death, disability or termination of employment. The stock redemption price was $1 per share at the date of this report.

The Company repurchased common stock totaling $5,000 from departing physicians, for each of the years ended December 31, 2022 and 2021. During the years ended December 31, 2022 and 2021, the Company issued common stock totaling $5,000 and $60,000 to physicians, respectively.

The Company periodically enters into deferred compensation arrangements with key personnel. The amount of the future obligation is subject to actions on the part of the individuals and continuation of the arrangements at the discretion of the Company. Under terms of the arrangements, certain individuals are entitled to compensation based on the results of operations for a specified period of time after death, disability or retirement, as defined in the arrangement. The amounts paid under these arrangements are expensed in the period earned and paid to the individual. There were no amounts paid during the years ended December 31, 2022 and 2021 under these arrangements.

Note 14 - Grant accounting

As a response to the COVID-19 outbreak, the U.S. government has responded with economic relief legislation. The Provider Relief Fund was established under the CARES Act and the Paycheck Protection Program and Health Care Enhancement Act (the "New PPP Act"), which provided eligible healthcare providers with grants to mitigate the economic disruption caused by the COVID-19 outbreak. During the year ended December 31, 2021, the Company recognized grant income of $1,152,099, for grants received under these relief programs.

Management believes the Company has met the eligibility and certain other criteria relating to use of the funds, and there is reasonable assurance that the funds received will not be required to be repaid. Under the terms of the grants, the Company will be subject to the Single Audit requirement in accordance with government auditing standards.

Note 15 - Variable interest entities

As defined under the provisions of FASB ASC 810-10, *Consolidation*, the Company is required to continuously analyze whether they are the primary beneficiary of a variable interest entity (VIE). The Company determined it continues to hold a variable interest in MD Risk Retention Group, Inc. ("MDRRG"), but is not the primary beneficiary.

The Company owns approximately 1% of the common stock of MDRRG at December 31, 2022 and 2021. MDRRG began operations in January 2006, is domiciled in the state of Montana and provides professional liability insurance for the Company and its affiliated healthcare providers through a master policy. The Company's involvement with MDRRG is limited to insurance premiums paid for professional liability coverage. Other receivables includes $0 and $39,475 due from MDRRG at December 31, 2022 and 2021, respectively. There were no amounts owed to MDRRG by the Company at December 31, 2022 and 2021. Total premiums paid to MDRRG during 2022 and 2021 amounted to $7,058,795 and $5,953,194, respectively. Company management has determined the Company does not maintain a controlling financial interest in MDRRG under FASB ASC 810-10 considering the original intent of the entity, on-going management, and risk of loss.

Subsequent to December 31, 2022, the Company purchased approximately 1% of the common stock of ORCA Risk Retention Group, Inc. ("ORCA"), but is not the primary beneficiary. ORCA will replace MDRRG as the Company's professional liability insurance provider.

Note 16 - Withdrawal of care centers

During the year ended December 31, 2021, one care center withdrew from the Company. No assets were transferred in conjunction with the withdrawal of this care center as of December 31, 2021.

Subsequent to December 31, 2022, four care centers withdrew from the Company.

Note 17 - Business combination

Effective December 15, 2021, Proliance Surgeons, Inc., P.S. entered into an agreement with King County Public Hospital District No. 1, d/b/a Valley Medical Center (VMC) to form Proliance Surgery Center at Valley LLC. PSCV was formed as a result of a medical need for the establishment and operation of a facility in the VMC service area to provide high-quality, cost-effective surgery services in an ambulatory surgery center setting. Patients include individuals eligible for support under the Medicare and Medicaid programs as well as those capable of covering their medical expenses through private insurance and other personal resources. PSCV is committed to improving the patient experience, improving the health of the population in the VMC service area and reducing the per capita cost of healthcare.

Based on the provisions of FASB ASC 810-10, *Consolidation*, Proliance Surgeons, Inc. P.S. has determined that PSCV is a variable interest entity and that Proliance Surgeons, Inc. P.S. is the primary beneficiary. As a result, PSCV has been consolidated in the accompanying financial statements and the assets contributed to PSCV by Proliance Surgeons, Inc. P.S. have been recorded at their carrying amounts at the time of transfer.

Contributions by VMC totaled $49,100,000 for a 49% interest in PSCV.

The following assets were recognized in the transaction (at fair value):

Cash and cash equivalents	$	5,345,597
Equipment and leasehold improvements		16,163,410
Goodwill		27,627,707
Total	$	49,136,714

The Company applied the alternate provisions of FASB ASC 805-20, *Business Combinations - Accounting for Identifiable Intangible Assets and Liabilities,* which allows the Company to combine intangible assets that are customer-related and that are not capable of being sold or licensed independently, with goodwill. As a result, the excess of noncontrolling equity contributions over the fair value of the assets recorded is allocated to goodwill.

Note 18 - SUBSEQUENT EVENTS

Through the report date, the Company incurred approximately $1,047,000 in additional debt obligations.

Management has evaluated subsequent events through October 27, 2023, the date the consolidated financial statements were available to be issued.

CONSOLIDATING INFORMATION

MHM

Board of Directors
Proliance Surgeons, Inc., P.S.
Seattle, Washington

Independent Auditors' Report on Consolidating Information

We have audited the consolidated financial statements of Proliance Surgeons, Inc., P.S. as of and for the year ended December 31, 2022, and our report thereon dated October 27, 2023, which expressed an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The consolidating information on pages 26 through 28 is presented for purposes of additional analysis of the consolidated financial statements and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Mayer Hoffman McCann P.C.

Bellevue, Washington
October 27, 2023

Mayer Hoffman McCann P.C.
11100 NE 8th St., Suite 400
Bellevue, WA 98004

Phone: 425.454.7990
Fax: 425.454.7742
mhmcpa.com

KRESTON GLOBAL

ASSETS

December 31, 2022	Proliance Surgeons, Inc., P.S.	Proliance Surgery Center at Valley LLC	Proliance Care Suites at Valley LLC	Eliminations	Final
CURRENT ASSETS					
Cash and cash equivalents	$ 6,723,158	$ 666,618	$ 17,398	$ -	$ 7,407,174
Accounts receivable					
Trade	64,753,372	3,545,241	-	-	68,298,613
Other	864,842	-	-	(812,842)	52,000
Inventory	5,181,019	521,444	-	-	5,702,463
Prepaid expenses	16,895,178	28,873	-	-	16,924,051
Other current assets	108,326	-	-	-	108,326
TOTAL CURRENT ASSETS	94,525,895	4,762,176	17,398	(812,842)	98,492,627
EQUIPMENT AND LEASEHOLD IMPROVEMENTS, net	47,042,067	14,639,582	-	-	61,681,649
OPERATING LEASE RIGHT OF USE ASSETS	117,004,792	10,309,294	-	-	127,314,086
FINANCING LEASE RIGHT OF USE ASSETS	661,244	-	-	-	661,244
OTHER ASSETS	497,879	-	-	-	497,879
INVESTMENT IN SUBSIDIARY	-	17,398	-	(17,398)	-
GOODWILL, net	950,667	70,893,000	-	(46,028,064)	25,815,603
TOTAL ASSETS	$ 260,682,544	$ 100,621,450	$ 17,398	$ (46,858,304)	$ 314,463,088

LIABILITIES AND EQUITY

	Proliance Surgeons, Inc., P.S.	Proliance Surgery Center at Valley LLC	Proliance Care Suites at Valley LLC	Eliminations	Final
CURRENT LIABILITIES					
Lines of credit	$ 17,465,199	$ 200,000	$ -	$ -	17,665,199
Accounts payable	5,313,292	483,593	-	-	5,796,885
Accrued liabilities	13,095,842	876,898	-	(812,842)	13,159,898
Medical claims payable	2,202,020	-	-	-	2,202,020
Current portion of long-term debt	8,399,478	-	-	-	8,399,478
Current portion of operating lease liabilities	24,043,251	1,083,348	-	-	25,126,599
Current portion of financing lease liabilities	312,603	-	-	-	312,603
TOTAL CURRENT LIABILITIES	70,831,685	2,643,839	-	(812,842)	72,662,682
DEFICIT IN SUBSIDIARY	6,053,398	-	-	(6,053,398)	-
LONG-TERM DEBT, less current portion	24,801,356	-	-	-	24,801,356
OPERATING LEASE LIABILITIES, less current portion	93,832,541	9,392,562	-	-	103,225,103
FINANCING LEASE LIABILITIES, less current portion	344,432	-	-	-	344,432
DEFERRED INCOME TAXES	15,676,663	-	-	-	15,676,663
TOTAL LIABILITIES	211,540,075	12,036,401	-	(6,866,240)	216,710,236
EQUITY					
Common stock	980,990	-	-	-	980,990
Contributions	-	-	325,000	(325,000)	-
Distributions	-	(5,582,566)	-	2,893,902	(2,688,664)
Noncontrolling interest	-	46,199,839	-	-	46,199,839
Retained earnings	48,161,479	47,967,776	(307,602)	(42,560,966)	53,260,687
TOTAL EQUITY	49,142,469	88,585,049	17,398	(39,992,064)	97,752,852
TOTAL LIABILITIES AND EQUITY	$ 260,682,544	$ 100,621,450	$ 17,398	$ (46,858,304)	$ 314,463,088

See independent auditors' report on consolidating information.

Year Ended December 31, 2022	Proliance Surgeons, Inc., P.S.	Proliance Surgery Center at Valley LLC	Proliance Care Suites at Valley LLC	Eliminations	Final
Patient service revenue, net	$ 453,590,741	$ 25,256,595	$ -	$ -	$ 478,847,336
Operating expenses					
Nonphysician salaries	124,020,950	-	-	-	124,020,950
Medical and surgical supplies	63,839,464	6,906,833	-	-	70,746,297
Occupancy and use - facilities	36,800,280	1,665,757	297,881	-	38,763,918
Nonphysician fringe benefits	30,401,203	-	-	-	30,401,203
Purchased services	20,296,702	8,704,582	3,041	(8,017,453)	20,986,872
Depreciation and amortization	7,776,076	9,634,686	-	(5,114,229)	12,296,533
Business taxes and licenses	7,919,406	402,365	-	-	8,321,771
Occupancy and use - equipment	8,237,567	-	-	-	8,237,567
Professional liability insurance	7,011,702	47,093	-	-	7,058,795
Miscellaneous	12,356,159	416,178	6,504	-	12,778,841
Total operating expenses	318,659,509	27,777,494	307,426	(13,131,682)	333,612,747
INCOME (LOSS) FROM OPERATIONS BEFORE PHYSICIANS' COMPENSATION	134,931,232	(2,520,899)	(307,426)	13,131,682	145,234,589
Physicians' compensation					
Physician salaries	137,680,959	-	-	-	137,680,959
Physician fringe benefits	18,400,963	-	-	-	18,400,963
Total physicians' compensation	156,081,922	-	-	-	156,081,922
LOSS FROM OPERATIONS	(21,150,690)	(2,520,899)	(307,426)	13,131,682	(10,847,333)
Other income (expense)					
Nonoperating revenue	20,209,575	-	-	(8,032,474)	12,177,101
Loss from investment in subsidiaries	(1,444,258)	(307,426)	-	1,751,684	-
Miscellaneous expense	-	(110)	-	-	(110)
Loss on disposal of equipment and leasehold improvements	(81,601)	-	-	-	(81,601)
Interest expense	(1,180,151)	(3,444)	-	-	(1,183,595)
Total other income (expense), net	17,503,565	(310,980)	-	(6,280,790)	10,911,795
LOSS BEFORE TAXES	(3,647,125)	(2,831,879)	(307,426)	6,850,892	64,462
Federal income tax expense (benefit), net	(604,137)	-	-	-	(604,137)
NET INCOME (LOSS)	(3,042,988)	(2,831,879)	(307,426)	6,850,892	668,599
Net loss attributable to noncontrolling interests	-	-	-	1,387,621	1,387,621
NET INCOME (LOSS) ATTRIBUTABLE TO PROLIANCE SURGEONS, INC., P.S.	$ (3,042,988)	$ (2,831,879)	$ (307,426)	$ 8,238,513	$ 2,056,220

See independent auditors' report on consolidating information.

Year Ended December 31, 2022	Proliance Surgeons, Inc., P.S.	Proliance Surgery Center at Valley LLC	Proliance Care Suites at Valley LLC	Eliminations	Final
CASH FLOW FROM OPERATING ACTIVITIES					
Net income (loss)	$ (3,042,988)	$ (2,831,879)	$ (307,426)	$ 6,850,892	$ 668,599
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities					
Depreciation and amortization	7,315,146	9,634,686	-	(5,114,229)	11,835,603
Loss on disposal of equipment and leasehold improvements	81,601	-	-	-	81,601
Deferred income taxes	(695,452)	-	-	-	(695,452)
Loss from investment in subsidiaries	1,444,258	307,426	-	(1,751,684)	-
Noncash lease expense	23,094,560	1,048,476	-	-	24,143,036
Amortization of financing lease right of use assets	460,930	-	-	-	460,930
Changes in assets and liabilities					
Trade accounts receivable	(4,867,681)	(2,035,379)	-	-	(6,903,060)
Other receivables	2,306,611	3,481,813	-	(2,774,911)	3,013,513
Inventory	(350,373)	(508,789)	-	-	(859,162)
Prepaid expenses	(999,172)	(28,873)	-	-	(1,028,045)
Other current assets	(105,491)	-	-	-	(105,491)
Other assets	51,710	-	-	-	51,710
Accounts payable	(1,555,287)	(2,721,185)	-	3,481,813	(794,659)
Accrued liabilities	(1,342,838)	728,231	-	(691,881)	(1,306,488)
Medical claims payable	1,010,220	-	-	-	1,010,220
Federal income taxes payable	(60,359)	-	-	-	(60,359)
Operating lease liabilities	(22,223,560)	(881,860)	-	-	(23,105,420)
Net cash provided by (used in) operating activities	521,835	6,192,667	(307,426)	-	6,407,076
CASH FLOW FROM INVESTING ACTIVITIES					
Purchases of equipment and leasehold improvements	(9,062,654)	(233,858)	-	-	(9,296,512)
Proceeds from sale of equipment	53,000	-	-	-	53,000
Investment in subsidiary	-	(325,000)	325,000	-	-
Net cash provided by (used in) investing activities	(9,009,654)	(558,858)	325,000	-	(9,243,512)
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from issuance of long-term debt	12,515,570	-	-	-	12,515,570
Net borrowings on lines of credit	12,084,594	200,000	-	-	12,284,594
Principal payments on long-term debt	(10,952,255)	-	-	-	(10,952,255)
Distributions	2,893,902	(5,582,566)	-	-	(2,688,664)
Checks issued in excess of bank balance	(1,758,329)	-	(176)	-	(1,758,505)
Principal payments on financing lease liabilities	(420,867)	-	-	-	(420,867)
Issuance of common stock	5,000	-	-	-	5,000
Repurchase of common stock	(5,000)	-	-	-	(5,000)
Net cash provided by (used in) financing activities	14,362,615	(5,382,566)	(176)	-	8,979,873
NET CHANGE IN CASH AND CASH EQUIVALENTS	5,874,796	251,243	17,398	-	6,143,437
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	848,362	415,375	-	-	1,263,737
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 6,723,158	$ 666,618	$ 17,398	$ -	$ 7,407,174

SUPPLEMENTAL INFORMATION

Operating lease right of use assets obtained in exchange for operating lease liabilities at January 1, 2022 (Note 1	$ 117,239,209	$ 11,357,771	$ -	$ -	$ 128,596,980
Operating lease right of use assets obtained in exchange for new operating lease liabilities	$ 22,860,143	$ -	$ -	$ -	$ 22,860,143
Cash paid during the year for interest	$ 1,180,151	$ 3,444	$ -	$ -	$ 1,183,595
Financing lease right of use assets obtained in exchange for new financing lease liabilities	$ 908,162	$ -	$ -	$ -	$ 908,162
Cash paid during the year for income taxes	$ 260,000	$ -	$ -	$ -	$ 260,000
Financing lease right of use assets obtained in exchange for financing lease liabilities at January 1, 2022 (Note 1	$ 214,011	$ -	$ -	$ -	$ 214,011

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