



February 21, 2025

Eric Hernandez, Acting Executive Director
Certificate of Need Program
Department of Health
Via email: CN@doh.wa.gov; eric.hernandez@doh.wa.gov

Dear Mr. Hernandez:

On behalf of Seattle Rehabilitation Hospital, LLC ("SRH") and Seattle Rehab Real Estate Investors, LLC ("SRREI"), please find our certificate of need request to establish and operate a new 60-bed Inpatient Rehabilitation Hospital in King County. Seattle Rehabilitation Hospital, LLC ("SRH") will be owned by Cross Hospitals, LLC and operated by Nobis Rehabilitation Partners, LLC ("Nobis"), through a Management Services Agreement.¹

Our application is driven by the fact that, based on publicly available information, King County has one of the lowest use rates of rehabilitation services in Washington State, which itself ranks among the lowest in the United States. In other words, *King County residents are underserved with respect to accessible inpatient rehabilitation services.*² Numeric need estimates from the Department's acute care bed need methodology for inpatient rehabilitation beds in King County forecast a decreasing need for such additional inpatient rehab beds. However, national-level rehabilitation trends have diverged from those in Washington State in terms of key metrics including rehab discharges per 1,000 residents, which are increasing in the US, but falling in Washington State.

Given this clear divergence in rehab use rates and the anticipated significant growth in the number of residents aged 65 years and older, a key element of inpatient rehabilitation care, we have developed an alternative rehabilitation bed model. This alternative model reflects documented national and state practice patterns for inpatient rehabilitation and diagnosis prevalence in Washington State and their expected growth. Our alternative model forecasts that King County residents will need approximately 130 to 172 additional inpatient rehabilitation beds by 2038. Based on our 30 years of experience, this finding more accurately reflects the demand for additional inpatient rehabilitation bed capacity among King County residents. Our proposed

¹ As context, Nobis has a singular focus on inpatient rehabilitation. Its leadership team has over 30 years of hospital operator experience, developing, opening and managing inpatient rehab hospitals. the manager of the proposed project, Nobis Rehabilitation Partners, operates fifteen hospitals across several states and currently has an additional five rehab hospital under development.

² RCW 70.38.015 Declaration of Public Policy states in (5), "That health planning should be concerned with public health and health financing, cost, access and quality, recognizing their close interrelationship..." Please see:
<https://app.leg.wa.gov/RCW/default.aspx?cite=70.38.015&pdf=true>



project requesting the development and operation of a new 60-bed inpatient rehabilitation facility responds to current utilization trends and addresses the future need to serve King County residents' increasing healthcare needs.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink that reads "Gina K. Thomas". The signature is written in a cursive style with a large initial "G".

Gina Thomas, RN, Chief Development Officer
Nobis Rehabilitation Partners



Certificate of Need Application Hospital Projects

Exclude hospital projects for sale, purchase, or lease of a hospital, or skilled nursing beds. Use service-specific addendum, if applicable.

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

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

<p>Signatures and Titles of Responsible Officers</p> <p>Gina Thomas, Chief Development Officer Nobis Rehabilitation Partners, LLC Signature: <u></u></p> <p>Deno Maggi, Executive Vice President Seattle Rehab Real Estate Investors, LLC Signature: <u></u></p>	<p>Date: 2.20.2025</p> <p>Phone Numbers and e-mail addresses: 469-640-6507 gthomas@nobisrehabpartners.com</p> <p>903.819.7477 Deno@crossdevelopment.net</p>
<p>Legal Names and Addresses of Applicants:</p> <p>Seattle Rehabilitation Hospital, LLC 450 Century Pkwy, Suite 220 Allen, TX 75013</p> <p>Seattle Rehab Real Estate Investors, LLC 4317 Marsh Ridge Carrollton, Texas 75010</p>	<p><input checked="" type="checkbox"/> New Hospital <input type="checkbox"/> Expansion of existing hospital (identify facility name and license number)</p> <p>Provide a brief description, including the number of beds and the location:</p> <p>A new 60-bed inpatient rehabilitation hospital</p> <p>Estimated capital expenditure: \$55,012,205</p>

<p>Identify the Hospital Planning Area: <u>King County Washington</u></p>

<p>Identify if this project proposes the addition of expansion of one of the following services:</p> <table style="width: 100%; border: none;"> <tr> <td><input type="checkbox"/> NICU Level II</td> <td><input type="checkbox"/> NICU Level III</td> <td><input type="checkbox"/> NICU Level IV</td> <td><input type="checkbox"/> Specialized Pediatric (PICU)</td> <td><input type="checkbox"/> Psychiatric (within acute care hospital)</td> </tr> <tr> <td><input type="checkbox"/> Organ Transplant (identify)</td> <td><input type="checkbox"/> Open Heart Surgery</td> <td><input type="checkbox"/> Elective PCI</td> <td><input checked="" type="checkbox"/> PPS-Exempt Rehab (Level II)</td> <td><input type="checkbox"/> Specialty Burn Services</td> </tr> </table>	<input type="checkbox"/> NICU Level II	<input type="checkbox"/> NICU Level III	<input type="checkbox"/> NICU Level IV	<input type="checkbox"/> Specialized Pediatric (PICU)	<input type="checkbox"/> Psychiatric (within acute care hospital)	<input type="checkbox"/> Organ Transplant (identify)	<input type="checkbox"/> Open Heart Surgery	<input type="checkbox"/> Elective PCI	<input checked="" type="checkbox"/> PPS-Exempt Rehab (Level II)	<input type="checkbox"/> Specialty Burn Services
<input type="checkbox"/> NICU Level II	<input type="checkbox"/> NICU Level III	<input type="checkbox"/> NICU Level IV	<input type="checkbox"/> Specialized Pediatric (PICU)	<input type="checkbox"/> Psychiatric (within acute care hospital)						
<input type="checkbox"/> Organ Transplant (identify)	<input type="checkbox"/> Open Heart Surgery	<input type="checkbox"/> Elective PCI	<input checked="" type="checkbox"/> PPS-Exempt Rehab (Level II)	<input type="checkbox"/> Specialty Burn Services						



Application Instructions

The Certificate of Need Program will use the information in your application to determine if your project meets the applicable review criteria. These criteria are included in state law and rules. Revised Code of Washington (RCW) 70.38 and Washington Administrative Code (WAC) 246-310.

General Instructions:

- Include a table of contents for application sections and appendices/exhibits
- Number **all** pages consecutively
- Make the narrative information complete and to the point.
- Cite all data sources.
- Provide copies of articles, studies, etc. cited in the application.
- Place extensive supporting data in an appendix.
- Provide a detailed listing of the assumptions you used for all of your utilization and financial projections, as well as the bases for these assumptions.
- Under no circumstance should your application contain any patient identifying information.
- Use non-inflated dollars for all cost projections
- **Do not** include a general inflation rate for these dollar amounts.
- **Do** include current contract cost increases such as union contract staff salary increases. You must identify each contractual increase in the description of assumptions included in the application.
- **Do not** include a capital expenditure contingency.

- If any of the documents provided in the application are in draft form, a draft is only acceptable if it includes the following elements:
 - a. identifies all entities associated with the agreement,
 - b. outlines all roles and responsibilities of all entities,
 - c. identifies all costs associated with the agreement,
 - d. includes all exhibits that are referenced in the agreement, and
 - e. any agreements in draft form must include a document signed by both entities committing to execute the agreement as submitted following CN approval.

Do not skip any questions in this application. If you believe a question is not applicable to your project, explain why it is not applicable.

Seattle Rehabilitation Hospital
Certificate of Need Application
to Establish a 60-bed Inpatient Rehabilitation Hospital

Table of Contents

I.	Applicant Description.....	8
II.	Facility Description	10
III.	Project Description	12
IV.	Certificate of Need Review Criteria.....	15
	A. Need (WAC 246-310-210)	15
	B. Financial Feasibility (WAC 246-310-220).....	31
	C. Structure and Process of Care (WAC 246-310-230)	36
	D. Cost Containment (WAC 246-310-240)	42
V.	Addendum for Hospital Projects	45
	A. General Questions – Applicable to ALL Tertiary Service Projects except for PCI...45	
	B. Psychiatric Unit Projects Only	47
	C. Rehabilitation Unit Projects Only.....	48
	D. NICU Projects ONLY	49

Table of Tables

Table 1: King County Adult Inpatient Rehabilitation Facilities	15
Table 2: Historical Rehabilitation Patient Days by Planning Area for Adults Age 15+, 2014 to 2023	17
Table 3: Historical Rehabilitation Use Rates by Planning Area for Adults Age 15+, 2014 to 2023	18
Table 4: Planning Area Use Rates by Age Group	19
Table 5: Forecasted Planning Area Patient Days, 2023 to 2038	20
Table 6: Planning Area Rehabilitation Bed Need Forecast for Adults Age 15+, 2023, 2030 and 2038	21
Table 7: SRH Utilization Forecast, 2028 to 2032	27
Table 8: NWRH Utilization Forecast, 2033 to 2038	28
Table 9: Capital Expenditure Table	32
Table 10: Nobis Facility List	36
Table 11: Patient Care Staffing Assumptions.....	37
Table 12: Promoting Access to Healthcare Services.....	42
Table 13: Promoting Quality of Care	42
Table 14: Cost Efficiency and Capital Impacts	43
Table 15: Legal Restrictions.....	43

Table of Exhibits

Exhibit #	Exhibit Name
1	Organizational charts
2	Management Services Agreement
3	Letter of intent
4	Single-line drawings
5	Zoning Verification Letter
6	Washington Department of Health Inpatient Rehabilitation Bed Need Methodology
7	Alternative rehabilitation bed need methodology
8	Financial Assistance, Admission, Non-Discrimination, and Patient Rights and Responsibilities Policies
9	Policies Related to the Provision of Culturally and Linguistically Appropriate Care
10	Financial Pro Forma
11	Operating Agreements
12	Site control documentation
13	Contractor letter
14	Letters of Financial Commitment
15	Equipment List

Introduction and Rationale

Seattle Rehabilitation Hospital, LLC (“SRH”) and Seattle Rehab Real Estate Investors, LLC (“SRREI”), request Certificate of Need approval to establish a freestanding 60-bed inpatient rehabilitation hospital in South King County. SRH will be owned by Cross Hospitals, LLC and operated by Nobis Rehabilitation Partners, LLC (“Nobis”), through a Management Services Agreement.

King County has one of the lowest use rates of rehabilitation services in Washington State, which itself ranks among the lowest in the United States. Therefore, we have identified King County and its residents as a community in need of additional inpatient rehabilitation services.

Nobis has a singular focus on inpatient rehabilitation and is dedicated to delivering the highest level of rehab services to King County residents who need these services. The leadership team at Nobis has over 30 years of hospital operator experience, developing, opening, and managing inpatient rehab hospitals (“IRF”).¹ Nobis inpatient rehab hospitals are free-standing acute care specialty hospitals that primarily receive discharged adult patients from acute care hospitals, as well as a small number of patients referred from physician offices, skilled nursing facilities, home health agencies, and other referral sources. Nobis receives these patients who require intensive rehabilitation care following a disabling illness or traumatic injury.

Upon opening, our hospitals care for the primary categories of rehabilitation including stroke, brain injury, neurological disorders, spinal cord injury, major multiple traumas, orthopedic injury, amputation, and medically disabling conditions. Over time, our hospital team collaborates with our Medical Director and Associate Medical Director to determine services requiring further investment based on community need. As an example, in Shreveport, the prevalence of diabetes is very high compared to other markets and correspondingly our Shreveport rehabilitation hospital prioritizes stroke rehabilitation services and was recently designated as a Center of Excellence for Stroke and Rehabilitation Services by the Center for Improvement in Healthcare Quality (CIHQ).

There exists a current need for inpatient rehabilitation services beyond the numeric need estimates from the Department’s acute care bed need methodology. For rehabilitation services, Washington State has one of the lowest bed-to-population ratios in the entire nation, and King County has the second lowest ratio in Washington State.²

¹ Medicare has historically referred to freestanding rehabilitation hospitals as Inpatient Rehabilitation Facilities, or IRFs, and hospital-based inpatient rehabilitation units as Inpatient Rehabilitation Units, or IRUs. For consistency, this same terminology is used throughout this application.

² ahd.com; reflects Worksheet S-3 of the most recent Medicare Cost Report (FY 2023 or FY 2024) for all inpatient rehabilitation providers in the country. Washington State is calculated as having about 5 beds per 100,000 persons, leading to a ranking of 46 among the 50 states and Washington DC. The King County ratio is calculated at 4.1, which is among the lowest of all WA counties with inpatient rehab providers.

Despite an adult population of nearly 2 million residents, the Department's methodology forecasts minimal future need for additional rehabilitation services in King County beyond the current supply of 93 beds at Swedish Cherry Hill, EvergreenHealth, Harborview, and UWMC.

The access to inpatient rehabilitation care in King County is in contrast to Pierce County, immediately south of King County, which supports over 100 rehabilitation beds with less than half the population of King County, and Spokane County, which supports a 72-bed rehabilitation hospital with less than a fourth of King County's population.

National-level rehabilitation trends have diverged from those in Washington State. Between 2014 and 2023, rehabilitation use declined in Washington State but increased across the US overall. This divergence is reflected by comparing national figures to comparable Washington State figures for both the growth in the volume of discharges, as well as the use rate of inpatient rehabilitation services. In the U.S. as a whole, in 2014, there were about 477,243 discharges, representing about 1.6 rehab discharges per 1,000 persons. In 2023, the number of rehabilitation discharges increased to about 592,037 discharges, representing about 1.77 rehab discharges per 1,000 persons. In contrast, this use rate for Washington State declined from about 0.78 rehab discharges per 1,000 persons in 2014 to about 0.58 in 2024.³

Given this clear divergence in rehab use rates, in addition to considering the Department's acute care bed need methodology, modified for inpatient rehabilitation, we also provide an alternative rehabilitation bed model ("Alternative Model") based upon sound planning assumptions that reflect documented national and state practice patterns for inpatient rehabilitation and diagnoses prevalence in Washington State which can be used to accurately estimate current and future need for inpatient rehab care. This Alternative Model forecasts King County residents will need approximately 130 to 182 additional inpatient rehabilitation beds by 2038.⁴ Based on our 30 years' experience in meeting communities' healthcare needs and specific to inpatient rehabilitation services, the Alternative Model more accurately reflects community needs and King County resident demand for rehabilitation services than the DOH methodology. The proposed project requesting the development and operation of a new 60-bed inpatient rehabilitation facility responds to current utilization trends and addresses the future need to serve King County residents' increasing healthcare needs.

³ The source of this data is Uniform Data Systems for Medical Rehabilitation (UDSMR) which is an outcome measurement system that captures approximately 75 – 80 percent of rehabilitation discharges nationally.

⁴ Range based on highest and lowest forecast values across both need calculation methods (Version 1 in Figure 15, and Version 2 in Figure 18).

I. Applicant Description

- 1. Provide the legal name and address of the applicant(s) as defined in WAC 246-310-010(6).**

The legal names of the applicants are Seattle Rehabilitation Hospital, LLC (“SRH”) and Seattle Rehab Real Estate Investors, LLC (“SRREI”). SRH is owned by Cross Hospitals LLC, which is a joint venture between Kennor Cross Hospital Investors, LLC and Nobis Hospital Investments, LLC. Presently, the address of SRH is:

Seattle Rehabilitation Hospital, LLC
450 Century Pkwy, Suite 220
Allen, TX 75013

The address of Seattle Rehab Real Estate Investors is:

Seattle Rehab Real Estate Investors, LLC
4317 Marsh Ridge
Carrollton, Texas 75010

- 2. Identify the legal structure of the applicant (LLC, PLLC, etc.) and provide the unified business identifier (UBI).**

Seattle Rehabilitation Hospital and Seattle Rehab Real Estate Investors are both Limited Liability Corporations (LLCs).

The UBI of SRH is: 605 646 793.

The UBI of SRREI is: 605 673 798.

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

Gina Thomas
Chief Development Officer
Nobis Rehabilitation Partners, LLC
450 Century Parkway, Suite 220
Allen, TX 75013
469-640-6507
gthomas@nobisrehabpartners.com

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

Frank Fox, PhD
Consultant
511 NW 162nd
Shoreline, WA 98177
206-366-1550
frankqfox@comcast.net

- 5. Provide an organizational chart that clearly identifies the business structure of the applicant(s).**

Please see Exhibit 1 for organizational charts for SRH and SRREI.

II. Facility Description

1. Provide the name and address of the existing facility

This question is not applicable.

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

The proposed facility name is Seattle Rehabilitation Hospital, LLC. It will be located across the three parcels 768280-0020, 768280-0025, and 768280-0030. The address will be assigned following construction of the facility, expected to be completed in the first quarter of 2028 given anticipated Department approval in September 2025.

3. Confirm that the facility will be licensed and certified by Medicare and Medicaid. If this application proposes the expansion of an existing facility, provide the existing identification numbers.

We confirm the proposed facility will be licensed and certified by Medicare and Medicaid.

4. Identify the accreditation status of the facility before and after the project.

The proposed rehabilitation hospital, like all Nobis rehabilitation hospitals, will be accredited by the Center for Improvement in Healthcare Quality (“CIHQ”).

5. Is the facility operated under a management agreement?

Yes No

If yes, provide a copy of the management agreement.

Please see Exhibit 2 for the Management Services Agreement (“MSA”) between Seattle Rehabilitation Hospital LLC and Nobis Rehabilitation Partners, LLC.

6. Provide the following scope of service information:

Service	Currently Offered?	Offered Following Completion?
Alcohol and Chemical Dependency	<input type="checkbox"/>	<input type="checkbox"/>
Anesthesia and Recovery	<input type="checkbox"/>	<input type="checkbox"/>
Cardiac Care	<input type="checkbox"/>	<input type="checkbox"/>

Cardiac Care – Adult Open-Heart Surgery	<input type="checkbox"/>	<input type="checkbox"/>
Cardiac Care – Pediatric Open-Heart Surgery	<input type="checkbox"/>	<input type="checkbox"/>
Cardiac Care – Adult Elective PCI	<input type="checkbox"/>	<input type="checkbox"/>
Cardiac Care – Pediatric Elective PCI	<input type="checkbox"/>	<input type="checkbox"/>
Diagnostic Services	<input type="checkbox"/>	<input type="checkbox"/>
Dialysis – Inpatient	<input type="checkbox"/>	<input type="checkbox"/>
Emergency Services	<input type="checkbox"/>	<input type="checkbox"/>
Food and Nutrition	<input type="checkbox"/>	<input type="checkbox"/>
Imaging/Radiology	<input type="checkbox"/>	<input type="checkbox"/>
Infant Care/Nursery	<input type="checkbox"/>	<input type="checkbox"/>
Intensive/Critical Care	<input type="checkbox"/>	<input type="checkbox"/>
Laboratory	<input type="checkbox"/>	<input type="checkbox"/>
Medical Unit(s)	<input type="checkbox"/>	<input type="checkbox"/>
Neonatal – Level II	<input type="checkbox"/>	<input type="checkbox"/>
Neonatal – Level III	<input type="checkbox"/>	<input type="checkbox"/>
Neonatal – Level IV	<input type="checkbox"/>	<input type="checkbox"/>
Obstetrics	<input type="checkbox"/>	<input type="checkbox"/>
Oncology	<input type="checkbox"/>	<input type="checkbox"/>
Organ Transplant - Adult (list types, if applicable)	<input type="checkbox"/>	<input type="checkbox"/>
Organ Transplant - Pediatric (list types, if applicable)	<input type="checkbox"/>	<input type="checkbox"/>
Outpatient Services	<input type="checkbox"/>	<input type="checkbox"/>
Pediatrics	<input type="checkbox"/>	<input type="checkbox"/>
Pharmaceutical	<input type="checkbox"/>	<input type="checkbox"/>
Psychiatric	<input type="checkbox"/>	<input type="checkbox"/>
Skilled Nursing/Long Term Care	<input type="checkbox"/>	<input type="checkbox"/>
Rehabilitation (Level II)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Respiratory Care	<input type="checkbox"/>	<input type="checkbox"/>
Social Services	<input type="checkbox"/>	<input type="checkbox"/>
Surgical Services	<input type="checkbox"/>	<input type="checkbox"/>

III. Project Description

1. Provide a detailed description of the proposed project. If it is a phased project, describe each phase separately. For existing facilities, this should include a discussion of existing services and how these would or would not change as a result of the project.

Seattle Rehabilitation Hospital and Seattle Rehab Real Estate Investors seek to establish a freestanding 60-bed inpatient rehabilitation hospital in King County. This rehabilitation hospital will principally admit patients discharged from acute care hospitals, as well as a small number of patients referred from physician offices, skilled nursing facilities, home health agencies, and other referral sources who require intensive rehab care following a disabling illness or traumatic injury. Upon opening, consistent with Medicare regulations, our hospitals care primarily for categories of rehabilitation including stroke, brain injury, neurological disorders, spinal cord injury, major multiple traumas, orthopedic injury, amputation, and medically disabling conditions.

2. If your project involves the addition or expansion of a tertiary service, confirm you included the applicable addendum for that service. Tertiary services are outlined under WAC 246-310-020(1)(d)(i).

The proposed project is for a Level II PPS Exempt Rehab hospital. Thus, this question is not applicable per WAC246-310-020(1)(d)(i)(F).

3. Provide a breakdown of the beds, by type, before and after the project. If the project will be phased, include columns detailing each phase.

	Current	Proposed
General Acute Care		
PPS Exempt Psych		
PPS Exempt Rehab (Level II)	0	60
NICU Level II		
NICU Level III		
NICU Level IV		
Specialized Pediatric		
Skilled Nursing		
Swing Beds (included in General Acute Care)		
Total	0	60

4. Indicate if any of the beds listed above are not currently set-up, as well as the reason the beds are not set up.

This question is not applicable.

- 5. With the understanding that the review of a Certificate of Need application typically takes six to nine months, provide an estimated timeline for project implementation, below. For phased projects, adjust the table to include each phase.**

Event	Anticipated Month/Year
Anticipated CN Approval	September 2025
Design Complete	February 2026
Construction Commenced	September 2026
Construction Completed	March 2028
Facility Prepared for Survey	April 2028
Facility Licensed - Project Complete WAC 246-310-010(47)	May 2028

- 6. Provide a general description of the types of patients to be served as a result of this project.**

This rehabilitation hospital will serve adults and adolescent patients discharged from acute care hospitals, as well as a small number of patients referred from physician offices, skilled nursing facilities, home health agencies, and other referral sources who require intensive rehab care following a disabling illness or traumatic injury. Upon opening, consistent with Medicare regulations, our hospitals care primarily for categories of rehabilitation including stroke, brain injury, neurological disorders, spinal cord injury, major multiple traumas, orthopedic injury, amputation, and medically disabling conditions.

- 7. Provide a copy of the letter of intent that was already submitted according to WAC 246-310-080.**

Please see Exhibit 3 for the Letter of Intent

- 8. Provide single-line drawings (approximately to scale) of the facility, both before and after project completion. For additions or changes to existing hospitals, only provide drawings of those floor(s) affected by this project.**

Please see Exhibit 4 for single-line drawings of the proposed facility.

- 9. Provide the gross square footage of the hospital, with and without the project.**

Gross square footage of hospital: 64,763 square feet.

- 10. If this project involves construction of 12,000 square feet or more, or construction associated with parking for 40 or more vehicles, submit a copy of either an Environmental Impact Statement or a Declaration of Non-Significance from the appropriate governmental authority. [WAC 246-03-030(4)]**

Please see Exhibit 5 for a letter from Jason Woycke, AICP, Senior Planner, Des Moines, Washington, confirming Specialty Hospitals are a permitted use in the W-C Zone.

- 11. If your project includes construction, indicate if you've consulted with Construction Review Services (CRS) and provide your CRS project number.**

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 246-320-500 through WAC 246-320-600). 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. Note that WAC 246-320-505(2)(a) requires that hospital applicants request and attend a presubmission conference for any construction projects in excess of \$250,000.

We have not yet consulted with CRS and will submit a formal application once CN approval has been secured. However, Cross Development, which initially secured the land and will pass control of the site to SRREI, has been in communication with the City of Des Moines Planning, Building, and Public Works department, which completed a Pre-Application review on November 19, 2024. This review confirmed that the proposed project would be permitted at the proposed site, and identified building, engineering, and environmental standards which the proposed project will meet once constructed.

IV. Certificate of Need Review Criteria

A. Need (WAC 246-310-210)

WAC 246-310-210 provides general criteria for an applicant to demonstrate need for healthcare facilities or services. Documentation provided in this section must demonstrate that the proposed project will be needed, available, and accessible to the community it proposes to serve. Do not skip any questions. If you believe a question is not applicable to your project, explain why it is not applicable.

1. List all other acute care hospitals currently licensed under RCW 70.41 and operating in the hospital planning area affected by this project. If a new hospital is approved, but is not yet licensed, identify the facility.

Five hospitals in King County currently have inpatient rehabilitation units. This includes Virginia Mason Medical Center, which has licensed rehabilitation beds but appears to no longer provide any rehabilitation services.⁵ We present these facilities in Table 1.

Hospital Name	License Number	IRF/IRU Beds
EvergreenHealth Kirkland	164R	14
Swedish Cherry Hill	3R	36
UW Medicine/Harborview Medical Center	29R	24
UW Medicine/University of Washington Medical Center	128R	19
Virginia Mason Medical Center*	10R	0
Total		93

Sources: 2021 & 2023 Acute Care Bed Survey, CN1552, CN1966, CN1910 for DOR22-04, CN1456.

Notes:
 *Virginia Mason Medical Center has not recorded discharges from its IRU since 2015 and currently refers persons interested in inpatient rehabilitation to the Virginia Mason Franciscan Health Rehabilitation Hospital in Tacoma. Seattle Children’s Hospital has a 16-bed pediatric rehabilitation unit in King County and is excluded based on its pediatric focus.

⁵ The last year of any recorded utilization within the Virginia Mason rehabilitation unit was 2015. Since then, it has not reported any discharges and Virginia Mason currently refers persons interested in inpatient rehabilitation to the Virginia Mason Franciscan Health Rehabilitation Hospital in Tacoma (<https://www.vmfh.org/our-services/therapy-services>, Last Accessed December 15, 2022).

2. For projects proposing to add acute care beds, provide a numeric need methodology that demonstrates need in this planning area. The numeric need methodology steps can be found in the Washington State Health Plan (sunset in 1989).

The proposed SRH freestanding rehabilitation hospital will serve as a regional destination for high quality inpatient rehabilitation care for patients throughout King County, as does CHI Franciscan Rehabilitation Hospital in Pierce County and St. Luke's Rehabilitation Institute in Spokane County. There appears to be significant community demand for dedicated rehabilitation hospitals, and this method of care delivery for rehabilitation services is expanding, with Northwest Rehabilitation Hospital approved and recently opened in Snohomish County and a new rehabilitation hospital currently under review for Clark County. CHI Franciscan Rehabilitation Hospital opened in May 2018, and experienced rapid increases in utilization. Average occupancy equaled about 45% in 2019, about 53% in 2020, and in 2021, was over 60%.⁶ In 2023, occupancy was about 65%.⁷

As documented in Exhibit 7, national-level rehabilitation trends have diverged from those in Washington State. Between 2014 and 2023, rehabilitation use declined in Washington State but increased across the US overall. This divergence is reflected in both the volume of discharges and the use rate of rehabilitation services. In the US as a whole, in 2014, there were about 477,243 discharges nationally, representing about 1.6 rehab discharges per 1,000 persons. By 2023, this US figure increased to about 592,037 discharges nationally, representing about 1.77 rehab discharges per 1,000 persons. In contrast, this use rate for Washington State declined from about 0.78 in 2014 to about 0.58 rehab discharges per 1,000 persons in 2024.⁸ Given this divergence, in addition to considering the Department's acute care bed need methodology in this application, modified for inpatient rehabilitation, we also provide an alternative rehabilitation bed model ("Alternative Model") based upon sound planning assumptions that reflect documented national and state practice patterns for inpatient rehabilitation. This Alternative Model forecasts that King County residents will need an additional 130 to 182 beds by 2038.⁹ Based on our 30 years' experience in meeting communities' healthcare needs and specific to inpatient rehabilitation services, the Alternative Model more accurately reflects community needs and King County resident demand for rehabilitation services

⁶ CHARS 2019-2021. In 2019 CHARS indicates a total of 9,924 patient days occurred at CHI Rehabilitation Hospital, for an ADC of 27.2 and occupancy of 45% based on a supply of 60 beds. In 2020, CHARS indicates a total of 11,623 patient days, for an ADC of 31.8 and an occupancy of 53% based on a supply of 60 beds. In 2021, CHARS indicates a total of 13,295 patient days, for an ADC of 36.4 and an occupancy of 60.7% based on a supply of 60 beds.

⁷ CHARS 2023. In 2023, CHARS indicates a total of 14,190 patient days, for an ADC of 38.9 and an occupancy of 64.8% based on a supply of 60 beds.

⁸ Source is UDSMR. See Footnote 3.

⁹ Range based on highest and lowest forecast values across both need calculation methods (Version 1 in Figure 15, and Version 2 in Figure 18).

than the DOH methodology. The proposed project requesting approval to develop and operate a new 60-bed inpatient rehabilitation facility responds to current utilization trends and addresses the future Planning Area need for additional inpatient rehabilitation beds in King County.

The Department Numeric Need Methodology, modified for inpatient rehabilitation beds, shows very little current and future need for additional rehabilitation beds in King County beyond the existing 93 beds at EvergreenHealth in Kirkland, and Swedish Cherry Hill, UW Harborview, and UW Northwest, all located in Seattle. However, there are factors that influence this forecast lack of need. First, the Need Methodology bases estimates of demand on residents’ historical utilization of inpatient care, including inpatient rehabilitation beds, in a “planning area” such as King County. Residents’ historical utilization is impacted by the existing planning area supply. Second, there is significant outmigration from King County for inpatient rehabilitation care, more than three times that of the outmigration rate for general acute care services. The DOH model assumes this outmigration will persist, but itself is indicative of lack of access to inpatient rehabilitation care in King County. Last, and most importantly, King County residents’ use of rehabilitation appears to reflect lack of access to comprehensive rehabilitation services, such as those available at freestanding rehabilitation hospitals. We address this more fully in our discussion of the Alternative Model in Exhibit 7. We summarize the Department’s Numeric Need Methodology below, which we present fully in Exhibit 6.

Washington State Health Plan Numeric Need Methodology

STEP 1: Compile state historical utilization data on rehabilitation for at least ten years preceding the base year.

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
HSA1	42,676	38,318	39,081	36,964	35,131	36,629	40,627	41,193	38,717	39,701
King County	15,625	13,961	13,889	13,869	13,926	14,633	15,123	14,619	14,221	13,267
STATEWIDE TOTAL	76,822	69,718	73,204	68,504	64,353	66,373	71,066	68,948	63,241	65,431

Source: CHARS 2014 to 2023

STEP 2: Subtract psychiatric patient days from each year’s historical data

Because this model is specific to rehabilitation days only, this step is not applicable.

STEP 3: For each year, compute the planning area, statewide, and HSA average rehab use rates

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
HSA1	12.0	10.6	10.6	9.8	9.1	9.4	10.1	10.2	9.4	9.5
King County	9.4	8.3	8.0	7.8	7.7	7.9	8.0	7.7	7.3	6.7
STATEWIDE TOTAL	10.5	9.4	9.7	9.0	8.4	8.5	9.1	8.8	8.0	8.2

Source: CHARS 2014 to 2023

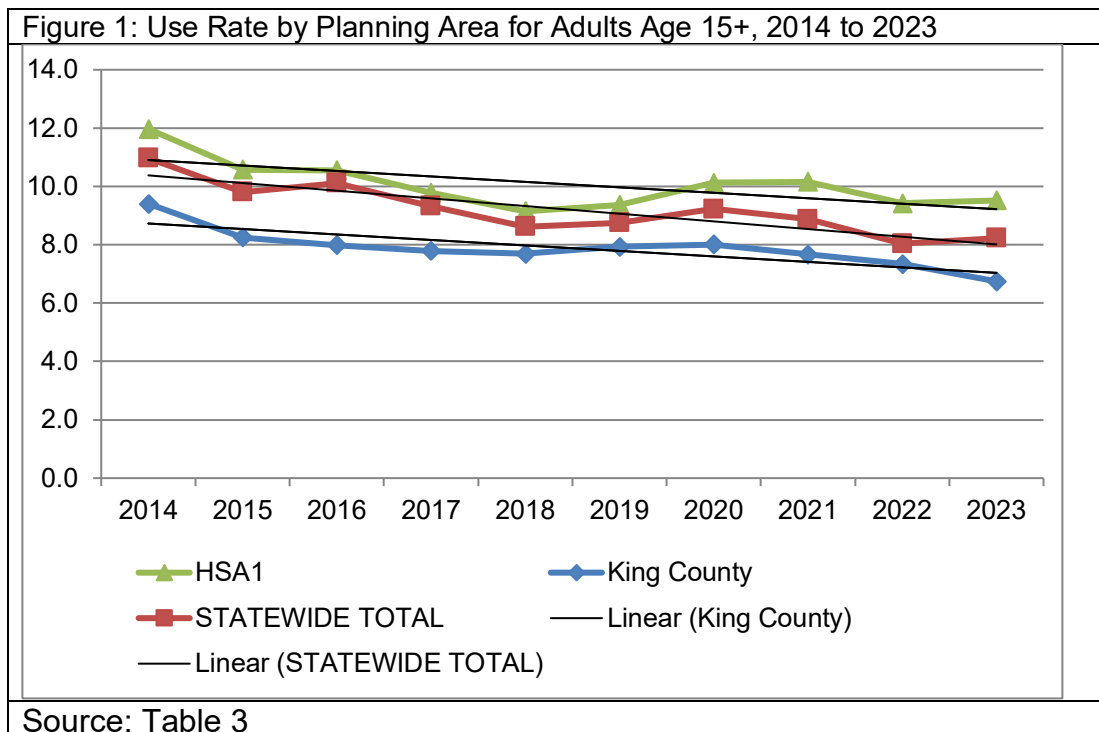
STEP 4: Using the ten-year history of use rates, compute the use rate trend line, and its slope, for each HSA and the state as a whole

Slope coefficients:

HSA 1: -0.187

King County: -0.188

Washington State: -0.263



STEP 5: Using the latest statewide patient origin study, allocate rehabilitation patient days reported in hospitals back to the hospital planning areas where patients live

For purposes of the bed need model—to estimate migration into and out of the Planning Area—the analysis divides rehab patient days into two planning areas: the King County Planning Area, and all other Washington State counties. The analysis indicates there was 26.13% outmigration of rehab patient days of King County residents 15-64 years old, and 31.18% out-migration of patient days of King County residents 65 years and older to rehabilitation hospitals or hospital units in other planning areas.¹⁰ The analysis also indicates there was a 22.48% in-migration of rehabilitation patient days into King County from Washington State residents from other counties who were 15-64 years old, and 11.05% in-migration from non-county residents who were 65 years old and older.

STEP 6: Compute each hospital planning area’s rehab use rate for each of the age groups considered (age 15 to 64 and 65+)

Table 4: Planning Area Use Rates by Age Group		
	King County	All Other Washington Counties
USE RATES		
15-64	3.92	4.16
65+	20.44	30.02

Source: CHARS 2023

STEP 7a: Forecast each hospital planning area’s use rates for the target year by “trend-adjusting” each age-specific use rate. The use rates are adjusted upward or downward in proportion to the slope of either the statewide ten-year use rate trend or the Health Service Area’s ten-year use rate trend, whichever trend would result in the smaller adjustment.

The slope of the HSA 1 ten-year use rate trend was applied to the forecasted use rates, as this number was the smallest in overall magnitude.

Step 7B: Possible Adjustment for HMO populations.

Not applicable

Step 8: Forecast rehab patient days for each hospital planning area by multiplying the area’s trend-adjusted use rates for the age groups by the area’s forecasted population (in thousands) in each age group at the target year. Add rehab patient days in each age group to determine total forecasted patient days.

¹⁰ We note these outmigration numbers are similar, but not exactly equal to those estimated in the Alternative Need Methodology in Exhibit 7 due to differences in source data.

Table 5: Forecasted Planning Area Patient Days, 2023 to 2038			
	2023	2030	2038
King County Planning Area			
USE RATES			
15-64	3.92	2.61	1.11
65+	20.44	19.13	17.63
15-64	1,629,933	1,701,649	1,789,861
65+	336,602	426,668	501,497
TOTALS	1,966,535	2,128,317	2,291,358
15-64	6,388	4,440	1,991
65+	6,879	8,161	8,841
TOTALS	13,267	12,601	10,833
Source: Table 4 for use rates; Figure 1 HSA 1 Slope Coefficient equal to -0.187; OFM Population Estimates and Projection (2022 Release) for population			

Step 9: Allocate the forecasted rehab patient days to the planning areas where services are expected to be provided in accordance with (a) the hospital market shares and (b) the percent of out-of-state use of Washington hospitals, both derived from the latest statewide patient origin study.

This step uses the 2023 in- and out-migration percentages from Step 5 and applies them to forecast rehab patient days to estimate patient days for residents who remain in the Planning Area, plus residents who in-migrate to Planning Area rehab providers. The in-migration ratio, which is used in Step 10, is calculated based on all resident rehab patient days to the Planning Area hospitals divided by all Planning Area resident rehab days, by age cohort.

Step 10: Applying weighted average occupancy standards, determine each planning area’s rehab bed need.

In determining bed need for new hospital requests, the Department uses a “target year,” which it currently defines as fifteen (15) years after the last full year of actual patient day statistics. In the case of the requested project, which includes a new rehabilitation hospital, the Department would consider 2038 as its “target year.” Table 6 presents the Department forecast methodology for 2023 (“base year”) and forecast periods of 7 years (2030) and 15 years (2038), which in this case is the target year.

We note that in response to 2023 revisions to 42 CFR Part 2, similar to the 2022 CHARS file, the 2023 CHARS file redacted the county and zip code of residence

for discharges where a procedure or diagnosis code was associated with substance use or abortion-related services. For discharges where abortion-related services were identified, the hospital and state of residence were also redacted. In 2023, this affected about 99,000 of the approximately 614,000 discharges in CHARS (about 16%). Over 99% of these censored discharges were associated with substance use only. This has a significant impact on the standard bed need methodology where use rate trends are calculated for the state and health service area, and baseline use rates are calculated for zip code or county-based hospital planning areas. As such, we have revised the need methodology to address the issues due to redaction. The modified need methodology calculates patient day utilization and use rate trends for non-redacted data; discharges from earlier years (CHARS 2013-2021) are excluded based on a list of diagnosis and procedure codes of substance use and abortion-related services provided by the Department of Health.¹¹ In the final step of the modified need methodology, we apply a demand adjustment including both redacted/flagged and non-redacted/flagged utilization for discharges redacted due to substance use diagnoses. Using this demand adjustment, we estimate total projected patient day utilization at planning area hospitals (Table 6).

Table 6: Planning Area Rehabilitation Bed Need Forecast for Adults Age 15+, 2023, 2030 and 2038

	2023	2030	2038	Average Annual Growth
King County Planning Area	Year 0	Year 7	Year 15	
Population 15-64 (1)	1,629,933	1,701,649	1,789,861	0.6%
15-64 Use Rate (2)	3.92	2.61	1.11	-8.1%
Population 65+ (1)	336,602	426,668	501,497	2.7%
65+ Use Rate (2)	20.44	19.13	17.63	-1.0%
Total Population	1,966,535	2,128,317	2,291,358	1.0%
Total King County Planning Area Resident Days	13,267	12,601	10,833	-1.3%
Total Days in Planning Area Hospitals (Excluding SUD/Abortion Flagged Utilization)	19,277	17,722	14,679	-1.8%
Planning Area Hospital(s) flagged utilization as % of	14%	14%	14%	

¹¹ The Department of Health has a list of ICD-10 diagnosis and procedure codes for substance use, as well as ICD-9 and ICD-10 diagnosis and procedure codes for abortions. We have further developed a list of ICD-9 substance use codes to be consistent with the available ICD-10 codes.

non-flagged patient days (3)				
Total Days in Planning Area Hospitals (Including estimate of SUD/Abortion Flagged Utilization) (3)	22,049	20,270	16,789	-1.8%
Available Beds (4)				
<i>EvergreenHealth Kirkland</i>	14	14	14	
<i>Swedish Cherry Hill</i>	36	36	36	
<i>UW Medicine/Harborview Medical Center</i>	24	24	24	
<i>UW Medicine/University of Washington Medical Center/Northwest Hospital</i>	19	19	19	
TOTAL	93	93	93	
Wtd Occ Std (5)	60.00%	60.00%	60.00%	
Gross Bed Need (TPD/365/Occupancy)-- Demand	100.7	92.6	76.7	-1.8%
Bed Supply	93.0	93.0	93.0	
Net Bed Need/Surplus (Demand - Supply)	8	0	-16	
Sources: (1) Population Sources: OFM SADE; OFM Medium Series Projections (2022 Release); OFM Forecast of the State Population by Age and Sex; (2) Resident (Age 15 and older) Use Rate Data Source: CHARS. See Steps 5 & 6. Future use rates adjusted per slope trends from Step 4; (3) Flagged utilization as % of non-flagged patient days based on most recent 5-year average. Note that the difference between the Year 0 Total Days and the unadjusted days in PA hospitals is caused by using the 5-year average rather than the base year only. (4) Bed supply sources: EvergreenHealth: CN23-12; Swedish Cherry Hill: 2021 Acute Care Bed survey; Harborview: CN1966; UWMC: CN1910 for DOR22-04; Virginia Mason: Department Eval of CN19-18; (5) Weighted Occupancy: Calculated per 1987 Washington State Health Plan as the sum, across all hospitals in the planning area, of each hospital's occupancy rate times that hospital's percentage of total beds in the area.				

Table 6 indicates a current shortage of 8 rehab beds, given the 93 beds currently in operation, which is then forecast to fall, then become a 16-bed surplus in 2038. This negative trend is driven by the negative slope coefficients calculated in Step 4. Oddly, this forecast methodology predicts that King County, the most populous county in Washington State by a significant margin, will struggle to support even the 93 rehabilitation beds in Seattle and Bellevue. The access to inpatient rehab services differs in other Washington State counties with dedicated rehabilitation hospitals such as Spokane County. The population of Spokane County, with about a quarter of the population of King County, supports a 72-bed rehabilitation hospital in St. Luke's. For these reasons, we rely on the Alternative Model detailed in Exhibit 7 as a more accurate methodology to demonstrate additional need for inpatient rehabilitation beds for King County residents.

The Department's Bed Need Methodology was initially defined in the State Health Plan, which was sunset in 1989.¹² Within the sunset State Health Plan, in Volume 2, Section C, Chapter 4, Hospital Bed Need Forecasting Method, subchapter c--Criteria and Standards for Evaluation and Use of Method, Criterion (3) Criteria and Standards, Subcriterion (2) Need for Multiple Criteria, it states:

Under certain conditions, institutions may be allowed to expand even though the bed need forecasts indicate that there are underutilized facilities in the area. The conditions might include the following:

- The proposed development would significantly improve the accessibility or acceptability of services for underserved groups; or
- The proposed development would allow expansion or maintenance of an institution which has staff who have greater training or skill, or which has a wider range of important services, or whose programs have evidence or better results than neighboring and comparable institutions; ...

In such cases, the benefits of expansion are judged to outweigh the potential costs of possible additional surplus.¹³

Thus, the Department Bed Need Methodology contains provisions that allow project approval where the Acute Care Bed Need Methodology does not demonstrate quantitative bed need for a proposed project such as this CN request.

As discussed above, in our opinion, the application of the Department's bed need model applied to inpatient rehabilitation beds in King County, results in forecasts of net bed need which are biased downward. *Specifically, the rehabilitation bed model indicates there is net need for an additional 8 inpatient rehabilitation beds in King County in 2023, which then falls and becomes a bed surplus of 16 inpatient rehabilitation beds in 2038.* In other words, this bed need methodology suggests that the additional demand for rehabilitation beds in the county will decrease over time; the 60 additional rehabilitation beds requested in this application are not supported by this methodology.

As stated above, in our professional and rehab expert opinion, this methodology, developed in 1987, does not reflect current and forecasted rehabilitation utilization patterns. On this basis and supported by the State Health Plan's *Need for Multiple Criteria* statements, we have developed an Alternative Model for the Department's consideration. The Alternative Model more accurately reflects recent utilization trends for the rehabilitation industry and, most importantly, the

¹² https://www.doh.wa.gov/portals/1/Documents/2300/hospital_bed_need_method.pdf

¹³ Ibid, p. C-28.

unmet rehabilitation needs of King County residents and the needs of surrounding counties.

The Alternative Model evaluates five factors, which in our opinion, raise this rehabilitation bed need question to the level as outlined in the State Health Plan's Need for Multiple Criteria, particularly access and availability of specialized rehabilitation care available at dedicated, freestanding rehabilitation hospitals, as we have proposed. The factors include:

1. National Inpatient Rehabilitation Trends

- National rehabilitation utilization has been consistently increasing for the last 10 years. This contrasts with Washington State trends showing downturns in rehabilitation bed utilization.
- Between 2010 and 2024 (estimate), the national utilization of inpatient rehabilitation increased every year, except for a decrease in 2020 that was due to the impact of the COVID pandemic. The total growth in rehabilitation utilization from 2010 – 2024, including the COVID period was 30.9 percent.

2. Medicare Utilization of Inpatient Rehabilitation

- Medicare beneficiaries represent 71% of all rehabilitation admissions annually, thus Medicare enrollee utilization trends are very important.
- Because of the rapidly aging population, continued growth in Medicare rehabilitation utilization is expected for the foreseeable future, although the industry will continue to experience a shift from Medicare Fee-For-Service patients (i.e., Medicare FFS/Traditional Medicare) to Medicare Advantage (i.e., Medicare Managed Care) as more eligible Medicare beneficiaries choose Medicare Advantage plans.
- Additionally, during this time, the percent of Medicare FFS patients who were discharged from acute care hospitals to inpatient rehabilitation increased from 3.3 percent in 2009 to an estimated 4.6 percent in 2022, indicating increased utilization of inpatient rehabilitation by the Medicare population.

3. Site of Care Changes for Inpatient Rehabilitation

- Inpatient rehabilitation care is increasingly being provided in freestanding rehabilitation hospitals as compared to hospital-based rehabilitation units.
- Between 2013 – 2022, MedPAC reports that the percent of Medicare FFS rehabilitation patients discharged from freestanding rehabilitation hospitals increased from an estimated 47 percent to an estimated 60 percent of all rehabilitation discharges.

- This trend of increasing utilization in freestanding rehabilitation hospitals has continued due to multiple factors, including greater rehab therapy program specialization and lower rehab program costs that are achievable in the freestanding rehab hospital model through higher utilization and economies of scale.

4. Washington State Utilization of Inpatient Rehabilitation

- In comparison to national figures, the state of Washington appears to provide less access to inpatient rehabilitation services than most other states.
- In 2023/2024, Washington had the sixth lowest rehabilitation Bed-to-Population ratio in the country, with a Bed-to-Population ratio that is less than one-half the national average.
- Additionally, in 2023/2024, Washington had the third lowest rehabilitation utilization, with a discharge rate per 100K population that was less than one-third the national average. The limited access to rehabilitation beds in Washington appears to have negatively impacted utilization.
- The King County Rehabilitation Bed-to-Population ratio, as well as the King County rehabilitation utilization per 100K population, are both lower than the Washington State average, making King County one of the most under-served metropolitan areas in the country in regard to access to inpatient rehabilitation services.
- Without sufficient access to inpatient rehabilitation services, many patients with rehabilitation needs are likely discharged to Skilled Nursing Facility (SNF) providers as a secondary alternative. Unfortunately, patients in a skilled nursing facility (SNF) do not receive the same level of therapy and medical management as they do in an inpatient rehabilitation setting. Therefore, nationally the readmission rate into acute care from a SNF is 24.5 percent, compared to 9.8 percent for IRFs and IRUs, which raises the overall cost of healthcare and often results in readmission penalties for these acute care hospitals.
- Despite Washington's relatively low rehabilitation utilization, there is evidence within Eastern Washington that clearly demonstrates that rehabilitation utilization can be positively impacted by access to sufficient rehabilitation beds and comprehensive rehabilitation programs. It is anticipated that the proposed Seattle Rehabilitation Hospital would have a similar impact on King County rehabilitation utilization and improve the access to care and therefore quality outcomes for the residents of King County.

5. King County Out-Migration for Inpatient Rehabilitation Services

- In 2023, an estimated 1,065 King County Residents were discharged from acute care hospitals into inpatient rehabilitation programs. However, during that same period, the four current King County inpatient rehabilitation providers only discharged 709 King County residents, meaning that only 66.6 percent of all King County residents who were discharged from acute care into an inpatient rehabilitation setting were treated in King County. (Source: 2023 CHARS data)
- As such, these data suggest that 33.4 percent of all King County residents who required inpatient rehabilitation received rehabilitation care from out-of-county providers. This compares to less than 8 percent out-migration of King County residents for acute care. This remarkably high out-migration for rehabilitation services is likely driven at least in part by limited access to rehabilitation programs currently available within King County.

6. King County Demographic Trends

- For the next 15 years, the fastest growing segment of King County is the Age 65+ cohort, which represents the predominant user of rehabilitation services.
- While the total King population is projected to increase by 4.7 percent in 2023 – 2028 and 4.4 percent by 2028 – 2033, the Age 65+ cohort is projected to increase 18.0 percent and 13.7 percent, respectively, during these two projection periods. Likewise, the cohort of the ages 0 – 64 is expected to increase by only 2.4 percent and 2.5 percent during these same two projection periods. For the 2033-2038 period, the Age 65+ population is projected to increase by 10.1 percent, while the Age 0 – 64 population will increase only by 2.7 percent.
- This rapidly aging county population and the Medicare predominance in rehabilitation utilization suggest that the need for rehabilitation services will likely continue to increase through the DOH projection period.

Please see Exhibit 7 for detailed analysis supporting the Alternative Model and supporting qualitative need criteria for additional inpatient rehabilitation beds—our requested project for a 60-bed freestanding rehabilitation hospital in King County.

3. For existing facilities proposing to expand, identify the type of beds that will expand with this project.

The proposed project is for a new hospital; thus, this question is not applicable.

4. For existing facilities, provide the facility’s historical utilization for the last three full calendar years. The first table should only include the type(s) of beds that will increase with the project, the second table should include the entire hospital.

The proposed project is for a new hospital; thus, this question is not applicable.

5. Provide projected utilization of the proposed facility for the first seven full years of operation if this project proposes an expansion to an existing hospital. Provide projected utilization for the first ten full years if this project proposes new facility. For existing facilities, also provide the information for intervening years between historical and projected. The first table should only include the type(s) of beds that will increase with the project, the second table should include the entire hospital. Include all assumptions used to make these projections.

The SRH utilization forecast is based on the bed need methodology presented in the Alternative Model in Exhibit 7, Figure 15. This methodology considers both discharge-based (Method 1) and resident-based (Method 2) need estimates and calculates ranges of bed need based on variations in assumptions resulting in “low” and “high” estimates. The utilization forecast presented below is based on the low estimates within the discharge-based model (Method 1).¹⁴ These estimates reflect a net bed need ADC of about 75 (27,375 patient days) in 2023. This need is assumed to grow parallel to the King County resident population, weighted by the IRF utilization rates presented in Figure 12 and Figure 13 of in Exhibit 7. Once SRH opens, we assume it will serve about 25% of unmet King resident rehabilitation patient days (about 15% of total King resident rehab patient days).¹⁵ Our utilization forecast over the period 2028 to 2032 is presented in Table 7. Table 8 presents our utilization forecast over the period 2033 to 2038.

SRH Utilization Forecast	Year 0	Year 1	Year 2	Year 3	Year 4
Year	2028	2029	2030	2031	2032
Months	7	12	12	12	12
Admissions	405	1,011	1,203	1,281	1,330
ALOS	13.0	13.0	13.0	13.0	13.0
Patient Days	5,265	13,143	15,639	16,653	17,290

¹⁴ Method 1 is based on discharges from planning area hospitals, while Method 2 is based on utilization of planning area residents. Under Method 2 net bed need ADC is equal to about 70 (25,550 patient days) in 2023. We prioritize Method 1 over Method 2 based on the expectation patients will receive rehabilitation services where they receive acute care services. However, both models show similar need estimates for inpatient rehabilitation services in King County.

¹⁵ Under Method 2, these proportions are about 39% and 21%, respectively.

ADC	24.60	36.01	42.85	45.62	47.24
Occupancy Rate (40 Beds)	41.0%	60.0%	71.4%	76.0%	78.7%
Sources: Exhibit 7 and Self-Calculations. Year 1 = 2028.					

SRH Utilization Forecast	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Year	2033	2034	2035	2036	2037	2038
Months	12	12	12	12	12	12
Admissions	1,344	1,349	1,351	1,352	1,351	1,347
ALOS	13.0	13.0	13.0	13.0	13.0	13.0
Patient Days	17,472	17,537	17,563	17,576	17,563	17,511
ADC	47.87	48.05	48.12	48.02	48.12	47.98
Occupancy Rate (40 Beds)	79.8%	80.1%	80.2%	80.0%	80.2%	80.0%
Sources: Exhibit 7 and Self-Calculations. Year 5 = 2033.						

6. For existing facilities, provide patient origin zip code data for the most recent full calendar year of operation.

The proposed project is for a new hospital; thus, this question is not applicable.

7. Identify any factors in the planning area that currently restrict patient access to the proposed services.

Please see our response to question 2 above, as well as the discussion in Exhibit 7.

The barriers to patient access discussed above have resulted in high rates of outmigration for King residents in need of rehabilitation services. Furthermore, use rates are lower in King County overall, suggesting many residents may use less appropriate substitutes, such as SNF services, or may not receive inpatient rehabilitation care at all, thereby impacting long-term functional and/or cognitive status.

In 2023, about a third of rehabilitation discharges were to providers outside King County.¹⁶ These individuals traveled primarily to one of three facilities: MultiCare Good Samaritan and CHI Franciscan Rehabilitation Hospital (and St. Joseph Medical Center prior to 2018) in Pierce County, and Providence Regional Medical Center in Snohomish County. These patients must contend with variable and potentially high travel times resulting from traffic patterns along the I-5

¹⁶ CHARS 2023.

corridor, as well as the relatively limited rehabilitation bed supply in Snohomish County (even accounting for the newly operational 40-bed hospital approved with CN21-81). For comparison, in 2023 about 5.4% of Pierce County residents and less than 1% of Spokane County residents received inpatient rehabilitation services at a provider outside their county of residence.¹⁷ Both Pierce County and Spokane County have freestanding, dedicated rehabilitation hospitals.

The limited rehabilitation bed supply and lack of a dedicated rehabilitation hospital have resulted in low conversion rates between acute care discharges and inpatient rehabilitation admissions. As shown Figure 9 in Exhibit 7, 4.2% of Medicare discharges from Providence Sacred Heart Medical Center in Spokane County, where there is a dedicated freestanding rehabilitation hospital, were discharged to an inpatient rehabilitation facility in 2022. For King County hospitals, this number was 1.1% in 2022.

King County residents are clearly underserved for inpatient rehabilitation services. This is observed through the low bed-to-population ratio, the high rates of planning area outmigration, and the low acute care to rehabilitation conversion rates. These are all evidence of barriers to access, which will be felt most acutely by the poor and elderly who often must rely on public transportation and/or family support and so are likely to face additional challenges receiving care outside their county of residence.

8. Identify how this project will be available and accessible to underserved groups.

We are committed to serving all patients, including those who, due to a lack of health insurance coverage or other reasons, cannot pay for all or part of the essential care they receive. We have attached a draft of our financial assistance/charity care policy in Exhibit 8.

9. If this project proposes either a partial or full relocation of an existing facility, provide a detailed discussion of the limitations of the current location.

This question is not applicable.

10. If this project proposes either a partial or full relocation of an existing facility, provide a detailed discussion of the benefits associated with relocation.

This question is not applicable.

¹⁷ CHARS 2023. We note this does not capture utilization at locations outside Washington State, so Spokane County outmigration may be higher if individuals receive rehab care in Idaho, for example.

11. Provide a copy of the following policies:

- **Admissions policy**
- **Charity care or financial assistance policy**
- **Patient rights and responsibilities policy**
- **Non-discrimination policy**
- **End of life policy**
- **Reproductive health policy**
- **Any other policies directly associated with patient access**

Please see Exhibit 8 for drafts of the policies for Admissions, Non-Discrimination, Patient Rights and Responsibilities, and Financial Assistance associated with Seattle Rehabilitation Hospital. None of the other policies listed above are applicable to the proposed hospital.

In addition to the above policies, Nobis maintains a series of policies across its hospitals related to its provision of Culturally and Linguistically Appropriate Care. that are more directly related to CLAS. These include policies for Providing Meaningful Communication with Persons with Limited English Proficiency (“LEP”), Provision of Culturally Competent & Effective Communication to Patients, Disability Discrimination Grievances, and Auxiliary Aids for Persons with Disabilities. These policies generally contain State-specific contact information, so we include drafts of these policies in Exhibit 9.

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

Financial feasibility is based on the criteria in WAC 246-310-220.

- 1. Provide documentation that demonstrates 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 the Need section. Include all assumptions.**
 - **A current balance sheet at the facility level.**
 - **Pro forma balance sheets at the facility level throughout the projection period.**
 - **Pro forma revenue and expense projections for at least the first three full calendar years following completion of the project. Include all assumptions.**
 - **For existing facilities, provide 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.**

Pro Forma financials for the proposed project, and their underlying assumptions, are included in Exhibit 10.

- 2. Identify the hospital's fiscal year.**

The inpatient rehabilitation hospital's fiscal year is the calendar year.

- 3. Provide the following agreements/contracts:**
 - **Management agreement**
 - **Operating agreement**
 - **Development agreement**
 - **Joint Venture agreement**

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

Please see Exhibit 2 for the Management Agreement between SRH and Nobis.

We include operating agreements for SRH and SRREI in Exhibit 11.

- 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 with options to renew for a total of 20 years.

Please see Exhibit 12 for documentation of Site Control. This includes:

- Property summaries for each of the proposed site parcels of 768280-0020, 768280-0025, and 768280-0030. These property summaries show the current owner as SG Pacific Trio LLC.
- A Purchase and Sale Agreement between SG Pacific Trio LLC and Cross Development Acquisition LLC.
- A property assignment from Cross Development Acquisition LLC to Seattle Rehab Real Estate Investors, LLC.
- A lease between Seattle Rehab Real Estate Investors, LLC and Seattle Rehabilitation Hospital, LLC.

- 5. Provide county assessor information and zoning information for the site. If zoning information for the site is unclear, provide documentation or letter from the municipal authorities showing the proposed project is allowable at the identified site. If the site must undergo rezoning or other review prior to being appropriate for the proposed project, identify the current status of the process.**

Please see Exhibit 5 for a letter from Jason Woycke, AICP, Senior Planner, Des Moines, Washington, confirming Specialty Hospitals are a permitted use in the W-C Zone.

- 6. Complete the table on the following page with the estimated capital expenditure associated with this project. If you include other line items not listed below, include the definition of the line item. Include all assumptions used to create the capital expenditure estimate.**

Please see Table 9 for this project’s anticipated capital costs.

Item	Capital Expenditure	SRREI	SRH	Total Capital Cost
a	Land purchase	\$2,800,000	\$0	\$2,800,000
b	Utilities to property line	\$500,000		\$500,000
c	Land/Building improvements (By Landlord)	\$0		\$0
d	Building purchase	\$0		\$0
e	Residual value of replaced facility	\$0		\$0
f	Building construction (Tenant Improvement)	\$40,375,455		\$40,375,455

g	Fixed equipment (includes furnishings)		\$2,603,138	\$2,603,138
h	Moveable equipment			
i	Architect and engineering fees	\$1,417,500		\$1,417,500
j	Consulting fees	\$100,000		\$100,000
k	Site preparation	\$900,101		\$900,101
l	Supervision and inspection	\$2,433,773		\$2,433,773
m	Costs of securing financing	\$3,539,466	\$91,341	\$3,630,807
n	Sales Tax	Included	\$251,431	\$251,431
	Building			\$0
	Fixed equipment (includes furnishings)			\$0
	Moveable equipment			\$0
o	Other project costs			\$0
p	Total Capital Expenditures	\$52,066,295	\$2,945,910	\$55,012,205
Source: Applicant				

7. Identify the entity responsible for the estimated capital costs. If more than one entity is responsible, provide breakdown of percentages and amounts for all.

Seattle Rehab Real Estate Investors, LLC is responsible for the buildout portion of the project, equal to \$52,066,295. Of this amount, 65% (\$33,843,096) will be funded through a bank loan and the remainder through investor equity.

Seattle Rehabilitation Hospital, LLC, is responsible for the equipment portion of the project. This amount will be funded through a bank loan.

8. Identify the start-up costs for this project. Include the assumptions used to develop these costs. Start-up costs should include any non-capital expenditure expenses incurred prior to the facility opening or initiating the proposed service.

Startup costs are estimated to equal \$2,483,418 and are detailed in Exhibit 10. These costs reflect startup personnel costs, as well as 1 to 2 months of expenses based on experience in other markets. Startup expenses which are not directly related to the line items in the pro forma include:

- Rent – Equal to 2 months of rent based on a monthly rent of \$433,886 and discounted by 50% (see lease)
- Management Fees – Equal to \$250,000 for the pre-operational period based on the MSA, plus \$60,000 for one month of pre-CMS approval operations.

- 9. Identify the entity responsible for the start-up costs. If more than one entity is responsible, provide a breakdown of percentages and amounts for all.**

SRH is the entity responsible for the Start-up costs.

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

A non-binding contractor's estimate for the sitework and building costs is provided in Exhibit 13.

- 11. Provide a detailed narrative supporting that the costs of the project, including any construction costs, will probably not result in an unreasonable impact on the costs and charges for health services in the planning area.**

SRH’s reimbursement is not tied to its capital expenditures. Therefore, the proposed project will not affect costs and charges for health services in the planning area.

- 12. Provide the projected payer mix for the hospital by revenue and by patients using the example table below. Medicare and Medicaid managed care plans should be included within the Medicare and Medicaid lines, respectively. If “other” is a category, define what is included in “other.”**

Payer Mix	Percentage by Gross Revenue	Percentage by Patient Days
Medicare	60%	54%
Medicare Advantage	23%	21%
Medicaid	5%	8%
Commercial	10%	15%
Self-Pay	1%	1%
Other Gov	1%	1%
Total	100.00%	100.00%

- 13. If this project proposes the addition of beds to an existing facility, provide the historical payer mix by revenue and patients for the existing facility. The table format should be consistent with the table shown above.**

The proposed project is for a new hospital; thus, this question is not applicable.

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

A list of equipment for the proposed project is provided in Exhibit 15.

15. Identify the source(s) of financing and start-up costs (loan, grant, gifts, etc.) and provide supporting documentation from the source. Examples of supporting documentation include: a letter from the applicant's CFO committing to pay for the project or draft terms from a financial institution.

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.

Seattle Rehab Real Estate Investors, LLC, is responsible for the buildout portion of the project. We include a bank letter with draft terms for the 65% funded through a bank loan, and a guarantor letter from Kennor Cross Opco Investments for the remaining 35% in buildout costs.

Seattle Rehabilitation Hospital, LLC is responsible for the equipment and startup portions of the project. We include a bank letter with draft terms for the equipment costs and working capital requirements. Startup costs and the capitalized interest will be funded by investor equity, guaranteed by Kennor Cross Opco Investments.

The letters referenced above are provided in Exhibit 14.

16. Provide the most recent audited financial statements for:

- **The applicant, and**
- **Any parent entity**

The applicant entities have been newly formed, thus are not operational and have no audited financial statements. However, to meet financial commitments, we have included guarantor letters in Exhibit 14.

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.

1. Identify all licensed healthcare facilities owned, operated, or managed by the applicant. This should include all facilities in Washington State as well as any out-of-state facilities. Include applicable license and certification numbers.

Neither SRH nor SRREI owns, operates, or manages any other healthcare facilities. However, the manager of the proposed project, Nobis Rehabilitation Partners, operates hospitals across several states. Please see Table 10 for a list of Nobis rehabilitation hospitals.

Facility Name	City	State	Medicare Provider Number	Accred.
Indianapolis Rehabilitation Hospital	Carmel	IN	153048	CIHQ
Reunion Rehabilitation Hospital Denver	Denver	CO	063036	CIHQ
Reunion Rehabilitation Hospital Phoenix	Phoenix	AZ	033043	CIHQ
Shreveport Rehabilitation Hospital	Shreveport	LA	713029	CIHQ
Reunion Rehabilitation Hospital Inverness	Englewood	CO	063038	CIHQ
Milwaukee Rehabilitation Hospital at Greenfield	Greenfield	WI	523029	CIHQ
Johnson County Rehabilitation Hospital	Overland Park	KS	173034	CIHQ
Tulsa Rehabilitation Hospital	Tulsa	OK	373037	CIHQ
Oklahoma City Rehabilitation Hospital	Oklahoma City	OK	373038	CIHQ
Reunion Rehabilitation Hospital Peoria	Peoria	AZ	033045	CIHQ
Reunion Rehabilitation Hospital Arlington	Arlington	TX	673081	CIHQ
Reunion Rehabilitation Hospital Plano	Plano	TX	673080	CIHQ
Reunion Rehabilitation Hospital Jacksonville	Jacksonville	FL	103063	CIHQ
Cincinnati Rehabilitation Hospital	Blue Ash	OH	363047	CIHQ
Orlando Rehabilitation Hospital	Altamonte Springs	FL	103065	CIHQ

Source: Applicant.

Notes: In addition to the above hospitals, Nobis has hospitals in development in Tampa, Tucson, Bradenton, Clarksville, Cleveland, Albuquerque, and Little Rock.

2. Provide a table that shows full time equivalents (FTEs) by type (e.g. physicians, management, technicians, RNs, nursing assistants, etc.) for the facility. If the facility is currently in operation, include at least the most recent full year of operation, the current year, and projections through the first three full years of operation following project completion. There should be no gaps. All FTE types should be defined.

Please see Exhibit 10 for a table of FTEs by skill type for the proposed project.

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

We include staffing assumptions for the patient care occupations in Table 11 below. These assumptions are based on Nobis' experience as a provider of inpatient rehabilitation services.

Table 11: Patient Care Staffing Assumptions	
Patient Care Staffing Assumptions	ADC per FTE
RN	1.63
CNA	3.07
Unit Secretary	6.14
Speech Language Pathologist	10.69
Physical Therapist	3.11
Occupational Therapist	5.52
Respiratory Therapist	56.99
Dietitian	15.87
Source: Applicant	

The number of FTEs for most administrative staffing categories remains relatively constant over the forecast period and is based on Nobis experience and knowledge about the personnel necessary to run a 60-bed Inpatient Rehabilitation Hospital. For those administrative occupations whose workload varies with the number of hospital patients, we have increased these concurrently with the patient census.

4. Identify key staff (e.g. chief of medicine, nurse manager, clinical director, etc.) by name and professional license number, if known.

Key staffing positions will be filled following CN approval when the facility is closer to opening.

5. 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.

We expect the proposed 60-bed Seattle Rehabilitation Hospital to require approximately 150 FTEs (full-time and part-time workers) across about 40 occupations, when it reaches its target occupancy. This includes about 28 RN FTEs. Based on statistics from the U.S. Bureau of Labor Statistics (“BLS”), the Seattle-Tacoma-Bellevue MSA has over 37,000 RNs.¹⁸ As such, from a staffing perspective, the impact of the proposed hospital will be small.

In order to support its recruitment efforts, Nobis ensures competitive salaries and wage rates, educational opportunities, clinical ladders, flexible work schedules and other employee benefits that create a positive work environment at Nobis rehabilitation hospitals. Additionally, the smaller, more personal environment of a 60-bed inpatient rehab hospital is preferred by many professionals compared to larger acute care providers that have more complex organizational structures and frequently less personal employee relations. While there are certainly challenges recruiting and staffing in today’s environment, Nobis has not experienced any unique, unexpected recruitment challenges in any of its other markets. Nobis has over 18 university affiliations as well for student and clinical affiliations at its other managed hospitals.

6. For new facilities, provide a listing of ancillary and support services that will be established.

Seattle Rehabilitation Hospital will contract for radiology, lab, and medical staffing services. Patients in need of outpatient services, anesthesia, or surgical procedures will be referred to one of the providers listed in our response to Question 11 of this section.

7. For existing facilities, provide a listing of ancillary and support services already in place.

This question is not applicable.

8. Identify whether any of the existing ancillary or support agreements are expected to change as a result of this project.

This question is not applicable.

9. If the facility is currently operating, provide a listing of healthcare facilities with which the facility has working relationships.

This question is not applicable.

¹⁸ [Minneapolis-St. Paul-Bloomington, MN-WI - May 2022 OEWS Metropolitan and Nonmetropolitan Area Occupational Employment and Wage Estimates \(bls.gov\)](#), Last Accessed June 30, 2023.

10. Identify whether any of the existing working relationships with healthcare facilities listed above would change as a result of this project.

This question is not applicable.

11. For a new facility, provide a listing of healthcare facilities with which the facility would establish working relationships.

As documented in Exhibit 7, referrals from acute care hospitals represent 94 percent of all rehabilitation admissions nationally. We thus expect to work closely with acute care providers in and around King County, including but not limited to Virginia Mason Medical Center, University of Washington Medical center, St. Anne Hospital, MultiCare Auburn Medical Center, St. Clare Hospital, Swedish Medical Center, St. Michael Medical Center, Overlake Hospital Medical Center, Harborview Medical Center, MultiCare Good Samaritan Hospital, Valley Medical Center, St. Joseph Medical Center, EvergreenHealth Medical Center, Tacoma General/Allenmore Hospital, St. Francis Community Hospital, St. Anthony Hospital, Swedish Issaquah, MultiCare Covington Medical Center, and St. Elizabeth Hospital.

In addition to acute care providers, we expect to work with skilled nursing facilities, assisted living facilities, and other senior care providers, a list of which is available through Washington's Aging and Long-Term Support Administration (AL TSA).

Given that Nobis is not yet operating in Washington, it is premature to identify these relationships which we are continuing to develop. With that said, Nobis has a track record of successfully developing these relationships in its other markets. For example, in Milwaukee, Nobis has partnerships with the acute care providers Froedtert Memorial Lutheran Hospital and West Allis Memorial Hospital, as well as with the post-acute care providers Linden Grove, Villages of Manor Park, Alexian Village, Brookdale, Oak Creek Place, Wilson Commons, Horizon HHC, Pinnacle, and Therapy at Home.

12. 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.

Nobis is patient and family focused, with our primary goal to discharge the patient back into their community at the highest functioning level through high quality care. We support Washington's goals for health equity and access, and understand and embrace the culture of diversity, equity, and inclusion.

Nobis strives to meet the needs of the communities in which it provides care. The local presence in the community is achieved by our Director of Business

Development, our Clinical Liaison team and our leadership team, primarily our CEO, CNO, Chief Therapy Officer, and Medical Director. The hospital team is engaged in the community to support local efforts from a culture perspective. Additionally, to ensure the community rehabilitation needs are met, our local hospital teams coordinate with various rehabilitation organizations and societies such as Spinal Cord Injury Awareness, Amputee Coalition, American Cancer Society, American Diabetes Association, and support groups for conditions such as stroke and Parkinson's.

Most importantly, our proposed Seattle Rehabilitation Hospital will improve access and the level and quality of rehabilitation care for all residents of King County, and more broadly, the state as a whole. Currently, inpatient rehabilitation services are provided primarily through hospital-based inpatient rehabilitation units within short-term acute care hospitals in Washington. Inpatient rehabilitation care is increasingly being provided in freestanding inpatient rehab hospitals due to the capacity for greater program specialization in dedicated rehab hospitals, as well as the fact that costs are less for inpatient rehab hospitals due to higher utilization and greater efficiency.

In contrast to smaller hospital-based inpatient rehab units (IRUs), Nobis' proposed Seattle Rehabilitation Hospital will be able to provide dedicated areas for specialty services and offer a greater volume and diversity of onsite providers and therapists. Nobis rehab hospitals focus only on providing the best possible inpatient rehabilitation, tailored to the distinct needs of the community. For the proposed hospital, Nobis would target stroke and medical rehabilitation programs to accommodate the high numbers of these patients for these morbidity factors in King County. For example, in King County in 2022, there were 714 deaths related to stroke, representing a fifth of all stroke-related deaths across Washington State.¹⁹ Approval of the proposed project will allow Nobis to greatly expand patient access to rehabilitative care, ultimately decreasing unnecessary patient readmissions into general acute care hospitals and significantly improving the quality of life and health outcomes of King County residents in need of rehabilitative care.

13. 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).

Nobis builds strong partnerships with other providers in our market areas to raise awareness about our rehab services and capabilities. We do this with our Clinical Liaison team and Business Development leaders by working with the discharge planners, social workers and case management teams to streamline the most effective post-acute site of care placement for the patient to achieve the highest

¹⁹ <https://doh.wa.gov/data-statistical-reports/washington-tracking-network-wtn/death/county-all-deaths-dashboard>.

quality outcome. In addition, our rehab hospital leadership networks with area physicians, post-acute providers (skilled nursing facilities, assisted living centers, etc.), acute care providers, and the surrounding community to ensure rehabilitation needs are met for the people we serve.

Upon preparing for a hospital to open, our teams connect with area acute care hospitals and case management teams to sign Transfer Agreements, which streamline the flow of patient care to an area acute care hospital when additional medical services are needed.

14. 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.

- 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 actions listed above.

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. At a minimum include a brief discussion of this project versus no project.

The following two options were evaluated in the alternatives analysis:

- Option One: Develop a 60-bed Inpatient Rehabilitation Hospital (“IRF”) in King County—The Project
- Option Two: Do Nothing

2. Provide a comparison of this 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.

Table 12: Promoting Access to Healthcare Services	
Alternative	Advantages/Disadvantages
Alternative 1: Do nothing	<ul style="list-style-type: none"> • Does nothing to improve access in a market where additional rehabilitation services are needed. (Disadvantage, “D”) • King County will continue to be one of the most underserved metropolitan areas in the country in regard to access to inpatient rehabilitation services. (D)
Alternative 2: Develop a 60-bed IRF in King County (The Project)	<ul style="list-style-type: none"> • Improves access to and utilization of needed rehabilitation services in King County and improve patient outcomes. (A)

Table 13: Promoting Quality of Care	
Alternative	Advantages/Disadvantages
Alternative 1: Do nothing	<ul style="list-style-type: none"> • Continuing as presently conveys no advantages or disadvantages from a quality-of-care perspective. (Neutral (“N”))

Alternative 2: Develop a 60-bed IRF in King County (The Project)	<ul style="list-style-type: none"> • CN Approval for a new 60-bed rehabilitation hospital would allow an expansion of rehabilitation services within King County, thereby improving planning area access to rehabilitation services. This improves quality of care and access for planning area residents. (A) • A new, freestanding rehabilitation hospital would incorporate state-of-the-art technology and reflect the most recent developments in rehabilitation care. (A)
---	---

Table 14: Cost Efficiency and Capital Impacts	
Alternative	Advantages/Disadvantages
Alternative 1: Do nothing	<ul style="list-style-type: none"> • No capital expenditure necessary. (N) • However, as described elsewhere in the application, without the project, King County residents will continue to out migrate to providers in other counties. This requires otherwise unnecessary travel and cost to obtain needed rehabilitation services from out-of-area providers. (D)
Alternative 2: Develop a 60-bed IRF in King County (The Project)	<ul style="list-style-type: none"> • Capital Expenditure necessary. (D) • A new 60-bed rehabilitation hospital would improve planning area access to inpatient rehabilitation services, reducing resident outmigration for needed rehabilitation services. (A)

Table 15: Legal Restrictions	
Alternative	Advantages/Disadvantages
Alternative 1: Do nothing	<ul style="list-style-type: none"> • There are no legal restrictions on doing nothing. (N)
Alternative 2: Develop a 60-bed IRF in King County (The Project)	Requires certificate of approval. This requires time and expense. (D)

- 3. If the project involves construction, provide information that supports conformance with WAC 246-310-240(2):**
- **The costs, scope, and methods of construction and energy conservation are reasonable; and**
 - **The project will not have an unreasonable impact on the costs and charges to the public of providing health services by other persons.**

Within the facility design, the developer will incorporate numerous energy saving practices. All glass is high density glass and sealed to minimize heat loss. The heating, ventilation and air conditioning units are all high efficiency air units which keeps the unit operation costs low. The building itself is oriented to maximize the daylight and heat load from the sun. This cuts down on heating costs in the winter and allows for more natural light to enter the areas of care. While initial cost is a factor, the long-term operational costs are also considered. For instance, it is more costly initially to utilize LED lamps in the light fixtures, however, the lower heat load and lower electrical costs yield a 3–5-year payback which offsets the higher upfront costs.

- 4. Identify any aspects of the project that will involve appropriate improvements or innovations in the financing and delivery of health services which foster cost containment and which promote quality assurance and cost effectiveness.**

The three-floor inpatient rehabilitation hospital is designed to maximize staff efficiency and patient care. Patient rooms are located on the 2nd and 3rd floors, while administrative teams are located on the first floor. Each patient floor contains its own therapy spaces, allowing convenient access for the entire patient population.

This building design is a prototypical plan that has been developed with the purpose of operational efficiency and cost reduction. The areas of focus for this facility are the patient care areas that have been sized appropriately to accommodate all the staffing and material needs required to provide superior clinical service to the patients. The building has been designed as a three-story structure to keep all the patient services/amenities convenient to the patients regarding travel distance as well as efficient for the staff.

V. Addendum for Hospital Projects

All Tertiary Services EXCEPT Percutaneous Coronary Intervention (PCI)

The following questions are applicable to ALL tertiary service projects except for elective PCI. There are service-specific sections that follow.

A. General Questions – Applicable to ALL Tertiary Service Projects except for PCI

Project Description

1. Check the box corresponding with the tertiary service proposed by your project:

<input type="checkbox"/> NICU Level II	<input type="checkbox"/> Organ Transplant
<input type="checkbox"/> NICU Level III	<input type="checkbox"/> Open Heart Surgery
<input type="checkbox"/> NICU Level IV	<input type="checkbox"/> Elective PCI*
<input type="checkbox"/> Specialized Pediatric (PICU)	<input type="checkbox"/> PPS-Exempt Rehab Level I
<input type="checkbox"/> Psychiatric (within acute care hospital)	<input type="checkbox"/> Specialty Burn Services

*If you selected “Elective PCI” above, skip this section and move on to the PCI-specific Addendum

Need

2. If there is a numeric need methodology specific to your service in WAC, provide the WAC-based methodology. If there is no numeric need methodology in WAC, provide and discuss a service-specific numeric need methodology supporting the approval of your project. Include all assumptions and data sources.
3. Are there any service/unit-specific policies or guidelines? If yes, provide copies of the policies/guidelines.

Financial Feasibility

4. Provide the proposed payer mix specific to the proposed unit or service. If this project represents the expansion of an existing unit, provide the current unit’s payer mix for reference.

5. Provide pro forma revenue and expense statements for the proposed unit or service. If this project proposes the expansion of an existing unit, provide both with and without the project.
6. If there is no capital expenditure for this project, explain why.

Structure and Process of Care

7. If applicable for the service proposed, provide the name and professional license number of the 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.
8. If the medical director is/will be an employee rather than under contract, provide the medical director's job description.
9. If the medical director is/will be under contract rather an employee, provide the medical director contract.
10. Provide the names and professional license numbers of current and proposed credentialed staff for this service/unit.
11. If applicable for the service proposed, provide the existing or proposed transfer agreement with a local hospital.
12. Will the service/unit proposed comply with any state or national standards? If yes, provide the applicable standard, the rationale for selecting the standard selected, and a detailed discussion outlining how this project will comply with the standard.
13. After discharge, what steps are taken to ensure continuity of care for each patient?
14. If the proposed service type is already offered in the same planning area, provide a detailed description of the steps that will be taken to avoid unwarranted fragmentation of care within the existing healthcare system.

B. Psychiatric Unit Projects Only

- 1. Confirm that the existing or proposed facility will accept ITA patients.**

- 2. Identify if the existing or proposed facility will provide pediatric or geriatric psychiatric services. If yes, identify the number of beds dedicated to each service.**

C. Rehabilitation Unit Projects Only

1. What trauma designation is being proposed for this rehabilitation unit?

The proposed hospital will have a Level II trauma designation.

2. Will there be separate units for separate diagnoses requiring rehabilitation?

Patients requiring dialysis will be cared for in dialysis-dedicated rooms. Isolation rooms are also available for patients when necessary. All other services are provided within the IRF's general rehabilitative environment.

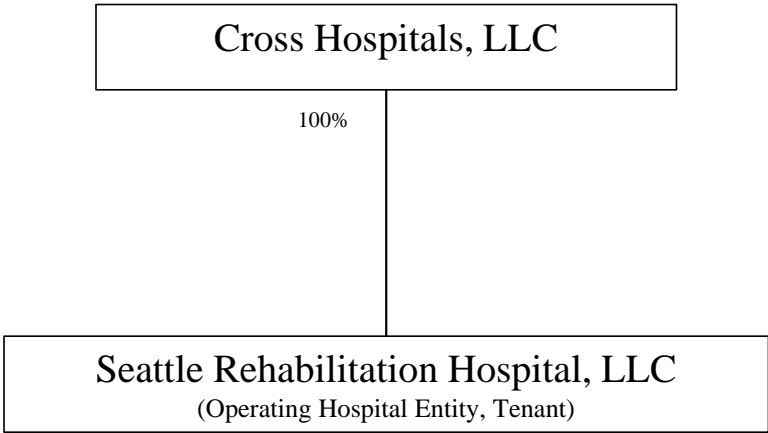
D. NICU Projects ONLY

- 1. Describe how this project will adhere to the most recent Washington State Perinatal Level of Care Guidelines.**

Exhibit 1

Organizational Charts

Seattle Rehabilitation Hospital, LLC
Organizational Structure



Seattle Rehab Real Estate Investors, LLC
Organizational Structure

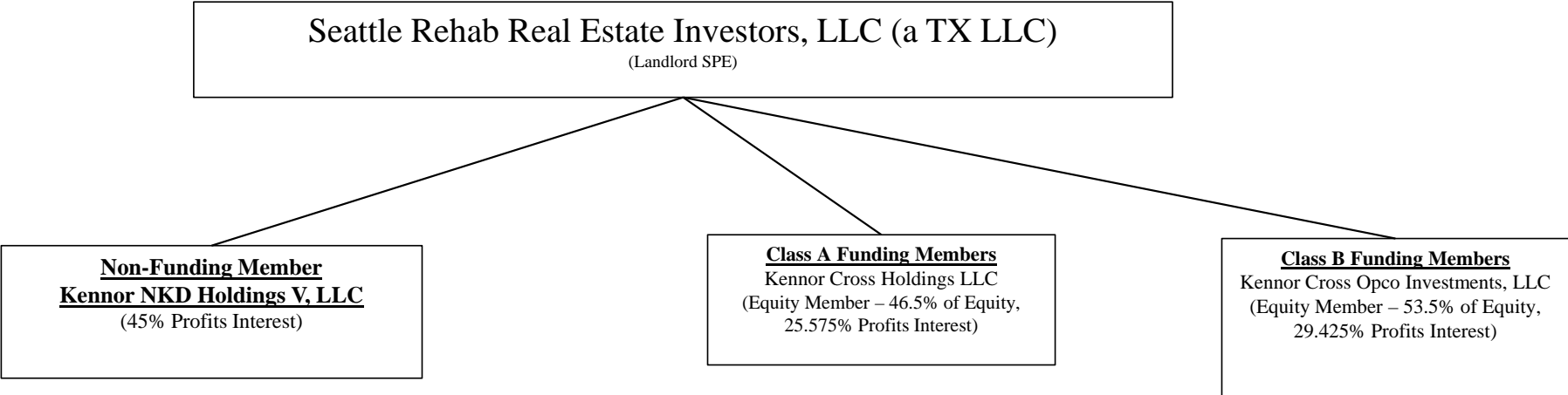


Exhibit 2
Management Services Agreement

MANAGEMENT SERVICES AGREEMENT

THIS MANAGEMENT SERVICES AGREEMENT (this “Agreement”) is made and entered into as of the 3rd day of February, 2025 (the “Effective Date”), by and between **SEATTLE REHABILITATION HOSPITAL, LLC**, a Texas limited liability company (“Company”), and **NOBIS REHABILITATION PARTNERS, LLC**, a Texas limited liability company (“Manager”).

RECITALS

WHEREAS, Company intends to develop and operate a rehabilitation hospital to be located at 26475 Pacific Hwy S, Des Moines, Washington 98198 (the “Hospital”);

WHEREAS, Manager has been formed for the purpose of providing comprehensive administrative, management and other related services to hospitals and other health care facilities;

WHEREAS, in an effort to control costs of the Hospital and otherwise improve the day-to-day operations of the Hospital, Company desires to engage Manager to manage the Hospital;

WHEREAS, Company and Manager desire to enter into this Agreement, pursuant to which Manager will manage the Hospital subject to the terms and conditions set forth below; and

WHEREAS, Company also wishes to engage Manager to assist in the development and opening of the Hospital (collectively, the “Pre-Opening Services”), and Manager wishes to provide the Pre-Opening Services to Company.

AGREEMENT

NOW, THEREFORE, in consideration of these premises and the mutual covenants made below, and for other good and valuable consideration, the receipt and sufficiency of which Company and Manager acknowledge, the parties agree as follows:

ARTICLE 1: ENGAGEMENT AND RELATIONSHIP OF PARTIES

1.1 *Appointment.* Company engages Manager to provide the Pre-Opening Services which are detailed in Exhibit A and to provide comprehensive administrative, management and other related services to Company and the Hospital on the basis set forth in this Agreement. In managing the Hospital’s day-to-day operations, Manager’s specific duties and responsibilities shall include, but not be limited to, the services set forth on Exhibit B, attached hereto and incorporated herein (the “Management Services”). Manager will be responsible for providing such services for Company and the Hospital in accordance with the goals, policies and objectives of Company and the Hospital and subject to all reasonable and appropriate quality of care and performance standards adopted by Company and the Hospital. Company represents, warrants and covenants that Manager shall be the exclusive provider of the Pre-Opening Services and Management Services to the Hospital during the Term, and Company shall not (and it shall cause the Hospital and its representatives to not) contract with any other vendor during the Term for the provision of any of the Pre-Opening Services, Management Services or similar such services set forth in this Agreement without the prior written consent of Manager. Company expressly acknowledges and agrees that (a) Manager may delegate or subcontract the performance of all or any portion of its obligations under this Agreement to any third party, including without limitation, any of Manager’s Affiliates or another subcontractor, and (b) Manager may enter into agreements or arrangements with other entities or individuals, including, without limitation, other hospitals, surgery centers, physician practices, and any other Person providing health care services pursuant to which Manager may provide services, including,

without limitation, services similar or identical in nature to the Management Services to such Persons.

1.2 *Retention of Control.* Notwithstanding anything herein to the contrary, Company will retain the ultimate authority responsible for the Hospital's organization and administration in a manner which is consistent with appropriate standards of patient care, environmental safety and institutional management. Accordingly, Manager understands and agrees that the governance of the Hospital will be vested in the Hospital's governing authority ("Governing Authority") and the Governing Authority retains ultimate control over the policies and operations of the assets of the Hospital. The Governing Authority shall at all times exercise final control over the assets and operation of the Hospital, and Manager shall perform its functions to manage the Hospital as described in this Agreement in accordance with the policies, directives and budgets adopted by the Governing Authority. Manager further agrees that Manager will manage the Hospital in a manner that complies with Company' obligations as contained in any lease agreements or other agreements to which Company is a party.

1.3 *Appointment as Attorney-in-Fact.* During the Term, Company appoints Manager as its attorney-in-fact with full power on its behalf and in its name, or in the name of Company or the Hospital, (a) to prosecute or defend any litigation or proceeding before court or any governmental agency arising out of the operation of Company or the Hospital, after consulting with the Governing Authority and after receiving its approval to the selection of legal counsel and the position to be taken in any adversarial situation affecting Company or the Hospital, and (b) except for those agreements between Company and Manager or its Affiliates, to enter into contracts on behalf of Company or the Hospital relating to the Hospital's operations, which are consistent with the terms of this Agreement, and the goals, policies and objectives of the Hospital that are disclosed, in writing, from time to time, to Manager, by the Governing Authority.

1.4 *Relationship of the Parties.* The parties hereto acknowledge that the relationship created herein shall be as independent contractors, and as such each party shall remain professionally independent of each other. Company and Manager each expressly disclaim any intent to form a partnership, association, or any other entity, or to become joint venturers in the operation of the Hospital for tax or other purposes by virtue of the execution of this Agreement. The relationship created by this Agreement is solely one of principal (Company) contracting with an agent (Manager) as an independent contractor.

1.5 *Conflicts of Interest.* Manager shall be expected to exercise reasonable and prudent business judgment in all of its provision of the Management Services. The parties acknowledge that Manager and its Affiliates may participate in a wide range of business activities including the potential of certain conflicts of interest. Nothing contained herein shall be construed as to prevent Manager from providing services similar to the Management Services or Pre-Opening Services to any other hospital or healthcare provider. Each of the parties hereto shall resolve any conflicts of interest through the exercise of good faith, integrity and sound business judgment, acting always in the best interest the Hospital.

1.6 *Professional Medical Judgment Matters.* Manager shall not be responsible for any professional medical judgment matters relating to the Hospital. All matters involving professional medical judgment shall remain the responsibility of Company and the Hospital under the review and supervision of the Hospital's medical staff, medical staff bylaws and rules and regulations from time to time adopted and/or amended by the Hospital's Governing Authority.

ARTICLE 2: MAINTENANCE OF STANDARDS

2.1 *Standard of Health Care.* Manager shall ensure that the Hospital's operations meet the standard of health care in the community and in accordance with the written policies adopted by Company and the resources available to the Hospital. In consultation with Company, Manager shall be responsible

for evaluating all quality control aspects of the Hospital's operations and implementing quality control programs designed to meet the standards imposed by appropriate certifying or licensing agencies and the standard of health care set forth herein.

2.2 *Government Regulations.* Manager, for and on behalf of Company, shall use its best efforts to ensure that the Hospital complies with the requirements of all statutes, ordinances, laws, rules, regulations or orders of any Governmental Authority having jurisdiction governing the Hospital.

2.3 *Licenses and Permits.* Manager shall use its best efforts to assist Company in obtaining and maintaining all licenses and permits required in connection with the management and operation of the Hospital. Company shall cooperate with Manager in applying for, obtaining and maintaining such licenses and permits.

2.4 *Compliance.* In coordination with Company, Manager shall establish, implement and maintain an effective compliance plan for the Hospital, subject to the approval of Company and the Hospital.

ARTICLE 3: COMPENSATION

3.1 *The Pre-Opening Fee.* Company shall pay to Manager a pre-opening fee of Two Hundred Fifty Thousand Dollars (\$250,000.00) (the "Pre-Opening Fee"). The Pre-Opening Fee shall be paid in ten (10) equal monthly payments commencing on the initiation of construction of the Hospital after the approval of Company's certificate of need application for the Hospital by the Washington State Department of Health. Notwithstanding the foregoing, regardless of the payment schedule, the entirety of the Pre-Opening Fee must be paid to Manager by the end of the month the Hospital receives its certificate of occupancy.

3.2 *The Management Fee.* As compensation for the Management Services provided to the Hospital by Manager under this Agreement, starting the month the Hospital commences operations, Company and the Hospital shall pay to Manager a total fee in an amount equal to the greater of (i) five percent (5%) of the Net Patient Revenues of the Hospital, such Management Fee to be calculated and paid monthly, or (ii) sixty thousand dollars (\$60,000) per month (the "Management Fee"). "Net Patient Revenues" shall mean the Hospital's gross revenues collected for health care services, less contractual allowance, charity and bad debt. All components included in the calculation of Net Patient Revenues shall be determined in accordance with generally accepted accounting principles. Net Patient Revenues shall be determined at the close of each month and the Management Fee shall be calculated by the fifteenth (15th) day of the following month. The Management Fee shall be payable monthly by the thirtieth (30th) day following the receipt by Company of an invoice for such Management Fee. Unpaid balances shall accrue interest at a rate of prime plus one percent (1%).

3.3 *Compensation Due Manager in Event of Sale.* In the event (i) Company or the Hospital sells a significant amount of its assets (as solely determined by Nobis) or (ii) all or a portion of the equity interests in Company or an entity which operates the Hospital are sold to a third party, Company or the Hospital as applicable shall pay to Manager an amount equal to three times the Management Fee paid to Manager for the immediately preceding twelve (12) month period of such transaction. Such amount shall be due and payable on the date of closing of such transaction.

3.4 *Fair Market Value.* The parties agree that the Pre-Opening Fee and the Management Fee do not consider in any manner the volume or value of referrals or other business generated by either party or such party's owners or investors. The parties agree and acknowledge that if a fair market value opinion is obtained by either party from a reputable third party valuation company in the future that indicates that

the Management Fee is not consistent with fair market value, the Management Fee may be adjusted to the amount as provided in the fair value opinion from the later of the Effective Date of this Agreement or the date of the last fair market value opinion obtained by the Parties through this Agreement's Term. The parties will reasonably cooperate with each other to ensure the Management Fee is consistent with fair market value.

3.5 *Expenses.* Company and the Hospital shall pay all expenses incurred in connection with their operation, including, without limitation, any and all legal, accounting and tax return preparation, travel, lodging and meal expenses, as well as the costs of Manager or any of its Affiliates for personnel or for goods, supplies, services and materials used for or by the Hospital and/or Manager for the Hospital's operations. Manager (or any submanager as applicable) shall prepare an itemization of its out-of-pocket expenses for the operation of the Hospital on a monthly basis to be submitted to Company by the twentieth (20th) day of the subsequent month (the "Monthly Expense Report"). All amounts due under each Monthly Expense Report shall be paid to Manager by Company within thirty (30) days of receipt of such Monthly Expense Report.

ARTICLE 4: JOINT RESPONSIBILITIES

4.1 *Responsibilities.* Manager, the Hospital and Company (to the extent applicable) shall use their best efforts to cause their respective employees and contractors to comply with all applicable federal, state and local laws, rules, regulations and restrictions in the provision of services related to the Hospital. Company, the Hospital and Manager shall not, and shall use reasonable efforts to ensure that the employees shall not:

(a) enter into any contract, lease, agreement or arrangement, including, but not limited to, any joint venture or consulting agreement, to provide services, lease space, lease equipment or engage in any other venture or activity with any physician, hospital, physician-owned distributorship, pharmacy, home health agency or other Person or entity that is in a position to make or influence referrals to, or otherwise generate business for the Hospital, or Company, if such transaction is in violation of any applicable law, rule or regulation;

(b) knowingly and willfully make or cause to be made a false statement or misrepresentation of a material fact in any application for, or for use in determining rights to, any benefit or payment;

(c) fail to disclose knowledge by a claimant of the occurrence of any event affecting the initial or continued right to any benefit or payment on its own behalf or on behalf of another, with intent to fraudulently secure such benefit or payment; or

(d) knowingly or willfully pay, solicit or receive any remuneration (including any kickback, bribe or rebate), directly or indirectly, overtly or covertly, in cash or in kind, or offer to pay or receive such remuneration (i) in return for referring an individual to a Person for the furnishing or arrangement for the furnishing of any item or service for which payment may be made in whole or in part under any state or federal health program or otherwise, or (ii) in return for purchasing, leasing, or ordering, or arranging for or recommending purchasing, leasing, or ordering, any good, facility, service or item for which payment may be made in whole or in part under any state or federal health program or otherwise.

4.2 *No Influence on Referrals.* The parties agree that this Agreement is not intended to generate patient referrals for services or supplies for which payment may be made in whole or in part under any state or federal health care program.

ARTICLE 5: TERM AND TERMINATION

5.1 *Term.* Whereas this Agreement is effective on the Effective Date, this Agreement, however, shall commence upon receipt of the first Pre-Opening Fee payment and shall continue for a period of ten (10) years (the “Initial Term”), and shall automatically renew for additional terms of five (5) years (each, a “Renewal Term”) unless either party gives notice of its intent not to renew one hundred eighty (180) calendar days prior to the natural expiration of the Initial Term or any Renewal Term (the Initial Term and each Renewal Term shall collectively be referred to as the “Term”). For the avoidance of doubt, if the Washington State Department of Health does not approve Company’s certificate of need application for the Hospital and/or the construction of the Hospital does not commence thereafter, then Manager may immediately upon written notice to Company terminate this Agreement and this Agreement will be null, void and of no further force or effect.

5.2 *Termination for Cause.* This Agreement shall terminate at the election of the non-defaulting party upon the delivery by the non-defaulting party of written notice of termination based on the occurrence of an Event of Default under Section 5.3 below.

5.3 *Events of Default.*

(a) With respect to Manager, an Event of Default, unless waived by Company, under this Agreement shall occur:

(i) if Manager is excluded from participation in the Medicare or Medicaid programs or the conviction of or settlement by Manager of a violation of any Health Law; or

(ii) if Manager breaches this Agreement and fails to cure such breach within ninety (90) days of receiving written notice of such breach from Company.

(b) With respect to Company or the Hospital, unless waived by Nobis, an Event of Default under this Agreement shall occur:

(i) if Company or the Hospital shall fail to keep, observe or perform any non-monetary material term, agreement or provision of this Agreement, and such breach remains un-remedied for a continuous unabated period of sixty (60) days after receiving written notice from Manager stating the specific default;

(ii) if Company or the Hospital applies for or consents to the appointment of a receiver, trustee or liquidator of Company or the Hospital or of all or a substantial part of Company’s assets, files a voluntary petition in bankruptcy, makes a general assignment for the benefit of creditors or files a petition or an answer seeking reorganization or arrangement with creditors to take advantage of any insolvency law, or if a final order, judgment or decree shall be entered by any court of competent jurisdiction, on the application of a creditor, adjudicating Company or the Hospital bankrupt or insolvent or approving a petition seeking reorganization of Company or the Hospital or appointing a receiver, trustee or liquidator of Company or the Hospital of all or a substantial part of their assets; or

(iii) if Company or the Hospital shall fail to pay any amount due to Manager within ninety (90) days of its due date.

5.4 *Material Changes Affecting Agreement.* In the event any federal, state, or local law or regulation currently existing or hereinafter enacted, or any final or non-appealable construction or interpretation of such law or regulation (whether federal, state, or local) or enforcement of such laws or

regulations hereinafter occurs, that makes performance of this Agreement impossible, illegal, or disqualifies a party from providing services to Medicare or Medicaid patients or precludes reimbursement relating thereto, the parties mutually agree to enter into a modification of this Agreement to make substantial performance of this Agreement possible, legal, or to qualify each party to provide such party's services to Medicare or Medicaid patients and obtain reimbursement. Should the parties be unable to agree upon an appropriate modification to comply with such requirements following thirty (30) days of good faith negotiations, however, either party may give written notice to the other party to immediately terminate this Agreement.

5.5 *Remedies Upon Termination.* Upon termination of this Agreement under Sections 5.2, 5.3, and 5.4 above, Manager shall vacate the Hospital's premises and relinquish to Company, as directed by Company, sole possession of any and all property of Company, including financial records and other documents necessary for the operation of the Hospital. Manager shall be entitled to receive payment of all amounts unpaid but earned up to the date of termination, which payment shall be due within fifteen (15) days of the date on which Manager has complied with its termination obligations as provided in this Section.

5.6 *Cooperation Upon Termination.* In the event this Agreement is terminated for any reason, the parties agree to work cooperatively in concluding the provision of Management Services by Manager, including, but not limited to, transferring the employment of any individuals by Manager to Company, if applicable.

ARTICLE 6: INDEMNIFICATION

6.1 *By Manager.* To the extent permitted by law, Manager shall defend and indemnify and save Company and the Hospital and their respective owners, officers, directors and employees harmless from any and all liabilities, claims, actions, losses, damages, expenses and costs (including reasonable attorneys' fees) arising directly or indirectly out of or in connection with the gross negligence, willful malfeasance or intentional acts of Manager in connection with this Agreement (other than with respect to any liability, claim, action, damage, expense or cost which was incurred by reason of a negligent act or omission by Company or Hospital or any of their agents or employees).

6.2 *By Company and the Hospital.* To the extent permitted by law, Company and the Hospital shall defend, indemnify and save Manager and its owners, directors, officers and employees harmless from any and all liabilities, claims, actions, losses, damages, expenses and costs (including reasonable attorneys' fees) arising directly or indirectly out of or in connection with the negligence, willful malfeasance or intentional acts of Company or the Hospital in connection with this Agreement (other than with respect to any liability, claim, action, damage, expense or cost which was incurred by reason of Manager's or any of its agents' or employees' negligent acts or negligent omissions). Company and the Hospital shall further indemnify and hold Manager harmless from any liability for damages from the provision of medical services by Company or the Hospital, their employees, agents, contractors, guests or invitees. Such indemnity shall include any costs incurred by Manager in connection with such liability, including, without limitation, reasonable attorneys' fees and disbursements. This provision shall survive the termination of this Agreement with respect to any claims or damages occurring prior to such termination.

6.3 *Insurance.* Manager shall secure and maintain at all times during the Term, at Company's and the Hospital's sole expense, commercial general liability insurance, covering the Hospital and all of the Hospital's employees, with a carrier licensed to do business in the state where the Hospital is located. Such insurance shall name Manager as an additional insured and shall not be cancelable except upon thirty (30) days' prior written notice to Manager. Such coverage shall be primary and non-contributory. Upon request, Company and the Hospital shall provide Manager documentation from the insurance carrier confirming such coverage.

6.4 *Survival.* The parties' *obligations* under this Article 6 shall survive the termination or expiration of this Agreement.

ARTICLE 7: CONFIDENTIALITY AND OWNERSHIP OF RECORDS

7.1 *Non-Disclosure.* A recipient party shall never disclose, copy, or use any Confidential Information in any manner other than by disclosing such Confidential Information:

(a) To an employee or contractor of such party who has a need to know such Confidential Information as contemplated by this Agreement or under any other agreement between such employee and the applicable party;

(b) To the officers, directors, managers, members, stockholders, employees, attorneys, accountants, consultants, advisors, sources of financing and other agents of a party who are required to have access to the Confidential Information to perform their obligations to a party; or

(c) As required to be disclosed by operation of law, provided that such party has promptly notified the disclosing party of any legal process requiring production of such Confidential Information prior to compliance with such process and has taken all reasonable precautions, including a protective order if so requested by (and at the expense of) the disclosing party, to ensure confidential treatment of any Confidential Information so disclosed.

(d) Each party shall treat the Confidential Information disclosed to such party by the other party with the same degree of care as such party accords to such party's own Confidential Information, but in no case less than commercially reasonable care.

(e) The recipient party shall promptly advise the disclosing party if such recipient party learns of any unauthorized use or disclosure of the Confidential Information of the disclosing party. Each party shall continue to own all of such party's Confidential Information.

(f) A breach or threatened breach of this Section 7.1 by a party may cause irreparable harm and injury to the disclosing party for which money damages are inadequate. In the event of such breach or threatened breach, the disclosing party shall be entitled to seek injunctive relief, in addition to all other available remedies, without the requirement of posting a bond or any other security.

For purposes of this Agreement, "Confidential Information" shall include any patent applications, licenses, copyrights, trademarks, trade names, service marks, service names, know-how, trade secrets, customer or patient lists, details of client or consulting contracts, pricing policies, operational methods, marketing plans or strategies, product development techniques or plans, procurement and sales activities, promotional and pricing techniques, credit and financial data concerning customers, business acquisition plans, or any portion or phase of any scientific or technical information, ideas, discoveries, designs, computer programs (including source or object code), processes, procedures, formulas or improvements of a party, whether or not in written or tangible form, and whether or not registered, and including all memoranda, notes, plans, reports, records, documents, and other evidence thereof. The term Confidential Information shall not include any information that (i) is generally available to the public other than as a result of an improper disclosure by the recipient party; (ii) becomes available to a party on a non-confidential basis from a source (other than the disclosing party) which is not known by such party to be prohibited from disclosing such information by a legal, contractual, or fiduciary obligation to the disclosing party; (iii) is already known by the recipient party without any obligation of confidentiality; (iv) is independently developed by the recipient party without use of, or reference to, any Confidential Information of a disclosing party; or (v) is approved for release by written authorization from the disclosing party.

7.2 *Reasonableness of Restrictions.* The parties hereby acknowledge that the restrictions set forth in Article 7 are minimal, reasonable in scope and duration and are necessary to protect the legitimate interests of the parties and that any breach or threatened breach of these restrictions will result in irreparable harm to the non-breaching party. In the event any of the restrictions are found by a court of competent jurisdiction to be too broad to permit enforcement to its full extent, then such restrictions shall be enforced to the maximum extent allowable by law and the parties hereby consent to and authorize the court to modify the restrictions in a manner to permit their enforcement.

7.3 *Ownership of Records.* All records and information (including patient medical records) relating to the business and activities of Company and the Hospital produced or developed by Company or the Hospital shall be the property of Company or the Hospital irrespective of the identity of the party responsible for maintaining such records and information. If Company or the Hospital is in any way legally restricted in its ability to own and hold the patient medical records, Company or the Hospital shall have the authority to assign ownership of such records to an entity legally authorized to own and hold such records.

7.4 *Proprietary Property.* Manager agrees that all right, title and interest in all materials, manuals, policies, documents or systems developed, acquired or furnished by Company or the Hospital in connection with the performance of Manager's obligations hereunder shall be and remain the property of Company or the Hospital. Manager hereby assigns all its right, title and interest in such documents, manuals, policies, materials or systems to Company or the Hospital, if applicable.

ARTICLE 8: COMPLIANCE WITH LAWS

8.1 *Protected Health Information.* The parties hereto agree to comply with all state laws and regulations relating to the privacy of protected health information including the Health Insurance Portability and Accountability Act of 1996, as codified at 42 U.S.C. § 1320d and amended by Subtitle D of the Health Information Technology for Economic and Clinical Health Act (Division A, Title XIII and Division B, Title IV, of the American Recovery and Reinvestment Act of 2009, Pub. L. 111-5) (the "HITECH Act") (collectively "HIPAA"), and any current and future regulations promulgated thereunder including without limitation the federal privacy regulations contained in 45 C.F.R. Parts 160 and 164 (the "Federal Privacy Regulations"), the federal security standards contained in 45 C.F.R. Part 142 (the "Federal Security Regulations"), and the federal standards for electronic transactions contained in 45 C.F.R. Parts 160 and 162, all collectively referred to herein as the "HIPAA Requirements". Manager agrees not to use or further disclose any Protected Health Information (as defined in 45 C.F.R. Section 164.501) or Individually Identifiable Health Information (as defined in 42 U.S.C. Section 1320d), other than as permitted by the HIPAA Requirements and the terms of this Agreement. The parties shall make their internal practices, books, and records relating to the use and disclosure of Protected Health Information available to the Secretary of the Department of Health and Human Services (the "Secretary") to the extent required for determining compliance with the Federal Privacy Regulations. The parties understand that with respect to the services provided hereunder, Manager is a Business Associate of Company and the Hospital for federal and state privacy rule purposes. Accordingly, the parties hereto agree to the provisions of the Business Associate Agreement attached as Exhibit C, which is incorporated by this reference.

8.2 *Regulatory Compliance.* The parties intend to comply with, and have structured this Agreement so as to comply with, all applicable state and federal laws and regulations, including, but not limited to the Health Laws, the HIPAA Requirements and state laws and regulations regarding anti-kickback, fraud and abuse, or self-referral obligations. It is not a purpose of this Agreement to include the referral of patients, and no requirement or payment under this Agreement (or any other arrangement between the parties) if for either party to refer, recommend or arrange for any items or services paid for by Medicare, Medicaid or any other federal or state health care program. All payments specified in this Agreement are consistent with what the parties reasonably believe to be fair market value for the items or

services provided, and the compensation payments by Company to Manager for the Management Services shall not exceed that which is reasonable for the legitimate business purposes of the arrangement.

8.3 *Access to Books and Records.* If it shall be determined or asserted that this Agreement is a contract between a provider and subcontractor within the meaning of Section 1861(v)(1)(I) of the Social Security Act or any rules, regulations or judicial or administrative interpretations or decisions promulgated or made pursuant to that Section, then Manager, Company and the Hospital hereby agree that: (a) until the expiration of four years after the furnishing of any service pursuant to this Agreement, each shall make available, upon written request of the Secretary, or upon written request of the Comptroller General or any of their duly authorized representatives, this Agreement and any books, documents and records that are necessary to certify the nature and extent of the costs incurred by Company, the Hospital or Manager with respect to this Agreement and the services provided pursuant to it, and (b) if either Manager, the Hospital or Company carries out any of the duties of this Agreement through a subcontract with a value or cost of Ten Thousand Dollars (\$10,000) or more over a twelve (12) month period with a related organization, that subcontract shall contain a clause to the effect that until the expiration of four (4) years after the furnishing of any services pursuant to the subcontract, the related organization shall make available, upon written request of the Secretary, or upon request of the Comptroller General or any of their duly authorized representatives, the subcontract and any books, documents and records of such organization as are necessary to verify the nature and extent of the costs incurred with respect to the subcontract and the services provided pursuant to it. This Agreement shall be automatically and retroactively amended, without the necessity of any action by the parties to it, to include the terms of any rules, regulations or judicial or administrative interpretations or decisions promulgated or made under Section 1861(v)(1)(I) of the Social Security Act, to the extent that the terms of such rules, regulations and retroactive amendment shall be deemed to have become effective on the effective date of the amendment.

8.4 *Non-Discrimination.* The parties shall comply with all applicable federal, state and local laws and regulations prohibiting discrimination against employees or patients. Without limiting the generality of the foregoing, (a) neither party shall discriminate against any patient on the basis of age, race, color, sexual orientation, marital status, religion, sex, national origin or sponsor, and (b) both parties shall employ personnel without regard to age, race, color, sexual orientation, religion, sex or national origin.

8.5 *Exclusion/Debarment.* Each party hereby represents and warrants to the other party that it: (a) has not been excluded from participation in the Medicare, Medicaid or any other federal health care program; (b) has not been convicted of any violation of any Health Laws; and (c) is not subject to any order or settlement agreement with any governmental authority. Each party agrees it shall not employ or contract with any individual or entity who is excluded from participation in Medicare or any federal or state health care program under Sections 1128 and 1128A of the Social Security Act or as defined at 42 U.S.C. Section 1320a 7b(f). Each party shall promptly notify the other party if such party is excluded from participating under Medicare or any other federal or state health care program. Each party shall indemnify and hold harmless the other party against all loss, damages, costs and expenses, including reasonable attorneys' fees, arising directly or indirectly out of the involuntary exclusion of the indemnifying party from a federally funded health care program.

ARTICLE 9: MISCELLANEOUS PROVISIONS

9.1 *Assignment; Subcontract.* This Agreement may be assigned by Manager to an Affiliate (defined below) without the prior written consent of Company. Any other attempted assignment in violation of this Section 9.1 shall be null and void and of no force or effect. Manager may subcontract all or any part of its obligations under this Agreement to any party or entity without the prior written approval of Company. All of the terms, provisions and obligations of this Agreement shall be binding on and inure to the benefit of the successors and assigns of the parties hereto.

9.2 *Entire Agreement; Modification and Change.* This Agreement contains the entire agreement between Manager and Company regarding the matters set forth herein and supersedes any and all prior agreements, arrangements or understandings between Manager and Company relating to the subject matter of this Agreement. This Agreement, and any provision or time period specified in this Agreement, cannot be changed or modified except by another agreement in writing executed by Manager and Company.

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

9.4 *Survival.* Provisions of this Agreement which, by their terms or by reasonable implication, are to be performed after the termination or expiration of this Agreement shall survive the termination or expiration of this Agreement.

9.5 *No Rights or Liabilities in Third Parties.* This Agreement is not intended to, nor shall it be construed to, create any rights or liabilities in any third parties, including, without limitation, in any physician, owner, employee or contractor of Manager, the Hospital or Company.

9.6 *Effect of Waiver or Consent.* A waiver or consent, express or implied, to or of any breach or default by any party to this Agreement in the performance by that party of its obligations hereunder is not and shall not be construed as a consent or waiver to or of any other breach or default in the performance by that party of the same or any other obligations of that party with respect to this Agreement. Failure on the part of a party to complain of any act of any other party or to declare any party in default with respect to this Agreement, irrespective of how long that failure continues, does not constitute a waiver by that party of its rights with respect to that default.

9.7 *Further Actions.* Each of the parties agrees that it shall hereafter execute and deliver such further instruments and do such further acts and things as may be required or useful to carry out the intent and purpose of this Agreement and as are not inconsistent with the terms hereof.

9.8 *Time.* Time is of the essence for purposes of each and every provision of this Agreement.

9.9 *Notices.* All notices, requests, approvals or consents provided for or permitted to be given under this Agreement must be in writing and must be given either by depositing that writing in U.S. mail, addressed to the recipient, postage paid, and registered or certified with return receipt requested or by delivering that writing to the recipient in-person, by courier or by facsimile transmission. Any notice, request, or consent to Company or Manager must be given as follows:

If to Company: Seattle Rehabilitation Hospital, LLC
 c/o Cross Hospitals, LLC
 450 Century Parkway, Suite 220
 Allen, Texas 75013
 Attn: Board of Managers

If to Manager: Nobis Rehabilitation Partners, LLC
 450 Century Parkway, Suite 220
 Allen, Texas 75013
 Attn: Chester Crouch

Notices shall be deemed effective (i) on the actual receipt in the case of hand delivery or facsimile

transmission, (ii) on the next business day in the case of notices by any nationally recognized overnight courier service, or (iii) on the third (3rd) business day after the date of mailing in the manner set forth herein. Whenever any notice is required to be given by law or by this Agreement, a written waiver thereof, signed by the party entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of that notice.

9.10 *Drafting Party.* The provisions of this Agreement, and any Exhibits or Schedules referred to herein, have been examined, negotiated, drafted and revised by counsel for each party and no implication shall be drawn nor made against any party by virtue of the drafting of this Agreement.

9.11 *Governing Law; Severability; Venue.* THIS AGREEMENT IS GOVERNED BY AND SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF TEXAS, EXCLUDING ANY CONFLICT OF LAWS RULE OR PRINCIPLE THAT MIGHT REFER THE GOVERNANCE OR THE CONSTRUCTION OF THIS AGREEMENT TO THE LAW OF ANOTHER JURISDICTION. If any provision of this Agreement or the application thereof to any Person or circumstance is held invalid or unenforceable to any extent, the remainder of this Agreement and the application of that provision to other Persons or circumstances is not affected thereby and that provision shall be enforced to the greatest extent permitted by law. Additionally, if there is a change in the legal or regulatory provisions relating to this Agreement which invalidate any terms herein, the parties agree to modify this Agreement to comply with the new legal and regulatory requirements. Venue for any injunctive action arising under or in connection with this Agreement shall lie exclusively in a court of competent jurisdiction in Dallas County, Texas.

9.12 *Binding Arbitration.* To the extent that the parties hereto are unable to resolve their disputes or controversies arising out of or relating to this Agreement or the performance, breach, validity, interpretation or enforcement of this Agreement, all such disputes and controversies will be resolved solely by binding arbitration in Dallas, Texas in accordance with the United States Arbitration Act and the Commercial Arbitration Rules of the American Arbitration Association (the “AAA”), and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. A party hereto may initiate arbitration by sending written notice of its intention to arbitrate to the other party and to the AAA office located in Dallas, Texas. Such written notice will contain a description of the dispute and the remedy sought. The arbitration will be conducted at the offices of the AAA in Dallas, Texas before an independent and impartial arbitrator acceptable to the parties hereto. In the event that the parties have not mutually agreed on an acceptable arbitrator within thirty (30) days after the demand for arbitration is filed, the arbitrator shall be appointed in the manner provided by the Commercial Arbitration Rules of the AAA. The decision of the arbitrator will be final and binding on the parties hereto and their successors and assignees. The parties hereto intend that this agreement to arbitrate be irrevocable. In providing a remedy under this Section 9.12, the parties agree that the arbitrator shall not award punitive damages against any party, and the parties hereby mutually waive any claim for punitive damages which may be awarded in connection with any dispute subject to arbitration under this Agreement. The subject and details of any difference or dispute arising hereunder, as well as the terms of any settlement or resolution thereof, are confidential and shall be disclosed only as reasonably necessary by the parties to their respective attorneys and advisors. Notwithstanding any provision in this Section 9.12 to the contrary, either party may proceed to applicable state or federal courts for the purpose of obtaining equitable relief permitted by this Agreement, without the requirement of posting bond or any other security, including temporary restraining orders, temporary injunctions, or specific performance.

(a) Waiver. BY SIGNING THIS AGREEMENT, YOU ARE WAIVING YOUR RIGHT TO A TRIAL BY COURT AND A TRIAL BY JURY. ARBITRATION AS SET FORTH HEREIN SHALL BE THE ONLY REMEDIES BETWEEN COMPANY AND MANAGER IN THE EVENT OF A “DISPUTE”.

(b) Enforceability of Arbitration Determination/Award. In the event a party is required to seek recourse from a court of competent jurisdiction to enforce an arbitration determination/award, all costs and fees and expenses of legal counsel for the enforcing party incurred as a **result** shall be awarded by the court to the enforcing party, and shall be borne by the party against which the mediated agreement/settlement or arbitration determination/award is being enforced.

(c) Limitations. This Section 9.12 shall not apply to any enforcement of the confidentiality requirements or other restrictive covenants set forth in Article 7. Either party may pursue all legal remedies in whatever forum available to enforce the confidentiality requirements and the provisions of Article 7.

9.13 *Definitions.* As used in this Agreement, and unless the context clearly indicates otherwise, the following terms shall have the following meanings:

“Affiliate” means, with respect to any Person, any other Person controlling, controlled by or under common control with that first Person.

“Control,” “controlled by” and “under common control with” refer to the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, any equity interest, or a membership interest in a non-stock corporation, by contract, by power granted in bylaws or similar governing documents, or otherwise. Without limiting the foregoing, any ownership interest greater than fifty percent (50%) for purposes hereof constitutes “control.”

“Governmental Authority” means any and all federal, state or local governments, governmental institutions, public authorities and any other governmental entities of any nature whatsoever, and any subdivisions or instrumentalities thereof, including, but not limited to, departments, boards, bureaus, panels, and any divisions or instrumentalities thereof, whether permanent or ad hoc and whether now or hereafter constituted or existing.

“Government Requirement” shall mean any and all laws (including but not limited to, applicable common law principles), statutes, ordinances, codes, rules, regulations, interpretations, guidelines, directions, orders, judgments, writs, injunctions, procedures, decrees, decisions or similar items or pronouncements, promulgated, issued, passed or enacted by any Governmental Authority, including, but not limited to, the Health Laws.

“Health Laws” means various federal and state health care related laws, including, but not limited to, applicable provisions of the Federal Social Security Act (including the Federal Medicare and Medicaid Anti-Fraud and Abuse Amendments (42 U.S.C. § 1320a-7a and -7b) and the Federal Physician Anti-Self Referral Law (42 U.S.C. § 1395nn)), false claims (18 U.S.C. § 287) and false statements (18 U.S.C. § 1001) acts, the Civil False Claims Act (31 U.S.C. §§ 3729-3731), the Program Fraud Civil Remedies Act (31 U.S.C. § 3801-3812), HIPAA, the Affordable Care Act (The Patient Protection and Affordable Care Act of 2010, as amended by the Health Care Education Reconciliation Act of 2010), any applicable state Medical Practice Act or its equivalent and any applicable state fraud and abuse laws, and any other federal or state laws or accompanying regulations concerning the foregoing, as those laws may now exist or hereafter be amended or promulgated.

“Person” shall mean any natural person, any Governmental Authority and any entity, the separate existence of which is recognized by any Governmental Authority or Governmental Requirement,

including, but not limited to, corporations, partnerships, joint ventures, limited liability companies, trusts, estates or associations, whether organized for profit or otherwise.

“Profits” shall mean, for each fiscal year or other period, any positive amount of EBITDA, which is defined as earnings before interest, income taxes, depreciation accounting, and amortization of deferred charges.

9.14 *Construction; Interpretation.* Whenever the context requires, the gender of all words used in this Agreement includes the masculine, feminine and neuter. Unless otherwise expressly provided in this Agreement, all references to Articles and Sections refer to Articles and Sections of this Agreement, and all references to Exhibits and Schedules are to Exhibits and Schedules attached to this Agreement, each of which is made a part of this Agreement for all purposes. The Article and Section headings are for reference only and shall not limit or control the meaning of any provision of this Agreement.


[Signature Page(s) to Follow]

IN WITNESS WHEREOF, Manager and Company have caused this Agreement to be executed by their duly authorized representatives as the Effective Date.

COMPANY:

SEATTLE REHABILITATION HOSPITAL, LLC

By: Cross Hospitals, LLC
Its: Manager

By:  _____
Name: Chester Crouch
Its: Manager

MANAGER:

NOBIS REHABILITATION PARTNERS, LLC

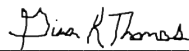
By:  _____
Name: Gina Thomas
Its: Chief Development & Public Relations Officer

EXHIBIT A
THE PRE-OPENING SERVICES

1. *The Pre-Opening Services.* Manager shall render the following Pre-Opening Services:

(a) Initial Market Diligence. Manager shall formulate and analyze various types of health care data in order to perform initial market diligence for Company and the Hospital.

(b) Design and Development. Manager shall participate along with and support the real estate developer with initial design and development meetings as well as final architectural and engineering planning as reasonably required for the Hospital. Manager shall oversee furniture, fixture and equipment (“FFE”) approvals as well as ordering, budgeting and procurement with outside vendor selected by Manager (as needed).

(c) Financial and Accounting Services. Manager shall reasonably cooperate with Company for Company’s initial lending and bank meetings as reasonably required for the Hospital. Manager shall prepare and present to Company and the Governing Authority operational proformas and opening budgets for the Hospital.

(d) Initial Recruitment of Physicians; Physician Credentialing. Manager shall recruit and provide initial screening key initial physicians and medical staff members, including but not limited to a medical director, on behalf of Company. Company retains responsibility for monitoring and maintaining the qualifications of its physicians and agrees that the role of Manager is to present candidates for consideration by Company. Manager shall assist with physician credentialing for the Hospital, utilizing an outside vendor selected by Manager (as needed).

(e) Initial Recruitment of Hospital Personnel. Manager shall recruit executives and other personnel for the Hospital’s leadership team as well as initial employees for the Hospital. As part of the recruitment process, Manager shall establish job descriptions and employee competencies for the Hospital.

(f) Policies and Procedures. Manager shall assist Company in establishing its initial compliance plan as well as policies and procedures for the Hospital and its departments.

(g) Third-Party Payors. Manager shall act as Company’s initial liaison for purposes of managed care contracting with an outside vendor selected by Manager (as needed).

(h) Initial Outreach. Manager shall provide initial marketing and relationship building in connection with the Hospital. Manager shall establish initial marketing strategies and competencies for the Hospital’s marketing team.

(i) Licensing and Accreditation. Manager shall assist Company in completing and submitting the state hospital licensure application, Medicare application and Medicare accreditation documentation required by such applicable licensing and regulatory authorities for the Hospital.

(j) Information Systems. Manager shall be responsible for establishing initial information systems, software and accounting systems for the Hospital.

(k) Additional Services. Additional services may be suggested by Company and provided by Manager upon mutual agreement of the parties.

EXHIBIT B
THE MANAGEMENT SERVICES

1. *The Management Services.* Subject to Paragraph 3 below, Manager shall render all services, direction, advice, supervision and assistance as are necessary or advisable in the day-to-day operation of the Hospital, including, without limitation, the following Management Services:

(a) Vendor Relationships. Manager shall oversee the payment process for the Hospital, on the Hospital's behalf, relating to invoices from vendors contracted directly with the Hospital in connection with the operation of the Hospital. All payments must follow the Hospital's internal control policies on payments to vendors including authorization approval limits.

(b) Third-Party Payors. If requested by Company, Manager shall act as Company's liaison with all third-party payors for the purpose of negotiating managed care, preferred provider, and other agreements with such third-party payors. Both Company and Manager shall monitor performance of the respective parties to such agreements for compliance with the terms and conditions set forth therein, as well as all applicable federal and state laws, rules and regulations.

(c) Outside Services. Manager will arrange for all services to be obtained for the Hospital from outside contractors, including, housekeeping, laundry, maintenance, medical waste disposal and other similar services, using Company contracts, as appropriate.

(d) Policies and Procedures. Manager shall assist the Hospital in establishing, implementing and maintaining appropriate compliance plans or initiatives for the Hospital.

(e) Recruitment of Physicians. If requested by Company, Manager shall recruit and provide initial screening of physicians on behalf of Company, including medical directors. Company retains responsibility for monitoring and maintaining the qualifications of its physicians and agrees that the role of Manger is to present candidates for consideration by Company. All medical directors and the costs of such physician recruitment shall be borne by Company.

(f) Licensing and Accreditation. Manager will ensure, in coordination with Company, that all appropriate actions are taken for the Hospital to be and remain accredited by The Joint Commission or another applicable accrediting agency and remain in good standing with all applicable licensing and regulatory authorities, including but not limited to preparing and timely submitting all reports required by such authorities, and for the Hospital to remain accredited and in compliance with the applicable regulatory authorities for that department. Manager will use its best efforts to ensure compliance with applicable legal and regulatory requirements.

(g) Health Care Analytics. Manager shall formulate and analyze various types of health care data in order to facilitate Company's operation of the Hospital. Company hereby authorizes Manager to prepare and distribute reports of the Hospital's program activities to owners and employees of, and consultants to, Company and Manager and to such other persons as Company deems necessary in order for Manager to carry out its obligations hereunder. Further, Manager shall provide the non-clinical aspects of developing resources and protocols for the Hospital in connection with risk management, incident tracking, physician profiling and patient safety.

(h) Information Systems. Manager shall oversee information systems and software related directly to the Hospital and shall be responsible for procuring any outside services necessary to keep such systems operational and functioning in a manner necessary to operate.

(i) Insurance. At Company's sole expense, Manager shall arrange for the purchase by the Hospital of general, liability, property, and other necessary insurance coverage for the Hospital in such amounts as deemed sufficient by the Governing Authority; provided, however, that all physicians practicing in the Hospital shall obtain and maintain at all times, their own professional liability insurance. Manager shall further supervise the prompt investigation and filing of full timely written reports to the insurance companies as to all accidents and claims for damages relating to the ownership, operation and maintenance of the Hospital's properties and business and supervise the preparation of any and all reports required by any insurance in connection therewith. Manager shall settle any and all claims of the Hospital against insurance companies arising out of any such insurance policies, including the execution of proofs of loss, the adjustment of losses, signing of receipts, and the collections of money.

(j) Compliance Training. Manager shall assist in furnishing compliance training services to Company's employees.

(k) Outreach. Manager shall provide all marketing and corporate Pre-Opening Services required in connection with the Hospital, including developing, implementing and supervising the marketing, promotion and advertising strategies reasonably necessary for the operation, growth and expansion of the Hospital's services, subject to the approval of Company. Specifically, Manager shall perform the Pre-Opening Services detailed in Exhibit A above.

(l) Supplies and Equipment. Subject to the approval by Company, at Company's cost, Manager shall provide for the purchase or lease by Company of all supplies and equipment used in the ordinary course of business operations of the Hospital. Manager shall cause to be ordered and purchased inventory and supplies, and such other ordinary and appropriate material which are necessary for the operation of the Hospital in a manner necessary to deliver quality medical services.

(m) Accounting and Bookkeeping Services. Manager shall review, direct and supervise the following accounting and bookkeeping services for Company in the operation of the Hospital:

(i) supervise the disbursements of funds held in a special bank account selected by the Governing Authority, separate from all other monies of Manager, for the operating expenses of the Hospital;

(ii) maintain in accordance with the accounting policies and practices determined by the Governing Authority, the Hospital's books of account, including all journals and ledgers, check register and payroll records;

(iii) process vendors' invoices and other accounts payable on a timely basis;

(iv) prepare payroll checks from time sheet summaries prepared under Manager supervision (including oversight of outsourcing process if deemed necessary);

(v) prepare payroll and supervise preparation of Company's tax returns (fees paid to independent accountants will be responsibility of Company);

(vi) prepare monthly bank reconciliation statements;

(vii) prepare monthly profit and loss statements;

(viii) furnish the following to Company, on or before the thirtieth (30th) day following the end of each calendar quarter: (A) an accrual basis balance sheet; and (B) an accrual basis statement of income for the quarter then ended of the "available cash," meaning the amount of cash and

marketable securities of the Hospital on hand at the end of the report period, reduced by (1) all outstanding and unpaid current cash obligations of the Hospital at the end of such report period (including those which are in dispute) and (2) provisions for reserves for reasonably anticipated cash expenses and contingencies (which may include debt service on the Hospital's indebtedness and management fees payable to Manager), but without deduction for depreciation and other non-cash expenses) at the end of such quarter; and

(viii) prepare and present to the Governing Authority for approval, by November 1st of each year, an annual operating and capital expenditure budget for the Hospital for the upcoming year. Such budget, when approved by the Governing Authority, is referred to as the "Approved Budget;" provided, however, in the event the Governing Authority does not approve a budget presented by Manager for any annual period, the Approved Budget for such annual period shall be the Approved Budget for the preceding annual period, but each line item of the budget for both operations and capital expenditures for such period shall be increased by ten percent (10%).

(n) Additional Services. Although the parties have endeavored to reflect the management and administrative services that Manager shall provide hereunder, they expressly recognize that there may be additional services provided by Manager, it being the intent of the parties that all management and administrative services necessary for the operations of the Hospital be provided by Manager, except that it is expressly understood and agreed by the parties that Manager will not provide any services related to, make any decisions related to, or assist with the Hospital's provision of professional medical services. Additional services in compliance with this Paragraph also may be suggested by Company and provided by Manager upon mutual agreement of the parties.

2. Employees. Manager shall, at all times during the Term hereof, ensure that the Hospital is properly staffed with all non-physician personnel and other support employees ("Employees") reasonably necessary for its efficient operation. Manager, in conformance with the Hospital budget and/or operating policies of Company, shall recruit, hire, train, direct, supervise, evaluate, assign and discipline (including, without limitation, by making determinations regarding retention and termination of Employees) all Employees and third-party contractors (such as consultants) as appropriate for the Hospital; provided, however, that the Hospital and/or Company shall be permitted to reasonably request that Manager release any Employee, which request shall be considered by Manager. In consultation with Company, Manager shall prepare a budget acceptable to Company indicating the types of positions and number of Employees to fill such positions required for the operation of the Hospital. The parties anticipate that Manager and Company shall cooperate with each other in deciding which entity will employ such employees.

3. No Practice of Medicine by Manager. Manager shall have and exercise absolutely no control or supervision over the provision of medical services or the practice of medicine for patients at the Hospital.

EXHIBIT C
BUSINESS ASSOCIATE AGREEMENT

This Business Associate Agreement (“Agreement”) is by and between SEATTLE REHABILITATION HOSPITAL, LLC, a Texas limited liability company (“Covered Entity”) and NOBIS REHABILITATION PARTNERS, LLC, a Texas limited liability company (“Business Associate”).

RECITALS

WHEREAS, Covered Entity has engaged Business Associate to provide services to Covered Entity under a Management Services Agreement (the “Underlying Agreement”);

WHEREAS, Covered Entity possesses Individually Identifiable Health Information that is protected under HIPAA and the HIPAA Regulations, and is permitted to use or disclose such information only in accordance with HIPAA and the HIPAA Regulations;

WHEREAS, Business Associate may receive such information from Covered Entity, or create and receive such information on behalf of Covered Entity, in order to perform its services under the Underlying Agreement; and

WHEREAS, Covered Entity wishes to ensure that Business Associate will appropriately safeguard Individual Identifiably Health Information;

NOW, THEREFORE, Covered Entity and Business Associate agree as follows:

1. Definitions. The parties agree that the following terms, when used in this Agreement, shall have the following meanings, provided that the terms set forth below shall be deemed to be modified to reflect any changes made to such terms from time to time as defined in HIPAA and the HIPAA Regulations.

a. “Business Associate” means, with respect to a Covered Entity, a person who:

(1) on behalf of such Covered Entity or of an organized health care arrangement (as defined under the HIPAA Regulations) in which Covered Entity participates, but other than in the capacity of a member of the workplace of such Covered Entity or arrangement, performs, or assists in the performance of:

a) a function or activity involving the use or disclosure of Individually Identifiable Health Information, including claims processing or administration, data analysis, processing or administration, utilization review, quality assurance, billing, benefit management, practice management, and repricing; or

b) any other function or activity regulated by the HIPAA Regulations; or

(2) provides, other than in the capacity of a member of the workforce of such Covered Entity, legal, actuarial, accounting, consulting, Data Aggregation, management, administrative, accreditation, or financial services to or for such Covered Entity, or to or for an organized health care arrangement in which Covered Entity participates, where the provision of the service involves the disclosure of Individually Identifiable Health Information from such Covered Entity or arrangement, or from another Business Associate of such Covered Entity or arrangement, to the person.

b. “Data Aggregation” means, with respect to PHI created or received by a Business Associate in its capacity as Business Associate of a Covered Entity, the combining of such PHI by Business Associate with the PHI received by Business Associate in its capacity as a Business Associate of another covered entity, to permit data analyses that relate to the health care operations of the respective covered entities.

c. “HIPAA” means the Health Insurance Portability and Accountability Act of 1996, Public Law 104-191.

d. “HIPAA Regulations” means the regulations promulgated under HIPAA by the United States Department of Health and Human Services, including, but not limited to, 45 C.F.R. Part 160 and 45 C.F.R. Part 164 subparts A and E (“The Privacy Rule”) and the Security Standards as they may be amended from time to time, 45 C.F.R. Parts 160, 162 and 164, Subpart C (“The Security Rule”).

e. “Individually Identifiable Health Information” means information that is a subset of health information, including demographic information collected from an individual, and

(1) is created or received by a health care provider, health plan, group, or health care clearinghouse; and

(2) relates to past, present, or future physical or mental health or condition of an individual; the provision of health care to an individual; or the past, present, or future payment for the provision of health care to an individual; and

a) that identifies the individual; or

b) with respect to which there is a reasonable cause to believe the information can be used to identify the individual.

f. “Protected Health Information” or “PHI” means Individually Identifiable Health Information that is transmitted by electronic media; maintained in any medium described in the definition of the term electronic media in the HIPAA Regulations; or transmitted or maintained in any other form or medium. Protected Health Information excludes Individually Identifiable Health Information in educational records covered by the Family Educational Right and Privacy Act, as amended, 20 U.S.C. § 1232g, and records described at 20 U.S.C. § 1232g(a)(4)(B)(iv).

g. “Red Flag” means a pattern, practice, or specific activity that indicates the possible existence of identity theft.

2. Status of Parties. Business Associate hereby acknowledges and agrees Covered Entity is a covered entity as defined under the HIPAA Regulations and that Business Associate is a business associate as defined under the HIPAA Regulations.

3. Permitted Uses and Disclosures.

a. Performance of Services. Business Associate may use and disclose PHI received from, or created or received on behalf of, Covered Entity only in connection with the performance of the services contracted for in the Underlying Agreement.

b. Proper Management and Administration. Business Associate may use PHI received by

Business Associate in its capacity as Business Associate of Covered Entity for the proper management and administration of Business Associate in connection with the performance of services in the Underlying Agreement and as permitted by this Agreement. Business Associate may disclose Covered Entity's PHI for such proper management and administration of Business Associate only with the prior consent of Covered Entity. Any such disclosure of PHI shall only be made if a Business Associate obtains reasonable assurances from the person to whom the PHI is disclosed that: (1) the PHI will be held confidentially and used or further disclosed only as required by law or for the purpose for which it was disclosed to the person, and (2) Business Associate will be notified by such person of any instances of which it becomes aware in which the confidentiality of the PHI has been breached.

c. Data Aggregation. Business Associate may use and disclose PHI received by Business Associate in its capacity as Business Associate of Covered Entity to provide Data Aggregation services relating to the health care operations of Covered Entity only with permission of Covered Entity.

4. Nondisclosure.

a. As Provided in Agreement. Business Associate shall not use or further disclose Covered Entity's PHI otherwise than as permitted or required by this Agreement.

b. Disclosures Required By Law. Business Associate shall not, without prior written consent of Covered Entity, disclose any PHI on the chance that such disclosure is required by law without notifying Covered Entity so that Covered Entity shall have an opportunity to object to the disclosure and to seek appropriate relief. If Covered Entity objects to such a disclosure, Business Associate shall refrain from disclosing the PHI until Covered Entity has exhausted all alternatives for relief. Business Associate shall require reasonable assurances from persons receiving PHI in accordance with Section 3(b) that such persons will provide Covered Entity with similar notice and opportunity to object before disclosing PHI on the chance that such disclosure is required by law.

c. Additional Restrictions. If Covered Entity notifies Business Associate that Covered Entity has agreed to be bound by additional restrictions on the uses or disclosures of Covered Entity's PHI pursuant to HIPAA or the HIPAA Regulations, Business Associate shall be bound by such additional restrictions and shall not disclose Covered Entity's PHI in violation of such additional restrictions.

5. Safeguards, Reporting, Mitigation and Enforcement.

a. Safeguards. Business Associate shall maintain a comprehensive written information privacy and security program that includes administrative, technical and physical safeguards that reasonably and appropriately protect the confidentiality, integrity and availability of any electronic PHI it creates, receives, maintains or transmits on behalf of Covered Entity. In addition to any safeguards specifically set forth in this Agreement, Business Associate shall use any and all appropriate safeguards to prevent use or disclosure of Covered Entity's PHI otherwise than as provided by this Agreement.

b. Business Associate's Agents. Business Associate shall not disclose PHI to any agent or subcontractor except with the prior written consent of Covered Entity. Business Associate shall ensure that any agents, including subcontractors, to whom it provides PHI received from, or created or received by Business Associate on behalf of, Business Associate agree in writing to be bound by the same restrictions and conditions that apply to Business Associate with respect to such PHI

including appropriate safeguards. Business Associate shall be fully liable to Covered Entity for any acts, failures or omissions of the Agent in providing the services as if they were Business Associate's own acts, failures or omissions, to the extent permitted by law.

c. Reporting. Business Associate shall report to Covered Entity within twenty-four (24) hours:

- (1) any use or disclosure of Covered Entity's PHI in violation of this Agreement or applicable law of which it becomes aware; and
- (2) any potential sign or Red Flag of identity theft pertaining to any Covered Entity patient of which it becomes aware, such as the unusual use of or other suspicious activity related a patient account or record, a patient that presents suspicious documents, or a patient that complains that he/she received a bill or invoice for services not provided.

d. Mitigation. Business Associate shall have procedures in place to mitigate, to the maximum extent practicable, any deleterious effect from any use or disclosure of Covered Entity's PHI in violation of this Agreement or applicable law.

e. Sanctions. Business Associate shall have and apply appropriate sanctions against any employee, subcontractor or agent who uses or discloses Covered Entity's PHI in violation of this Agreement or applicable law.

f. Covered Entity's Rights of Access and Inspection. From time to time upon reasonable notice, or upon a reasonable determination by Covered Entity that Business Associate has breached this Agreement, Covered Entity may inspect the facilities, systems, books and records of Business Associate to monitor compliance with this Agreement. The fact that Covered Entity inspects, or fails to inspect, or has the right to inspect, Business Associate's facilities, systems and procedures does not relieve Business Associate of its responsibility to comply with this Agreement, nor does Covered Entity's (1) failure to detect or (2) detection, but failure to notify Business Associate or require Business Associate's remediation of any unsatisfactory practices, constitute acceptance of such practice or a waiver of Covered Entity's enforcement or termination rights under this Agreement. This Section 5(f) shall survive termination of this Agreement.

g. United States Department of Health and Human Services. Business Associate shall make its internal practices, books and records relating to the use and disclosure of PHI received from, or created or received by Business Associate on behalf of Covered Entity, available to the Secretary of the United States Department of Health and Human Services for purposes of determining Covered Entity's compliance with HIPAA and the HIPAA regulations, provided that Business Associate shall immediately notify Covered Entity upon receipt by Business Associate of any such request for access by the Secretary of the United States Department of Health and Human Services, and shall provide Covered Entity with a copy thereof as well as a copy of all materials disclosed pursuant thereto.

6. Obligation to Provide Access, Amendment and Accounting of PHI.

a. Access to PHI. Business Associate shall make available to Covered Entity, in the time and manner designated by Covered Entity, such information as Covered Entity may require to fulfill Covered Entity's obligations to provide access to, and copies of, PHI in accordance with HIPAA and the HIPAA Regulations.

b. Amendment of PHI. Business Associate shall make available to Covered Entity such information as Covered Entity may require to fulfill Covered Entity's obligations to amend PHI in accordance with HIPAA and the HIPAA Regulations. In addition, Business Associate shall, as directed by Covered Entity, incorporate any amendments to Covered Entity's PHI into copies of such information maintained by Business Associate.

c. Accounting of Disclosures of PHI. Within twenty (20) days from the time of request by Covered Entity, Business Associate shall make available to Covered Entity such information as Covered Entity may require to fulfill Covered Entity's obligations to provide an accounting of disclosures with respect to PHI in accordance with HIPAA and the HIPAA Regulations.

(1) Record of Disclosures. Business Associate shall maintain a record of all disclosures of PHI received from, or created or received by Business Associate on behalf of, Covered Entity including the date of the disclosure, the name and, if known, the address of the recipient of the PHI, a brief description of the PHI disclosed, and the purpose of the disclosure which includes an explanation of the reason for such disclosure. Business Associate shall make this record available to Covered Entity upon Covered Entity's request.

(2) Certain Disclosures Need Not Be Recorded. The following disclosures need not be recorded:

a) disclosures to carry out Covered Entity's treatment, payment and health care operations as defined under the HIPAA Regulations;

b) disclosures to individuals of PHI about them as provided by the HIPAA Regulations;

c) disclosures for Covered Entity's facility's directory, to persons involved in the individual's care, or for other notification purposes as provided by the HIPAA Regulations;

d) disclosures for national security or intelligence purposes as provided by the HIPAA Regulations;

e) disclosures to correctional institutions or law enforcement officials as provided by the HIPAA Regulations;

f) disclosures that occurred prior to the later of (i) the effective date of this Agreement or (ii) the date that Covered Entity is required to comply with HIPAA and the HIPAA Regulations.

g) disclosures pursuant to an individual's authorization in accordance with HIPAA and the HIPAA Regulations.

d. Forwarding Requests From Individual. In the event that any individual requests access to, amendment of, or accounting of PHI directly from Business Associate, Business Associate shall within two (2) days forward such request to Covered Entity. Covered Entity shall have the responsibility of responding to forwarded requests. However, if forwarding the individual's request to Covered Entity would cause Covered Entity or Business Associate to violate HIPAA or the

HIPAA Regulations, Business Associate shall instead respond to the individual's request as required by such law and notify Covered Entity of such response as soon as practicable.

7. Material Breach, Enforcement and Termination.

a. Term. This Agreement shall be effective as the effective date of the Underlying Agreement (the "Effective Date") and shall continue unless or until this Agreement is terminated in accordance with the provisions of this Agreement or the Underlying Agreement terminates.

b. Termination. Covered Entity may terminate this Agreement:

(1) immediately if Business Associate is named as a defendant in a criminal proceeding for a violation of HIPAA or the HIPAA Regulations;

(2) immediately if a finding or stipulation that Business Associate has violated any standard or requirement of HIPAA or other security or privacy laws is made in any administrative or civil proceeding in which Business Associate has been joined; or

(3) pursuant to Sections 7(c) or 8(b) of this Agreement.

c. Remedies. If Covered Entity determines that Business Associate has breached or violated a material term of this Agreement, Covered Entity may, at its option, pursue any and all of the following remedies:

(1) Exercise any of its rights of access and inspection under this Agreement;

(2) Take any other reasonable steps that Covered Entity, in its sole discretion, shall deem necessary to cure such breach or end such violation; or

(3) Terminate this Agreement and the Underlying Agreement immediately.

d. Knowledge of Non-Compliance. Any non-compliance by Business Associate with this Agreement or with HIPAA or the HIPAA Regulations will automatically be considered a breach or violation of a material term of this Agreement if Business Associate knew or reasonably should have known of such non-compliance and failed to immediately take reasonable steps to cure the non-compliance.

e. Reporting to United States Department of Health and Human Services. If Covered Entity's efforts to cure any breach or end any violation are unsuccessful, and if termination of this Agreement is not feasible, Covered Entity shall report Business Associate's breach or violation to the Secretary of the United States Department of Health and Human Services, and Business Associate agrees that it shall not have or make any claim(s), whether at law, in equity, or under this Agreement, against Covered Entity with respect to such report(s).

f. Injunctions. Covered Entity and Business Associate agree that any violation of the provisions of this Agreement may cause irreparable harm to Covered Entity. Accordingly, in addition to any other remedies available to Covered Entity at law or in equity, Covered Entity shall be entitled to an injunction or other decree of specific performance with respect to any violation of this Agreement or explicit threat thereof, without any bond or other security being required and without the necessity of demonstrating actual damages.

g. Indemnification. Business Associate shall indemnify, hold harmless and defend Covered Entity from and against any and all claims, losses, liabilities, costs and other expenses resulting from, or relating to, the acts or omissions of Business Associate in connection with the representations, duties, and obligations of Business Associate under this Agreement. Further, if Covered Entity or Business Associate determines that a breach of PHI occurred as a result of Business Associate's use, maintenance or disclosure of PHI, Business Associate agrees to cover all costs associated with notifying patients of such breach of PHI.

h. Application of Civil and Criminal Penalties to Business Associate. Business Associate acknowledges that, in the case of Business Associate violating either The Security Rule or the Privacy Rule, the civil and criminal penalties described in 42 U.S.C. §§ 1320d-5, 1320d-6 shall apply to Business Associate with respect to such violations in the same manner as such provisions apply to a Covered Entity that violates either the Security Rule or the Privacy Rule.

8. Miscellaneous Terms.

a. State Law. Nothing in this Agreement shall be construed to require Business Associate to use or disclose PHI without written authorization from an individual who is a subject of the PHI, or written authorization from any other person, where such authorization would be required under state law for such use or disclosure.

b. Amendment. Covered Entity and Business Associate agree that amendment of this Agreement may be required to ensure that Covered Entity and Business Associate comply with changes in state and federal laws and regulations relating to the privacy, security and confidentiality of PHI. Covered Entity may terminate this Agreement upon thirty (30) days written notice in the event that Business Associate does not promptly enter into an amendment that Covered Entity, in its sole discretion, deems sufficient to ensure that Covered Entity will be able to comply with such laws and regulations.

c. No Third-Party Beneficiaries. Nothing express or implied in this Agreement is intended or shall be deemed to confer upon any person other than Covered Entity, Business Associate, and their respective successors and assigns, any rights, obligations, remedies or liabilities.

d. Ambiguities. The parties agree that any ambiguity in this Agreement shall be resolved in favor of a meaning that complies and is consistent with applicable law protecting the privacy, security and confidentiality of PHI, including, but not limited to, HIPAA and the HIPAA Regulations.

e. Primacy. To the extent that any provision of this Agreement conflict with the provisions of any other agreement or understanding between the parties, this Agreement shall control.

f. Destruction/Return of PHI. Business Associate agrees that, pursuant to 45 C.F.R. § 164.504 (e) (2) (1), upon termination of this Agreement or the Underlying Agreement, for whatever reason,

(1) it will return or destroy all PHI, if feasible, received from or created or received by it on behalf of Covered Entity which Business Associate maintains in any form, and retain no copies of such information which for purposes of this Agreement shall mean all backup tapes. Prior to doing so, Business Associate further agrees to recover any PHI in the possession of its subcontractors or agents. An authorized representative of Business Associate shall certify in writing to Covered Entity, within five (5) days from the date of

termination or other expiration of the Underlying Agreement, that all PHI has been returned or disposed of as provided above and that Business Associate or its subcontractors or agents no longer retain any such PHI in any form.

(2) If it is not feasible for Business Associate to return or destroy said PHI, Business Associate will notify Covered Entity in writing. The notification shall include:

a) a statement that Business Associate has determined that it is infeasible to return or destroy the PHI in its possession, and (ii) the specific reasons for such determination.

b) extend any and all protections, limitations and restrictions contained in this Agreement to Business Associate's use and/or disclosure of any PHI retained after the termination of this Agreement, and to limit any further uses and/or disclosures to the purposes that make the return or destruction of the PHI infeasible.

c) If it is infeasible for Business Associate to obtain, from a subcontractor or agent any PHI in the possession of the subcontractor or agent, Business Associate must provide a written explanation to Covered Entity and require the subcontractors and agents to agree to extend any and all protections, limitations and restrictions contained in this Agreement to the subcontractors' and/or agents' use and/or disclosure of any PHI retained after the termination of this Agreement, and to limit any further uses and/or disclosures to the purposes that make the return or destruction of the PHI infeasible.

g. Minimum Necessary. Business Associate will disclose to its subcontractors, agents or other third parties, and request from Covered Entity, only the minimum PHI necessary to perform or fulfill a specific function required or permitted hereunder.

h. Notices. Any notices to be given hereunder to a party shall be given as set forth in the Underlying Agreement. Each party named above may change its address and that of its representative for notice by the giving of notice thereof in the manner herein above provided.

i. Underlying Agreement. By signing the Underlying Agreement, the parties to this Agreement hereby incorporate this Agreement into the Underlying Agreement.

Exhibit 3
Letter of Intent



January 9, 2025

Eric Hernandez, Program Manager
Certificate of Need Program Manager
Department of Health
Via email: CN@doh.wa.gov; eric.hernandez@doh.wa.gov

Dear Mr. Hernandez,

In accordance with WAC 246-310-080, Seattle Rehabilitation Hospital, LLC ("SRH") and Seattle Rehab Real Estate Investors, LLC ("SRREI") submit this Letter of Intent ("LOI") to establish and operate a new 60-bed Inpatient Rehabilitation Hospital in King County to be managed by Nobis Rehabilitation Partners.

1. Description of Proposed Service:

The establishment and operation of a 60-bed Inpatient Rehabilitation Hospital in King County, Washington.

2. Estimated Cost of the Project

The estimated capital cost of the project is \$57,039,958.

3. Identification of the Service Area

The service area is King County, Washington.

Please submit any notices, correspondence, communications, and documents to:

Gina Thomas
Chief Development Officer
Nobis Rehabilitation Partners
450 Century Parkway, Suite 220
Allen, TX 75013
469-640-6507
gthomas@nobisrehabpartners.com

Frank Fox, PhD
HealthTrends
frankgfox@comcast.net

Thank you for your support. Please contact me if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Gina R. Thomas".

Gina Thomas, Chief Development Officer
Nobis Rehabilitation Partners

450 Century Pkwy., Suite 220 • Allen, Texas 75013

📞 (469) 640-6505 🌐 www.nobisrehabpartners.com

January 10, 2025

Gina Thomas
Chief Development Officer
Nobis Rehabilitation Partners

Sent via email: gthomas@nobisrehabpartners.com

Dear Ms. Thomas:

Thank you for your January 9, 2025, letter of intent submitted on behalf of Seattle Rehabilitation Hospital, LLC, and Seattle Rehab Real Estate Investors, LLC. The letter of intent proposes construct a 60-bed inpatient rehabilitation hospital in King County. The estimated capital expenditure for the project is \$57,039,958.

Your letter of intent was received in the Certificate of Need Program office on January 10, 2025, and is valid for six months from that date, or until **July 10, 2025**.

You also need to be aware that in the event the application proposes a project that is significantly different from that proposed in the letter of intent, the application will be returned. Any one of the following would be considered significant changes in a letter of intent. This is not an exhaustive list, but these are certainly the most common:

- An increase or decrease in the estimated capital expenditure of 12% or \$50,000 whichever is greater (the percent is a dollar amount not a rate)
- An increase in the number of beds or stations
- A change in the applicant
- The addition of a health service subject to review
- A change in the service area
- A significant reduction in the scope of a project without a proportionate reduction in the estimated capital expenditure

If you have any questions as you are preparing the application, you may call us at (360) 236-2955 or e-mail us at CN@doh.wa.gov.

Sincerely,



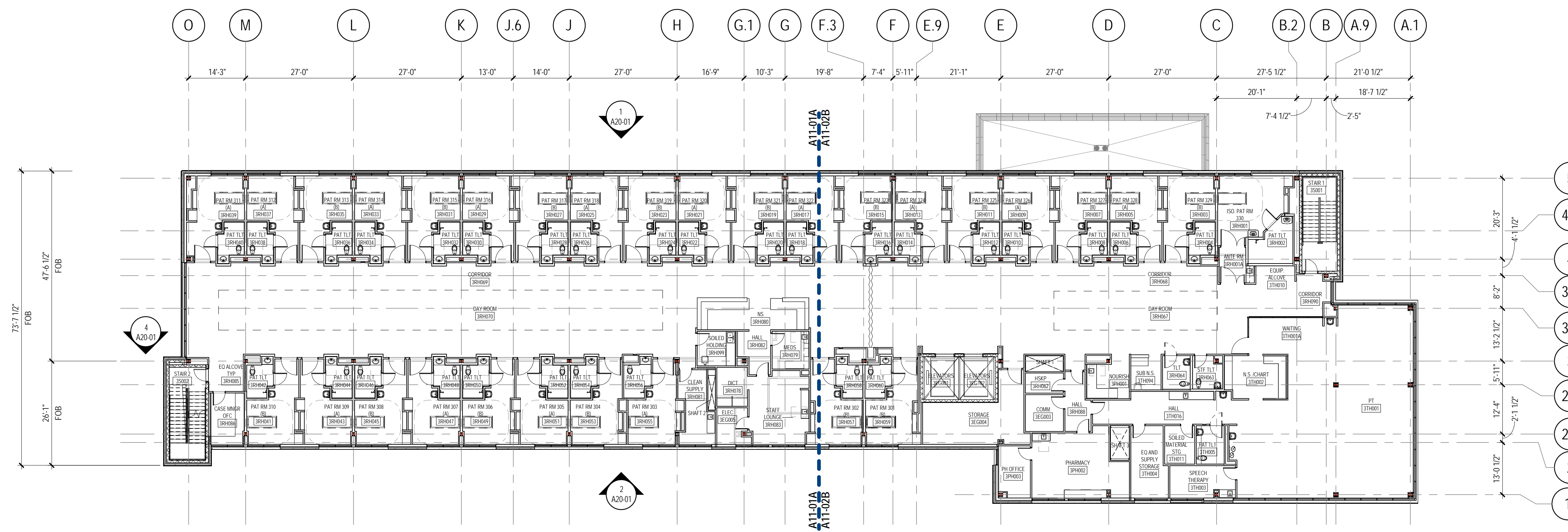
Randy Huyck, Certificate of Need Analyst
Office of Community Health Systems

Exhibit 4

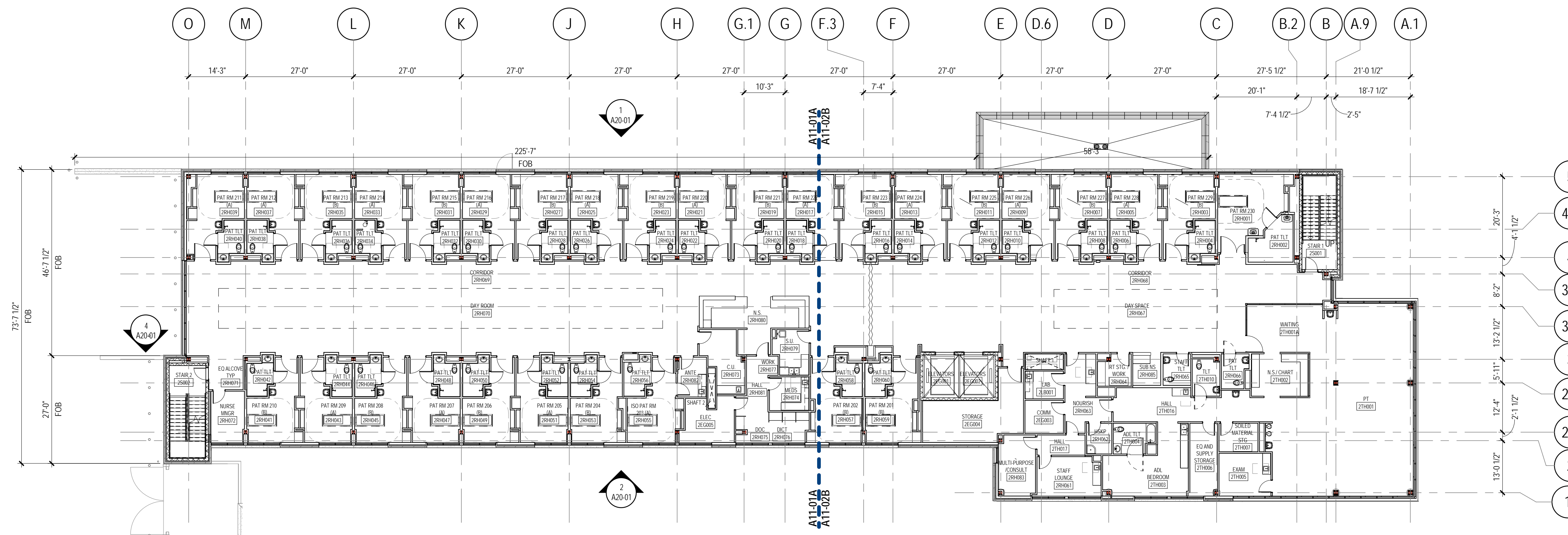
Single Line Drawings

**OVERALL FLOOR PLAN
GENERAL NOTES**

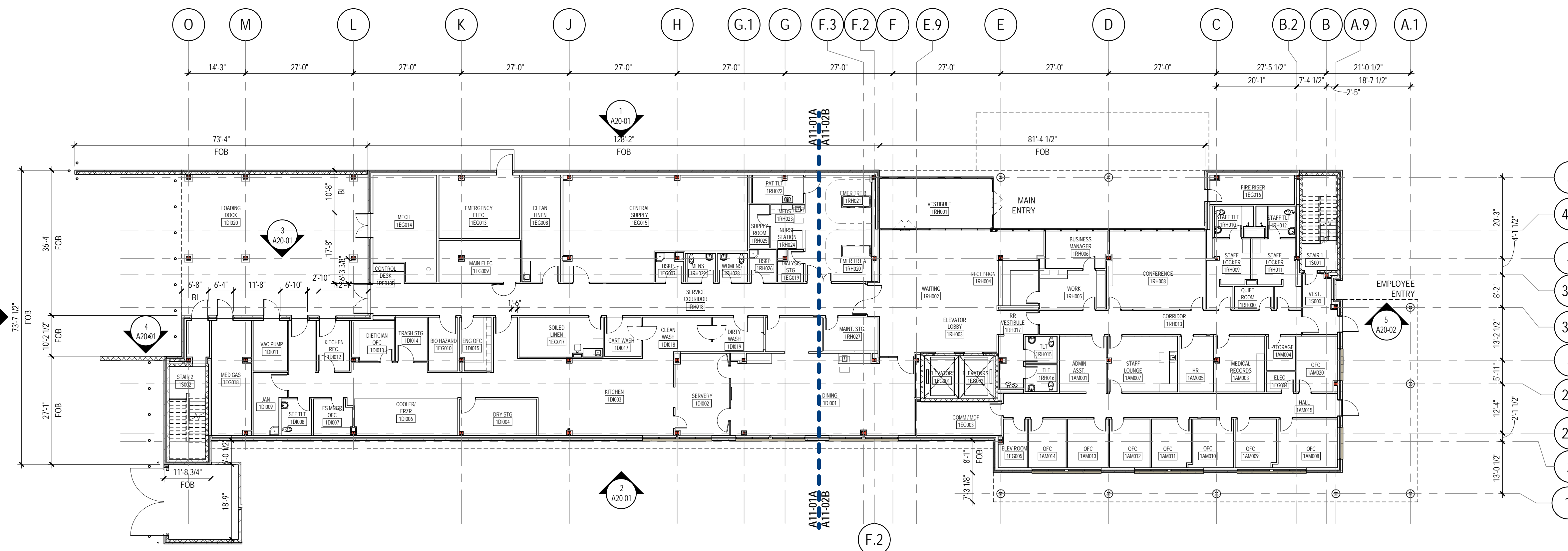
- DO NOT SCALE THE DRAWINGS. IN CASE OF DISCREPANCIES, OR IF DIMENSIONS ARE IN QUESTION, OBTAIN CLARIFICATION FROM ARCHITECT PRIOR TO PROCEEDING WITH THE WORK.
- DIMENSIONS SHOWN ARE TO EXTERIOR FACE OF FINISH CONCRETE, OR MASONRY WALLS, TO ROUGH OPENINGS, TO BUILDING EXPANSION JOINTS, AND TO CENTER LINE OF COLUMNS.



3 OVERALL FLOOR PLAN - LEVEL 03
1/16" = 1'-0"



2 OVERALL FLOOR PLAN - LEVEL 02
1/16" = 1'-0"



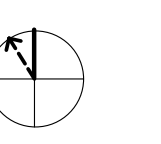
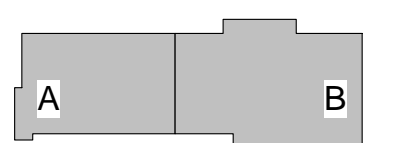
1 OVERALL FLOOR PLAN - LEVEL 01
1/16" = 1'-0"

NOT FOR REGULATORY
APPROVAL, PERMITTING OR
CONSTRUCTION
10.17.2024

PROJECT

FACILITY:

DEVELOPER:
**KENNOR CROSS
INVESTMENTS, LLC**
4332 MARSH RIDGE ROAD
CARROLLTON, TX
75010
KEYPLAN



ISSUE CHART

SITE DATA	
PROJECT:	REHABILITATION HOSPITAL WITH ASSOCIATED INFRASTRUCTURE
ZONING:	W-C (WOODMONT COMMERCIAL)
ADJACENT ZONING:	RS-7200 (SINGLE-FAMILY RESIDENTIAL) / W-C (WOODMONT COMMERCIAL)
PARCEL IDENTIFICATION NUMBER:	788280025, 788280030, & 788280035
LOCATION:	26475 PACIFIC HWY S, DES MOINES, WA 98198
TOTAL SITE AREA:	126,091 SF / 2.89 AC
PERVIOUS SURFACE AREA EXISTING (%):	2.89 AC (100%)
PERVIOUS SURFACE AREA PROPOSED (%):	0.8 AC (29.5%)
IMPERVIOUS SURFACE AREA PROPOSED (%):	2.29 AC (79.1%)
LANDSCAPE BUFFER - FRONT:	5'
SIDE (SOUTH):	5'
SIDE (NORTH):	5'
REAR:	10'
BUILDING SETBACK - FRONT:	NA
REAR:	NA
MINIMUM PARKING STALL:	9'x20'
PROPOSED PARKING STALL:	9'x20'
LANDR DES MOINES, WASHINGTON, MUNICIPAL CODE §18.127.060(3)(A), §18.127.060(3)(B):	
WHEN ABUTTING PROPERTIES ZONED SINGLE-FAMILY RESIDENTIAL THE REAR YARD IS MIN. 20'. EXCEPT WHEN BUILDING HEIGHT EXCEEDS 45' THE REAR YARD IS MIN. 40'. THE PORTION OF THE PROPOSED SCREEN WALL THAT SITS WITHIN THE 40' REAR YARD IS LESS THAN 45' IN HEIGHT.	

MARK	ISSUE	DATE
JOB NUMBER	147807.000	
DRAWN		
CHECKED		
APPROVED		

TITLE
**OVERALL FLOOR
PLANS**

SHEET NUMBER

A10-01

Exhibit 5
Zoning Verification Letter



November 7, 2024

Meagan Vieren
Cross Development
4317 Marsh Ridge Road
Carrollton, TX 75010
PROVIDED VIA EMAIL

SUBJECT: King County Tax Parcels 7682800020, 7682800025, 7682800030 in Des Moines, WA
Zoning Verification

Dear Meagan Vieren,

The City of Des Moines received your request for a zoning verification letter for the aforementioned property. The property is zoned W-C, Woodmont Commercial. The permitted uses and zoning requirements for this zone are listed in the Des Moines Municipal Code (DMMC), Chapters 18.52 and 18.127. The entirety of the DMMC and the zoning map are located on the City's website (www.desmoineswa.gov).

Businesses classified under NAICS 622310 – Specialty (except Psychiatric and Substance Abuse) Hospitals are a permitted use in the W-C Zone, provided all other development standards and applicable codes are met. For a list of permit applications and public records associated with the aforementioned property, submit a Public Records Request at <https://desmoines.civicweb.net/Portal/CitizenEngagement.aspx>.

If you have any further questions, please feel free to contact me at jwoycke@desmoineswa.gov.

Sincerely,

Jason Woycke, AICP
Senior Planner

Exhibit 6

Washington Department of Health Inpatient Rehabilitation Bed Need Methodology

King County Planning Area Rehabilitation Bed Need Methodology, CHARS 2023
Includes All WA State Rehab Provider Utilization
Step 1

TOTAL NUMBER OF RESIDENT PATIENT DAYS (AGE 15+)

Only includes WA State Rehab Provider Utilization to persons age 15 and over

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Annual Growth Rate
HSA1	42,676	38,318	39,081	36,964	35,131	36,629	40,627	41,193	38,717	39,701	-0.80%
King County	15,625	13,961	13,889	13,869	13,926	14,633	15,123	14,619	14,221	13,267	-1.80%
STATEWIDE TOTAL	76,822	69,718	73,204	68,504	64,353	66,373	71,066	68,948	63,241	65,431	-1.77%

Source: CHARS 2014-2023

*Note: Does not include out-migration to other states

King County Planning Area Rehabilitation Bed Need Methodology, CHARS 2023
Includes All WA State Rehab Provider Utilization
Step 2

TOTAL NUMBER OF PATIENT DAYS (AGE 15+)

Only includes WA State Rehab Provider Utilization to persons age 15 and over

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
HSA1	42,676	38,318	39,081	36,964	35,131	36,629	40,627	41,193	38,717	39,701
King County	15,625	13,961	13,889	13,869	13,926	14,633	15,123	14,619	14,221	13,267
STATEWIDE TOTAL	76,822	69,718	73,204	68,504	64,353	66,373	71,066	68,948	63,241	65,431

TOTAL NUMBER OF PSYCHIATRIC PATIENT DAYS

In Psychiatric Hospitals.

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
HSA1	0	0	0	0	0	0	0	0	0	0
King County	0	0	0	0	0	0	0	0	0	0
STATEWIDE TOTAL	0	0	0	0	0	0	0	0	0	0

TOTAL NUMBER OF PATIENT DAYS MINUS PSYCH DAYS (AGE 15+)

Only includes WA State Rehab Provider Utilization to persons age 15 and over

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
HSA1	42,676	38,318	39,081	36,964	35,131	36,629	40,627	41,193	38,717	39,701
King County	15,625	13,961	13,889	13,869	13,926	14,633	15,123	14,619	14,221	13,267
STATEWIDE TOTAL	76,822	69,718	73,204	68,504	64,353	66,373	71,066	68,948	63,241	65,431

Source: CHARS 2014-2023

*Note: Does not include out-migration to other states

King County Planning Area Rehabilitation Bed Need Methodology, CHARS 2023
Includes All WA State Rehab Provider Utilization
Step 3

TOTAL NUMBER OF PATIENT DAYS MINUS PSYCH DAYS (AGE 15+)

Only includes WA State Rehab Provider Utilization to persons age 15 and over

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Annual Growth Rate
HSA1	42,676	38,318	39,081	36,964	35,131	36,629	40,627	41,193	38,717	39,701	-0.80%
King County	15,625	13,961	13,889	13,869	13,926	14,633	15,123	14,619	14,221	13,267	-1.80%
STATEWIDE TOTAL	76,822	69,718	73,204	68,504	64,353	66,373	71,066	68,948	63,241	65,431	-1.77%

TOTAL POPULATIONS (15+)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Annual Growth Rate
HSA1	3,564,713	3,623,594	3,703,117	3,776,004	3,841,171	3,909,984	4,013,489	4,053,924	4,110,480	4,169,243	1.76%
King County	1,661,098	1,692,041	1,738,094	1,779,572	1,811,255	1,843,800	1,888,316	1,906,968	1,936,495	1,966,535	1.89%
STATEWIDE TOTAL	7,005,209	7,106,620	7,237,219	7,344,073	7,463,479	7,581,818	7,706,310	7,766,975	7,864,400	7,951,150	1.42%

USE RATE PER 1,000

Only includes WA State Rehab Provider Utilization to persons age 15 and over

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Annual Growth Rate
HSA1	12.0	10.6	10.6	9.8	9.1	9.4	10.1	10.2	9.4	9.5	-2.51%
King County	9.4	8.3	8.0	7.8	7.7	7.9	8.0	7.7	7.3	6.7	-3.63%
STATEWIDE TOTAL	11.0	9.8	10.1	9.3	8.6	8.8	9.2	8.9	8.0	8.2	-3.14%

Source: CHARS; OFM SADE; OFM Forecast of the State Population by Age and Sex

*Note: Does not include out-migration to other states

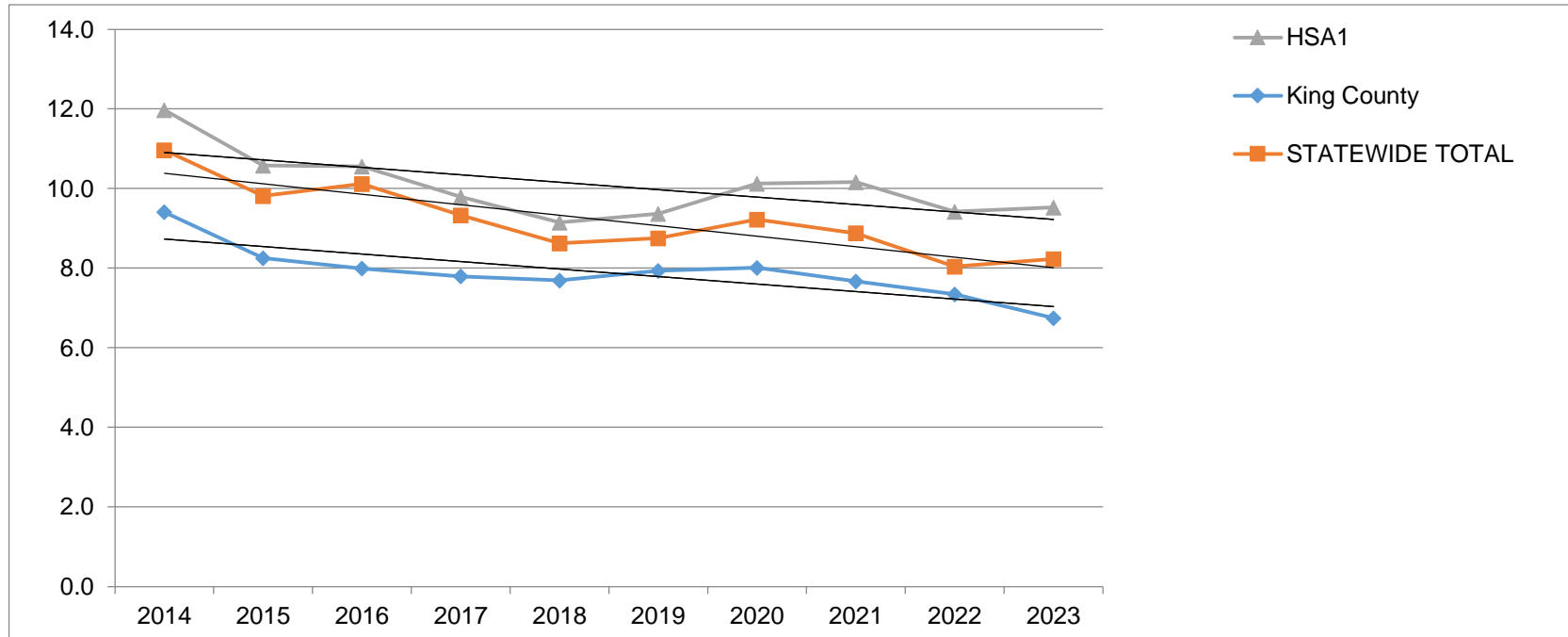
King County Planning Area Rehabilitation Bed Need Methodology, CHARS 2023
Includes All WA State Rehab Provider Utilization
Step 4

USE RATE PER 1,000

Only includes WA State Rehab Provider Utilization to persons age 15 and over

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Slope
HSA1	12.0	10.6	10.6	9.8	9.1	9.4	10.1	10.2	9.4	9.5	-0.187
King County	9.4	8.3	8.0	7.8	7.7	7.9	8.0	7.7	7.3	6.7	-0.188
STATEWIDE TOTAL	11.0	9.8	10.1	9.3	8.6	8.8	9.2	8.9	8.0	8.2	-0.263

Trend Adjustment Selection	Slope
HSA1	-0.187



*Note: Does not include out-migration to other states

King County Planning Area Rehabilitation Bed Need Methodology, CHARS 2023
Includes All WA State Rehab Provider Utilization
Step 5

STEP #5
2023 Data

	Total Patient Days	Out of State Residents	WA Residents	Out of State as % of WA Residents
TO Planning Area Hospitals				
15-64	10,336	1,008	9,328	10.81%
65+	8,941	707	8,234	8.59%
TOTAL	19,277	1,715	17,562	9.77%
TO Other WA Hospitals				
15-64	18,927	1,367	17,560	7.78%
65+	31,893	1,584	30,309	5.23%
TOTAL	50,820	2,951	47,869	6.16%
Total patient days to WA Hospitals	70,097	4,666	65,431	7.13%

	TO Planning Area Hospitals	TO Other WA Hospitals	Days in Oregon hospitals	Total Days for Residents
Planning Area Residents				
15-64	4,719	1,669	0	6,388
65+	4,734	2,145	0	6,879
TOTAL	9,453	3,814	0	13,267
Other WA Residents				
15-64	4,609	15,891	0	20,500
65+	3,500	28,164	0	31,664
TOTAL	8,109	44,055	0	52,164
Totals:	17,562	47,869	0	65,431

WA Source: CHARS (Only includes WA State Rehab Provider Utilization)

MARKET SHARE
PERCENTAGE OF PATIENT DAYS

	TO Planning Area Hospitals	TO Other WA Hospitals	To Oregon Hospitals
% OF Planning Area Residents			
15-64	73.87%	26.13%	0.00%
65+	68.82%	31.18%	0.00%
TOTAL	71.25%	28.75%	0.00%
% OF Other WA Residents			
15-64	22.48%	77.52%	0.00%
65+	11.05%	88.95%	0.00%
TOTAL	15.55%	84.45%	0.00%

2023 POPULATIONS BY Planning Area

	Planning Area	Other WA Areas	Total Pop WA
15-64	1,629,933	4,929,890	6,559,823
65+	336,602	1,054,725	1,391,327
TOTAL	1,966,535	5,984,615	7,951,150

King County Planning Area Rehabilitation Bed Need Methodology, CHARS 2023
Includes All WA State Rehab Provider Utilization
Step 6

2023 Data

USE RATE BY PLANNING AREA (defined as age specific inpatient days per 1,000 population)

	Planning Area	WA - Planning Area
USE RATES		
15-64	3.92	4.16
65+	20.44	30.02

King County Planning Area Rehabilitation Bed Need Methodology, CHARS 2023
Includes All WA State Rehab Provider Utilization
Step 7

USE RATE BY Planning Area FROM STEP 6

	2023
BASE YEAR USE RATES	
15-64	3.92
65+	20.44

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
King County Planning Area																
PROJECTED USE RATES*																
15-64 using HSA1 Trend	3.92	3.73	3.54	3.36	3.17	2.98	2.80	2.61	2.42	2.24	2.05	1.86	1.67	1.49	1.30	1.11
65+ using HSA1 Trend	20.44	20.25	20.06	19.88	19.69	19.50	19.31	19.13	18.94	18.75	18.57	18.38	18.19	18.00	17.82	17.63

*State Health Plan specifies projected by applying either the HSA trend or Statewide trend, whichever trend would result in the smaller adjustment.

King County Planning Area Rehabilitation Bed Need Methodology, CHARS 2023
Includes All WA State Rehab Provider Utilization
Step 8

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
--	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------

King County Planning Area

(using Trend slope from Step 4 for future year adjustments)

USE RATES

15-64	3.92	3.73	3.54	3.36	3.17	2.98	2.80	2.61	2.42	2.24	2.05	1.86	1.67	1.49	1.30	1.11
65+	20.44	20.25	20.06	19.88	19.69	19.50	19.31	19.13	18.94	18.75	18.57	18.38	18.19	18.00	17.82	17.63

PROJECTED POPULATION

15-64	1,629,933	1,636,113	1,642,292	1,653,995	1,665,782	1,677,653	1,689,608	1,701,649	1,713,833	1,726,104	1,738,464	1,750,911	1,763,448	1,772,209	1,781,013	1,789,861
65+	336,602	350,687	364,773	367,372	369,990	372,627	375,283	426,668	436,195	445,935	455,892	466,072	476,479	484,676	493,015	501,497
TOTALS	1,966,535	1,986,800	2,007,065	2,021,368	2,035,773	2,050,280	2,064,891	2,128,317	2,150,028	2,172,039	2,194,356	2,216,983	2,239,927	2,256,885	2,274,028	2,291,358

PROJECTED # OF PATIENT DAYS for King County Planning Area Residents

15-64	6,388	6,106	5,822	5,554	5,282	5,006	4,725	4,440	4,151	3,858	3,561	3,258	2,952	2,635	2,315	1,991
65+	6,879	7,101	7,318	7,302	7,284	7,267	7,248	8,161	8,261	8,362	8,464	8,566	8,668	8,726	8,784	8,841
TOTALS	13,267	13,207	13,140	12,856	12,566	12,272	11,973	12,601	12,413	12,221	12,024	11,824	11,620	11,361	11,099	10,833

Source: OFM Population Estimates and Projection (2022 Release)

King County Planning Area Rehabilitation Bed Need Methodology, CHARS 2023
Includes All WA State Rehab Provider Utilization
Step 9

9 A--Resident Day Calculations

<i>Planning Area Days</i>	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
15-64	6,388	6,106	5,822	5,554	5,282	5,006	4,725	4,440	4,151	3,858	3,561	3,258	2,952	2,635	2,315	1,991
65+	6,879	7,101	7,318	7,302	7,284	7,267	7,248	8,161	8,261	8,362	8,464	8,566	8,668	8,726	8,784	8,841
TOTALS	13,267	13,207	13,140	12,856	12,566	12,272	11,973	12,601	12,413	12,221	12,024	11,824	11,620	11,361	11,099	10,833
<i>Planning Area Population</i>	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
15-64	1,629,933	1,636,113	1,642,292	1,653,995	1,665,782	1,677,653	1,689,608	1,701,649	1,713,833	1,726,104	1,738,464	1,750,911	1,763,448	1,772,209	1,781,013	1,789,861
65+	336,602	350,687	364,773	367,372	369,990	372,627	375,283	426,668	436,195	445,935	455,892	466,072	476,479	484,676	493,015	501,497
TOTALS	1,966,535	1,986,800	2,007,065	2,021,368	2,035,773	2,050,280	2,064,891	2,128,317	2,150,028	2,172,039	2,194,356	2,216,983	2,239,927	2,256,885	2,274,028	2,291,358
<i>WA Population (OFM Forecast)</i>	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
15-64	6,559,823	6,591,236	6,612,382	6,637,949	6,670,142	6,704,406	6,739,601	6,775,717	6,819,359	6,865,503	6,911,800	6,955,255	6,991,361	7,031,970	7,078,462	7,129,497
65+	1,391,327	1,440,508	1,487,647	1,533,192	1,577,376	1,619,930	1,660,775	1,699,917	1,730,783	1,758,388	1,785,106	1,813,969	1,849,500	1,879,904	1,903,933	1,923,066
TOTALS	7,951,150	8,031,744	8,100,029	8,171,141	8,247,518	8,324,336	8,400,376	8,475,634	8,550,142	8,623,891	8,696,906	8,769,224	8,840,861	8,911,874	8,982,395	9,052,563
<i>Other WA Areas Population</i>	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
15-64	4,929,890	4,955,123	4,970,090	4,983,954	5,004,360	5,026,753	5,049,993	5,074,068	5,105,526	5,139,399	5,173,336	5,204,344	5,227,913	5,259,761	5,297,449	5,339,636
65+	1,054,725	1,089,821	1,122,874	1,165,820	1,207,386	1,247,303	1,285,492	1,273,249	1,294,588	1,312,453	1,329,214	1,347,897	1,373,021	1,395,228	1,410,918	1,421,569
TOTALS	5,984,615	6,044,944	6,092,964	6,149,773	6,211,745	6,274,056	6,335,485	6,347,317	6,400,114	6,451,852	6,502,550	6,552,241	6,600,934	6,654,989	6,708,367	6,761,205
<i>Other WA Areas Use Rate, based on the same trend adjustment used for the Planning Area (Step 4)</i>	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
15-64	4.2	4.0	3.8	3.6	3.4	3.2	3.0	2.8	2.7	2.5	2.3	2.1	1.9	1.7	1.5	1.4
65+	30.0	29.8	29.6	29.5	29.3	29.1	28.9	28.7	28.5	28.3	28.2	28.0	27.8	27.6	27.4	27.2
<i>Other WA Areas Patient Days</i>	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
15-64	20,500	19,678	18,807	17,927	17,064	16,200	15,330	14,454	13,588	12,717	11,833	10,930	10,001	9,078	8,152	7,218
65+	31,864	32,514	33,290	34,345	35,343	36,279	37,149	36,557	36,927	37,191	37,417	37,691	38,137	38,493	38,661	38,687
TOTALS	52,164	52,191	52,097	52,272	52,408	52,479	52,479	51,011	50,515	49,908	49,250	48,621	48,138	47,571	46,813	45,905

9B Market Shares--% Of Patient Days (From Step 5 C)

% OF Planning Area Residents	TO Planning Area Hospitals	TO Other WA Hospitals	TO Oregon Hospitals
15-64	73.87%	26.13%	0.00%
65+	68.82%	31.18%	0.00%
% OF Other WA Residents	TO Planning Area Hospitals	TO Other WA Hospitals	TO Oregon Hospitals
15-64	22.48%	77.52%	0.00%
65+	11.05%	88.95%	0.00%

King County Planning Area Rehabilitation Bed Need Methodology, CHARS 2023
Includes All WA State Rehab Provider Utilization
Step 9

9F Total Patient Days
Including out of State

Residents

% Out of State Resident Patient Days (From Step 5A)

<i>Planning Area</i>	
15-64	10.81%
65+	8.59%
TOTALS	9.77%
<i>Other Washington</i>	
15-64	7.78%
65+	5.23%
TOTALS	6.16%

Planning Area Provider Total Patient Days, Including Out of State Residents

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
15-64	10,336	9,900	9,451	9,012	8,575	8,133	7,687	7,235	6,783	6,326	5,862	5,390	4,908	4,418	3,926	3,428
65+	8,941	9,209	9,464	9,579	9,686	9,785	9,875	10,486	10,606	10,713	10,816	10,925	11,055	11,141	11,205	11,250
TOTALS	19,277	19,109	18,915	18,591	18,260	17,918	17,562	17,722	17,389	17,039	16,678	16,315	15,962	15,559	15,130	14,679

King County Planning Area Rehabilitation Bed Need Methodology, CHARS 2023
Includes All WA State Rehab Provider Utilization
Step 10

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	Average Annual Growth
King County Planning Area	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	
Population 15-64 (1)	1,629,933	1,636,113	1,642,292	1,653,995	1,665,782	1,677,653	1,689,608	1,701,649	1,713,833	1,726,104	1,738,464	1,750,911	1,763,448	1,772,209	1,781,013	1,789,861	0.6%
15-64 Use Rate (2)	3.92	3.73	3.54	3.36	3.17	2.98	2.80	2.61	2.42	2.24	2.05	1.86	1.67	1.49	1.30	1.11	-8.1%
Population 65+ (1)	336,602	350,687	364,773	367,372	369,990	372,627	375,283	426,668	436,195	445,935	455,892	466,072	476,479	484,676	493,015	501,497	2.7%
65+ Use Rate (2)	20.44	20.25	20.06	19.88	19.69	19.50	19.31	19.13	18.94	18.75	18.57	18.38	18.19	18.00	17.82	17.63	-1.0%
Total Population	1,966,535	1,986,800	2,007,065	2,021,368	2,035,773	2,050,280	2,064,891	2,128,317	2,150,028	2,172,039	2,194,356	2,216,983	2,239,927	2,256,885	2,274,028	2,291,358	1.0%
Total King County Planning Area Resident Days	13,267	13,207	13,140	12,856	12,566	12,272	11,973	12,601	12,413	12,221	12,024	11,824	11,620	11,361	11,099	10,833	-1.3%
Total Days in Planning Area Hospitals (Excluding SUD/Abortion Flagged Utilization)	19,277	19,109	18,915	18,591	18,260	17,918	17,562	17,722	17,389	17,039	16,678	16,315	15,962	15,559	15,130	14,679	-1.8%
Planning Area Hospital(s) flagged utilization as % of non-flagged patient days (3)	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	
Total Days in Planning Area Hospitals (Including estimate of SUD/Abortion Flagged Utilization) (3)	22,049	21,857	21,635	21,264	20,886	20,494	20,087	20,270	19,890	19,489	19,077	18,661	18,258	17,797	17,306	16,789	-1.8%
Available Beds (4)																	
EvergreenHealth Kirkland	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14	
Swedish Cherry Hill	36	36	36	36	36	36	36	36	36	36	36	36	36	36	36	36	
UW Medicine/Harborview Medical Center	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24	
UW Medicine/University of Washington Medical Center/Northwest Hospital	19	19	19	19	19	19	19	19	19	19	19	19	19	19	19	19	
TOTAL	93	93	93	93	93	93	93	93	93	93	93	93	93	93	93	93	
Wtd Occ Std (5)	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	
Gross Bed Need (TPD/365/Occupancy)-- Demand	100.7	99.8	98.8	97.1	95.4	93.6	91.7	92.6	90.8	89.0	87.1	85.2	83.4	81.3	79.0	76.7	-1.8%
Bed Supply	93.0	93.0	93.0	93.0	93.0	93.0	93.0	93.0	93.0	93.0	93.0	93.0	93.0	93.0	93.0	93.0	
Net Bed Need/Surplus (Demand - Supply)	8	7	6	4	2	1	-1	0	-2	-4	-6	-8	-10	-12	-14	-16	

(1) Population Sources: Ciaritas; OFM SADE; OFM Medium Series Projections (2022 Release); OFM Forecast of the State Population by Age and Sex

(2) Resident (Age 15 and older) Use Rate Data Source: CHARS. See Steps 5 & 6. Future use rates adjusted per slope trends from Step 4.

(3) Flagged utilization as % of non-flagged patient days based on most recent 5-year average. Note that the difference between the Year 0 Total Days and the unadjusted days in PA hospitals is caused by using the 5-year average rather than the base year only.

(4) Bed supply sources: EvergreenHealth: CN23-12; Swedish Cherry Hill: 2021 Acute Care Bed survey; Harborview: CN1966; UWMC: CN1910 for DOR22-04; Virginia Mason: Department Eval of CN19-18

(5) Occupancy set equal to 60%. Since all PA rehab facilities have less than 50 beds, the 1987 State Health occupancy standard would be 50%.

* Virginia Mason Medical Center has not registered any inpatient rehabilitation use since 2015

Exhibit 7

Alternative Rehabilitation Bed Need Methodology

I. EXECUTIVE SUMMARY

As highlighted in the previous section, the Washington Department of Health (“DOH”) Certificate of Need Program’s bed need methodology for inpatient rehabilitation beds demonstrates a decreasing bed need over the 15-year forecast period. Under that methodology, there is a net need for 8 additional inpatient rehabilitation beds in King County in 2023, decreasing to a net bed need of 0 beds in 2030, and further decreasing to a net bed surplus of 16 beds by the planning horizon of 2038. When viewed in isolation, this bed need methodology suggests that the King County bed need is decreasing over time, thus the 60 additional rehabilitation beds requested in this application are not supported by the community need. However, the DOH methodology that was developed in 1987 does not appear to reflect current rehabilitation utilization patterns that more accurately identify the community need for King County. As such, Seattle Rehabilitation Hospital has developed an alternative need methodology for the Certificate of Need (CN) Program’s consideration that we believe reflects more recent utilization trends for the rehabilitation industry and, most importantly, the unmet rehabilitation needs of King County residents and the needs of the surrounding communities.

The alternative need methodology that has been developed incorporates six major factors:

1. National Inpatient Rehabilitation Trends

- While the WA DOH bed need methodology projects declining utilization for King County, indicating a net bed surplus of 16 beds through the 2038 projection period, rehabilitation utilization has been consistently increasing nationally for the past decade and is expected to continue throughout the planning horizon for the proposed project.
- Between 2010 and 2023, the national utilization of inpatient rehabilitation increased every year, with the exception of a decrease in 2020 that was due to the impact of the COVID pandemic. However, national rehabilitation utilization has resumed its annual growth from 2021 through 2023, and there is no reason to expect that this annual growth will slow or reverse, causing any decreases during the projection period for this proposed project. The total growth in rehabilitation utilization from 2010 – 2023, including the COVID period, was 24.1 percent.

2. Medicare Utilization of Inpatient Rehabilitation

- Medicare trends are an important element of rehabilitation planning, as Medicare beneficiaries represent **75 percent** of all rehabilitation admissions annually.
- Because of the rapidly aging population, continued growth in Medicare rehabilitation utilization is expected for the foreseeable future, although the industry will continue to experience a shift from Medicare Fee-For-Service patients (i.e., Medicare FFS/Traditional Medicare) to Medicare Advantage (i.e., Medicare Managed Care) as more eligible Medicare beneficiaries choose Medicare Advantage plans.
- Additionally, during this time the percent of Medicare FFS patients that were discharged from acute care hospitals to inpatient rehabilitation increased from 3.3 percent in 2009 to an estimated 4.6 percent in 2022, indicating increased utilization of inpatient rehabilitation by the Medicare population.

3. Site of Care Changes for Inpatient Rehabilitation

- Inpatient rehabilitation care is increasingly being provided in freestanding rehabilitation hospitals vs. hospital-based rehabilitation units.
- Between 2013 – 2022, MedPAC reports that the percent of Medicare FFS rehabilitation patients discharged from freestanding rehabilitation hospitals increased from an estimated 47 percent to an estimated 60 percent of all rehabilitation discharges.
- This trend of increasing utilization in freestanding rehabilitation hospitals has continued due to multiple factors, including greater rehabilitation therapy program specialization and lower rehabilitation program costs that are achievable in the freestanding rehabilitation hospital model through higher utilization and economies of scale.

4. Washington State Utilization of Inpatient Rehabilitation

- Based on national data, Washington State appears to provide less access to inpatient rehabilitation services than most other states.
- In 2023/2024, Washington had the sixth lowest rehabilitation Bed-to-Population ratio in the country, with a Bed-to-Population ratio that is less than one-half the national average.
- Additionally, in 2023/2024, Washington had the third lowest rehabilitation utilization, with a discharge rate per 100K population that was less than one-third the national average. The limited access to rehabilitation beds in Washington appears to have negatively impacted utilization.
- The King County rehabilitation Bed-to-Population ratio, as well as the King County rehabilitation utilization per 100K population, are both lower than the Washington State average, making King County one of the most under-served metropolitan areas in the country in regard to access to inpatient rehabilitation services.
- Despite Washington’s relatively low rehabilitation utilization, there is evidence within eastern Washington that clearly demonstrates that rehabilitation utilization can be positively impacted by access to sufficient rehabilitation beds and comprehensive rehabilitation programs. It is anticipated that the proposed Seattle Rehabilitation Hospital would have a similar impact on King County rehabilitation utilization.

5. King County Out-Migration for Inpatient Rehabilitation Services

- In 2023, an estimated 1,065 King County Residents were discharged from acute care hospitals into inpatient rehabilitation programs. However, during that same period the four current King County inpatient rehabilitation providers only discharged 709 King County residents, meaning that only 66.6 percent of all King County residents who were discharged from acute care into an inpatient rehabilitation setting were treated in King County. (Source: CHARS data.)
- As such, these data suggest that 33.4 percent of all King County residents who required inpatient rehabilitation received rehabilitation care from out-of-county providers. This compares to less than 8 percent out-migration of King County residents for acute care. This remarkably high out-migration for rehabilitation services is likely driven at least in part by limited access to rehabilitation programs currently available within King County.

6. King County Demographic Trends

- For the next 15 years, the fastest growing segment of King County is the Age 65+ cohort, which represents the predominant user of rehabilitation services.
- While the total King population is projected to increase by 4.7 percent in the 2023 – 2028 period and 4.4 percent in the 2028 – 2033 period, the Age 65+ cohort is projected to increase **18.0 percent and 13.7 percent**, respectively, during these two projection periods. Likewise, the cohort of the ages 0 – 64 is expected to increase by only 2.4 percent and 2.5 percent during these same two projection periods. For the 2033 – 2038 period, the Age 65+ population is projected to increase by 10.1 percent, while the Age 0 – 64 population will increase by only 2.7 percent.
- This rapidly aging county population and the Medicare predominance in rehabilitation utilization suggest that the need for rehabilitation services will likely continue to increase through the DOH projection period.

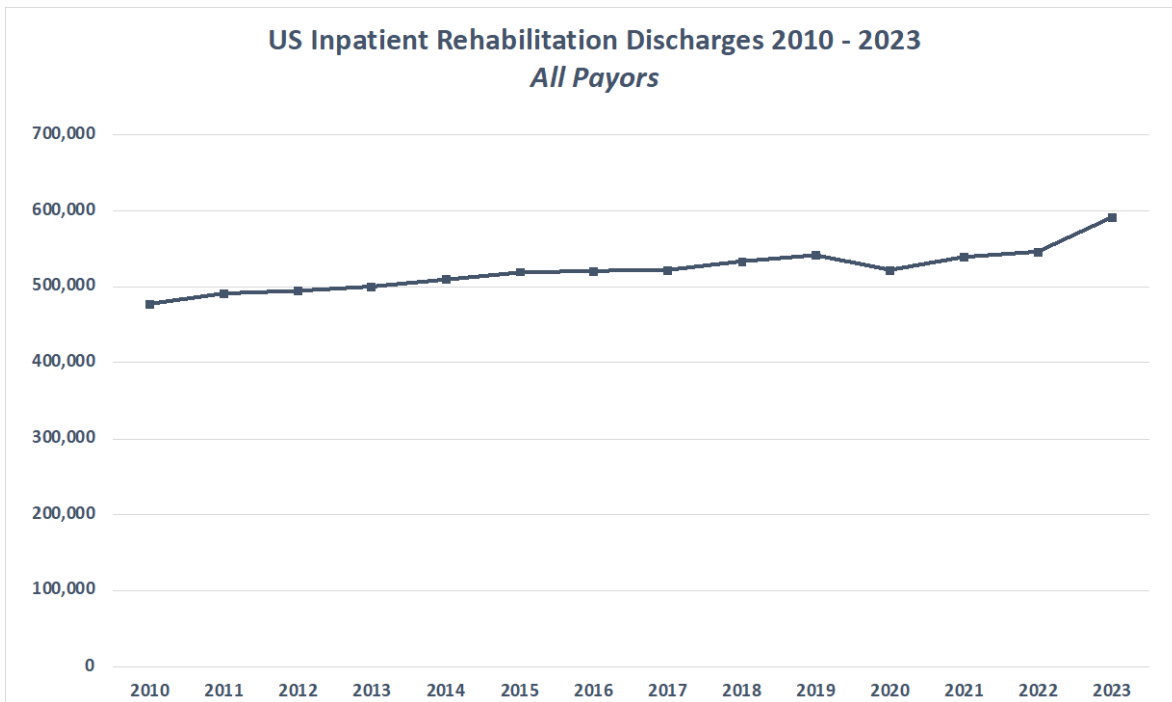
Each of these trends documenting rehabilitation growth supports the Seattle Rehabilitation Hospital alternative model are discussed more fully in the following sections.

II. INPATIENT REHABILITATION TRENDS 2010 – 2023

1. National Inpatient Rehabilitation Utilization

While the DOH rehabilitation bed need methodology projects a twenty-four percent decrease in projected utilization for rehabilitation in King County over the 15-year projection period (DOH Metric = Total Projected Days), this appears to be inconsistent with actual rehabilitation trends nationally. In fact, over the last 13 years, rehabilitation use has consistently increased year-over-year, with only a 3.6 percent decrease in 2020 that was driven by the COVID-19 pandemic interruptions to the healthcare system nationally. Figure 1 provides a summary of national inpatient rehabilitation discharges from 2010 – 2023 as reported by Uniform Data Systems for Medical Rehabilitation. (UDSMR is a rehabilitation outcome measurement system that captures data on 75 – 80 percent of all inpatient rehabilitation discharges nationally, and 2023 is the most recent full year in which inpatient rehabilitation data is available.)

Figure 1



Inpatient Rehab Metric	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total Growth
IP Rehab Discharges	477,243	490,968	494,469	500,175	509,818	518,940	520,653	522,180	533,707	541,614	521,860	539,106	546,175	592,037	
% Growth From Prior Year		2.9%	0.7%	1.2%	1.9%	1.8%	0.3%	0.3%	2.2%	1.5%	-3.6%	3.3%	1.3%	8.4%	24.1%

Source: Uniform Data Systems for Medical Rehabilitation (UDSMR). UDSMR is a rehabilitation outcome measurement system which captures data on approximately 75 - 80% of all inpatient rehabilitation discharges nationally.

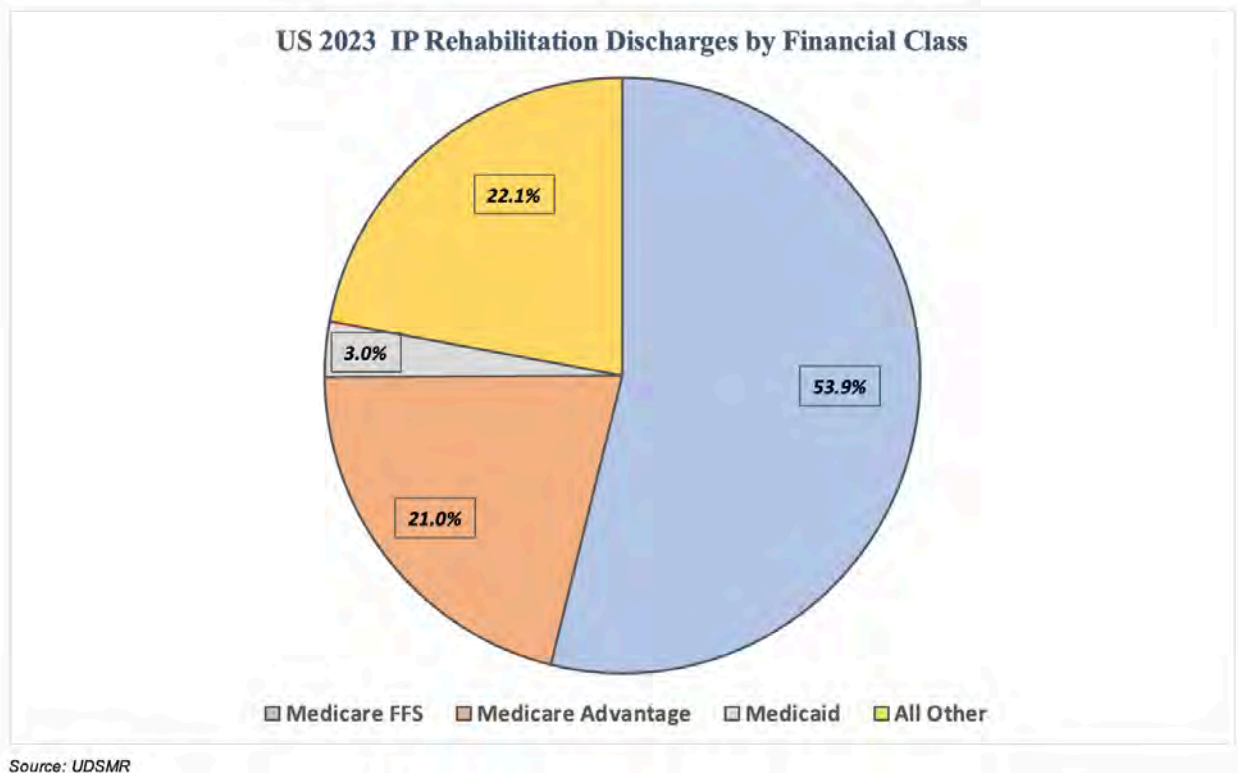
As shown in Figure 1, the national inpatient rehabilitation discharges increased approximately 0.3 percent to 2.0+ percent annually from 2010 – 2019, resulting in a 13.5 percent increase over this nine-year period. There was a 3.6% decrease in utilization in 2020 that was COVID related, although the annual growth in utilization resumed in 2021, and by 2022 the national utilization had exceeded pre-COVID levels.

Over the last 10 – 12 years, this growth trend in rehabilitation has proven to be stable in spite of many changes to the industry, such as payor mix, regulations, reimbursement, referral sources and patient mix. As such, this same pattern of strong annual growth is projected to continue for the foreseeable future. *(In fact, the preliminary 2024 data utilizing the first 9 months of actual data suggests an increase of 5.0 percent to 6.0 percent inpatient rehabilitation admissions over the 2023 utilization.)*

2. Medicare Utilization of Inpatient Rehabilitation

When assessing inpatient rehabilitation demand and bed need, it is important to recognize the significant impact that Medicare utilization has on overall industry trends. As Figure 2 shows, Medicare accounts for 74.9 percent of all rehabilitation admissions nationally, with Medicare Fee-For-Service (Medicare FFS/traditional Medicare) representing 53.9 percent of all discharges and Medicare Advantage representing 21.0 percent.

Figure 2



Source: UDSMR

Because of the impact Medicare trends have on rehabilitation utilization, it is important to note that for the 10 consecutive years prior to the pandemic the total Medicare rehabilitation discharges increased approximately 1.0 – 2.0 percent annually for an average annual growth rate of 1.6 percent for this time period. While there was a 5.2 percent decrease in Medicare utilization in 2020 due to the COVID pandemic, utilization has increased each year since 2020, with total Medicare utilization exceeding pre-pandemic levels in 2022, with additional growth since that time. See Figure 3 on the following page.

Figure 3

US 2010 - 2023 Medicare Rehabilitation Discharges (a)

Rehab Metric	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Medicare Discharges	342,084	354,409	358,752	363,969	368,925	375,353	376,720	379,088	388,604	395,461	374,972	380,080	388,973	443,502
% Growth From Prior Year	-	3.6%	1.2%	1.5%	1.4%	1.7%	0.4%	0.6%	2.5%	1.8%	-5.2%	1.4%	2.3%	14.0%

Source: Uniform Data Systems for Medical Rehabilitation.

(a) Includes both Medicare FFS and Medicare Advantage.

Along with the overall increases in Medicare utilization of inpatient rehabilitation, an important metric for rehabilitation planning is the percentage of Medicare acute care patients discharged into inpatient rehabilitation annually. The Medicare discharge rate from acute care to rehabilitation is particularly important for rehabilitation planning because referrals from acute care hospitals represent **94 percent of all rehabilitation admissions nationally**. (The remaining six percent of referrals to rehabilitation originate from SNFs, LTCHs, home, and other miscellaneous sites.)

As Figure 4 below shows, the percent of Medicare FFS acute care patients discharged from acute care into inpatient rehabilitation has increased almost every year from 2009 – 2022. While national information regarding the discharge rates from acute care to inpatient rehabilitation for Medicare Advantage is not available, because Medicare Advantage plans include dozens of insurers who aren’t required to report this number, the gross number of Medicare Advantage rehabilitation discharges has also increased annually. This consistent growth is in spite of the fact that the referral rates to rehabilitation for Medicare Advantage patients tends to be lower than that of Medicare FFS patients. (Provider experience for most inpatient rehabilitation programs suggests that the Medicare Advantage discharge rate to inpatient rehabilitation tends to be 30 – 35 percent less than that of Medicare FFS.)

Figure 4

US 2009 - 2022 Medicare FFS Acute Care to IRF/IRU Conversion Rate

Discharge Disposition	2009	2013	2015	2017	Est. 2019	Est. 2020	2022
SNF	19.8%	20.7%	21.2%	20.7%	19.7%	18.5%	17.4%
HHA	15.2%	16.5%	16.9%	17.9%	18.1%	18.5%	18.7%
IRF/IRU	3.3%	3.6%	3.9%	3.8%	4.1%	4.3%	4.6%
LTCH	1.1%	1.2%	1.2%	1.1%	0.9%	0.9%	0.8%
Hospice	2.1%	2.7%	3.0%	3.1%	3.5%	4.1%	4.5%
Total	41.5%	44.7%	46.2%	46.6%	46.4%	46.3%	46.0%

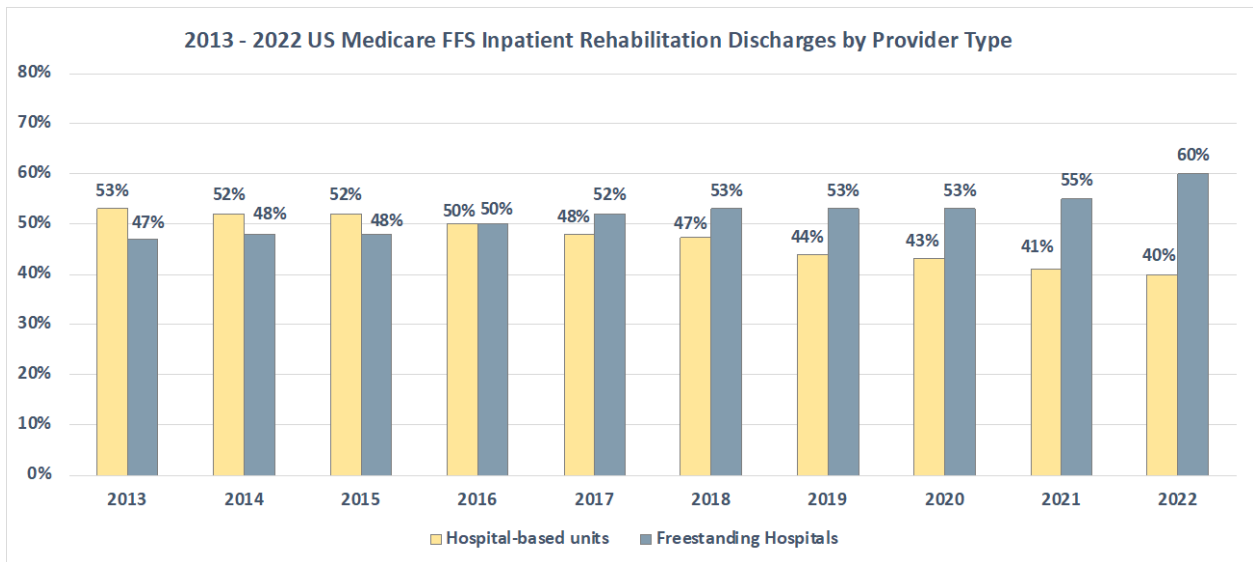
Source: June 2011 - March 2024 MedPAC Annual Reports to Congress and Annual Data Books. <http://medpac.gov/-documents>

It is clear that these Medicare utilization trends suggest continued growth of inpatient rehabilitation rather than a decreasing demand. The strong growth of Medicare patients utilizing inpatient rehabilitation, coupled with the projected aging of the population strongly supports the planning assumptions of most rehabilitation providers that include projections of additional growth in volume for the foreseeable future.

3. Site of Care Changes

In addition to the overall growth in rehabilitation utilization over the last 10 – 12 years, another significant change that has occurred among providers is a shift from the majority of inpatient rehabilitation care being provided in smaller, hospital-based rehabilitation units to 60 percent of inpatient rehabilitation care now being provided in freestanding rehabilitation hospitals. Figure 5 summarizes this trend.

Figure 5



Source: 2015 - 2024 March MedPAC Report(s) to Congress

MedPAC Note: "Components may not sum due to missing data."

This shift in site of care has been occurring for two primary reasons. First, with a larger operating capacity, many freestanding rehabilitation hospitals are better able to create specialized clinical programs than can typically be created in smaller, hospital-based units. This includes specialty programs such as Spinal Cord Injury, Brain Injury, Stroke Rehabilitation, and other similar programs. By design, a smaller 15 to 20 bed hospital-based rehabilitation unit generally must devote all of its capacity to generalized patient care, strictly limiting the potential for rehabilitation program specialization.

Contrary to hospital-based rehabilitation units, most freestanding rehabilitation hospitals with a bed capacity of 40 – 60 beds or more will develop one or more specialized programs with dedicated space; rehabilitation staff with specialized training and certifications; and advanced mobility; speech/cognitive and virtual reality equipment to meet the particular needs of these unique patient populations. This approach ensures the most integrated and comprehensive clinical care is provided for each patient and is one reason why most rehabilitation care is now being provided in freestanding hospitals. Importantly, the proposed Seattle Rehabilitation Hospital will be the first freestanding rehabilitation hospital in King County.

The second major reason for this shift in the site of care to freestanding rehabilitation hospitals is that, because of their size and higher utilization, freestanding rehabilitation hospitals are able to achieve greater cost efficiencies and provide care at lower costs than can be achieved in smaller hospital-based rehabilitation units. In fact, a 2018 MedPAC Report to Congress documented that freestanding rehabilitation hospitals were the lowest cost setting for rehabilitation care, a summary of which is provided in Figure 6. This same figure also shows that the median cost per discharge decreases as the size of the rehabilitation program increases, with the most cost efficiencies achieved with programs of 65 beds or higher. As such, the proposed 60-bed Seattle Rehabilitation Hospital is expected to be among the most efficient providers in the State and in the region.

Figure 6

TABLE 10-10	
IRFs with fewer beds had much higher standardized costs per discharge, 2016	
Type of IRF	Median standardized cost per discharge
All IRFs	\$15,494
Hospital based	16,406
Freestanding	11,796
Nonprofit	16,311
For profit	13,315
Government	17,813
Urban	15,185
Rural	17,914
Number of beds	
1 to 10	18,588
11 to 24	16,408
25 to 64	14,239
65 or more	12,103

Note: IRF (inpatient rehabilitation facility). Cost per discharge is standardized for differences in area wages, mix of cases, and prevalence of high-cost outliers, short-stay outliers, and transfer cases. Government-owned facilities operate in a different financial context from other facilities, so their costs are not necessarily comparable.

Source: MedPAC analysis of Medicare cost report and Medicare Provider Analysis and Review data from CMS.

4. Washington State Utilization of Inpatient Rehabilitation

At present, Washington State has among the fewest rehabilitation beds and the lowest rehabilitation use rates of all states in the country. Nationally, there are approximately 42,000 rehabilitation beds of all types (including both freestanding inpatient rehabilitation facilities, or IRFs, and inpatient rehabilitation units of an acute care hospital, or IRUs) which equates to 12.4 beds per 100K population nationally. The Bed-to-Population ratio ranges from a high of 29.7 beds per 100K population in Arkansas to a low of 2.8 beds per 100K population in Oregon and 3.0 beds per 100K population in Maryland. (It should be noted that Maryland is the only State in the country that has never participated in the Medicare Prospective Payment System reimbursement model and as such, has utilization patterns different than all other States.)

Based on the most recent information available, Washington has the 6th lowest Bed-to-Population ratio of all 50 states (plus DC) with only 4.7 rehabilitation beds per 100K population. This Bed-to-Population ratio is less than one-half the national average of rehabilitation beds accessibility. Figure 7 provides a summary of the US available rehabilitation beds by state, along with the bed per 100K population ratio.

Figure 7

2023/2024 US Rehabilitation Beds/100K Population by State

State	2023 Population (a)	IRF/IRU Beds (b)	Beds/100K Pop
1 Arkansas	3,067,732	912	29.7
2 Louisiana	4,573,749	1,321	28.9
3 District of Columbia	678,972	153	22.5
4 Kansas	2,940,546	616	20.9
5 Pennsylvania	12,961,683	2,647	20.4
6 Texas	30,503,301	5,830	19.1
7 West Virginia	1,770,071	330	18.6
8 South Carolina	5,373,555	967	18.0
9 New Hampshire	1,402,054	252	18.0
10 Oklahoma	4,053,824	715	17.6
11 Nebraska	1,978,379	341	17.2
12 Nevada	3,194,176	546	17.1
13 Missouri	6,196,156	1,017	16.4
14 Florida	22,610,726	3,569	15.8
15 Indiana	6,862,199	1,070	15.6
16 North Dakota	783,926	122	15.6
17 Kentucky	4,526,154	703	15.5
18 Arizona	7,431,344	1,097	14.8
19 Alabama	5,108,468	742	14.5
20 Ohio	11,785,935	1,708	14.5
21 Tennessee	7,126,489	1,014	14.2
22 New Mexico	2,114,371	294	13.9
23 Delaware	1,031,890	138	13.4
24 Wyoming	584,057	75	12.8
25 Massachusetts	7,001,399	860	12.3
26 Iowa	3,207,004	387	12.1
27 Illinois	12,549,689	1,472	11.7
28 Maine	1,395,722	156	11.2
29 Michigan	10,037,261	1,115	11.1
30 South Dakota	919,318	101	11.0
31 Rhode Island	1,095,962	118	10.8
32 Mississippi	2,939,690	311	10.6
33 Virginia	8,715,698	898	10.3
34 New Jersey	9,290,841	937	10.1
35 Colorado	5,877,610	548	9.3
36 Utah	3,417,734	313	9.2
37 North Carolina	10,835,491	902	8.3
38 Georgia	11,029,227	917	8.3
39 Wisconsin	5,910,955	491	8.3
40 Idaho	1,964,726	151	7.7
41 New York	19,571,216	1,474	7.5
42 California	38,965,193	2,761	7.1
43 Montana	1,132,812	74	6.5
44 Alaska	733,406	45	6.1
45 Hawaii	1,435,138	82	5.7
46 Washington (c)	7,812,880	364	4.7
47 Minnesota	5,737,915	266	4.6
48 Vermont	647,464	30	4.6
49 Connecticut	3,617,176	167	4.6
50 Maryland	6,180,253	184	3.0
51 Oregon	4,233,358	118	2.8
Total	334,914,895	41,661	12.4
King County (c)	2,271,380	93	4.1

(a) Source: US Census Bureau

(b) Source: ahd.com; reflects Worksheet S-3 of the most recent Medicare Cost Report (FY 2023 or FY 2024) for all inpatient rehabilitation providers in the country.

(c) Source: Washington and King County IRF/IRU bed inventory reflects WA 2019 - 2023 Acute Care Bed Surveys.

While the State has a ratio of 4.7 beds per 100K population, which is less than one-half the national average, King County, with a 2023 population of approximately 2.3 million and only 93 beds, has an even lower Bed-to-Population ratio of only 4.1 beds per 100K population. This ratio is 12 percent less than the overall State ratio, and only 33 percent of the national average of 12.4 beds per 100K population.

Importantly, the low Bed-to-Population ratio in Washington appears to have significantly impacted rehabilitation utilization in the State, as limited access to services is typically a major factor driving low utilization. As can be seen in Figure 8, while nationally there are an estimated 236 rehabilitation discharges per 100K population, Washington has the 3rd lowest utilization rate in the country, with only 75.5 discharges per 100K population, or just over 32 percent of the national rate.

Figure 8

2023/2024 US Rehabilitation Discharges/100K Population by State

Count	State	2023 Population (a)	Est. Discharges (b,c)	Disch/100K Pop
1	Arkansas	3,011,490	18,128	602.0
2	Delaware	989,946	4,443	448.8
3	West Virginia	1,793,713	7,520	419.2
4	Louisiana	4,657,785	18,756	402.7
5	South Carolina	5,118,422	20,595	402.4
6	Texas	29,145,459	112,912	387.4
7	Oklahoma	3,959,411	14,895	376.2
8	Nevada	3,104,617	11,567	372.6
9	New Hampshire	1,377,524	5,054	366.9
10	Alabama	5,024,294	18,327	364.8
11	Kansas	2,937,835	10,330	351.6
12	North Dakota	779,079	2,646	339.6
13	Missouri	6,154,889	20,717	336.6
14	Pennsylvania	13,002,788	43,631	335.6
15	Florida	21,538,216	72,137	334.9
16	District of Columbia	689,548	2,248	326.0
17	Kentucky	4,506,297	14,130	313.6
18	Indiana	6,785,442	21,203	312.5
19	Tennessee	6,910,786	19,812	286.7
20	Arizona	7,157,902	20,343	284.2
21	New Mexico	2,117,525	5,947	280.8
22	Ohio	11,799,331	30,293	256.7
23	Nebraska	1,961,965	4,580	233.4
24	South Dakota	886,668	2,057	232.0
25	Virginia	8,631,373	19,853	230.0
26	Massachusetts	7,032,933	15,859	225.5
27	Mississippi	2,961,306	6,521	220.2
28	Colorado	5,773,707	12,491	216.3
29	Iowa	3,190,427	6,871	215.4
30	Michigan	10,077,674	21,597	214.3
31	Illinois	12,813,469	26,534	207.1
32	New Jersey	9,289,039	18,454	198.7
33	Maine	1,363,177	2,610	191.5
34	North Carolina	10,439,459	17,949	171.9
35	Georgia	10,713,771	18,241	170.3
36	Idaho	1,839,117	3,017	164.0
37	Wyoming	576,850	924	160.2
38	Rhode Island	1,097,371	1,623	147.9
39	Utah	3,271,614	4,762	145.6
40	Wisconsin	5,893,713	8,015	136.0
41	Montana	1,084,244	1,429	131.8
42	New York	20,202,320	23,875	118.2
43	California	39,538,212	45,157	114.2
44	Alaska	733,374	802	109.4
45	Vermont	643,077	613	95.3
46	Hawaii	1,455,274	1,339	92.0
47	Minnesota	5,706,804	5,236	91.8
48	Connecticut	3,605,912	2,973	82.4
49	Washington	7,705,267	5,814	75.5
50	Maryland	6,177,253	4,394	71.1
51	Oregon	4,237,279	2,383	56.2
Total		331,464,948	781,607	235.8
King County		2,271,380	1,065	46.9

(a) Source: US Census Bureau

(b) Source: ahd.com; reflects Worksheet S-3 of the most recent Medicare Cost Report (FY 2023 or FY 2024) for all inpatient rehabilitation providers in the country.

(c) King County discharges reflect rehabilitation discharges for King County residents, regardless of location of rehabilitation provider. (Source: CHARS data.) Please note that the source CHARS data report for the King County resident IRFIRU discharges was adjusted by 24.7% (from 854 discharges to 1,065 discharges) to account for the patient discharges that were redacted in the CHARS data as a result of recent WA legislation protecting patients with any diagnosis related to either abortion or substance abuse services. This 24.7% adjustment was made because that is the difference found between the total volume of patient discharges for King County acute care providers, regardless of patient origin, including and excluding the substance abuse diagnostic codes.

Similar to the Bed-to-Population ratio, the rehabilitation use rate for King County is even lower than the State average. With only an estimated 1,065 rehabilitation discharges, King County had only 46.9 discharges per 100K population.

The low ratio of rehabilitation Beds-to-Population tends to result in lower utilization of rehabilitation services, as is the case in Washington State and King County. Unfortunately, when inpatient rehabilitation services are not available, many appropriate patients are instead discharged to Skilled Nursing Facilities (SNFs) that are not able to provide the same level of rehabilitative care. In fact, a 2014 study that analyzed patient outcomes for a two-year period following an illness or injury requiring rehabilitation found that:

- Patients treated in inpatient rehabilitation hospitals and units have better outcomes, go home earlier and live longer than patients treated in SNFs.
- Patients treated in inpatient rehabilitation hospitals and units achieve better clinical outcomes in a shorter time and use less facility-based care than those treated in nursing homes.
- Patients treated in skilled nursing facilities have more emergency room visits, are readmitted to acute care hospitals more often, and have an increased risk of death than clinically similar patients treated in inpatient rehabilitation hospitals and units.

Source:

<https://pmc.ncbi.nlm.nih.gov/articles/PMC6902754/#:~:text=Additionally%2C%20patients%20in%20IRF%20compared,in%20the%20instrumental%20variable%20analyses>

Additionally, a May 2016 report prepared by the American Heart Association and the American Stroke Association, titled “Guidelines for Adult Stroke Rehabilitation and Recovery,” recommends that “Whenever possible the ASA strongly recommends that stroke patients be treated at an inpatient rehabilitation facility rather than a skilled nursing facility.” These studies and other patient outcome analyses consistently highlight the benefits and improved outcomes of inpatient rehabilitation programs over alternatives that might be utilized in the absence of inpatient rehabilitation.

As discussed, improved access to rehabilitation beds, and specifically improved access to fully comprehensive programs that leverage the resources of a freestanding rehabilitation hospital, have been shown in many markets to better meet the rehabilitation needs of the local community, and to significantly improve the local utilization rate. An excellent example of how improved access can positively impact rehabilitation utilization can actually be found in Washington, in the Spokane market.

Spokane is the largest city and metro area in eastern Washington, which overall is a fairly rural part of the State. Spokane is located in Spokane County, which has an estimated 2023 population of approximately 551,455. The three-county Spokane MSA (Spokane, Stevens, and Pend Oreille counties) has an estimated 2023 population of 614,653.

St. Luke’s Rehabilitation Institute (SLRI) is a 102-bed freestanding rehabilitation hospital located in Spokane, and one of only three freestanding rehabilitation hospitals in the State.

(The current operating capacity of SLRI is approximately 72 beds, resulting in a three-county Bed-to-Population ratio of 11.8 rehabilitation beds per 100K population.) With its available bed capacity and specialty programs, including dedicated units for Spinal Cord Injury, Brain Injury, and Stroke, SLRI clearly has had a measurable impact on rehabilitation utilization in the local market. This can best be illustrated by reviewing the referral relationship between SLRI and Providence Sacred Heart Medical Center (PSHMC).

As noted in CN 21-81A2, with 632 beds, PSHMC is both the largest acute care hospital in eastern Washington and one of the largest hospitals in the State. Over the years, SLRI and PSHMC have created a successful relationship in which acute care patients having both appropriate clinical and functional rehabilitation needs at time of acute care discharge are admitted into SLRI for continued rehabilitation care. The clinical and programmatic integration that has been achieved by these two providers has resulted in some of the best rehabilitation utilization rates in Washington, demonstrating how access and availability can positively impact rehabilitation services for the community.

As an example of this effectiveness, Figure 9 summarizes the percent of PSHMC Medicare patients that were discharged from acute care to rehabilitation, comparing this to State, King County, and national levels. Although the CHARS data has certain limitations (specifically not allowing a separation of Medicare FFS and Medicare Advantage patients), this figure nonetheless shows the relationship between access to rehabilitation and the utilization of these services. While less than 1.5 percent of King County and Washington State Medicare acute care patients are discharged into rehabilitation, over four percent of the PSHMC Medicare patients are discharged into rehabilitation.

Figure 9

2022 Acute Discharges to Inpatient Rehabilitation - Medicare Only (a)

Location	Medicare Acute Discharges	Discharges to IRF	% to IRF
US	7,000,000	322,000	4.6%
WA State	229,393	3,203	1.4%
King County (b)	46,593	502	1.1%
Providence Sacred Heart Med Ctr	8,745	368	4.2%

Source: US = March 2024 MedPAC Report to Congress. All other data = 2023 CHARS.

(a) US = Medicare FFS discharges only. All other data = Medicare FFS and Medicare Advantage.

(b) King County estimated Medicare discharges to IRF include a 12.8% adjustment to account for the Medicare redacted patients in the CHARS data base.

As Figure 9 illustrates, the PSHMC Medicare discharge rate to rehabilitation of 4.2 percent is slightly less than the national average (primarily due to the fact that CHARS data includes both Medicare FFS and Medicare Advantage discharges in its single “Medicare” classification) but is still believed to be the highest in the State. In fact, the PSHMC Medicare discharge rate would be considered by many rehabilitation providers to be “*Best Practices*” for the industry for Medicare beneficiaries.

With its proposal, the Seattle Rehabilitation Hospital would create the only freestanding rehabilitation hospital in King County and be able to provide specialty programs similar to SLRI and other rehabilitation providers nationally. Additionally, the increased access to services will be able to positively impact the local rehabilitation utilization rate, which is well below the national rate, as demonstrated by rehabilitation utilization in the Spokane market which has access and utilization similar to national levels.

5. King County Out-Migration for Inpatient Rehabilitation Services

As noted previously, in 2023, an estimated 1,065 residents of King County were discharged from acute care hospitals into an inpatient rehabilitation setting. However, CHARS data shows that only an estimated 709 of these patients were admitted into King County inpatient rehabilitation programs. As such, over 33 percent of all King County residents requiring inpatient rehabilitation were admitted into out of county providers. This compares to the acute care benchmark that shows that in 2023, only 7.8 percent of King County residents received acute care services from out-of-county providers. Figures 10 and 11 provide a summary of this data.

Figure 10

2023 King County Resident Out-migration for IRF/IRU Services

King County IRF/IRU Utilization	Discharges	% of IRF/IRU Discharges
I. 2023 King County Residents' Acute Care Discharges to IRF/IRU	1,065	-
II. 2023 King County Residents' IRF/IRU Discharges by Provider		
UW Medicine/Univ of WA Med Ctr	128	12.0%
Evergreen Health Kirkland	197	18.5%
UW Medicine/Harborview	177	16.7%
Swedish Cherry Hill	206	19.4%
Subtotal	709	66.6%
Out-of-County Provider	356	33.4%
Total IRF/IRU King County Discharges	1,065	100.0%

Source: CHARS 2023 acute care data. Note: the 149 redacted WA resident discharges were distributed for each provider equal to the same percent of discharges by county for each provider for all unredacted WA resident patient discharges.

Figure 11

2023 King County Resident Out-migration for Acute Care

King County Acute Care Utilization		Discharges	% Discharges
I. 2023 King County Residents' Acute Care Discharges		104,815	-
II. 2023 King County Residents' Acute Care Discharges by Provider			
King	Swedish First Hill/Ballard	14,554	13.9%
King	UW Medicine/University of Washington Medical Center	13,566	12.9%
King	UW Medicine/Valley Medical Center	11,012	10.5%
King	Overlake Medical Center	10,523	10.0%
King	EvergreenHealth Kirkland	7,384	7.0%
King	UW Medicine/Harborview Medical Center	5,971	5.7%
King	MultiCare Auburn Medical Center	5,168	4.9%
King	St. Francis Hospital	5,031	4.8%
King	Swedish Issaquah	5,006	4.8%
King	Swedish Cherry Hill	4,456	4.3%
King	Virginia Mason Medical Center	4,257	4.1%
King	St. Anne Medical Center	4,050	3.9%
King	Seattle Children's	2,633	2.5%
	All Other King County Hospitals	3,001	2.9%
Total King County Hospitals		96,612	92.2%
Out-of-County Hospitals		8,203	7.8%
Total		104,815	100.0%

Source: CHARS 2023 inpatient data.

Figures 10 and 11 show that the out-migration for inpatient rehabilitation services for residents of King County is over 4 times higher than the out-migration for overall acute care services. This is likely because there is far greater access to acute care services within the county while there is only limited access to rehabilitation services. As noted earlier, with only 4.1 rehabilitation beds per 100K population, rehabilitation access is more limited in King County than in that State overall, which itself has one of the lowest ratios of rehabilitation bed access in the country. The proposed Seattle Rehabilitation Hospital will increase the total rehabilitation beds in the county by over 60 percent, greatly improving access and providing in-county services for many of those patients currently having to be placed in less convenient out-of-county facilities.

6. King County Demographic Trends

As mentioned previously, the Age 65+ age cohort is the fastest growing demographic market segment in King County. Because Medicare beneficiaries utilize inpatient rehabilitation more than any other patient population, this is critical for rehabilitation planning. The impact of these demographic trends is included in the following alternative bed need analyses.

III. ALTERNATIVE REHABILITATION DEMAND AND BED NEED METHODOLOGY

While the WA DOH rehabilitation demand methodology shows a net surplus of sixteen rehabilitation beds for the 2038 projection period, as highlighted through the previous profile of industry trends, the model does not appear to reflect current dynamics in the rehabilitation field. Specifically, the State methodology does not appear to account for the following dynamics:

- Nationally, the use of rehabilitation for All Payors has consistently increased year-over-year for the last 10+ years, with the only recent decrease in utilization being driven by the impact of the COVID pandemic in 2020, which has since fully rebounded.
- Nationally, the use of rehabilitation for Medicare beneficiaries, the largest patient population for inpatient rehabilitation, has been consistently increasing in both the gross number of rehabilitation discharges and the percentage of Medicare acute care patients who are discharged to inpatient rehabilitation annually.
- Rehabilitation care has been trending towards freestanding rehabilitation hospitals as the primary site of care, both because more specialized and comprehensive rehabilitation programs are able to be provided in this setting, and also because this is the lowest cost setting for providers.
- With its current level of rehabilitation care in the State, Washington has the sixth lowest rehabilitation Bed-to-Population ratio in the country and the third lowest rehabilitation Discharges-to-Population in the country.
- In addition to national data, evidence within the State, specifically the Spokane market, suggests that increased bed availability and access to comprehensive rehabilitation programs positively impacts community access and utilization.

As such, an alternative bed need methodology is provided for consideration. This alternative methodology relies upon basic drivers of rehabilitation, including population and population growth by age cohort, acute care referral rates to inpatient rehabilitation (because acute care referral sources represent 94 percent of all rehabilitation admissions), and CHARS acute care and rehabilitation use data. This methodology is summarized below.

The first factor in determining King County rehabilitation demand and bed need includes an analysis of the King County population and population projections by major age cohort. This information is summarized in Figure 12.

Figure 12

Age Cohort	2023	2028	2033	2038	5-year Growth		
					2023-2028	2028-2033	2033-2038
Age 0 - 64	1,991,016	2,038,455	2,089,953	2,145,792	2.4%	2.5%	2.7%
Age 65+	339,083	400,171	455,190	500,944	18.0%	13.7%	10.1%
Total Population	2,330,099	2,438,626	2,545,143	2,646,736	4.7%	4.4%	4.0%
65+ % of Pop	14.6%	16.4%	17.9%	18.9%	-	-	-

Source: OFM 2017 & 2022 GMA Projections - Medium Series

As shown in Figure 12, while the total King County population is expected to increase by 4.7 percent between 2023 – 2038, and by 4.4 percent between 2028 – 2033, the Age 65+ population is projected to increase at a much faster rate. In fact, the Age 65+ age cohort is projected to increase by 18 percent during the 2023 – 2028 period and another 13.7 percent in the 2028 – 2033 period. As noted previously, these demographic trends are important in rehabilitation planning because Medicare beneficiaries represent almost 75 percent of all rehabilitation admissions nationally.

Based upon the population projections summarized in Figure 12, and the Medicare vs. non-Medicare rehabilitation utilization noted in Figure 2, first a weighted average of population growth has been developed for inpatient rehabilitation projections. (Please note: this methodology assumes that the Age 65+ cohort is roughly equivalent to Medicare beneficiaries, as Medicare eligibility starts at age 65.) This weighted average has been used to project future utilization, as relying solely upon the total population growth would tend to underestimate rehabilitation utilization, given such a large proportion of inpatient rehabilitation is driven by the Medicare-age population cohort. The weighted average growth rate that is used reflects the actual projected growth rate for each age group but is “weighted” based on the proportion of rehabilitation usage. This is summarized in Figure 13.

Figure 13

King County Rehabilitaton Growth Rate

Age Cohort	2023 IRF/IRU Utilization (a)	5-year Growth		
		2023-2028	2028-2033	2033-2038
Age 0 - 64	25.1%	2.4%	2.5%	2.7%
Age 65+	74.9%	18.0%	13.7%	10.1%
Total	100.0%	14.1%	10.9%	8.2%

(a) Source: Uniform Data Systems for Medical Rehabilitation.

The second factor in determining the rehabilitation demand and bed need is to identify the estimated discharge rate from acute care to inpatient rehabilitation, particularly for the Medicare population given that Medicare represents 74.9 percent of all inpatient rehabilitation admissions, and admissions from the acute care setting represents 94 percent of all admissions into inpatient rehabilitation. As previously noted, nationally 4.6 percent of all Medicare FFS acute care patients were discharged from acute care to inpatient rehabilitation in 2022. However, since this average includes many areas in the country without access to rehabilitation services, the referral rate is generally higher than the average rate when appropriate access is available. Additionally, a separate referral rate is typically used to estimate Medicare Advantage patient populations, which oftentimes utilize different admission criteria for inpatient rehabilitation than Medicare FFS, resulting in lower acute care-to-rehabilitation referral rates for this patient population.

As an example of the different referral rates for Medicare FFS and Medicare Advantage, CN 21-81A2 included a summary of the Providence Sacred Heart Medical Center referral rates for each of these two payors. (Unfortunately, CHARS data groups both Medicare FFS and Medicare

Advantage patients into a single Medicare financial class, so these data cannot be updated with the available State data.) This information is summarized in Figure 14 below.

Figure 14
CY 2019 Providence Sacred Heart Medical Center
Acute Care Utilization and Discharges to Inpatient Rehabilitation

Financial Class	Acute Discharges	Discharges to IRF	% Conversion to IRF
Medicare FFS	8,722	484	5.5%
Medicare Advantage	3,253	131	4.0%
Total Medicare	11,975	615	5.1%

Source: PSHMC internal data.

As shown in Figure 14, in CY 2019, PCHMC discharged 5.5 percent of its Medicare FFS patients and 4.0 percent of its Medicare Advantage patients into rehabilitation. While the actual referral rates of PSHMC are not utilized in the Seattle Rehabilitation Hospital Alternative Need Methodology, they are provided here as a frame of reference to confirm the reasonableness of the King County Bed Need that is provided. (It should be noted that the most recent CMS data show that the Medicare Advantage penetration in King County for all Medicare beneficiaries is 54.3 percent. *Source:* <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/MCRAAdvPartDENrolData/MA-State-County-Penetration>.)

The remaining variables in the alternative methodology include national data points, specifically the percent of inpatient rehabilitation discharges admitted that are non-Medicare (25.1 percent nationally); the percent of inpatient rehabilitation admissions from non-acute care sources (6 percent nationally); and national inpatient rehabilitation ALOS and target occupancy rates (13.5 days and 85 percent occupancy, respectively.)

A summary of the 2023 – 2038 alternative inpatient rehabilitation demand and bed need for King County follows in Figure 15. Please note that this first alternative model bases the King County inpatient rehabilitation bed need primarily upon the acute care utilization within King County, regardless of the county of origin of the acute care patient.

Figure 15

King County 2023 - 2038 Inpatient Rehabilitation Bed Need

I. Estimated 2023 Acute Care Utilization of King County Acute Care Hospitals			
Total 2023 Medicare FFS Discharges (a)		72,149	
Est. % Medicare FFS (b)		45.7%	
Est. % Medicare Advantage (b)		54.3%	
Est. 2023 Medicare FFS Discharges		32,958	
Est. 2023 Medicare Advantage Discharges		39,191	
II. Est. 2023 Conversion From Acute Care to IRF (c)			
	Low		High
Medicare FFS	4.6%		5.5%
Medicare Advantage	3.1%		3.7%
<i>Total Medicare (Medicare FFS + Medicare Advantage)</i>	3.8%		4.5%
III. Est. 2023 Potential IRF Admissions From Acute Care			
	Low		High
Medicare FFS	1,516		1,813
Medicare Advantage	1,202		1,438
Subtotal Medicare	2,719		3,250
All Other Payors (d)	910		1,089
Subtotal: Potential Admissions from Acute Care	3,629		4,339
IV. Admissions From Other Referral Sources (e)			
	232		277
V. Est. 2023 Potential IRF Admission From All Sources			
	3,861		4,616
VI. Est. 2023 ADC & Bed Need			
	Low		High
Est. ALOS (f)	13.5		13.5
Est. ADC	142.8		170.7
Est. Bed Need (g)	168		201
VII. Est. 2023 - 2038 King County Gross Bed Need (h)			
	Low		High
2023	168		201
2028	192		229
2033	213		254
2038	230		275
VIII. Existing King County IRF/IRU Beds			
			93
IX. Est. 2023 - 2038 King County IRF/IRU Net Bed Need			
2023	75		108
2028	99		136
2033	120		161
2038	137		182

(a) CHARS 2023 data.

(b) cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/MCRAAdvPartDENrolData/MA-State-County-Penetration. Nov 2024.

(c) Medicare FFS referral rates reflect conservative estimates based upon both National referral rates as well as those of Providence Sacred Heart Medical Center actual experience as confirmed in CN 21-81A2. Medicare Advantage referral rates are estimated to be one-third lower than Medicare FFS.

(d) All Other equals 25.1% of total IRF volume, since nationally Medicare FFS + Medicare Advantage represent 74.9% of total admissions.

(e) Nationally, acute referrals represent 94% of all rehabilitation admissions (Source: UDSMR 2023 user data.)

(f) 2023 national ALOS for all providers (Source: UDSMR)

(g) Bed need assumes 85% target occupancy.

(h) Projected 2023 - 2038 bed need applies the weighted population growth estimates presented in Figure 13.

Utilizing national norms for rehabilitation and the experience of other acute care and rehabilitation providers, this alternative methodology estimates a 2023 King County Gross Rehabilitation Bed Need of 168 – 201beds, increasing to 230 – 275 beds by 2038. The estimated Net Rehabilitation Bed Need is 75 – 108 beds in 2023, increasing to 137 – 182 beds in 2038. To place these projections in context, as shown in Figure 16, the 2023 estimated bed need results in a King County Bed-to-Population ratio of 7.2 – 8.6 beds per 100K population, increasing to 8.7 – 10.4 beds per 100K population by 2038. Given that in 2023/2024, there was an average of 12.4 rehabilitation beds per 100K population nationally, it is believed that these King County projections are reasonable, if not actually conservative.

Figure 16

King County Est. Bed Need/100K Population

Year	Proj. Bed Need		Est. Population	Beds/100K Population	
	Low	High		Low	High
2023	168	201	2,330,099	7.2	8.6
2028	192	229	2,438,626	7.9	9.4
2033	213	254	2,545,143	8.4	10.0
2038	230	275	2,646,736	8.7	10.4

The 2023/24 US National Avg is 12.4 IRF Beds/100K Population

A second alternative model has been prepared using a slightly different approach to validate these projections. Rather than basing the King County need on the total volume of acute care discharges from all hospitals located in King County, this second approach focused only on the acute care discharges of King County residents. As such, because these projections are based solely upon the estimated rehabilitation bed need of King County residents, the baseline projections have been adjusted for the out-of-county Washington residents who receive their rehabilitation care from King County rehabilitation providers, which is reflected in Figure 17.

Figure 17

**2023 King County IRF/IRU Provider Profile
 Discharges by County of Patient Origin**

County Name	UW Medicine/Univ of WA Med Ctr	EvergreenHealth Kirkland	UW Medicine/ Harborview Med Ctr	Swedish Cherry Hill	Total	% of Discharges
King	128	197	177	206	709	51.6%
Snohomish	35	112	28	37	212	15.4%
Pierce	19	1	24	3	48	3.5%
Yakima	10	0	23	9	42	3.0%
Kitsap	11	1	12	12	36	2.6%
Clallam	3	1	7	20	32	2.3%
Skagit	3	0	18	2	24	1.7%
All Other WA Counties	37	2	78	41	158	11.5%
Out of State	31	10	49	25	114	8.3%
Total	276	324	417	356	1,373	100.0%
% King County Discharges	46.4%	60.8%	42.6%	58.0%	51.6%	-

Source: CHARS 2023 acute care data. Note: the 149 redacted WA resident discharges were distributed for each provider equal to the same percent of discharges by county for each provider for all unredacted WA resident patient discharges.

As shown in Figure 17, in 2023, approximately 52 percent of all rehabilitation discharges from King County rehabilitation providers were from residents of King County, while 48 percent of all discharges were from residents that were out-of-county (including out-of-State). The King County rehabilitation providers likely have such a high percentage of patients from out-of-county because of the large presence of acute care and specialty providers available in the Seattle metro area that may not be readily available in other surrounding communities.

Please note that for the estimated King County inpatient rehabilitation bed need presented in the second bed need methodology summarized in Figure 18 that follows, out-of-county admissions have been assumed to be one-third of all admissions, rather than the 48 percent of all admissions that is the 2023 experience of the existing King County providers. A lower percentage of out-of-county resident utilization has been utilized for these projections because it is assumed that there will likely be lower out-migration of King County residents for inpatient rehabilitation services once access within King County improves with the development of the proposed project.

Figure 18

King County 2023 - 2038 Inpatient Rehabilitation Bed Need - v2

I. Estimated 2023 Acute Care Utilization of King County Residents		
Total 2023 Medicare Discharges (a)	46,593	
Est. % Medicare FFS (b)	45.7%	
Est. % Medicare Advantage (b)	54.3%	
Est. 2023 Medicare FFS Discharges	21,284	
Est. 2023 Medicare Advantage Discharges	25,309	
II. Est. 2023 Conversion From Acute Care to IRF(c)		
Medicare FFS	4.6%	5.5%
Medicare Advantage	3.1%	3.7%
<i>Total Medicare (Medicare FFS + Medicare Advantage)</i>	3.8%	4.5%
III. Est. 2023 Potential IRF Admissions From Acute Care		
Medicare FFS	979	1,171
Medicare Advantage	777	928
Subtotal Medicare	1,756	2,099
All Other Payors (d)	588	703
Subtotal: Potential Admissions from Acute Care	2,344	2,802
IV. Admissions From Other Referral Sources (e)		
	150	179
V. Total IRF Admissions - King County Residents		
	2,493	2,981
VI. Out of County IRF Admissions (f)		
	1,245	1,488
VII. Est. 2023 Potential IRF Admission From All Sources		
	3,738	4,469
VIII. Est. 2023 ADC & Bed Need		
Est. ALOS (g)	13.5	13.5
Est. ADC	138.2	165.3
Est. Bed Need (h)	163	194
IX. Est. 2023 - 2038 King County Gross Bed Need		
2023	163	194
2028	186	221
2033	206	245
2038	223	265
X. Existing King County IRF/IRU Beds		
	93	
XI. Est. 2023 - 2038 King County IRF/IRU Net Bed Need (i)		
2023	70	101
2028	93	128
2033	113	152
2038	130	172

(a) CHARS 2023 data.

(b) cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/MCRAAdvPartDENrolData/MA-State-County-Penetration. Nov 2024.

(c) Medicare FFS referral rates reflect conservative estimates based upon both National referral rates as well as those of Providence Sacred Heart Medical Center actual experience as confirmed in CN 21-81A2. Medicare Advantage referral rates are estimated to be one-third lower than Medicare FFS.

(d) All Other equals 25.1% of total IRF volume, since nationally Medicare FFS + Medicare Advantage represent 74.9% of total admissions.

(e) Nationally, acute referrals represent 94% of all rehabilitation admissions (Source: UDSMR 2023 user data.)

(f) Out-of-county admissions assumed to be one-third of total admissions, although 2023 actual out-of-county admissions for King County IRFs/IRUs was 48.4 percent. The lower out-of-county percentage assumes less out-migration for King County residents with improved access.

(g) 2022 national ALOS for all providers (Source: UDSMR)

(h) Bed need assumes 85% target occupancy.

(i) Projected 2023 - 2038 bed need applies the weighted population growth estimates presented in Figure 13.

This second alternative methodology utilizing different planning assumptions results in a King County Gross Rehabilitation Bed Need similar to, although slightly less than, the first alternative bed need methodology. This second bed need methodology projects a 2038 King County Gross Bed Need of 223 – 265 beds, compared to the estimated Gross Bed Need of 230 – 275 beds identified in the first approach. Both projections, however, appear to be reasonably consistent with national norms, as shown in Figure 19 which compares the estimated Gross Bed Need estimated in the second methodology with national benchmarks.

Figure 19

King County Est. Bed Need/100K Population - v2

Year	Proj. Bed Need		Est. Population	Beds/100K Population	
	Low	High		Low	High
2023	163	194	2,330,099	7.0	8.3
2028	186	221	2,438,626	7.6	9.1
2033	206	245	2,545,143	8.1	9.6
2038	223	265	2,646,736	8.4	10.0

The 2023/24 US National Avg is 12.4 IRF Beds/100K Population

As can be seen, both the baseline projections that estimate a 2038 Gross Bed Need of 230 – 275 beds and a Net Bed Need of 137 – 182 beds in the first alternative methodology, as well as the second alternative methodology that estimates a 2038 Gross Bed Need of 223 – 265 beds and a Net Bed Need of 130 – 172 beds are well within national norms for rehabilitation bed benchmarks. The significant increase in bed need for the 15-year planning horizon reflects national rehabilitation use patterns, as well as the relatively low 2023 King County rehabilitation bed inventory of only 4.1 beds per 100K population, which is just under one-third the national average for rehabilitation of 12.4 rehabilitation beds per 100K population.

IV. CONCLUSION

Although the rehabilitation bed need methodology utilized by the DOH suggests a 2038 net surplus of 16 rehabilitation beds in King County, based on recent national utilization rates for inpatient rehabilitation, it is clear the DOH methodology that was developed in 1987 no longer reflects current rehabilitation use patterns. Contrary to the WA DOH methodology that suggests declining rehabilitation utilization, all national utilization metrics indicate consistent growth in rehabilitation utilization for each of the last 10 – 15 years, with only a slight decline in 2020 due to COVID interruptions. The rehabilitation growth includes increases in both the total volume of annual rehabilitation admissions and the rehabilitation ADC nationally, as well as increases in the percentage of Medicare FFS acute care patients discharged to rehabilitation providers. In summary, the Washington State and King County rehabilitation utilization is likely suppressed at least in part because of the relatively low number of rehabilitation beds currently available. Compared to national benchmarks the Washington State and King County Bed-to-Population ratios for rehabilitation beds are among the lowest in the country. In fact, the limited access to inpatient rehabilitation services in King County is likely one of the major reasons that over 30 percent of King County residents who received inpatient rehabilitation care in 2023 received that care out of county.

The two alternative bed need methodologies provided here that suggest a 2038 King County Net Rehabilitation Bed Need of 137 – 182 beds (alternative methodology one) and 130 – 172 beds (alternative methodology two) may initially appear somewhat high. However, both of these estimates utilize relatively conservative planning assumptions regarding acute care discharges to rehabilitation and in-migration from non-King County residents. Further, it should be noted that the projected 2038 total bed need in both alternative need methodologies result in a King County rehabilitation Bed-to-Population ratio that is still less than the national average.

Based upon each of these findings, we believe that the alternative bed need methodologies presented here for WA DOH consideration more accurately reflect the actual King County rehabilitation bed need and support the approval of the proposed 60-bed Seattle Rehabilitation Hospital.

Submitted by:
Daniel B. Walter
Senior Principal
Walter Consulting
Atlanta, GA
<https://www.walterconsulting.com>

Exhibit 8

Financial Assistance, Admission, Non-Discrimination, and Patient Rights and Responsibilities Policies

SEATTLE REHABILITATION HOSPITAL	PATIENT FINANCIAL ASSISTANCE POLICY
SUBJECT: Financial Assistance	DEPT NAME: Patient Financial Services
EFFECTIVE DATE:	DATE APPROVED:
REVISION DATE:	APPROVED BY:

PURPOSE:

The charity care program is used to help patients access medically necessary healthcare services when that patient does not have access to the financial resources, or access to adequate third-party health insurance to pay for all or part of charges for medically necessary emergency or other hospital care provided by Seattle Rehabilitation Hospital (“SRH”). **This policy is intended to comply with section 501(r) of the Internal Revenue Code and other relevant federal, state, and local laws.**

This Financial Assistance Policy (“Policy”) applies to medically necessary medical care provided by SRH. Unless otherwise specified, this Policy does not apply to physicians or other medical providers’ services not included in a SRH bill as outlined in “Providers Covered and Not Covered by the SRH Financial Assistance Policy” provider list, which will be provided to any patient who requests a copy. This Policy does not create an obligation for SRH to pay for such physicians’ or other medical providers’ services.

POLICY:

It is the policy of SRH to provide medically necessary services to all who seek our care regardless of race, creed, or ability to pay. SRH will offer financial assistance to patients who qualify under the guidelines set forth in this policy. This policy applies to all medically necessary services provided in either the inpatient or outpatient settings at SRH.

SRH upholds and honors individuals’ right to appeal decisions and seek reconsideration.

PROCEDURE:

Measures to Publicize

1. SRH will make a copy of its current policy available to the community by posting a plain English summary of the Policy on its website, along with a downloadable copy of the Policy with instructions. There will be no fee for downloading a copy of the Policy, financial assistance application or plan language summary.
2. A copy of the Policy will be posted in locations throughout its facilities and/or by calling SRH.
3. Paper copies of the Policy and its application form are available upon request and to the public free of charge in English, Spanish, Chinese and Vietnamese.

4. SRH will have information printed on the billing statements that notifies and informs recipients about the availability of financial assistance under the Policy. This information will include a phone number for inquiries and the website where additional information can be obtained.
5. Registration staff will make a plain English summary of the Policy available to all uninsured patients and will provide a copy of the Policy to any person who requests one.
6. SRH will conspicuously display items like signs or brochures with general information about the availability of financial assistance in public areas of the hospital including the admitting areas.
7. SRH will run periodic public service announcements regarding the Policy through the appropriate media source.

Method for Applying or Obtaining Financial Assistance

1. A patient/guarantor can request financial assistance in person.
2. A patient/guarantor can request financial assistance by calling SRH.
3. A patient/guarantor can request financial assistance through the mail.
4. A patient/guarantor can request financial assistance applications via the SRH website.
5. Mailed applications should be sent to [MAILING ADDRESS HERE].
6. It is ultimately the patient/guarantor's responsibility to provide the necessary information to qualify for financial assistance. Patients/guarantors who need additional information about this Policy, or who need assistance with the financial assistance application process, may call SRH or visit the above location Monday through Friday from 8:00 a.m. to 4:30 p.m.

Eligibility Criteria

1. All patients who meet IRF medical necessity and admission criteria may apply for financial assistance at any time during the continuum of care or after care is received.
2. The Policy applies to all medically necessary care provided by SRH.
3. Each patient's situation will be evaluated according to relevant circumstances, such as income, assets or other resources available to the patient/guarantor when determining the ability to pay the outstanding patient account balance.
4. Generally, patients with a family income at or below 200% of the current year Federal Poverty Guidelines (FPG) will receive a 100% discount after properly completed paperwork is submitted showing a financial need.

5. Medically Indigent patients are eligible to receive a 100% discount after properly completed paperwork is submitted showing a financial assistance need. “Medically Indigent” is defined as:

- A patient who’s medical or hospital bills from all related or unrelated providers, after payment by all third parties, exceed 15% of their yearly household income.
- A patient whose yearly household income is greater than 200% but less than or equal to 500% of the FPG.
- A patient who is unable to pay the outstanding patient account balance.

A sliding scale discount will also be applied to patients without resources to pay their full bill. This sliding scale is equal to a 75% discount for patients between 201% and 250% of the current year FPG and 50% for patients between 251% and 300% of the current year FPG.

6. If a patient or their guarantor is qualified for retroactive health care coverage through the medical assistance programs under chapter 74.09 RCW, SRH may assist the patient or guarantor with applying for such coverage. If SRH determines that a patient or their guarantor qualifies for retroactive health care coverage, SRH is not obligated to provide charity care to any patient or their guarantor if the patient or their guarantor fails to make reasonable efforts to cooperate with SRH’s efforts to assist them in applying for such coverage.

7. No extraordinary collection activity will occur until 120 days after the first post-discharge billing statement. Extraordinary collection activity (ECA) is defined as allowing a collection agency to report the account to a credit reporting agency and/or allowing anyone including an outside vendor to sue for non-payment without establishing patients Financial Assistance Policy (FAP) eligibility. If at any time during a 240-day time span from the first post-discharge billing statement the patient requests assistance, any ECA in progress will be suspended until such time that eligibility can be determined.

PLEASE NOTE: The financial assistance offered under this Policy generally excludes the following, unless it is determined to be medically necessary:

- MVA (Auto Accident) care
- Charges occurring after a patient is appropriate for another level of care
- Charges needed to facilitate eligibility for long term or healthcare benefits

Determination of Financial Assistance

An application will be needed to determine financial assistance, along with household gross income, family size and potential use of credit reports to determine ability to pay.

The following documentation may be requested to verify income and process the request for financial assistance:

- W-2
- Prior year’s tax return
- Paycheck or retirement check stubs

- Social Security letters or deposit slips showing the amount of the deposit
- U.S. unemployment check stubs
- Bank account statements
- Copy of Women, Infant and Children (WIC) or food stamp card
- Letters of explanation of special circumstances. The Director of Patient accounting has final approval authority regarding verbal or written attestation.
- A credit report may be pulled, with the patient’s approval, to determine ability to pay.

Basis for Calculating Amounts Charged

1. No patient who qualifies for financial assistance will be charged more for medically necessary care than amounts generally billed (“AGB”) to patients having insurance.
2. The AGB language is included in the Policy as required by Internal Revenue Code (IRC) Section 501(r).
3. Amounts generally billed are determined under the prospective method using Medicaid reimbursement rates. However, once the patient is determined to qualify for financial assistance, the individual will receive the appropriate discount for emergency or other medically necessary care which is less than the AGB.
4. SRH, in accordance with applicable regulations, may change the methodology for calculating the AGB in the future.

Determination and Timing of Approvals

1. Patients will receive notification of Policy eligibility within 14 days of submission of a completed financial assistance application and necessary documentation.
2. Once an application is received, extraordinary collections, as defined above, will be pended until a written determination of eligibility is sent to the patient.
3. SRH will not make a determination of eligibility for assistance based on information which SRH believes is incorrect or unreliable. Such a determination will be included in notification to the patient, as referenced above.

Dispute Resolution

1. The patient/guarantor may appeal a determination of ineligibility for financial assistance by providing relevant additional documentation to SRH within 30 days of receipt of denial.
2. All appeals will be reviewed and if the review affirms the denial, written notification will be sent to the patient/guarantor and State Department of Health, where required, and in accordance with the law. Such SRH notification (“2nd Denial”) will be provided within 30 days of appeal receipt by SRH.

3. The final appeal process (“2nd Appeal”) will end within ten (30) days of SRH’s 2nd Denial notice to patient/guarantor, as stated above. Any such 2nd Appeal must be provided to SRH. SRH review/notification must be completed within 30 days of receipt of any 2nd Denial.

Actions Taken in the Event of Non-Payment (Collections)

Reasonable efforts are taken to determine a patient’s eligibility for financial assistance under this Policy with respect to covered services prior to engaging in collection efforts with the patient. Such efforts include notifying a patient about this Policy, helping a patient remedy an incomplete financial assistance application and informing an applicant about his/her eligibility determination once a completed application has been received.

If the patient is found to either not qualify for financial assistance under this Policy or is unresponsive to SRH’s efforts to obtain the information necessary to determine eligibility for financial assistance, the patient’s account may be moved to bad debt and the delinquent account turned over to collections.

The notification period for the availability of the financial assistance program begins on the date the care is provided to the patient. Collection efforts may begin after the 120th day notification period from the first post-discharge billing statement, except as noted above.

At least 30 days before any Extraordinary Collection Actions (“ECA”) are initiated by SRH, a patient is notified, in writing regarding any ECAs SRH intends to initiate to obtain payment, as well as the availability of financial assistance for eligible individuals. Along with this notice, the patient is provided a plain language summary of this Policy. SRH will also make a reasonable effort to orally notify its patients about this Policy and how they may obtain assistance with the Financial Assessment Application process during the period between mailing the ECA initiation notice and resuming or initiating ECAs. ECAs may occur no earlier than 120 days from the provision of a patient’s first post-discharge billing statement, as outlined in Treas. Reg. Sec. 1.501(r)-6(c)(3)(i). ECAs may include credit reporting and suit authorization.

The Revenue Cycle Director is responsible for determining that SRH has made reasonable efforts to determine a patient’s eligibility for financial assistance under this Policy before engaging in any ECAs.

Status **Active** PolicyStat ID **17456914**



Origination 01/2021
Last Approved 02/2025
Effective 02/2025
Last Revised 03/2024
Next Review 02/2026

Owner Alixandra Treviso: Director of Sales and Marketing
Area Admissions
Applicability System-Wide

Admission of Patient

Version: 4

Policy Title:

Admission of a Patient

Purpose:

To establish organization policy on the ordering of inpatient services

Scope:

Hospital-Wide

Policy:

Receive the patient/family/caregiver into the system in such a manner that he/she feels welcome and secure while comfort, safety, cultural, financial and spiritual needs are addressed; and obtain the key information identified below to process the patient admission. The Hospital does not exclude or deny admission to any person on the basis of race, color, creed, religion, gender, age, disability status, national origin, sexual orientation, and marital status, ability to pay for services or any other illegal basis. Hospital services are specific to the adult population. All patients will be accepted for care and housed without discrimination.

Procedure:

- A. All Members of the medical staff with active or who have temporary admitting privileges, in accordance with the Bylaws of the Medical Staff, may admit patients.

1. All patient admission must be accompanied by appropriate orders called, faxed or sent to the appropriate unit. These orders should include but are not limited to:
 - Admitting Diagnosis
 - Attending Physician
 - Vital sign parameters
 - Allergies/Reactions
 - Diet orders
 - Therapy orders
 - Lab and Imaging orders
 - Medications and IVs to be administered during hospital stay, including Medication Reconciliation of home medications. The written and/or faxed order must include complete list of medications to be administered during hospital stay.
 - Procedure/Treatments
 - Resuscitation status as appropriate

B. The admitting Medical Provider will:

1. Determine patient admission needs
2. Coordinate care between the patient's primary care provider and Specialists providing care to the patient
3. Access appropriate care site for admission
4. Provide orders appropriate to patient care needs
5. Assess patient at the bedside within timeframe outlined by Medical Staff Bylaws. Specify reasons for admission or treatment.
6. Determine diagnosis or diagnostic impression
7. Identify goals of treatment and treatment plan
8. Counsel patient about risks, benefits and alternatives of surgery and/or procedures and obtain informed consent as indicated
9. Complete the patient's History and Physical (H&P) as outlined by Medical Staff Bylaws.
10. Initiate appropriate discharge plan as indicated.

C. Patient Registration Representative will:

1. Provide the standard inpatient admission packet for inpatients and will create and maintain a supply of standardized admission packets for use.
2. Upon notification, register the patient, generate the Face Sheet and ID Band, document labels, and assure delivery to the patient location.
3. The Patient Registration Representative is responsible for obtaining remaining information and signatures on required forms at the time of registration.

4. The Conditions of Admissions Form, Non-Discrimination, HIPAA, Patient Bill of Rights and the Medicare Message handed to the patient for review.
5. The Privacy Rule permits a Hospital to maintain a directory with certain information about patients- patient name, room number, and health condition expressed in general terms that does not communicate specific medical information to be included in the directory and to whom the information may be released. Patients are informed and given the right to restrict the information or to whom it is disclosed or opt out of being included in the directory.
6. If the patient cannot read English, interpreter services should be sought and translated forms will be provided.
7. After reviewing the form, any question the patient may have should be answered.
8. When all the patient's questions have been answered, have the patient sign and date each of the forms on the eSignature pad.
9. If the patient is physically unable to sign, then legal consent can be obtained:
 - a. If the patients offers verbal consent which is documented by the Registration Representative and a witness,
 - b. By an approved patient representative, such as spouse, next of kin, or other person that the patient specifies as their representative, or
 - c. Through telephone consent in which the patient's representative is not physically present and it is not possible to obtain a physical signature. In this circumstance, the patient's representative would need to confirm their identity and relationship to the patient. The patient representative must be at least 18 years of age and understand the nature of the consent being requested. The hospital staff member must document the conversation and sign the consent forms.
10. The Patient Registration Representative shall then sign as a witness to the patient's signature.
11. If the patient is an adult and does not have a Health Care Directive or wishes additional information:
The Health Care Directive form is given to the patient, and this is documented on the form.
12. For every patient who has Medicare or a Managed Medicare as any insurance, primary, secondary, or tertiary, regardless of age:
 - a. The "An Important Message from Medicare" Form must be reviewed with the patient.
 - b. If the patient cannot read English, a translated form will be provided, or interpreter services sought.
 - c. After reviewing the forms, any question the patient may have should be answered.
 - d. When all patients' questions have been answered, have the patient sign and date the form on the eSignature pad.

- e. Provide the patient with a copy of the signed document.
13. Ensures that the Advance Directive information has been obtained and documents the content of the advanced directive in the patient's record
- D. Procedure for Admission to Clinical Care Area
1. The RN completes the following:
 - a. Obtains report of patient condition and receives patient into appropriate care area
 - b. Identifies and prioritized appropriate patient care needs
 - c. Obtains physician orders as needed
 - d. Medication orders must meet Hospital standards prior to medication administration
 - e. The RN ensures that the orders are accurately acknowledged, transcribed, and implemented.
 - f. Completes the nursing admission record and verifies that all appropriate admission data are collected and documented
 - g. Assures that identification bands are placed with appropriate information included
 - h. Educated adult admissions on the pneumococcal/influenza vaccine
 - i. The care team initiates a plan of care/clinical pathway

Related Policies and Forms:

Request for Anonymity on Hospital Directory

Keywords:

Admission, Consent, Directory, Patient, Anonymous, Advance Directive, Orders

Standards

No standards are associated with this document

SEATTLE REHABILITATION HOSPITAL	PATIENT NONDISCRIMINATION POLICY
SUBJECT: Patient Nondiscrimination	DEPT NAME:
EFFECTIVE DATE:	DATE APPROVED:
REVISION DATE:	APPROVED BY:

PURPOSE:

To ensure that all patients and visitors are treated with equality, in a welcoming, nondiscriminatory manner, consistent with applicable state and federal laws.

SCOPE:

This policy applies to all members of the Hospital’s workforce, including employees, physicians, contracted service providers, vendors, and any other individuals providing services to or on behalf of the Hospital.

POLICY:

- Assessment of the patient’s condition and care will be rendered without regard to the patient’s age, race, ethnicity, religion, language, physical or mental disability, socioeconomic status, sex, sexual orientation, or gender identity or expression.
- Hospital personnel will inform patients of the availability of and make reasonable accommodations for patients consistent with federal and state requirements. For example, language interpretation services will be made available for non-English speaking patients and sign language interpretation will be made available for hearing impaired patients.
- Hospital personnel will afford visitation rights to patients free from discrimination based on age, race, color, creed, ethnicity, religion, national origin, marital status, sex, sexual orientation, gender identity or expression, disability, veteran or military status, or any other basis prohibited by federal or state law.
- Any person who believes that he, she or another person has been subjected to discrimination which is not permitted by this Policy, may file a complaint using the Hospital’s complaint and grievance procedure.
- The Hospital has an internal grievance procedure providing for the prompt and equitable resolution of grievances alleging any action prohibited by Section 504 and Title II of the ADA, or the federal regulations implementing these laws.
- The Hospital also adopted an internal complaint and grievance procedure for providing for prompt and equitable resolution of grievances alleging any action prohibited by Title VI of the Civil Rights Act, or the Federal regulations implementing these laws.

To file a complaint or grievance or in case of questions, please contact:

Director of Quality/Risk Management

<add hospital address>

<City, State, Zip>

<Phone Number>

<email>

Office for Civil Rights

U.S. Department of Health and Human Services

2201 Sixth Avenue - M/S: RX-11

Seattle, WA 98121-1831

Voice Phone [800.368.1019](tel:800.368.1019)

FAX 206.615-2297

TDD 800.537-7697

Hospital personnel are prohibited from retaliating against any person who opposes, complains about, or reports discrimination, files a complaint, or cooperates in an investigation of discrimination or other proceeding under federal, state, or local anti-discrimination law.

DEFINITIONS:

(Technical terms for the benefit of the readers and contextualizes potentially ambiguous words)

PROCEDURE:

- The Compliance Coordinator is responsible for coordinating compliance with this policy, including giving notice to and training all personnel on this policy.
- Personnel will determine eligibility for and provide services, and other benefits to all patients in a similar manner, without subjecting any individual to separate or different treatment on the basis of age, race, color, creed, ethnicity, religion, national origin, marital status, sex, sexual orientation, gender identity or expression, disability, veteran or military status, or any other basis prohibited by federal, state, or local law.
- Personnel will provide notices to patients regarding this policy and the Hospital's commitment to providing access to and the provision of services in a welcoming, nondiscriminatory manner.
- At the time patients are notified of their patient rights, Hospital personnel will also inform each patient, or the patient's support person, including the patient's attorney in fact, when appropriate, of the patient's visitation rights, including any clinical restriction on those rights, and the patient's right, subject to the patient's consent, to receive visitors whom the patient designates, free of discrimination based upon age, race, color, creed, ethnicity, religion, national origin, marital status, sex, sexual orientation, gender identity or expression, disability, veteran or military status, or any other basis prohibited by federal, state or local law. Such visitors include a spouse, state registered domestic partner (including same-sex state registered domestic partner), another family member, friend, or a legal representative of the patient, such as an attorney-in-fact. Personnel will also notify patients of their right to withdraw or deny such consent at any time. Personnel will afford such visitors equal visitation privileges consistent with the patient's preferences.
- Any Personnel receiving a patient or visitor discrimination complaint will advise the complaining individual that he or she may report the problem and file a complaint without fear of retaliation.

REFERENCES:

Americans with Disabilities Act (ADA)
Title VI of the Civil Rights Act
Section 503 of the Rehabilitation Act of 1973
Section 188 of the Workforce Innovation and Opportunity Act
28 CFR 35.104 and 36.303(b)

KEYWORDS:

Patient Rights, Anti-Discrimination,

SEATTLE REHABILITATION HOSPITAL	PATIENT RIGHTS & RESPONSIBILITIES POLICY
SUBJECT: Patient Rights and Responsibilities	DEPT NAME:
EFFECTIVE DATE:	DATE APPROVED:
REVISION DATE:	APPROVED BY:

PURPOSE:

To assure that a patient is informed of his or her rights and responsibilities upon receiving care and service from the Hospital. To assure that staff, physicians, and other health care providers are informed of these rights and responsibilities.

SCOPE:

This is an organization-wide policy.

POLICY:

The organization believes that patients have certain rights and responsibilities while under our care and service. These rights and responsibilities are codified in State and Federal regulations, as well as accreditation standards. This policy should not be construed as a complete notation of patient rights and responsibilities. There may be additional rights and responsibilities pertaining to identified patient populations that are not contained in this policy.

PATIENT RIGHTS AND RESPONSIBILITIES

Rights and Responsibilities are to be approved by the Governing Body as outlined by both state and federal requirements.

INFORMING THE PATIENT

Patients are to be informed of their rights and responsibilities upon admission to the Hospital. This will be accomplished by providing the patient with a written and posted statement of the rights and responsibilities.

INFORMING STAFF, PHYSICIANS, AND OTHER HEALTHCARE PROVIDERS

Staff, physicians, and other health care providers will be informed of these patient rights and responsibilities as part of their orientation to the organization.

REFERENCES:

CMS Conditions of Participation for Acute Care Hospitals, §482.13
 CMS Conditions of Participation for Critical Access Hospitals §485.608(a) Center for Improvement in Healthcare Quality, Standard PR-1

Exhibit 9

Policies Related to the Provision of Culturally and Linguistically Appropriate Care

SEATTLE REHABILITATION HOSPITAL	AUXILIARY AIDS FOR PERSONS WITH DISABILITIES
SUBJECT: Patient Communication	DEPT NAME:
EFFECTIVE DATE:	DATE APPROVED:
REVISION DATE:	APPROVED BY:

PURPOSE:

The purpose of this policy is to outline the Hospital’s commitment to non-discrimination of any person on the basis of race, color, national origin, disability, sex, sexual orientation, gender identity, religion or age in admission to, participation in, or receipt of services and/or in employee assignments to patients.

SCOPE:

This is an organization-wide policy.

POLICY:

The Hospital will take appropriate steps to ensure that persons with disabilities, including persons who are deaf, hard of hearing, or blind, or who have other sensory or manual impairments, have an equal opportunity to participate in our services, activities, programs, and other benefits. The procedures outlined below are intended to ensure effective communication with patients/clients involving their medical conditions, treatment, services, and benefits. The procedures also apply to, among other types of communication, communication of information contained in important documents, including waivers of rights, consent to treatment forms, financial and insurance benefits forms, etc. All necessary auxiliary aids and services shall be provided without cost to the person being served.

PROCEDURE

1. Identification and assessment of need:

The Hospital provides notice of the availability of and procedure for requesting auxiliary aids and services through notices in our Welcome Notebook given to all patients at time of admission and through notices posted in the lobby. When an individual self-identifies as a person with a disability that affects the ability to communicate or to access or manipulate written materials or requests an auxiliary aid or service, staff will consult with the individual to determine what aids or services are necessary to provide effective communication in particular situations.

2. Provision of Auxiliary Aids and Services:

The Hospital shall provide the following services or aids to achieve effective communication with persons with disabilities:

- A. For Persons Who Are Deaf or Hard of Hearing
 - (i) For persons who are deaf/hard of hearing and who use sign language as their primary means of communication, the admitting nurse is responsible for

providing effective interpretation or arranging for a qualified interpreter when needed.

In the event that an interpreter is needed, the Nurse Supervisor is responsible for:

Obtaining an outside interpreter if a qualified interpreter on staff is not available. These services (audio and/or visual interpretation) are provided through

[NAME]

Telephone Number: [TELEPHONE NUMBER]

Availability: 24/7

(ii) Communicating by Telephone with Persons Who Are Deaf or Hard of Hearing

The Hospital has a phone line with texting capabilities that can be used for external communications. The telephone number is [TELEPHONE NUMBER] and is available during regular business hours and;

Hospital utilizes the national relay for external telephone communication with TTY/TDD users. We accept and make calls through a relay service. The national relay service number is 711.

(iii) For the following auxiliary aids and services, staff will contact the **Director of Patient Care Outcomes** who is responsible to provide the aids and services in a timely manner:

Note-takers; computer-aided transcription services; telephone handset amplifiers; written copies of oral announcements; assistive listening devices; assistive listening systems; telephones compatible with hearing aids; closed caption decoders; open and closed captioning; telecommunications devices for deaf persons (TDDs); videotext displays; or other effective methods that help make aurally delivered materials available to individuals who are deaf or hard of hearing.

(iv) Some persons who are deaf or hard of hearing may prefer or request to use a family member or friend as an interpreter. However, family members or friends of the person will not be used as interpreters unless specifically requested by that individual and after an offer of an interpreter at no charge to the person has been made by the facility. Such an offer and the response will be documented in the person's file. If the person chooses to use a family member or friend as an interpreter, issues of competency of interpretation, confidentiality, privacy, and conflict of interest will be considered. If the family member or friend is not competent or appropriate for any of these reasons, competent interpreter services will be provided.

NOTE: Children and other patients will not be used to interpret, in order to ensure confidentiality of information and accurate communication.

B. For Persons Who are Blind or Who Have Low Vision

- (i) Staff will communicate information contained in written materials concerning treatment, benefits, services, waivers of rights, and consent to treatment forms by reading out loud and explaining these forms to persons who are blind or who have low vision. In addition, readers, large print, taped and electronically formatted materials can be available for such items as: consent forms, privacy documents, patient rights, and responsibilities. These materials may be obtained by calling the Admissions Coordinator or Director of Quality.
- (ii) For the following auxiliary aids and services, staff will contact Director of Patient Outcomes, who is responsible to provide the aids and services in a timely manner: Qualified readers; reformatting into large print; taping or recording of print materials not available in alternate format; or other effective methods that help make visually delivered materials available to individuals who are blind or who have low vision. In addition, staff are available to assist persons who are blind or who have low vision in filling out forms and in otherwise providing information in a written format.

C. For Persons with Speech Impairments

To ensure effective communication with persons with speech impairments, staff will contact the Director of Patient Outcomes who is responsible to provide the aids and services in a timely manner:

Writing materials; computers; flashcards; alphabet boards; communication boards, and other communication aids.

D. For Persons with Manual Impairments

Staff will assist those who have difficulty in manipulating print materials by holding the materials and turning pages as needed, or by providing one or more of the following:

Note-takers; computer-aided transcription services; speaker phones; or other effective methods that help to ensure effective communication by individuals with manual impairments. For these and other auxiliary aids and services, staff will contact Director of Patient Outcomes who is responsible to provide the aids and services in a timely manner.

Related Policies and Forms

Policy- Provision of Culturally Competent and Effective Communication to Patients

Keywords

Manual impairments, low vision, blind, deaf, hearing impairment, Relay, sign language

SEATTLE REHABILITATION HOSPITAL	DISABILITY DISCRIMINATION-GRIEVANCE PROCEDURE
SUBJECT: Patient Nondiscrimination	DEPT NAME:
EFFECTIVE DATE:	DATE APPROVED:
REVISION DATE:	APPROVED BY:

PURPOSE:

The purpose of this policy is to outline the Hospital’s commitment to non-discrimination of any person on the basis of race, color, national origin, disability, sex, sexual orientation, gender identity, religion or age in admission to, participation in, or receipt of services and/or in employee assignments to patients.

SCOPE:

This is an organization-wide policy.

POLICY:

It is the policy of the Hospital not to discriminate on the basis of disability. The Hospital has adopted an internal grievance procedure providing for prompt and equitable resolution of complaints alleging any action prohibited by Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) of the U.S. Department of Health and Human Services regulations implementing the Act. Section 504 prohibits discrimination on the basis of disability in any program or activity receiving Federal financial assistance. The Law and Regulations may be examined in the office of the Director of Quality/Risk, who has been designated to coordinate the efforts of the Hospital to comply with Section 504.

Provider Name: Seattle Rehabilitation Hospital
 Director /Section 504 Coordinator: Director of Quality
 Director of Quality Telephone number: [TELEPHONE NUMBER]
 Hospital Main Telephone number: [TELEPHONE NUMBER]
 TDD Telecommunication Relay Service: 711

Any person who believes she or he has been subjected to discrimination on the basis of disability may file a grievance under this procedure. It is against the law for the Hospital to retaliate against anyone who files a grievance or cooperates in the investigation of a grievance.

PROCEDURE

- Grievances must be submitted to the Section 504 Coordinator within 7 days of the date the person filing the grievance becomes aware of the alleged discriminatory action.
- A complaint must be in writing, containing the name and address of the person filing it.
- The complaint must state the problem or action alleged to be discriminatory and the remedy or relief sought.

- The Director of Quality (or her/his designee) shall conduct an investigation of the complaint. This investigation may be informal, but it must be thorough, affording all interested persons an opportunity to submit evidence relevant to the complaint. The Director of Quality will maintain the files and records relating to such grievances.
- The Director of Quality will issue a written decision on the grievance no later than 30 days after its filing.
- The person filing the grievance may appeal the decision of the Section 504 Coordinator by writing to the Chief Compliance Officer or Corporate Director of Human Resources within 15 days of receiving the Section 504 Coordinator's decision. The Chief Compliance Officer/Corporate Director of Human Resources shall issue a written decision in response to the appeal no later than 30 days after its filing.
- The availability and use of this grievance procedure does not prevent a person from filing a complaint of discrimination on the basis of disability with the U. S. Department of Health and Human Services, Office for Civil Rights.

The Hospital will make appropriate arrangements to ensure that disabled persons are provided other accommodations, if needed, to participate in this grievance process. Such arrangements may include, but are not limited to, providing interpreters for the deaf, providing taped cassettes of material for the blind, or assuring a barrier-free location for the proceedings. The Director of Quality will be responsible for such arrangements.

Related Policies and Forms

Employee Handbook

Keywords

Complaint, Discrimination

SEATTLE REHABILITATION HOSPITAL	PROVIDING MEANINGFUL COMMUNICATION WITH PERSONS WITH LIMITED ENGLISH PROFICIENCY
SUBJECT: Patient Communication	DEPT NAME:
EFFECTIVE DATE:	DATE APPROVED:
REVISION DATE:	APPROVED BY:

PURPOSE:

When important information is being conveyed and providing interpretation is a reasonable step for providing meaningful access to information by a person with Limited English Proficiency (LEP), it is the Hospital’s responsibility to provide competent interpreter services at no cost to the person being served.

SCOPE:

This is a Hospital-Wide policy.

POLICY:

The Hospital will take reasonable steps to ensure that persons with Limited English Proficiency (LEP) have meaningful access and an equal opportunity to participate in our services, activities, programs and other benefits. The policy is to ensure meaningful communication with LEP patients/clients and their authorized representatives involving their medical conditions and treatment. The policy also provides for communication of information contained in vital documents, including but not limited to, waivers of rights, consent to treatment forms, etc. All interpreters, translators and other aids needed to comply with this policy shall be provided without cost to the person being served, and patients/clients and their families will be informed of the availability of such assistance free of charge. A person with LEP can always decline using an interpreter provided by a recipient.

Language assistance will be provided through use of competent bilingual staff, staff interpreters, contracts or formal arrangements with local organizations providing interpretation or translation services, or technology and telephonic interpretation services. All staff will be provided notice of this policy and procedure, and staff that may have direct contact with LEP individuals will be trained in effective communication techniques, including the effective use of an interpreter.

DEFINITIONS:

Limited English Proficient Individual- an individual whose primary language for communication is not English and is considered an individual with limited English proficiency if the individual has a limited ability to read, write, speak, or understand English.

Qualified Interpreter- an individual who is able to interpret effectively, accurately, and impartially, both receptively and expressively, using any specialized vocabulary required by the circumstances.

PROCEDURE:

1. Identifying LEP Persons and Their Language

The Hospital will promptly identify the language and communication needs of the LEP person. If necessary, staff will use a language identification card or posters to determine the language.

2. Obtaining a Qualified Interpreter

A. Use of Staff Members

- (i) Bilingual staff members proficient in multiple languages may act as an interpreter if they have passed a bilingual assessment demonstrating oral proficiency in English and the target language, as well as knowledge of general/medical terminology commonly used in a health care setting.
- (ii) Human Resources will maintain an accurate and current list showing the name, language, phone number and hours of availability of bilingual staff.
- (iii) Contacting the appropriate bilingual staff member to interpret, in the event that an interpreter is needed, if an employee who speaks the needed language is available and is qualified to interpret (as determined by language proficiency exam).
- (iv) Obtaining an outside interpreter if a bilingual staff or staff interpreter is not available or does not speak the needed language.

B. Use of a Certified Interpreter Service

The Hospital has a contracted interpreter service that provides video and telephonic interpretation around the clock. Staff are to contact the service when needed.

C. Use of Family/Friends

Some LEP persons may prefer or request to use a family member or friend as an interpreter. However, family members or friends of the LEP person will not be used as interpreters unless specifically requested by that individual and after the LEP person has understood that an offer of an interpreter at no charge to the person has been made by the facility and has signed a Waiver of Interpreter Services.

Such an offer and the response will be documented in the person's file. If the LEP person chooses to use a family member or friend as an interpreter, issues of competency of interpretation, confidentiality, privacy, and conflict of interest will be considered. If the family member or friend is not competent or appropriate for any of these reasons, competent interpreter services will be provided to the LEP person.

Children and other patients will not be used to interpret, in order to ensure confidentiality of information and accurate communication.

3. Providing Written Translations

- A. When translation of vital documents is needed, the Hospital will submit documents for translation. Original documents being submitted for translation will be in final, approved form with updated and accurate legal and medical information.
- B. The Hospital will provide translation of other written materials, if needed, as well as written notice of the availability of translation, free of charge, for LEP individuals.

4. Providing Notice to LEP Persons

The Hospital will inform LEP persons of the availability of language assistance, free of charge, by providing written notice in languages LEP persons will understand. At a minimum, notices and signs will be posted and provided in intake areas and other points of entry.

Related Policies and Forms

Form - Waiver of Interpreter Services

Keywords

Translation, Interpreter, Patient Rights

SEATTLE REHABILITATION HOSPITAL	PROVISION OF CULTURALLY COMPETENT AND EFFECTIVE COMMUNICATION TO PATIENTS
SUBJECT: Patient Communication	DEPT NAME:
EFFECTIVE DATE:	DATE APPROVED:
REVISION DATE:	APPROVED BY:

PURPOSE:

To establish, develop, and implement a plan for the provision of culturally competent and effective communication for patients.

SCOPE:

This is an organization-wide policy.

POLICY:

It is the policy of this organization that communication between healthcare personnel and patients shall occur in a culturally competent and effective manner.

DEFINITIONS:

Effective Communication is defined as the successful joint establishment of meaning wherein patients and health care providers exchange information, enabling patients to participate actively in their care from admission through discharge, and ensuring that the responsibilities of both patients and providers are understood.

Cultural Competence is defined as the ability of health care providers and health care organizations to understand and respond effectively to the cultural and language needs brought by the patient to the health care encounter.

Interpretation is defined as the conversion of a message spoken in a source language into an equivalent message in the target language

Translation is defined as the conversion of written text from one language into another.

PROCEDURE:

A. IDENTIFYING THE CULTURAL PROFILE OF THE COMMUNITY

As part of the process for planning the provision of care, treatment, and service, the organization shall identify the significant ethnic and cultural markers of its primary demographic service area. These markers shall factor into the design and delivery of care, treatment, and service.

B. IDENTIFYING CULTURAL & COMMUNICATION NEEDS OF THE PATIENT

Upon admission and/or initial presentation for care, the Hospital will collect the following information on each patient and document it in the patient's medical record:

- Race and ethnicity

- Oral and written communication needs including the patient’s preferred language for discussing healthcare issues
- The presence of any significant vision, hearing, speech, or cognitive impairment

C. EDUCATING STAFF ON CULTURE & COMMUNICATION

Staff will be educated on issues related to culturally competent and effective communication. Such education shall be provided upon hire (within established probationary periods). Key components of this education include:

- The impact of communication barriers on patient care;
- When and how to call for an interpreter;
- Use of on-site and telephone interpreters;
- Use of friends and family members as interpreters;
- Availability of translation services
- Accessing services for the vision, hearing, and cognitively impaired
- Cultural issues affecting health care and communication.

D. IDENTIFYING THE NEED FOR TRANSLATION OR INTERPRETIVE SERVICES

Upon admission or entry into care, the organization shall identify whether or not the patient is in need of translation or interpretive services. This is accomplished by determining the patient’s primary language and whether or not there is any language barrier to effective communication. The presence of a language barrier shall be documented in the patient’s medical record.

E. PROVISION OF TRANSLATION SERVICES

If necessary, translation services will be provided to meet the significant care needs of the patient. Written information such as consent forms and discharge instructions will be provided to the patient in their primary language if there is documented evidence in the medical record that the patient is unable to adequately comprehend such information written in the English language.

1. Pre-Determined Translated Documents

The Hospital recognizes that there are critical documents that must be available to patients who cannot read these documents in the written English language. These documents shall be provided in written form for those languages that comprise more than 5% of the Hospital’s primary geographic service area as determined by government statistics.

2. If translation services are required for other languages, the organization shall make a good faith effort at securing translation services from an outside source. Such sources may include:

- Private translation services
- Government translation services
- Web-based translation services
- Translation software

F. PROVISION OF INTERPRETIVE SERVICES

If necessary, interpretive services will be provided to meet the significant care needs of the

patient. There shall be no cost to the patient for medically necessary interpretive services. The following shall govern the provision of interpretive services:

1. Use of Family and Friends as Interpreters

- a. The use of family members and/or friends to provide interpretive services for medically related care needs is prohibited unless there is an emergent need for interpretation and professional interpretation services are unavailable. Use of family / friends for such interpretation shall be documented in the patient's medical record – including documentation of the emergent need and the non-availability of other interpretive services.
- b. Family and/or friends may be used for non-medical related interpretive services (e.g. explaining visiting hours, orientation to the room environment, etc.).

2. Use of a Professional Interpretive Service

The use of professional services is encouraged for the provision of medically related interpretive care needs. In order for professional services to be utilized, the following criteria must be met:

- The Hospital shall have a formal agreement with the interpretive service that outlines the expectations of the service.
- Metrics shall be developed to determine whether or not the service is meeting the expectations defined in the agreement. Evaluation of the quality of services provided shall be incorporated into the organization's quality improvement program.

Obtaining an outside interpreter if a qualified interpreter on staff is not available. The services (audio and/or visual interpretation) are provided through [COMPANY NAME]. [COMPANY NAME] can be contacted by calling:

Telephone Number: [TELEPHONE NUMBER]

Availability: 24/7

3. Use of Staff as Interpreters

Organization staff may be used to provide interpretive services for medically related information provided that have been trained and deemed competent to do so. Staff that provide such interpretive services shall meet the following:

a. Core Training

- The impact of language barriers on patient care;
- When and how to call for an interpreter;
- How to work with on-site and telephone interpreters;
- Using friends and family members as interpreters;
- The dynamics of the triadic relationship (patient – interpreter – staff/provider);
- Ethical and legal issues; and
- Negotiation of cultural issues in health and communication.

b. Competency Validation:

- Proficiency in the use of basic medical terminology
- Capability to interpret from and into each language pair that is being interpreted.

- Ability to interpret a message uttered in a source language into an equivalent message in the target language so that the recipient responds to it as if s/he had heard it in the original language.
- Understanding of “untranslatable words”, which represent source language concepts for which a comparable reference does not exist in the society of the target language.
- Capacity to manage the flow of communication between patient and staff/provider. (This includes attention to interpersonal dynamics between patient and staff/provider, as well as managing the triadic relationship so that the patient and staff/provider relate primarily to each other.)

4. Documentation of Interpretive Services

The use of an interpreter for the provision of medically related information shall be documented in the patient’s medical record. Documentation shall include the identity of the individual or service who provided the interpretation. If a patient refuses interpreter that will also be documented.

G. PROVISION OF COMMUNICATION SERVICES FOR THE VISION & HEARING IMPAIRED

The organization shall undertake all reasonable steps to provide effective communication for those patients who have significant visual and hearing impairments for significant medically related needs. These services shall include, but not necessarily be limited to:

- Provision of written materials in large font
- Provision of written material in Braille –if necessary
- Use of sign-language services
- Use of telephone access devices for hearing impaired communication

Related Policies and Forms

Form - Waiver of Interpreter Services

Policy - Providing Meaningful Communication with Persons with Limited English Proficiency

Keywords

Interpretation, Translation, Cultural, Communication, CIHQ QS-3

References:

Center for Improvement in Healthcare Quality, Standard QS-3

The Joint Commission, Standard HR.01.02.01, RI.01.01.03, & PC.02.01.21

“Advancing Effective Communication, Cultural Competence, and Patient- and Family-Centered Care” – The Joint Commission 2010

Exhibit 10
Financial Pro Forma

**Seattle Rehabilitation Hospital
Forecast Startup Expenses**

Category	Startup Amount
Salaries and Wages	\$960,767
Benefits	\$204,643
Contract Labor	\$33,846
Pharmacy costs	\$22,499
Supply costs	\$49,641
Medical Equipment Costs	\$6,986
Patient Services	\$29,329
Food Services	\$34,599
Medical Director Fee	\$44,000
Rent	\$433,886
Utilities	\$63,450
Repairs & Maintenance	\$27,664
Property Taxes	\$68,070
Office and Office Supplies	\$27,107
IT Systems and Support	\$22,486
Travel Expenses	\$10,400
Marketing	\$9,900
HR Expense	\$23,764
Payroll Services	\$3,206
Billing and Collection	\$10,409
Contract Services	\$20,960
Management Fees	\$310,000
Professional Services	\$2,500
Compliance, Licensing, and Quality	\$19,972
Insurance	\$43,333
Total	\$2,483,418

Productive FTEs	FTEs	Months Employed Prior to Start	Wage	Labor Costs
<u>Nursing</u>				
Rehab Nurses	8	2	\$52.74	\$ 146,266
CNA	4	2	\$23.29	\$ 32,295
Unit Secretary	2	2	\$23.29	\$ 16,148
Total Nursing	14			\$ 194,709
<u>Therapy</u>				
Speech Language Pathologist	1	2	\$50.87	\$ 17,635
Physical Therapist	3	2	\$50.33	\$ 52,343
Occupational Therapist	3	2	\$49.88	\$ 51,875

Seattle Rehabilitation Hospital					
Forecast Startup Expenses					

Respiratory Therapist	1	2	\$44.21	\$	15,326
Therapy Total	8			\$	137,179
<u>Other Patient Care Support</u>					
Dietitian	1	2	\$39.54	\$	13,707
House Supervisors	4	2	\$43.00	\$	59,627
Nursing Scheduler	0.5	2	\$20.00	\$	3,467
Case Manager	1.5	2	\$37.03	\$	19,256
Other Patient Care Support Total	7.0			\$	96,056
<u>Admin and Support</u>					
Chief Executive Officer	1	4	\$87.01	\$	60,327
Administrative Assistant	0.5	4	\$24.00	\$	8,320
Chief Nursing Officer	1	4	\$67.55	\$	46,835
Chief Therapy Officer	1	4	\$67.65	\$	46,904
Director of Quality	1	2	\$48.40	\$	16,779
Materials Tech	1	2	\$27.00	\$	9,360
Director of Plant Operations	1	2	\$43.04	\$	14,921
Maintenance Tech	1	2	\$22.61	\$	7,838
Floor Tech	1	2	\$19.24	\$	6,670
EVS Aide	1	2	\$18.24	\$	6,323
Food Service Manager	1	2	\$32.00	\$	11,093
Cook	2	2	\$19.24	\$	13,340
Food Services Aide	2	2	\$18.24	\$	12,646
AP	0.3	2	\$20.00	\$	2,080
Business Office	0.3	2	\$26.51	\$	2,757
HIM Specialist	1	2	\$18.50	\$	6,413
Human Resources Coordinator	1	2	\$36.00	\$	12,480
DBD	1	2	\$65.00	\$	22,533
Clinical Liaison	7	2	\$40.00	\$	97,067
Admissions Coordinator	1	2	\$30.00	\$	10,400
Director of Pharmacy	1	2	\$75.67	\$	26,232
Pharmacy Tech	1	2	\$20.00	\$	6,933
Pharmacist	1	2	\$75.67	\$	26,232
IRF PAI Coordinator	1	2	\$51.19	\$	17,746
IT Tech	0.3	2	\$35.00	\$	3,640
Admin and Support Total	30.4			\$	495,870
Non Productive FTEs	2.38		4.0%	\$	36,953
Total Staffing	61.78			\$	960,767

**Seattle Rehabilitation Hospital
Forecast Financial Statement (\$)**

	<u>Year 0</u> June to Dec 2028	<u>Year 1</u> 2029	<u>Year 2</u> 2030	<u>Year 3</u> 2031
Patient Days by Payer				
Medicare	2,836	7,079	8,424	8,970
Medicare Advantage	1,108	2,766	3,291	3,505
Medicaid	400	999	1,189	1,266
Commercial	815	2,036	2,422	2,579
Self-Pay	53	131	156	167
Other Gov	53	131	156	167
Total	5,265	13,143	15,639	16,653
Revenue by Payer (Net of Contractuals)				
Medicare	6,029,306	15,050,934	17,909,271	19,070,471
Medicare Advantage	2,355,797	5,880,766	6,997,589	7,451,298
Medicaid	484,171	1,208,635	1,438,168	1,531,416
Commercial	1,019,355	2,544,612	3,027,861	3,224,181
Self-Pay	65,813	164,288	195,488	208,163
Other Gov	92,980	232,105	276,185	294,092
Total Revenue Net of Contractuals	10,047,421	25,081,340	29,844,562	31,779,620
Revenue Deductions				
Charity Care	100,474	250,813	298,446	317,796
Bad Debt	100,474	250,813	298,446	317,796
Total Revenue Deductions	200,948	501,627	596,891	635,592
Total Net Revenue	9,846,473	24,579,713	29,247,670	31,144,028
Expenses				
Salaries and Wages	4,259,918	9,440,880	11,252,030	12,267,154
Benefits	907,363	2,010,907	2,396,682	2,612,904
Contract Labor	236,925	591,435	703,755	749,385
Pharmacy costs	157,495	364,689	422,097	445,419
Supply costs	173,745	433,719	516,087	549,549
Medical Equipment Costs	48,900	120,473	142,687	151,712
Patient Services	102,650	288,000	288,000	288,000
Food Services	121,095	302,289	359,697	383,019
Medical Director Fee	154,000	264,000	264,000	264,000
Rent	2,169,429	5,271,712	5,350,788	5,431,050
Utilities	222,075	380,700	380,700	380,700
Repairs & Maintenance	96,824	165,984	165,984	165,984
Property Taxes	238,245	408,420	408,420	408,420

Office and Office Supplies	94,876	169,643	173,886	175,610
IT Systems and Support	78,700	80,400	80,400	80,400
Travel Expenses	36,400	33,600	33,600	33,600
Marketing	34,650	59,400	59,400	59,400
HR Expense	83,174	76,908	76,908	76,908
Payroll Services	11,221	24,275	28,847	31,877
Billing and Collection	72,864	181,890	216,433	230,466
Contract Services	73,360	125,760	125,760	125,760
Management Fees	565,493	1,228,986	1,462,384	1,557,201
Professional Services	17,500	30,000	30,000	30,000
Compliance, Licensing, and Quality	69,904	152,616	173,736	182,316
Insurance	151,667	260,000	260,000	260,000
B&O Tax	167,390	417,855	497,210	529,448
Total Operating Expenses	10,345,862	22,884,541	25,869,491	27,470,282
EBITDA	(499,389)	1,695,172	3,378,180	3,673,746
Depreciation, Equipment Only	343,690	589,182	589,182	589,182
Interest, Equipment Only	129,535	196,213	162,805	126,623
Net Income Before Federal Income Tax	(972,614)	909,777	2,626,193	2,957,941

Seattle Rehabilitation Hospital Assumptions

<u>Category/Item</u>	<u>Assumption (Forecasted Years)</u>
Volume Assumptions	
Hospital utilization	See the Need section of the application for discussion regarding utilization projections and associated assumptions.
Revenues	
Payer Mix	Payer mix based on expected distribution of patient days, consistent with typical rehabilitation payer distribution
Reimbursement by Payer	Reimbursement by payer equal to \$2,126 for Medicare and Medicare Advantage based on current reimbursement rates, \$1,210 for Medicaid based on 2024 Medicaid Rehab Per Diem for CHI Franciscan Hospital in Pierce County, \$1,250 for Commercial based on Nobis experience, \$1,250 for Self-Pay, which is assumed equal to Commercial, and \$1,766 for Other Gov based on L&I 2024 Rehab Per Diem for CHI Franciscan Hospital in Pierce County.
Charity Care	Assumed equal to 1.00% of revenue based on 2020-2022 Planning Area Average less Harborview.
Bad Debt	Assumed equal to 1.00% of revenue based on Nobis experience.
Expenses	
Salaries and Wages	Based on FTE schedule and wage assumptions. See Structure and Process of Care section of the application for discussion related to assumptions underlying salaries and benefits
Benefits	21.30% of Salaries and Wages based on Nobis experience. Includes payroll taxes, health & dental insurance, PTO, and staff bonuses.
Contract Labor	\$45.00 PPD based on Nobis experience.
Pharmacy costs	\$23.00 PPD, plus \$62,400 per year based on Nobis experience and expected contract amounts.
Supply costs	\$33.00 PPD based on Nobis experience.
Medical Equipment Costs	\$8.90 PPD, plus \$3,500 per year based on Nobis experience and expected contract amounts.
Patient Services	\$288,000 per year based on Nobis experience and expected contract amounts. Note that Year 0 is adjusted consistent with perceived ramp requirements.
Food Services	\$23.00 PPD based on Nobis experience.
Medical Director Fee	\$264,000 per year based on Nobis experience and expected contract amount.

Seattle Rehabilitation Hospital Assumptions

Category/Item	Assumption (Forecasted Years)
Rent	Base rent of \$5,206,629 per year, escalated each lease year by 2.5%. Initial base rent based on total project cost of \$52,066,295 amortized over 10 years. Commencement date of lease assumed March 1, 2028, with the lease year comprising the period March 1 to February 28. First six months of rent reduced by 50% per lease terms.
Utilities	\$380,700 per year based on Nobis experience and expected contract amounts.
Repairs & Maintenance	\$165,984 per year based on Nobis experience and expected contract amounts.
Property Taxes	\$408,420 per year based on Nobis experience.
Office and Office Supplies	\$1.70 PPD, plus \$147,300 per year based on Nobis experience and expected contract amounts.
IT Systems and Support	\$80,400 per year based on Nobis experience and expected contract amounts. Note that Year 0 is adjusted consistent with perceived ramp requirements.
Travel Expenses	\$33,600 per year based on Nobis experience and expected contract amounts. Note that Year 0 is adjusted consistent with perceived ramp requirements.
Marketing	\$59,400 per year based on Nobis experience and expected contract amounts.
HR Expense	\$76,908 per year based on Nobis experience and expected contract amounts. Note that Year 0 is adjusted consistent with perceived ramp requirements.
Payroll Services	\$17.50 Per productive FTE, plus \$1,704 per year based on Nobis experience and expected contract amounts.
Billing and Collection	0.74% of Net Revenue based on Nobis experience.
Contract Services	\$125,760 per year based on Nobis experience and expected contract amounts.
Management Fees	5.00% of Net Revenue based on MSA. Note Year 0 adjusted consistent with minimum management fee per MSA
Professional Services	\$30,000 per year based on Nobis experience and expected contract amounts.
Compliance, Licensing, and Quality	\$110.00 PPD, plus \$41,406 per year based on Nobis experience and expected contract amounts. Note that Year 0 is adjusted consistent with perceived ramp requirements
Insurance	\$260,000 per year based on Nobis experience and expected contract amounts.
B&O Tax	1.70% of Net Revenue based on Washington State B&O tax, plus .02% of Net Revenue for the City of Des Moines.

Seattle Rehabilitation Hospital Assumptions
--

<u>Category/Item</u>	<u>Assumption (Forecasted Years)</u>
Non-Operating Expenses	
Depreciation, Equipment Only	See Depreciation Schedule. Calculated using straight-line method assuming a 5-year useful life for equipment.
Interest, Equipment Only	Based on equipment-related interest from amortized loans.

**Seattle Rehabilitation Hospital
Staffing**

FTE Schedule

Productive FTEs	Year 0	Year 1	Year 2	Year 3
<u>Nursing</u>				
Rehab Nurses	15.19	22.12	26.32	28.02
CNA	8.06	11.73	13.96	14.87
Unit Secretary	4.03	5.87	6.98	7.43
Total Nursing	27.28	39.72	47.26	50.32
<u>Therapy</u>				
Speech Language Pathologist	2.31	3.37	4.01	4.27
Physical Therapist	7.94	11.56	13.76	14.65
Occupational Therapist	4.48	6.53	7.77	8.27
Respiratory Therapist	0.43	0.63	0.75	0.8
Therapy Total	15.16	22.09	26.29	27.99
<u>Other Patient Care Support</u>				
Dietitian	1.56	2.27	2.7	2.87
House Supervisors	4	4	4	4
Nursing Scheduler	1	1	1.5	2
Case Manager	2.167	2.5	3	3.5
Other Patient Care Support Total	8.73	9.77	11.2	12.37
<u>Admin and Support</u>				
Chief Executive Officer	1	1	1	1
Administrative Assistant	1	1	1	1
Chief Nursing Officer	1	1	1	1
Chief Therapy Officer	1	1	1	1
Director of Quality and Risk	1	1	1	1
Materials Tech	1	1	1.5	2
Director of Plant Operations	1	1	1	1
Maintenance Tech	1	1	1.5	2
Floor Tech	2	2	2	2
EVS Aide	1.67	2	2.5	3
Food Service Manager	1	1	1	1
Cook	2	2	3	4
Food Services Aide	2.58	3	4	5
AP	0.3	0.3	0.5	0.5
Business Office	0.3	0.3	0.5	0.5
HIM Specialist	0.5	0.5	0.75	1
Human Resources Coordinator	0.5	0.5	0.75	1
Director of Marketing and Business Development	1	1	1	1
Clinical Liaison	5.33	7	9	11
Admissions Coordinator	1.67	2	2.5	3
Director of Pharmacy	1	1	1	1
Pharmacy Tech	2.17	3	3.5	5
Pharmacist	1	1	2	2
IRF PAI Coordinator	1	1	1	1
IT Tech	0.3	0.3	0.5	1
Admin and Support Total	32.32	35.9	44.5	53
Non Productive FTEs	3.34	4.30	5.17	5.75
Total Staffing	86.83	111.78	134.42	149.43

**Seattle Rehabilitation Hospital
Staffing**

Wages Schedule

<u>Occupation</u>	<u>Year 0</u>		<u>Year 1</u>		<u>Year 2</u>		<u>Year 3</u>	
Months	7		12		12		12	
<u>Nursing</u>								
Rehab Nurses	\$	972,026	\$	2,426,546	\$	2,887,283	\$	3,073,772
CNA	\$	227,764	\$	568,239	\$	676,267	\$	720,350
Unit Secretary	\$	113,882	\$	284,362	\$	338,134	\$	359,933
Total Nursing	\$	1,313,672	\$	3,279,147	\$	3,901,684	\$	4,154,055
<u>Therapy</u>								
Speech Language Pathologist	\$	142,578	\$	356,578	\$	424,296	\$	451,807
Physical Therapist	\$	484,873	\$	1,210,175	\$	1,440,485	\$	1,533,656
Occupational Therapist	\$	271,134	\$	677,490	\$	806,141	\$	858,016
Respiratory Therapist	\$	23,066	\$	57,933	\$	68,968	\$	73,565
Therapy Total	\$	921,651	\$	2,302,176	\$	2,739,890	\$	2,917,044
<u>Other Patient Care Support</u>								
Dietitian	\$	74,841	\$	186,692	\$	222,057	\$	236,038
House Supervisors	\$	208,693	\$	357,760	\$	357,760	\$	357,760
Nursing Scheduler	\$	24,267	\$	41,600	\$	62,400	\$	83,200
Case Manager	\$	97,348	\$	192,556	\$	231,067	\$	269,578
Other Patient Care Support Total	\$	405,149	\$	778,608	\$	873,284	\$	946,576
<u>Admin and Support</u>								
Chief Executive Officer	\$	105,572	\$	180,981	\$	180,981	\$	180,981
Administrative Assistant	\$	29,120	\$	49,920	\$	49,920	\$	49,920
Chief Nursing Officer	\$	81,961	\$	140,504	\$	140,504	\$	140,504
Chief Therapy Officer	\$	82,082	\$	140,712	\$	140,712	\$	140,712
Director of Quality and Risk	\$	58,725	\$	100,672	\$	100,672	\$	100,672
Materials Tech	\$	32,760	\$	56,160	\$	84,240	\$	112,320
Director of Plant Operations	\$	52,222	\$	89,523	\$	89,523	\$	89,523
Maintenance Tech	\$	27,433	\$	47,029	\$	70,543	\$	94,058
Floor Tech	\$	46,689	\$	80,038	\$	80,038	\$	80,038
EVS Aide	\$	36,959	\$	75,878	\$	94,848	\$	113,818
Food Service Manager	\$	38,827	\$	66,560	\$	66,560	\$	66,560
Cook	\$	46,689	\$	80,038	\$	120,058	\$	160,077
Food Services Aide	\$	57,098	\$	113,818	\$	151,757	\$	189,696
AP	\$	7,280	\$	12,480	\$	20,800	\$	20,800
Business Office	\$	9,650	\$	16,542	\$	27,570	\$	27,570
HIM Specialist	\$	11,223	\$	19,240	\$	28,860	\$	38,480
Human Resources Coordinator	\$	21,840	\$	37,440	\$	56,160	\$	74,880
Director of Marketing and Business Development	\$	78,867	\$	135,200	\$	135,200	\$	135,200
Clinical Liaison	\$	258,683	\$	582,400	\$	748,800	\$	915,200
Admissions Coordinator	\$	60,788	\$	124,800	\$	156,000	\$	187,200
Director of Pharmacy	\$	91,813	\$	157,394	\$	157,394	\$	157,394
Pharmacy Tech	\$	52,659	\$	124,800	\$	145,600	\$	208,000
Pharmacist	\$	91,813	\$	157,394	\$	314,787	\$	314,787
IRF PAI Coordinator	\$	62,111	\$	106,475	\$	106,475	\$	106,475
IT Tech	\$	12,740	\$	21,840	\$	36,400	\$	72,800
Admin and Support Total	\$	1,455,603	\$	2,717,838	\$	3,304,402	\$	3,777,665
Non Productive Salaries and Wages								
Wages	\$	163,843	\$	363,111	\$	432,770	\$	471,814
Total Salaries and Wages	\$	4,259,918	\$	9,440,880	\$	11,252,030	\$	12,267,154

Seattle Rehabilitation Hospital Balance Sheet

	Pre-Operational	-----Forecast-----			
		June to Dec 2028	Year 1	Year 2	Year 3
			2029	2030	2031
ASSETS					
<u>Current Assets</u>					
Cash and Equivalents	\$ -	\$ -	\$ -	\$ 2,233,866	\$ 5,119,485
Accounts Receivable		\$ 1,079,065	\$ 2,693,667	\$ 3,205,224	\$ 3,413,044
Other Current Asset/Inventories		\$ 571,095	\$ 1,425,623	\$ 1,696,365	\$ 1,806,354
Total Current Assets	\$ -	\$ 1,650,161	\$ 4,119,291	\$ 7,135,455	\$ 10,338,883
<u>Fixed Assets</u>					
Furnitures, Fixtures, & Equipment	\$ 2,854,569	\$ 2,854,569	\$ 2,854,569	\$ 2,854,569	\$ 2,854,569
Capitalized Interest	\$ 91,341	\$ 91,341	\$ 91,341	\$ 91,341	\$ 91,341
Accumulated Depreciation & Amortization		\$ (343,690)	\$ (932,872)	\$ (1,522,054)	\$ (2,111,236)
Total Fixed Assets	\$ 2,945,910	\$ 2,602,221	\$ 2,013,039	\$ 1,423,857	\$ 834,675
Total Assets	\$ 2,945,910	\$ 4,252,382	\$ 6,132,329	\$ 8,559,311	\$ 11,173,557
LIABILITIES AND OWNER EQUITY					
<u>Current Liabilities</u>					
Accounts Payable		\$ 430,496	\$ 948,524	\$ 1,069,820	\$ 1,134,119
Accrued Compensation		\$ 369,092	\$ 477,158	\$ 568,696	\$ 620,002
Other Current Liabilities		\$ 82,767	\$ 183,076	\$ 206,956	\$ 219,762
Total Current Liabilities	\$ -	\$ 882,354	\$ 1,608,758	\$ 1,845,473	\$ 1,973,884
<u>Long Term Liabilities</u>					
Long Term Debt	\$ 2,854,569	\$ 2,634,845	\$ 2,232,329	\$ 1,796,404	\$ 1,324,298
Total Long Term Liabilities	\$ 2,854,569	\$ 2,634,845	\$ 2,232,329	\$ 1,796,404	\$ 1,324,298
Total Liabilities	\$ 2,854,569	\$ 3,517,199	\$ 3,841,087	\$ 3,641,877	\$ 3,298,182
<u>Owner Equity</u>					
System Contributed Capital	\$ 91,341	\$ 91,341	\$ 91,341	\$ 91,341	\$ 91,341
System Startup and Cash Balance Funding	\$ 2,483,418	\$ 4,099,872	\$ 4,746,155	\$ 4,746,155	\$ 4,746,155
Retained Earnings	\$ (2,483,418)	\$ (3,456,031)	\$ (2,546,254)	\$ 79,938	\$ 3,037,879
Total Equity	\$ 91,341	\$ 735,182	\$ 2,291,242	\$ 4,917,435	\$ 7,875,376
Total Liabilities and Equity	\$ 2,945,910	\$ 4,252,382	\$ 6,132,329	\$ 8,559,311	\$ 11,173,557

**Seattle Rehabilitation Hospital
Depreciation and Interest**

	Initial Investment	Useful Life Assumption	-----Forecast-----			
			<u>Jun to Dec</u>			
			<u>2028</u> <u>Year 0</u>	<u>2029</u> <u>Year 1</u>	<u>2030</u> <u>Year 2</u>	<u>2031</u> <u>Year 3</u>
# of Months			7	12	12	12
Buildout	\$ 48,526,829	40	\$707,683	\$1,213,171	\$1,213,171	\$1,213,171
Capitalized Interest & Financing Costs, Buildout	\$ 3,539,466	40	\$51,617	\$88,487	\$88,487	\$88,487
Equipment	\$ 2,854,569	5	\$333,033	\$570,914	\$570,914	\$570,914
Capitalized Interest & Financing Costs, Equipment	\$ 91,341	5	\$10,656	\$18,268	\$18,268	\$18,268
Total Depreciation (Project Related)	\$55,012,205		\$1,102,990	\$1,890,839	\$1,890,839	\$1,890,839
			<u>Jun to Dec</u>			
			<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>
Project Interest, Equipment Loan			\$129,535	\$196,213	\$162,805	\$126,623
Project Principal Payments, Equipment Loan			\$219,724	\$402,516	\$435,925	\$472,106
Ending Balance, Equipment Loan			\$2,634,845	\$2,232,329	\$1,796,404	\$1,324,298

Construction Loan Amortization Schedule

Terms

Initial Balance	\$6,768,619
Total Financed Amount	\$33,843,096
Ending Balance	\$0.00
Annual interest rate	7.75%
Loan period (months)	300
Number of payments per year	12

Loan Summary

Scheduled payment	\$261,064
Scheduled number of payment	282
Start date of loan	9/1/2026
Start date of payments	3/1/2028
Maturity Date of Loan	9/1/2051
Total interest	\$42,319,317

Period Number	Statement Close Date	Beginning Balance	Extra Payment/ Draws	Payment	Principal	Interest	Ending Balance	Cumulative Interest
1	10/1/2026	\$6,768,619		\$43,115	\$0	\$43,115	\$6,768,619	\$43,115
2	11/1/2026	\$6,768,619		\$44,552	\$0	\$44,552	\$6,768,619	\$87,668
3	12/1/2026	\$6,768,619	(\$3,384,310)	\$43,115	\$0	\$43,115	\$10,152,929	\$130,783
4	1/1/2027	\$10,152,929		\$66,829	\$0	\$66,829	\$10,152,929	\$197,611
5	2/1/2027	\$10,152,929	(\$3,384,310)	\$66,829	\$0	\$66,829	\$13,537,238	\$264,440
6	3/1/2027	\$13,537,238		\$80,482	\$0	\$80,482	\$13,537,238	\$344,921
7	4/1/2027	\$13,537,238	(\$6,768,619)	\$89,105	\$0	\$89,105	\$20,305,858	\$434,026
8	5/1/2027	\$20,305,858		\$129,346	\$0	\$129,346	\$20,305,858	\$563,372
9	6/1/2027	\$20,305,858	(\$5,076,464)	\$133,657	\$0	\$133,657	\$25,382,322	\$697,029
10	7/1/2027	\$25,382,322		\$161,682	\$0	\$161,682	\$25,382,322	\$858,711
11	8/1/2027	\$25,382,322	(\$3,384,310)	\$167,071	\$0	\$167,071	\$28,766,632	\$1,025,782
12	9/1/2027	\$28,766,632		\$189,347	\$0	\$189,347	\$28,766,632	\$1,215,129
13	10/1/2027	\$28,766,632	(\$1,692,155)	\$183,240	\$0	\$183,240	\$30,458,786	\$1,398,369
14	11/1/2027	\$30,458,786		\$200,486	\$0	\$200,486	\$30,458,786	\$1,598,854
15	12/1/2027	\$30,458,786	(\$1,692,155)	\$194,018	\$0	\$194,018	\$32,150,941	\$1,792,873
16	1/1/2028	\$32,150,941		\$211,624	\$0	\$211,624	\$32,150,941	\$2,004,496
17	2/1/2028	\$32,150,941	(\$1,692,155)	\$211,624	\$0	\$211,624	\$33,843,096	\$2,216,120
18	3/1/2028	\$33,843,096		\$208,390	\$0	\$208,390	\$33,843,096	\$2,424,510
19	4/1/2028	\$33,843,096		\$261,064	\$38,303	\$222,762	\$33,804,793	\$2,647,272
20	5/1/2028	\$33,804,793		\$261,064	\$45,733	\$215,332	\$33,759,061	\$2,862,604
21	6/1/2028	\$33,759,061		\$261,064	\$38,856	\$222,209	\$33,720,205	\$3,084,812
22	7/1/2028	\$33,720,205		\$261,064	\$46,271	\$214,793	\$33,673,934	\$3,299,605
23	8/1/2028	\$33,673,934		\$261,064	\$39,416	\$221,648	\$33,634,517	\$3,521,254
24	9/1/2028	\$33,634,517		\$261,064	\$39,676	\$221,389	\$33,594,842	\$3,742,643
25	10/1/2028	\$33,594,842		\$261,064	\$47,070	\$213,995	\$33,547,772	\$3,956,637
26	11/1/2028	\$33,547,772		\$261,064	\$40,247	\$220,818	\$33,507,525	\$4,177,455
27	12/1/2028	\$33,507,525		\$261,064	\$47,626	\$213,438	\$33,459,899	\$4,390,893
28	1/1/2029	\$33,459,899		\$261,064	\$40,825	\$220,239	\$33,419,074	\$4,611,133
29	2/1/2029	\$33,419,074		\$261,064	\$41,094	\$219,971	\$33,377,981	\$4,831,104
30	3/1/2029	\$33,377,981		\$261,064	\$62,625	\$198,439	\$33,315,355	\$5,029,543
31	4/1/2029	\$33,315,355		\$261,064	\$41,776	\$219,288	\$33,273,579	\$5,248,831
32	5/1/2029	\$33,273,579		\$261,064	\$49,116	\$211,948	\$33,224,463	\$5,460,779
33	6/1/2029	\$33,224,463		\$261,064	\$42,375	\$218,690	\$33,182,088	\$5,679,469
34	7/1/2029	\$33,182,088		\$261,064	\$49,699	\$211,365	\$33,132,389	\$5,890,834
35	8/1/2029	\$33,132,389		\$261,064	\$42,981	\$218,084	\$33,089,408	\$6,108,918
36	9/1/2029	\$33,089,408		\$261,064	\$43,264	\$217,801	\$33,046,145	\$6,326,718
37	10/1/2029	\$33,046,145		\$261,064	\$50,565	\$210,499	\$32,995,580	\$6,537,218
38	11/1/2029	\$32,995,580		\$261,064	\$43,881	\$217,183	\$32,951,698	\$6,754,401
39	12/1/2029	\$32,951,698		\$261,064	\$51,167	\$209,898	\$32,900,532	\$6,964,299
40	1/1/2030	\$32,900,532		\$261,064	\$44,507	\$216,558	\$32,856,025	\$7,180,857
41	2/1/2030	\$32,856,025		\$261,064	\$44,800	\$216,265	\$32,811,225	\$7,397,121
42	3/1/2030	\$32,811,225		\$261,064	\$65,995	\$195,069	\$32,745,230	\$7,592,191
43	4/1/2030	\$32,745,230		\$261,064	\$45,529	\$215,535	\$32,699,701	\$7,807,726
44	5/1/2030	\$32,699,701		\$261,064	\$52,772	\$208,293	\$32,646,929	\$8,016,019
45	6/1/2030	\$32,646,929		\$261,064	\$46,176	\$214,888	\$32,600,753	\$8,230,907
46	7/1/2030	\$32,600,753		\$261,064	\$53,402	\$207,662	\$32,547,351	\$8,438,569
47	8/1/2030	\$32,547,351		\$261,064	\$46,832	\$214,233	\$32,500,520	\$8,652,802
48	9/1/2030	\$32,500,520		\$261,064	\$47,140	\$213,925	\$32,453,380	\$8,866,727
49	10/1/2030	\$32,453,380		\$261,064	\$54,341	\$206,724	\$32,399,039	\$9,073,450
50	11/1/2030	\$32,399,039		\$261,064	\$47,808	\$213,257	\$32,351,231	\$9,286,707
51	12/1/2030	\$32,351,231		\$261,064	\$54,992	\$206,073	\$32,296,240	\$9,492,780
52	1/1/2031	\$32,296,240		\$261,064	\$48,484	\$212,580	\$32,247,755	\$9,705,360
53	2/1/2031	\$32,247,755		\$261,064	\$48,804	\$212,261	\$32,198,952	\$9,917,621
54	3/1/2031	\$32,198,952		\$261,064	\$69,635	\$191,429	\$32,129,317	\$10,109,050
55	4/1/2031	\$32,129,317		\$261,064	\$49,583	\$211,481	\$32,079,734	\$10,320,532
56	5/1/2031	\$32,079,734		\$261,064	\$56,721	\$204,344	\$32,023,013	\$10,524,875
57	6/1/2031	\$32,023,013		\$261,064	\$50,283	\$210,782	\$31,972,730	\$10,735,657
58	7/1/2031	\$31,972,730		\$261,064	\$57,403	\$203,662	\$31,915,327	\$10,939,319
59	8/1/2031	\$31,915,327		\$261,064	\$50,992	\$210,073	\$31,864,336	\$11,149,392
60	9/1/2031	\$31,864,336		\$261,064	\$51,327	\$209,737	\$31,813,008	\$11,359,129
61	10/1/2031	\$31,813,008		\$261,064	\$58,420	\$202,645	\$31,754,589	\$11,561,773

Construction Loan Amortization Schedule

Terms

Initial Balance	\$6,768,619
Total Financed Amount	\$33,843,096
Ending Balance	\$0.00
Annual interest rate	7.75%
Loan period months)	300
Number of payments per year	12

Loan Summary

Scheduled payment	\$261,064
Scheduled number of payment	282
Start date of loan	9/1/2026
Start date of payments	3/1/2028
Maturity Date of Loan	9/1/2051
Total interest	\$42,319,317

Period Number	Statement Close Date	Beginning Balance	Extra Payment/Draws	Payment	Principal	Interest	Ending Balance	Cumulative Interest
62	11/1/2031	\$31,754,589		\$261,064	\$52,050	\$209,015	\$31,702,539	\$11,770,788
63	12/1/2031	\$31,702,539		\$261,064	\$59,124	\$201,941	\$31,643,415	\$11,972,729
64	1/1/2032	\$31,643,415		\$261,064	\$52,781	\$208,283	\$31,590,634	\$12,181,012
65	2/1/2032	\$31,590,634		\$261,064	\$53,129	\$207,936	\$31,537,505	\$12,388,947
66	3/1/2032	\$31,537,505		\$261,064	\$66,871	\$194,193	\$31,470,634	\$12,583,141
67	4/1/2032	\$31,470,634		\$261,064	\$53,919	\$207,146	\$31,416,715	\$12,790,287
68	5/1/2032	\$31,416,715		\$261,064	\$60,944	\$200,120	\$31,355,771	\$12,990,407
69	6/1/2032	\$31,355,771		\$261,064	\$54,675	\$206,390	\$31,301,096	\$13,196,796
70	7/1/2032	\$31,301,096		\$261,064	\$61,681	\$199,384	\$31,239,415	\$13,396,180
71	8/1/2032	\$31,239,415		\$261,064	\$55,441	\$205,624	\$31,183,975	\$13,601,804
72	9/1/2032	\$31,183,975		\$261,064	\$55,806	\$205,259	\$31,128,169	\$13,807,063
73	10/1/2032	\$31,128,169		\$261,064	\$62,782	\$198,282	\$31,065,387	\$14,005,345
74	11/1/2032	\$31,065,387		\$261,064	\$56,586	\$204,478	\$31,008,801	\$14,209,823
75	12/1/2032	\$31,008,801		\$261,064	\$63,543	\$197,522	\$30,945,258	\$14,407,345
76	1/1/2033	\$30,945,258		\$261,064	\$57,377	\$203,688	\$30,887,882	\$14,611,033
77	2/1/2033	\$30,887,882		\$261,064	\$57,754	\$203,310	\$30,830,127	\$14,814,343
78	3/1/2033	\$30,830,127		\$261,064	\$77,773	\$183,291	\$30,752,354	\$14,997,634
79	4/1/2033	\$30,752,354		\$261,064	\$58,647	\$202,418	\$30,693,708	\$15,200,052
80	5/1/2033	\$30,693,708		\$261,064	\$65,550	\$195,515	\$30,628,158	\$15,395,567
81	6/1/2033	\$30,628,158		\$261,064	\$59,464	\$201,600	\$30,568,694	\$15,597,167
82	7/1/2033	\$30,568,694		\$261,064	\$66,346	\$194,718	\$30,502,348	\$15,791,886
83	8/1/2033	\$30,502,348		\$261,064	\$60,292	\$200,772	\$30,442,056	\$15,992,658
84	9/1/2033	\$30,442,056		\$261,064	\$60,689	\$200,375	\$30,381,367	\$16,193,033
85	10/1/2033	\$30,381,367		\$261,064	\$67,539	\$193,525	\$30,313,827	\$16,386,558
86	11/1/2033	\$30,313,827		\$261,064	\$61,533	\$199,531	\$30,252,294	\$16,586,090
87	12/1/2033	\$30,252,294		\$261,064	\$68,361	\$192,703	\$30,183,933	\$16,778,793
88	1/1/2034	\$30,183,933		\$261,064	\$62,388	\$198,676	\$30,121,545	\$16,977,469
89	2/1/2034	\$30,121,545		\$261,064	\$62,799	\$198,266	\$30,058,746	\$17,175,735
90	3/1/2034	\$30,058,746		\$261,064	\$82,359	\$178,705	\$29,976,387	\$17,354,440
91	4/1/2034	\$29,976,387		\$261,064	\$63,754	\$197,310	\$29,912,633	\$17,551,751
92	5/1/2034	\$29,912,633		\$261,064	\$70,525	\$190,539	\$29,842,108	\$17,742,290
93	6/1/2034	\$29,842,108		\$261,064	\$64,638	\$196,426	\$29,777,470	\$17,938,717
94	7/1/2034	\$29,777,470		\$261,064	\$71,386	\$189,678	\$29,706,084	\$18,128,395
95	8/1/2034	\$29,706,084		\$261,064	\$65,533	\$195,531	\$29,640,551	\$18,323,926
96	9/1/2034	\$29,640,551		\$261,064	\$65,965	\$195,100	\$29,574,586	\$18,519,026
97	10/1/2034	\$29,574,586		\$261,064	\$72,678	\$188,386	\$29,501,908	\$18,707,412
98	11/1/2034	\$29,501,908		\$261,064	\$66,877	\$194,187	\$29,435,031	\$18,901,599
99	12/1/2034	\$29,435,031		\$261,064	\$73,567	\$187,497	\$29,361,463	\$19,089,096
100	1/1/2035	\$29,361,463		\$261,064	\$67,802	\$193,263	\$29,293,662	\$19,282,359
101	2/1/2035	\$29,293,662		\$261,064	\$68,248	\$192,816	\$29,225,414	\$19,475,176
102	3/1/2035	\$29,225,414		\$261,064	\$87,313	\$173,751	\$29,138,100	\$19,648,927
103	4/1/2035	\$29,138,100		\$261,064	\$69,272	\$191,793	\$29,068,829	\$19,840,719
104	5/1/2035	\$29,068,829		\$261,064	\$75,900	\$185,164	\$28,992,929	\$20,025,884
105	6/1/2035	\$28,992,929		\$261,064	\$70,227	\$190,837	\$28,922,701	\$20,216,721
106	7/1/2035	\$28,922,701		\$261,064	\$76,831	\$184,234	\$28,845,870	\$20,400,954
107	8/1/2035	\$28,845,870		\$261,064	\$71,195	\$189,869	\$28,774,675	\$20,590,824
108	9/1/2035	\$28,774,675		\$261,064	\$71,664	\$189,400	\$28,703,011	\$20,780,224
109	10/1/2035	\$28,703,011		\$261,064	\$78,230	\$182,834	\$28,624,781	\$20,963,058
110	11/1/2035	\$28,624,781		\$261,064	\$72,651	\$188,414	\$28,552,130	\$21,151,472
111	12/1/2035	\$28,552,130		\$261,064	\$79,191	\$181,873	\$28,472,939	\$21,333,345
112	1/1/2036	\$28,472,939		\$261,064	\$73,650	\$187,414	\$28,399,289	\$21,520,759
113	2/1/2036	\$28,399,289		\$261,064	\$74,135	\$186,930	\$28,325,154	\$21,707,689
114	3/1/2036	\$28,325,154		\$261,064	\$86,651	\$174,413	\$28,238,503	\$21,882,102
115	4/1/2036	\$28,238,503		\$261,064	\$75,193	\$185,871	\$28,163,309	\$22,067,973
116	5/1/2036	\$28,163,309		\$261,064	\$81,668	\$179,396	\$28,081,641	\$22,247,370
117	6/1/2036	\$28,081,641		\$261,064	\$76,226	\$184,839	\$28,005,416	\$22,432,209
118	7/1/2036	\$28,005,416		\$261,064	\$82,674	\$178,391	\$27,922,742	\$22,610,599
119	8/1/2036	\$27,922,742		\$261,064	\$77,272	\$183,793	\$27,845,470	\$22,794,392
120	9/1/2036	\$27,845,470		\$261,064	\$77,780	\$183,284	\$27,767,690	\$22,977,676
121	10/1/2036	\$27,767,690		\$261,064	\$84,188	\$176,876	\$27,683,502	\$23,154,553
122	11/1/2036	\$27,683,502		\$261,064	\$78,846	\$182,218	\$27,604,656	\$23,336,771

Construction Loan Amortization Schedule

Terms

Initial Balance	\$6,768,619
Total Financed Amount	\$33,843,096
Ending Balance	\$0.00
Annual interest rate	7.75%
Loan period months)	300
Number of payments per year	12

Loan Summary

Scheduled payment	\$261,064
Scheduled number of payment	282
Start date of loan	9/1/2026
Start date of payments	3/1/2028
Maturity Date of Loan	9/1/2051
Total interest	\$42,319,317

Period Number	Statement Close Date	Beginning Balance	Extra Payment/ Draws	Payment	Principal	Interest	Ending Balance	Cumulative Interest
123	12/1/2036	\$27,604,656		\$261,064	\$85,227	\$175,838	\$27,519,429	\$23,512,609
124	1/1/2037	\$27,519,429		\$261,064	\$79,926	\$181,138	\$27,439,503	\$23,693,747
125	2/1/2037	\$27,439,503		\$261,064	\$80,452	\$180,612	\$27,359,051	\$23,874,359
126	3/1/2037	\$27,359,051		\$261,064	\$98,409	\$162,655	\$27,260,641	\$24,037,014
127	4/1/2037	\$27,260,641		\$261,064	\$81,630	\$179,435	\$27,179,012	\$24,216,449
128	5/1/2037	\$27,179,012		\$261,064	\$87,938	\$173,127	\$27,091,074	\$24,389,575
129	6/1/2037	\$27,091,074		\$261,064	\$82,746	\$178,319	\$27,008,328	\$24,567,894
130	7/1/2037	\$27,008,328		\$261,064	\$89,025	\$172,039	\$26,919,303	\$24,739,933
131	8/1/2037	\$26,919,303		\$261,064	\$83,876	\$177,188	\$26,835,427	\$24,917,121
132	9/1/2037	\$26,835,427		\$261,064	\$84,429	\$176,636	\$26,750,998	\$25,093,757
133	10/1/2037	\$26,750,998		\$261,064	\$90,664	\$170,400	\$26,660,334	\$25,264,158
134	11/1/2037	\$26,660,334		\$261,064	\$85,581	\$175,483	\$26,574,753	\$25,439,641
135	12/1/2037	\$26,574,753		\$261,064	\$91,787	\$169,278	\$26,482,966	\$25,608,919
136	1/1/2038	\$26,482,966		\$261,064	\$86,748	\$174,316	\$26,396,217	\$25,783,235
137	2/1/2038	\$26,396,217		\$261,064	\$87,319	\$173,745	\$26,308,898	\$25,956,979
138	3/1/2038	\$26,308,898		\$261,064	\$104,653	\$156,412	\$26,204,245	\$26,113,391
139	4/1/2038	\$26,204,245		\$261,064	\$88,583	\$172,481	\$26,115,662	\$26,285,873
140	5/1/2038	\$26,115,662		\$261,064	\$94,711	\$166,353	\$26,020,951	\$26,452,226
141	6/1/2038	\$26,020,951		\$261,064	\$89,790	\$171,275	\$25,931,162	\$26,623,501
142	7/1/2038	\$25,931,162		\$261,064	\$95,886	\$165,178	\$25,835,275	\$26,788,679
143	8/1/2038	\$25,835,275		\$261,064	\$91,012	\$170,053	\$25,744,263	\$26,958,731
144	9/1/2038	\$25,744,263		\$261,064	\$91,611	\$169,454	\$25,652,653	\$27,128,185
145	10/1/2038	\$25,652,653		\$261,064	\$97,661	\$163,404	\$25,554,992	\$27,291,589
146	11/1/2038	\$25,554,992		\$261,064	\$92,857	\$168,208	\$25,462,135	\$27,459,797
147	12/1/2038	\$25,462,135		\$261,064	\$98,874	\$162,190	\$25,363,261	\$27,621,987
148	1/1/2039	\$25,363,261		\$261,064	\$94,119	\$166,946	\$25,269,143	\$27,788,933
149	2/1/2039	\$25,269,143		\$261,064	\$94,738	\$166,326	\$25,174,405	\$27,955,259
150	3/1/2039	\$25,174,405		\$261,064	\$111,397	\$149,667	\$25,063,007	\$28,104,926
151	4/1/2039	\$25,063,007		\$261,064	\$96,095	\$164,970	\$24,966,912	\$28,269,896
152	5/1/2039	\$24,966,912		\$261,064	\$102,029	\$159,036	\$24,864,884	\$28,428,932
153	6/1/2039	\$24,864,884		\$261,064	\$97,399	\$163,665	\$24,767,485	\$28,592,597
154	7/1/2039	\$24,767,485		\$261,064	\$103,299	\$157,765	\$24,664,186	\$28,750,363
155	8/1/2039	\$24,664,186		\$261,064	\$98,720	\$162,344	\$24,565,466	\$28,912,707
156	9/1/2039	\$24,565,466		\$261,064	\$99,370	\$161,695	\$24,466,096	\$29,074,402
157	10/1/2039	\$24,466,096		\$261,064	\$105,219	\$155,846	\$24,360,877	\$29,230,247
158	11/1/2039	\$24,360,877		\$261,064	\$100,716	\$160,348	\$24,260,161	\$29,390,595
159	12/1/2039	\$24,260,161		\$261,064	\$106,531	\$154,534	\$24,153,630	\$29,545,129
160	1/1/2040	\$24,153,630		\$261,064	\$102,081	\$158,984	\$24,051,550	\$29,704,113
161	2/1/2040	\$24,051,550		\$261,064	\$102,753	\$158,312	\$23,948,797	\$29,862,425
162	3/1/2040	\$23,948,797		\$261,064	\$113,599	\$147,466	\$23,835,198	\$30,009,890
163	4/1/2040	\$23,835,198		\$261,064	\$104,177	\$156,888	\$23,731,022	\$30,166,778
164	5/1/2040	\$23,731,022		\$261,064	\$109,901	\$151,163	\$23,621,121	\$30,317,942
165	6/1/2040	\$23,621,121		\$261,064	\$105,586	\$155,479	\$23,515,535	\$30,473,420
166	7/1/2040	\$23,515,535		\$261,064	\$111,274	\$149,791	\$23,404,261	\$30,623,211
167	8/1/2040	\$23,404,261		\$261,064	\$107,013	\$154,051	\$23,297,248	\$30,777,262
168	9/1/2040	\$23,297,248		\$261,064	\$107,717	\$153,347	\$23,189,531	\$30,930,609
169	10/1/2040	\$23,189,531		\$261,064	\$113,350	\$147,714	\$23,076,180	\$31,078,324
170	11/1/2040	\$23,076,180		\$261,064	\$109,173	\$151,892	\$22,967,008	\$31,230,215
171	12/1/2040	\$22,967,008		\$261,064	\$114,768	\$146,297	\$22,852,240	\$31,376,512
172	1/1/2041	\$22,852,240		\$261,064	\$110,647	\$150,418	\$22,741,593	\$31,526,930
173	2/1/2041	\$22,741,593		\$261,064	\$111,375	\$149,690	\$22,630,218	\$31,676,619
174	3/1/2041	\$22,630,218		\$261,064	\$126,523	\$134,541	\$22,503,695	\$31,811,161
175	4/1/2041	\$22,503,695		\$261,064	\$112,941	\$148,124	\$22,390,754	\$31,959,284
176	5/1/2041	\$22,390,754		\$261,064	\$118,438	\$142,626	\$22,272,316	\$32,101,910
177	6/1/2041	\$22,272,316		\$261,064	\$114,464	\$146,601	\$22,157,852	\$32,248,511
178	7/1/2041	\$22,157,852		\$261,064	\$119,922	\$141,142	\$22,037,930	\$32,389,654
179	8/1/2041	\$22,037,930		\$261,064	\$116,007	\$145,058	\$21,921,924	\$32,534,711
180	9/1/2041	\$21,921,924		\$261,064	\$116,770	\$144,294	\$21,805,154	\$32,679,006
181	10/1/2041	\$21,805,154		\$261,064	\$122,169	\$138,896	\$21,682,985	\$32,817,902
182	11/1/2041	\$21,682,985		\$261,064	\$118,343	\$142,722	\$21,564,642	\$32,960,623
183	12/1/2041	\$21,564,642		\$261,064	\$123,701	\$137,364	\$21,440,942	\$33,097,987

Construction Loan Amortization Schedule

Terms

Initial Balance	\$6,768,619
Total Financed Amount	\$33,843,096
Ending Balance	\$0.00
Annual interest rate	7.75%
Loan period months)	300
Number of payments per year	12

Loan Summary

Scheduled payment	\$261,064
Scheduled number of payment	282
Start date of loan	9/1/2026
Start date of payments	3/1/2028
Maturity Date of Loan	9/1/2051
Total interest	\$42,319,317

Period Number	Statement Close Date	Beginning Balance	Extra Payment/ Draws	Payment	Principal	Interest	Ending Balance	Cumulative Interest
184	1/1/2042	\$21,440,942		\$261,064	\$119,936	\$141,128	\$21,321,006	\$33,239,115
185	2/1/2042	\$21,321,006		\$261,064	\$120,725	\$140,339	\$21,200,280	\$33,379,454
186	3/1/2042	\$21,200,280		\$261,064	\$135,024	\$126,040	\$21,065,256	\$33,505,494
187	4/1/2042	\$21,065,256		\$261,064	\$122,409	\$138,656	\$20,942,847	\$33,644,150
188	5/1/2042	\$20,942,847		\$261,064	\$127,661	\$133,403	\$20,815,185	\$33,777,553
189	6/1/2042	\$20,815,185		\$261,064	\$124,055	\$137,010	\$20,691,131	\$33,914,562
190	7/1/2042	\$20,691,131		\$261,064	\$129,265	\$131,800	\$20,561,866	\$34,046,362
191	8/1/2042	\$20,561,866		\$261,064	\$125,722	\$135,342	\$20,436,144	\$34,181,704
192	9/1/2042	\$20,436,144		\$261,064	\$126,550	\$134,515	\$20,309,594	\$34,316,219
193	10/1/2042	\$20,309,594		\$261,064	\$131,695	\$129,369	\$20,177,899	\$34,445,588
194	11/1/2042	\$20,177,899		\$261,064	\$128,250	\$132,815	\$20,049,649	\$34,578,403
195	12/1/2042	\$20,049,649		\$261,064	\$133,351	\$127,714	\$19,916,298	\$34,706,117
196	1/1/2043	\$19,916,298		\$261,064	\$129,972	\$131,093	\$19,786,327	\$34,837,209
197	2/1/2043	\$19,786,327		\$261,064	\$130,827	\$130,237	\$19,655,499	\$34,967,447
198	3/1/2043	\$19,655,499		\$261,064	\$144,208	\$116,856	\$19,511,291	\$35,084,303
199	4/1/2043	\$19,511,291		\$261,064	\$132,637	\$128,427	\$19,378,654	\$35,212,730
200	5/1/2043	\$19,378,654		\$261,064	\$137,625	\$123,439	\$19,241,029	\$35,336,169
201	6/1/2043	\$19,241,029		\$261,064	\$134,416	\$126,648	\$19,106,612	\$35,462,817
202	7/1/2043	\$19,106,612		\$261,064	\$139,358	\$121,707	\$18,967,254	\$35,584,524
203	8/1/2043	\$18,967,254		\$261,064	\$136,218	\$124,846	\$18,831,036	\$35,709,370
204	9/1/2043	\$18,831,036		\$261,064	\$137,115	\$123,949	\$18,693,921	\$35,833,319
205	10/1/2043	\$18,693,921		\$261,064	\$141,987	\$119,078	\$18,551,934	\$35,952,397
206	11/1/2043	\$18,551,934		\$261,064	\$138,952	\$122,112	\$18,412,982	\$36,074,510
207	12/1/2043	\$18,412,982		\$261,064	\$143,776	\$117,288	\$18,269,206	\$36,191,798
208	1/1/2044	\$18,269,206		\$261,064	\$140,813	\$120,251	\$18,128,393	\$36,312,049
209	2/1/2044	\$18,128,393		\$261,064	\$141,740	\$119,325	\$17,986,653	\$36,431,374
210	3/1/2044	\$17,986,653		\$261,064	\$150,311	\$110,753	\$17,836,342	\$36,542,127
211	4/1/2044	\$17,836,342		\$261,064	\$143,662	\$117,402	\$17,692,680	\$36,659,529
212	5/1/2044	\$17,692,680		\$261,064	\$148,364	\$112,700	\$17,544,316	\$36,772,229
213	6/1/2044	\$17,544,316		\$261,064	\$145,584	\$115,480	\$17,398,731	\$36,887,709
214	7/1/2044	\$17,398,731		\$261,064	\$150,237	\$110,828	\$17,248,494	\$36,998,537
215	8/1/2044	\$17,248,494		\$261,064	\$147,532	\$113,533	\$17,100,963	\$37,112,070
216	9/1/2044	\$17,100,963		\$261,064	\$148,503	\$112,562	\$16,952,460	\$37,224,632
217	10/1/2044	\$16,952,460		\$261,064	\$153,080	\$107,985	\$16,799,381	\$37,332,616
218	11/1/2044	\$16,799,381		\$261,064	\$150,488	\$110,577	\$16,648,893	\$37,443,193
219	12/1/2044	\$16,648,893		\$261,064	\$155,013	\$106,051	\$16,493,880	\$37,549,244
220	1/1/2045	\$16,493,880		\$261,064	\$152,499	\$108,566	\$16,341,381	\$37,657,810
221	2/1/2045	\$16,341,381		\$261,064	\$153,502	\$107,562	\$16,187,879	\$37,765,372
222	3/1/2045	\$16,187,879		\$261,064	\$164,824	\$96,240	\$16,023,055	\$37,861,613
223	4/1/2045	\$16,023,055		\$261,064	\$155,598	\$105,467	\$15,867,457	\$37,967,079
224	5/1/2045	\$15,867,457		\$261,064	\$159,991	\$101,074	\$15,707,466	\$38,068,153
225	6/1/2045	\$15,707,466		\$261,064	\$157,675	\$103,390	\$15,549,791	\$38,171,543
226	7/1/2045	\$15,549,791		\$261,064	\$162,014	\$99,050	\$15,387,777	\$38,270,593
227	8/1/2045	\$15,387,777		\$261,064	\$159,779	\$101,285	\$15,227,998	\$38,371,878
228	9/1/2045	\$15,227,998		\$261,064	\$160,831	\$100,234	\$15,067,167	\$38,472,111
229	10/1/2045	\$15,067,167		\$261,064	\$165,089	\$95,976	\$14,902,078	\$38,568,087
230	11/1/2045	\$14,902,078		\$261,064	\$162,976	\$98,088	\$14,739,102	\$38,666,176
231	12/1/2045	\$14,739,102		\$261,064	\$167,178	\$93,886	\$14,571,924	\$38,760,062
232	1/1/2046	\$14,571,924		\$261,064	\$165,149	\$95,915	\$14,406,774	\$38,855,977
233	2/1/2046	\$14,406,774		\$261,064	\$166,236	\$94,828	\$14,240,538	\$38,950,805
234	3/1/2046	\$14,240,538		\$261,064	\$176,402	\$84,663	\$14,064,137	\$39,035,468
235	4/1/2046	\$14,064,137		\$261,064	\$168,492	\$92,573	\$13,895,645	\$39,128,041
236	5/1/2046	\$13,895,645		\$261,064	\$172,551	\$88,513	\$13,723,094	\$39,216,554
237	6/1/2046	\$13,723,094		\$261,064	\$170,736	\$90,328	\$13,552,358	\$39,306,882
238	7/1/2046	\$13,552,358		\$261,064	\$174,738	\$86,327	\$13,377,620	\$39,393,209
239	8/1/2046	\$13,377,620		\$261,064	\$173,010	\$88,054	\$13,204,609	\$39,481,263
240	9/1/2046	\$13,204,609		\$261,064	\$174,149	\$86,915	\$13,030,460	\$39,568,178
241	10/1/2046	\$13,030,460		\$261,064	\$178,062	\$83,002	\$12,852,398	\$39,651,180
242	11/1/2046	\$12,852,398		\$261,064	\$176,467	\$84,597	\$12,675,931	\$39,735,777
243	12/1/2046	\$12,675,931		\$261,064	\$180,320	\$80,744	\$12,495,610	\$39,816,521
244	1/1/2047	\$12,495,610		\$261,064	\$178,816	\$82,249	\$12,316,794	\$39,898,770

Construction Loan Amortization Schedule

Terms

Initial Balance	\$6,768,619
Total Financed Amount	\$33,843,096
Ending Balance	\$0.00
Annual interest rate	7.75%
Loan period months)	300
Number of payments per year	12

Loan Summary

Scheduled payment	\$261,064
Scheduled number of payment	282
Start date of loan	9/1/2026
Start date of payments	3/1/2028
Maturity Date of Loan	9/1/2051
Total interest	\$42,319,317

Period Number	Statement Close Date	Beginning Balance	Extra Payment/ Draws	Payment	Principal	Interest	Ending Balance	Cumulative Interest
245	2/1/2047	\$12,316,794		\$261,064	\$179,993	\$81,072	\$12,136,801	\$39,979,841
246	3/1/2047	\$12,136,801		\$261,064	\$188,909	\$72,156	\$11,947,893	\$40,051,997
247	4/1/2047	\$11,947,893		\$261,064	\$182,421	\$78,643	\$11,765,472	\$40,130,640
248	5/1/2047	\$11,765,472		\$261,064	\$186,120	\$74,944	\$11,579,352	\$40,205,585
249	6/1/2047	\$11,579,352		\$261,064	\$184,847	\$76,218	\$11,394,505	\$40,281,802
250	7/1/2047	\$11,394,505		\$261,064	\$188,483	\$72,581	\$11,206,022	\$40,354,384
251	8/1/2047	\$11,206,022		\$261,064	\$187,304	\$73,760	\$11,018,717	\$40,428,144
252	9/1/2047	\$11,018,717		\$261,064	\$188,537	\$72,527	\$10,830,180	\$40,500,671
253	10/1/2047	\$10,830,180		\$261,064	\$192,078	\$68,987	\$10,638,103	\$40,569,658
254	11/1/2047	\$10,638,103		\$261,064	\$191,042	\$70,022	\$10,447,060	\$40,639,680
255	12/1/2047	\$10,447,060		\$261,064	\$194,518	\$66,546	\$10,252,542	\$40,706,226
256	1/1/2048	\$10,252,542		\$261,064	\$193,580	\$67,484	\$10,058,962	\$40,773,711
257	2/1/2048	\$10,058,962		\$261,064	\$194,854	\$66,210	\$9,864,107	\$40,839,921
258	3/1/2048	\$9,864,107		\$261,064	\$200,326	\$60,739	\$9,663,782	\$40,900,659
259	4/1/2048	\$9,663,782		\$261,064	\$197,456	\$63,609	\$9,466,326	\$40,964,268
260	5/1/2048	\$9,466,326		\$261,064	\$200,765	\$60,299	\$9,265,561	\$41,024,567
261	6/1/2048	\$9,265,561		\$261,064	\$200,077	\$60,988	\$9,065,484	\$41,085,555
262	7/1/2048	\$9,065,484		\$261,064	\$203,319	\$57,746	\$8,862,166	\$41,143,301
263	8/1/2048	\$8,862,166		\$261,064	\$202,732	\$58,332	\$8,659,434	\$41,201,633
264	9/1/2048	\$8,659,434		\$261,064	\$204,066	\$56,998	\$8,455,367	\$41,258,631
265	10/1/2048	\$8,455,367		\$261,064	\$207,205	\$53,860	\$8,248,162	\$41,312,491
266	11/1/2048	\$8,248,162		\$261,064	\$206,773	\$54,291	\$8,041,389	\$41,366,782
267	12/1/2048	\$8,041,389		\$261,064	\$209,842	\$51,223	\$7,831,547	\$41,418,004
268	1/1/2049	\$7,831,547		\$261,064	\$209,516	\$51,549	\$7,622,031	\$41,469,553
269	2/1/2049	\$7,622,031		\$261,064	\$210,895	\$50,170	\$7,411,136	\$41,519,723
270	3/1/2049	\$7,411,136		\$261,064	\$217,004	\$44,061	\$7,194,133	\$41,563,784
271	4/1/2049	\$7,194,133		\$261,064	\$213,711	\$47,353	\$6,980,422	\$41,611,137
272	5/1/2049	\$6,980,422		\$261,064	\$216,600	\$44,464	\$6,763,821	\$41,655,601
273	6/1/2049	\$6,763,821		\$261,064	\$216,544	\$44,521	\$6,547,278	\$41,700,122
274	7/1/2049	\$6,547,278		\$261,064	\$219,359	\$41,705	\$6,327,919	\$41,741,827
275	8/1/2049	\$6,327,919		\$261,064	\$219,413	\$41,652	\$6,108,506	\$41,783,479
276	9/1/2049	\$6,108,506		\$261,064	\$220,857	\$40,207	\$5,887,649	\$41,823,686
277	10/1/2049	\$5,887,649		\$261,064	\$223,561	\$37,504	\$5,664,088	\$41,861,190
278	11/1/2049	\$5,664,088		\$261,064	\$223,782	\$37,282	\$5,440,305	\$41,898,472
279	12/1/2049	\$5,440,305		\$261,064	\$226,410	\$34,654	\$5,213,895	\$41,933,126
280	1/1/2050	\$5,213,895		\$261,064	\$226,746	\$34,319	\$4,987,149	\$41,967,445
281	2/1/2050	\$4,987,149		\$261,064	\$228,238	\$32,826	\$4,758,911	\$42,000,271
282	3/1/2050	\$4,758,911		\$261,064	\$232,772	\$28,293	\$4,526,140	\$42,028,564
283	4/1/2050	\$4,526,140		\$261,064	\$231,273	\$29,792	\$4,294,867	\$42,058,356
284	5/1/2050	\$4,294,867		\$261,064	\$233,707	\$27,358	\$4,061,160	\$42,085,713
285	6/1/2050	\$4,061,160		\$261,064	\$234,333	\$26,731	\$3,826,827	\$42,112,445
286	7/1/2050	\$3,826,827		\$261,064	\$236,688	\$24,376	\$3,590,139	\$42,136,821
287	8/1/2050	\$3,590,139		\$261,064	\$237,433	\$23,631	\$3,352,706	\$42,160,452
288	9/1/2050	\$3,352,706		\$261,064	\$238,996	\$22,068	\$3,113,710	\$42,182,520
289	10/1/2050	\$3,113,710		\$261,064	\$241,231	\$19,834	\$2,872,479	\$42,202,354
290	11/1/2050	\$2,872,479		\$261,064	\$242,157	\$18,907	\$2,630,322	\$42,221,261
291	12/1/2050	\$2,630,322		\$261,064	\$244,310	\$16,755	\$2,386,012	\$42,238,016
292	1/1/2051	\$2,386,012		\$261,064	\$245,359	\$15,705	\$2,140,653	\$42,253,721
293	2/1/2051	\$2,140,653		\$261,064	\$246,974	\$14,090	\$1,893,679	\$42,267,811
294	3/1/2051	\$1,893,679		\$261,064	\$249,806	\$11,258	\$1,643,873	\$42,279,070
295	4/1/2051	\$1,643,873		\$261,064	\$250,244	\$10,820	\$1,393,628	\$42,289,890
296	5/1/2051	\$1,393,628		\$261,064	\$252,187	\$8,877	\$1,141,441	\$42,298,767
297	6/1/2051	\$1,141,441		\$261,064	\$253,551	\$7,513	\$887,890	\$42,306,280
298	7/1/2051	\$887,890		\$261,064	\$255,409	\$5,656	\$632,481	\$42,311,936
299	8/1/2051	\$632,481		\$261,064	\$256,901	\$4,163	\$375,580	\$42,316,099
300	9/1/2051	\$375,580		\$261,064	\$258,592	\$2,472	\$116,988	\$42,318,571
301	10/1/2051	\$116,988		\$117,733	\$116,988	\$745	(\$0)	\$42,319,317

Equipment Loan Amortization Schedule

Terms

Initial Balance	\$570,914
Total Financed Amount	\$2,854,569
Ending Balance	\$856,371
Annual interest rate	8.00%
Loan period (months)	60
Number of payments per year	12

Loan Summary

Scheduled payment	\$49,894
Scheduled number of payments	54
Start date of loan	11/1/2027
Maturity Date of Loan	11/1/2032
Total interest	\$760,061

Period Number	Statement Close Date	Beginning Balance	Extra Payment/ Draws	Payment	Principal	Interest	Ending Balance	Cumulative Interest
1	12/1/2027	570,914		3,754	0	3,754	570,914	3,754
2	1/1/2028	570,914	(856,371)	3,879	0	3,879	1,427,285	7,633
3	2/1/2028	1,427,285	(475,762)	9,698	0	9,698	1,903,046	17,331
4	3/1/2028	1,903,046	(475,762)	12,096	0	12,096	2,378,808	29,427
5	4/1/2028	2,378,808	(237,881)	16,163	0	16,163	2,616,688	45,590
6	5/1/2028	2,616,688	(237,881)	17,206	0	17,206	2,854,569	62,795
7	6/1/2028	2,854,569		49,894	30,499	19,395	2,824,070	82,191
8	7/1/2028	2,824,070		49,894	31,325	18,569	2,792,746	100,760
9	8/1/2028	2,792,746		49,894	30,919	18,975	2,761,827	119,735
10	9/1/2028	2,761,827		49,894	31,129	18,765	2,730,698	138,501
11	10/1/2028	2,730,698		49,894	31,939	17,955	2,698,759	156,456
12	11/1/2028	2,698,759		49,894	31,557	18,337	2,667,202	174,793
13	12/1/2028	2,667,202		49,894	32,356	17,538	2,634,845	192,330
14	1/1/2029	2,634,845		49,894	31,992	17,903	2,602,854	210,233
15	2/1/2029	2,602,854		49,894	32,209	17,685	2,570,645	227,918
16	3/1/2029	2,570,645		49,894	34,118	15,776	2,536,527	243,694
17	4/1/2029	2,536,527		49,894	32,660	17,234	2,503,867	260,929
18	5/1/2029	2,503,867		49,894	33,430	16,464	2,470,436	277,392
19	6/1/2029	2,470,436		49,894	33,109	16,785	2,437,328	294,178
20	7/1/2029	2,437,328		49,894	33,868	16,026	2,403,460	310,204
21	8/1/2029	2,403,460		49,894	33,564	16,330	2,369,896	326,534
22	9/1/2029	2,369,896		49,894	33,792	16,102	2,336,104	342,637
23	10/1/2029	2,336,104		49,894	34,533	15,361	2,301,571	357,997
24	11/1/2029	2,301,571		49,894	34,256	15,638	2,267,315	373,635
25	12/1/2029	2,267,315		49,894	34,986	14,908	2,232,329	388,544
26	1/1/2030	2,232,329		49,894	34,727	15,168	2,197,602	403,711
27	2/1/2030	2,197,602		49,894	34,962	14,932	2,162,640	418,643
28	3/1/2030	2,162,640		49,894	36,622	13,272	2,126,018	431,915
29	4/1/2030	2,126,018		49,894	35,449	14,445	2,090,569	446,360
30	5/1/2030	2,090,569		49,894	36,148	13,746	2,054,421	460,107
31	6/1/2030	2,054,421		49,894	35,935	13,959	2,018,486	474,065
32	7/1/2030	2,018,486		49,894	36,622	13,272	1,981,864	487,338
33	8/1/2030	1,981,864		49,894	36,428	13,466	1,945,435	500,804
34	9/1/2030	1,945,435		49,894	36,676	13,218	1,908,760	514,022
35	10/1/2030	1,908,760		49,894	37,343	12,551	1,871,416	526,573
36	11/1/2030	1,871,416		49,894	37,179	12,715	1,834,237	539,288
37	12/1/2030	1,834,237		49,894	37,833	12,061	1,796,404	551,349
38	1/1/2031	1,796,404		49,894	37,688	12,206	1,758,716	563,554
39	2/1/2031	1,758,716		49,894	37,945	11,950	1,720,771	575,504
40	3/1/2031	1,720,771		49,894	39,334	10,560	1,681,437	586,064
41	4/1/2031	1,681,437		49,894	38,470	11,425	1,642,968	597,489
42	5/1/2031	1,642,968		49,894	39,091	10,803	1,603,877	608,292
43	6/1/2031	1,603,877		49,894	38,997	10,898	1,564,880	619,190
44	7/1/2031	1,564,880		49,894	39,605	10,290	1,525,276	629,479
45	8/1/2031	1,525,276		49,894	39,531	10,364	1,485,745	639,843
46	9/1/2031	1,485,745		49,894	39,799	10,095	1,445,946	649,938
47	10/1/2031	1,445,946		49,894	40,387	9,508	1,405,559	659,445
48	11/1/2031	1,405,559		49,894	40,344	9,550	1,365,215	668,995
49	12/1/2031	1,365,215		49,894	40,917	8,977	1,324,298	677,972
50	1/1/2032	1,324,298		49,894	40,896	8,998	1,283,402	686,970
51	2/1/2032	1,283,402		49,894	41,174	8,720	1,242,228	695,690
52	3/1/2032	1,242,228		49,894	41,998	7,896	1,200,229	703,586
53	4/1/2032	1,200,229		49,894	41,739	8,155	1,158,490	711,741
54	5/1/2032	1,158,490		49,894	42,277	7,617	1,116,213	719,358
55	6/1/2032	1,116,213		49,894	42,310	7,584	1,073,903	726,943
56	7/1/2032	1,073,903		49,894	42,833	7,061	1,031,070	734,004

Equipment Loan Amortization Schedule

Terms

Initial Balance	\$570,914
Total Financed Amount	\$2,854,569
Ending Balance	\$856,371
Annual interest rate	8.00%
Loan period months)	60
Number of payments per year	12

Loan Summary

Scheduled payment	\$49,894
Scheduled number of payments	54
Start date of loan	11/1/2027
Maturity Date of Loan	11/1/2032
Total interest	\$760,061

Period Number	Statement Close Date	Beginning Balance	Extra Payment/ Draws	Payment	Principal	Interest	Ending Balance	Cumulative Interest
57	8/1/2032	1,031,070		49,894	42,889	7,006	988,182	741,009
58	9/1/2032	988,182		49,894	43,180	6,714	945,002	747,724
59	10/1/2032	945,002		49,894	43,680	6,214	901,322	753,937
60	11/1/2032	901,322		49,894	43,770	6,124	857,552	760,061

Exhibit 11

Operating Agreements

**COMPANY AGREEMENT
OF
SEATTLE REHABILITATION HOSPITAL, LLC**

This Company Agreement of Seattle Rehabilitation Hospital, LLC (this “Agreement”) is made and entered into effective as of the 15th day of November, 2024 (the “Effective Date”), by and between Seattle Rehabilitation Hospital, LLC (the “Company”) and Cross Hospitals, LLC, as the sole member of the Company (the “Member”).

WHEREAS, the parties hereto wish to enter into this Agreement to provide for the governance of the Company on the terms set forth herein.

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto do hereby mutually covenant and agree as follows:

**ARTICLE I
ORGANIZATION**

Section 1.01. Formation of Limited Liability Company. The Company was formed as a limited liability company pursuant to Title 3, and to the extent applicable, Title 1 of the Texas Business Organizations Code (“TBOC”), known as Texas Limited Liability Company Law (the “Act”) by the filing of a Certificate of Formation with the Texas Secretary of State on November 15, 2024 (the “Certificate”) under and pursuant to the Act.

Section 1.02. Name. The name of the Company shall be “Seattle Rehabilitation Hospital, LLC.” All business and affairs of the Company shall be conducted solely under, and all Company Assets (as that term is defined in Section 1.04) shall be held solely in, such name unless otherwise determined by the Manager, subject to the approval of the Member.

Section 1.03. Effective Date and Term. The Company commenced on the effective date of the Certificate and shall continue under this Agreement (as amended from time to time) until wound up upon the occurrence of an event that commences the winding up of the Company in accordance with the provisions of this Agreement, and thereafter to the extent provided by applicable law, until wound up and terminated as provided herein.

Section 1.04. Purposes and Scope of Business. The purpose for which the Company is organized is to transact any or all lawful business for which limited liability companies may be organized under the TBOC. The Company shall have any and all powers that are necessary or desirable to carry out the purposes and business of the Company, to the extent the same may be legally exercised by limited liability companies under the TBOC. The Company shall carry out the foregoing activities pursuant to the arrangements set forth in the Certificate and this Agreement. The assets of the Company, whether now or hereafter owned, are hereinafter sometimes referred to as the “Company Assets.”

Section 1.05. Registered Agent and Office. The Registered Agent (as defined in the Act) for the Company shall be Capitol Corporate Services, Inc. The Registered Office (as defined in the Act) of the Company shall be 1501 S. Mopac Expressway, Suite 220, Austin, Texas 78746, or such other office used by the Registered Agent that complies with the Act and of which the Company receives notice from the Registered Agent.

ARTICLE II
MEMBER; MEMBERSHIP INTEREST; MANAGEMENT

Section 2.01. Member. The Member's percentage of the income, gains, losses, deductions, voting rights and distributions, as may be affected by the terms of this Agreement, is one hundred percent (100%).

Section 2.02. Admission of Additional Members. One or more additional members may be admitted with the written consent of the Manager.

Section 2.03 Expulsion. The Member may not be expelled from the Company.

Section 2.04. Management of Company.

(a) The powers of the Company shall be exercised solely by or under the authority of, and the business and affairs of the Company shall be managed solely by a manager (the "Manager"). The Manager shall be Cross Hospitals, LLC. The Manager shall devote such time to the Company and its business as is appropriate to conduct the business of the Company in an effective manner and to carry out the Manager's responsibilities herein, provided, however, that the Manager shall not be obligated to devote the Manager's full time and attention to the business and affairs of the Company.

(b) Unless expressly prohibited by the Act or this Agreement, the Manager may, from time to time, delegate to such other persons such authority and duties of the Manager as the Manager may deem advisable. The Manager may appoint individuals as officers of the Company (the "Officers" or an "Officer") to act on behalf of the Company with such titles as the Manager may elect, including without limitation the titles of President, Vice President, Treasurer and Secretary, and unless the Manager decides otherwise, the assignment of such title shall constitute the delegation to such Officer of the authority and duties that are customary for an officer with such title of a corporation formed under the TBOC, subject to any specific delegation of authority and duties made to such Officer. Any delegation or appointment pursuant to this Section 2.04(b) may be revoked at any time by the Manager.

Section 2.05. Affiliates. The Manager has the right to cause the Company to enter into contracts or otherwise deal with the Manager or any of the Manager's affiliates in any capacity, including, without limitation, in connection with the financing, management, and development of the Company Assets.

Section 2.06. Expenses. The Company shall pay or reimburse the Manager for all direct, out-of-pocket expenses incurred by the Manager with respect to the Manager's duties under Section 2.04 to the Company, including, without limitation, salaries, accounting expenses, insurance premiums attributable directly to the Company, legal fees, and other direct costs associated with the formation and operation of the Company.

Section 2.07. Exculpations; Indemnities.

(a) Neither the Manager, nor the Member, Officers and their affiliates nor any of their respective shareholders, officers, directors, partners, members, managers, employees or agents (individually a “Covered Person”) shall be liable to the Company, the Member, Manager or any other person for any act (including, without limitation, any negligent act) performed or omitted by such Covered Person in good faith and in the belief that such act or omission was in or was not opposed to the best interests of the Company, provided, that such act or omission was not fraud, willful misconduct, or a material violation of this Agreement by such Covered Person. No Covered Person shall be liable to the Company, the Member, or any other person, for any action of any other person, including, without limitation any employee or agent of the Covered Person, provided, such action is within the scope of the purposes of the Company and the Covered Person seeking exculpation satisfies the parameters of the preceding sentence.

(b) The Company shall indemnify, defend, and hold harmless each Covered Person (individually, an “Indemnitee”) to the extent of the Company Assets, from and against any losses, expenses, judgments, fines, settlements, and damages incurred by the Company or such Indemnitee (including, without limitation, costs, expenses, and attorneys' fees expended in the settlement or defense of any such claim) arising out of any claim based upon acts (including, without limitation, negligent acts) performed or omitted by the Company or such Indemnitee in good faith and in the belief that such act or omission was in or was not opposed to the best interests of the Company, provided, that such act or omission was not fraud, willful misconduct, or a material violation of this Agreement by such Indemnitee. All decisions of the Company concerning the indemnity of any individual or entity by the Company shall be made by the Manager.

ARTICLE III **FINANCING**

Section 3.01. Funding.

(a) The Member may make capital contributions to the Company at such times, in such manner and in such amounts as the Manager may determine in the Manager’s sole discretion.

(b) The Member is not entitled to the return of any part of the Member’s capital contribution. An unrepaid capital contribution is not a liability of the Company.

(c) If the Manager determines that the Company requires funds for its day-to-day activities or for any other Company purpose, then the Manager may cause the Company to borrow funds from any person on terms approved by the Manager.

Section 3.02. Limited Liability of Member. Notwithstanding anything contained in this Agreement to the contrary and except as otherwise provided by the Act, the debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Company. No Covered Person shall be obligated personally for any such debt, obligation or liability of the Company solely by reason of being a Covered Person, and the liability of the Member for any of the debts, losses, or obligations of the Company shall be limited to the amount of capital contributed by the Member to the Company. Accordingly, no

Covered Person shall be obligated to provide additional capital to the Company or its creditors by way of contribution, loan, or otherwise. Except as provided in the Act or as may be agreed by any Covered Person, no such Covered Person shall have any personal liability whatsoever, whether to the Company or any third party, for the debts of the Company or any of its losses.

Section 3.03. Benefits of Agreement. Nothing in this Agreement, and, without limiting the generality of the foregoing, in this Article III, expressed or implied, is intended or shall be construed to give to any creditor of the Company or to any creditor of the Member or any other person or entity whatsoever, other than the Member and the Company, any legal or equitable right, remedy, or claim under or in respect of this Agreement or any covenant, condition, or provision herein contained, and such provisions are and shall be held to be for the sole and exclusive benefit of the Member and the Company.

ARTICLE IV **ACCOUNTING**

Section 4.01. Allocations. For purposes of maintaining the books of the Company, all items of income, gain, loss and deduction of the Company shall be allocated to the Member. For United States federal income tax and all other United States tax purposes, the Member shall take into account all income, gains, losses, deductions and credits of the Company directly on its tax return as if such income, gains, losses, deductions and credits were realized directly by the Member.

Section 4.02. Fiscal Matters.

- (a) The fiscal year of the Company shall end on the last day of December of each year.
- (b) The books of account of the Company shall be kept and maintained at all times at the principal place of business of the Company or at such other place or places approved by the Manager. The books of account shall be maintained according to federal income tax principles using the permissible method of accounting chosen by the Manager, consistently applied, and shall show all items of income and expense.

Section 4.03. Bank Accounts. Funds of the Company shall be deposited in a Company account or accounts in the bank or banks as selected by the Manager. Withdrawals from bank accounts shall only be made by the Manager or such other parties as may be approved by the Manager.

Section 4.04. Current Distributions to the Member. Except as provided in Section 5.02 in connection with the termination and liquidation of the Company, the Company shall distribute funds to the Member at such times and in such amounts as the Manager may determine in the Manager's sole discretion. In determining the amount of funds to distribute pursuant to this Section 4.04, the Manager may consider such factors as the need to allocate funds to any reserves for Company contingencies or any other Company purposes that the Manager deems necessary or appropriate.

Section 4.05 Tax Treatment. Notwithstanding any provision contained in this Agreement to the contrary, the parties agree that the Company will not be classified as an association for federal income tax purposes, but, at all times that one member owns one hundred percent (100%) of the equity interests in the Company, shall be disregarded as an entity separate from the Member pursuant to Treasury Regulation §301.7701-3(b)(1)(ii).

ARTICLE V

WINDING UP AND TERMINATION

Section 5.01. Winding Up of the Company. The Company shall begin to wind up upon the occurrence of any of the following:

(a) The sale or other disposition, not including an exchange, of substantially all of the assets of the Company (except under circumstances where all or a portion of the purchase price is payable after the closing of the sale or other disposition); or

(b) Subject to any obligations of the Company, when approved by the Member.

Section 5.02. Termination and Liquidation of the Company.

(a) Upon the commencement of winding up the Company, the Company shall be wound up as rapidly as business circumstances will permit. The Manager shall cause a full accounting of the assets and liabilities of the Company to be taken and a resulting statement of the Company Assets to be prepared and furnished to the Member as soon as is reasonably practicable. The Manager shall take such action as is necessary so that the Company's business shall be terminated, its liabilities discharged, and its assets distributed as hereinafter described. The Manager may sell any or all of the Company Assets or distribute any or all of the Company Assets in kind. A reasonable period of time shall be allowed for the orderly termination of the Company to minimize the normal losses of a liquidation process.

(b) After the payment of all expenses of liquidation and of all debts and liabilities of the Company in such order or priority as provided by law (including any debts or liabilities to the Member, who shall be treated as a secured or unsecured creditor, as may be the case, to the extent permitted by law, for sums loaned to the Company, if any, as distinguished from capital contributions), all remaining Company Assets shall then be distributed to the Member.

Section 5.03. Provisions Cumulative. All provisions of this Agreement relating to the winding up, liquidation, and termination of the Company shall be cumulative to the extent not inconsistent with other provisions herein; that is, the exercise or use of one of the provisions hereof shall not preclude the exercise or use of any other provision of this Agreement to the extent not inconsistent therewith.

ARTICLE VI

GENERAL

Section 6.01. Notices.

(a) All notices, demands, or requests provided for or permitted to be given pursuant to this Agreement must be in writing.

(b) All notices, demands, and requests to be sent to any party hereto, pursuant to this Agreement shall be deemed to have been properly given or served if: (i) personally delivered, (ii) deposited prepaid for next day delivery by Federal Express, or other similar overnight courier services, addressed to such party, (iii) deposited in the United States mail, addressed to such party, prepaid and registered or certified with return receipt requested, or (iv) transmitted via telecopier, email or other similar device to the attention of such party.

(c) All notices, demands, and requests so given shall be deemed received: (i) when personally delivered, (ii) twenty-four (24) hours after being deposited for next day delivery with an overnight courier, (iii) forty-eight (48) hours after being deposited in the United States mail, or (iv) twelve (12) hours after being telecopied, emailed or otherwise transmitted and receipt has been confirmed.

(d) Each party hereto shall have the right from time to time, and at any time during the term of this Agreement, to change its address and shall have the right to specify as its address any other address within the United States of America by giving to the other party hereto at least thirty (30) days written notice thereof, in the manner prescribed in Section 6.01(b); provided, however, that to be effective, any such notice must be actually received (as evidenced by a return receipt).

(e) All distributions to the Member shall be made at the address at which notices are sent unless otherwise specified in writing by the Member.

Section 6.02. Amendments. This Agreement may be amended at any time by the Manager.

Section 6.03. GOVERNING LAWS. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE INTERPRETED, CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS.

Section 6.04. Entire Agreement. This Agreement, including all exhibits to this Agreement and, if any, exhibits to such exhibits, contains the entire agreement among the parties relative to the matters contained in this Agreement and supersedes all prior contracts or agreements with respect to the Company, whether oral or written.

Section 6.05. Waiver. No consent or waiver, express or implied, by any party to or for any breach or default by any other party in the performance by such other party of his, her, or its obligations under this Agreement shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance by such other party of the same or any other obligations of such other party under this Agreement. Failure on the part of any party to complain of any act or failure to act of any other party or to declare any of the other parties in default, regardless of how long such failure continues, shall not constitute a waiver by such party of his, her, or its rights hereunder.

Section 6.06. Severability. If any provision of this Agreement or the application thereof to any person or circumstance shall be invalid or unenforceable to any extent, the remainder of this Agreement and the application of such provisions to other persons or circumstances shall not be affected thereby, and the intent of this Agreement shall be enforced to the greatest extent permitted by law.

Section 6.07. Binding Agreement. Subject to the restrictions on transfers and encumbrances set forth in this Agreement, this Agreement shall inure to the benefit of and be binding upon the undersigned parties and their respective legal representatives, successors, and assigns. Whenever, in this Agreement, a reference to any party is made, such reference shall be deemed to include a reference to the legal representatives, successors, and assigns of such party.

Section 6.08. Tense and Gender. Unless the context clearly indicates otherwise, the singular shall include the plural and vice versa. Whenever the masculine, feminine, or neuter gender is used inappropriately in this Agreement, this Agreement shall be read as if the appropriate gender was used.

Section 6.09. Captions. Captions are included solely for convenience of reference and if there is any conflict between captions and the text of this Agreement, the text shall control.


Section 6.10. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original for all purposes and all of which when taken together shall constitute a single counterpart instrument. Executed signature pages to any counterpart instrument may be detached and affixed to a single counterpart, which single counterpart with multiple executed signature pages affixed thereto constitutes the original counterpart instrument. All of these counterpart pages shall be read as though one, and they shall have the same force and effect as if all of the parties had executed a single signature page.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Each of the undersigned has executed and delivered this Company Agreement of Seattle Rehabilitation Hospital, LLC to be effective as of the Effective Date, although not necessarily executed on such date.

THE MEMBER:

Cross Hospitals, LLC,
a Texas limited liability company


By: 

Chester Crouch, Manager

THE COMPANY:

Seattle Rehabilitation Hospital, LLC,
a Texas limited liability company

By: Cross Hospitals, LLC
Its: Manager

By: 

Chester Crouch, Manager

COMPANY AGREEMENT
OF
SEATTLE REHAB REAL ESTATE INVESTORS, LLC

THE MEMBERSHIP INTERESTS REPRESENTED BY THIS COMPANY AGREEMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR UNDER ANY STATE SECURITIES ACTS IN RELIANCE UPON EXEMPTIONS UNDER THOSE ACTS. THE SALE OR OTHER DISPOSITION OF THE MEMBERSHIP INTERESTS IS PROHIBITED UNLESS SUCH SALE OR DISPOSITION IS MADE IN COMPLIANCE WITH ALL SUCH APPLICABLE ACTS. ADDITIONAL RESTRICTIONS ON TRANSFER OF THE MEMBERSHIP INTERESTS ARE SET FORTH IN THIS AGREEMENT.

TABLE OF CONTENTS

ARTICLE I ORGANIZATIONAL MATTERS 1

 1.1 Formation 1

 1.2 Name 1

 1.3 Term 1

 1.4 Registered Office and Principal Office of Company; Addresses of Members..... 1

 1.5 Ownership 1

 1.6 Title to Company Property 2

 1.7 Limits of Company..... 2

ARTICLE II DEFINITIONS 2

ARTICLE III PURPOSE, SCOPE AND OBLIGATIONS 7

 3.1 Purpose 7

 3.2 Project Developer and Asset Managers..... 8

 3.3 PACE Financing..... 8

 3.4 Equity Placement Fee..... 8

 3.5 Investor Services Fee 8

 3.6 Treatment of Fees..... 8

ARTICLE IV CAPITAL CONTRIBUTIONS AND CAPITAL ACCOUNTS..... 8

 4.1 Initial Capital Contributions of the Funding Members 8

 4.2 Additional Capital Contributions 8

 4.3 Capital Accounts 9

 4.4 Negative Capital Accounts..... 12

 4.5 Interest..... 12

 4.6 No Withdrawal 12

ARTICLE V ALLOCATIONS 12

 5.1 Allocations of Profits and Losses..... 12

 5.2 Special Allocations..... 12

 5.3 Other Special Allocations..... 13

 5.4 Tax Allocations: Code Section 704(c) 14

 5.5 Other Allocation Rules..... 14

ARTICLE VI DISTRIBUTIONS 15

 6.1 Distributions of Available Cash 15

ARTICLE VII MANAGEMENT OF THE COMPANY 16

 7.1 Management; Authority of Manager 16

 7.2 Compensation of the Manager 18

 7.3 Company Funds..... 18

 7.4 Duties 18

 7.5 Transactions with Affiliates 18

 7.6 Outside Activities; Conflicts of Interest..... 19

 7.7 Resolution of Conflicts of Interest 19

 7.8 Indemnification 19

 7.9 Reliance by Manager..... 20

 7.10 Insurance 21

7.11	Officers.....	20
7.12	Credit Support	20
7.13	Standards of Conduct; Fiduciary Duties	20
7.14	Removal of Manager	20
7.15	Notice for Removal	21
ARTICLE VIII RIGHTS AND OBLIGATIONS OF MEMBERS		21
8.1	Limitation of Liability	21
8.2	Outside Activities	21
8.3	Return of Capital	21
8.4	Meetings of Members.....	22
8.5	Action With or Without Meeting	22
ARTICLE IX BOOKS, RECORDS, ACCOUNTING AND REPORTS		22
9.1	Records and Accounting	22
9.2	Fiscal Year.....	22
9.3	Reports	23
9.4	Documents.....	23
ARTICLE X TAX MATTERS		23
10.1	Preparation of Tax Returns.....	23
10.2	Tax Elections.....	24
10.3	Tax Controversies	24
ARTICLE XI TRANSFERS OF COMPANY INTERESTS.....		24
11.1	Transfer Restrictions	24
11.2	Prohibited Transfers	24
11.3	Rights of Assignee	25
11.4	Admission of Substitute Members	25
11.5	Distributions and Allocations in Respect of Transferred Membership Interests.....	26
11.6	Specific Performance and Other Remedies	26
11.7	Purchase Option; Forfeiture	26
11.8	Determination of Purchase Value.....	27
11.9	Waiver of Rights to Object.....	27
ARTICLE XII WINDING UP		28
12.1	Winding Up	28
12.2	Continuation of the Company	28
12.3	Liquidation	28
12.4	Distribution in Kind	29
12.5	Cancellation of Certificate.....	29
12.6	Return of Capital	29
ARTICLE XIII AMENDMENT OF AGREEMENT		29
ARTICLE XIV GENERAL PROVISIONS		30
14.1	Addresses and Notices	30
14.2	Titles and Captions.....	30
14.3	Pronouns and Plurals	30
14.4	Further Action	30
14.5	Binding Effect	30
14.6	Integration	30

14.7	Creditors	30
14.8	Waiver	30
14.9	Counterparts	30
14.10	Applicable Law	30
14.11	Invalidity of Provisions	30
14.12	Representations and Warranties of the Members	31
14.13	Confidentiality.....	32

COMPANY AGREEMENT

OF

SEATTLE REHAB REAL ESTATE INVESTORS, LLC

THIS COMPANY AGREEMENT OF SEATTLE REHAB REAL ESTATE INVESTORS, LLC is entered into as of January 27, 2025 (the “Effective Date”), by and among the undersigned Persons, each as a Member, and Kennor NKD Holdings V, LLC, a Texas limited liability company, as the Manager.

Certain terms used in this agreement are defined in Article II hereof.

ARTICLE I

ORGANIZATIONAL MATTERS

1.1 Formation. The Manager formed a limited liability company (the “Company”) pursuant to the applicable laws of the State of Texas, including the Texas Business Organizations Code, and any successor statute, as amended from time to time (the “TBOC”), by filing a Certificate of Formation of the Company with the Secretary of State of the State of Texas on November 19, 2024 (the “Certificate”). The Company shall continue upon the terms and conditions herein set forth.

1.2 Name. The name of the Company is “Seattle Rehab Real Estate Investors, LLC.” The Company may also conduct its business under one or more assumed names as determined by the Manager.

1.3 Term. The Company shall continue in existence until the termination of the Company in accordance with the provisions of Section 12.1(b).

1.4 Registered Office and Principal Office of Company; Addresses of Members.

(a) Company Offices. The registered office of the Company in the State of Texas and the registered agent for service of process on the Company at such registered office shall be as set forth in the Certificate or such other registered office or registered agent as the Manager may from time to time designate. The principal office of the Company shall be 4317 Marsh Ridge Carrollton, Texas 75010, or such other office as the Manager may from time to time designate. The Company may maintain offices at such other place or places as the Manager deems advisable.

(b) Addresses of Members. The address of each Member shall be the address of such Member as set forth on Schedule 1. A Member may change its address at any time by giving all of the other Members ten (10) days’ prior written notice of such change in address.

1.5 Ownership. The interest of each Member in the Company shall be personal property for all purposes. All property and interests in property, real or personal, owned by the Company shall be deemed owned by the Company as an entity, and no Member, individually, shall have any ownership of such property or interest except by having an ownership interest in the Company as a Member. Each of the Members irrevocably waives, during the term of the Company and during any period of its liquidation following any winding up, any right that it may have to maintain any action for partition with respect to any of the assets of the Company.

1.6 Title to Company Property. It is the desire and intention of the Members that legal title to all property of the Company shall be held and conveyed in the name of the Company.

1.7 Limits of Company. The relationship between the parties hereto shall be limited to the carrying on of the business of the Company in accordance with the terms of this Agreement. Such relationship shall be construed and deemed to be a limited liability company for the sole and limited purpose of carrying on such business. Except as otherwise provided for or contemplated in this Agreement, nothing herein shall be construed to create a partnership between the Members or to authorize any Member to act as general agent for any other Member.

ARTICLE II

DEFINITIONS

The following definitions shall apply to the terms used in this Agreement, unless otherwise clearly indicated to the contrary in this Agreement:

“Act” means, at any time, the provisions of the TBOC that apply to the Company, either by their terms or by election. The provisions of Chapter 6 of the TBOC are hereby made applicable to the Company except to the extent in direct conflict with a provision of this Agreement.

“Adjusted Capital Account Deficit” means, with respect to any Member, the deficit balance, if any, in such Member’s Capital Account as of the end of the relevant Adjustment Period, after giving effect to the following adjustments: (a) any amounts that such Member is, or is deemed to be, obligated to restore pursuant to Section 1.704-1(b)(2)(ii)(c) of the Regulations, the penultimate sentence of Section 1.704-2(g)(1) of the Regulations, or the penultimate sentence of Section 1.704-2(i)(5) of the Regulations, shall be credited to such Capital Account; and (b) the items described in Sections 1.704-1(b)(2)(ii)(d)(4), (5), and (6) of the Regulations shall be debited to such Capital Account. The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Section 1.704-1(b)(2)(ii)(d) of the Regulations and shall be interpreted consistently therewith.

“Adjustment Period” means any period of time that begins on the Effective Date (in the case of the first Adjustment Period) or the day following the end of the immediately preceding Adjustment Period (with respect to each subsequent Adjustment Period) and ends on the first to occur of: (a) the last day of a Fiscal Year, (b) the day immediately preceding the date of the “liquidation” of a Member’s interest in the Company (within the meaning of Section 1.704-1(b)(2)(ii)(g) of the Regulations), or (c) the date on which the Company is terminated under Article XII.

“Affiliate” means any Person that directly or indirectly Controls, is Controlled by, or is under common Control with, the Person in question.

“Agreement” means this Company Agreement of Seattle Rehab Real Estate Investors, LLC, a Texas limited liability company, as it may be amended, supplemented, or restated from time to time.

“Approval of the Funding Members” means the written consent of the Funding Members holding at least sixty-six and two-thirds percent (66.66%) of the Capital Contribution Percentage of the Funding Members.

“ARGUS Assumptions” shall mean those certain financial models and assumptions agreed upon by the Members showing the projected expenses, revenue, and other financial terms for the Project.

“Available Cash” of the Company as of any date means all cash funds of the Company derived from Company Operations and Capital Transactions on hand from time to time after: (a) payment of all Company costs and expenses that are due and payable as of such time, including debt service on outstanding

loans to the Company and, upon maturity of each outstanding loan, payment in full of such debt; (b) payment of all costs relating to or arising from any Capital Transactions (including any costs relating to the repair, restoration or replacement of any property that is subject to casualty or condemnation); (c) provision for payment of all Company costs and expenses that are anticipated to become due and payable within 30 days following the date on which Available Cash is being determined; and (d) provision for adequate reserves for working capital and/or capital expenditures.

“Bankrupt Member” shall mean (except to the extent consented otherwise by the Manager not affiliated with such Member) any Member (a) that (i) makes a general assignment for the benefit of creditors; (ii) files a voluntary petition under any federal or state law for the relief of debtors; (iii) becomes the subject of an order for relief or is declared insolvent in any federal or state bankruptcy or insolvency proceedings; (iv) files a petition or answer seeking for the Member a reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any law; (v) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the Member in a proceeding of the type described in subclauses (i) through (iv) of this clause (a); (vi) seeks, consents to, or acquiesces in the appointment of a trustee, receiver, or liquidator of the Member or of all or any substantial part of the Member’s properties; or (vii) suffers any writ of attachment or execution or any similar process to be issued or levied against the interests of the Member in the Company which is not released, stayed, bonded or vacated within ninety (90) days after its issue or levy; or (b) against which, a proceeding seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any law has been commenced and 60 days have expired without dismissal thereof or with respect to which, without the Member’s consent or acquiescence, a trustee, receiver, or liquidator of the Member or of all or any substantial part of the Member’s properties has been appointed and 60 days have expired without the appointment having been vacated or stayed, or 60 days have expired after the date of expiration of a stay, if the appointment has not previously been vacated.

“Book Depreciation” has the meaning set forth in Section 4.3(b)(v).

“Book Value” has the meaning set forth in Section 4.3(c).

“Budget” means each annual operating budget prepared and approved in accordance with this Agreement.

“Capital Account” means the capital account maintained for a Member pursuant to Section 4.3(a).

“Capital Contribution” means any cash or other property contributed by a Member to the Company pursuant to the provisions of this Agreement.

“Capital Contribution Percentage” means, for each Member, the contribution percentage set forth opposite the name of that Member under the heading “Capital Contribution Percentage” on Schedule 1 hereto, as it may be amended pursuant to this Agreement.

“Capital Transaction” means (i) the sale, exchange or other disposition of all or any portion of the property of the Company or any other Person in which the Company owns a direct or indirect interest, other than in the ordinary course of business of the Company (or such other Person); (ii) the financing or refinancing of property of the Company or any other Person in which the Company owns a direct or indirect interest; and (iii) the occurrence of a casualty or condemnation with regard to all or any portion of the property of the Company or any other Person in which the Company owns a direct or indirect interest that creates excess funds not needed to repair or replace the affected property (or to repay indebtedness).

“Certificate” has the meaning set forth in Section 1.1, as such Certificate may be amended or restated from time to time.

“Class A Funding Member” shall mean those listed under the “Class A Funding Members” heading on Schedule 1 attached hereto.

“Class A Funding Member Sharing Ratio” means the ratio, expressed as a percentage, that each Class A Funding Member's Percentage Interest bears in relation to all other Percentage Interests of the Class A Funding Members.

“Class B Funding Member” shall mean those listed under the “Class B Funding Members” heading on Schedule 1 attached hereto.

“Class B Funding Member Sharing Ratio” means the ratio, expressed as a percentage, that each Class B Funding Member's Percentage Interest bears in relation to all other Percentage Interests of the Class B Funding Members.

“Closing” has the meaning set forth in Section 11.7(c).

“Code” means the Internal Revenue Code of 1986, as amended and in effect from time to time.

“Company Operations” means all operations and activities of the Company other than those related to or consisting of a Capital Transaction.

“Consultant” has the meaning set forth in Section 11.8.

“Contributing Members” has the meaning set forth in Section 4.2.

“Contributing Member Loan” has the meaning set forth in Section 4.2.

“Control” or any derivation thereof, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

“Credit Support” has the meaning set forth in Section 7.12.

“Developer Fee” means a fee equal to five percent (5%) of the Hard Project Costs shown on the attached Exhibit A provided, however, for purposes of calculating the Developer Fee, Project Costs shall not include the Developer Fee.

“Effective Date” has the meaning set forth in the introduction to this Agreement.

“Fiscal Year” means the twelve (12) month period ending December 31 of each year; provided that the initial Fiscal Year shall be the period beginning on the Effective Date and ending December 31, 2024, and the last Fiscal Year shall be the period beginning on January 1 of the calendar year in which the final liquidation and termination of the Company is completed and ending on the date such final liquidation and termination is completed (to the extent any computation or other provision hereof provides for an action to be taken on a Fiscal Year basis, an appropriate proration or other adjustment shall be made in respect of the initial and final Fiscal Years to reflect that such periods are less than full calendar year periods).

“Funding Member” means each Member, including both Class A Funding Members and the Class B Funding Members, who has executed a Subscription Agreement and counterpart signature page to this Agreement, whose Capital Contribution Percentage is greater than zero percent (0%).

“Indemnified Party” has the meaning set forth in Section 7.8(a).

“Kennor Cross Holdings” means Kennor Cross Holdings, LLC, a Texas limited liability company.

“Kennor Cross Opco Investments” means Kennor Cross Opco Investments, LLC, a Texas limited liability company.

“Liquidator” has the meaning set forth in Section 12.3(a).

“Losses” has the meaning set forth in Section 4.3(b).

“Major Decision” has the meaning set forth in Section 7.1(b).

“Manager” shall mean Kennor NKD Holdings V, LLC, a Texas limited liability company, as the initial Manager of the Company, and shall include any Person admitted as a substitute Manager of the Company.

“Members” shall mean the initial members of the Company as set forth on Schedule 1 attached hereto and incorporated herein by this reference, and shall include any Person admitted as an additional member or a substitute member of the Company pursuant to the provisions of this Agreement, each in its capacity as a member of the Company. Reference to a “Member” means any one of the Members.

“Member Minimum Gain” means partnership minimum gain attributable to a partner nonrecourse debt as determined under the rules of Section 1.704-2(i) of the Regulations.

“Member Nonrecourse Deductions” has the meaning set forth in Section 1.704-2(i)(2) of the Regulations.

“Membership Interest” means the ownership interest in the Company held by a Member representing a fractional part of the membership interests of all Members, and includes any and all benefits to which the holder of such a membership interest may be entitled as provided in this Agreement, including a Member’s share of the profits and losses of the Company and the right to receive distributions of the Company’s assets, together with all obligations of such Person to comply with the terms and provisions of this Agreement.

“Minimum Gain” shall mean an amount determined in accordance with Regulations Section 1.704-2(d) by computing, with respect to each “nonrecourse liability” (as defined in Regulations Section 1.704-2(b)(3)) of the Company, the amount of gain (of whatever character), if any, that would be realized by the Company if (in a taxable transaction) it disposed of the property subject to such liability in full satisfaction thereof, and by then aggregating the amounts so computed.

“Non-Contributing Member” has the meaning set forth in Section 4.2.

“Non-Funding Member” means Kennor NKD Holdings V, LLC, a Texas limited liability company.

“Nonrecourse Deductions” has the meaning set forth in Section 1.704-2(b)(1) of the Regulations.

“PACE Financing” has the meaning set forth in Article III.

“Partially Adjusted Capital Account” means, with respect to any Member as of the close of business on the last day of any Adjustment Period, the Capital Account of such Member as of the beginning of such Adjustment Period, after giving effect to all allocations of items of income, gain, loss or deduction not included in Profits or Losses and all Capital Contributions and distributions during such period but before giving effect to any allocations of Profit or Losses for such period pursuant to Section 5.1 increased by (i) such Member’s share of Minimum Gain as of the end of such Adjustment Period and (ii) such Member’s share of Member Minimum Gain as of the end of such Adjustment Period.

“Partnership Representative” has the meaning ascribed to “partnership representative” within the meaning of Section 6223(a) of the Code.

“Payment Terms” has the meaning set forth in Section 11.7(c).

“Person” means an individual or a corporation, partnership, trust, estate, unincorporated organization, association, or other entity.

“Percentage Interest” means, for each Member, the percentage interest set forth opposite the name of that Member under the heading “Percentage Interest” on Schedule 1 hereto, as it may be amended pursuant to this Agreement.

“Pledge” or any derivation thereof, means, as the context may require, a pledge, encumbrance, lien, mortgage, hypothecation, or similar disposition (other than a Transfer) with respect to the applicable property in connection with the granting of a lien or security interest to secure an obligation of the pledgor or an Affiliate of the pledgor.

“Preferred Return” means, for each Funding Member, an amount equal to an annually-compounded cumulative return of 10% per annum on the amount of such Funding Member’s Undistributed Pro-Rata Capital from time to time.

“Prime Rate” shall mean the rate of interest published from time to time in *The Wall Street Journal*, Southwestern Edition, and designated as the prime rate.

“Profits” has the meaning set forth in Section 4.3(b).

“Project” means the purchase, development, leasing and sale of approximately 2.86 acres and the development of an approximately 64,763 square foot inpatient rehabilitation center, located at 26429, 26475 & 26505 Pacific Hwy S, Des Moines, WA 981987, to be leased to Seattle Rehabilitation Hospital, LLC.

“Project Costs” shall mean all costs and expenses in connection with the acquisition, development, construction and stabilization of the Project, including, without limitation, (i) all acquisition and closing costs; (ii) all fees and expenses of obtaining any entitlements, permits or other governmental approvals in connection with the pre-development and development of the Project; (iii) all hard costs incurred in developing and constructing the Project; (iv) all costs incurred for professional services in connection with the entitlement, development and construction of the Project, including, but not limited to the general contractor's fee and the fees of surveyors, engineers, architects, appraisers, accountants and attorneys, and (v) all real estate taxes, insurance premiums, utilities charges, common area assessments and maintenance expenses incurred in connection with the Project and accruing while Project is under development or construction.

“Project Budget” means the final Project budget approved by the Members prior to the execution of this Agreement and attached hereto as Exhibit “A”.

“Pro-Rata Capital” means all Capital Contributions made by the Funding Members in accordance with their Capital Contribution Percentages pursuant to Section 4.1.

“Purchase Event” has the meaning set forth in Section 11.7(a).

“Purchase Interest” has the meaning set forth in Section 11.7(a).

“Purchase Price” has the meaning set forth in Section 11.6(a)(iii).

“Regulations” means the Department of Treasury Regulations promulgated under the Code, as amended and in effect (including corresponding provisions of succeeding regulations).

“Relative” means, with respect to a particular Person, any spouse, brother, sister, ascendant, or descendant of such Person.

“Removal Event” shall have the meaning set forth in Section 7.15.

“Securities Act” means the Securities Act of 1933, as amended, and any successor to such statute.

“Seller” has the meaning set forth in Section 11.7(a).

“Subscription Agreement” means, with respect to any Funding Member, the Subscription Agreement completed by or on behalf of such Funding Member and delivered to the Manager.

“Supervising Construction Consultant” shall be B Squared R Plus D Inc., whom shall be entitled to receive all reports set forth in Section 9.3 and shall have the right to receive, review and comment on all Project construction reports.

“Target Capital Account” means, with respect to any Member as of the close of business on the last day of any Adjustment Period, an amount (which may be either a positive or a deficit balance) equal to the amount such Member would receive as a distribution if all assets of the Company as of such date were sold for cash equal to the Book Value of such assets, all the Company liabilities were satisfied to the extent required by their terms and the net proceeds were distributed pursuant to Section 6.1.

“TBOC” means, at any time, the Texas Business Organizations Code or, from and after the date any successor statute becomes, by its terms, applicable to the Company, such successor statute, in each case as amended at such time by amendments that are, at that time, applicable to the Company. All references to sections of the TBOC include any corresponding provision or provisions of any such successor statute.

“Transfer” and “Transferred,” or any other derivation thereof, means, as the context may require, a direct or indirect sale, assignment, transfer, merger, consolidation, share exchange, conversion, or other disposition (other than a Pledge) of the applicable property (including without limitation, the granting of options or rights with respect to such property), by operation of law or otherwise.

“Undistributed Preferred Return Account” means, for each Funding Member, the amount in a special record-keeping account maintained by the Company for such Funding Member, equal to (a) such Funding Member’s accrued Preferred Return, reduced (but not below zero) by (b) all amounts distributed by the Company to such Funding Member pursuant to Section 6.1(b).

“Undistributed Pro-Rata Capital” means, with respect to a Funding Member, the amount in a special record-keeping account maintained by the Company for such Member, equal to (a) the aggregate

amount of Pro-Rata Capital contributions contributed by such Funding Member to the Company pursuant to and/or described in Section 4.1 and Section 4.2, reduced (but not below zero) by (b) the aggregate amount of cash distributed to such Funding Member pursuant to Section 6.1(c) below.

ARTICLE III

PURPOSE, SCOPE AND OBLIGATIONS

3.1. Purpose. The Company shall be authorized to conduct the acquisition, ownership, holding for investment, development, construction, management, sale, lease, rent, and all other modes of dealing with all forms of real and personal property, tangible and intangible, in connection with the Project. The Company shall have and may exercise all powers necessary to the accomplishment of its purposes without the necessity of their specific enumeration herein.

3.2. Project Developer and Asset Manager. The Non-Funding Member shall be the initial developer of the Project. In the event the Non-Funding Member (i) fails to competently provide project development services to the Company as determined by an Approval of the Funding Members, (ii) becomes a Bankrupt Member, or (iii) engages in fraudulent behavior or willful misconduct directly related to the Project as determined by an Approval of the Funding Members, then the Funding Members shall, through an Approval of the Funding Members, appoint a new Non-Funding Member to act as the developer of the Project. The Non-Funding Member shall immediately notify the Members upon the occurrence of any of the foregoing events. The Non-Funding Member shall also serve as the asset manager of the Project, acting as the primary point of contact with tenants, lenders, attorneys, accountants, architects, engineers, brokers, consultants, municipalities, regulatory authorities and all other third parties. The Non-Funding Member shall deliver to the Members monthly Project updates with date milestones and pictures and, once construction starts, a copy of the weekly construction updates for the Project. As compensation for the foregoing development services, the Company shall pay Kennor Cross Holdings, LLC a Texas limited liability company, the Developer Fee in full at the closing of the initial construction loan. In addition, Cross Development, LLC shall be entitled to a one-time development fee paid in full at the closing of the initial construction loan.

3.3. PACE Financing. The Non-Funding Member may elect, in its sole discretion, to apply for Property Assessed Clean Energy Financing (“PACE Financing”) for the Project. If PACE Financing is obtained with respect to the Project, loan proceeds from the PACE Financing shall, to the extent permitted (i) pursuant to the terms of the PACE Financing documents and (ii) under the terms of all other Project loan financing, be distributed to the Members in the order of priority set forth in Section 6.1.

3.4. Equity Placement Fee. Kennor Cross Opco Investments shall be entitled to an Equity Placement Fee equal to two percent (2%) of the Capital Contributions made by the Class B Funding Members. This Equity Placement Fee shall be paid in full at Closing.

3.5. Investor Services Fee. Kennor Cross Opco Investments shall be entitled to an Investor Services Fee equal to seven tenths of one percent (0.70%) of the Capital Contribution made by the Class B Funding Members. Such fee shall be payable quarterly in advance until the Project is sold but shall accrue from the Effective Date until paid.

3.6. Treatment of Fees. All fees payable pursuant to this Article III shall be treated as “guaranteed payments” under Section 707(a) of the Code, or as ordinary and necessary business expenses payable by the Company to a non-Member, none of which shall be considered distributions pursuant to Section 6.1. No other fees shall be payable to any Member or Affiliate of a Member unless set forth in an approved Budget.

ARTICLE IV

CAPITAL CONTRIBUTIONS AND CAPITAL ACCOUNTS

4.1 Initial Capital Contributions of the Funding Members. On the Effective Date, the Funding Members have contributed cash to the Company in accordance with each Funding Member's Subscription Agreement, in the amounts described in Schedule 1 in accordance with their Capital Contribution Percentages as each Member's portion of equity capital required for the Project as contemplated in the Budget.

4.2 Additional Capital Contributions. No Member will have any obligation to make any Capital Contributions other than the initial Capital Contributions described in Section 4.1. If the Manager reasonably determines that the amounts contributed to the Company by the Funding Members as the initial Capital Contributions, together with any other Available Cash of the Company, are insufficient to carry on the purposes of the Company (including, without limitation, to allow the Company to fulfill its indemnification obligations under Section 7.8 hereof), or costs set forth in the Project Budget or the Budget have been exceeded and additional capital is reasonably required, then within thirty (30) days after receipt of written notice from the Manager regarding the need for such additional capital, the Members may, but shall not be obligated to, loan such funds to the Company in the aggregate amount specified by the Manager in such notice, on a pro rata basis in accordance with their respective Membership Interests set forth on Schedule 1 attached hereto, at a 10.00% non-compounded, simple annual interest rate (the "Contributing Member Loan"). Any such request for additional capital hereunder shall be in the form of a written notice to the Members setting forth the amount of each Member's requested loan and the date by which such amounts should be loaned to the Company. In the event that any Member fails to make the requested loan (each a "Non-Contributing Member"), then the Members that have agreed to contribute their share of the requested loan (the "Contributing Members") shall be offered the right to loan such additional capital to the Company, shall have fifteen (15) days to make a determination regarding the loan of such additional capital, and shall notify the Manager within such fifteen (15) day period whether the Contributing Members elect to make such loan to the Company or not. If the Contributing Members fail to notify the Manager of such election within the fifteen (15) day time period in the previous sentence, then the Contributing Members shall be deemed to have elected not to loan additional capital to the Company beyond their pro-rata share. If additional capital is required and the Members cannot or will not loan such additional capital to the Company, the Manager will seek third-party funding and Kennor Cross Opco Investments shall have the right to approve in writing the terms and conditions of obtaining such third-party funding. Notwithstanding anything to the contrary contained herein, in no event may the Manager borrow or contribute funds on behalf of the Company without the prior written approval of Kennor Cross Opco Investments.

4.3 Capital Accounts.

(a) Maintenance Rules. The Company shall maintain for each Member a separate Capital Account in accordance with this Section 4.3. Each Capital Account shall be maintained in accordance with the following provisions:

(i) Such Capital Account shall be increased by the cash amount or Book Value of any property contributed by such Member to the Company pursuant to this Agreement, such Member's allocable share of Profits and any items in the nature of income or gains which are specially allocated to such Member pursuant to Section 5.2 and Section 5.3, and the amount of any Company liabilities assumed by such Member or which are secured by any property distributed to such Member.

(ii) Such Capital Account shall be decreased by the cash amount or Book Value of any property distributed to such Member pursuant to this Agreement, such Member's allocable share of Losses and any items in the nature of expenses or losses which are specially allocated to such Member pursuant to Section 5.2 and Section 5.3, and the amount of any liabilities of the Member assumed by the Company or which are secured by any property contributed by such Member to the Company.

(iii) If all or a portion of an interest in the Company is transferred in accordance with the terms of this Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent it relates to the transferred interest.

(iv) In determining the amount of any liability for purposes of Section 4.3(a)(i) or Section 4.3(a)(ii) and the definition of "Adjusted Capital Account" there shall be taken into account Code Section 752(c) and any other applicable provisions of the Code and Regulations.

The foregoing provisions and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Section 1.704-1(b) of the Regulations and shall be interpreted and applied in a manner consistent with such Regulations. Subject to the terms contained in Section 7.1, if the Manager determines that it is prudent to modify the manner in which the Capital Accounts, or any increases or decreases to the Capital Accounts (including, without limitation, increases or decreases relating to liabilities which are secured by contributed or distributed property or which are assumed by the Company or a Member), are computed in order to comply with such Regulations, the Manager may authorize such modifications, provided that it is not likely to have a material effect on the amounts distributable to any Person pursuant to Section 12.3 upon the winding up and liquidation of the Company.

(b) Definition of Profits and Losses. "Profits" and "Losses" mean, for each Adjustment Period, an amount equal to the Company's taxable income or loss for such year or period, determined in accordance with Code Section 703(a) (for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to Code Section 703(a)(1) shall be included in taxable income or loss), with the following adjustments:

(i) Income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Profits and Losses pursuant to this Section 4.3(b) shall be added to such taxable income or loss.

(ii) Any expenditures of the Company described in Code Section 705(a)(2)(B), or treated as Code Section 705(a)(2)(B) expenditures pursuant to Section 1.704-1(b)(2)(iv)(i) of the Regulations, and not otherwise taken into account in computing Profits and Losses pursuant to this Section 4.3(b), shall be subtracted from such taxable income or loss.

(iii) If the Book Value of any asset is adjusted pursuant to Section 4.3(c)(ii) or Section 4.3(c)(iii), the amount of such adjustment shall be taken into account as gain or loss from the disposition of such asset for purposes of computing Profits and Losses.

(iv) Gain or loss resulting from any disposition of property with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to the Book Value of the property disposed of, notwithstanding that the adjusted tax basis of such property differs from its Book Value.

(v) In lieu of the deduction for depreciation, amortization, or other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Book Depreciation as defined in this Section 4.3(b)(v). “Book Depreciation” means for any Adjustment Period, an amount equal to the depreciation, amortization, or other cost recovery deduction allowable with respect to an asset for such Adjustment Period, except that if the Book Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such Adjustment Period, Book Depreciation shall be an amount that bears the same ratio to such beginning Book Value as the federal income tax depreciation, amortization or other cost recovery deduction allowable for that asset for such Adjustment Period bears to the adjusted tax basis of that asset at the beginning of such Adjustment Period; provided, however; that if the adjusted basis for federal income tax purposes of an asset at the beginning of such Adjustment Period is zero, then Book Depreciation for that asset shall be determined with reference to such beginning Book Value using any reasonable method selected by the Manager.

(vi) To the extent an adjustment to the adjusted tax basis of any Company property pursuant to Code Section 734(b) or Code Section 743(b) is required pursuant to Section 1.704-1(b)(2)(iv)(m)(4) of the Regulations to be taken into account in determining Capital Accounts as a result of a distribution other than in liquidation of a Member’s interest in the Company, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases the basis of the asset) from the disposition of the asset and shall be taken into account for purposes of computing Profits or Losses.

(vii) Notwithstanding any other provision of this Section 4.3(b), any items that are specially allocated pursuant to Section 5.2 or Section 5.3 shall not be taken into account in computing Profits and Losses.

(c) Definition of Book Value. “Book Value” means for any asset the asset’s adjusted basis for federal income tax purposes, except as follows:

(i) The initial Book Value of any asset contributed by a Member to the Company shall be the gross fair market value of such asset, as reasonably determined by the Manager.

(ii) The Book Values of all Company assets shall be adjusted to equal their respective gross fair market values, as determined by the Manager, as of the following times: (A) on the acquisition of an additional interest in the Company by any new or existing Member in exchange for more than a de minimis capital contribution if the Manager reasonably determine that such adjustment is necessary or appropriate to reflect the relative economic interests of the Members in the Company; (B) on the grant of an interest in the Company (other than a de minimis interest), as consideration for the provision of services to or for the benefit of the Company by any new or existing Member acting in a Member capacity or in anticipation of being a Member if the Manager reasonably determine that such adjustment is necessary or appropriate to reflect the relative economic interests of the Members in the Company; (C) on the distribution by the Company to a Member of more than a de minimis amount of Company property as consideration for an interest in the Company if the Manager reasonably determine that such adjustment is necessary or appropriate to reflect the relative economic interests of the Members in the Company; and (D) on the liquidation of the Company within the meaning of Section 1.704-1(b)(2)(ii)(g) of the Regulations.

(iii) The Book Value of any Company asset distributed to any Member shall be adjusted to equal the gross fair market value of such asset on the date of distribution.

(iv) The Book Values of Company assets shall be increased (or decreased) to reflect any adjustment to the adjusted basis of such assets pursuant to Code Section 734(b) or Code Section 743(b), but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Section 1.704-1(b)(2)(iv)(m) of the Regulations and Section 4.3(b)(vi) or Section 5.2(e); provided, however, that Book Values shall not be adjusted pursuant to this Section 4.3(c)(iv) to the extent the Manager determine that an adjustment pursuant to Section 4.3(c)(ii) is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment pursuant to this Section 4.3(c)(iv).

(v) If the Book Value of an asset has been determined or adjusted pursuant to Section 4.3(c)(i), 4.3(c)(ii), or 4.3(c)(iv), such Book Value shall thereafter be adjusted by the Book Depreciation taken into account with respect to such asset for purposes of computing Profits and Losses.

4.4 Negative Capital Accounts. If any Member has a deficit balance in its Capital Account, such Member shall have no obligation to restore such negative balance or to make any Capital Contribution to the Company by reason thereof, and such negative balance shall not be considered an asset of the Company or of any Member.

4.5 Interest. No interest shall be paid by the Company on Capital Contributions or on balances in Capital Accounts.

4.6 No Withdrawal. No Member shall be entitled to withdraw any part of its Capital Contribution or its Capital Account or to receive any distribution from the Company, except as provided in Section 6.1 and Article XII.

ARTICLE V

ALLOCATIONS

5.1 Allocations of Profits and Losses. After application of Sections 5.2 and 5.3, Profits or Losses for each Adjustment Period shall be allocated among the Members so as to reduce, proportionately, in the case of any Profits, the difference between their respective Target Capital Accounts and Partially Adjusted Capital Accounts for such Adjustment Period and, in the case of Losses, the difference between their respective Partially Adjusted Capital Accounts and Target Capital Accounts for such Adjustment Period. No portion of Profits or Losses for any Adjustment Period shall be allocated to a Member, in the case of Profits, whose Partially Adjusted Capital Account is greater than its Target Capital Account or, in the case of Losses, whose Target Capital Account is greater than or equal to its Partially Adjusted Capital Account for such Adjustment Period.

5.2 Special Allocations.

(a) Minimum Gain Chargeback. Except as otherwise provided in Section 1.704-2(f) of the Regulations, notwithstanding any other provision of Article V, if there is a net decrease in Minimum Gain during any Company taxable year, each Member shall be specially allocated items of Company income and gain for such taxable year (and if necessary, subsequent taxable years) in an amount equal to such Member's share of the net decrease in Minimum Gain, determined in

accordance Section 1.704-2(g) of the Regulations. Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Member pursuant thereto. The items to be allocated shall be determined in accordance with Sections 1.704-2(f)(6) and 1.704-2(j)(2). This Section 5.2(a) is intended to comply with the minimum gain chargeback requirement (set forth in Section 1.704-2(f) of the Regulations) relating to nonrecourse liabilities (as defined in Section 1.704-2(b)(3) of the Regulations) and shall be so interpreted.

(b) Member Minimum Gain Chargeback. Except as otherwise provided in Section 1.704-2(i)(4) of the Regulations, notwithstanding any other provision of this Article V, if there is a net decrease in Member Minimum Gain during any Company taxable year, each Member who has a share of the Member Minimum Gain, determined in accordance with Section 1.704-2(i)(5) of the Regulations, shall be specially allocated items of Company income and gain for such taxable year (and if necessary, subsequent taxable years) in the amounts and manner described in Section 1.704-2(i) of the Regulations. This Section 5.2(b) is intended to comply with the minimum gain chargeback requirement (set forth in Section 1.704-2(i)(4) of the Regulations) and shall be so interpreted.

(c) Qualified Income Offset. If any Member unexpectedly receives any adjustments, allocations, or distributions described in Section 1.704-1(b)(2)(ii)(d)(4), Section 1.704-1(b)(2)(ii)(d)(5), or Section 1.704-2(b)(ii)(d)(6) of the Regulations, items of Company income and gain shall be specially allocated to each such Member in an amount and manner sufficient to eliminate, to the extent required by the Regulations, the Adjusted Capital Account Deficit of such Member as quickly as possible, provided that an allocation pursuant to this Section 5.2(c) shall be made only if and to the extent that such Member would have an Adjusted Capital Account Deficit after all other allocations provided for in this Article V have been tentatively made as if this Section 5.2(c) were not in the Agreement.

(d) Gross Income Allocation. If any Member has an Adjusted Capital Account Deficit at the end of any Company taxable year, each such Member shall be specially allocated items of Company income and gain in the amount of such excess as quickly as possible, provided that an allocation pursuant to this Section 5.2(d) shall be made only if and to the extent that such Member would have an Adjusted Capital Account Deficit after all other allocations provided for in this Article V have been made as if Section 5.2(c) and this Section 5.2(d) were not in the Agreement.

(e) Basis Adjustments. To the extent an adjustment to the tax basis of any Company asset pursuant to Section 734(b) or 743(b) of the Code is required, pursuant to Section 1.704-1(b)(2)(iv)(m)(2) or Section 1.704-1(b)(2)(iv)(m)(4) of the Regulations, to be taken into account in determining Capital Accounts as the result of a transfer or a distribution to a Member in complete liquidation of his interest in the Company, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis), and such gain or loss shall be specially allocated to the Members in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to such section of the Regulations.

(f) Nonrecourse Deductions. Nonrecourse Deductions for any Adjustment Period shall be allocated among the Members in proportion to their Percentage Interest.

(g) Member Nonrecourse Deductions. Member Nonrecourse Deductions shall be allocated pursuant to Section 1.704-2(b)(4) and (i)(1) of the Regulations to the Member who bears the economic risk of loss for the liability to which such deductions are attributable.

5.3 Other Special Allocations.

(a) If the Company has Profits for any Adjustment Period (determined prior to giving effect to this Section 5.3) and the balance of any Member's Partially Adjusted Capital Account is greater than the balance of its Target Capital Account, then the Member with such excess balance shall be specially allocated items of Company deduction or loss for such Adjustment Period (to the extent available) equal to the difference between its Partially Adjusted Capital Account and its Target Capital Account;

(b) If the Company has Losses for any Adjustment Period (determined prior to giving effect to this Section 5.3) and the balance of any Member's Partially Adjusted Capital Account is less than the balance of its Target Capital Account, then the Member with such deficit balance shall be specially allocated items of Company income or gain for such Adjustment Period (to the extent available) equal to the difference between its Partially Adjusted Capital Account and its Target Capital Account; and

(c) If the Company has neither Profits nor Losses for any Adjustment Period (determined prior to giving effect to this Section 5.3) and, notwithstanding the application of Section 5.1, the balance of any Member's Partially Adjusted Capital Account differs from the balance of its Target Capital Account, then the Member with a positive or negative difference, as the case may be, shall be specially allocated items of Company deduction or loss or income or gain, as the case may be, for such Adjustment Period (to the extent available) to eliminate the difference between its Partially Adjusted Capital Account and its Target Capital Account; provided, however, that no Member shall be allocated any Losses or items in the nature of deduction or loss pursuant to Section 5.1 or this Section 5.3 to the extent that such allocation would cause or increase an Adjusted Capital Account Deficit. To the extent allocations of Losses cannot be made to any Member because of first sentence to this clause, such allocations shall be made to the Members in accordance with their respective Percentage Interests, notwithstanding such proviso.

5.4 Tax Allocations: Code Section 704(c).

(a) In accordance with Code Section 704(c) and the Regulations thereunder, income, gain, loss and deduction with respect to any property contributed to the capital of the Company shall, solely for tax purposes, be allocated among the Members so as to take account of any variation between the adjusted basis of such property to the Company for federal income tax purposes and its initial Book Value (computed in accordance with Section 4.3(c)(i)).

(b) If the Book Value of any Company asset is adjusted pursuant to Section 4.3(c)(ii), subsequent allocations of income, gain, loss and deduction with respect to such asset shall take account of any variation between the adjusted basis of such asset for federal income tax purposes and its Book Value in the same manner as under Code Section 704(c) and the Regulations thereunder.

(c) Any elections or other decisions relating to allocations made pursuant to this Section 5.4 shall be made by the Manager in any manner that reasonably reflects the purpose and intention of the Agreement. Allocations pursuant to this Section 5.4 are solely for purposes of federal, state, and local taxes and shall not affect or in any way be taken into account in computing any Member's Capital Account or share of Profits, Losses, and other items or distributions pursuant to any provision of this Agreement.

5.5 Other Allocation Rules.

(a) For purposes of determining the Profits, Losses, or any other item allocable to any period, Profits, Losses, and any such other item shall be determined on a daily, monthly, or other basis, as determined by the Manager using any permissible method under Section 706 of the Code and the Regulations thereunder.

(b) For federal income tax purposes, every item of income, gain, loss, and deduction shall be allocated among the Members in accordance with the allocations under Sections 5.1, 5.2, 5.3, and 5.4 of this Agreement.

(c) The Members are aware of the income tax consequences of the allocations made by this Article V and hereby agree to be bound by the provisions of this Article V in reporting their shares of Company income and loss for income tax purposes.

(d) It is intended that the allocations in Sections 5.1, 5.2, 5.3, and 5.4 effect an allocation for federal income tax purposes consistent with Section 704 of the Code and comply with any limitations or restrictions therein.

(e) The Members agree that their Percentage Interests represent their respective interests in Company profits for purposes of allocating excess nonrecourse liabilities (as defined in Section 1.752-3(a)(3) of the Regulations) pursuant to Section 1.752-3(a)(3) of the Regulations.

(f) For purposes of determining the nature (as ordinary income or unrecaptured Section 1250 gain (as defined in Code Section 1(h)(6)(A) (“Unrecaptured Section 1250 Gain”)) of any item of income, or gain allocated among the Members for Federal income tax purposes pursuant to Section 5.1, 5.2, or 5.3, the portion of such item required to be recognized as ordinary income pursuant to Code Section 1245 or Unrecaptured Section 1250 Gain shall be deemed to be allocated among the Members in the same proportion that they were allocated and claimed the tax depreciation deductions, or basis reductions, directly or indirectly giving rise to such treatment under Code Section 1245 or Code Section 1(h)(6), but each Member shall be allocated such amounts only to the extent that such Member is allocated any tax gain from the sale or other disposition of such property. The balance of such recapture, if any, shall be allocated to the Members whose share of tax gain exceeds their share of such recapture (“excess gain”), and such balance shall be allocated between such Members in the proportion in which the excess gain of such Member bears to the excess gains of all Members.

ARTICLE VI

DISTRIBUTIONS

6.1 Distributions of Available Cash. Subject to Section 12.3 and Section 7.1, at such times as the Manager shall determine (but not less often than quarterly), the Manager shall determine if there is any Available Cash at such time. Available Cash shall then be distributed to the Members as follows:

(a) First, to the Contributing Members, in proportion to the balances, if any, of all outstanding Contributing Member Loans, including any interest accrued thereon, made to the Company under Section 4.2 of this Agreement;

(b) Second, to the Funding Members in proportion to the balances of their Undistributed Preferred Return Accounts until the same are reduced to zero;

(c) Third, to each Funding Member to the extent such Funding Member has Undistributed Pro-Rata Capital, in proportion to each such Funding Member's Undistributed Pro-Rata Capital, in an amount up to the Undistributed Pro-Rata Capital of each such Member; and

(d) Fourth, to the Members pro rata in accordance with their Percentage Interests (i.e. 25.57500% to the Class A Funding Members pari passu, in equal proportion to each Class A Funding Member's Class A Funding Member Sharing Ratio; 29.42500% to the Class B Funding Members pari passu, in equal proportion to each Class B Funding Member's Class B Funding Member Sharing Ratio, and 45.00000% to the Non-Funding Member).

Notwithstanding anything to the contrary above, if Available Cash is derived from a transaction that occurs in connection with the winding up, termination, and liquidation of the Company, any Available Cash that is derived from or attributable to such a transaction shall be distributed to the Members in accordance with Section 12.3 hereof.

ARTICLE VII

MANAGEMENT OF THE COMPANY

7.1 Management; Authority of the Manager.

(a) Except as provided in Section 7.1(b), the management, control, and direction of the Company and its operations, business, and affairs shall be vested exclusively in the Manager, who shall have the sole right, power, and authority, acting without the necessity of approval by any Member or any other Person, to carry out any and all of the purposes of the Company and to perform or refrain from performing any and all acts that the Manager may deem necessary, desirable, appropriate, or incidental thereto; provided, however, the Manager shall not undertake any Major Decisions without the written consent of a majority in interest of the Funding Members as provided in Section 7.1(b) below. The Manager shall have only such duties and obligations to the Members as are expressly set forth herein or are otherwise required by the Act.

(b) Notwithstanding the provisions of Section 7.1(a) or any other provision of this Agreement to the contrary, without the written consent of a majority in interest of the Funding Members, the Manager shall not undertake, cause or allow the Company to do or agree to do any of the following (collectively, "Major Decisions") related to the Company:

(i) sell, lease or otherwise dispose of the Project or any portion of the Project, or the underlying property and improvements that make up the Project in an arms' length transaction to a third-party buyer;

(ii) modify or refinance any indebtedness on behalf of the Company, whether secured or unsecured;

(iii) appoint, elect or remove the Manager or the Non-Funding Member;

(iv) admit any Person(s) as an additional Member of the Company for purposes of funding supplemental capital needs pursuant to Section 4.2; or

(v) encumber the Project or any portion of the Project, or the underlying property and improvements that make up the Project;

- (vi) cause the Company to provide loan money to or provide financing to any Member or any third party;
- (vii) incur any new indebtedness on behalf of the Company, including any loan from a Member pursuant to Section 4.2, whether secured or unsecured, from any source, except for the initial construction loan, which all Members hereby unanimously approve;
- (viii) cause the Company to enter into or form a partnership or other joint venture;
- (ix) except as permitted pursuant to Section 7.1(b)(iv), admit any Person(s) as an additional Member of the Company;
- (x) cause the company to engage in any business or activity unrelated to the business purposes for which the Company has been formed;
- (xi) enter into any contract or agreement between the Company on the one hand, and the Manager or any Affiliate thereof, on the other hand;
- (xii) file any bankruptcy petition or similar action on behalf of the Company or admit, confess or acquiesce to any involuntary bankruptcy filing or similar action against the Company;
- (xiii) confess any judgment against the Company in excess of \$10,000, or settle, compromise, litigate, arbitrate, or otherwise participate in, any dispute, lawsuit, claim, arbitration, mediation, liability or other matter against or involving the Company in excess of \$10,000, in each case except to the extent specifically set forth in the Budget;
- (xiv) effect a merger, conversion, consolidation, reorganization, dissolution, termination, liquidation any other similar action with respect to the Company;
- (xv) change the name of the Company or modify or amend this Agreement, the Certificate of Formation or other organizational documents of the Company;
- (xvi) cause the Company to guarantee any obligation of any other Person;
- (xvii) finalize the financial statements of the Company or change the accounting principles followed in the preparation of such financial statements;
- (xviii) make any change, amendment or modification to the Budget;
- (xix) incur any expenditures on behalf of the Company not provided for in a Budget; or
- (xx) enter into any agreement, arrangement or understanding, written or oral, to do any of the foregoing.
- (xxi) execute the final settlement statement for the acquisition of the Property;
- (xxii) finalize the Project Budget attached hereto as part of Exhibit A;

(xxiii) incur expenditures for any capital improvements of the Property that are not a part of an approved Budget;

(xxiv) finalize and approve a Budget for any calendar year;

(xxv) approve of any tenant improvement which exceeds the ARGUS Assumptions that the parties have agreed upon, which may be attached hereto as part of Exhibit A;

(xxvi) approve of any lease which has a base rental amount of less than the ARGUS Assumptions that the parties have agreed upon, which may be attached hereto as part of Exhibit A;

(xxvii) sell, convey, lease, exchange, encumber, condemn, or mortgage, directly or indirectly in any investment other than the Property;

(xxviii) invest funds of the Company or any entity in which the Company controls for purposes other than the Project;

(xxix) finance or refinance all or any portion of the Project except for the initial construction loan;

(xxx) incur any indebtedness by the Company or any entity which the Company controls, directly or indirectly, other than the indebtedness incurred at the property acquisition and the initial construction loan;

(xxxi) issue any additional equity or membership interests in the Company or any entity which the Company controls;

(xxxii) file or take any action in furtherance of a bankruptcy or general assignment to creditors by the Company or any entity which the company controls directly or indirectly;

(xxxiii) approve any merger or amendment involving the Company or any entity which the Company controls either directly or indirectly;

(xxxiv) approve the final settlement statement for the disposition of the Property;
and

(xxxv) terminate, wind up, or dissolve the Company, except for in accordance with the express terms of this Agreement.

(c) No Member (in such role) shall have the right or authority to act on behalf of or bind the Company in any manner except for the Manager.

(d) If the Members are deadlocked on a Major Decision and the Members are not able to resolve such deadlock after a good faith reasonable attempt at resolution, the Members agree that the non-consenting Member or Members shall, as soon as practicable, give notice of such deadlock in writing to all Members of the Company (the "Deadlock Notice") identifying the issue that created the Deadlock (the "Deadlock Issue"), and the date which the deadlock occurred. The Manager and non-consenting Member or Members shall attempt to resolve the deadlock in good faith within 15

business days of the date of the Deadlock Notice (the “Deadlock Period”). In the event that the Deadlock Issue still exists upon the expiration of the Deadlock Period, the Members agree that, subject to the approval of the Manager, the consenting Member(s) (here, the “Purchasing Member”) shall have the right to purchase the Membership Interest of the non-consenting Member(s) (here, the “Selling Member”) at an Appraised Value (as defined below). The Purchasing Member shall initiate this process, after receiving written approval from the Manager, by giving written notice to the Selling Member that it intends on purchasing the Membership Interest of the Selling Party for the Appraised Value within 10 days of receipt of the written notice (the “Buyout Notice”). The Appraised value shall be determined in accordance with the procedures set forth below:

(i) Within five days of the Selling Party’s receipt of the Buyout Notice, the Buying Party and the Selling Party shall obtain an appraised value of the Selling Party’s Membership Interest from an independent and neutral third-party appraiser (the “Initial Appraisals”)

(ii) In the event that the Initial Appraisals are within five percent (5%) of each other, the two appraisals will be averaged together to calculate the Appraised Value.

(iii) In the event that the Initial Appraisals are not within five percent (5%) of each other, the two appraisers will elect a third independent and neutral third-party appraiser who will calculate an appraised value (the “Third Appraisal”). This third Appraisal will be averaged together with the closest appraisal numerically from the Initial Appraisals above to calculate the Appraised Value

7.2 Compensation of the Manager. The Manager shall not receive any compensation for its service as Manager. The initial Manager is the same entity as the Non-Funding Member. Payment to the Non-Funding Member of distributions pursuant to Article VI shall not be deemed compensation for services as Manager.

7.3 Company Funds. The funds of the Company shall be deposited in such interest-bearing Company account or Company accounts as are designated by the Manager. All withdrawals from or charges against such accounts shall be made by the Manager or by its representative. Funds of the Company may be invested as determined by the Manager in accordance with the terms and provisions of this Agreement.

7.4 Duties. The Manager shall manage the Company and its business and affairs in accordance with the terms of this Agreement to the best of its ability and shall use its good faith efforts to carry out the business of the Company. The Manager shall devote itself to the business of the Company to the extent that he determines is necessary for the efficient carrying on thereof.

7.5 Transactions with Affiliates. The Manager may not cause the Company to enter into any transaction, agreement or contract with the Manager or with any Person that is an Affiliate of the Manager, unless the terms of such transaction, agreement or contract are no less favorable to the Company than those that would be obtained from an unrelated third-party in an arms-length negotiation or unless such transaction, agreement or contract is approved by unanimous consent of the Members.

7.6 Outside Activities; Conflicts of Interest. The Manager or any Affiliate thereof and any director, officer, employee, agent, or representative of the Manager or any Affiliate thereof shall be entitled to and may have business interests and engage in business activities in addition to those relating to the

Company and the Project, including business interests and activities in direct competition with the Company. Neither the Company nor any of the Members shall have any rights by virtue of this Agreement or the incorporated relationship created hereby in any business ventures of any Member, the Manager, any Affiliate thereof, or any director, officer, employee, agent, or representative of either the Manager or any Affiliate thereof.

7.7 Resolution of Conflicts of Interest. Unless otherwise expressly provided in this Agreement or any other agreement contemplated herein, whenever a conflict of interest exists or arises between the Manager or any of its Affiliates, on the one hand, and the Company, on the other hand, any action taken by the Manager, in the absence of bad faith by the Manager, shall not constitute a breach of this Agreement or any other agreement contemplated herein or a breach of any standard of care or duty imposed herein, including the standards imposed pursuant to Section 7.13, or therein or under the Act or any other applicable law, rule, or regulation.

7.8 Indemnification.

(a) The Company shall indemnify, defend and hold harmless the Manager and Members and any director, officer, employee, agent, representative or Affiliate of the Manager and Members (“Indemnified Party”), against all liabilities, losses, and damages incurred by any of them by reason of any act performed or omitted to be performed in the name of or on behalf of the Company, or in connection with the Company’s business, including attorneys’ fees and any amounts expended in the settlement of any claims or liabilities, losses, or damages, to the fullest extent permitted by the Act. The Company shall indemnify, defend and hold harmless any employee, agent, or representative of the Company, any Person who is or was serving at the request of the Company acting through the Manager or Members as a director, officer, partner, trustee, employee, agent, or representative of another limited liability company, corporation, partnership, joint venture, trust, or other enterprise. In no event shall such indemnification exceed the indemnification permitted by the Act. In no event shall Members be subject to personal liability by reason of the indemnification provisions of this Agreement. Notwithstanding the above provision to the contrary, the indemnification provision contained herein, shall not apply to fraud, willful misconduct or gross negligence on the part of the Manager, the Members or their Affiliates.

(b) Without limiting the generality of Section 7.8(a) above, the Members agree that in the event the Members or any director, officer, employee, agent, representative or Affiliate of the Member provides any guaranty or indemnity to any lender providing financing to the Company for the acquisition and/or development of properties or otherwise, and such party is required to make any payments or otherwise incurs any liabilities, losses or damages as a result of providing such guaranty or indemnity, then the Company shall indemnify, defend and hold harmless such party against all such payments, liabilities, losses and damages with respect thereto, including attorneys’ fees and any amounts expended in the settlement of any claims or liabilities, losses, or damages, to the fullest extent permitted by the Act.

7.9 Reliance by Manager.

(a) The Manager may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, or other paper or document reasonably believed by him to be genuine and to have been signed or presented by the proper party or parties.

(b) The Manager may consult with legal counsel, accountants, appraisers, management consultants, investment bankers, and other consultants and advisers selected by him,

and any opinion of any such Person as to matters which the Manager reasonably believes to be within such Person's professional or expert competence shall be full and complete authorization and protection in respect of any action taken or suffered or omitted by the Manager hereunder in good faith and in accordance with such opinion.

7.10 Insurance. The Company may purchase and maintain insurance on behalf of its agents, consultants, employees, Manager and Members against any liability or expense asserted against or incurred by such person whether or not the Company could indemnify such person against liability with respect to those matters set forth above. The cost of any such insurance shall be paid by the Company.

7.11 Officers. The Manager may, from time to time, designate one or more Persons to be officers of the Company. No officer need be a Member or a Manager. Any officers so designated shall have such authority and perform such duties as delegated to them by the Manager. Such officers may be assigned titles to particular offices, including, without limitation, president, vice president, secretary, assistant secretary, treasurer, and assistant treasurer. Each officer shall hold office until such Person's successor shall be duly designated and shall qualify or until such Person's death or until such Person shall resign or shall have been removed in the manner herein provided. Any number of offices may be held by the same Person. The salaries or other compensation, if any, of the officers and agents of the Company shall be fixed from time to time by the Manager. Any officer may be removed as such, either with or without cause, by the Manager. The initial officers of the Company shall be as follows:

Deno Maggi	-	Executive Vice President
Shane Shoulders	-	Executive Vice President

7.12 Credit Support. In the event any lender requires a guaranty of nonrecourse carve-outs, an environmental indemnity, a completion guaranty and/or any other guaranty, indemnity or personal undertaking in connection with financing of the Project (collectively, a "Credit Support"), such Credit Support shall be provided by the Non-Funding Member, without any compensation therefor by the Company. For clarity, neither the Funding Members nor the Company shall have any obligation to fund any portion of a claim by any lender under any Credit Support.

7.13 Standards of Conduct; Fiduciary Duties.

(a) Good Faith and Fair Dealing. The Manager shall perform its duties in a manner consistent with the contractual obligation of good faith and fair dealing, which obligation shall be satisfied if it acted with such care as an ordinarily prudent person in a like position would use under similar circumstances.

(b) Duty of Care. The duty of care of the Manager shall be satisfied if it acted with such care as an ordinarily prudent person in a like position would use under similar circumstances.

7.14 Removal of Manager. A Manager may be removed as the Manager of the Company, in accordance with Section 7.15 hereof, upon Good Cause (hereinafter defined), as determined by an Approval of the Funding Members. If the Manager is removed, the Funding Members, through an Approval of the Funding Members, shall appoint a substitute Manager of the Company. "Good Cause" shall mean the following:

(a) Failure of the Manager to materially comply with the material terms of this Agreement, and such failure is not cured or remedied within thirty (30) days after written notice from the Class B Funding Members;

(b) A transfer, pledge, or encumbrance by any Member who is, or who is an Affiliate of, the Manager, in any way, direct or indirect, of any interest or right in the Company in violation of this Agreement;

(c) Gross negligence, fraud, theft, willful misconduct, misappropriation of funds or criminal activity (other than a misdemeanor) by the Manager or principal of the Manager with respect to Company activities;

(d) The resignation of the Manager without the Approval of the Funding Members;

(e) There shall be filed against the Manager in any court pursuant to any statute either of the United States or any state a petition in bankruptcy or insolvency or for reorganization or for the appointment of a receiver or trustee of all or a portion of its property, and such party fails to secure a discharge thereof within ninety (90) days of the filing thereof; or (2) the Manager shall file a petition in bankruptcy or insolvency or for reorganization or for the appointment of a receiver or trustee of all or a portion of its property; or

(f) Any final non-appealable judgment, order or decree of a judicial body or government agency is entered against the Manager that, in the reasonable judgment of the Class B Funding Members, could materially and adversely impact the Company.

7.15 Notice for Removal. Upon the occurrence of an event set forth in Section 7.14 above (each a “Removal Event” and collectively the “Removal Events”), and upon the Approval of the Funding Members to so remove the Manager, the Funding Members shall give written notice, comprising an Approval of the Funding Members, to the Manager (which notice shall be deemed given to all applicable parties by delivery to the Manager) of such determination and the requirements to cure such act or omission. Such Manager shall have the opportunity, for a period of ten (10) days after the date such notice is given, to cure such act or omission. If the Manager shall fail to cure the act or omission within such ten (10) day period, the Manager shall be removed as the Manager and cease to be the Manager effective immediately upon the expiration of such ten (10) day period if the default giving rise to a Removal Event or Removal Events has not been cured by the Manager. Upon any such event, distributions as set forth in Section 6.1 shall be automatically deemed revised and amended to state that all future distributions occurring after a Removal Event will be made between the Class A Funding Member and the Class B Funding Members in accordance with their respective Percentage Interest and the Manager shall not be entitled to any distributions hereunder. In addition to the foregoing, the Manager will be replaced by a Manager appointed by an Approval of the Funding Members.

ARTICLE VIII

RIGHTS AND OBLIGATIONS OF MEMBERS

8.1 Limitation of Liability. Members shall have no liability under this Agreement except as provided herein or under the Act.

8.2 Outside Activities. A Member or any Affiliate thereof, and any director, officer, employee, agent, or representative of such Member or any Affiliate thereof, shall be entitled to and may have business interests and engage in business activities in addition to those relating to the Company, including business interests and activities in direct competition with the Company. Neither the Company nor any of the other Members shall have any rights by virtue of this Agreement in any business ventures of any Member, any Affiliate thereof, or any director, officer, employee, agent, or representative of any Member or any Affiliate thereof.

8.3 Return of Capital. No Member shall be entitled to the withdrawal or return of its Capital Contribution except to the extent, if any, that distributions made pursuant to this Agreement or upon termination of the Company may be considered as such by law and then only to the extent provided for in this Agreement.

8.4 Meetings of Members.

(a) Meetings. Regular or special meetings of the Members may be held either within or without the State of Texas. Regular meetings of the Members may be held at such times as may be determined by the Members with or without prior written notice. Special meetings of the Members shall be held upon at least one (1) day's prior written notice by any Member. Neither the business to be transacted at, nor the purpose of, any regular meeting of the Members need be specified. Any business may be transacted at a special meeting of the Members. Attendance of a Member at a meeting shall constitute a waiver of notice (and of the location) of such meeting, except where that Member attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened. Members may participate in and hold a meeting of the Members by means of conference telephone or similar communications equipment by means of which all Persons participating in the meeting may hear each other. Participation in a meeting pursuant to this Section constitutes presence in person at the meeting except where a Person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

(b) Quorum. A majority of the Members present at a meeting in person or by proxy shall constitute a quorum for the transaction of business by the Members. Notwithstanding the foregoing, to the extent that any provision of this Agreement requires the approval of all Members or some combination of Members other than a majority of Members in order to make any decision or undertake any action, then such decision or action may not be made or undertaken without the requisite approval of Members notwithstanding the presence of a quorum of Members.

8.5 Action With or Without Meeting. Any act required or permitted to be taken at any meeting of the Members may be taken without a meeting, without prior notice, and without a vote if a consent or consents in writing, setting forth the action so taken, is signed by the Members having not fewer than the minimum number of votes that would be necessary to take the action at a meeting at which all Members entitled to vote on the action were present and voted; provided however that prompt notice of the taking of such action by less than unanimous written consent shall be given to those Persons entitled to vote on such action who did not consent in writing. An electronic facsimile, pdf. or similar reproduction of a writing signed by a Person shall be regarded as signed by that Person for the purposes of this Section.

ARTICLE IX

BOOKS, RECORDS, ACCOUNTING AND REPORTS

9.1 Records and Accounting. The Manager shall keep or cause to be kept appropriate books and records with respect to the Company's business, which shall at all times be kept at the principal office of the Company or such other office as the Manager may designate for such purposes. Any books and records maintained by the Company in the regular course of its business, including books of account and records of Company proceedings, may be kept on any information storage device, provided that the books and records so kept are convertible into clearly legible written form within a reasonable period of time. The books of the Company shall be maintained for financial reporting purposes on the accrual method of accounting unless the Manager approves the adoption of a different method of accounting.

9.2 Fiscal Year. The Fiscal Year of the Company shall be the calendar year for tax and accounting purposes.

9.3 Reports. The Manager shall deliver, at the Company's expense, to the Supervising Construction Consultant and each Member, upon request, but no later than 120 days following the end of each Fiscal Year, an un-audited balance sheet, income statement, and annual statement of source and application of funds of the Company for such Fiscal Year. Additionally, the Manager shall distribute to the Funding Members reports in accordance with the following guidelines and schedule:

(a) Monthly:

(i) A report containing information and updates on construction progress by the third-party construction manager, which shall include photos and/or videos of progress, and such other information that Manager or the Class B Funding Members deems, in their reasonable discretion, relevant to the construction of the Project.

(ii) A summary of any construction loan draws submitted to the construction lender in this monthly report.

(b) Quarterly:

(i) A written (email is sufficient) Project progress report, including Project financials, Project balance sheets, and profit and loss statements. This quarterly report shall be delivered by Manager by the 20th calendar day following the end of each calendar quarter.

(c) Annually:

(i) A Budget by December 31 of each calendar year.

(ii) A K-1 by March 1 of each calendar year.

9.4 Documents. Each Member shall have the right during regular business hours and after prior written notice to the Manager to inspect, review, make copies (at the Company's expense) of, and audit all documents relating to the business of the Company and other items prepared by or obtained by the Manager in connection with the performance of its duties hereunder.

ARTICLE X

TAX MATTERS

10.1 Preparation of Tax Returns. The Manager shall arrange for the preparation and timely filing of all returns of Company income, gains, deductions, losses and other items necessary for federal, state and local income tax purposes. A copy of the Company's federal income tax return will be furnished to all Members no later than March 1st of each calendar year. The classification, realization and recognition of income, gains, losses and deductions and other items shall be on the cash or accrual method of accounting for federal income tax purposes, as the Manager shall determine in accordance with applicable law. The Manager in its sole discretion may pay state and local income taxes attributable to operations of the Company and treat such taxes as an expense of the Company. In the event the Manager fails to provide a Schedule K-1 to the Members by March 1st after the end of each Fiscal Year, subject to force majeure and/or any delays caused by the issuance of IRS guidelines for such Schedule K-1, the Manager shall pay to

Kennor Cross Opco Investments a penalty of \$1,000, which will increase by \$1,000 per week thereafter and be payable on a weekly basis to Kennor Cross Opco Investments until such time as Schedule K-1 is provided to the Class B Funding Members (with such penalty being a personal expense of the Manager and not of the Company).

10.2 Tax Elections. Except as otherwise provided herein, the Manager shall determine whether to make any election available to the Company under the Code.

10.3 Tax Controversies. As used in this Agreement, “Partnership Representative” has the meaning ascribed to “partnership representative” within the meaning of Section 6223(a) of the Code. The Manager is hereby designated as the initial Partnership Representative for the Company. The Manager may remove and replace the Partnership Representative.

(a) The Partnership Representative shall not, without the consent of the Manager: (i) enter into a settlement agreement or make any election with the Internal Revenue Service which binds the Company or, with the consent of such Member, a Member, including extension of the Company’s statute of limitations; (ii) file any request for administrative adjustment pursuant to §6227(c) of the Code; or (iii) file suit pursuant to §6234 of the Code. The Partnership Representative shall keep the Members informed of all significant matters that may come to its attention in such capacity by giving notice thereof on or before the fifth (5th) business day after becoming aware thereof and, within that time, shall forward to each Member copies of all significant written communications it may receive in that capacity. If an audit results in an imputed underpayment by the Company, as determined under §6225 of the Code, the Partnership Representative shall, with the consent of Manager, make the election under §6226(a) of the Code within forty-five (45) days after the date of the notice of final partnership adjustment in the manner provided by the Internal Revenue Service. If such an election is made, the Company shall furnish to each Member for the year under audit a statement reflecting the Member’s share of the adjusted items as determined in the notice of final partnership adjustment, and each such Member shall take such adjustment into account as required under §6226(b) of the Code and shall be liable for any related interest, penalty, addition to tax, or additional amount. Any direct out of pocket expense incurred by the Partnership Representative in carrying out its responsibilities and duties under this Agreement shall be allocated to and charged to the Company as an expense of the Company for which the Partnership Representative shall be reimbursed.

(b) The provisions of this Section 10.3 regarding tax matters shall survive the termination of this Agreement or the Company and/or the termination or transfer of any Member’s Membership Interest and shall remain binding on any terminating or transferring Member for a period of time necessary to resolve with the Internal Revenue Service, the United States Department of Treasury or Justice, and any state or local tax authority any and all matters regarding the federal, state or local income or other matters relative to the taxation of the Company and present or previous Members.

ARTICLE XI

TRANSFERS OF COMPANY INTERESTS

11.1 Transfer Restrictions. No Member may sell, transfer, assign, convey, otherwise dispose of, or pledge (each a “Transfer”) all or any part of its Membership Interest (including the right to distributions) without the prior written consent of the Manager. Notwithstanding the foregoing, a Transfer of a Membership Interest as a result of a distribution, termination, merger, consolidation or transfer of substantially all the assets of said Member, or other reorganization of said Member constituting a mere

change in the form of doing business or of holding property, shall be a permitted Transfer that does not require any consent of the Manager, provided said Member or the Persons formerly in control of said Member own the transferred Membership Interest in the Company directly or own the controlling interest in the new or surviving assignee entity which owns the Membership Interest. By "control" is meant owning in excess of 50% of the voting interests. Notwithstanding the foregoing, the Non-Funding Member may not Transfer all or any part of its Membership Interest without the prior written consent of the Manager and the Class B Funding Members.

11.2 Prohibited Transfers. Any Transfer, Pledge, or purported Transfer or Pledge, whether by operation of law or otherwise, of a Membership Interest shall be null and void and of no legal effect unless it is permitted by this Article XI or by other provisions of this Agreement.

11.3 Rights of Assignee.

(a) Except as provided in this Article XI and as required by operation of law, the Company shall not be obligated for any purpose whatsoever to recognize the Transfer or Pledge by any Member of a Membership Interest unless such Transfer or Pledge is made in accordance with the terms of this Agreement. Except as provided in Section 11.6, a Transferee of a Membership Interest or a Person acquiring a Membership Interest pursuant to any foreclosure made upon any permitted Pledge of such Membership Interest, shall be entitled only to receive the distributive share of the Company's Profits, Losses, and other items of income, gain, losses, deductions, and credit and the distributions of cash and/or property attributable to such Transferred Membership Interest.

(b) Any Transfer or Pledge of a Membership Interest must be in writing, may not contravene any of the provisions of this Agreement, and must be executed by the Transferor and delivered to the Company and recorded on the books of the Company. Any Transfer or Pledge which contravenes any of the provisions of this Agreement shall be of no force and effect and shall not be recognized by the Company.

(c) A Transferee of Membership Interests who is not admitted as a Member pursuant to Section 11.4 shall have no right to require any information or account of the Company's transactions or to inspect the Company books or to vote, but shall only be entitled to receive the allocations and distributions to which his Transferor would otherwise be entitled under this Agreement.

(d) Any Transferee who does not become a Member and desires to make a further Transfer of such Membership Interest shall be subject to all of the provisions of this Article XI to the same extent and in the same manner as any Member desiring to Transfer his Membership Interest.

11.4 Admission of Substitute Members. A transferee of a Membership Interest shall not be admitted as a substitute Member, unless all of the following conditions are satisfied:

(a) Such Transferee has complied with the applicable provisions of this Article XI;

(b) The Transferee accepts and agrees to be bound by the terms and provisions of this Agreement with respect to the Membership Interest so transferred;

(c) A counterpart of this Agreement and such other documents or instruments as may reasonably require is executed by the Transferee to evidence such acceptance and agreement;

(d) The Transferee pays or reimburses the Company for all reasonable legal fees, filing, and publication costs incurred by the Company in connection with the admission of the Transferee as a Member with respect to the Membership Interest so Transferred;

(e) If the Transferee is not an individual, the Transferee provides the Company with evidence satisfactory to counsel for the Company of the authority of such Transferee to become a Member under the terms and provisions of this Agreement; and

(f) The Transferee has satisfied any other reasonable terms on which the Member's Consent may have been conditioned, which terms are not inconsistent with the provisions of this Agreement and do not add any material requirements as a condition to the Transfer.

11.5 Distributions and Allocations in Respect of Transferred Membership Interests. If any Membership Interest is transferred during any Fiscal Year in compliance with the provisions of this Article XI, Profits, Losses, and all other items attributable to the transferred interest for such period shall be divided and allocated between the transferor and the transferee by taking into account their varying interests during the period in accordance with Code Section 706(d), using any conventions permitted by law that are reasonably selected by the Manager.

11.6 Specific Performance and Other Remedies. It is expressly agreed that the remedy at law for breach of any of the obligations to transfer a Membership Interest pursuant to this Article XI is inadequate in view of: (i) the complexities and uncertainties in measuring the actual damages that would be sustained by reason of the failure of a Member to comply fully with each of said obligations, and (ii) the uniqueness of the Company's business and the membership relationship. Accordingly, each of the aforesaid obligations to transfer a Membership Interest shall be, and is hereby expressly made, enforceable by specific performance.

11.7 Purchase Option; Forfeiture.

(a) Purchase Events. In the event that any of the following (each a "Purchase Event") shall have occurred to or in respect of a Member (the "Seller"), the Company, in the Manager's sole discretion, shall have the continuing right to purchase and redeem the entire Membership Interest of the Seller including all debts and obligations of the Company owing to the Seller (the "Purchase Interest") in an amount due and payable as determined below:

(i) any involuntary Transfer (i.e., any Transfer by operation of law) by Seller in contravention of this Agreement;

(ii) the Seller becomes a Bankrupt Member;

(iii) any attempted Transfer, hypothecation or encumbrance by the Seller (other than an involuntary Transfer described in clause (i) of this Section 11.7(a) above) of any of its rights or interests in the Company or this Agreement except as permitted by Section 11.1; or

(iv) Any withdrawal by a Member from the Company other than as may be expressly permitted by this Agreement.

(b) Exercise of Purchase Option; Forfeiture. In the event that the Company elects to exercise its right under Section 11.7(a) above, it may give the Seller written notice of such election at any time after the date on which the Company first has knowledge of the occurrence of such

Purchase Event. The amount of the purchase price for the Seller's Purchase Interest (unless agreed upon by the Seller and the Company within ten (10) days after the Company's notice to the Seller) shall be:

(i) subject to Section 11.8, in the event that a Purchase Event described in clauses (i) or (ii) of Section 11.7(a) shall have occurred, an amount equal to the distributions that the Seller would receive under Section 12.3(d) of this Agreement if all of the assets of the Company were sold for their respective fair market values as agreed upon by the Manager (other than the Manager affiliated with Seller) and Seller, and the Company were liquidated pursuant to Section 12.3(d) hereof; or

(ii) in the event that the Manager reasonably determines that a Purchase Event described in clause (iii) or (iv) of Section 11.7(a) has occurred, with respect to a Member, the amount of such Member's Capital Account.

(c) Closing and Terms. As to any sale pursuant to clause (i) of Section 11.7(b), the Manager shall cause the Company to pay the purchase price in accordance with the Payment Terms at a closing to take place within sixty (60) days after the date of the determination of the purchase price (a "Closing"), at such time and place as shall be designated by the Manager within the first thirty (30) days of said sixty (60) day period. With respect to a Closing, the purchase price shall be payable upon terms and conditions agreed to between the Manager and Seller, or in the event the Manager and Seller are unable to agree, then as follows: (i) twenty percent (20%) of the total purchase price shall be paid by the Company to Seller in cash at the closing (provided, however, that if the Company does not have sufficient available cash, in the reasonable judgment of the Manager, to pay such cash portion of the purchase price, then the cash portion shall be reduced to be the maximum amount of Available Cash that would otherwise be available for distribution to the Members as of the closing date, calculated without deduction for the Company's obligation to pay the purchase price to the Seller but including any obligations related to the redemption of any other Member's interest), and (ii) the remaining portion of the purchase price shall be evidenced by a promissory note given by the Company in favor of Seller, which promissory note shall bear interest on the unpaid principal balance at the Prime Rate and require four equal payments of principal plus all accrued and unpaid interest thereon with the first payment being due on the first anniversary date of the closing date and the second, third and fourth payments being due on the second, third and fourth anniversary dates, respectively, of the closing date (collectively, the "Payment Terms"). Recording fees and escrow costs, if any, shall be paid by the Seller, however, each party shall bear its own legal and accounting fees, if any. At least five (5) business days prior to the closing, the Seller shall deliver all appropriate documents of transfer (to convey the Purchase Interest free and clear of any encumbrances) in form satisfactory for execution at the closing.

(d) Effect on Seller's Interest. All distributions of cash or assets due to the Seller by the Company from the date of the Purchase Event to the date of the Closing of the purchase may be applied against obligations of the Seller. Without limiting the generality of any other provision of this Agreement, upon the exercise of the purchase option, the Seller, without further action, will have no rights in the Company or against the Company or any Member other than the right to receive payment for the Purchase Interest in accordance with Section 11.7(c).

11.8 Determination of Purchase Value. If the Manager and the Seller are unable to agree on the fair market values of the assets of the Company pursuant to Section 11.7(b)(i) above within sixty (60) days of the occurrence of a Purchase Event described in clauses (i) or (ii) of Section 11.7(a), the fair market values of the assets of the Company shall be determined as provided in this Section 11.8. The Manager shall select an independent appraiser that is not the regular accounting firm of the Company qualified by

appropriate licensure or certification to conduct appraisals of medical buildings (a “Consultant”) to determine such values in accordance with Section 11.7(b)(i) and this Section 11.8. The Consultant so selected shall proceed to determine promptly the fair market value of assets of the Company. The Consultant shall deliver a written report of its determination of fair market value of the assets of the Company to all interested parties. The determination of such fair market value of the assets of the Company by the Consultant shall be final and binding upon all parties, and such values shall be used in accordance with the methodology set forth in Section 11.7(b)(i) above to determine the purchase price for the Seller’s Purchase Interest. The fees and expenses of the Consultant shall be borne by the Seller.

11.9 Waiver of Rights to Object. All Members acknowledge that the methods provided for in this Article XI for determining the price of a Purchase Interest or a Membership Interest covered by a Marital Option are fair as to dates used, notices, terms and in all other respects, and are administratively and in substance superior to other methods. Each Member waives any right that he may have to use any other method to determine the value of any interest in the Company in connection with the application of this Article XI.

ARTICLE XII

WINDING UP

12.1 Winding Up.

(a) Except as otherwise provided in this Agreement, no Member shall have the right to terminate this Agreement or wind up the Company by its express will or by withdrawal.

(b) The Company shall begin to wind up its affairs upon the first to occur of any of the following:

(i) an election to wind up the Company by the unanimous consent of the Members; or

(ii) any other event that, under the Act, would cause the Company to wind up its affairs.

12.2 Continuation of the Company. Except as expressly set forth in Section 12.1, the retirement, resignation, expulsion, or bankruptcy of a Member, or the occurrence of any other event that terminates the continued membership of a Member in the Company, shall not cause a dissolution of the Company.

12.3 Liquidation.

(a) Upon the winding up of the Company, a Person selected by the Manager shall be the liquidator (the “Liquidator”). The Liquidator shall be entitled to receive such compensation as reasonably determined by the Manager.

(b) The Liquidator shall agree not to resign at any time without 15 days prior written notice and may be removed at any time, with or without cause, by notice of removal from the Manager. Upon removal, or resignation of the Liquidator, a successor and substitute Liquidator (who shall have and succeed to all rights, powers, and duties of the original Liquidator) shall within 30 days thereafter be selected by the Manager. The right to appoint a successor or substitute Liquidator in the manner provided herein shall be recurring and continuing for so long as the functions and services of the Liquidator are authorized to continue under the provisions hereof, and

every reference herein to the Liquidator will be deemed to refer also to any such successor or substitute Liquidator appointed in the manner herein provided.

(c) Except as expressly provided in this Article XII, the Liquidator appointed in the manner provided herein shall have and may exercise, without further authorization or consent of any of the parties hereto, all of the powers conferred upon the Manager under the terms of this Agreement (but subject to all of the applicable limitations, contractual and otherwise, upon the exercise of such powers) to the extent necessary or desirable in the good faith judgment of the Liquidator to carry out the duties and functions of the Liquidator hereunder for and during such period of time as shall be reasonably required in the good faith judgment of the Liquidator to complete the winding up and liquidation of the Company.

(d) Subject to Section 12.4, the Liquidator shall liquidate the assets of the Company and apply and distribute the proceeds of such liquidation in the following order of priority, unless otherwise required by mandatory provisions of applicable law:

(i) to the payment of the expenses of terminating transactions, including, without limitation, brokerage commissions, legal fees, accounting fees and closing costs;

(ii) to the payment to creditors of the Company, including Members, in order of priority provided by law; and

(iii) to the Members and any assignees in accordance with Section 6.1; provided, however, that the Liquidator may place in escrow a reserve of cash or other assets of the Company for contingent liabilities in an amount determined by the Liquidator to be appropriate for such purposes.

12.4 Distribution in Kind. Notwithstanding the provisions of Section 12.3 which require the liquidation of the assets of the Company, but subject to the order of priorities set forth therein, if on winding up of the Company the Liquidator reasonably determines that an immediate sale of part or all of the Company's assets would be impractical or would cause undue loss to the Members and any assignees, the Liquidator may defer for a reasonable time the liquidation of any assets except those necessary to satisfy liabilities of the Company (other than those to Members) and/or, may distribute to the Members and assignees, in lieu of cash, as tenants in common and in accordance with the provisions of Section 12.3, undivided interests in such Company assets as the Liquidator reasonably deems not suitable for liquidation. Any such distributions in kind shall be subject to such conditions relating to the disposition and management of such properties as the Liquidator deems reasonable and equitable and to any joint operating agreements or other agreements governing the operation of such properties at such time. The Liquidator shall determine the fair market value of any property distributed in kind using such reasonable method of valuation as it may adopt.

12.5 Cancellation of Certificate. Upon the completion of the distribution of Company property as provided in Section 12.3 and Section 12.4, the Company shall be terminated, and the Liquidator (or the Members if necessary) shall cause the cancellation of the Certificate in the State of Texas and of all qualifications and registrations of the Company as a foreign limited liability company in jurisdictions other than the State of Texas and shall take such other actions as may be necessary to terminate the Company.

12.6 Return of Capital. The Manager shall not be personally liable for the return of the Capital Contributions of Members, or any portion thereof, it being expressly understood that any such return shall be made solely from Company assets.

ARTICLE XIII

AMENDMENT OF AGREEMENT

This Agreement may be amended or modified from time to time by the unanimous written consent of the Members, and upon the execution thereof, each such amendment shall bind all Members. Notwithstanding the foregoing, the Manager may amend this Agreement and Schedule 1 hereto from time to time, without the consent of any Member, (a) to reflect additional Capital Contributions or the adjustment of Percentage Interests in accordance with the terms of this Agreement, (b) to reflect the Transfer of Membership Interests or admission of new Members in accordance with the terms of this Agreement, or (c) as determined to be essential by counsel for the Company in order to comply with applicable laws. The Manager shall notify all Members upon final adoption of any amendment.

ARTICLE XIV

GENERAL PROVISIONS

14.1 Addresses and Notices. Any notice or other communication required by this Agreement must be in writing. Notices and other communications will be deemed to have been given when delivered by hand or dispatched by email or other means of electronic transmission, or three business days after being deposited in the United States mail (registered or certified), postage prepaid, addressed to the Person to whom the notice is intended to be given at such Member's address set forth in Schedule 1 of this Agreement or, in the case of the Company, to its principal place of business provided for in Section 1.4. A Person may change his notice address by notice in writing to the Company and each other party to this Agreement given under this Section 14.1.

14.2 Titles and Captions. All article and section titles and captions in this Agreement are for convenience only, shall not be deemed part of this Agreement, and in no way shall define, limit, extend, or describe the scope or intent of any provisions hereof. Except as specifically provided otherwise, references to "Articles" and "Sections" are to Articles and Sections of this Agreement.

14.3 Pronouns and Plurals. Whenever the context may require, any pronoun used in this Agreement shall include the corresponding masculine, feminine, or neuter forms, and the singular form of nouns, pronouns, and verbs shall include the plural and vice versa.

14.4 Further Action. The parties shall execute all documents, provide all information, and take or refrain from taking all actions as may be necessary or appropriate to achieve the purposes of this Agreement.

14.5 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives, and permitted assigns.

14.6 Integration. This Agreement constitutes the entire agreement among the parties hereto pertaining to the subject matter hereof and supersedes all prior agreements and understandings pertaining thereto.

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

14.8 Waiver. No failure by any party to insist upon the strict performance of any covenant, duty, agreement, or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute a waiver of any such breach or any other covenant, duty, agreement, or condition.

14.9 Counterparts. This Agreement may be executed in counterparts, all of which together shall constitute one agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart.

14.10 Applicable Law. This Agreement shall be construed in accordance with and governed by the laws of the State of Texas, without regard to the principles of conflicts of law.

14.11 Invalidity of Provisions. If any provision of this Agreement is declared or found to be illegal, unenforceable, or void, in whole or in part, then the parties shall be relieved of all obligations arising under such provision, but only to the extent that it is illegal, unenforceable, or void, it being the intent and agreement of the parties that this Agreement shall be deemed amended by modifying such provision to the extent necessary to make it legal and enforceable while preserving its intent or, if that is not possible, by substituting therefor another provision that is legal and enforceable and achieves the same objectives.

14.12 Representations and Warranties of the Members. Each of the Members severally and not jointly represents and warrants to the Company as follows (which representations and warranties shall survive the Effective Date):

(a) Such Members have full power and authority to enter into and to perform this Agreement in accordance with its terms.

(b) This Agreement has been duly executed and delivered by such Member and constitutes the valid and binding obligation of such Member, enforceable against such Member in accordance with its terms (except as enforcement may be limited by applicable bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights, or by general equity principles).

(c) Such Member has been furnished access to the business and financial records of the Company and such additional information and documents as such Member has requested, and has been afforded an opportunity to ask questions of, and receive answers from, representatives of the Company concerning the terms and conditions of this Agreement, the Membership Interests, the business plans, operations, capitalization, financial condition and prospects of the Company, and all other matters deemed relevant to Members.

(d) Such Member is acquiring Membership Interests for its own account for investment purposes only, and not with a view to resale or distribution. Such Member has no present intention to distribute or sell the Membership Interests. Such Member has no present or contemplated agreement, undertaking, arrangement, obligation, indebtedness or commitment providing for the Transfer, of any of the Membership Interests, and understands that the same are prohibited or restricted by this Agreement.

(e) Such Member understands that the Membership Interests have not been registered under the Securities Act or the laws of any state, and that the Membership Interests may not be Transferred without compliance with the provisions of this Agreement, the Securities Act, and applicable state securities laws.

(f) Such Member has sufficient knowledge and experience in financial or business matters to evaluate the merits and risks of an investment in the Membership Interests. Such Member can afford to bear the economic risk of holding the Membership Interests for an indefinite period of time and can afford to suffer the complete loss of the investment in the Membership Interests. Such Member understands that due to the substantial restrictions on the transferability of the Membership Interests and the lack of a public market, it may not be possible for Member to liquidate the investment in the Membership Interests in the case of emergency, if at all.

(g) Such Member understands that, except as otherwise expressly provided herein, the Membership Interests of the Member have no voting rights and no rights to participate in the management and control of the Company.

14.13 Confidentiality.

(a) The Members hereby acknowledge that the Company will be in possession of confidential information the improper use or disclosure of which could have a material adverse effect upon the Company or upon one or more Members.

(b) The Members acknowledge and agree that all information provided to them by or on behalf of the Company or the Manager concerning the business or assets of the Company, a Member or the investments shall be deemed strictly confidential and shall not, without prior written consent of the Manager, be (i) disclosed to any Person (other than the attorneys, accountants, employees, agents and/or principals of the Member) other than another Member or (ii) used by a Member other than for a Company purpose or a purpose reasonably related to protecting such Member's interest in the Company. The Members consent to the disclosure by each Member of Company information to such Member's accountants, attorneys and similar advisors bound by a duty of confidentiality. In addition, the Members hereby consent to the disclosure by any Member of Company information to such Member's lenders and direct and indirect owners. The foregoing requirements of this Section 14.13 shall not apply to a Member with regard to any information that is currently or becomes: (i) required to be disclosed pursuant to applicable law or a domestic national securities exchange rule (but in each case only to the extent of such requirement); (ii) publicly known or available in the absence of any improper or unlawful action on the part of such Member; or (iv) known or available to such Member via legitimate means other than through or on behalf of the Company or the Manager. For purposes of this Section 14.13, Company information (including information relating to investments or another Member) provided by one Member to another shall be deemed to have been provided on behalf of the Company.

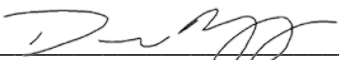
[THE REMAINING PORTION OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

COMPANY AGREEMENT
OF
SEATTLE REHAB REAL ESTATE INVESTORS, LLC

NON-FUNDING MEMBER:

KENOR NKD HOLDINGS V, LLC,
a Texas limited liability company

By: **Kenor Cross Holdings, LLC,**
a Texas limited liability company, Manager

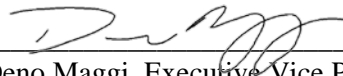
By: 
Deno Maggi, Executive Vice President

Date: 1/31/2025

COMPANY AGREEMENT
OF
SEATTLE REHAB REAL ESTATE INVESTORS, LLC

CLASS A MEMBER:

KENNOR CROSS HOLDINGS, LLC,
a Texas limited liability company

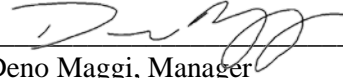
By: 
Deno Maggi, Executive Vice President

Date: 1/31/2025


COMPANY AGREEMENT
OF
SEATTLE REHAB REAL ESTATE INVESTORS, LLC

CLASS B MEMBER:

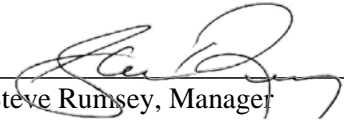
KENNOR CROSS OPCO INVESTMENTS, LLC,
a Texas limited liability company

By: 
Deno Maggi, Manager

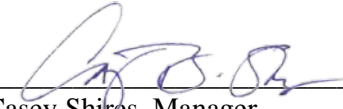
Date: 1/31/2025

By: 
Shane Shoulders, Manager

Date: 1/31/2025

By: 
Steve Rumsey, Manager

Date: 1/31/2025

By: 
Casey Shires, Manager

Date: 1/31/2025

SCHEDULE 1
CAPITAL CONTRIBUTION PERCENTAGES
AND
PERCENTAGE INTERESTS

<u>Members</u>	<u>Addresses</u>	<u>Capital Contributions</u>	<u>Capital Contribution Percentage</u>	<u>Percentage Interest</u>
<u>Funding Members</u>	-		-	-
Class A Funding Members				
Kennor Cross Holdings, LLC	4317 Marsh Ridge Carrollton, Texas 75010	\$[]	46.50000%	25.57500%
Class A Funding Member Total	-	\$[]	46.50000%	25.57500%
Class B Funding Members				
Class B Funding Member Total		\$[]	53.50000%	29.42500%
Kennor Cross Opco Investments, LLC	4317 Marsh Ridge Carrollton, Texas 75010		53.50000%	29.42500%
Funding Member Totals	-	\$[]	100%	55.00000%
<u>Non-Funding Member</u>	-		-	-
Kennor NKD Holdings V, LLC	4317 Marsh Ridge Carrollton, Texas 75010	-	0.00000%	45.00000%
Non-Funding Member Total	-	-	0.00000%	45.00000%
TOTAL:		\$[]	100.00000%	100.00000%

EXHIBIT A
PROJECT BUDGET

Exhibit 12
Site Control Documentation

Exhibit 12a
Site Property Detail

ADVERTISEMENT

[New Search](#)
 [Property Tax Bill](#)
 [Map This Property](#)
 [Glossary of Terms](#)
 [Area Report](#)
 [Print Property Detail](#)

PARCEL DATA


Parcel	768280-0020
Name	SG PACIFIC TRIO LLC
Site Address	26505 PACIFIC HWY S 98198
Geo Area	55-20
Spec Area	
Property Name	VACANT COMMERCIAL

Jurisdiction	DES MOINES
Levy Code	1076
Property Type	C
Plat Block / Building Number	
Plat Lot / Unit Number	4
Quarter-Section-Township-Range	<u>SW-28-22-4</u>

Legal Description

SECOMA HI-WAY TRS
 PPlat Block:
 Plat Lot: 4

LAND DATA

 Click the camera to see more pictures.



Highest & Best Use As If Vacant	COMMERCIAL SERVICE
Highest & Best Use As Improved	(unknown)
Present Use	Vacant(Commercial)
Land SqFt	36,858
Acres	0.85

Percentage Unusable	
Unbuildable	NO
Restrictive Size Shape	NO
Zoning	C-C
Water	WATER DISTRICT
Sewer/Septic	PUBLIC
Road Access	PUBLIC
Parking	ADEQUATE
Street Surface	

Views

Rainier	
Territorial	
Olympics	
Cascades	
Seattle Skyline	
Puget Sound	
Lake Washington	
Lake Sammamish	
Lake/River/Creek	
Other View	

Waterfront

Waterfront Location	
Waterfront Footage	0
Lot Depth Factor	0
Waterfront Bank	
Tide/Shore	
Waterfront Restricted Access	
Waterfront Access Rights	NO
Poor Quality	NO
Proximity Influence	NO

Designations

Historic Site	
Current Use	(none)
Nbr Bldg Sites	
Adjacent to Golf Fairway	NO
Adjacent to Greenbelt	NO

Nuisances

Topography	
Traffic Noise	
Airport Noise	
Power Lines	NO
Other Nuisances	NO

Reference Links

- [Residential Physic Inspection Areas](#)
- [King County Taxin Districts Codes an Levies \(.PDF\)](#)
- [King County Tax Links](#)
- [Property Tax Advis](#)
- [Washington State Department of Revenue](#) (External link)
- [Washington State Board of Tax Appe](#) (External link)
- [Board of Appeals/Equalizati](#)
- [Districts Report](#)
- [iMap](#)
- [Recorder's Office](#)
- [Scanned images o surveys and other map documents](#)
- [Scanned images o plats](#)
- [Housing Availabilit Dashboard](#)

Notice mailing date:
07/04/2024

Other Designation	NO
Deed Restrictions	NO
Development Rights Purchased	NO
Easements	NO
Native Growth Protection Easement	NO
DNR Lease	NO

Problems	
Water Problems	NO
Transportation Concurrency	NO
Other Problems	NO
Environmental	
Environmental	NO

BUILDING

TAX ROLL HISTORY

Account	Valued Year	Tax Year	Omit Year	Levy Code	Appraised Land Value (\$)	Appraised Imps Value (\$)	Appraised Total Value (\$)	New Dollars (\$)	Taxable Land Value (\$)	Taxable Imps Value (\$)	Taxable Total Value (\$)	Tax Value Reason
768280002009	2024	2025		1076	884,500	0	884,500	0	884,500	0	884,500	
768280002009	2023	2024		1076	663,400	0	663,400	0	663,400	0	663,400	
768280002009	2022	2023		1076	589,700	0	589,700	0	589,700	0	589,700	
768280002009	2021	2022		1076	589,700	0	589,700	0	589,700	0	589,700	
768280002009	2020	2021		1076	589,700	0	589,700	0	589,700	0	589,700	
768280002009	2019	2020		1076	552,800	0	552,800	0	552,800	0	552,800	
768280002009	2018	2019		1076	516,000	0	516,000	0	516,000	0	516,000	
768280002009	2017	2018		1076	516,000	0	516,000	0	516,000	0	516,000	
768280002009	2016	2017		1076	516,000	0	516,000	0	516,000	0	516,000	
768280002009	2015	2016		1076	368,500	0	368,500	0	368,500	0	368,500	
768280002009	2014	2015		1076	368,500	0	368,500	0	368,500	0	368,500	
768280002009	2013	2014		1076	368,500	0	368,500	0	368,500	0	368,500	
768280002009	2012	2013		1076	296,200	0	296,200	0	296,200	0	296,200	
768280002009	2011	2012		1076	296,200	0	296,200	0	296,200	0	296,200	
768280002009	2010	2011		1076	296,200	0	296,200	0	296,200	0	296,200	
768280002009	2009	2010		1076	296,200	0	296,200	0	296,200	0	296,200	
768280002009	2008	2009		1076	296,200	0	296,200	0	296,200	0	296,200	
768280002009	2007	2008		1076	259,200	0	259,200	0	259,200	0	259,200	
768280002009	2006	2007		1076	259,200	0	259,200	0	259,200	0	259,200	
768280002009	2005	2006		1076	185,100	0	185,100	0	185,100	0	185,100	
768280002009	2004	2005		1076	166,600	0	166,600	0	166,600	0	166,600	
768280002009	2003	2004		1076	166,600	0	166,600	0	166,600	0	166,600	
768280002009	2002	2003		1076	166,600	0	166,600	0	166,600	0	166,600	
768280002009	2001	2002		1076	166,600	0	166,600	0	166,600	0	166,600	
768280002009	2000	2001		1076	166,600	0	166,600	0	166,600	0	166,600	
768280002009	1999	2000		1076	166,600	0	166,600	0	166,600	0	166,600	
768280002009	1998	1999		1076	166,600	0	166,600	0	166,600	0	166,600	
768280002009	1997	1998		3422	0	0	0	0	166,600	0	166,600	
768280002009	1996	1997		3422	0	0	0	0	166,600	0	166,600	
768280002009	1994	1995		3422	0	0	0	0	166,600	0	166,600	
768280002009	1992	1993		3422	0	0	0	0	166,600	0	166,600	
768280002009	1990	1991		3422	0	0	0	0	157,300	0	157,300	
768280002009	1989	1990		3422	0	0	0	0	157,300	0	157,300	
768280002009	1988	1989		3422	0	0	0	0	157,300	0	157,300	
768280002009	1986	1987		3422	0	0	0	0	166,600	0	166,600	
768280002009	1984	1985		3422	0	0	0	0	100,800	0	100,800	
768280002009	1982	1983		3422	0	0	0	0	100,800	0	100,800	

SALES HISTORY

Excise Number	Recording Number	Document Date	Sale Price	Seller Name	Buyer Name	Instrument	Sale Reason
2062894	20040816002800	8/16/2004	\$900,000.00	KRISHNAMOORTI SINGA R ETAL	SG PACIFIC TRIO LLC	Statutory Warranty Deed	None

<u>1994039</u>	<u>20031009000745</u>	8/14/2003	\$0.00	KRISHNAMOORTI SINGA R+DURGA	KRISHNAMOORTI SINGA R+DURGA - TTE	Grant Deed	Trust
823951	<u>198505150531</u>	2/11/1985	\$0.00	CRESCENT MARKETING & MANAGEMENT	KRISHNAMOORTI SINGA+DURGA	Purchaser's Assignment	None

REVIEW HISTORY

Tax Year	Review Number	Review Type	Appealed Value	Hearing Date	Settlement Value	Decision	Status
1989	8807112	Local Appeal	\$166,600	3/1/1989	\$157,300	REVISE	Completed

PERMIT HISTORY

HOME IMPROVEMENT EXEMPTION

[New Search](#)
[Property Tax Bill](#)
[Map This Property](#)
[Glossary of Terms](#)
[Area Report](#)
[Print Property Detail](#)

ADVERTISEMENT

ADVERTISEMENT

[New Search](#)
 [Property Tax Bill](#)
 [Map This Property](#)
 [Glossary of Terms](#)
 [Area Report](#)
 [Print Property Detail](#)

PARCEL DATA


Parcel	768280-0025
Name	SG PACIFIC TRIO LLC
Site Address	26475 PACIFIC HWY S 98198
Geo Area	55-20
Spec Area	
Property Name	VACANT COMMERCIAL

Jurisdiction	DES MOINES
Levy Code	1076
Property Type	C
Plat Block / Building Number	
Plat Lot / Unit Number	5
Quarter-Section-Township-Range	<u>SW-28-22-4</u>

Legal Description

SECOMA HI-WAY TRS
 PLat Block:
 Plat Lot: 5

LAND DATA

 Click the camera to see more pictures.



Highest & Best Use As If Vacant	COMMERCIAL SERVICE
Highest & Best Use As Improved	(unknown)
Present Use	Vacant(Commercial)
Land SqFt	41,815
Acres	0.96

Percentage Unusable	
Unbuildable	NO
Restrictive Size Shape	NO
Zoning	C-C
Water	WATER DISTRICT
Sewer/Septic	PUBLIC
Road Access	PUBLIC
Parking	ADEQUATE
Street Surface	

Views

Rainier	
Territorial	
Olympics	
Cascades	
Seattle Skyline	
Puget Sound	
Lake Washington	
Lake Sammamish	
Lake/River/Creek	
Other View	

Waterfront

Waterfront Location	
Waterfront Footage	0
Lot Depth Factor	0
Waterfront Bank	
Tide/Shore	
Waterfront Restricted Access	
Waterfront Access Rights	NO
Poor Quality	NO
Proximity Influence	NO

Designations

Historic Site	
Current Use	(none)
Nbr Bldg Sites	
Adjacent to Golf Fairway	NO
Adjacent to Greenbelt	NO

Nuisances

Topography	
Traffic Noise	
Airport Noise	
Power Lines	NO
Other Nuisances	NO

Reference Links

- [Residential Physic Inspection Areas](#)
- [King County Taxin Districts Codes an Levies \(.PDF\)](#)
- [King County Tax Links](#)
- [Property Tax Advis](#)
- [Washington State Department of Revenue](#) (External link)
- [Washington State Board of Tax Appe](#) (External link)
- [Board of Appeals/Equalizati](#)
- [Districts Report](#)
- [iMap](#)
- [Recorder's Office](#)
- [Scanned images o surveys and other map documents](#)
- [Scanned images o plats](#)
- [Housing Availabilit Dashboard](#)

Notice mailing date:
07/04/2024

Other Designation	NO
Deed Restrictions	NO
Development Rights Purchased	NO
Easements	NO
Native Growth Protection Easement	NO
DNR Lease	NO

Problems	
Water Problems	NO
Transportation Concurrency	NO
Other Problems	NO

Environmental	
Environmental	NO

BUILDING

TAX ROLL HISTORY

Account	Valued Year	Tax Year	Omit Year	Levy Code	Appraised Land Value (\$)	Appraised Imps Value (\$)	Appraised Total Value (\$)	New Dollars (\$)	Taxable Land Value (\$)	Taxable Imps Value (\$)	Taxable Total Value (\$)	Tax Value Reason
768280002504	2024	2025		1076	1,003,500	0	1,003,500	0	1,003,500	0	1,003,500	
768280002504	2023	2024		1076	752,600	0	752,600	0	752,600	0	752,600	
768280002504	2022	2023		1076	669,000	0	669,000	0	669,000	0	669,000	
768280002504	2021	2022		1076	669,000	0	669,000	0	669,000	0	669,000	
768280002504	2020	2021		1076	669,000	0	669,000	0	669,000	0	669,000	
768280002504	2019	2020		1076	627,200	0	627,200	0	627,200	0	627,200	
768280002504	2018	2019		1076	585,400	0	585,400	0	585,400	0	585,400	
768280002504	2017	2018		1076	585,400	0	585,400	0	585,400	0	585,400	
768280002504	2016	2017		1076	585,400	0	585,400	0	585,400	0	585,400	
768280002504	2015	2016		1076	418,100	0	418,100	0	418,100	0	418,100	
768280002504	2014	2015		1076	418,100	0	418,100	0	418,100	0	418,100	
768280002504	2013	2014		1076	418,100	0	418,100	0	418,100	0	418,100	
768280002504	2012	2013		1076	333,600	0	333,600	0	333,600	0	333,600	
768280002504	2011	2012		1076	333,600	0	333,600	0	333,600	0	333,600	
768280002504	2010	2011		1076	333,600	0	333,600	0	333,600	0	333,600	
768280002504	2009	2010		1076	333,600	0	333,600	0	333,600	0	333,600	
768280002504	2008	2009		1076	333,600	0	333,600	0	333,600	0	333,600	
768280002504	2007	2008		1076	291,900	0	291,900	0	291,900	0	291,900	
768280002504	2006	2007		1076	291,900	0	291,900	0	291,900	0	291,900	
768280002504	2005	2006		1076	208,500	0	208,500	0	208,500	0	208,500	
768280002504	2004	2005		1076	187,700	0	187,700	0	187,700	0	187,700	
768280002504	2003	2004		1076	187,700	0	187,700	0	187,700	0	187,700	
768280002504	2002	2003		1076	187,700	0	187,700	0	187,700	0	187,700	
768280002504	2001	2002		1076	187,700	0	187,700	0	187,700	0	187,700	
768280002504	2000	2001		1076	187,700	0	187,700	0	187,700	0	187,700	
768280002504	1999	2000		1076	187,700	0	187,700	0	187,700	0	187,700	
768280002504	1998	1999		1076	187,700	0	187,700	0	187,700	0	187,700	
768280002504	1997	1998		3422	0	0	0	0	187,700	0	187,700	
768280002504	1996	1997		3422	0	0	0	0	187,700	0	187,700	
768280002504	1994	1995		3422	0	0	0	0	187,700	0	187,700	
768280002504	1992	1993		3422	0	0	0	0	187,700	0	187,700	
768280002504	1990	1991		3422	0	0	0	0	177,200	0	177,200	
768280002504	1989	1990		3422	0	0	0	0	177,200	0	177,200	
768280002504	1988	1989		3422	0	0	0	0	177,200	0	177,200	
768280002504	1986	1987		3422	0	0	0	0	187,700	0	187,700	
768280002504	1984	1985		3422	0	0	0	0	113,500	0	113,500	
768280002504	1982	1983		3422	0	0	0	0	113,500	0	113,500	

SALES HISTORY

Excise Number	Recording Number	Document Date	Sale Price	Seller Name	Buyer Name	Instrument	Sale Reason
2062894	20040816002800	8/16/2004	\$900,000.00	KRISHNAMOORTI SINGA R ETAL	SG PACIFIC TRIO LLC	Statutory Warranty Deed	None

1994039	20031009000745	8/14/2003	\$0.00	KRISHNAMOORTI SINGA R+DURGA	KRISHNAMOORTI SINGA R+DURGA - TTE	Grant Deed	Trust
823951	198505150531	2/11/1985	\$0.00	CRESCENT MARKETING & MANAGEMEN	KRISHNAMOORTI SINGA+DURGA	Purchaser's Assignment	None

REVIEW HISTORY

Tax Year	Review Number	Review Type	Appealed Value	Hearing Date	Settlement Value	Decision	Status
1989	8807113	Local Appeal	\$187,700	3/1/1989	\$177,200	REVISE	Completed

PERMIT HISTORY

HOME IMPROVEMENT EXEMPTION

[New Search](#)
[Property Tax Bill](#)
[Map This Property](#)
[Glossary of Terms](#)
[Area Report](#)
[Print Property Detail](#)

ADVERTISEMENT

ADVERTISEMENT

[New Search](#)
 [Property Tax Bill](#)
 [Map This Property](#)
 [Glossary of Terms](#)
 [Area Report](#)
 [Print Property Detail](#)

PARCEL DATA


Parcel	768280-0030
Name	SG PACIFIC TRIO LLC
Site Address	26429 PACIFIC HWY S 98198
Geo Area	55-20
Spec Area	
Property Name	VACANT COMMERCIAL

Jurisdiction	DES MOINES
Levy Code	1076
Property Type	C
Plat Block / Building Number	
Plat Lot / Unit Number	6
Quarter-Section-Township-Range	<u>SW-28-22-4</u>

Legal Description

SECOMA HI-WAY TRS
 PLat Block:
 Plat Lot: 6

LAND DATA

 Click the camera to see more pictures.



Highest & Best Use As If Vacant	COMMERCIAL SERVICE
Highest & Best Use As Improved	(unknown)
Present Use	Vacant(Commercial)
Land SqFt	45,915
Acres	1.05

Percentage Unusable	
Unbuildable	NO
Restrictive Size Shape	NO
Zoning	C-C
Water	WATER DISTRICT
Sewer/Septic	PUBLIC
Road Access	PUBLIC
Parking	ADEQUATE
Street Surface	

Views

Rainier	
Territorial	
Olympics	
Cascades	
Seattle Skyline	
Puget Sound	
Lake Washington	
Lake Sammamish	
Lake/River/Creek	
Other View	

Waterfront

Waterfront Location	
Waterfront Footage	0
Lot Depth Factor	0
Waterfront Bank	
Tide/Shore	
Waterfront Restricted Access	
Waterfront Access Rights	NO
Poor Quality	NO
Proximity Influence	NO

Designations

Historic Site	
Current Use	(none)
Nbr Bldg Sites	
Adjacent to Golf Fairway	NO
Adjacent to Greenbelt	NO

Nuisances

Topography	
Traffic Noise	
Airport Noise	
Power Lines	NO
Other Nuisances	NO

Reference Links

- [Residential Physic Inspection Areas](#)
- [King County Taxin Districts Codes an Levies \(.PDF\)](#)
- [King County Tax Links](#)
- [Property Tax Advis](#)
- [Washington State Department of Revenue](#) (External link)
- [Washington State Board of Tax Appe](#) (External link)
- [Board of Appeals/Equalizati](#)
- [Districts Report](#)
- [iMap](#)
- [Recorder's Office](#)
- [Scanned images o surveys and other map documents](#)
- [Scanned images o plats](#)
- [Housing Availabilit Dashboard](#)

Notice mailing date:
07/04/2024

Other Designation	NO
Deed Restrictions	NO
Development Rights Purchased	NO
Easements	NO
Native Growth Protection Easement	NO
DNR Lease	NO

Problems	
Water Problems	NO
Transportation Concurrency	NO
Other Problems	NO

Environmental	
Environmental	NO

BUILDING

TAX ROLL HISTORY

Account	Valued Year	Tax Year	Omit Year	Levy Code	Appraised Land Value (\$)	Appraised Imps Value (\$)	Appraised Total Value (\$)	New Dollars (\$)	Taxable Land Value (\$)	Taxable Imps Value (\$)	Taxable Total Value (\$)	Tax Value Reason
768280003007	2024	2025		1076	1,101,900	0	1,101,900	0	1,101,900	0	1,101,900	
768280003007	2023	2024		1076	826,400	0	826,400	0	826,400	0	826,400	
768280003007	2022	2023		1076	734,600	0	734,600	0	734,600	0	734,600	
768280003007	2021	2022		1076	734,600	0	734,600	0	734,600	0	734,600	
768280003007	2020	2021		1076	734,600	0	734,600	0	734,600	0	734,600	
768280003007	2019	2020		1076	688,700	0	688,700	0	688,700	0	688,700	
768280003007	2018	2019		1076	642,800	0	642,800	0	642,800	0	642,800	
768280003007	2017	2018		1076	642,800	0	642,800	0	642,800	0	642,800	
768280003007	2016	2017		1076	642,800	0	642,800	0	642,800	0	642,800	
768280003007	2015	2016		1076	459,100	0	459,100	0	459,100	0	459,100	
768280003007	2014	2015		1076	459,100	0	459,100	0	459,100	0	459,100	
768280003007	2013	2014		1076	459,100	0	459,100	0	459,100	0	459,100	
768280003007	2012	2013		1076	371,100	0	371,100	0	371,100	0	371,100	
768280003007	2011	2012		1076	371,100	0	371,100	0	371,100	0	371,100	
768280003007	2010	2011		1076	371,100	0	371,100	0	371,100	0	371,100	
768280003007	2009	2010		1076	371,100	0	371,100	0	371,100	0	371,100	
768280003007	2008	2009		1076	371,100	0	371,100	0	371,100	0	371,100	
768280003007	2007	2008		1076	324,700	0	324,700	0	324,700	0	324,700	
768280003007	2006	2007		1076	324,700	0	324,700	0	324,700	0	324,700	
768280003007	2005	2006		1076	231,900	0	231,900	0	231,900	0	231,900	
768280003007	2004	2005		1076	208,700	0	208,700	0	208,700	0	208,700	
768280003007	2003	2004		1076	208,700	0	208,700	0	208,700	0	208,700	
768280003007	2002	2003		1076	208,700	0	208,700	0	208,700	0	208,700	
768280003007	2001	2002		1076	208,700	0	208,700	0	208,700	0	208,700	
768280003007	2000	2001		1076	208,700	0	208,700	0	208,700	0	208,700	
768280003007	1999	2000		1076	208,700	0	208,700	0	208,700	0	208,700	
768280003007	1998	1999		1076	208,700	0	208,700	0	208,700	0	208,700	
768280003007	1997	1998		3422	0	0	0	0	208,700	0	208,700	
768280003007	1996	1997		3422	0	0	0	0	208,700	0	208,700	
768280003007	1994	1995		3422	0	0	0	0	208,700	0	208,700	
768280003007	1992	1993		3422	0	0	0	0	208,700	0	208,700	
768280003007	1990	1991		3422	0	0	0	0	197,100	0	197,100	
768280003007	1989	1990		3422	0	0	0	0	197,100	0	197,100	
768280003007	1988	1989		3422	0	0	0	0	197,100	0	197,100	
768280003007	1986	1987		3422	0	0	0	0	114,800	800	115,600	
768280003007	1984	1985		3422	0	0	0	0	119,200	800	120,000	
768280003007	1982	1983		3422	0	0	0	0	119,200	800	120,000	

SALES HISTORY

Excise Number	Recording Number	Document Date	Sale Price	Seller Name	Buyer Name	Instrument	Sale Reason
2062894	20040816002800	8/16/2004	\$900,000.00	KRISHNAMOORTI SINGA R ETAL	SG PACIFIC TRIO LLC	Statutory Warranty Deed	None

1994039	20031009000745	8/14/2003	\$0.00	KRISHNAMOORTI SINGA R+DURGA	KRISHNAMOORTI SINGA R+DURGA - TTE	Grant Deed	Trust
823951	198505150531	2/11/1985	\$0.00	CRESCENT MARKETING & MANAGEMENT	KRISHNAMOORTI SINGA+DURGA	Purchaser's Assignment	None

REVIEW HISTORY

Tax Year	Review Number	Review Type	Appealed Value	Hearing Date	Settlement Value	Decision	Status
1989	8807114	Local Appeal	\$209,500	3/1/1989	\$197,100	REVISE	Completed

PERMIT HISTORY

HOME IMPROVEMENT EXEMPTION

[New Search](#)
 [Property Tax Bill](#)
 [Map This Property](#)
 [Glossary of Terms](#)
 [Area Report](#)
 [Print Property Detail](#)

ADVERTISEMENT

Exhibit 12b
Purchase-Sale Agreement

PURCHASE AND SALE AGREEMENT
(INPATIENT MEDICAL REHAB HOSPITAL)
(Des Moines, WA)

This **PURCHASE AND SALE AGREEMENT** (“**Agreement**”) is made this 25th day of October 2024, effective as of the last date when either of Seller or Purchaser executes this Agreement (the “**Effective Date**”), by and between **SG PACIFIC TRIO, LLC**, a Washington state limited liability company having an address at 200 N. 3rd Street, Ste 100, Boise, ID 83702 (“**Seller**”), and **CROSS DEVELOPMENT ACQUISITION, LLC**, a Texas limited liability company, having an address at 4317 Marsh Ridge Road, Carrollton, Texas 75010 (Cross Development Acquisition, LLC, or its assignee, pursuant to Section 14.7 below is hereinafter referred to as “**Purchaser**”).

WITNESSETH:
RECITALS

A. Seller owns the following: (i) the land consisting of three separate lots of record and comprising approximately **2.86±** acres in the aggregate, subject to verification via survey acceptable to Purchaser, located in **King County, Washington**, as further described in **Exhibit “A”** attached hereto and incorporated herein, including all right, title and interest of Seller in and to any strips and gores adjoining such real property, adjacent streets, roads, alleys, easements and rights-of-way, all right, title and interest of Seller in and to any reversions, remainders, easements, rights-of-way, development, capacity and utility rights, appurtenances, hereditaments and water and mineral rights (the “**Land**”), (ii) all improvements on the Land including, without limitation, any building located thereon, any paved parking areas and driveways and other appurtenances, if any (the “**Improvements**”), and (iii) all fixtures and personal property owned by Seller located on or attached to the Land and Improvements, if any (the “**Personal Property**”). (The Land, Improvements, and Personal Property are hereinafter collectively referred to as the “**Property**”).

B. Seller desires to sell and Purchaser desires to acquire the Property on the terms and provisions hereinbelow set forth. **NOW, THEREFORE**, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

Section 1. Agreement of Purchase and Sale. Seller hereby agrees to sell and convey, and Purchaser agrees to purchase on such terms and conditions as are hereinafter set forth, all of the Property:

1.1 The purchase price (the “**Purchase Price**”) for the Property is Two Million Eight Hundred Thousand and No/100 Dollars (\$2,800,000.00). Twenty Thousand and No/100 Dollars (\$20,000.00) (the “**Initial Deposit**”) shall be paid by Purchaser to Capital Title, 4851 LBJ Freeway, Suite 1100, Dallas, TX 75244, Attn: Melvin John, 214-919-3010, Email: mjohn@capitaltitlencs.com (“**Escrow Agent**” or “**Title Company**”) within five (5) business days after the Effective Date. The Deposit (as defined below) and any other deposits or amounts paid to Escrow Agent shall be held in escrow by the Escrow Agent to be disbursed in accordance with this Agreement and the escrow instructions set forth on **Exhibit “D”** (the “**Escrow Instructions**”). Any interest earned on the Deposit, if so received, shall remain with Purchaser, and shall be credited to the Purchase Price at Closing, if Closing occurs, if no Closing shall occur, any interest earned on deposited amounts shall be paid to Purchaser in any event. If the purchase and sale of the Property is consummated in accordance with the terms and provisions of this Agreement, then the Deposit shall be applied fully to the Purchase Price at Closing and transferred to an account or accounts designated in writing by Seller. If Purchaser terminates this Agreement in accordance with Section 2.2 or as may otherwise be set forth in this Agreement, the Initial Deposit shall be returned to Purchaser. Upon the expiration of the Inspection Period (as defined below), to the extent this Agreement is not earlier terminated by Purchaser, and no later than ten (10) business days following such expiration, Purchaser shall pay to Escrow Agent an additional deposit in the amount of Fifty Five Thousand and No/100 Dollars (\$55,000.00) (the “**Additional Deposit**”). At that time, the Initial Deposit and Additional Deposit shall be non-refundable to the Purchaser except upon (i) a Seller default, or (ii) upon the failure of any one or more of the closing conditions provided in this Agreement, whereupon the Deposit and any accrued interest shall be refunded to Purchaser. The Initial Deposit and Additional Deposit shall collectively be referred to herein as the “**Deposit**”.

1.2 The balance of the Purchase Price after deducting the Deposit and any Extension Payments (as defined below), shall be paid at Closing, plus or minus prorations and adjustments to be made pursuant to this Agreement, in good immediately available United States funds by wire transfer to a bank account or accounts to be designated in writing by the Title Company prior to the Closing for transfer to an account or accounts designated in writing by Seller.

1.3 Notwithstanding anything in this Agreement to the contrary, a portion of the Deposit in the amount of One Hundred and No/100 Dollars (\$100.00) shall be non-refundable and shall be distributed to Seller at Closing or other termination of this Agreement as full payment and independent consideration for Seller’s performance under this Agreement and for the rights granted to Purchaser hereunder. Such \$100.00 independent consideration shall be deducted from any refund or delivery of the Deposit to Purchaser pursuant to this Agreement and shall simultaneously be distributed to Seller.

Section 2. Inspection Period and Approval Period.

2.1 Seller, upon notice, will provide Purchaser or its designated representatives access to the Property at reasonable times to conduct, at Purchaser’s sole cost and expense, its due diligence with respect to the Property during the Inspection Period (as defined below). Purchaser will have until that certain date which is three hundred sixty (360) days after the Effective Date (the “**Inspection Period**”), to perform physical inspections and other due diligence and to decide, in Purchaser’s sole and absolute discretion, whether the Property is satisfactory. In addition to other Approvals (as defined below), during the Inspection Period, Seller agrees to cooperate,

in good faith, but at no additional out-of-pocket cost to Seller (unless Purchaser agrees to reimburse the same), with Purchaser's efforts to obtain a Certificate of Need and other necessary Approvals from the Washington State Department of Health (the "**Certificate of Need**") authorizing Purchaser's intended use of the Property as an inpatient medical rehabilitation hospital as determined by Purchaser (the "**Intended Use**"), and, notwithstanding the foregoing sentence, in the event the Washington State Department of Health issues a Certificate of Need fully authorizing Purchaser's Intended Use of the Property, the Inspection Period shall expire thirty (30) days following Purchaser's receipt of the Certificate of Need. In the event the Certificate of Need is denied after all appeals or the expiration of all appeal periods, this Agreement shall automatically terminate as if Purchaser terminated this Agreement pursuant to Section 2.2 hereof. To the extent in its possession or control, Seller shall deliver all of the materials described on **Exhibit "B"** attached hereto and incorporated herein by this reference and any other material documents or other information in the possession of Seller or its agents pertaining to the Property (the "**Property Information**") within five (5) days after the Effective Date. Seller shall have an ongoing obligation during the pendency of this Agreement to provide Purchaser with any type of document or instrument described in **Exhibit "B"** which is created or modified in any respect after the commencement of the Inspection Period, as may be extended pursuant to Section 2.4 below. Except as otherwise provided in this Agreement, all due diligence costs, including, without limitation, all costs of building and site inspections, engineering, environmental, and/or other reports or inspections undertaken by Purchaser, shall be paid for by Purchaser.

2.2 On or before the expiration of the Inspection Period, as may be extended, Purchaser will have the right in its sole and absolute discretion to terminate this Agreement by giving written notice of termination to Seller. In the event Purchaser timely exercises its right to terminate this Agreement pursuant to this Section 2.2, (a) Purchaser shall receive a full return of the Deposit, except those amounts contemplated in Section 1.3, and (b) except for obligations that this Agreement expressly states survive termination, neither party shall have any further rights against the other hereunder. If Purchaser elects to terminate the Agreement during the Inspection Period, Purchaser, as its sole remedy (except in relation to obligations that this Agreement expressly states survive termination), shall be entitled to receive a refund of the Initial Deposit. In the event Purchaser terminates during the Inspection Period pursuant to this Section 2.2, Purchaser shall give Seller the option to reimburse Purchaser for selected non-proprietary or non-confidential Purchaser due diligence materials prepared by third parties (e.g., Survey, Geotechnical, Environmental reports, but excluding architectural, design, construction, and other similar material) in which such specific reimbursed due diligence costs shall entitle Seller to the rights in such reports. Purchaser shall provide effective assignment agreements for such reimbursed non-proprietary due diligence materials.

2.3 Purchaser and Purchaser's agents, employees, and independent contractors may enter upon the Property during the Inspection Period, as may be extended, to undertake all due diligence investigations and studies with respect to the Property that Purchaser deems appropriate, including, without limitation, to survey and inspect the Property and to conduct soil borings and other geological, invasive or non-invasive engineering or landscaping tests or studies, all at Purchaser's cost and expense. Purchaser shall fully repair any damage to the Property (and/or to any adjacent property) caused by any such inspections, tests or other activities by Purchaser or its agents, employees, or independent contractors so that the Property (and/or such adjacent property) is reasonably restored to its pre-inspection condition upon the completion of any such inspections and tests (which obligation shall survive any termination of this Agreement).

2.4 Purchaser shall have one hundred twenty (120) days after the expiration of the Inspection Period (the "**Approval Period**") in which to secure any and all necessary governmental approvals as determined by Purchaser for the development and operation of a medical rehab hospital center on the Property, including, but not limited to, plat approval, zoning approval or receipt of a special use permit, building permit, site plan approval, signage approval, and design review approval, as applicable (collectively, the "**Approvals**"). Seller and Purchaser each agree to cooperate and use good faith commercially reasonable efforts to obtain all Approvals required by the applicable Governmental Authority for Purchaser's Intended Use of the Property that may be reasonably requested by Purchaser, including timely preparation and signing of filings, applications, requests, and notices related thereto. Purchaser shall pay all of the associated costs of such submissions or reimburse Seller such associated costs to the extent such costs must be paid by Seller.

2.5 If Purchaser has exercised commercially reasonable good faith efforts to pursue all necessary Approvals and requires more time, Purchaser shall have the right to extend the Approval Period for up to three (3) consecutive successive sixty (60) day periods (each, an "**Extension Period**") by providing Seller with written notice prior to the expiration of the Approval Period, or prior to the expiration of any applicable extension thereto, and depositing Twenty Thousand and 00/100 Dollars (\$20,000.00) for each extension with the Escrow Agent (each such extension payment referred to as an "**Extension Payment**" and collectively as "**Extension Payments**"). The Extension Payments shall be credited to the Purchase Price at Closing (as defined below), provided however, the Extension Payment for the last of the three (3) extensions to the Approval Period, if made, shall be non-applicable to the Purchase Price and paid directly to Seller upon Closing. The Extension Payments shall be nonrefundable to the Purchaser, except upon (i) a Seller default, or (ii) upon the failure of any one or more of those certain closing conditions provided in Sections 6.1, 6.2, 6.3, 6.4, and 6.6 of this Agreement, whereupon the Deposit, all Extension Payments, and any accrued interest shall be refunded to Purchaser.

2.6 On or before the expiration of the Approval Period, as may be extended, Purchaser shall have the right in its sole and absolute discretion to terminate this Agreement by giving written notice of termination to Seller. In the event Purchaser timely exercises its right to terminate this Agreement pursuant to this Section 2.6, Purchaser shall receive a full return of the Deposit and any accrued interest, except any Extension Payments (if made) and those amounts contemplated in Section 1.3, and except for obligations that this Agreement expressly states survive termination, neither party shall have any further rights against the other hereunder.

Section 3. **Title.**

3.1 Purchaser shall accept good and marketable title to the Property subject only to the Permitted Exceptions (as defined below).

3.2 Purchaser will promptly order a title insurance commitment (“**Title Commitment**”) to be issued by the Title Company and, following the expiration of the Inspection Period (to the extent not earlier terminated) a survey of the Property (“**Survey**”). Purchaser will cause copies of the Title Commitment, all documents of record which are listed as exceptions in the Title Commitment and the Survey (collectively, the “**Title Materials**”) to be delivered to Seller. Prior to the expiration of the Approval Period, as may be extended (“**Title Review Period**”), Purchaser, in Purchaser’s sole discretion, shall furnish Seller with a written statement of objections, if any, to the Title Materials (“**Objections**”). Purchaser shall be deemed to have agreed to accept title subject to all matters reflected in the Title Commitment and to the state of facts shown on the Survey, other than Objections that have been timely given and provided that, in no event shall Purchaser be deemed to have agreed to accept title subject to (i) monetary liens, encumbrances or security interests against Seller and/or the Property, (ii) encumbrances that have been voluntarily placed against the Property by Seller after the Effective Date without Purchaser’s prior written consent and that will not otherwise be satisfied on or before the Closing, or (iii) exceptions that can be removed from the Title Commitment by Seller’s delivery of a customary owner’s title affidavit or gap indemnity (all of the foregoing hereinafter collectively referred to as the “**Seller’s Required Removal Items**”). All title matters and exceptions set forth in the Title Commitment and the state of facts shown on the Survey which are not Objections, or which are thereafter deemed to be accepted or waived in writing by Purchaser as hereinafter provided, other than the Seller’s Required Removal Items, are hereafter referred to as the “**Permitted Exceptions**”.

3.3 If Purchaser notifies Seller within the Title Review Period of Objections, then within ten (10) business days after Seller’s receipt of Purchaser’s notice of Objections, Seller shall notify Purchaser in writing (“**Seller’s Title Response Notice**”) of the Objections which Seller agrees to satisfy, at Seller’s sole cost and expense, at or prior to the Closing (as defined below), and of the Objections that Seller cannot or will not satisfy. Failure by Seller to respond to Purchaser by the expiration of said ten (10) business day response period shall be deemed as Seller’s election to not cure the Objections provided by Purchaser. Notwithstanding the foregoing, Seller shall, in any event, be obligated to satisfy Seller’s Required Removal Items. If Seller chooses not to satisfy all or any of the Objections that Seller is not obligated to satisfy, Seller shall notify Purchaser in writing within the above-described ten (10) business day period in which event, Purchaser shall have the option to be exercised prior to the Closing Date (as defined below) of either (i) terminating this Agreement by giving written notice of termination to Seller, whereupon the rights of the parties shall be as set forth in Section 2.2 hereof and Purchaser will receive a full return of the Deposit or (ii) electing to consummate the purchase of the Property, in which case Purchaser shall be deemed to have waived such Objections and such Objections shall become Permitted Exceptions for all purposes hereunder. Failure by Purchaser to respond to Seller by the Closing Date (as defined below) shall be deemed its election to waive the applicable Objections, which shall become Permitted Exceptions.

3.4 It is a condition precedent to Purchaser’s obligation to close that the Title Company shall issue an ALTA Owners Policy of Title Insurance to Purchaser in the amount of the Purchase Price plus any contemplated improvements, insuring that Purchaser has indefeasible title to the Property, subject only to the Permitted Exceptions, showing that all requirements applicable to Seller have been satisfied, deleting all standard or general exceptions (including the standard survey exception and the standard parties in possession exception), showing that all taxes, assessments, and municipal charges which are due have been paid, and containing the endorsements (or revisions to Schedule B, as applicable) listed below (collectively, the “**Title Policy**”): specific access/access via insured easement, survey, owner’s comprehensive (ALTA 9.2, or equivalent), zoning (including parking/sufficiency), contiguity (if applicable), designation of improvements/address, tax parcel, subdivision, tax sale, arbitration deletion and forced removal, or equivalent for all setback line violations and easement encroachments and minerals/surface damage.

Section 4. Closing Date.

4.1 The sale and purchase of the Property shall be consummated at a closing (“**Closing**”) to be held at the offices of the Title Company and may be closed as a “mail away” as satisfactory to Seller and Purchaser. The Closing shall occur on the date (“**Closing Date**”) that is thirty (30) days following the expiration of the Approval Period, or any extension thereto; provided, however, Purchaser and Seller may agree on an earlier or later Closing Date in writing.

4.2 Notwithstanding any other provision in this Agreement, the Closing shall not occur on a Friday, and if the scheduled Closing would otherwise occur on a Friday, then the Closing shall be automatically extended to the next Business Day (as hereinafter defined).

Section 5. Representations, Warranties, and Covenants.

5.1 Seller hereby represents, warrants, and covenants for the sole, exclusive, and limited benefit of Purchaser as of the Effective Date and as of the Closing as follows:

5.1.1 Seller is a duly organized, validly existing entity and in good standing under the laws of the state of its formation or state having due jurisdiction and Seller is entitled to and has all requisite power and authority to own and operate its assets as they are presently owned and operated, to enter into this Agreement and to carry out the transactions contemplated hereby. The party executing this Agreement on behalf of Seller is duly authorized to execute and deliver this Agreement, and all necessary action to authorize the execution and delivery of this Agreement by the undersigned on behalf of Seller has been properly taken.

5.1.2 From the Effective Date until Closing, Seller shall not: (i) commit or permit to be committed any waste to the Property, after a reasonable timeframe to correct any such waste; and (ii) enter into any agreement or instrument that would place any mortgage or any other encumbrance, easement, covenant, condition, right-of-way or restriction on the Property, including but not

limited to the execution of any new leases or amendments to any leases (whether or not entered into in the ordinary course of business), that would bind the Purchaser or the Property after Closing, or that would be out of the normal scope of maintaining and operating the Property in its present condition, without the prior written consent of Purchaser.

5.1.3 Neither the execution of this Agreement nor the carrying out of the transactions contemplated herein will result in any violation of or be in conflict with the instruments pursuant to which Seller was organized and/or operates, or any applicable law, rule, or regulation from any governmental or quasi-governmental agency, department, board, commission, bureau or other entity or instrumentality (collectively, “**Governmental Authority**”), or of any instrument or agreement to which Seller is a party.

5.1.4 Those certain additional representations, warranties, and covenants as set forth on **Exhibit “C”** attached and incorporated herein to this Agreement.

5.2 Purchaser hereby warrants and represents for the sole, exclusive, and limited benefit of Seller as of the Effective Date and as of the Closing, as follows:

5.2.1 Purchaser is a duly organized, validly existing entity and in good standing under the laws of the State of Texas and is entitled to and has all requisite power and authority to own and operate its assets as they are presently owned and operated, to enter into this Agreement and to carry out the transactions contemplated hereby.

5.3 The representations and warranties set forth in Sections 5.1 and 5.2 hereof shall survive the Closing, provided however, that any claim for a violation or alleged violation thereof shall be asserted within three (3) years following the Closing in a written notice giving reasonable details of the claims and, if not so asserted within such time, there shall be no further liability with respect thereto. The provisions of the preceding sentence shall survive the Closing.

Section 6. Conditions Precedent to Close. The obligations of Purchaser to consummate the transactions contemplated herein shall be expressly subject to the fulfillment of the following conditions (“**Purchaser’s Conditions**”), together with any other conditions precedent to Purchaser’s obligations under the Agreement, any of which may be waived in writing by Purchaser (but not by Seller) in Purchaser’s sole and absolute discretion:

6.1 The representations and warranties of Seller made herein shall be true and correct in all material respects, Seller shall have performed all covenants and agreements made herein and Seller shall have delivered to Purchaser all of the closing documents required pursuant to this Agreement.

6.2 An unconditional and irrevocable agreement by the Title Company to issue the Title Policy.

6.3 Delivery of possession of the Property to Purchaser, subject only to the Permitted Exceptions.

6.4 The termination of any leases affecting the Property, if applicable, the form of which termination agreement shall be satisfactory to Purchaser in Purchaser’s sole discretion.

6.5 Purchaser shall have entered into a lease with a medical rehab hospital satisfactory to Purchaser in Purchaser’s sole discretion, upon terms and conditions satisfactory to Purchaser in Purchaser’s sole discretion.

6.6 Seller shall undertake commercially reasonable efforts to obtain estoppel certificates relating to any leases, declarations, covenants, restrictions, or other agreements affecting the Property that may be requested by Purchaser or by Purchaser’s lender.

6.7 Purchaser shall have obtained any and all necessary Approvals, as determined by Purchaser for Purchaser’s Intended Use of the Property, including, but not limited to, the Certificate of Need, plat approval (if necessary), zoning approval, or receipt of a special use permit, building permit, site plan approval, signage approval, and design review approval, as applicable. Seller and Purchaser each agree to cooperate and use good faith commercially reasonable efforts to obtain all Approvals required by the applicable governmental authorities for Purchaser’s Intended Use of the Property that may be reasonably requested by Purchaser, including timely preparation, and signing of filings, applications, requests, and notices related thereto. Purchaser shall be solely responsible for all costs related to such applications and approvals. Seller shall not be unreasonably required to bind the Property prior to Closing into a zoning change or development agreement or other modification to the development rights of the Property that would be permanent and restrict the development rights of the Property if Purchaser decides to terminate the Agreement.

In the event any of the Purchaser’s Conditions shall not be satisfied as of the Closing Date, Purchaser shall have the right at Purchaser’s sole discretion and without limiting any other right or remedy of Purchaser, (i) to adjourn the Closing Date to allow Seller and/or Purchaser additional time to satisfy Purchaser’s Conditions for a period of time equivalent to one Extension Period, or (ii) to terminate this Agreement by giving written notice to Seller and receive a return of the Deposit, and further receive any actual out-of-pocket costs and expenses owing to Purchaser under Section 13.2 hereof, to the extent that any of Purchaser’s Conditions under Sections 6.1, 6.3, and/or 6.4, is not satisfied, whereupon neither party shall have any further rights or obligations hereunder except for any provisions of this Agreement that expressly survive termination. Notwithstanding the foregoing or anything in this Agreement to the contrary, in the event Purchaser elects to adjourn the Closing Date under the preceding subsection (i) and Purchaser’s Conditions are not satisfied at the expiration of the period of time equivalent to one Extension Period; Purchaser shall have the right to terminate this Agreement as provided in the preceding subsection (ii) or provide Seller written notice of Purchaser’s election to waive such unsatisfied Purchaser’s Conditions, with such termination or election to waive to be exercised within five (5) business days following the expiration of the time period for the adjournment of Closing Date as provided in subsection (i).

Section 7. Closing Documents.

7.1 At the Closing, Seller shall deliver good and marketable title to the Property, in the same or substantially the same condition as the Property was on the Effective Date, subject only to the Permitted Exceptions, along with the following documents to the Title Company, as to which delivery at Closing is a condition to Closing and shall be coordinated with Purchaser:

7.1.1 a special warranty deed executed by Seller and acknowledged by a notary public and in proper statutory form for recording conveying good and marketable title to the Property to Purchaser, subject only to the Permitted Exceptions;

7.1.2 a FIRPTA Affidavit executed by Seller stating that Seller is not a foreign person (as defined in Section 1445 of the Internal Revenue Code of 1986, as amended, and the Regulations promulgated thereunder);

7.1.3 a closing statement setting forth the Purchase Price and all closing credits and adjustments expressly provided for in this Agreement (“Closing Statement”) executed by Seller;

7.1.4 such authorization documentation of each party comprising Seller and such other instruments and documents executed by Seller (including without limitation, an owner’s title affidavit and gap indemnity) as shall be reasonably required by the Title Company to consummate this transaction and any such other instruments and documents which shall be necessary in connection with the transaction contemplated herein;

7.1.5 to the extent not previously delivered by Seller to Purchaser, material records and files which are in Seller’s possession or control relating to the current operation and maintenance of the Property, including, without limitation, current tax bills, current water, sewer, utility, and fuel bills, and payroll records, if any; and

7.1.6 estoppel certificates, if any, relating to any leases, declarations, covenants, restrictions, or other agreements affecting the Property that may be required by Purchaser or by Purchaser’s lender.

7.2 At the Closing, Purchaser shall deliver the following documents in addition to payment of the balance of the Purchase Price:

7.2.1 evidence reasonably satisfactory to Seller of Purchaser’s authority to execute and deliver this Agreement and the documents to be delivered by it pursuant thereto;

7.2.2 the Closing Statement executed by Purchaser; and

7.2.3 such other instruments or documents which shall be necessary in connection with the transaction herein contemplated and which do not impose, create, or potentially create any liability or expense upon Purchaser not expressly required under this Agreement.

Section 8. Brokerage. Seller and Purchaser mutually represent and warrant to each other that there are no brokers involved in this transaction except Alex Martinac with Rogue Commercial Group, LLC (“**Broker**”) and Kelsey Diller with City Closers (“**Seller’s Broker**”). Seller shall pay a total commission in the amount of five percent (5%) of the Purchase Price with Broker to receive two and one-half percent (2.5%) and Seller’s Broker to receive the remaining two and one-half percent (2.5%) with respect to the transaction contemplated herein pursuant separate agreements and Seller shall indemnify, defend and hold Purchaser harmless against any costs, claims or expenses, including reasonable attorneys’ fees, arising out of any claim by Broker or Seller’s Broker for such commission. Seller and Purchaser shall indemnify, defend and hold harmless the other against any costs, claims or expenses, including reasonable attorneys’ fees, arising out of the breach of their respective representations and/or agreements hereunder. The provisions of this Section shall survive the Closing. All parties hereto acknowledge receipt of the updated Washington state real estate agency pamphlet.

Section 9. Notices. All notices or other communications hereunder to either party shall be (i) in writing and shall be deemed to be given on the earlier to occur of (a) actual receipt or (b) the fifth business day after deposit of both the original and copy as provided below in a regularly maintained receptacle for the United States mail, by registered or certified mail, return receipt requested, postage prepaid, addressed as provided hereinafter, and (ii) addressed:

If to Purchaser:
Cross Development Acquisition, LLC
4317 Marsh Ridge Road
Carrollton, TX 75010
Attention: Joe Dell
Email: joe@crossdevelopment.net

With a copy to:
Byrd Campbell, P.A.
180 Park Avenue North, Suite 2A
Winter Park, FL 32789
Attention: Robin Uricchio
Email: ruricchio@byrdcampbell.com

If to Seller:
SG Pacific Trio, LLC
200 N. 3rd Street, Ste 100
Boise, ID 83702
Attention: Scott Thomson
Email: sthompson@stridergroup.com

With a copy to:
City Closers, LLC
21811 15th Ave S.
Des Moines, WA 98198
Attention: Kelsey Diller
Email: kelsey@cityclosers.com

Notices may also be given by overnight courier service, in which event, the notice shall be deemed delivered on the next business day. Notices may also be given by electronic mail, in which event, the notice shall be deemed delivered upon confirmation of delivery of said notice.

Section 10. Prorations and Costs. As of midnight of the day preceding the Closing, the following items shall be prorated between Purchaser and Seller: (a) all assessments, taxes, and other similar charges assessed against the applicable Property; (b) charges, if any, for utilities servicing the Property, including, but not limited to, charges for gas, electricity and water; (c) payments, if any, under service and similar contracts affecting the Property; (d) any and all amounts due under, including but not limited to, any leases and operating agreements encumbering the Property, and (e) all other charges, fees, or assessments customarily prorated and adjusted in similar transactions. If the current year's tax assessment is not available as of the Closing Date, taxes will be prorated on the prior year's assessment and either party shall have the right to request and obtain a proration or receipt of the appropriate tax bill. With respect to any rollback property taxes, if Purchaser's use of the Property after Closing results in the assessment of additional taxes for periods before Closing, Seller will pay the additional taxes. If this sale or if Seller changes the use of the Property before Closing, resulting in the assessment of additional taxes for periods before Closing, Seller will pay the additional taxes. The obligations of this Section 10 shall survive the Closing.

Section 11. Closing Costs. Seller and Purchaser agree to pay closing costs as follows:

11.1 Purchaser will pay (i) the fees and disbursements of Purchaser's counsel, inspecting architect, engineer, environmental consultant, and other consultants, if any; (ii) any costs relating to any financing obtained by Purchaser, including, without limitation, any mortgage taxes and any additional title premiums (in excess of what Seller is obligated to pay) resulting from obtaining a loan title policy; and (iii) the cost of the Survey.

11.2 Seller will pay (i) the fees and disbursements of Seller's counsel; (ii) the costs of any closing escrow fees of the Title Company; (iii) the cost of the Title Policy, the cost of releasing all liens, judgments, and other encumbrances that are to be released under this Agreement and of recording such releases; and (iv) any transfer taxes, documentary stamps and/or recording fees relating to the conveyance of the Property to Purchaser and other closing costs customarily paid for by sellers of real property.

Section 12. Damage or Destruction Prior to Closing and Condemnation. If prior to the Closing, the Property is damaged or destroyed, Purchaser shall have the option to (i) perform this Agreement and shall be entitled to the casualty insurance proceeds payable with respect thereto under the policies of insurance maintained by Seller and a credit against the Purchase Price, or (ii) terminate this Agreement on written notice to Seller given within ten (10) business days after receiving written notice of the occurrence of such fire or casualty. If Purchaser shall exercise such option to terminate, it shall be deemed that Purchaser terminated this Agreement pursuant to Section 2.2 and the rights of the parties shall be as set forth therein. In the event prior to Closing written notice of a proposed condemnation or taking is received by Seller, in which event Seller shall deliver written notice of said proposed condemnation or taking to Purchaser within ten (10) business days after Seller's receipt of the same, a condemnation proceeding is commenced or concluded, or all or any part of the Property is conveyed in lieu of condemnation, Purchaser shall have the right to (i) terminate this Agreement in which event it shall be deemed that Purchaser terminated this Agreement pursuant to Section 2.2 hereof and the rights of the parties shall be as set forth therein, or (ii) elect to have Seller assign to Purchaser, at the Closing, all of Seller's rights, title and interest in and to any condemnation proceeds payable with respect to the Property or grant Purchaser a credit against the Purchase Price equal to the amount of any condemnation award paid to Seller.

Section 13. Remedies and Notice of Default.

13.1 IF THE SALE IS NOT CONSUMMATED DUE TO ANY DEFAULT BY PURCHASER HEREUNDER, THEN SELLER, AS ITS SOLE AND EXCLUSIVE REMEDY FOR PURCHASER'S DEFAULT, SHALL RETAIN THE DEPOSIT AND ANY AND ALL EXTENSION PAYMENTS, IF MADE, AS LIQUIDATED DAMAGES, THE PARTIES HAVING AGREED THAT SELLER'S ACTUAL DAMAGES, IN THE EVENT OF A FAILURE TO CONSUMMATE THIS SALE DUE TO PURCHASER'S DEFAULT, WOULD BE EXTREMELY DIFFICULT OR IMPRACTICABLE TO DETERMINE. AFTER NEGOTIATION, THE PARTIES HAVE AGREED THAT, CONSIDERING ALL THE CIRCUMSTANCES EXISTING ON THE DATE OF THIS AGREEMENT, THE AMOUNT OF THE DEPOSIT AND ANY AND ALL EXTENSION PAYMENTS, IF MADE, IS A REASONABLE ESTIMATE OF THE DAMAGES THAT SELLER WOULD INCUR IN SUCH EVENT. EACH PARTY HAS HAD THE OPTION TO BE REPRESENTED BY COUNSEL WHO EXPLAINED, AT THE TIME THIS AGREEMENT WAS MADE, THE CONSEQUENCES OF THIS LIQUIDATED DAMAGES PROVISION. THE FOREGOING SHALL BE DEEMED TO BE SELLER'S UNCONDITIONAL AND IRREVOCABLE ELECTION OF A REMEDY FOR A DEFAULT BY PURCHASER UNDER THIS AGREEMENT.

13.2 Subject to the provisions of the last sentence of this Section 13.2, if Seller shall default, after the applicable notice and cure periods, in its obligations under this Agreement, or if there shall be a breach discovered by Purchaser before Closing of any of Seller's representations or warranties, after the applicable notice and cure periods, the parties hereto agree that Purchaser's sole remedy shall be limited either (a) to the termination of this Agreement as set forth in Section 2.2 hereof, in which event Purchaser shall receive the Deposit and any Extension Payments, and Seller shall further reimburse Purchaser for its actual out-of-pocket costs and expenses (inclusive of attorneys' fees) in connection with its investigation of the Property and the transactions contemplated by this Agreement, not to exceed three hundred thousand dollars (\$300,000.00), or (b) to specific performance of this Agreement. Notwithstanding anything herein to the contrary, in the event that Seller willfully and intentionally defaults in its obligations under this Agreement, after all applicable notice and cure periods, for the intended purpose of preventing Purchaser from purchasing the Property, or if specific performance is otherwise not a commercially reasonable available remedy as determined by Purchaser in Purchaser's sole and absolute discretion, Purchaser shall have the right to pursue any remedy at law or in equity including, without limitation, a claim for money damages.

13.3 If either of Seller or Purchaser shall default in its obligations under this Agreement, then, prior to exercising any remedies as set forth herein, the non-defaulting party shall send a written notice to the defaulting party, setting forth with particularity the default (“**Default Notice**”). The defaulting party shall have ten (10) business days from receipt of the Default Notice in which to cure the default. If the defaulting party is unwilling or unable to cure the default within this ten (10) business day period, then the non-defaulting party may pursue the remedies set forth in this Section 13.

Section 14. Miscellaneous.

14.1 This Agreement constitutes the entire Agreement between the parties and supersedes any other previous agreement, oral or written, between the parties. This Agreement cannot be changed, modified, waived, or terminated orally but only by an agreement in writing signed by the parties hereto. This Agreement shall be binding upon the parties hereto and their respective heirs, executors, personal representatives, and permitted successors and assigns. In the event Purchaser under this Agreement includes two or more persons and/or entities, such persons and/or entities shall, collectively, be jointly and severally liable for all obligations, conditions, representations, warranties, and covenants under this Agreement. After Closing, each party agrees to execute and deliver any additional documents that may be reasonably requested by the other party to better effectuate the conveyance of the Property or the fulfillment or performance of any covenant or condition set forth herein or to correct any error in any document delivered at Closing.

14.2 In the event of a default by either party hereto which becomes the subject of litigation, the losing party agrees to pay the reasonable legal fees of the prevailing party. For purposes of this Section, a party will be considered to be the “prevailing party” if (a) such party initiated the litigation and substantially obtained the relief that it sought (whether by judgment, voluntary agreement or action of the other party, trial, or alternative dispute resolution process), (b) such party did not initiate the litigation and either (i) received a judgment in its favor, or (ii) did not receive judgment in its favor, but the party receiving the judgment did not substantially obtain the relief which it sought, or (c) the other party to the litigation withdrew its claim or action without having substantially received the relief which it was seeking. The provision of this Section shall survive the Closing or the termination of this Agreement.

14.3 This Agreement may be executed in any number of counterparts, including electronic counterparts, all of which taken together shall constitute one and the same original, and the execution of separate counterparts by Purchaser and Seller shall bind Purchaser and Seller as if they had each executed the same counterpart.

14.4 This Agreement shall be governed, construed, and enforced in accordance with the laws of the State of Washington.

14.5 The headings used in this Agreement are for convenience only and do not constitute substantive matters to be considered in construing same.

14.6 The parties agree that Purchaser shall have the right to record, at Purchaser’s sole cost and expense, any memorandum or notice of this Agreement thereof. In the event of the termination of this Agreement under any circumstances, Purchaser shall promptly notify the Escrow Agent of such termination and request in writing the withdrawal of any recorded memorandum or notice of this Agreement.

14.7 This Agreement may be assigned by Purchaser in whole or in part with respect to certain portions of the Property, without the prior written consent of the Seller, but upon three (3) days prior written notice to Seller. No assignment of this Agreement shall release Purchaser herein; provided, however, with respect to any assignment, if Closing occurs, the assigning party (but not the assignee) shall be relieved of all its obligations arising under this Agreement before, on, and after Closing.

14.8 Submission of this form of Agreement for examination shall not bind Seller or Purchaser in any manner nor be construed as an offer to sell and no contract or obligations of Seller or Purchaser shall arise until this Agreement is executed by both Seller and Purchaser and delivery is made to each.

14.9 If the final date of any period set forth herein (including, but not limited to, the Closing Date) falls on a Friday, Saturday, Sunday, or legal holiday under the laws of the State of Washington, or the United States of America, the final date of such period shall be extended to the next day that is not a Friday, Saturday, Sunday or legal holiday. The term “days” as used herein shall mean calendar days, with the exception of “business days,” which term shall mean each day except for any Saturday, Sunday, or legal holiday under the laws of the State of Washington or the United States of America.

14.10 At no cost or liability to Seller or Purchaser, Seller and Purchaser agree to reasonably cooperate with the other party by executing such documents or taking such action as the requesting party reasonably requests in connection with any tax-deferred exchange pursuant to Section 1031 of the Tax Code, provided that (i) the transaction contemplated by this Agreement shall not be conditioned upon completion of such exchange; (ii) Seller shall not be required to take title to any real property in connection with any such exchange; (iii) no party shall incur any liability by reason of any such exchange; and (iv) Purchaser or Seller shall not be relieved of any of its obligations under this Agreement as a result of any such exchange. Each party hereby indemnifies the other party for all obligations, liability, damages, costs, claims, and expenses of any nature, including attorney’s fees, arising from any exchange transaction. This indemnity provision shall survive for a period of one (1) year following the Closing.

14.11 Seller and Purchaser each agree to cooperate and use good faith commercially reasonable efforts to obtain all approvals required by the applicable Governmental Authority for Purchaser’s Intended Use of the Property that may be reasonably requested by Purchaser, including timely preparation and signing of filings, applications, requests, and notices related thereto. Seller agrees to cooperate and use good faith commercially reasonable efforts to obtain any and all necessary easements for Purchaser’s Intended Use of the Property that may be reasonably requested by Purchaser in writing, including timely execution and signing of filings, applications, requests, and notices related thereto. Purchaser shall be solely responsible for the preparation of such documents, provided however Seller shall provide reasonably provide any needed information for such documents. Seller shall undertake commercially reasonable

efforts to obtain estoppel certificates relating to any leases, declarations, covenants, restrictions, or other agreements affecting the Property that may be requested by Purchaser or by Purchaser's lender.

14.12 The Escrow Agent may require a wire transfer of funds at Closing. Purchaser and Seller should take care to provide wire transfer information only to a proper agent of the Escrow Agent. Funds should only be wired to the Escrow Agent using account information provided by verified agents of the Escrow Agent. Recently, criminals have been found attempting to impersonate escrow companies and real estate agents in wire fraud schemes. Unauthorized individuals have been caught providing fraudulent wire transfer information to parties in real estate transactions. This could include a criminal contacting Purchaser or Seller, directly or indirectly, in an attempt to steal funds that rightfully belong to the parties. In the event that either Seller or Purchaser believes an unauthorized request has been made for bank account information or funds, the Escrow Agent should be contacted immediately. The requests should be verified immediately in person or by telephone using a telephone number that is known to be valid. All parties should be especially skeptical of last-minute changes or requests coming from unknown representatives. In the event that funds are transferred to a fraudulent account, there may be no way to recover these funds from the criminals involved. For this reason, it is extremely important that the Purchaser and Seller are vigilant and only provide wire transfer information to the proper representatives of the Escrow Agent. Please contact the Escrow Agent directly if you have any questions.

14.13 The final legal description certified on the Survey (the "**Survey Legal**") shall be used in the final Title Commitment, the Title Policy (and any pro forma title policy), the special warranty deed, and other closing documents to be delivered to Purchaser. The Survey Legal, when available, shall be added to this Agreement as **Exhibit "A-1"**, as the controlling legal description of the Property, without the necessity of an amendment to this Agreement; but if requested in writing by either party to this Agreement, the parties shall execute and deliver an amendment pursuant to which the Survey Legal is added to this Agreement as **Exhibit "A-1"**. The replacement of the final legal description shall in and of itself not invalidate this Agreement.

Section 15. Indemnity. Seller shall indemnify, hold harmless, and defend Purchaser, Purchaser's affiliates, the partners, members, trustees, shareholders, directors, officers, attorneys, employees, and agents of each of them, and their respective heirs, successors, personal representatives and assigns from any and all demands, claims (including, without limitation, causes of action in tort), legal or administrative proceedings, losses, liabilities, damages, penalties, fines, liens, judgments, costs, or expenses whatsoever (including, without limitation, attorneys' fees and costs), whether direct or indirect, known or unknown, foreseen or unforeseen (collectively, "**Indemnity Claims**") that may arise on account of or in any way be connected with any actions, suits, proceedings or claims brought by third parties against Purchaser relating to any act, omission, or event occurring as a result of Seller's, or Seller's agents or employees, activities in, on, or related to the Property during the term of the contract period between the Effective Date and the Closing. The provisions of this Section shall survive Closing and automatically terminate one (1) year following the Closing Date or early termination date.

Purchaser shall indemnify, hold harmless, and defend Seller, Seller's affiliates, the partners, members, trustees, shareholders, directors, officers, attorneys, employees, and agents of each of them, and their respective heirs, successors, personal representatives and assigns from any and all demands, claims (including, without limitation, causes of action in tort), legal or administrative proceedings, losses, liabilities, damages, penalties, fines, liens, judgments, costs, or expenses whatsoever (including, without limitation, attorneys' fees and costs), whether direct or indirect, known or unknown, foreseen or unforeseen (collectively, "**Indemnity Claims**") that may arise on account of or in any way be connected with any actions, suits, proceedings or claims brought by third parties against Seller relating to any act, omission, or event occurring as a result of Purchaser's, or Purchaser's agents or employees, activities in, on, or related to the Property during the term of the contract period between the Effective Date and the Closing. The provisions of this Section shall survive Closing and automatically terminate one (1) year following the Closing Date or early termination date.


Section 16. Seller Restrictions. [Intentionally Deleted.]

[Signature Page to Follow]

IN WITNESS WHEREOF, this Agreement has been entered into as of the day and year first above written.

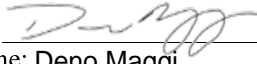
SELLER:

SG PACIFIC TRIO, LLC,
a Washington limited liability company

By:  Scott Thomson
Name: Scott Thomson, Managing Member
Title: _____
Date: 10/25/2024

PURCHASER:

CROSS DEVELOPMENT ACQUISITION, LLC,
a Texas limited liability company

By: 
Name: Deno Maggi
Title: _____
Date: 10/28/24

Exhibits:

- Exhibit A: Description of Land
- Exhibit B: Due Diligence Materials to be Delivered to Purchaser
- Exhibit C: Representations, Warranties, and Covenants
- Exhibit D: Escrow Instructions

EXHIBIT "A"

Description of Land

This **Exhibit "A"** shall be automatically supplanted by the Survey Legal as provided in this Agreement. The change of the Description of Land does not in and of itself invalidate the Agreement. Notwithstanding the foregoing, subject to verification and adjustment by the Survey as provided in the Agreement, the Property consists of three separate parcels of record and comprising approximately **2.86±** acres in the aggregate as further described and depicted below:

PARCEL 1

King County Parcel Numbers: 7682800030 (1.05± acres)
King County Legal Description: SECOMA HI-WAY TRS, Plat Lot 6



PARCEL 2

King County Parcel Numbers: 7682800025 (0.96± acres)
King County Legal Description: SECOMA HI-WAY TRS, Plat Lot 5

PARCEL 3

King County Parcel Numbers: 7682800020 (0.85± acres)
King County Legal Description: SECOMA HI-WAY TRS, Plat Lot 4

KING COUNTY GIS MAP DEPICTION:

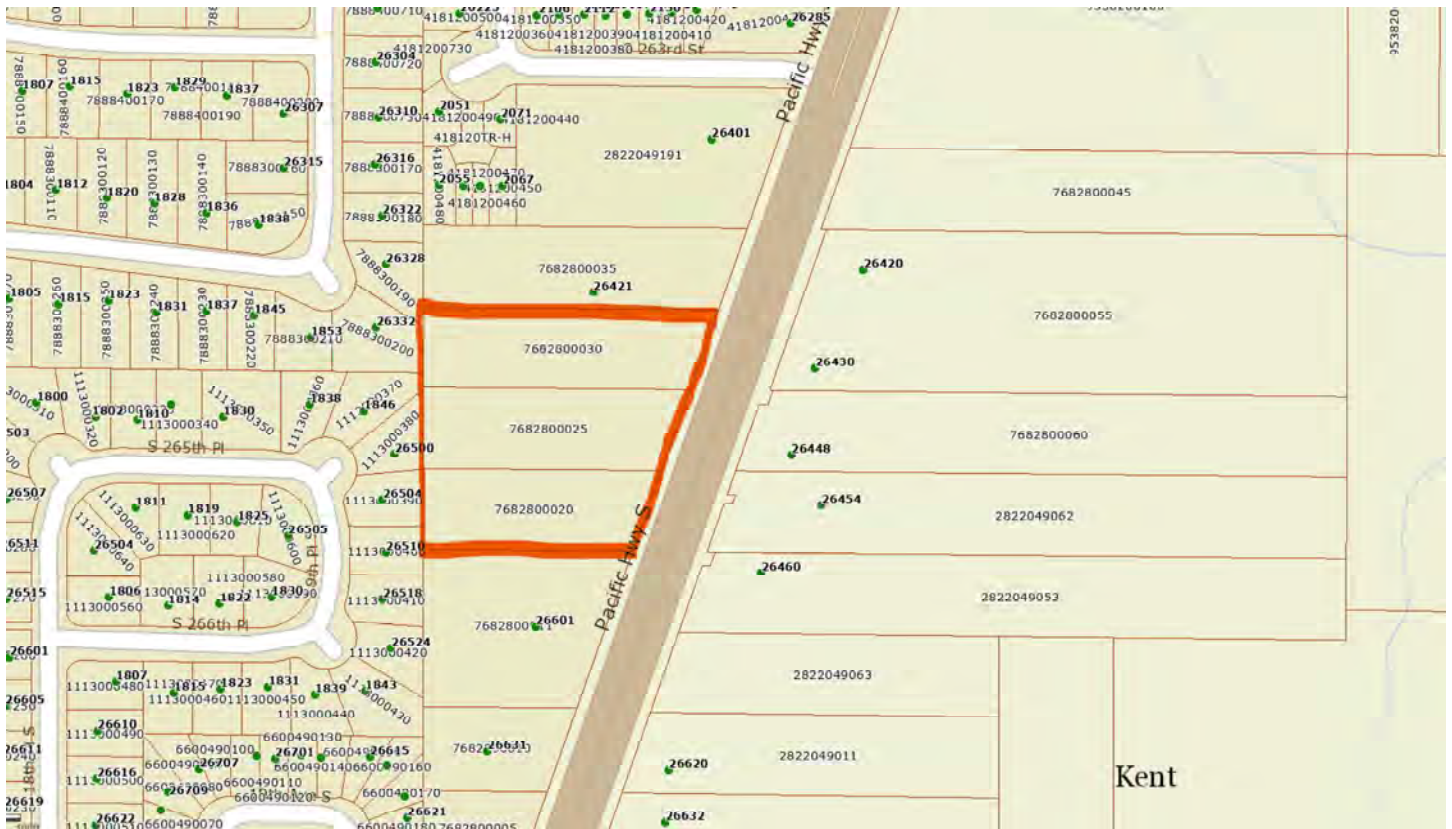


EXHIBIT "B"

DUE DILIGENCE MATERIALS TO BE DELIVERED TO PURCHASER

All of the following materials identified with a below, to the extent they exist and are in Seller's possession or control, shall be delivered to Purchaser:

Property Information

- 1. Site/Building Plans, maps and subdivision plats
- 2. Survey
- 3. Title Policy
- 4. Zoning Information
- 5. Real Estate Tax Information
- 6. List of Personal Property
- 7. Leases

Property Reports

- 1. Environmental Reports
- 2. Geotechnical Reports
- 3. Boring Logs
- 4. Soils Reports
- 5. Current Appraisal – Not applicable.
- 6. Utility Reports – Not applicable.
- 7. Market Studies – Not applicable.

Legal

- 1. Current/Pending Litigation

EXHIBIT “C”**Representations, Warranties, and Covenants**

As used in this Agreement, the term “Seller’s knowledge” means the knowledge of Scott Thomson. Seller represents and warrants that Scott Thomson is the person within Seller’s organization having (i) direct responsibility for the management of the Property and (ii) the most comprehensive knowledge of the matters set forth in this Agreement. The listing of an individual in this section is for informational purposes only. Seller shall be solely responsible for the terms and conditions of this Agreement, including these Representations, Warranties, and Covenants.

All of the following representations, warranties, and covenants identified with a below shall be deemed a part of and expressly incorporated into this Agreement.

1. Seller owns good and marketable title to the Property and, upon execution and delivery of the closing documents. Purchaser will have good and marketable title to the Property, subject to the Permitted Exceptions. The Property is assessed as one or more tax lots that are separate and distinct from any other tax lots.
2. [Intentionally Deleted.]
3. There are no actions, suits or other proceedings by any person, firm, corporation, or by any Governmental Authority now pending or threatened against or affecting the Property or any part thereof, nor to Seller’s knowledge are there any investigations pending or threatened against or affecting the Property by any Governmental Authority.
4. Seller has no knowledge of any pending or threatened (a) eminent domain proceedings affecting the Property, in whole or in part, or (b) action or proceeding to change road patterns or grades which would affect ingress to or egress from the Property. Seller has not and will not, without the prior written consent of Purchaser, take any action before any Governmental Authority, the object of which would be to change the present zoning of or other land use limitations, upon the Property, or any portion thereof, or its potential use, and, to Seller’s knowledge, there are no pending proceedings, the object of which would be to change the present zoning or other land use limitations. The cooperation of Seller in regards to Purchaser’s approvals and/or certificate of need are expressly allowed under this provision.
5. To Seller’s knowledge, there are no persons having any rights or asserting any claims for occupancy or possession of the Property, except Seller, tenants under leases, if any, and benefited parties under any easements or matters of record, and no party has been granted by Seller any license, lease, or other right of possession of the Property, or any part thereof, except the tenants under the leases, if any, and the benefited parties under any easement of record. Any and all leases affecting the Property are shown on the attached Lease Schedule to this Exhibit C.
6. Seller has received no written notice from any insurance company or board of fire underwriters requesting the performance of any work or alterations with respect to the Property that has not been performed or required an increase in insurance rates applicable to the Property as a result of work which has not been performed. Seller has received no written notice of default or cancellation under any insurance policies covering the Property.
7. Seller is not a foreign person (as defined in Section 1445 of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder).
8. On the Closing Date, there will be no contract or agreement in effect for the leasing or management of the Property for which Purchaser shall be bound.
9. All bills and claims for labor performed on behalf of Seller and materials furnished to Seller with respect to the Property for all periods prior to the Closing Date have been (or prior to the Closing Date will be) paid in full.
10. Seller is not insolvent or bankrupt. Seller has not commenced (within the meaning of any federal or state bankruptcy law) a voluntary case, consented to the entry of an order for relief against it in an involuntary case, or consented to the appointment of a custodian of it or for all or any substantial part of its property, nor has a court of competent jurisdiction entered an order or decree under any federal or state bankruptcy law that is for relief against Seller in an involuntary case or appointed a custodian of Seller for all or any substantial part of its property.

11. Seller has no knowledge nor has Seller received any written notice from any Governmental Authority of the violation of any Environmental Laws (as hereinafter defined). To Seller's knowledge the Property is not in violation of any Environmental Laws in any material respect. To Seller's knowledge there are no underground storage tanks located on the Property and no underground storage tanks have been removed from the Property by Seller. Seller has not engaged in any Environmental Activity (as hereinafter defined), nor has any Environmental Activity otherwise occurred, in violation of any applicable Environmental Law. To Seller's knowledge no investigations, inquiries, orders, hearings, actions, or other proceedings by or before any Governmental Authority are currently pending or threatened in connection with any Environmental Activity or alleged Environmental Activity. To Seller's knowledge Seller has no liability, absolute or contingent, in connection with any Environmental Activity. "Environmental Activity" means any actual, proposed or threatened storage, holding, existence, release, emission, discharge, generation, processing, abatement, removal, disposition, handling or transportation of any Hazardous Materials from, under, into or on the Property or otherwise relating to the Property or the use of the Property, or any other activity or occurrence that causes or would cause any such event to exist, except in each case for such quantities and concentrations of Hazardous Materials as are reasonably and customarily required for the conduct of the business in question and are present in strict compliance with all Environmental Laws. "Environmental Laws" means all laws or regulations which relate to the manufacture, processing, distribution, use or storage of Hazardous Materials (as hereinafter defined). "Hazardous Materials" shall mean:

(i) Those substances included within the definitions of "hazardous substances," "hazardous materials," "toxic substances," or "solid waste" in the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), 42 U.S.C. § 9601 et. Seq., as amended by the Superfund Amendments and Reauthorization Act or any equivalent state or local laws or ordinances; the Resource Conservation and Recovery Act ("RCRA"), 42 U.S.C. § 6901 et. Seq., as amended by the Hazardous and Solid Waste Amendments of 1984, or any equivalent state or local laws or ordinances; the Federal Insecticide, Fungicide, and Rodenticide Act ("FIFRA"), 7 U.S.C. § 136 et. Seq. or any equivalent state or local laws or ordinances; the Hazardous Materials Transportation Act, 49 U.S.C. § 1801, et. Seq.; the Emergency Planning and Community Right-to-Know Act ("EPCRA"), 42 U.S.C. § 11001 et. Seq. or any equivalent state or local laws or ordinances; the Toxic Substance Control Act ("TSCA"), 15 U.S.C. § 2601 et. Seq. or any equivalent state or local laws or ordinances; or the Occupational Safety and Health Act, 29 U.S.C. § 651 et. Seq. or any equivalent state or local laws or ordinances;

(ii) Those substances listed in the United States Department of Transportation Table (49 CFR 172.101 and amendments thereto or by the Environmental Protection Agency (or any successor agency) as hazardous substances (40 CFR Part 302 and amendments thereto);

(iii) Any material waste or substance which is (A) designated as a "hazardous substance" pursuant to Section 311 of the Clean Water Act, 33 U.S.C. § 1251 et seq. (33 U.S.C. § 1321) or listed pursuant to Section 307 of the Clean Water Act (33 U.S.C. § 1317) or (B) radioactive materials; and

(iv) These substances included within the definitions of "hazardous substances", "hazardous materials", "toxic substances" or "solid waste" in the Hazardous Waste Management Act of 1978.

12. To Seller's knowledge, no new assessments or special assessments that have not been previously charged or placed of record with respect to the Property are pending, contemplated or threatened with respect to the Property. To Seller's knowledge, there are no proceedings pending for the increase of the assessed valuation of the Property, except for the regularly scheduled annual assessment process.

13. All general real estate taxes, assessments and personal property taxes that have become due with respect to the Property (except for those that will be prorated at Closing) have been paid or will be so paid by Seller prior to Closing.

14. There are no options to purchase or rights of first refusal affecting or relating to the Property or any portion thereof.

15. No construction agreements, contracts or plans or any agreements, contract or plans relating to any current or proposed capital expenditures or repairs relating to the Property have been entered into on behalf of Seller. Seller has not entered into any undertakings or commitments with any Governmental Authority, which require the payment of money or the performance of any duty in connection with the ownership of the Property. Seller has not received any written notice from any Governmental Authority having jurisdiction over the Property or from any other person of and there does not exist any other obligation to any such Governmental Authority for the performance of any capital improvements or other work to be performed by Seller in or about the Property or donations of monies or land (other than general real estate taxes) which has not been completely performed and paid for, with the exception that the City of Des Moines requires securing the property through temporary fencing and provides "No Trespassing" signs in order to reasonably prevent access to the property. Seller is required to maintain the fencing in reasonably good condition and repair on an on-going basis.

16. The Property is not, nor has Seller received any written notice that the Property is, in violation in any material respect of any federal, state or local governmental order, regulation, statute, code or ordinance (including, without limitation, The Americans With Disabilities Act and zoning laws, regulations and ordinances) dealing with the ownership, use, construction, operation, safety or maintenance thereof. Seller occasionally receives notices from the City of Des Moines concerning the securing of the Property and the clean-up of litter illegally dumped by third parties on the Property. Seller has not received notice that there is, nor does Seller have any knowledge of, any violation of any restriction, condition or agreement contained in any easement, restrictive covenant or any similar instrument or agreement affecting the Property or any portion thereof.

17. To Seller's knowledge, the Property Information delivered to Purchaser pursuant to Section 2.1 is true, correct and complete copies of the Property Information in Seller's possession.

18. To Seller's knowledge, no statement, certificate, schedule, list or other information supplied by or on behalf of Seller to Purchaser or its agents pursuant to this Agreement or in connection with the transactions contemplated by this Agreement did contain, or at the respective times such documents are delivered or become effective, will contain any untrue statement of a material adverse fact or did omit, or at the respective times such documents are delivered or become effective, will omit to state a material adverse fact necessary in order to make a statement contained therein not misleading. Seller has not withheld any information within its possession or of which it is actually aware regarding the Property that would reasonably be considered by a purchaser to be material to that purchaser's decision to purchase the Property.

19. [Intentionally deleted.]

LEASE SCHEDULE TO EXHIBIT "C"

Lease Schedule

There are no leases affecting the Property.

EXHIBIT "D"

Escrow Instructions

1. Escrow Agent is authorized to take all appropriate action necessary to comply with this Agreement.
2. All money payable shall be paid to Escrow Agent, unless otherwise specified. Disbursement of any funds may be made by check of Escrow Agent. Unless otherwise specified, all funds received by Escrow Agent shall be deposited by Escrow Agent in any State or National Bank (FDIC insured), or as otherwise directed in writing by Seller and Purchaser. Escrow Agent shall be under no obligation to disburse any funds represented by check or draft and no check or draft shall be payment to Escrow Agent in compliance with any of the requirements hereof until it is advised by the bank in which it is deposited that such check or draft has been honored.
3. Purchaser and Seller shall deposit with Escrow Agent all documents necessary to complete the sale as established by the terms of this Agreement.
4. When this Agreement and all title requirements have been complied with (including without limitation all conditions set forth in any closing instructions agreed to by Escrow Agent), Escrow Agent shall deliver, file or record in the appropriate public office all necessary documents, disburse all funds and instruct the title company to issue the appropriate title insurance policy(ies).
5. Escrow Agent may resign upon ten (10) days written notice to the parties; provided that Escrow Agent shall transfer the Escrow together with all documents and funds to an escrow agent acceptable to both Seller and Purchaser, or if Seller and Purchaser cannot agree upon an acceptable escrow agent, then Escrow Agent shall have the right to resign and interplead all funds and documents to a court of competent jurisdiction.
6. In the event Seller fails to respond to a written request from Purchaser for the release of funds held by Escrow Agent within seven (7) days of receipt, any right of Seller to authorization or otherwise consent to such a release shall be deemed waived and Escrow Agent shall release the funds to Purchaser as per the terms of the Agreement. A written request for the release of funds held by Escrow Agent must be provided to both Seller and Escrow Agent. Seller acknowledges and agrees that in the event Seller does not reply within the specified time seven-day period from receipt, the Escrow Agent is authorized to release funds to the Purchaser as per the terms of the Agreement.
7. In the event that a dispute shall arise as to the disposition of the Deposit or any other funds held hereunder in escrow, Escrow Agent shall have the right, at its option, to either hold the same or deposit the same with a court of competent jurisdiction pending decision of such court, and Escrow Agent shall be entitled to rely upon the decision of such court.
8. Escrow Agent shall have no liability whatsoever arising out of or in connection with its activity as escrow agent except in the case of its negligence or willful misconduct or a breach by Escrow Agent of this Escrow Agreement and Seller and Purchaser jointly and severally agree to indemnify and hold harmless Escrow Agent from all loss, cost, claim, damage, liability and expenses (including reasonable attorneys' fees) which may be incurred by reason of its acting as escrow agent unless caused by Escrow Agent's gross negligence or willful misconduct or a breach by Escrow Agent of this Escrow Agreement.
9. Escrow Agent shall be entitled to rely upon any judgment, certification, demand or other writing delivered to it hereunder without being required to determine the authenticity or the correctness of any fact stated therein, the propriety or validity thereof, or the jurisdiction of a court issuing any such judgment. Escrow Agent may act in reliance upon (x) any instrument or signature believed to be genuine and duly authorized, and (y) advice of counsel in reference to any matter or matters connected therewith.

Exhibit 12c

Property Assignment to SRREI

ASSIGNMENT & ASSUMPTION AGREEMENT

This Assignment & Assumption Agreement ("**Agreement**") is entered into by and among Cross Development Acquisition, LLC, a Texas limited liability company ("**Assignor**") and Seattle Rehab Real Estate Investors, LLC, a Texas limited liability company ("**Assignee**"), and is effective as of February 6th, 2025 ("**Effective Date**").

RECITALS

Subject to the terms and conditions set forth in this Agreement, Assignor desires to assign and Assignee desires to assume the agreements, rights, and obligations set forth herein in accordance with the terms set forth below.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and agreements of the parties herein contained and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. **ASSIGNMENT OF CONTRACT.** Assignor assigns and transfers to Assignee, as of and from the Effective Date: (1) all of Assignor's right, title, and interest in the Purchase and Sale Agreement between Assignor and SG Pacific Trio, LLC, a Washington limited liability company, as seller, effective as of October 28, 2024, as amended, and (2) all privileges, appurtenances, benefits, and advantages to be derived from the foregoing (collectively, the "**Contract**"), to have and to hold for the duration of the Contract, a copy of which is attached hereto as *Exhibit A*, as the same may have been amended or extended in due course.
2. **ASSUMPTION BY ASSIGNEE.** Assignee accepts the assignment herein and covenants with Assignor that as of and from the Effective Date, Assignee will duly and punctually will assume, observe, and perform all of the terms, conditions, covenants, obligations, and provisions on the part of the purchaser/buyer under the Contract as if Assignee had been the original purchaser/buyer under the Contract. Assignee agrees to perform and discharge, and release Assignor from all payments and all obligations and liabilities of Assignor pursuant to the Contract.
3. **OTHER.**
 - (a) Neither Assignor nor Assignee makes any representation or warranty with respect to the Contract except as expressly set forth herein.
 - (b) This Agreement will inure to the benefit of and be binding upon Assignor and Assignee and their respective successors, assigns, and legal representatives.

- (c) This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which counterparts together shall constitute the same instrument, which may be sufficiently evidenced by one counterpart. Execution of this Agreement at different times and places by the parties shall not affect the validity thereof so long as all the parties hereto execute a counterpart of this Agreement.

EXECUTED AND EFFECTIVE as of the date first above written.

Assignor:

**Cross Development Acquisition, LLC,
a Texas limited liability company**

By: 
**Sue Shelton,
Chief Financial Officer**

Assignee:

**Seattle Rehab Real Estate Investors,
LLC, a Texas limited liability company**

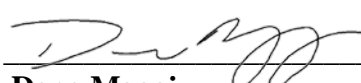
By: 
**Deno Maggi,
Executive Vice President**

EXHIBIT "A"

Exhibit 12d
Lease

LEASE AGREEMENT

THIS LEASE AGREEMENT (this "**Lease**") is made and entered into as of the 9th day of February, 2025 (the "**Effective Date**"), by and between **SEATTLE REHAB REAL ESTATE INVESTORS, LLC**, a Texas limited liability company ("**Landlord**"), whose address is 4317 Marsh Ridge, Carrollton, Texas 75010, and **SEATTLE REHABILITATION HOSPITAL, LLC**, a Texas limited liability company ("**Tenant**"), whose address is 450 Century Pkwy, Suite 220, Allen, Texas 75013. Subject to all of the terms, provisions, covenants and conditions of this Lease, and in consideration of the mutual covenants, obligations and agreements, contained in this Lease, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord and Tenant agree as follows:

ARTICLE I BASIC LEASE PROVISIONS

"**Base Rental**" shall mean an amount equal to a lease rate of ten percent (10.0%) multiplied by the Total Project Costs (hereinafter defined), payable as described in Section 3.01(a) of this Lease. As used herein, the term "**Total Project Costs**" shall mean the actual, final project costs at completion of the construction of the Construction Work. Upon completion of the Construction Work, Landlord will certify to Tenant the Total Project Costs and Landlord and Tenant shall enter into an amendment to this Lease confirming the actual amount of Base Rental.

Commencing on the first day of the 2nd lease year, and the first day each lease year thereafter during the initial twenty (20) year Term, and any extension, renewal or other term thereafter, Base Rental shall be increased by one and one half (1.5%) percent over the Base Rental for the immediately preceding lease year.

Notwithstanding the foregoing or anything to the contrary contained herein, Tenant shall be entitled to a credit of Fifty Percent (50%) off the Base Rental ("**Base Rental Credit**") for six (6) months, commencing on the Rent Commencement Date.

"**Building**" shall mean the one free standing hospital building situated upon the Land (hereinafter defined), located on Pacific Hwy S in the City of Des Moines, County of King State of Washington (Tax Account Nos.: 768280-0030, 768280-0025 and 768280-0020) as shown on the site plan attached hereto as Exhibit B as the same currently exists or as it may from time to time hereafter be expanded or modified pursuant to the terms of this Lease.

"**Floor Area**" shall mean the total number of square feet of floor space in the Building, whether or not actually occupied, including basement, subterranean, balcony and mezzanine, measured from exterior facade of exterior walls. The Floor Area of the Building has been calculated on the basis of the foregoing definition, and is stipulated for all purposes to be 64,763 square feet, whether the same should be more or less as a result of minor variations resulting from completion of the Building for occupancy so long as such work is in accordance with this Lease.

"**Guarantor**" shall mean NKD Rehab, LLC.

"**Land**" shall mean that certain tract of land situated in the City of Des Moines, County of King, State of Washington, and more particularly described on Exhibit A attached hereto and hereby made a part hereof.

“License/Permits” means all licenses, accreditations, certifications, permits of approval, certificates of need, provider numbers, identification numbers, and other approvals or certifications required to operate an approximately 60-bed inpatient rehabilitation facility on the Leased Premises, including, without limitation, those certain licenses to be issued by the Department of Human Services for the State of Washington or other state agency with respect to Tenant’s operation of the Leased Premises for the Permitted Use. The Licenses/Permits shall be in Tenant’s name.

“Rent Commencement Date” shall mean the date after the earliest of (i) the date on which (A) Construction Work is Substantially Complete (as such terms are defined in the Work Letter attached hereto as Exhibit E), and (B) Landlord tenders possession of the Leased Premises to Tenant; (ii) the date on which the conditions set forth in (i) above would have been satisfied but for (A) any delay, omission or failure of Tenant to furnish information, decisions, approvals, authorizations or other matters timely as required in this Lease or the Work Letter, (B) any request by Tenant for changes in the Approved Plans (as defined in the Work Letter), or (C) any other material delay, interference, hindrance or prevention of Landlord’s completion of Landlord’s obligations under this Lease or the Work Letter caused by the acts or omissions of Tenant or its employees, agents, contractors or licensees [items (ii) (A), (ii) (B) and (ii) (C) above are hereinafter, collectively **“Tenant Delays”**]; or (iii) the date on which Tenant begins operating its business in the Leased Premises.

“Tenant's Trade Name” shall mean “Seattle Rehabilitation Hospital.”

“Term” shall mean the term of this Lease which shall commence on the Effective Date and unless sooner terminated or renewed and extended in accordance with the terms and conditions set forth herein, which shall expire twenty (20) years from the first day of the first month following the Rent Commencement Date; provided, however, that if the Rent Commencement Date occurs on the first day of a month, the Term shall continue thereafter to and including the date which is twenty (20) years from such Rent Commencement Date.

In the event of any conflict between these Basic Lease Provisions and the balance of this Lease, the latter shall control.

ARTICLE II

Section 2.01. Leased Premises; Acquisition Contingency. Landlord does hereby lease demise and let to Tenant and Tenant does hereby lease and take from Landlord the Land, the Building, and the other improvements constructed or to be constructed on the Land including, among other facilities, parking areas, sidewalks, landscaping, curbs, loading areas, private streets and alleys (collectively, the **“Leased Premises”**) as more specifically described in the Work Letter attached hereto as Exhibit E. The Leased Premises is located on Pacific Hwy S. in Des Moines, Washington and is depicted on Exhibit B attached hereto and hereby made a part hereof. Tenant accepts the Leased Premises in its “AS IS, WHERE IS” condition, with ALL FAULTS, subject to latent construction defects discovered within one year after the date of Substantial Completion (which Landlord agrees to repair if Tenant notifies Landlord of the existence of such latent defects in a writing received by Landlord prior to the date that is one year after the date of Substantial Completion) and Landlord’s warranty obligations specified in the Work Letter, and Landlord shall

have no obligation to furnish, equip or improve the Leased Premises or the Buildings comprising a portion of the Leased Premises, except as may be expressly provided elsewhere in this Lease. By occupying the Leased Premises, Tenant shall be deemed to have accepted the Leased Premises and to have acknowledged that the Leased Premises comply fully with Landlord's covenants and obligations. Landlord's obligations under this Lease are expressly subject to contingent on Landlord's acquisition of the Land and the additional contingencies outlined in Section 9.21 below.

Section 2.02. Term. The Term of this Lease shall begin on the Effective Date and shall continue in full force and effect for the Term of this Lease unless extended or sooner terminated in accordance with the provisions of this Lease. Within ten (10) business days after the date of date on which Landlord delivers the Leased Premises to Tenant after Substantial Completion, Tenant and Landlord shall execute a certificate in the form attached hereto as Exhibit C and hereby made a part hereof stipulating and agreeing to the Rent Commencement Date.

Section 2.03. Use and Operation.

(a) Use. Tenant shall use and be permitted to use the Leased Premises solely as an in-patient rehabilitation hospital (the "Permitted Use") and for no other purpose; provided, however, that Tenant may, with Landlord's prior written consent, not to be unreasonably withheld use the Leased Premises for other healthcare purposes; provided, however, it shall not be unreasonable for Landlord to withhold its consent to any change in use from the Permitted Use if such use could (i) violate any Legal Requirement (hereinafter defined) or any applicable law, rules, regulations, orders, directions, ordinance or requirements of any local, state or federal governmental or quasi-governmental body or any private covenants or recorded encumbrances applicable to the Leased Premises; (ii) give rise to a default under any loan documents evidencing a loan secured by Landlord's interest in the Leased Premises; or (iii) require material alterations to the Building. Any other use may be done only with Landlord's prior written consent, which may be withheld in its sole discretion. Tenant shall, at its sole cost and expense, (i) obtain all Licenses/Permits prior to opening for business at the Leased Premises, and (ii) maintain the Licenses/Permits in full force and effect and in good standing at all times during the Term. Upon request, Tenant shall provide Landlord with copies of all Licenses/Permits.

(b) Operation. Tenant shall operate the Leased Premises under Tenant's Trade Name and under no other trade name without the prior written consent of Landlord not to be unreasonably withheld. Tenant shall open the Leased Premises for business within ninety (90) days after Landlord delivers possession of the Leased Premises to Tenant, and thereafter at all times during the Term continuously and uninterruptedly use, occupy and operate (except during periods of reconstruction due to casualty or condemnation as provided in this Lease, periods of temporary closure, not to exceed one hundred twenty (120) days in any consecutive three hundred sixty five (365) day period, and periods of remodeling provided Tenant diligently and continuously prosecutes the same to completion in any event within ninety (90) days after commencement) the Leased Premises for the Permitted Use, and any other use permitted by Landlord pursuant to Section 2.03(a) of this Lease and for no other purpose. Except to the extent Landlord is expressly required to in this Lease, Tenant, at its sole expense, will comply, and will cause Tenant's employees, agents and contractors to comply, with any and all applicable laws, rules and regulations

in any way applicable to Tenant, Tenant's Property (hereinafter defined), the Leased Premises, the Building or any operations in or use of the Leased Premises (collectively, "**Legal Requirements**" and individually, "**Legal Requirement**"). Landlord represents and warrants that Construction Work (as defined in Exhibit E) shall be constructed and completed in compliance with any and all Legal Requirements. Tenant shall comply with any and all restrictive covenants and other encumbrances affecting the Building and the Land and Tenant shall not use the Leased Premises in violation of any such restrictive covenants or other encumbrances. From and after the date on which Landlord delivers the Leased Premises to Tenant after Substantial Completion, Tenant agrees to be wholly responsible for any accommodations or alterations which need to be made to the Leased Premises (due to requirements of applicable laws or otherwise effective after the Effective Date, it being Landlord's responsibility to make accommodations or alterations necessary due to requirements of applicable laws or otherwise effective prior to the Effective Date) to accommodate its disabled employees, customers, guests or invitees. Tenant will not (A) use, occupy or permit the use or occupancy of the Leased Premises or the Building for any purpose or in any manner which is not permitted hereunder or which is or may be, directly or indirectly, violate of any Legal Requirement, or unusually dangerous to life or property considering Tenant's use of the Leased Premises, or a public or private nuisance or emits foul or objectionable noises or odors, or disruptive or obstructive of any neighbor of the Leased Premises or the Building, (B) keep, or permit to be kept, any Hazardous Material (as hereinafter defined) in or conduct, or permit to be conducted, any operation from the Leased Premises or the Land which might emit or release offensive or hazardous odors or Hazardous Materials onto or into the Leased Premises, the Building, the Land or the property located outside the Building, (C) cause, commit or permit to remain any waste or damage to the Leased Premises or the Land, or any conditions which adversely impair in Landlord's sole, reasonable judgment the value or marketability of the Leased Premises or the Land, (D) place any dumpsters or other garbage or trash disposal equipment in the Leased Premises or the Land except those approved by Landlord, (E) commit, or permit to be committed, any action or circumstance in, upon or about the Leased Premises or the Land, which, directly or indirectly, would or might justify any insurance carrier in canceling or increasing premium on any insurance policy covering the Leased Premises, the Building or the contents thereof, and if any increase so results, Tenant shall pay such increase upon Landlord's demand or, (F) without Landlord's prior written consent, place any antenna, tower or satellite dish on any portion of the Building. Tenant shall comply with, and Tenant shall cause Tenant's agents to comply with all rules, regulations and procedures from time to time promulgated by Landlord with respect to the Leased Premises. Landlord may in its discretion waive in writing any of the rules, regulations and procedures as to Tenant.

Section 2.04. Signage. Tenant may install any signs permitted by law which are related directly or indirectly to the Permitted Use, and any other use permitted by Landlord pursuant to Section 2.03(a), such signs to be subject to Landlord's prior written approval, not to be unreasonably withheld, conditioned or delayed. Landlord shall, at no expense to Landlord, reasonably cooperate with Tenant in applying for permits and approval for such signage. Tenant, at its sole cost and expense, shall remove all signage installed by Tenant upon the termination of this Lease, and Tenant shall repair any damage caused by such removal.

ARTICLE III

Section 3.01.

(a) Base Rental. Subject to the Base Rental Credit and except as may otherwise be provided herein, Tenant agrees to pay the Base Rental to Landlord during the Term of the Lease commencing on the Rent Commencement Date as herein provided. Commencing on the Rent Commencement Date and continuing thereafter throughout the Term, Tenant shall pay the current annual Base Rental set forth in Article I of this Lease in twelve (12) equal installments on the first (1st) day of each calendar month of each lease year during the Term hereof, and Tenant shall make such installments to Landlord at Landlord's address specified in this Lease (or such other address as may be designated by Landlord from time to time) monthly in advance. If the Rent Commencement Date is other than the first (1st) day of a calendar month or if this Lease terminates on other than the last day of a calendar month, then the installments of Base Rental for such month or months shall be prorated and the installment or installments so prorated shall be paid in advance. The first lease year shall begin on the Rent Commencement Date and shall expire twelve (12) full calendar months following the Rent Commencement Date; provided, however, that if the Rent Commencement Date occurs on the first day of a month, the first lease year shall expire twelve (12) months from such Rent Commencement Date. The second lease year shall commence the day after the first lease year ends and shall expire twelve months thereafter and each successive lease year shall commence on the same day of each subsequent calendar year that the second lease year commenced.

(b) Net Lease. Subject to (i) Landlord's limited obligation to repair latent construction defects as expressly provided Section 2.01 above, (ii) Landlord's obligation to provide accommodations or alterations to the Leased Premises necessary due to applicable laws effective prior to the Effective Date as provided in Section 2.03(b) above, (iii) Landlord's obligation to forward escrowed payments from Tenant for Real Estate Taxes as set forth in Section 5.01(c), and (iv) Landlord's obligation to extended coverage as provided in Section 6.04 and Landlord's warranty obligations specified in the Work Letter, this Lease shall be deemed and construed to be a completely net lease and Landlord shall not be expected or required to make any payment of any kind whatsoever. Except as otherwise expressly provided herein, Tenant shall pay the amounts due for Real Estate Taxes, insurance, utilities and other amounts that Tenant is obligated to pay hereunder without notice, demand, abatement, deduction, or off-set. The structure of this Lease as a net Lease contemplates that Tenant is the sole tenant in the Building.

Section 3.02. Payment; Past Due Rate. Base Rental and any additional sums owing from Tenant to Landlord shall constitute and are sometimes hereinafter collectively referred to as "Rent". Tenant shall pay all Rent and other sums of money as shall become due from and payable by Tenant to Landlord hereunder in lawful money of the United States of America at the times and in the manner provided in this Lease, without demand, deduction, abatement, setoff, counterclaim or prior notice. If Tenant fails to pay any Rent or other charges after the same become due and payable, such unpaid amounts shall bear interest from the due date thereof to the date of payment at the rate of twelve percent (12%) per annum or the highest rate permitted by applicable law, whichever shall be less. Further, if Tenant fails to pay any Rent or other charges within five (5) business days after the same become due, the amount unpaid will be subject to a late payment charge equal to five percent (5%) of the amount unpaid amount. The provisions herein for late

payment service charges and interest payments shall not be construed to extend the date for payment of any sums required to be paid by Tenant hereunder or to relieve Tenant of its obligation to pay all such sums when due. Notwithstanding the imposition of such interest payments or late fee, Tenant shall be in default under this Lease as provided in this Lease if any or all payments required to be made by Tenant are not made within five (5) business days of written notice by Landlord, and the demand by Landlord for payment of such interest payments or late fee (i) shall not be construed as a cure of any default on the part of the Tenant, (ii) shall not be deemed consent by Landlord to late payments, (iii) shall not be deemed as a waiver of Landlord's right to insist upon timely payments at any time, and (iv) shall not be deemed as a waiver of any rights or remedies to which Landlord is entitled as a result of the late payment of Rent. Notwithstanding the foregoing or anything to the contrary contained herein, Landlord shall only be required to provide written notice of any failure to pay Rent pursuant this Section 3.02 twice in any twelve (12) month period, and upon the third occurrence (and any subsequent occurrences) in any twelve (12) month period of any payment of Rent not being received by the due date for any reason whatsoever, or if any rental payment by check is returned due to insufficient funds, Tenant shall be in default under this Lease automatically without any notice requirement.

Section 3.03. INTENTIONALLY DELETED.

Section 3.04. Lease Guaranty. Contemporaneously with the execution of this Lease, Tenant shall deliver to Landlord a guaranty agreement from Guarantor, substantially in the form attached hereto as Exhibit H.

ARTICLE IV

Section 4.01. Maintenance.

(a) General. Tenant shall, throughout the Term and any extension, renewal or other term thereafter, at its sole expense, maintain the interior of the Leased Premises and plate glass in good order, condition and repair, ordinary wear and tear and damage by casualty excepted, and shall provide all maintenance, repair and replacement to the heating, ventilating and air conditioning system (the "HVAC System") servicing the Leased Premises. Tenant shall maintain in full force and effect service contracts with reputable service providers reasonably acceptable to Landlord providing for the routine repair and maintenance of the HVAC System servicing the Leased Premises. Further, Tenant shall, throughout the Term and any extension, renewal or other term thereafter, at its sole expense, maintain in good order, condition and repair, ordinary wear and tear and damage by casualty excepted, all exterior portions and structural components of the Leased Premises, including but not limited to, the roof (including, without limitation, gutters, downspouts, and canopies), foundation and bearing walls. In addition, with respect to the Leased Premises, and at Tenant's sole cost and expense, Tenant shall maintain the exterior walls, all plumbing and wiring inside the walls and/or within or under the floor slab of the Leased Premises, plumbing and electrical wiring and facilities outside the Leased Premises, and structural parts and supporting members of the Leased Premises, in good order, condition and repair, ordinary wear and tear and damage by casualty excepted and otherwise keep the roof free of leaks: provided, however, Tenant shall notify Landlord in writing at least ten (10) business days prior to making any such repairs contemplated by this sentence, except in the case of an emergency, in which event Tenant shall provide such notice to Landlord as may be reasonable. If Tenant refuses or neglects

to make any repairs, replacements or maintenance required of Tenant pursuant to this Lease or any repairs, replacements and/or maintenance of the Leased Premises, or of any part thereof, or of any sign, graphic or other item, in a manner reasonably satisfactory to Landlord, Landlord shall have the right (but not the obligation), upon giving Tenant reasonable written notice of its election to do so, to make such repairs or replacements or perform such maintenance on behalf of and for the account of Tenant. Such cost shall be payable to Landlord by Tenant on demand. Replacement and repair parts, materials and equipment shall be of quality equivalent to those initially installed; repair and maintenance work shall be done in accordance with the then existing laws, statutes, permits, orders, decrees, guidelines, rules, regulations and ordinances pertaining thereto. During the Term, Tenant is also obligated to perform, at Tenant's own cost and expense and risk, all other maintenance and repairs necessary or appropriate to cause the Leased Premises to be suitable for Tenant's intended commercial purpose.

(b) Security. Tenant shall be responsible for and have unilateral control over security and safety policies, procedures, and standards with respect to the Leased Premises. The Leased Premises for this subsection includes without limitation all doors, walls and windows to and from the Building and other improvements on the Leased Premises. Landlord shall have no obligation to evaluate Tenant's security measures, suggest modifications thereto or require minimum security. Tenant shall bear the sole cost and expense for any and all security and safety procedures, devices, measures and personnel with respect to the Leased Premises. Tenant acknowledges that Tenant is in control of the Leased Premises and Tenant shall investigate and obtain and maintain the necessary security and safety devices (which includes, without limitation, any and all locks, bolts, bars, gates, screens, peep holes, cameras, alarms, monitors, televisions and ballads), measures and personnel Tenant deems necessary for the Leased Premises and the adequate security and safety of the Leased Premises and Tenant's personnel, employees, officers, agents, representatives, customers, visitors, contractors, suppliers, invitees, licensees and other Tenant's agents (whether inside or outside the Building or entering or leaving the Land or the Building). In the event any such security or safety devices or measures are visible from (or exist on) the exterior of the Building, Tenant shall obtain Landlord's consent to the same, which consent shall not be unreasonably withheld. Tenant acknowledges that (A) Landlord has made no representations or warranties to Tenant regarding the incidence of crime on the Leased Premises or in the vicinity (and Tenant shall conduct its own investigations with respect to the same), or that any particular safety or security measures will be implemented or be effective, and (B) Tenant is not relying on Landlord to provide any security or safety measures or information.

(c) Occupancy of Leased Premises. Tenant shall surrender vacant possession of the Leased Premises in a clean and sanitary condition at the expiration or termination of this Lease or the termination of Tenant's right to occupy the Leased Premises, in good repair and condition, reasonable wear and tear and damage by condemnation or casualty excepted. Upon the expiration or termination of this Lease or the termination of Tenant's right to occupy the Leased Premises, Tenant shall surrender all keys for the Leased Premises to Landlord at the place then fixed for the payment of Rent and Landlord shall have the right to reenter and resume possession of the Leased Premises. No act done by Landlord or any of Landlord's employees, agents or contractors during the Term of the Lease shall be deemed an acceptance of a surrender of the Leased Premises, and no agreement to accept a surrender of the Leased Premises shall be valid unless the same be made in writing and executed by Landlord. Tenant shall notify Landlord at least fifteen (15) days prior to vacating the Leased Premises and shall arrange to meet with Landlord for a joint inspection

of the Leased Premises. If Tenant fails to give such notice or to arrange for such inspection, then Landlord's inspection of the Leased Premises shall be deemed correct for the purpose of determining Tenant's responsibility for repair of the Leased Premises.

Section 4.02. Light, Air and View. Neither the diminution nor the shutting off of any light, air or view nor any other effect on the Leased Premises by any structure or condition now or hereafter existing on property adjacent to the Leased Premises or the Building shall affect this Lease, abate Rent or otherwise impose any liability on Landlord.

Section 4.03. Entry. Except in the event of an emergency, in which case no notice is required, upon twenty-four (24) hours' advance notice, Tenant shall permit Landlord and Landlord's agents to enter into and upon the Leased Premises during business hours for the purposes of inspecting the same or showing the same to prospective purchasers, or for the purpose of maintaining or making repairs (in accordance with Section 4.01), and Landlord shall be allowed to take all materials into and upon the Leased Premises that may be required therefor without the same constituting an eviction of Tenant, actual or constructive, a breach by Landlord of any of its obligations under this Lease, relief of any of Tenant's obligations under this Lease or an entitlement to any other right or remedy of Tenant, and the Rent shall in no way abate while such inspections, repairs, alterations, improvements or additions are being made, by reason of loss or interruption of business of Tenant; provided, however, that Landlord shall make reasonable efforts to minimize any interference with the normal business operations of Tenant. Notwithstanding anything in this Lease to the contrary, except in the case of an emergency, Landlord shall not enter any operating rooms, exam rooms or any other rooms while patients are receiving medical treatment. Furthermore, in connection with Landlord's rights of access under this Lease, Landlord agrees to comply with Tenant's reasonable requirements with regard to Landlord's access to the Leased Premises pursuant to this Lease, in order to protect the privacy rights of Tenant's patients, and allow Tenant to comply with any and all applicable laws relating to patient privacy including the Standards for Privacy of Individually Identifiable Health Information of the Health Insurance Portability and Accountability Act of 1996, PL 104-191, 45 CFR 160 and 164, as amended. In no event, may Landlord be permitted to have access to any protected health information. During the period that is two (2) years prior to the end of the Term hereof and at any time Tenant is in default, Landlord or Landlord's agents may enter the Leased Premises during reasonable times upon twenty-four (24) hours' advance notice for the purpose of showing the Leased Premises to rent the same prior to the Lease expiration.

Section 4.04. Waste and Environmental Compliance. Tenant covenants and agrees to comply strictly and in all respects and to cause Tenant's agents, employees and contractors to comply strictly and in all respects with the requirements of any applicable law, statute, ordinance, permit, decree, guideline, rule, regulation or order pertaining to health or the environment (hereinafter sometimes collectively called "Applicable Environmental Laws"), including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, the Resource Conservation and Recovery Act, the Hazardous Materials Transportation Act, the Clean Air Act, the Clean Water Act, and regulations promulgated under any of the preceding statutes, as each of the foregoing may be amended from time to time. Except as hereinafter expressly provided, Tenant shall not cause or permit any Hazardous Materials (hereinafter defined) to be brought to or generated, treated, stored, used, installed or disposed in, on, under or about the Leased Premises or the Building, and Tenant agrees to indemnify Landlord

from any claims, expenses, actions, damages or injuries caused by Tenant's failure to comply with such Applicable Environmental Laws applicable to the Leased Premises. Notwithstanding anything the contrary, Tenant may handle and use Hazardous Materials in the Leased Premises which are normally and customarily used and in the amounts found in similar rehabilitation hospitals. The covenants and agreements of Tenant under this Section 4.04 shall survive the expiration or termination of this Lease. "**Hazardous Materials**" means any explosives, radioactive materials, asbestos-containing materials, solid wastes that pose imminent and substantial endangerment to health or the environment, radon gas, lead, petroleum or any fraction thereof, polychlorinated biphenyls, and any other material, waste, or substance that could represent a threat to human health or safety or the environment, if it were improperly managed or disposed, including without limitation substances defined, listed or regulated as "hazardous waste," "extremely hazardous substance," "regulated substance," "contaminant" or "Class I" or "Class II" waste pursuant to Applicable Environmental Laws. Notwithstanding the foregoing, Tenant shall not be liable hereunder for Hazardous Materials that (i) exist on or within the Leased Premises prior to the date that Landlord delivers the Leased Premises to Tenant with Construction Work substantially complete, or (ii) are brought upon or introduced into or upon the Leased Premises by Landlord or any of the Landlord's agents, except to the extent of any exacerbation of any contamination due to the Hazardous Materials referenced in (i) or (ii) being disturbed by the acts or omission of Tenant or any employee, agent, contractor, subtenant, licensee, or manager occupying or using the Leased Premises.

Section 4.05. Bio-Hazardous Medical Waste. Notwithstanding any other provisions of this Lease, Landlord's shall have no responsibility for any Bio-Hazardous Medical Waste and Landlord is not providing Bio-Hazardous Medical Waste disposal services to Tenant or for the Leased Premises. Tenant acknowledges and agrees that Tenant is solely responsible to arrange for Bio-Hazardous Medical Waste disposal services for the Leased Premises and to provide separate, dedicated receptacles for Bio-Hazardous Medical Waste, all at Tenant's sole cost, expense, and liability; and Tenant shall take such steps as are necessary or required by Applicable Laws to assure that Bio-Hazardous Medical Waste is not mixed or commingled with non-Bio-Hazardous Medical Waste. "**Bio-Hazardous Medical Waste**" means any waste, substance, or material (solid, liquid, or gaseous) generated, produced, or resulting from the diagnosis, treatment, or immunization of human beings, or any research pertaining thereto, or the production or testing of biological agents, including without limitation, any definition thereof or referenced thereto in Applicable Environmental Laws, including, without limitation, any substance defined or referred to 29 CFR Part 2910.1030.

ARTICLE V

Section 5.01. Utilities and Taxes.

(a) Payment of Impositions. Tenant shall contract for and pay all charges for standard solid waste removal and Bio-Hazardous Medical Waste removal, gas, electricity, sewer and water used in, on or at the Leased Premises, and all connection charges, capital recovery charges and sewer charges attributable thereto. Tenant shall pay suppliers directly for such utilities. If the utilities are not in the name of Tenant, Tenant will reimburse Landlord, within thirty (30) days after billing therefor, for a fair and equitable share of Landlord's cost of all gas, electricity, water or other services used on the Leased Premises between the date Landlord delivers the Leased

Premises to Tenant with Construction Work substantially complete and the Rent Commencement Date.

(b) No Liability. No interruption, cessation or malfunction of any services from any cause of any kind (other than as a result of the gross negligence or willful misconduct of Landlord or any of the Landlord's Related Parties) shall constitute an eviction or disturbance of Tenant's use and possession of the Leased Premises or a breach by Landlord of any of its obligations under this Lease or render Landlord liable for any damages to either person or property (including, without limitation, consequential or special damages) or entitle Tenant to be relieved from any of its obligations under this Lease (including the obligation to pay Rent) or grant Tenant any right of setoff, counterclaim, abatement or recoupment.

(c) Taxes. Tenant shall pay all real estate, ad valorem, assessments, including improvement assessments, impositions or levies, whether special or regular, which shall be levied, assessed, imposed, become due and payable, or arise during the Term of this Lease in connection with the use, occupancy or possession of, or for, the Leased Premises, and any tax or excise on rents or rental income applicable to the Leased Premises (other than any estate, inheritance or general income tax) and any tax or charge which replaces any of such above-described taxes, assessments or charges levied upon or applicable to the Leased Premises ("Real Estate Taxes") and all taxes, assessments and charges levied upon or applicable to any of Tenant's Property and all fees or charges imposed on the business conducted by Tenant on the Leased Premises, in each case, before such items become delinquent. Tenant shall furnish Landlord annually official tax receipts and other official receipts showing payment of such taxes, assessments and charges at least thirty (30) days before such payments are due. Landlord agrees to provide Tenant with a copy of any tax bills for the Leased Premises which Landlord receives within ten (10) business days after receipt of same. If Landlord's mortgagee requires Landlord to maintain a tax escrow account, then Landlord may elect to have Tenant pay the Real Estate Taxes to Landlord on a monthly basis. If Landlord so elects, Landlord may, prior to the commencement of each calendar year during the Term provide Tenant with a then current estimate of Real Estate Taxes for the upcoming calendar year, and thereafter Tenant shall pay to Landlord, as additional rental, in monthly installments in accordance with Section 3.01, one-twelfth (1/12) of the estimated Real Estate Taxes for the calendar year in question. The failure of Landlord to estimate Real Estate Taxes and bill Tenant on a monthly basis shall not relieve Tenant of its obligation to pay the Real Estate Taxes. If Landlord has elected to bill Tenant for Real Estate Taxes on a monthly basis for a particular calendar year, then by March 1 of the of the following calendar year, Landlord shall furnish Tenant a statement of the actual Real Estate Taxes for such prior calendar year, and within thirty (30) days thereafter an appropriate adjustment shall be made between Landlord and Tenant to reflect any overpayment or underpayment of Real Estate Taxes for the prior calendar year because of any difference between the amount, if any, collected by Landlord from Tenant for Real Estate Taxes and the actual amount of Real Estate Taxes for such calendar year. In the event of an underpayment by Tenant, Tenant shall pay the amount of such underpayment to Landlord within thirty (30) days following delivery of the statement. In the event of an overpayment by Tenant, within thirty (30) days following delivery of the statement, Landlord shall make a cash payment to Tenant in the amount of such overpayment, or, at Tenant's option, Landlord may credit such overpayment against the remaining rent installments for the current calendar year. Notwithstanding the foregoing and provided that Tenant (i) deposits adequate funds or other acceptable security with Landlord to cover any Real Estate Taxes being contested and (ii) notifies Landlord in writing at

least fifteen (15) days prior to any hearing or meeting with the applicable taxing authorities regarding any tax contest, Tenant may, at Tenant's option and at its sole cost and expense, contest the validity or amount of any Real Estate Tax for any tax year during the primary Term or any renewal term of this Lease. If Tenant so elects to contest Real Estate Taxes, Tenant may defer payment thereof to the taxing authorities during the pendency of such contest; provided, however, that Tenant shall (A) indemnify and hold harmless Landlord from all liability on account of such contest; (B) take such action as is necessary to remove the effect of any lien that attaches to the Leased Premises or any improvements thereon due to such contest; be solely responsible for any and all interest and other penalties incurred by Landlord or Tenant as a result of such contest and payment deferral; and (D) in the event of a final determination adverse to Tenant, before enforcement, foreclosure, or sale, pay the amount involved together with all penalties, fines, interest, costs, and expenses that may have accrued. Landlord shall, at no cost or expense to Landlord, cooperate with Tenant in any such contest, including releasing the deposited funds to the taxing authorities (and any excess to Tenant) as and when necessary to the extent permitted by Landlord's mortgagee. Tenant is entitled to recover from Landlord by direct payment any refund paid to Landlord attributable to Real Estate Taxes paid by Tenant during the Term as a result of any successful tax contest.

Section 5.02. Liens. Tenant shall not permit any mechanic's lien or any other liens, claims or charges to be placed on the Leased Premises, on the Land, on the Building, on the improvements thereon, on Landlord's interest therein, or upon Tenant's leasehold interest therein, during the Term of this Lease, and in the event of the filing of any such lien, encumbrance, claim or charge, Tenant shall, within twenty (20) days after such filing occurs but in any event prior to the foreclosure of such lien, promptly have same removed or bond around such claim. Tenant has no authority, express or implied, to create any lien, encumbrance, claim or charge of any kind or nature whatsoever upon, or in any manner to bind the interest of Landlord or Tenant in the Leased Premises or the Building or to charge rental payable hereunder for any claim in favor of any person dealing with Tenant, including those who may furnish material or perform labor for any construction or repairs. Tenant covenants and agrees that it will pay or cause to be paid all sums legally due and payable by it on account of labor performed or materials furnished in connection with any work performed on the Leased Premises and that it will save and hold Landlord harmless from and defend Landlord against any and all loss, cost or expense based on or arising out of any such asserted claims, liens or charges. Tenant agrees to give Landlord immediate written notice of the placing of any lien, charge, claim or encumbrance against the Leased Premises. The provisions of this Section 5.02 shall survive the termination or expiration of this Lease.

Section 5.03. Indemnification and Release.

(a) Tenant hereby agrees to indemnify, defend and hold harmless Landlord, its agents, employees, officers, directors, shareholders, beneficiaries, representatives, affiliates and related parties (collectively, "**Landlord's Related Parties**"), from and against any and all loss, damages, judgments, liabilities, penalties, fines, debts, actions, suits, proceedings, causes of action, costs, fees and expenses (including, without limitation, costs of court, defense costs and reasonable attorneys' fees) (collectively, "**Claims and Losses**") suffered or incurred by any of Landlord's Related Parties, or asserted or claimed against Landlord or any such indemnified party, including claims of personal injury, bodily injury (including death) and property damage, during the Term of this Lease arising out of (i) the gross negligence, willful misconduct or breach of this Lease by

Tenant, or any of its employees, agents, partners, affiliates or contractors (other than Landlord or its agents, employees or contractors), or (ii) Tenant's use, occupancy, operation or improvement of the Leased Premises to the extent not arising from Landlord's gross negligence, willful misconduct or breach of this Lease. Notwithstanding anything to the contrary or apparent contrary elsewhere herein, Tenant's indemnity in this Section 5.03(a) shall, as to events or occurrences prior to the later of termination of this Lease or Tenant's vacating of the Leased Premises, survive expiration or termination of this Lease for any reason.

(b) Landlord hereby agrees to indemnify, defend and hold harmless Tenant, its agents, employees, officers, directors, shareholders, beneficiaries, representatives, affiliates and related parties (collectively, "**Tenant's Related Parties**"), from and against any and all Claims and Losses suffered or incurred by Tenant or any such indemnified party, or asserted or claimed against any of Tenant's Related Parties, including claims of personal injury, bodily injury (including death) and property damage, to the extent arising out of or in connection with (i) the gross negligence, willful misconduct or breach of this Lease by Landlord, or any of its employees, agents, partners, affiliates, or contractors, or (ii) Landlord's use, occupancy, operation or improvement of the Leased Premises, to the extent not arising from Tenant's negligence, willful misconduct or breach of this Lease. Notwithstanding anything to the contrary or apparent contrary elsewhere herein, Landlord's indemnity in this Section 5.03(b) shall, as to events or occurrences prior to the termination of this Lease survive expiration or termination of this Lease for any reason. Nothing contained herein shall be deemed to expand, increase, alter or amend Landlord obligations or liabilities pertaining to latent construction defects as set forth in Section 2.01.

Section 5.04. Alterations. Except as provided below, Tenant shall not make any alterations, improvements, modifications or additions to the interior or exterior of the Leased Premises or the Building without the prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed. Notwithstanding the foregoing, Tenant may, without the prior written consent of Landlord: (i) recap, repaint and/or replace wall coverings, so long as any such replacements are with materials of equivalent quality and function; (ii) make interior, non-structural changes to the Building the cost of which does not exceed \$100,000 in any one lease year or \$500,000 in the aggregate over the Term, (iii) make borings in the slab as necessary in connection with the installation of Trade Fixtures as long as the plans for such borings are certified by a licensed Washington civil engineer, the boring work is carried out strictly in accordance with such engineer certified plans and Tenant remains responsible for any damage to the slab, structure or lines or facilities incorporated in the slab from poor or improper design by the engineer, and; (iv) make attachments of equipment and machinery to the electrical systems of the Building as long as (x) the plans for any increase in capacity of the electrical system have been approved by Landlord in advance (without liability to Tenant or any third party for the ultimate sufficiency thereof), (y) such electrical connections are made by licensed Washington electricians and (z) no such electrical connections overload the capacity of the Building's electrical systems or fail to leave a recommended safety margin of capacity in the system or relevant part thereof. Any and all furnishing, equipping and improving of or other alteration and addition to the Leased Premises shall be: (a) made at Tenant's sole cost, risk and expense, and Tenant shall pay for Landlord's actual costs incurred in connection with and as a result of such alterations or additions; (b) performed in a prompt, good and workmanlike manner with labor and materials of such quality as Landlord may reasonably require; (c) constructed in accordance with plans and specifications reasonably approved in writing by Landlord prior to the commencement of any such work (and

Tenant shall provide Landlord with a set of all such plans and specifications, including the final set thereof); (d) performed by contractors approved in writing by Landlord, which approval shall not be unreasonably withheld, conditioned or delayed; and (e) constructed in accordance with all applicable laws. Tenant shall obtain, at Tenant's expense, any permits or licenses required in connection with any such construction and shall provide Landlord with a copy of the same. Any and all alterations, improvements, modifications and additions (other than Trade Fixtures) to the Leased Premises shall at once become the property of Landlord unless Landlord requires Tenant to remove the same upon written notice thereof to Tenant. Tenant shall have no (and hereby waives all) rights to payment or compensation for any such item.

Section 5.05. Trade Fixtures. "**Trade Fixtures**" shall mean any and all items of property placed by Tenant in the Leased Premises and used by Tenant in, upon or about the Leased Premises for the carrying on of its business and which may or may not be annexed to the realty by the Tenant, but in any event can be removed without material injury to the Leased Premises, including but not limited to signs, furniture, equipment, shelves, bins and machinery; provided; however, that the term Trade Fixtures shall not include any permanent leasehold improvements, including but not limited to any floor, wall or ceiling coverings, any interior walls or partitions, any lighting fixtures, track lights or any property which is a part of or associated with any electrical, plumbing or mechanical system, notwithstanding that the same may have been installed in, upon or about the Leased Premises. Notwithstanding anything in this Article V to the contrary, Tenant, at its own cost and expense, may erect such Trade Fixtures on the Leased Premises as it desires, provided that (a) such Trade Fixtures do not alter the basic character of the Leased Premises, (b) such Trade Fixtures do not overload or damage the Leased Premises, (c) such items may be removed without injury to the Leased Premises, (d) the construction, erection or installation thereof complies with all Legal Requirements and with Landlord's specifications and requirements, (e) such Trade Fixtures do not cause damage to the structure of the Building (except as provided in Section 5.04(ii) above); (f) such Trade Fixtures do not overload the Building's floors or foundation from its design capacity; and (g) such Trade Fixtures do not require disassembly and re-assembly of any part of the Building structure in order to admit such equipment's or fixtures. Tenant shall have the right to remove at the termination or expiration of this Lease such Trade Fixtures owned by Tenant and so installed by Landlord), provided Tenant is not in default under this Lease and such removal is made within three (3) days after the termination or expiration of this Lease; provided, however, Tenant shall repair any damage caused by such removal and restore the Leased Premises to its original condition, reasonable wear and tear excepted. Any Trade Fixtures which are not removed from the Leased Premises and those which are removed by Landlord pursuant to Landlord's right to do so shall, at Landlord's option, become Landlord's property.

Section 5.06. Removal. Any alterations, improvements, modifications, additions or fixtures made, installed or attached by either Landlord or Tenant to, in or on the Leased Premises (other than as provided in Section 5.05 hereof) shall become the property of Landlord and shall, at Landlord's election, be, at the termination or expiration of this Lease or the termination of Tenant's right to possession of the Leased Premises (a) surrendered with the Leased Premises without any payment or reimbursement therefor, or (b) if Landlord's consent was so required and Landlord conditioned its approval in writing on the removal of such alterations or improvement upon the termination or earlier expiration of this Lease, promptly removed by Tenant at Tenant's expense, and Tenant shall repair any damage caused by such removal and restore the Leased Premises to its

original condition, reasonable wear and tear expected, at Tenant's expense.

ARTICLE VI

Section 6.01. Condemnation.

(a) Total Taking. In the event of a taking or damage related to the exercise of the power of eminent domain, by any authority, corporation or entity empowered to condemn property (including without limitation a voluntary conveyance by Landlord in lieu of such taking or condemnation) (individually, a "**Taking**") of forty percent (40%) or more of the Floor Area (a "**Total Taking**"), this Lease shall cease and terminate as of the date upon which title to the property taken passes to and vests in the condemner or the effective date of any order for possession if issued prior to the date title vests in the condemner ("**Date of Taking**").

(b) Partial Taking. In the event of a Taking of only a part of this Leased Premises or of a part of the Building which does not constitute a Total Taking during the Term of the Lease (individually, a "**Partial Taking**"), and such taking involves more than thirty percent (30%) of the Floor Area, then either Landlord or Tenant may terminate this Lease by written notice to the other of its election so to do within thirty (30) days after taking possession of the condemned portion of the Leased Premises by the condemning authority; if neither Landlord or Tenant elects to terminate, then the rights of Tenant under this Lease and the leasehold estate of Tenant only in and to the portion of the property taken shall cease and terminate as of the Date of Taking, and an adjustment to the Rent shall be made based upon the reduced value of the Leased Premises and this Lease shall continue in full force and effect with respect to the portion of the property not taken.

(c) Rent Adjustment. If this Lease is terminated pursuant to this Section 6.01, Landlord shall refund to Tenant any prepaid, unaccrued Rent and any other sums due and owing to Tenant (less any sums then due and owing Landlord by Tenant), and Tenant shall pay to Landlord any remaining sums due and owing Landlord under this Lease, each prorated as of the Date of Taking where applicable.

(d) Repair. If this Lease is not terminated as provided for in this Section 6.01, then Landlord shall promptly (but in no event later than two hundred seventy (270) days following the Date of Taking) repair and restore the Building and/or the Leased Premises to approximately the same condition that existed at the time Tenant entered into possession of the Leased Premises, wear and tear excepted, except for the part taken, to render the Building a complete architectural unit, but only to the extent of the condemnation award received by Landlord for the damage.

(e) Awards and Damages. Landlord reserves all rights to damages paid because of any Partial or Total Taking of the Leased Premises or the Building. Tenant assigns to Landlord any right Tenant may have to the damages or award. Further, Tenant shall not make claims against Landlord or the condemning authority for damages. Notwithstanding, Tenant may claim and recover from the condemning authority a separate award for Tenant's moving expenses, business dislocation damages, Tenant's Property and any other award that would not reduce the award payable to Landlord.

Section 6.02. Force Majeure. Neither Landlord nor Tenant shall be required to perform any term of this Lease (other than the obligations of Tenant to pay Rent as provided herein) so long as such performance is delayed or prevented by “**Force Majeure**”, which shall mean acts of God, strikes, injunctions, lockouts, material or labor restrictions by any governmental authority, civil riots, floods, fire, theft, public enemy, insurrection, war, pandemic or epidemic, court order, requisition or order of governmental body or authority, and any other cause not reasonably within the control of Landlord or Tenant and which by the exercise of due diligence Landlord or Tenant is unable, wholly or in part, to prevent or overcome. Neither Landlord nor Tenant shall be liable or responsible to the other for any loss or damage to any property or person occasioned by any Force Majeure, or for any damage or inconvenience which may arise through repair or alteration of any part of the Building as a result of any Force Majeure.

Section 6.03. Fire or Other Casualty.

(a) Damage. If any portion of the Leased Premises or the Building is destroyed or damaged by fire or any other casualty, Tenant shall immediately give notice thereof to Landlord. Within forty-five (45) days after receipt of Tenant’s notice, Landlord shall notify Tenant of Landlord’s estimate of the time required to restore the Leased Premises or the Building, as applicable. If any portion of the Leased Premises or Building is destroyed or damaged by fire or any other casualty then, subject to the terms of the financing agreements with Landlord’s mortgagee, Landlord shall restore and repair the portion of the Leased Premises or Building damaged but only to the extent of the insurance proceeds actually received by Landlord for such damage; provided, however, if thirty percent (30%) or more of the Floor Area of the Building is damaged or destroyed within the last two (2) lease years of the Term or any renewal term, or if Landlord notifies Tenant that the estimated time required to restore the Leased Premises or the Building, as applicable, from the date of such damage or destruction (the “**Construction Restoration Period**”), will be more than one hundred eighty (180) days, or if Landlord’s mortgagee does not consent to such restoration, then either Landlord or Tenant may terminate this Lease by giving written notice to the other of its election so to do within sixty (60) days after Tenant gives Landlord written notice of the damage (in the case thirty percent (30%) or more of the Floor Area of the Building is damaged or destroyed within the last two (2) lease years of the Term or any renewal term) or fifteen (15) days after Landlord gives Tenant notice that the Construction Restoration Period will exceed one hundred eighty (180) days whereupon all Rent accrued up to the time of such termination and any other sums due and owing shall be paid by Tenant to Landlord (less any sums then due and owing Tenant by Landlord) and any remaining sums due and owing by Landlord to Tenant shall be paid to Tenant.

(b) Rent Abatement. Base Rental shall be abated in such proportion as the Leased Premises have been damaged and untenable from the date on which the casualty occurred until the date on which the whole of the Leased Premises are delivered to Tenant in a tenable condition. During any period of reconstruction or repair of the Leased Premises, Tenant shall continue the operation of its business within the Leased Premises to the extent practicable.

Section 6.04. Insurance.

(a) Landlord shall maintain a policy or policies of all risk extended coverage insurance on the Building and other improvements located on the Leased Premises (the “**Property**”).

Insurance”) in an amount equal to one hundred percent (100%) of the replacement cost. Said insurance shall be maintained with an insurance company authorized to do business in Washington. Landlord agrees to purchase such insurance in an arms-length transaction and will use reasonable efforts to cause the premiums and deductibles to be reasonably comparable to those for other similar long term rehabilitation hospitals in the area where the Building is located. Tenant shall reimburse Landlord or pay Landlord’s designee for the cost of the insurance premiums for the Property Insurance (the “**Insurance Premiums**”) within fifteen (15) days after delivery of an invoice by Landlord to Tenant requesting payment of same, and Tenant shall provide Landlord with evidence of such payment, if not made directly to Landlord, at least ten (10) days before such payment is due. If Landlord’s mortgagee requires Landlord to maintain an escrow account for the Property Insurance, then Landlord may elect to have Tenant pay the Insurance Premiums for the Property Insurance to Landlord on a monthly basis. If Landlord so elects, Landlord may, prior to the commencement of each calendar year during the Term provide Tenant with a then current estimate of Insurance Premiums for the upcoming calendar year, and thereafter Tenant shall pay, as additional rental, in monthly installments in accordance with Section 3.01 one twelfth (1/12) of the estimated Insurance Premiums for the calendar year in question. The failure of Landlord to estimate Insurance Premiums and bill Tenant on a monthly basis shall not relieve Tenant of its obligation to pay the Insurance Premiums. If Landlord has elected to bill Tenant for Insurance Premiums on a monthly basis for a particular calendar year, then by March 1 of the following calendar year, Landlord shall furnish Tenant a statement of the actual Insurance Premiums for such prior calendar year, and within thirty (30) days thereafter an appropriate adjustment shall be made between Landlord and Tenant to reflect any overpayment or underpayment of Insurance Premiums for the prior calendar year because of any difference between the amount, if any, collected by Landlord from Tenant for Insurance Premiums and the actual amount of Insurance Premiums for such calendar year. In the event of an underpayment by Tenant, Tenant shall pay the amount of such underpayment to Landlord within thirty (30) days following delivery of the statement. In the event of an overpayment by Tenant, within thirty (30) days following delivery of the statement, Landlord shall make a cash payment to Tenant in the amount of such overpayment, or, at Tenant’s option, Landlord may credit such overpayment against the remaining rent installments for the current calendar year.

(b) Tenant shall, at its sole cost and expense, procure and maintain during the Term of this Lease commercial general liability insurance (including personal injury liability, premises/operation, property damage, independent contractors and broad form contractual in support of the indemnifications of Landlord by Tenant under this Lease) in amounts of not less than a combined single limit of \$3,000,000, business interruption insurance in an amount not less than twelve (12) months of Tenant’s income and expenses, contractual liability insurance, property loss insurance with respect to Tenant’s Property written on an “all risk” basis for full replacement cost, to the extent required by law, worker's compensation and employer's liability insurance and comprehensive catastrophe liability insurance, all maintained with companies, on forms and in such normal and customary amounts for properties similar to the Leased Premises as Landlord may, from time to time, reasonably require and endorsed to include Landlord as an additional insured, with the premiums being fully paid on or before the due dates. In the event that Tenant fails to take out or maintain any policy required by this Section 6.04 to be maintained by Tenant, such failure shall be a defense to any claim asserted by Tenant against Landlord by reason of any loss sustained by Tenant that would have been covered by such policy, notwithstanding that such

loss may have been proximately caused solely or partially by the negligence or willful misconduct of Landlord or any of Landlord's Related Parties. If Tenant does not procure insurance as required, Landlord may, upon advance written notice to Tenant, cause this insurance to be issued and Tenant shall pay to Landlord the premium for such insurance within ten (10 days) of Landlord's demand, plus interest at the past due rate provided in Section 3.02 of this Lease until repaid by Tenant. All policies of insurance required to be maintained by Tenant shall specifically provide that Landlord shall be given at least thirty (30) days' prior written notice of any cancellation or nonrenewal of any such policy. A duplicate original of each such policy or a certificate of insurance shall be deposited with Landlord by Tenant on or before the Rent Commencement Date, and a duplicate original of each subsequent policy or a certificate of insurance shall be deposited with Landlord at least ten (10) days prior to the expiration of the preceding such policy. All insurance policies obtained by Tenant shall be written as primary policies (primary over any insurance carried by Landlord), not contributing with and not in excess of coverage which Landlord may carry, if any.

(c) Landlord shall have the right to, at any time during the term of this Lease and upon written notice to Tenant, increase the minimum limits of insurance coverage, require additional or alternate insurance coverages or otherwise modify the insurance requirements of this Lease, provided that such increased limits, and/or additional or alternate insurance coverages are normal and customary for properties similar to, and operating for similar uses as, the Leased Premises. If Tenant fails to comply with any the insurance requirements herein, Landlord may, at its sole discretion and upon written notice to Tenant by Landlord, obtain such insurance policies for Tenant. If Landlord elects to obtain such policies for Tenant, Tenant shall promptly reimburse Landlord for the cost thereof. The maintenance of the insurance coverages required under this Lease shall in no way operate to limit the liability of Tenant to Landlord under the provisions of this Lease.

(d) From the date of commencement of construction of the Leased Premises through Substantial Completion (as defined in Exhibit E, Section (B)(2)), Landlord shall (at its expense, not reimbursable by Tenant) maintain in force a policy of builder's risk insurance for the Construction Work (as defined in the Work Letter) in an amount not less than the fixed cost price (or guaranteed maximum price) specified in Landlord's primary general contract of construction for the facility, and commercial general liability insurance coverage with limits of at least \$1,000,000, per occurrence and \$2,000,000 aggregate. Such insurance coverage may be maintained by Landlord being named as additional insured on policies of insurance meeting the above criteria provided by one or more contractors of Landlord.

Section 6.05. Waiver of Subrogation Rights. Each party hereto waives all rights of recovery, claims, actions or causes of actions arising in any manner in its (the "**Injured Party's**") favor and against the other party for loss or damage to the Injured Party's property located within or constituting a part or all of the Building, to the extent the loss or damage is covered by the insurance the Injured Party is required to carry under this Lease, REGARDLESS OF THE CAUSE OR ORIGIN, INCLUDING THE SOLE, CONTRIBUTORY, PARTIAL, JOINT, COMPARATIVE OR CONCURRENT NEGLIGENCE OF THE OTHER PARTY. This waiver also applies to each party's directors, officers, employees, shareholders, partners, representatives and agents. All insurance carried by Tenant covering the losses and damages described in this Section 6.05 shall provide for a waiver of rights of subrogation by the Injured Party's insurance carrier against the other party, to the maximum extent that the same is permitted under the laws

and regulations governing the writing of insurance within the State of Washington. Tenant is hereby obligated to obtain such a waiver and provide evidence to Landlord of such waiver. The waiver set forth in this Section 6.05 shall be in addition to, and not in substitution for, any other waivers, indemnities or exclusions of liability set forth in this Lease.

ARTICLE VII

Section 7.01. Lien. In consideration of the mutual benefits arising under this Lease and in order to receive payment of all Rent payable by Tenant to Landlord under this Lease and the faithful performance and observance of all covenants and agreements of Tenant under this Lease, Tenant hereby grants to Landlord a lien and security interest on and in all of the property of Tenant now or hereafter placed in, upon or about the Leased Premises and the Building, including without limitation all goods, wares, fixtures, machinery, inventory, equipment, furniture, furnishings and other personal property now or hereafter placed in or upon the Leased Premises and the Building (collectively, "**Tenant's Property**") and also upon all proceeds of any insurance which may accrue to Tenant by reason of damages to or destruction of any of Tenant's Property. Said lien and security interest shall be in addition to and cumulative of the Landlord's liens provided by law. This Lease shall constitute a security agreement under the Uniform Commercial Code as enacted and enforced in the State of Washington (the "**UCC**") so that Landlord shall have and may enforce a security interest on all of Tenant's Property and insurance proceeds. Tenant's Property shall not be removed from the Leased Premises unless such removal is in the ordinary course of Tenant's business and Tenant is not at the time of such removal in default under this Lease. Tenant agrees to execute as debtor such financing statement or statements as Landlord may now or hereafter reasonably request in order that such security interest or interests may be protected pursuant to said UCC. Landlord may at its election at any time file a copy of this Lease as a financing statement. Landlord, as secured party, shall be entitled to all of the rights and remedies afforded a secured party under said UCC, which shall be in addition to and cumulative of Landlord's liens and rights provided by law or in equity or by the other terms of this Lease. Upon Tenant's written request, Landlord shall execute Tenant's purchase money lender's standard form subordination agreement (with modifications reasonably acceptable to both such lender and Landlord), subordinating its contractual and statutory landlord's lien to Tenant's lender for any of Tenant's Property provided Tenant pays for all of Landlord's costs and expenses, including without limitation, reasonable attorneys' fees relating to any such subordination.

Section 7.02. Default by Tenant. The occurrence of any one or more of the following events shall constitute a default by Tenant under this Lease:

(a) Tenant fails to perform, observe or comply with any of the terms, provisions, agreements, covenants or conditions of this Lease or any guaranty now or hereafter executed relating to this Lease (other than the failure specified in Section 7.02(b) hereof), such failure continuing for thirty (30) days after written notice from Landlord to Tenant of such failure; provided, however, that if such failure cannot reasonably be cured within said thirty (30) day period despite Tenant's diligent good faith efforts, Tenant shall not be in default if Tenant commences to cure within ten (10) days after written notice from Landlord to Tenant of such failure and thereafter diligently prosecutes such cure to completion within ninety (90) days, and provided, further that Landlord shall not be required to provide such notice more than two (2) times during the Term with respect to any particular failure (or substantially similar failure), the

third such failure not requiring such notice by Landlord;

(b) Tenant fails to pay to Landlord any Rent or any other monetary charge due from Tenant hereunder as and when due and payable and such failure to continue for a period of five (5) business days after written notice from Landlord to Tenant that such payment is due; provided, however, that Landlord shall not be required to provide such notice more than two (2) times during any twelve (12) month period, the third such failure within such 12-month period not requiring such notice by Landlord;

(c) A Transfer (hereinafter defined) shall occur of all or a part of (i) this Lease or (ii) the Leased Premises, in violation of the terms and provisions of Article VIII hereof;

(d) Any petition in bankruptcy or other insolvency proceedings is filed by or against Tenant or Guarantor, or any petition is filed or other action taken to declare Tenant a bankrupt or to delay, reduce or modify Tenant's or Guarantor's debts or obligations or to reorganize or modify Tenant's or Guarantor's capital structure or indebtedness or to appoint a trustee, receiver or liquidator of Tenant or Guarantor of any property of Tenant or Guarantor, or any proceeding or other action is commenced or taken by any governmental authority for the dissolution or liquidation of Tenant or Guarantor, and any such proceeding or other action or petition is not dismissed within sixty (60) days after the date it is filed or commenced, as applicable;

(e) Either Tenant or Guarantor becomes insolvent or either Tenant or Guarantor shall make an assignment for the benefit of creditors or either Tenant or Guarantor shall make a transfer in fraud of creditors, or a receiver or trustee shall be appointed for Tenant or Guarantor or any of their respective properties;

(f) Tenant deserts, abandons or vacates the Leased Premises or any substantial portion thereof in excess of the temporary closure period permitted in Section 2.03(b);

(g) Tenant does or permit to be done anything which creates a lien upon the Leased Premises or the Building and such lien is not removed within twenty (20) days after the date it is created;

The term "Tenant" as used in this Section 7.02 shall be deemed to include any guarantor of, or any other person or entity primarily or secondarily liable for, any of Tenant's obligations under this Lease.

Section 7.03. Landlord's Remedies. Upon the occurrence of any default by Tenant under this Lease, Landlord may, at its sole option, have the option to pursue any one or more of the following remedies without any notice or demand whatsoever, other than any notice expressly provided in this Lease (and without limiting the generality of the foregoing, Tenant hereby specifically waives notice and demand for payment of Rent or other obligations due hereunder and waives any and all other notice or demand requirements imposed by applicable law other than any notice expressly provided in this Lease):

(a) Terminate this Lease or terminate Tenant's right to possession of the Leased Premises without terminating this Lease. Upon any termination of this Lease (whether by lapse of time or otherwise), or upon any termination of Tenant's right of possession without termination of

this Lease, Tenant shall surrender possession and vacate the Leased Premises immediately, and deliver possession thereof to Landlord.

(b) If Landlord elects to terminate this Lease Landlord shall be entitled to recover as damages a sum of money equal to the total of (i) the cost of recovering the Leased Premises, (ii) the cost of removing and storing Tenant's property, (iii) the unpaid Rent and any other sums accrued hereunder at the date of termination (including interest at the past due rate provided in Section 3.02 of this Lease if in arrears), (iv) a sum equal to the present value (determined using a discount rate of six percent (6%) per annum) of the total Rent and other benefits which would have accrued to Landlord under this Lease for the remainder of the Term (as the same may have been extended by the exercise by Tenant of any renewal options expressly granted under this Lease), if the terms of this Lease had been fully complied with by Tenant, less the present value (discounted at the same rate) of the fair market rental value of the Leased Premises for said period which Tenant establishes Landlord can reasonably expect to recover by reletting the Leased Premises by such period, taking into consideration the availability of acceptable tenants and other market conditions affecting leasing, but only to the extent such sum is equal to or less than the discounted present value of the accelerated Rent and other benefits, (v) the cost of restoring the Leased Premises to the condition necessary to rent the Leased Premises at the prevailing market rental rate, normal wear and tear excepted, (vi) any increase in insurance premiums caused by the vacancy of the Leased Premises, (vii) the amount of any unamortized improvements to the Leased Premises paid for by Landlord, (viii) the amount of any unamortized brokerage commission paid by Landlord in connection with the leasing of the Leased Premises and (ix) any other sum of money or damages owed by Tenant to Landlord. Nothing contained in this Lease shall limit or prejudice the right of Landlord to prove for and obtain in proceedings for bankruptcy or insolvency by reason of the termination of this Lease, 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.

(c) If Landlord elects to terminate Tenant's right to possession of the Leased Premises, without terminating this Lease, Tenant shall continue to be liable for and shall pay to Landlord all Rent payable by Tenant under this Lease (plus interest at the past due rate provided in Section 3.02 of this Lease if in arrears) plus an amount equal to (i) the cost of recovering possession of the Leased Premises, (ii) the cost of removing and storing any of Tenant's property left on the Leased Premises or the Building after reentry, (iii) the cost of repairs to the Leased Premises, (iv) the cost of any attempted reletting or reletting and the collection of the rent accruing from such reletting, (v) any other costs incurred by Landlord in connection with any such reletting or attempted reletting, (vi) the cost of any increase in insurance premiums caused by the termination of possession of the Leased Premises, (vii) the amount of any unamortized improvements to the Leased Premises paid for by Landlord, (viii) the amount of any unamortized brokerage commission paid by Landlord in connection with the leasing of the Leased Premises and (ix) any other sum of money or damages owed by Tenant to Landlord, all reduced by any sums received by Landlord through any reletting of the Leased Premises; provided, however, that in no event shall Tenant be entitled to any excess of any sums obtained by reletting over and above Rent provided in this Lease to be paid by Tenant to Landlord. Landlord may, but shall be under no obligation to (except as otherwise expressly provided under Section 7.04 below), relet the Leased Premises or any part thereof for the account of Tenant for a period equal to or lesser or greater than

the remainder of the Term of the Lease on such terms and conditions Landlord deems advisable. Landlord may file suit to recover any sums falling due under the terms of this Section 7.03(c) from time to time, and no delivery to or recovery by Landlord of any portion due Landlord hereunder shall be any defense in any action to recover any amount not theretofore reduced to judgment in favor of Landlord. No reletting shall be construed as an election on the part of Landlord to terminate this Lease unless a written notice of such intention is given to Tenant by Landlord. Notwithstanding any such exercise by Landlord of its rights under this Section 7.03(c), Landlord may at any time thereafter elect to terminate this Lease for such previous default and/or exercise its rights under Section 7.03(b) above for such previous default.

(d) Enter upon the Leased Premises and do whatever Tenant is obligated to do under the terms of this Lease; and Tenant agrees to reimburse Landlord on demand for any expenses which Landlord may incur in effecting compliance with Tenant's obligations under this Lease plus fifteen percent (15%) of such cost to cover overhead plus interest at the past due rate provided in this Lease, and Tenant further agrees that Landlord shall not be liable for any damages resulting to Tenant from any of its obligations under this Lease or from any consequences or liabilities arising from the failure to perform such obligations.

(e) If Tenant is delinquent in paying at least part of the Rent, and Tenant has ceased operating its business at the Leased Premises, change all door locks and other security devices of Tenant at the Leased Premises and/or the Building, and Tenant hereby expressly agrees that Landlord shall not be required to affix any notice of any kind to the Leased Premises or Building or provide the new key to Tenant, provided, however, that Landlord shall provide a new key to Tenant during Tenant's regular business hours upon the condition that Tenant has cured any and all defaults hereunder and reimbursed or paid Landlord for all sums due Landlord hereunder. Landlord, on terms and conditions satisfactory to Landlord in its sole discretion, may upon request from Tenant's employees, enter the Leased Premises for the purpose of retrieving therefrom personal property of such employees, provided Landlord shall have no obligation to do so.

(f) Exercise any of the following remedies: enforcement of Landlord's statutory lien, enforcement of Landlord's contractual lien provided in this Lease, suit on the contract, suit for anticipatory breach and injunctive relief of all varieties.

(g) Exercise any or all other remedies available to Landlord in this Lease, at law or in equity.

Section 7.04. Mitigation. Notwithstanding anything contained herein to the contrary, Landlord shall have a duty to mitigate its damages to the full extent required under applicable law.

Section 7.05. Non Waiver. Failure on the part of Landlord to complain of any action or non-action on the part of Tenant, no matter how long the same may continue, shall not be deemed to be a waiver by Landlord of any of its rights under this Lease. Further, it is covenanted and agreed that no waiver at any time of any of the provisions hereof by Landlord shall be construed as a waiver of any of the other provisions hereof and that a waiver at any time of any of the provisions hereof shall not be construed as a waiver at any subsequent time of the same provisions. The consent or approval by Landlord to or of any action by Tenant requiring Landlord's consent or approval shall not be deemed to waive or render unnecessary Landlord's consent or approval to

or of any subsequent similar act.

Section 7.06. Holding Over. In the event Tenant remains in possession of the Leased Premises after the expiration or termination of this Lease without the execution of a new lease, then Tenant, at Landlord's option, shall be deemed to be occupying the Leased Premises as a tenant at will at a base rental equal to 150% of the Base Rental in effect immediately preceding the holdover period, and shall otherwise remain subject to all the conditions and provisions of this Lease insofar as the same are applicable to a tenancy at will, including without limitation the payment of all other Rent. No holding over by Tenant after the expiration or termination of this Lease shall be construed to extend the Term or in any other manner be construed as permission by Landlord to hold over. Tenant shall indemnify Landlord (y) against all claims for damages by any other existing or prospective tenant to whom Landlord may have leased any part of the Leased Premises effective upon the termination or expiration of this Lease, and (z) for all other losses, costs and expenses of Landlord, including reasonable attorneys' fees, incurred by reason of such holding over.

Section 7.07. Attorneys' Fees and Other Expenses. In the event either party hereto defaults in the faithful performance or observance of any of the terms of this Lease, the party in default shall be liable for and shall pay to the nondefaulting party all expenses incurred by such nondefaulting party in enforcing any of its remedies for any such default, and if the non-defaulting party places the enforcement of all or any part of this Lease in the hands of an attorney, the party in default agrees to pay the nondefaulting party's reasonable attorneys' fees in such connection.

Section 7.08. Abandonment of Personal Property. Any personal property left in the Leased Premises or any personal property of Tenant left about the Building at the expiration or termination of this Lease, the termination of Tenant's right to occupy the Leased Premises or the abandonment, desertion or vacating of the Leased Premises by Tenant, shall be deemed abandoned by Tenant and may, at the option of Landlord, be immediately removed from the Leased Premises or such other space by Landlord and stored by Landlord at the full risk, cost and expense of Tenant. Landlord shall in no event be responsible for the value, preservation or safekeeping thereof. In the event Tenant does not reclaim any such personal property and pay all costs for any storage and moving thereof within thirty (30) days after the expiration or termination of this Lease, the termination of Tenant's right to occupy the Leased Premises or the abandonment, desertion or vacating of the Leased Premises by Tenant, Landlord may dispose of such personal property in any way that it deems proper. If Landlord shall sell any such personal property, it shall be entitled to retain from the proceeds the amount of any Rent or other expenses due Landlord, together with the cost of storage and moving and the expense of the sale. Notwithstanding anything contained herein to the contrary, in addition to the rights provided herein with respect to any such property, Landlord shall have the option of exercising any of its other rights or remedies provided in the Lease or exercising any rights or remedies available to Landlord under Washington law as amended from time to time, or otherwise at law or in equity.

Section 7.09. Landlord Default. Landlord shall be in default under this Lease if Landlord fails to perform any of its obligations hereunder and said failure continues for a period of thirty (30) days (or such longer period as may be reasonably required to effect such cure provided Landlord promptly commences such cure and diligently proceeds with such efforts until completion thereof) from Tenant to Landlord which notice shall be in writing and shall clearly

specify the nature of such default. In such event, Tenant shall be entitled to perform such defaulted obligation of Landlord. Tenant shall notify Landlord of its intention to perform such obligation. In the event of a default by Landlord hereunder which has not yet continued beyond the expiration of the applicable grace period but which Tenant determines constitutes an emergency threatening imminent injury to persons or damage to property, Tenant shall have the right to perform such defaulted obligation of Landlord after giving Landlord such notice (if any) as is reasonable under the circumstances, In either event, the aggregate of (i) all sums so paid by Tenant, and (ii) interest at the rate of 8% per annum on such sum shall be payable to Tenant within thirty (30) days of such demand therefor. Tenant may exercise its rights under this Section 7.09 without waiving any other of its rights or releasing Landlord from any of its obligations under this Lease.

Section 7.10. Waiver of Punitive Damages. Each party hereby waives any right to seek recovery against the other for punitive damages arising out of any breach or non-performance of this Lease by the other party.

ARTICLE VIII

Section 8.01. Transfers.

(a) Except for an assignment after the Loan Period Expiration, as hereinafter defined, in connection with a Permitted Sale Transaction (which shall be permitted without Landlord's prior written consent, but upon not less than thirty (30) days advanced written notice to Landlord), Tenant shall not, by operation of law or otherwise, (a) assign, transfer, mortgage or otherwise encumber all or any part of this Lease or the Leased Premises, (b) grant any concession or license within the Leased Premises, (c) grant or transfer any management privileges or rights with respect to the Leased Premises, (d) sublet all or any part of the Leased Premises or any right or privilege appurtenant to the Leased Premises, (e) permit any other party to occupy or use all or any part of the Leased Premises or (f) advertise for any of the foregoing (collectively, a "**Transfer**"), without the prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed. As used herein, "**Permitted Sale Transaction**" means any transaction which, directly or indirectly, through one or more step transactions or tiered transactions, results in the transfer (be it by merger, consolidation, sale, assignments or otherwise) of (a) all or substantially all of the assets of Tenant, or (b) 51% or more of the direct or indirect equity interests held by Guarantor in Tenant to any third party, so long as (i) such third party or its parent company's financial condition and net worth are equivalent to or greater than the financial condition and net worth of Guarantor at the time of such transaction; (ii) such third party employs executives with substantial experience in managing the operations of medical care facilities providing the same or similar care and services as provided by Tenant at the Leased Premises or engages a third party manager that has such experience; (iii) such third party executes and delivers to Landlord an assumption of this Lease agreeing to be bound by the terms and conditions hereof and fully perform all obligations of Tenant hereunder; and (iv) a replacement Guarantor (whose financial condition and net worth are equivalent to or greater than the financial condition and net worth of Guarantor at the time of the Permitted Sale Transaction) executes and delivers to Landlord a guaranty agreement in substantially the form attached hereto as Exhibit H. Notwithstanding the foregoing, a Permitted Sale Transaction shall not be permitted if Tenant is then in default under this Lease or any state of facts then exist which with the passage of time or giving of notice would constitute a Tenant default hereunder. Further, notwithstanding the foregoing or anything to the

contrary contained herein, a Permitted Sale Transaction shall not be permitted at any time prior to the earlier to occur of (A) the initial maturity date of that certain loan from Origin Bank, a Louisiana state bank, to Landlord secured by Landlord's interest in the Premises (the "**Origin Bank Loan**"), which maturity date shall be on or about the date five (5) years after the Effective Date of this Lease, or (B) the date that the Origin Bank Loan is paid in full and the mortgage encumbering Landlord's interest in the Premises is released (the earlier of such dates, the "**Loan Period Expiration**"). For the avoidance of doubt, Landlord and Tenant hereby agree and acknowledge that any proposed Transfer to be effective prior to the Loan Period Expiration shall be subject to Landlord's consent (not be unreasonably withheld, conditioned or delayed, subject to the provisions of this **Section 8.01(a)**), regardless of whether such proposed Transfer would otherwise be considered a Permitted Sale Transaction hereunder. Notwithstanding anything to the contrary contained herein, and without limiting Landlord's discretion as set forth herein, it is agreed that Landlord's consent shall not be considered unreasonably withheld for purposes of this **Section 8.01(a)** if: (i) such transferee's use of the Leased Premises would violate the Permitted Use, any restrictive covenants affecting the Leased Premises or any applicable governmental requirements; (ii) the transferee is a governmental agency; (iii) the transferee is a foreign entity organized under the laws of a foreign country or is not a USA-based entity; (iv) Tenant is in default beyond any applicable notice and cure period; (v) such Transfer would cause any of Tenant's permits, licenses or other governmental approvals to be revoked, suspended or terminated, unless the proposed transferee secures equivalent permits, licenses or governmental approvals effective upon the effective date of such assignment; or (vi) the proposed assignee or any replacement Guarantor do not have an financial condition and net worth equivalent to or greater than the financial condition and net worth of Tenant and/or Guarantor as of the Effective Date (as adjusted by the time value of money). If Tenant or Guarantor is other than an individual person, any conveyance, assignment or Transfer of more than a fifty percent (50%) interest in Tenant or Guarantor or any lesser percentage which, in the opinion of Landlord, results in a change in the effective control of Tenant or Guarantor, in a single transaction or a series of transactions, shall be deemed to constitute a Transfer. If Tenant requests Landlord's consent to any Transfer, then Tenant shall provide Landlord with documentation reasonably requested by Landlord regarding the proposed Transfer. Tenant shall reimburse Landlord for its reasonable attorneys' fees and other expenses incurred in connection with considering any request for its consent to a Transfer. Except in connection with Permitted Sale Transactions and as provided in the last sentence of this **Section 8.01(a)**, Landlord's consent to a Transfer shall not release Tenant from performing its obligations under this Lease but rather Tenant's transferee shall assume all of Tenant's obligations under this Lease in a writing satisfactory to Landlord and Tenant. Landlord's consent to any Transfer shall not waive Landlord's rights as to any subsequent Transfer. While the Leased Premises or any part thereof are subject to a Transfer, Landlord may collect directly from such transferee all rents or other sums relating to the Leased Premises becoming due to Tenant or Landlord and apply such rents and other sums against the Rent and any other sums payable hereunder (in the event any such sums received from such transferee exceed the Rent, Landlord shall have the right to retain such excess). Tenant authorizes its transferees to make payments of rent and any other sums due and payable, directly to Landlord upon receipt of notice from Landlord to do so. Any attempted Transfer by Tenant in violation of the terms and covenants of this **Article VIII** shall be void and shall constitute a default by Tenant under this Lease. Notwithstanding the foregoing, provided that Tenant gives Landlord thirty (30) days prior written notice, Tenant may, without Landlord's consent, assign this Lease or sublet the Leased Premises to an entity owned by, owning or under

common ownership with Tenant, controlled by, controlling or under common control with Tenant or into or with which Tenant may be merged or consolidated or which acquires all or substantially all of the business and assets of Tenant, or directly or indirectly the ownership interests of Tenant, and which assignee in the case of a merger or consolidation has a net worth computed in accordance with Generally Accepted Accounting Principles (“**GAAP**”) of not less than the greater of Tenant’s net worth immediately prior to such assignment or Tenant’s net worth on the date of this Lease. For the avoidance of doubt, in connection with Permitted Sales Transactions or any other Transfer permitted by this Section 8.01(a) or consented to by Landlord as provided for herein, Landlord shall release and return to Guarantor any and all guaranty agreement executed by Guarantor; provided that a replacement Guarantor (whose financial condition and net worth are equivalent to or greater than the financial condition and net worth of Guarantor at the time of the Transfer) executes and delivers to Landlord a guaranty agreement in substantially the form attached hereto as Exhibit H. With the exception of Permitted Sale Transactions, nothing herein contained shall operate to release Tenant from liability under this Lease; however, Landlord agrees to release Tenant hereunder following (x) a permitted merger which (A) results in Tenant ceasing to exist, (B) complies with the foregoing provisions and (C) results in the surviving entity agreeing in writing to assume and perform all of the Tenant’s obligations under this Lease, or (y) an assignment of this Lease to an entity which owns all or substantially all of the business and assets of Tenant, so long as (A) such assignee has a net worth immediately prior to such assignment, computed in accordance with GAAP, of not less than the greater of Tenant’s net worth immediately prior such assignment, Tenant’s net worth on the date of this Lease, or \$10,000,000, and (B) such assignee agrees in writing to assume and perform all of Tenant’s obligations under this Lease.

(b) Notwithstanding anything now contained in Section 8.01(a) of this Lease to the contrary, Tenant without Landlord’s consent, may license a portion of the Leased Premises for occupancy by unrelated third parties (individually, a “**Space Occupant**” and collectively, “**Space Occupants**”), provided that (a) each Space Occupant and its principals shall be of good reputation and engaged in a business or activity that is in keeping with the standards of the Building and whose uses is permitted by Section 2.03(a), (b) Space Occupants shall not occupy, in the aggregate, more than twenty five percent (25%) of the Floor Area contained in the Leased Premises, (c) the portions of the Leased Premises occupied by the Space Occupants shall be physically part of, and not separately demised from, the remainder of the Leased Premises occupied by Tenant, (d) Tenant shall notify Landlord of each new Space Occupant not less than thirty (30) days prior to their occupying any portion of the Leased Premises, (e) upon request of Landlord, Tenant shall provide Landlord with a fully executed copy of the license/occupancy agreement with one or more Space Occupants, and (f) each Space Occupant shall comply with all applicable obligations of Tenant under this Lease (other than the payment of Rent). All such occupancy arrangements shall be subject and subordinate to this Lease and to the matters to which the Lease is or shall be subordinate and in the event of a termination of this Lease all such occupancy arrangements shall immediately terminate. Occupancy by a Space Occupant shall not be deemed to vest in such Space Occupant any right or interest in this Lease or the Leased Premises, nor shall it relieve, release, impair or discharge any of Tenant’s obligations hereunder, nor shall it entitle such Space Occupant to enforce or assert any rights that Tenant may have in the event Landlord fails to fulfill its obligations under this Lease.

Section 8.02. Assignment by Landlord. Landlord shall have the right at any time to sell, transfer, or assign, in whole or in part, by operation of law or otherwise its interests in any part of

this Lease, the Leased Premises or the Building, without the prior consent of Tenant, and such transfer or assignment shall be binding upon Tenant. Tenant shall attorn to such purchaser, transferee or assignee, upon such party's request, and, provided that Landlord's transferee assumes in writing all of the Landlord's obligations under this Lease accruing from and after the effective date of such transfer, Landlord shall be released from all liability and obligations under this Lease.

Section 8.03. Limitation of Landlord's Liability. Any provisions of this Lease to the contrary notwithstanding, Tenant hereby agrees that no personal, partnership or corporate liability of any kind or character (including, without limitation, the payment of any judgment) whatsoever now attaches or at any time hereafter under any condition shall attach to Landlord or any of Landlord's Related Parties or any mortgagee for payment of any amounts payable under this Lease or for the performance of any obligation under this Lease. Except for Tenant's self-help remedies described in Section 7.09 above, the exclusive remedies of Tenant for the failure of Landlord to perform any of its obligations under this Lease shall be an action for actual damages against Landlord and to proceed against the interest of Landlord in and to the Building for the recovery of any judgment against Landlord. The liability of Landlord under this Lease is solely limited to its interest in the Building, it being agreed that Landlord shall never be personally liable for any judgment against Landlord. In addition, in no event shall Landlord be liable to Tenant, or any interest of Landlord in the Building be subject to execution by Tenant, for any indirect, special, consequential or punitive damages. The provision contained in the foregoing sentences are not intended to, and shall not, limit any right that Tenant might otherwise have to obtain injunctive relief against Landlord or any suit or action in connection with enforcement or collection of amounts which may become owing or payable under or on account of insurance maintained by Landlord. Further, Tenant's right to seek relief from Landlord as a result of a default by Landlord under this Lease shall be conditioned on Tenant taking all actions reasonably required, under the circumstances, to minimize any loss or damage to Tenant's property or business, or to any of Tenant's officers, employees, agents, invitees, or other third parties that may be caused by any such default of Landlord.

ARTICLE IX MISCELLANEOUS

Section 9.01. Subordination. Tenant covenants and agrees with Landlord that this Lease is subject and subordinate to any mortgage, deed of trust and/or security agreement which now encumbers the Leased Premises, and to any advances made on the security thereof and to any and all increases, renewals, modifications, consolidations, replacements and extensions thereof. Tenant covenants and agrees with Landlord that this Lease shall be subject and subordinate to any mortgage, deed of trust, ground lease and/or security agreement which may hereafter encumber the Leased Premises, and to any advances made on the security thereof and to any and all increases, renewals, modifications, consolidations, replacements and extensions thereof, provided Tenant receives a subordination, non-disturbance and attornment agreement ("SNDA") executed by any such future mortgagee in form and content reasonably acceptable to Tenant and any such future mortgagee. Tenant acknowledges and agrees that, subject to reasonable modifications requested by any such future mortgagee, the SNDA attached hereto as Exhibit F is a SNDA reasonably acceptable to Tenant. Tenant agrees to execute such SNDA within ten (10) business days of a request by Landlord or such future mortgagee to do so. Notwithstanding the generality of the foregoing, any mortgagee or ground lessor may at any time subordinate any such deeds of trust, mortgages, other security instruments or ground leases to this Lease on such terms and conditions

as such mortgagee or ground lessor may deem appropriate. Furthermore, Tenant agrees within thirty (30) days of a written request by Landlord, Tenant shall provide to Landlord and Origin Bank current financial information as reasonably requested by Landlord from time to time during the term of this Lease to comply with any financial covenants of Landlord as the borrower under the Origin Bank Loan. Such information may include, but is not limited to, annual financial statements, balance sheets, income statements, tax returns, and other financial documents that reflect Tenant's financial condition.

Section 9.02. Estoppel Certificate or Three-Party Agreement. Tenant agrees within ten (10) business days following request by Landlord to execute, acknowledge and deliver to Landlord and any other persons specified by Landlord, a certificate certifying to matters relating to the Leased Premises and the Lease as Landlord may reasonably request. Tenant hereby irrevocably appoints Landlord its attorney in fact in its name, place and stead to execute any such certificate or three-party agreement which Tenant fails to execute within such ten (10) business day period.

Section 9.03. Telecommunications Providers. In the event Tenant wishes to use, at any time during the Term of this Lease, the services of a telecommunications provider whose equipment or service is not then in the Building, no such provider shall be entitled to enter the Building or commence providing such service without first obtaining the prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed. Landlord may condition its consent on such matters as Landlord deems appropriate including, without limitation, (a) such provider agreeing to an easement or license agreement in form and substance satisfactory to Landlord, (b) Landlord having been provided and approved the plans and specifications for the equipment to be installed in the Building, (c) Landlord has received, prior to the commencement of such work, such indemnities, bonds or other financial assurances as Landlord may require, (d) such provider agreeing to abide by all Building rules and regulations, and agreeing to provide Landlord an "as built" set of plans and specifications, (e) such provider agreeing to pay Landlord such compensation as Landlord determines to be reasonable, and (f) Landlord having determined that there is adequate space in the Building for the placement of all of such provider 's lines and equipment.

Section 9.04. Waiver of Jury Trial. LANDLORD AND TENANT TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, HEREBY KNOWINGLY, INTENTIONALLY, IRREVOCABLY, UNCONDITIONALLY AND VOLUNTARILY, WITH AND UPON THE ADVICE OF COMPETENT COUNSEL, WAIVE, RELINQUISH AND FOREVER FORGO ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, SUIT, PROCEEDING, OR COUNTERCLAIM BASED UPON, ARISING OUT OF, OR IN ANY WAY RELATING TO THIS LEASE.

Section 9.05. Notices. Any notice or other communication required or contemplated by this Lease must be in writing, and may, unless otherwise in this Lease expressly provided, be given by depositing the same in the United States Postal Service, post-paid and certified and addressed to the party to be notified, with return receipt requested, or by delivering the same in person to such party (or, in case of a corporate party, to an officer of such party), or by express overnight mail service, when appropriate, addressed to the party to be notified. Notice deposited in the mail in the manner hereinabove described shall be effective from and after three (3) days (exclusive of Saturdays, Sundays and postal holidays) after such deposit. Notice given in any other manner shall

be effective only if and when delivered to the party to be notified or at such party's address set forth in the first paragraph of this Lease. For purposes of notice the addresses of the parties shall, until changed as herein provided, be as provided on the first page of this Lease. However, the parties hereto shall have the right from time to time to change their respective addresses by giving at least fifteen (15) days' written notice to the other party in the manner set forth in this Section.

Section 9.06. Successors; Gender; Time; No Merger. Subject to the provisions of this Lease, and except as otherwise provided in this Lease, all covenants and obligations as contained within this Lease shall bind and extend and inure to the benefit of the parties hereto and their heirs, legal representatives, successors and assigns. The pronouns of any gender shall include the other genders, and either the singular or the plural shall include the other. Time is of the essence with respect to this Lease. There shall be no merger of this Lease or of the leasehold estate hereby created with the fee estate in the Leased Premises or any part thereof by reason of the fact that the same person may acquire or hold, directly or indirectly, this Lease or the leasehold estate hereby created or any interest in this Lease or in such leasehold estate as well as the fee estate in the Leased Premises or any interest in such fee estate. The voluntary or other surrender of this Lease by Tenant or a termination or cancellation thereof shall not constitute a merger and shall, at the option of Landlord, either terminate all or any existing subleases or subtenancies or operate as an assignment to Landlord of Tenant's interest in any or all such subleases or subtenancies.

Section 9.07. Rights and Remedies Cumulative. The rights and remedies of Landlord under this Lease shall be nonexclusive and each right or remedy shall be in addition to and cumulative of all other rights and remedies available to Landlord under this Lease or at law or in equity. Pursuit of any right or remedy shall not preclude pursuit of any other rights or remedies provided in this Lease or at law or in equity, nor shall pursuit of any right or remedy constitute a forfeiture or waiver of any Rent due to Landlord or of any damages accruing to Landlord by reason of the violation of any of the terms of this Lease.

Section 9.08. Legal Interpretation. This Lease and the rights and obligations of the parties hereto shall be interpreted, construed and enforced in accordance with the laws of the State of Washington and the United States. The determination that one or more provisions of this Lease is invalid, void illegal or unenforceable shall not affect or invalidate any other provision of this Lease and this Lease shall be construed as if such invalid, illegal or unenforceable provision had never been contained in this Lease and, so far as is reasonable and possible, effect shall be given to the intent manifested by the portion held invalid or inoperative. All obligations of either party hereunder not fully performed after the expiration or termination of the Term of this Lease shall survive the expiration or termination of the Term of this Lease and shall be fully enforceable in accordance with those provisions pertaining thereto. Article and section titles and captions appearing in this Lease are for convenient reference only and shall not be used to interpret or limit the meaning of any provision of this Lease. No custom or practice which may evolve between the parties in the administration of the terms of this Lease shall waive or diminish the right of Landlord to insist upon the performance by Tenant in strict accordance with the terms of this Lease. This Lease supersedes and cancels any and all previous statements, negotiations, arrangements, brochures, agreements and understandings, if any, between Landlord and Tenant with respect to the subject matter of this Lease and the Leased Premises and this Lease, including written extrinsic documents referred to herein, is the entire agreement of the parties, and there are no representations, understandings, stipulations, agreements, warranties or promises (express or

implied, oral or written) between Landlord and Tenant with respect to the subject matter of the Lease or the Leased Premises. It is likewise agreed that this Lease may not be altered, amended or extended except by an instrument in writing signed by both Landlord and Tenant. The terms and provisions of this Lease shall not be construed against or in favor of a party hereto merely because such party is "Landlord" or "Tenant" hereunder or because such party or its counsel is the draftsman of this Lease. All references to days in this Lease and any Exhibits or Addendums hereto mean calendar days, not working or business days, unless otherwise stated. This Lease may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but such counterparts shall together constitute one and the same instrument. The acceptance by Landlord of payments by Tenant under protest shall not be deemed an acknowledgement by Landlord of, or a validation of, any contention or reservation of rights by Tenant.

Section 9.09. Tenant's Authority. Tenant warrants and represents unto Landlord that Tenant has full right, power and authority to execute, deliver and perform this Lease and that the person executing this Lease on behalf of Tenant was authorized to do so.

Section 9.11. Independent Covenants. The obligation of Tenant to pay Rent and other monetary obligations provided to be paid by Tenant under this Lease and the obligation of Tenant to perform Tenant's other covenants and duties under this Lease constitute independent, unconditional obligations of Tenant to be performed at all times provided for under this Lease, save and except only when an abatement thereof or reduction therein is expressly provided for in this Lease and not otherwise. Notwithstanding any of the other terms or provisions of this Lease and notwithstanding any other circumstances whatsoever, it is the intent and agreement of Landlord and Tenant that so long as Tenant has not been wrongfully evicted from the Leased Premises, the doctrine of independent covenants shall apply in all matters relating to this Lease including, without limitation, the obligation of Landlord to perform Landlord's covenants under this Lease, as well as the obligation of Tenant to pay Rent and all other monetary obligations of Tenant and perform Tenant's other covenants, duties and obligations under this Lease.

Section 9.12. Recording. Landlord and Tenant agree to execute and mutually deliver, within ten (10) days after either party's request of the other following Landlord's acquisition of title to the Leased Premises, a Memorandum of Lease in the form attached hereto as Exhibit G. The provisions of this Lease shall control.

Section 9.13. No Brokers. Landlord and Tenant warrant and represent to the other that it has not dealt with any real estate broker and/or salesman (other than the Broker, if any, described in this Lease) in connection with the negotiation or execution of this Lease and no such broker or salesman has been involved in connection with this Lease, and each party agrees to defend, indemnify and hold harmless the other party from and against any and all costs, expenses, attorneys' fees or liability for any compensation, commission and charges claimed by any real estate broker and/or salesman (other than the Broker) due to acts of such party or such party's representatives.

Section 9.14. Landlord's Covenant of Quiet Enjoyment. Landlord shall, provided Tenant pays all Rent as required under this Lease and performs all of its other covenants and obligations under this Lease, take all necessary steps to secure to and maintain for the benefit of, Tenant,

subject to the provisions hereof, the quiet and peaceful possession of the Leased Premises for the Term, without hindrance by Landlord or any other person claiming or purporting to claim title to the Land or the Leased Premises, or any part thereof, by, through or under Landlord but not otherwise.

Section 9.15. Sanctioned Individuals or Entities. Tenant warrants and represents that, as of the Effective Date, neither itself nor any entity owning or controlling Tenant has ever been either convicted of a criminal offense, assessed civil money penalties pursuant to the Civil Monetary Penalties Law, 42 U.S.C. § 1320a-7a, or excluded from the Medicare program or state health care program. Tenant further warrants and represents that, as of the Effective Date, neither itself nor any entity owning or controlling that party has received notification from the government that it is the subject of an action that could lead to the conviction of a criminal offense or the assessment of civil monetary penalties, or that would reasonably be expected to affect the party's continued participation in the Medicare or any state health care program. Tenant shall notify Landlord, within thirty (30) days, if it receives notification from the government that it is the subject of an action that could result in the conviction of a criminal offense of the party or any owning or controlling entity or the imposition of civil monetary penalties against the party or any owning or controlling entity, or that would reasonably be expected to affect Tenant's continued participation in the Medicare or any state health care program. Failure to timely notify Landlord as provided herein shall give Landlord the right to terminate this Lease effective immediately.

Section 9.16. Addendum and Exhibits. The terms and provisions of the Exhibits and Addendum (if any) attached to this Lease are hereby incorporated herein and hereby made a part hereof for all purposes.

Section 9.17. Renewal Option. If and only if Exhibit D is attached to this Lease, Tenant shall have the right to renew and extend the Term of the Lease upon the terms and conditions set forth therein.

Section 9.18. OFAC Warranty. Each party represents and warrants to the other party that the representing party (a) is not acting, directly or indirectly, for or on behalf of any person, group, entity or nation by any Executive Order or the U.S. Treasury Department as a terrorist, "Specially Designated National and Blocked Person" or other banned or blocked person, entity, nation, or transaction pursuant to any law, order, rule or regulation that is enforced or administered by the Office of Foreign Assets Control, and (b) is not engaged in this lease transaction, directly or indirectly, on behalf of, or instigating or facilitating this lease transaction, directly or indirectly, on behalf of any such person, group, entity or nation. The breaching party must defend, indemnify, and hold harmless the other party from and against all claims, damages, losses, risks, liabilities and expenses (including reasonable attorneys' fees and costs) arising from or related to any breach of the foregoing representation.

Section 9.19. NO WARRANTIES. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS LEASE, LANDLORD AND TENANT EXPRESSLY ACKNOWLEDGE AND AGREE, AS A MATERIAL PART OF THE CONSIDERATION FOR LANDLORD'S ENTERING INTO THIS LEASE WITH TENANT, THAT LANDLORD HAS MADE NO WARRANTIES TO TENANT AS TO THE USE OR CONDITION OF THE LEASED PREMISES OR THE BUILDING, EITHER EXPRESS OR IMPLIED, AND LANDLORD AND

TENANT EXPRESSLY DISCLAIM ANY IMPLIED WARRANTY THAT THE LEASED PREMISES OR THE BUILDING ARE SUITABLE FOR TENANT'S INTENDED COMMERCIAL PURPOSE, AND LANDLORD AND TENANT EXPRESSLY AGREE THAT THERE ARE NO, AND SHALL NOT BE ANY, IMPLIED WARRANTIES OF MERCHANTABILITY, HABITABILITY, FITNESS FOR A PARTICULAR PURPOSE OR OTHER KIND ARISING OUT OF THIS LEASE AND THAT ALL EXPRESS OR IMPLIED WARRANTIES IN CONNECTION HERewith ARE EXPRESSLY DISCLAIMED AND WAIVED.

Section 9.20. EXECUTION AND DELIVERY. THE SUBMISSION OF THIS LEASE BY LANDLORD FOR EXAMINATION DOES NOT CONSTITUTE A RESERVATION OF OR OPTION FOR THE LEASED PREMISES AND THIS LEASE SHALL BECOME EFFECTIVE ONLY UPON EXECUTION BY ALL PARTIES HERETO AND DELIVERY THEREOF BY LANDLORD TO TENANT.

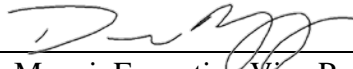
Section 9.21. Landlord's Contingency: Landlord's obligations under this Lease are expressly subject to and contingent upon (a) Landlord closing on the purchase of the Land and (b) Landlord's obtaining any and all permits, consents, and approvals from the governmental authorities having jurisdiction over the Leased Premises, including, but not limited to the issuance of a Certificate of Need issued by the Washington State Department of Health (collectively the "Approvals") for development of the Leased Premises for the Permitted Use. Landlord and Tenant each agree to undertake reasonably good faith efforts to obtain the Approvals within a reasonable period following the date of the Lease. In the event, however, that Landlord reasonably determines that Landlord will be unable to close on the purchase of the Premises or obtain the Approvals within a reasonable time period, Landlord (and not Tenant) shall have the right to terminate Landlord's obligations under this Lease.

[Signature Page Follows]

IN TESTIMONY WHEREOF, the parties hereto have executed this Lease as of the Effective Date.

LANDLORD:

**SEATTLE REHAB REAL ESTATE INVESTORS,
LLC, a Texas limited liability company**

By: 
Deno Maggi, Executive Vice President

TENANT:

**SEATTLE REHABILITATION HOSPITAL, LLC, a
Texas limited liability company**

By: Cross Hospitals, LLC, Manager

By: 
Name: Chester Crouch
Title: Manager

EXHIBITS:

Exhibit A	Legal Description of Land
Exhibit B	Site Plan showing Leased Premises
Exhibit C	Certificate of Rent Commencement Date
Exhibit D	Renewal Option
Exhibit E	Work Letter
Exhibit E-1	Preliminary Plans
Exhibit E-2	Development Budget
Exhibit F	SNDA
Exhibit G	Memorandum of Lease
Exhibit H	Guaranty

EXHIBIT A

LEGAL DESCRIPTION OF LAND

TRACTS 4, 5 AND 6, SECOMA HI-WAY TRACTS, ACCORDING TO THE PLAT THEREOF RECORDED
IN [VOLUME 37 OF PLATS, PAGE 42](#), IN KING COUNTY, WASHINGTON.

EXHIBIT B

SITE PLAN

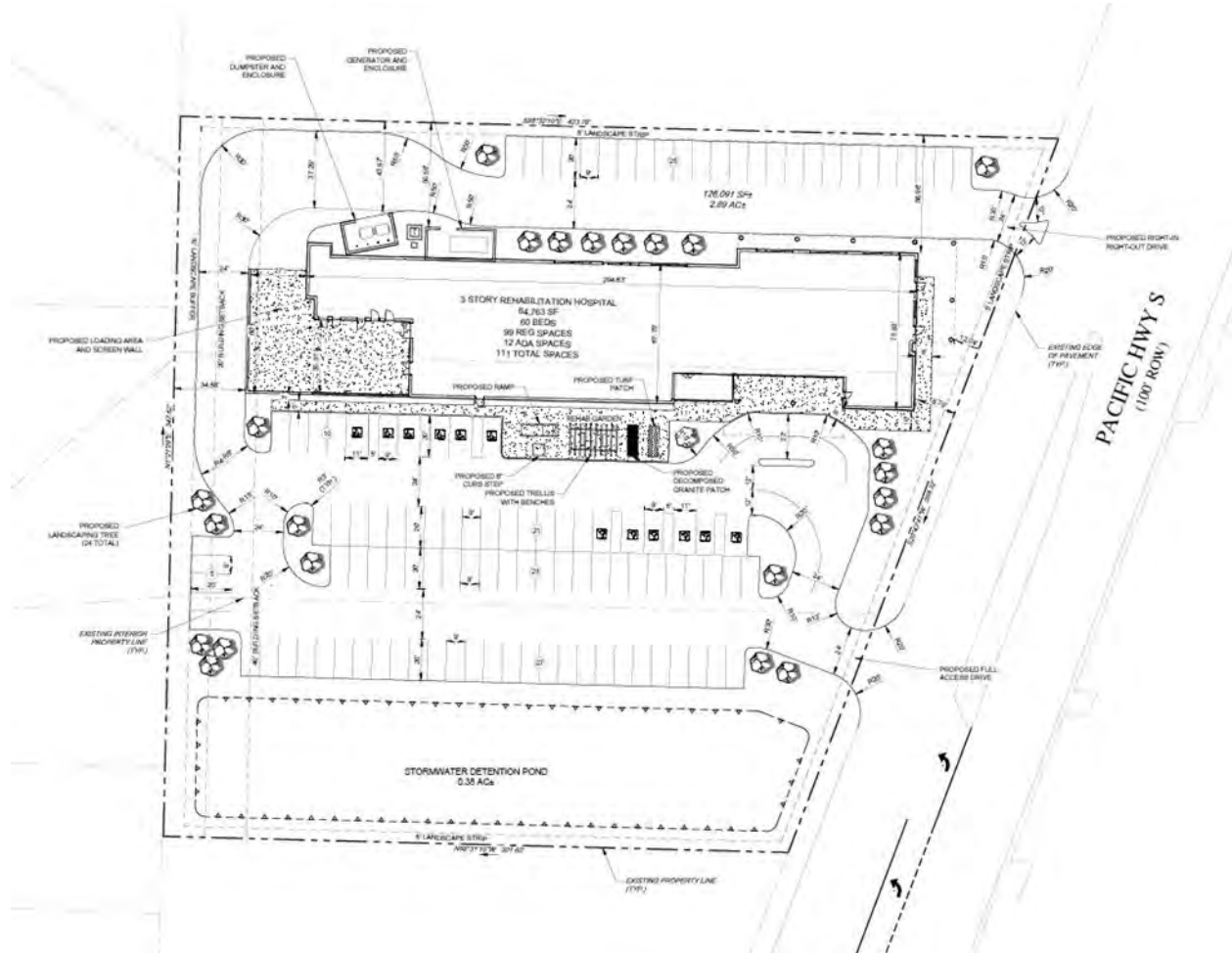


EXHIBIT C

CERTIFICATE OF RENT COMMENCEMENT DATE

As provided by the terms of the Lease Agreement (the "**Lease**") dated _____, 2025, for the lease of the premises described as follows:

The undersigned hereby establish and agree (i) the Term of the Lease commenced on _____; (ii) the square feet of the Leased Premises is _____; (iii) the Rental Commencement Date is _____; and (iv) the expiration date of the Lease is _____, although the Term may be extended as provided in the Lease for the exercise of certain Renewal Options.

LANDLORD:

**SEATTLE REHAB REAL ESTATE INVESTORS,
LLC, a Texas limited liability company**

By: _____
Deno Maggi, Executive Vice President

TENANT:

**SEATTLE REHABILITATION HOSPITAL, LLC, a
Texas limited liability company**

By: Cross Hospitals, LLC, Manager

By: _____
Name: Chester Crouch
Title: Manager

EXHIBIT D

RENEWAL OPTION

As long as Tenant is not in default in the performance of its covenants under this Lease at the time of exercise of the option or at the commencement of the Renewal Term (defined herein), Tenant is hereby granted the option to renew the terms of this Lease (the “**Renewal Option**”) for two periods of sixty (60) months each (each, a “**Renewal Term**”), to commence at the expiration of the initial Term of this Lease. Tenant shall exercise its option to renew by delivering written notice of such election to Landlord no earlier than twelve (12) months nor later than six (6) months prior to the expiration of the initial Term of this Lease. Time is of the essence in the exercise of such Renewal Option. The renewal of this Lease shall be upon the same terms and conditions of this Lease, except (a) the Base Rental during the Renewal Term shall be increased by one and one half percent (1.5%) of the preceding lease year, (b) Tenant shall have no option to renew this Lease beyond the expiration of the second Renewal Term, (c) Tenant shall not have the right to assign its renewal rights to any sublessee of the Leased Premises or assignee of the Lease, nor may any such sublessee or assignee exercise such renewal rights, and (d) the Leased Premises will be provided in their then existing condition (on an “as is” basis) at the time the Renewal Term commences.

EXHIBIT E

WORK LETTER

This Work Letter (“**Work Letter**”) describes and specifies the rights and obligations of Landlord and Tenant with respect to the design, construction, payment and completion of the Construction Work (hereinafter defined).

Landlord desires to commence and diligently complete construction of (i) a hospital building (the “**Building**”) containing approximately 64,763 square feet of floor area on the Land at the site depicted and identified on Exhibit B to the Lease, (ii) the parking lot and other exterior improvements on the Land and (iii) the interior finish-out work for the Building, all in accordance with certified architectural and engineering construction drawings and specifications approved by Tenant and Landlord as hereinafter provided (the “**Approved Plans**”). The construction work described in items (i), (ii) and (iii) above is hereinafter collectively referred to as the “**Construction Work**”.

It is anticipated that the Leased Premises with the Construction Work Substantially Completed (hereinafter defined) will be delivered to Tenant within eighteen (18) months (as may be extended for Force Majeure or Tenant Delays) from Landlord’s receipt of all city, county, state and other necessary governmental approvals for the commencement of the Construction Work (the “**Target Date**”), including, without limitation site plan and zoning approvals, hospital licensing approvals and building permits (the “**Construction Approvals**”). Landlord shall use its commercially reasonable, good faith efforts to obtain the Construction Approvals as soon as is reasonably practical. Landlord shall notify Tenant within ten (10) days after Landlord has obtained the last of the Construction Approvals (the “**Construction Approvals Date**”). If (i) Landlord has not commenced the Construction Work within 14 calendar days per the terms of Article 3 3.1 of the AIA A101 or (ii) delivery of the Leased Premises to Tenant with the Construction Work Substantially Completed has not occurred on or before the Target Date, as same may be extended for Force Majeure, or Tenant Delays, then as Tenant’s sole and exclusive remedy Tenant shall be entitled to receive a credit against Base Rental equal to one day’s worth of Base Rental for each day after the Target Date that Substantial Completion has not occurred. In the event Substantial Completion has not occurred on or before the 30th day after the Target Date, as same may be extended for Force Majeure, or Tenant Delays, then as Tenant’s sole and exclusive remedy, Tenant shall be entitled to receive a credit against Base Rental equal to two days’ worth of Base Rental for each day after the 30th day after the Target Date that Substantial Completion has not occurred. Landlord and Tenant agree that such payment is intended to be liquidated damages to compensate Tenant for additional administrative charges and other damages incurred by Tenant on account of such late delivery and is not a penalty. Landlord and Tenant agree that the actual damages to be suffered by Tenant in such event shall be difficult, if not impossible to ascertain, and that such payment is a reasonable estimate of such charges and damages.

A. Plan Approval Process; Bidding.

1. Preliminary Plans. Attached to the Lease as Exhibit E-1 and Exhibit E-2, respectively, is (i) a schedule of the preliminary architectural and engineering construction drawings and specifications for the Construction Work (the “**Preliminary Plans**”)

- and (ii) a Development Budget based upon such Preliminary Plans (the “**Development Budget**”). The Preliminary Plans are acceptable to both Landlord and Tenant; however, the Preliminary Plans are only preliminary in nature and will require additional detail and refinement in order for Landlord’s architect to develop, and for the parties to approve, the Approved Plans. Landlord shall continue to cause its architect to work with Tenant to prepare the proposed Approved Plans which shall consist of a more detailed and refined version of the Preliminary Plans. Landlord hereby appoints Deno Maggi its representative to work with Tenant in the preparation of and approval of the proposed Approved Plans. Tenant hereby appoints Shane Shoulders as its representative to review the proposed Approved Plans. Both Landlord and Tenant may replace their respective representative(s) with other representative(s) at their discretion; and Landlord and Tenant shall advise the other party of such substitution.
2. **Plan Approval Process.** On or before four (4) months after the execution and delivery of this Lease, Landlord shall cause its architect to complete the preparation of the proposed Approved Plans and deliver the same to Tenant. Within ten (10) business days after the receipt of the proposed Approved Plans, Tenant shall notify Landlord whether the proposed Approved Plans are acceptable, or if not acceptable, why not. If Tenant notifies Landlord that the proposed Approved Plans are not acceptable, such notice must be in writing and specify in sufficient detail the reason(s) for such rejection; provided, however, that any rejection or disapproval by Tenant may be ignored by Landlord if such rejection would require Landlord to materially change the size, scope, tenor, cost of or construction materials for the Construction Work (a “**Change in Scope**”). If Tenant fails to approve or disapprove any submissions made by Landlord or its architect within ten (10) business days after receipt of same, such submissions shall be deemed to have been approved by Tenant. If Tenant rejects all or any portion of the proposed Approved Plans, other than such portions thereof which may be ignored by Landlord, Landlord shall revise the applicable portions of the proposed Approved Plans and resubmit same to Tenant for approval. Within ten (10) business days after receipt of same, Tenant shall approve or reject same. This process shall be repeated until the proposed Approved Plans have been approved by Tenant. Upon approval by Tenant and subsequent approval by Landlord, the proposed Approved Plans shall become the Approved Plans. Notwithstanding anything to the contrary contained in this Section A.2, if Landlord’s construction lender consents to a Change in Scope in the proposed Approved Plans (a “**Permitted Change in Scope**”), Landlord will notify Tenant of the monetary effect that such Permitted Change(s) in Scope will have on the overall Development Budget, and within three (3) business days thereafter, Tenant will either confirm that it still desires to make such Permitted Change in Scope or Tenant will retract such Permitted Change in Scope. If Tenant confirms that it still desires to make such Permitted Change in Scope, then the same shall become an “**Approved Change(s) in Scope**” (herein so called) and the same shall be included in Landlord’s revisions to the proposed Approved Plans specified above. If the aggregate of all Approved Changes in Scope have the effect of increasing the overall Development Budget (based upon the figures submitted by Landlord to Tenant as provided above), then Tenant may elect to pay

such increase directly to Landlord as and when that portion of the Construction Work constituting the Approved Change in Scope is performed or pay such increase over a time period agreed to between Landlord and Tenant. If the aggregate of all Approved Changes in Scope have the effect of decreasing the overall Development Budget (based upon the figures submitted by Landlord to Tenant as provided above), then the Base Rental shall be automatically decreased by the same percentage specified in the immediately preceding sentence.

3. Bidding Process. Once the Approved Plans have been agreed to by Landlord and Tenant in accordance with Section A.2 above, Landlord shall bid out the Construction Work. Tenant shall not be entitled to participate in the bid process or the selection of contractors, subcontractors or suppliers of materials, or in the construction management of the Construction Work.

B. Construction Work

1. Construction Work in Accordance with Approved Plans. Landlord shall construct the Construction Work (i) in a good and workmanlike manner using new materials, (ii) in compliance with all applicable codes, laws, regulations and ordinances, (iii) in compliance with all matters that encumber the Land as of the Effective Date and are recorded in the Official Public Records of King County, Washington, and (iv) in substantial compliance with the Approved Plans, so as to permit Tenant to use and occupy the Leased Premises as an in-patient rehabilitation hospital that is licensed by the applicable governmental authority. Landlord shall pay all hard and soft costs of the Construction Work, including, without limitation, expenses of planners, architects, engineers, attorneys (other than Tenant's counsel), construction, building permits (if applicable), the Approved Plans, plat plans, drainage and flood control, the cost of bringing sanitary sewer, water, gas and electric utility lines to the Leased Premises, soil preparation, pavement, removal of underground obstructions, soil fill, compacting soil, and other work required to complete the construction in accordance with the Approved Plans. Landlord will deliver to Tenant the Leased Premises with the Construction Work Substantially Complete. At delivery, the Leased Premises shall be in broom clean condition.
2. Substantial Completions. As used herein, the term "**Substantial Completion**" (or variations thereof such as "**Substantially Complete**", "**Substantially Completed**", etc.) shall mean that (i) the architect who prepared the Approved Plans shall have provided to Tenant a certificate that the Construction Work is substantially complete in the form of AIA Document G704 or a substantially similar form, (ii) Landlord shall have received a final lien waiver from the general contractor and Landlord or the general contractor, as applicable, shall have received a final lien waivers from all subcontractors, vendors and suppliers furnishing labor, supplies or materials in connection with the Construction Work; (iii) Landlord shall have delivered to Tenant a permanent, unconditional certificate of occupancy issued by the City of Des Moines, Washington (the "**City**") for the Building, and (iv) from a design and construction perspective only, the Construction Work is in such condition so as not to prohibit the issuance of a license by the applicable governmental authority as an in-patient

rehabilitation hospital. As soon as the Construction Work has been Substantially Completed in accordance with the Approved Plans, Landlord shall notify Tenant in writing that Substantial Completion has occurred, such notice to be accompanied by a written certification of Substantial Completion signed by Landlord's architect of record. Such certification shall specifically provide that from a design and construction perspective, the Construction Work is suitable for the issuance of a license by the applicable governmental authority as an in-patient rehabilitation hospital. Within ten (10) days thereafter, Tenant shall inspect Construction Work with Landlord and the architect, and submit to Landlord in writing a punch list of items needing completion or correction. Landlord shall use reasonable and diligent efforts to complete or correct such items within thirty (30) days after the receipt of such notice. Tenant shall promptly take possession of the Leased Premises or, alternatively, be deemed to have taken possession of the Leased Premises fifteen (15) days after receipt of Landlord's notice of Substantial Completion.

3. Warranties. Landlord represents to Tenant that as of the date Substantial Completion occurs, the Building will contain or be equipped with adequate utilities, load bearing capacity, structural integrity and base building mechanical, electrical and plumbing facilities as necessary for the Permitted Use. In addition, Landlord represents to Tenant that the Construction Work constructed by Landlord hereunder shall be (1) constructed in a good and workmanlike manner in compliance with all applicable laws, (2) constructed in substantial compliance with the Approved Plans, (3) free from material defects in workmanship and (4) free from mechanic's and materialmen's liens. For a period of twelve (12) months following the date of Substantial Completion (the "**Warranty Period**"), Landlord shall be responsible for making or causing to be made all repairs, replacements and/or taking such actions as are necessary to meet the foregoing requirements. If any of the foregoing requirements of this section are not timely met as it relates to the following items: (i) major structural portions of the Building, (ii) HVAC System, (iii) utilities, (iv) medical gasses, (v) communications systems (i.e., nurse call) or (vi) plumbing, and Landlord does not satisfy any such requirement within fourteen (14) calendar days after Tenant gives Landlord written notice thereof, Tenant may, at its sole option, remedy such defects and deduct the cost thereof from Base Rental accruing under this Lease; provided, however, if such requirements cannot be satisfied within said fourteen (14) day period despite Landlord's diligent, good faith efforts, Tenant shall not exercise its remedies provided for in this Section B.3 if Landlord commences satisfying said requirements within said fourteen (14) day period and thereafter diligently prosecutes such requirements to completion. At the expiration of the Warranty Period, Landlord shall assign all warranties, guarantees and contractual interests which Landlord has against the architects, engineers, contractors or other entities or persons arising out of the preparation of the Approved Plans and/or the construction of the Construction Work, but only to the extent assignable and only to the extent that Landlord is not then pursuing a claim against such person or entity which arose during the Warranty Period.
4. Early Entry. Tenant, and Tenant's authorized employees, agents and contractors shall have the right to enter the Building rent free before the date of Substantial Completion

to install trade fixtures, and other fixtures, furnishings and equipment in or serving the Leased Premises (collectively, the "**Tenant FF&E**") and for the purpose of inspection, taking measurements and doing whatever may be appropriate to prepare the Leased Premises for Tenant's occupancy, provided such entry is at Tenant's sole risk and such installations do not materially interfere with or delay Landlord's contractor's ability to timely complete the Construction Work and deliver possession at the time or in the condition herein required. Notwithstanding any provision in this Work Letter to the contrary, all Tenant FF&E activities by Tenant and Tenant's authorized employees, agents and contractors shall be subject to the coordination and scheduling of Landlord's construction manager, and subject to such reasonable rules as Landlord's construction manager may establish. Further, Tenant, and Tenant's authorized employees, agents and contractors shall provide to Landlord, prior to entering the Leased Premises, proof of all insurance coverages that are required by Tenant under this Lease.

EXHIBIT E-1

PRELIMINARY PLANS

The Design Development plans and specifications for Seattle Rehabilitation Hospital dated October 17, 2024 issued by Perkins & Will Project name: Seattle Nobis Rehabilitation Hospital.

EXHIBIT E-2
DEVELOPMENT BUDGET



26429-26505 Pacific Hwy S, Des Moines, WA
Nobis-Seattle, WA

CODE		PRELIM BUDGET		
		Total	Per SF	Notes
LAND				
30100	Purchase Price	\$2,800,000	\$22.48	
30100	Other Land Costs	\$0	\$0.00	
30100	Broker Commissions	\$0	\$0.00	
	Total Land Costs	\$2,800,000	\$22.48	
PURSUIT COSTS				
	Preliminary Site Investigation	\$7,500	\$0.47	
	PCA/Building Inspections	\$0	\$0.00	
	Surveys	\$15,000	\$0.93	
	Civil Engineering	\$150,000	\$9.32	
	Architect/MEP/Structural	\$1,200,000	\$74.53	
	AHJ Req'd 3rd Party Studies	\$0	\$0.00	
30510	TOTAL DESIGN / STUDIES / SURVEYS	\$1,372,500		
	Environmental Studies/Surveys	\$7,500	\$0.47	
	Geotech/Soil Studies	\$10,000	\$0.62	
30550	TOTAL ENVIRO / SOIL / TESTING	\$17,500		
	Expediting Expenses	\$0	\$0.00	
	Zoning/Land Use Attorney Expenses	\$0	\$0.00	
	AHJ Permits & Fees	\$300,000	\$0.00	
	Impact Fees	\$0	\$0.00	
30560	TOTAL AHJ / EXPEDITING / USE FEES	\$300,000		
	Utility Taps and Fees	\$200,000	\$12.42	
30570	TOTAL UTILITY / TAPS / ETC	\$200,000		
	Reimbursables	\$80,000	\$3.73	
	Other	\$0	\$0.00	
30588	TOTAL MISC.	\$80,000		
30594	CONTINGENCY	\$97,500		
	Total Pursuit Costs	\$2,047,500	\$127.17	
SOFT COSTS				
30515	Pre-Development Fee / Expenses	\$25,000	\$1.55	
30515	Development Fee	\$1,845,488	\$114.63	
30586	Appraisals	\$20,000	\$1.24	
30580	Legal	\$50,000	\$3.11	
	Financing			
30587	Origination	\$807,126.27	\$37.71	Origination & Sourcing
30593	Construction Interest / Operating Reserves	\$1,707,542.63	\$106.06	
30585	Closing Costs & Title Policy	\$ 50,000.00	\$3.11	
30590	Property Taxes	\$ 200,000.00	\$12.42	
30588	Transfer/Other Taxes	\$0	\$0.00	
30588	Miscellaneous	\$0	\$0.00	
30589	Bank Inspections & Insurance	\$120,000	\$7.45	
30591	Travel	\$0	\$0.00	
TBD	Other	\$0	\$0.00	
30594	Contingency	\$252,113	\$15.66	
	Total Soft Costs	\$4,877,270	\$302.94	
CONSTRUCTION COSTS				
20100	GC Contract - Bldg & Sitework Cost	\$34,657,043	\$2,152.61	
20100	GC Contract - OTHER	\$0	\$0.00	
20100	GC Contract - OTHER	\$0	\$0.00	
20100	GC Contract - OTHER	\$0	\$0.00	
20200	PEMB	\$0	\$0.00	
20300	Other Hard Costs Outside of GC Contract	\$519,856	\$32.29	3rd Party CM Fee
30550	Construction Material Testing	\$67,500	\$4.19	
TBD	Other	\$0	\$0.00	
TBD	Other	\$0	\$0.00	
20800	Contingency	\$1,732,852	\$107.63	
	Total Construction Costs	\$36,977,251	\$2,296.72	
	TOTAL PROJECT COST	\$46,702,021		

EXHIBIT F

SNDA

SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT

STATE OF _____ §

COUNTY OF _____ §

THIS SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT (this "**Agreement**") is made and entered into this _____ day of _____, 202_, by and between **SEATTLE REHAB REAL ESTATE INVESTORS, LLC**, ("**Landlord**"); _____ ("**Lender**"); and **SEATTLE REHABILITATION HOSPITAL, LLC** ("**Tenant**").

WITNESSETH:

WHEREAS, Tenant and Landlord entered into that certain Lease Agreement dated _____, 2020 for the lease of the premises ("**Premises**") located on that certain tract or parcel of land in the City of Des Moines, County of King and State of Washington, more particularly described in Exhibit A attached to this Agreement and incorporated herein by reference, which such Lease and all amendments and modifications thereto are hereinafter referred to as the "**Lease**"; and

WHEREAS, Landlord has assigned or will assign to Lender and Lender's successors and assigns, Landlord's interest in, to and under the Lease as a portion of the collateral security for a loan in the amount of \$_____, made or to be made by Lender to Landlord and to be additionally secured by a _____ lien mortgage or deed of trust (the "**Mortgage**"); and

WHEREAS, Tenant desires to be assured of the continued use and occupancy of the Premises under the terms and conditions of the Lease.

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

1 Subject to the terms of this Agreement, Tenant does hereby consent to the subordination of the Lease and Tenant's rights thereunder to the lien of the Mortgage. Lender agrees that so long as the Lease shall be in full force and effect, and so long as Tenant is not in default, after receipt of any written notice required to be given under the Lease and the expiration of any applicable grace and/or curative period thereunder, in the performance of any of the terms of the Lease, (a) Tenant shall not be named or joined as a party or otherwise in any suit, action or proceeding for the foreclosure of the Mortgage or to enforce and rights under the Mortgage or the bond or note or other obligation secured thereby; (b) the possession by Tenant of the Premises and Tenant's rights thereto shall not be disturbed, affected, impaired by or interfered with, by any suit, action or proceeding brought upon the Mortgage or the bond or note or other obligation secured

thereby, or for the foreclosure of the Mortgage or the enforcement of any rights under the Mortgage, or by any judicial sale or execution or other sale of the Premises, or any deed given in lieu of foreclosure, or by the exercise of any other rights given to any holder of the Mortgage or other documents as a matter of law, or (ii) any default under the Mortgage or the bond or note or other obligation secured thereby.

2 In the event of a foreclosure sale under the Mortgage or deed in lieu thereof, Tenant will be bound to Lender or to any purchaser at foreclosure or recipient of a deed in lieu of foreclosure (collectively, "**Purchaser**") under all of the terms of the Lease for the balance of the term thereof remaining, including any extensions or renewals thereof elected by Tenant with the same force and effect as if Lender or Purchaser were Landlord under the Lease, and Tenant hereby attorns to Lender or Purchaser as "Landlord" under the Lease, such attornment to be effective and self-operative without the execution of any further instrument. Notwithstanding anything to the contrary contained herein, Tenant will be under no obligation to pay rent to Lender or Purchaser until Tenant receives written notice from Lender or Purchaser that either Lender and/or such other party has succeeded to the interest of "Landlord" under the Lease or Lender has filed an action for judicial sale or execution or other foreclosure. The respective rights and obligations of Tenant and Lender or Purchaser upon such attornment will, to the extent of the then remaining balance of the term of the Lease, including, any extensions or renewals thereof elected by Tenant, be the same as now set forth therein, it being the intention of the parties hereto for this purpose to incorporate the Lease in this Agreement by reference with the same force and effect as if set forth at length herein.

3 In the event that there is a foreclosure for any reason, Lender or Purchaser will be bound to Tenant under all the terms of the Lease and Tenant will, from and after such event, have the same remedies against Lender or Purchaser for the breach of any covenant contained in the Lease that Tenant might have had under the Lease against Landlord; provided, however, that neither Lender nor Purchaser shall be:

(a) liable for any past act, omission, neglect, default or breach of representation or warranty of any prior landlord (any such prior landlord, including Landlord and any successor landlord, being hereinafter referred to as a "**Prior Landlord**"), provided that so long as Purchaser has received written notice and a reasonable opportunity to cure, the foregoing shall not limit Lender's or Purchaser's obligations under the Lease to correct any conditions that (i) existed as of the date such Lender or Purchaser became the owner of the Premises, and (ii) violate Lender's or Purchaser's obligations under the Lease; provided further, however, that the foregoing shall not obligate Lender or Purchaser for any damages arising from such past act, omission, neglect, default or breach of representation or warranty of any Prior Landlord;

(b) subject to any offsets, defenses, abatements or counterclaims which shall have accrued in favor of Tenant against any Prior Landlord prior to the date upon which Purchaser shall become the owner of the Premises;

(c) liable for the return of rental security deposits, if any, paid by Tenant to any Prior Landlord in accordance with the Lease unless such sums are actually received by such Lender or Purchaser;

(d) bound by any obligation which may appear in the Lease to perform any improvement work or construction work to the Premises or to reimburse Tenant for any such work done by Tenant;

(e) bound by any obligation which may appear in the Lease to pay any sum of money to Tenant;

(f) bound by any payment of rents, additional rents or other sums which Tenant may have paid more than one (1) month in advance to any Prior Landlord unless such payments are expressly permitted under the Lease and (i) such sums are actually received by such Lender or Purchaser or (ii) such prepayment shall have been expressly approved of by such Lender or Purchaser;

(g) bound by any agreement terminating or amending or modifying the rent, term, commencement date or other material term of the Lease, or any voluntary surrender of the premises demised under the Lease, made without Lender's or Purchaser's prior written consent prior to the time Purchaser succeeded to Landlord's interest; or

(h) responsible for the making of repairs in or to the Premises in the case of damage or destruction to the Premises or any part thereof due to fire or other casualty or by reason of condemnation unless Purchaser is obligated under the Lease to make such repairs and such Lender or Purchaser receives insurance proceeds or condemnation awards sufficient to finance the completion of such repairs;

(i) broker compensation due with respect to the Lease or any renewal, extension, expansion or other amendment thereof; or

(j) liable to Tenant for any actions of such Lender's or Purchaser's successors-in-interest upon a subsequent transfer by such Lender or Purchaser of its interest in the Premises.

In the event that any liability of Lender or Purchaser does arise pursuant to this Agreement, such liability shall be limited and restricted to such Lender's or Purchaser's interest in the Premises and shall in no event exceed such interest.

If Lender enforces any assignment of rents clause contained in the Mortgage or in any other instrument securing the loan, Lender and Landlord will hold Tenant harmless from any claims arising out of Tenant's paying rent, as required under the Lease, to Lender or by complying with the assignment of rents clause or similar right.

4 Tenant agrees that it will not, without the prior written consent of Lender (which shall not be unreasonably withheld with respect to items (d) and (f) below), do any of the following, and any such purported action without such consent shall be void as against Lender:

(a) modify the rent, term, commencement date or other material term of the Lease; or

(b) terminate the Lease or surrender possession of the Premises except on the

presently scheduled expiration date in the Lease; or

(c) make a prepayment in excess of one month of rent thereunder unless expressly permitted by the Lease; or

(d) subordinate or permit subordination of the Lease to any lien subordinate to the Security Instrument; or

(e) exercise any termination right by paying a cancellation, surrender or termination fee or other such payment, , except as expressly permitted by the Lease; or

(f) mortgage, pledge or grant a lien on any of its rights under the Lease or its leasehold interest.

5 Tenant agrees to simultaneously notify Lender by certified mail, return receipt requested, with postage prepaid, of any default on the part of Landlord under the Lease which would entitle Tenant to cancel or terminate the Lease or abate or reduce the rent payable thereunder, and Tenant further agrees that, notwithstanding any provisions of the Lease, no cancellation or termination of the Lease and no abatement or reduction of the rent payable thereunder shall be effective unless Lender has received notice of the same and has failed within forty-five (45) days after both Lender's receipt of said notice and the time when Lender shall have become entitled under the Security Instrument (as hereinafter defined) to remedy the same, to commence to cure the default which gave rise to the cancellation or termination of the Lease or abatement or reduction of the rent payable thereunder and thereafter diligently prosecutes such cure to completion, provided that in the event Lender cannot commence such cure without possession of the Premises, no cancellation or termination of the Lease and no abatement or reduction of the rent payable thereunder shall be effective if Lender commences judicial or non-judicial proceedings to obtain possession within such period and thereafter diligently prosecutes such efforts and cure to completion. Tenant further agrees to give such notices to any successor-in-interest of Lender, provided that such successor-in-interest shall have given written notice to Tenant of its acquisition of Lender's interest in the Security Instrument and designated the addresses and fax number to which such notices are to be sent. In addition, if such default is not susceptible of cure by Lender and Lender obtains possession of the Premises, such default shall be waived. Notwithstanding the foregoing, Lender shall have no obligation to cure any default by Landlord except as provided in Section 3 in the event Lender shall become the owner of the Premises by reason of the foreclosure of the Mortgage or the acceptance of a deed or assignment in lieu of foreclosure or by reason of any other enforcement of the Mortgage.

6 This Agreement may not be modified orally or in any manner other than by an agreement in writing signed by the parties hereto or their respective successors in interest. This Agreement will inure to the benefit of and be binding upon the parties hereto, their successors and assigns, and any purchaser or purchasers at foreclosure of the land on which the Premises is located and their respective heirs, personal representatives, successors and assigns.

7 This Agreement will be governed by and construed in accordance with the laws of the State of the location of the Premises.

8 The effective date of this Agreement will be the date of execution by the last party to sign this Agreement provided an executed copy of this Agreement is thereafter

delivered to all other parties to this Agreement.

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

LANDLORD:

SEATTLE REHAB REAL ESTATE INVESTORS, LLC,
a Texas limited liability company

By: _____
Deno Maggi, Executive Vice President

LENDER:

_____,
a _____

By: _____
Name: _____
Title: _____

TENANT:

SEATTLE REHABILITATION HOSPITAL, LLC,
a Texas limited liability company

By: Cross Hospitals, LLC, Manager

By: _____
Name: Chester Crouch
Title: Manager

ACKNOWLEDGMENTS

LANDLORD

STATE OF _____ §

§

COUNTY OF _____ §

On _____ before me, _____ DATE
NAME, TITLE OF OFFICER - E.G., "JANE DOE, NOTARY PUBLIC"

personally appeared _____ of
SEATTLE REHAB REAL ESTATE INVESTORS, LLC

NAME(S) OF SIGNER(S)

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

WITNESS my hand and official seal.

SIGNATURE OF NOTARY

LENDER

STATE OF _____ §

COUNTY OF _____ §

On _____ before me, _____
DATE NAME, TITLE OF OFFICER - E.G., "JANE DOE, NOTARY PUBLIC"

personally appeared _____
NAME(S) OF SIGNER(S)

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

WITNESS my hand and official seal.

SIGNATURE OF NOTARY

TENANT

STATE OF Texas §

§

COUNTY OF Collin §

BEFORE ME, the undersigned authority, on this day personally appeared _____,
Chester Crouch _____ of Cross Hospitals, LLC, Manager of **SEATTLE
REHABILITATION HOSPITAL, LLC**, who acknowledged that he or she was duly authorized
to execute this agreement on behalf of said limited liability company.

GIVEN under my hand and seal of office this 9th day of February, 2025.



Sarah Otilia Norby
Notary Public in and for the
State of Texas

Sarah Otilia Norby
Notary's Printed Name
My Commission Expires: 08-26-28

EXHIBIT G

Memorandum of Lease

[TO BE REVISED ACCORDINGLY UPON FINALIZATION OF LEASE]

1. Effective Date of Lease. _____, 202 .

2. Name and Address of Landlord. **SEATTLE REHAB REAL ESTATE INVESTORS, LLC**, a Texas limited liability company, having an office at 4317 Marsh Ridge, Carrollton, Texas 75010.

3. Name and Address of Tenant. **SEATTLE REHABILITATION HOSPITAL, LLC**, a Texas limited liability company, having an office at 450 Century Pkwy, Suite 220, Allen, Texas 75013, Attention: Chester Crouch.

4. Description of Premises. Approximately _____ (Dimensions _____' frontage x _____' depth) Leasable Square Feet and located in the City of Des Moines, County of King, State of Washington, and constructed on land described in Exhibit A attached hereto (the "Premises").

5. Term of Lease. Commencing on the "Effective Date" of the Lease (as such term is defined in the Lease) and ending on _____, _____.

6. Options to Extend. The Lease grants to Tenant successive options to extend the Lease Term from the date upon which the Lease Term would otherwise expire for two (2) additional periods of five (5) years each.

This instrument is intended to be only a Memorandum of Lease in respect to the Lease, to which Lease reference is made for the full agreement between the parties. This Memorandum is not intended to modify any term, provision or condition of the Lease and to the extent of any conflict between this Memorandum and the Lease, the Lease will control.

This Memorandum of Lease shall automatically expire upon the earlier to occur of the expiration or earlier termination of the Lease Term and any exercised extension options. All persons may conclusively rely upon any affidavit of Landlord recorded in the Official Public Records of King County, Washington, certifying that the Lease has expired or has been terminated.

EXECUTED this _____ day of _____, 202.

TENANT

SEATTLE REHABILITATION HOSPITAL, LLC,
a Texas limited liability company

By: Cross Hospitals, LLC, its Manager

By: _____
Name: Chester Crouch
Title: Manager

ATTEST

By: _____
Name: _____
Title: _____
Date of Execution By Tenant:
_____, 202.

LANDLORD

SEATTLE REHAB REAL ESTATE INVESTORS, LLC,
a Texas limited liability company

By: _____
Deno Maggi, Executive Vice President

ATTEST

By: _____
Name: _____
Title: _____

Date of Execution By Landlord:

_____, 202.

EXHIBIT H
FORM OF GUARANTY
LEASE GUARANTY

FOR VALUE RECEIVED, and in consideration of, and in order to induce Seattle Rehab Real Estate Investors, LLC, a Texas limited liability company (“**Landlord**”) to execute that certain Lease Agreement (together any and all renewals, extensions, amendments, and modifications thereof, the “**Lease**”) dated of even date herewith between Landlord and Seattle Rehabilitation Hospital, LLC, a Texas limited liability company (“**Tenant**”) covering certain premises owned by Landlord and located at or about _____ Des Moines, Washington _____, the undersigned (hereinafter referred to individually and collectively as “**Guarantor**” whether one or more) hereby jointly and severally guarantee unto Landlord the full and timely payment and performance, when due, of all obligations and covenants of Tenant, fixed or contingent, arising out of the Lease, or which Tenant, or its successors or assigns, may in any other manner now or at any time hereafter owe Landlord in connection with the Lease, including, but not limited to, rent, taxes, insurance, operating expenses, maintenance costs, damages and expenses resulting from Tenant’s default under the Lease, interest and collection costs (the “**Obligations**”).

Guarantor acknowledges and warrants that it derives or expects to derive financial and other advantage and benefit, directly or indirectly, from the Lease.

This Guaranty is an absolute and unconditional guaranty of payment and performance. It shall be enforceable against Guarantor without the necessity of (i) any suit instigated by Landlord against Tenant, (ii) the exhaustion of Landlord's remedies with respect to Tenant under the Lease, or (iii) the enforcement of Landlord's rights with respect to any security which has ever been given to secure the payment of the Obligations. Notwithstanding anything to the contrary, Guarantor shall have no liability for payment of the Obligations or otherwise unless and until (i) Guarantor has received from Landlord written notice of Tenants default under and in accordance with the Lease, (ii) the same period of time as is given to Tenant under the Lease to cure such nonpayment shall have elapsed following such giving of notice to Guarantor, but in any event thirty (30) days after Guarantor’s receipt of such notice, and (iii) at the time such period provided in clause (ii) expires, Tenant has not cured such default.

The obligations of Guarantor hereunder shall be irrevocable and unconditional, irrespective of the genuineness, validity, regularity or enforceability of the Lease or any security given for the Obligations or any circumstances which might otherwise constitute a legal or equitable discharge of a surety or guarantor, and Guarantor waives the benefit of all principles or provisions of law, statutory or otherwise, which are or might be in conflict with the terms of this Guaranty, and agrees that the obligations of Guarantor hereunder shall not be affected by any circumstances, whether or not referred to in this Guaranty, which might otherwise constitute a legal or equitable discharge of a surety or guarantor. Without limiting the generality of the foregoing, the liability of Guarantor shall not be released or impaired on account of any of the following events:

A. the voluntary or involuntary liquidation, sale or other disposition of all or substantially all of the assets of Tenant, or any receivership, insolvency, insolvency, bankruptcy or other similar proceedings affecting Tenant or any of its assets;

B. the addition of a new guarantor or guarantors;

C. any bankruptcy or insolvency proceedings against or by Tenant, its property, or its estate or any modification, discharge or extension of the Obligations resulting from the operation of any present or future provision of the United States Bankruptcy Code or any other similar federal or state statute, or from the decision of any court, it being the intention hereof that Guarantor shall remain liable on the Obligations notwithstanding any act, omission, order, judgment or event which might, but for the provisions hereof, otherwise operate as a legal or equitable discharge of Guarantor;

D. Landlord's failure to use diligence in preserving the liability of any person on the Obligations, or in bringing suit to enforce collection of the Obligations;

E. the substitution or withdrawal of collateral, or release of collateral, or the exercise or failure to exercise by the Landlord of any right conferred upon it herein or in any collateral agreement;

F. if Tenant is not liable for any of the Obligations because the act of creating the Obligations is ultra vires, or the officers or persons creating the Obligations acted in excess of their authority, or for any reason the Obligations cannot be enforced against Tenant;

G. any payment by Tenant to Landlord if such payment is held to constitute a preference under the bankruptcy laws, or if for any other reason Landlord is required to refund such payment to Tenant or pay the amount thereof to any other party;

H. any extension, renewal, amendment or modification of the Lease;

I. any assignment of the Lease or subletting of all or any portion of the premises leased pursuant to the Lease; or

J. any change in the status, composition, structure or name of Tenant, including, but not limited to, by reason of a merger, dissolution, consolidation or reorganization.

Subject to the express notice and cure rights afforded Guarantor in this Guaranty, Guarantor waives notice of acceptance of this Guaranty and waives grace, demand, presentment, notice of demand and all other notices (to the extent allowed by law).

At any time during the Term of the Lease, upon twenty (20) days prior written request from Landlord which request shall only occur: (i) in connection with the sale or refinance of the Premises (but only up to three (3) times in any calendar year), (ii) if required by Landlord's lender, or (iii) if Tenant is in default under any provision of the Lease, Guarantor shall deliver to Landlord (a) a current financial statement of the Guarantor, and (b) financial statements of Guarantor for the

two (2) years prior to the current financial statement year. Such statements shall be prepared in accordance with generally accepted accounting principles and certified as true in all material respects by Guarantor (if Guarantor is an individual) or by an authorized officer of Guarantor (if Guarantor is a corporation or limited liability company) or a general partner of Guarantor (if Guarantor is a partnership). Such statements shall be prepared in accordance with generally accepted accounting principles and certified as true in all material respects by an authorized officer of Guarantor. Guarantor shall not be required to furnish Landlord with any such financial statement to the extent that such statements are generally available to the public on account of Guarantor being publicly traded on a recognized national stock exchange. Landlord shall not disclose any such financial statement to any parties, except to its employees, principals, members, managers, officers, accountants, attorneys, lenders, loan servicers, potential lenders, potential purchasers of the Lease Premises or any interest in Landlord, and advisors who in the Landlord's reasonable opinion shall be necessary to review the same, and who each shall agree to be subject to this confidentiality provision. Such confidentiality obligation shall not include any information which (1) is or becomes generally available to the public other than as a result of a disclosure by Landlord, (2) becomes available to Landlord on a non-confidential basis and not in contravention of applicable law from a source (other than Landlord) which Landlord reasonably believes is not bound by a confidential relationship or agreement with Guarantor; or (3) was known to Landlord on a non-confidential basis and not in contravention of applicable law or a confidentiality or other similar agreement prior to its disclosure to Landlord by Guarantor.

Whether signed by only one person or more than one person, this Guaranty and all of the obligations hereunder shall be binding on each of the undersigned and their respective heirs, executors, administrators, successors and assigns. The word "person" as used herein includes natural persons and entities of all kinds. Suit may be brought and maintained against Guarantor without the joinder of Tenant or any other person, and in the event that there is more than one guarantor of the Obligations, Landlord may (i) bring suit against all guarantors jointly and severally or against any one or more of them, (ii) compound or settle with any one or more of such guarantors for such consideration as Landlord may deem proper, and (iii) release any one or more of the guarantors from liability without impairing the liability of the guarantors not so released; and no action brought by Landlord against any guarantor of the Obligations shall impair the right of Landlord to bring suit against any remaining guarantor or guarantors, including Guarantor.

The instrument may not be changed, modified, discharged or terminated orally or in any manner other than by an agreement in writing signed by both Guarantor and Landlord.

As used herein, the term "Tenant" shall include any successor or assignee of Tenant, the term "Landlord" shall include any successor or assignee of Landlord, and the term "Lease" shall include any amendment, extension or renewal of the lease. Except as otherwise provided herein, all capitalized terms in this Guaranty shall have the meaning given such term.

This Guaranty may be signed by facsimile signatures or other electronic delivery of an image file reflecting the execution hereof, and, if so signed: (i) may be relied on by each party as if the document were a manually signed original and (ii) will be binding on each party for all purposes.

This Guaranty shall be construed in accordance with and governed by the laws of the State of Washington. Guarantor hereby irrevocably agrees that any legal action or proceeding against it under this Guaranty may be maintained in the courts of King County, Washington, or in the U.S. District Court for the Western District of Washington, and Guarantor hereby consents to the jurisdiction and venue of such courts.

If a lawsuit is instituted in connection with this Guaranty, and Landlord is adjudicated to be the prevailing party, then Guarantor agrees to pay to Landlord all expenses incurred in connection with such lawsuit (including, but not limited to, reasonable attorneys' fees and costs of court.

WAIVER OF JURY TRIAL. GUARANTOR TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, HEREBY KNOWINGLY, INTENTIONALLY, IRREVOCABLY, UNCONDITIONALLY AND VOLUNTARILY, WITH AND UPON THE ADVICE OF COMPETENT COUNSEL, WAIVES, RELINQUISHES AND FOREVER FORGOES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, SUIT, PROCEEDING, OR COUNTERCLAIM BASED UPON, ARISING OUT OF, OR IN ANY WAY RELATING TO THIS GUARANTY OR THE LEASE. Neither this provision nor any provision in the Lease regarding waiver of jury trial or submission to jurisdiction or venue in any court is intended or shall be construed to be in derogation of any provision herein or in the Lease for arbitration of any controversy or claim.

To the extent allowed by law, this Guaranty shall be effective as a waiver of, and Guarantor waives, any and all rights to which Guarantor may otherwise have been entitled under any suretyship laws or similar laws in effect from time to time.

[Signature page follows]

Executed this ____ day of _____, 202_.

GUARANTOR:

NKD Rehab, LLC, a Texas limited liability
company

By: _____

Name:

Title:

Address:

Exhibit 13
Contractor Letter



February 4, 2025

Eric Hernandez, Manager Certificate of Need Program
WASHINGTON DEPARTMENT OF HEALTH
111 Israel Road SE Tumwater, WA 98501

RE: CERTIFICATE OF NEED APPLICATION
Seattle, WA Rehabilitation Hospital

Dear Mr. Hernandez:

I am writing regarding the Seattle, WA Certificate of Need Application proposing to establish a new 60 bed rehabilitation hospital in King County. Based on our experience with similar construction projects, we have developed the following construction cost estimate:

Construction Costs: \$40,375,455

These costs include sitework and associated building costs. Based on our experience, we believe the costs are a reasonable estimate of the expected cost for construction. Please contact us if you have any questions or require any additional information.

Sincerely,

A handwritten signature in blue ink that reads 'Granger Hassmann'. The signature is written in a cursive style with a large initial 'G'.

Granger Hassmann
Region President,
Adolfson & Peterson Construction

Exhibit 14

Letters of Financial Commitment

Seattle Rehab Real Estate Investors, LLC
c/o Deno Maggi
4317 Marsh Ridge
Carrollton, TX 75010

December 9, 2024

Re: Proposed Credit Facility for the construction and permanent financing of the Seattle Rehabilitation Hospital

First United Bank & Trust (“Lender”) is pleased to provide the following proposal (“Proposal”) for the loan financing (the “Loan”) of a newly built Seattle Rehabilitation Hospital located in King County, WA, Parcel Numbers 7682800030, 7682800025 and 7682800020 (the “Property”). First United Bank & Trust will require further due diligence and understanding with respect to the Borrower, investors/sponsors, tenant(s) and other aspects of the project in order to extend a formal, binding commitment. As such, **this Proposal is non-binding and does not constitute an offer, a commitment or approval of any kind by First United Bank & Trust to make the Loan. This is a proposal only subject to further due diligence, credit approval, approval of third-party reports, legal review, and mutually acceptable documentation.**

LENDER: First United Bank & Trust, its affiliates, assigns or nominees herein sometimes referred to as the “Lender.”

BORROWER: Seattle Rehab Real Estate Investors, LLC

SPONSOR: Kennor NKD Holdings V, LLC

TENANT: Seattle Rehabilitation Hospital, LLC

LEASE GUARANTOR: Cross Hospitals, LLC

GUARANTORS: During the construction period, a TBD entity or individual(s) (“the Guarantor), subject to credit approval by Lender, shall provide a lien-free, completion guarantee for the Project. The guarantee shall cover 100% of the construction costs based upon the construction budget approved by Lender. In addition, the above guarantee shall be fully released only upon 1) completion of the Project and acceptance of the Property by the Tenant under the terms of the Tenant Lease, 2) there are no uncured events of default by Borrower under the Tenant Lease, 3) no uncured event(s) of default exist under the Loan Documents and 4) and tenant rent payments from the Tenant Lease have commenced.

PROPERTY: Parcels 7682800030, 7682800025 and 7682800020 in King County, Seattle

PURPOSE: The purpose of the Loan is to provide construction, interim and post-completion financing for the Property.

LOAN AMOUNT: Lesser of 65% LTV or 65% LTC, as determined by third party appraisal acceptable to lender and final estimated costs verified by lender; not to exceed \$42,000,000.00

ORIGINATION FEE: 1% of the Loan Amount

TERM/MATURITY: Five (5) years from the date of Closing

INTEREST RATE/ PRICING: WSJ Prime +25bps to be adjusted quarterly during construction; fixed at 3-Year Treasury Rate +300bps upon receipt of Certificate of Occupancy through maturity.

AMORTIZATION: 25 years

SECURITY/COLLATERAL: A perfected, first priority security interest in all assets of the Borrower, whether now owned or hereafter acquired, together with the proceeds thereof including, without limitation: (a) a perfected and insured first priority mortgage or deed of trust encumbering the Property (collectively, the "Collateral").

LEASES: All existing leases and sub-leases and any amendments, modifications, replacements, extensions, renewals, or terminations thereof (each a "Lease", and collectively, the "Leases") shall be subject to Lender's due diligence review and approval. Any leases, sub-leases, amendments, modifications, replacements, extensions, renewals, or terminations thereof (each a "New Lease" and collectively, the "New Leases") executed after the date on which the Loan closes (the "Closing Date") must be submitted to the Lender for prior written approval.

SURVEY: The Borrower shall furnish the Lender with an up-to-date engineer's "as-built" survey of the Property ("Survey") prepared by a registered survey or acceptable to the Lender and the title insurance company.

TITLE: The Borrower shall furnish the Lender with a preliminary title report or a commitment for an ALTA title insurance policy, together with legible copies of all exceptions to title.

APPRAISAL: The Property will be subject to evaluation and appraisal by an independent appraiser selected by the Lender.

ENVIRONMENTAL SITE ASSESSMENT: The Borrower shall furnish the Lender with a report of a Phase I Environmental Site Assessment of the Property (the "ESA")

GOVERNMENTAL APPROVALS: The Borrower shall provide the Lender with assurance that the Property complies with any and all applicable laws, ordinances, codes, orders, rules and regulations (including, without limitation, building and zoning laws, ordinances, codes, orders, rules and regulations and any public or private parking requirements) and that required approvals have been obtained and all applicable appeal periods have expired. Such assurance shall be acceptable to the Lender in its sole and absolute discretion, and the Lender may require one or more of the following: (i) a report produced by a commercial reporting service such as Planning and Zoning Resource, Inc., (ii) a zoning endorsement to the Title Policy, (iii) an architect or engineer's certification, and/or (iv) an attorney's opinion.

COSTS: Whether or not closing occurs, the Borrower agrees to pay all actual and reasonable out-of-pocket fees, costs and expenses incidental to the transaction contemplated hereby, including, without limitation, all costs of: title insurance; appraisal; survey; architects and engineers fees and expenses; ESA fees and

expenses; the Lender's Consultant's fees and expenses; revenue stamps; recording fees; attorneys' fees (of the Lender's staff counsel and outside counsel and local counsel); mortgage tax; fees payable to or costs associated with any reports prepared for the Lender's benefit pursuant to this Proposal; and any and all other incidental and out-of-pocket expenses incurred by or for the benefit of the Lender relating to the Loan and/or the Lender's due diligence in connection therewith (collectively, the "Costs").

TAXES: All federal, state, local and foreign tax returns, reports and statements required to be filed by the Borrower have been and will be filed with the appropriate governmental agencies and all charges and other impositions shown thereon to be due and payable shall have been paid prior to the date on which any fine, penalty, interest or late charge may be added thereto for nonpayment thereof, or any such fine, penalty, interest, late charge or loss has been paid.

DUE DILIGENCE REQUIREMENTS: Lender shall require the following due diligence items upon execution of the subject proposal. NOTE: this list is not all inclusive and Lender may request additional information during due diligence.

- Copy of Project Construction Budget
- General Contractor financial package
- Guarantor Financials
- Copies of all tenant leases, subleases (if any) and any amendments or addendums with lease terms subject to Lender approval.
- Copy of the LLC Management and Operating Agreements
- Insurance review

MAINTENANCE OF PROPERTY/INSURANCE: The Borrower shall maintain or cause to be maintained in good repair, working order and condition for its intended purpose, the Property and all material properties used or useful in the business of the Borrower and from time to time shall make or cause to be made all appropriate repairs, renewals and replacements thereof in a manner consistent with prudent management and sound business practice. The Borrower shall maintain or cause to be maintained, with financially sound and reputable insurers, business interruption rent loss, property, physical damage, comprehensive general liability insurance and flood insurance (if applicable) with respect to its Property and business against loss or damage of the kinds customarily insured against by businesses of established reputation engaged in the same or similar businesses and similarly situated, and of such types and in such amounts as are customarily carried under similar circumstances by such other businesses; provided, however, that the Borrower shall at all times maintain or cause to be maintained with financially sound and reputable insurers, acceptable to the Lender, insurance upon such terms and conditions and in such amounts as are acceptable to the Lender in its sole and absolute discretion. All such policies shall name Lender and its successors and assigns as loss payee or additional insured, as applicable.

FINANCIAL COVENANTS:

THE LENDER'S STANDARD LOAN DOCUMENTS: The Lender and the Borrower acknowledge that if the Loan contemplated in this Proposal is ultimately made then it shall be documented using the Lender's standard loan documents containing, among other things, customary and usual representations, warranties,

covenants, defaults, remedies and indemnities pertaining to Borrower, Guarantor and tenants of the Property (the "Loan Documents"), terms and conditions and documentation process.

CONFIDENTIALITY: In issuing this proposal letter, Lender is relying on your assurances that, whether or not you decide to accept a proposal from Lender related to the transaction outlined herein, you will not disclose the terms and conditions contained herein to any other party (including, without limitation, other sources of financing) without Lender's express prior written consent.

This letter is for your consideration and is not for the benefit of any third parties or brokers. It should be understood that this is not a commitment on the part of the Lender, but an indicative Proposal. This Proposal is subject to the completion of due diligence and approval of the Lender's Credit Committee and legal documentation fully acceptable to the Lender in its sole and absolute discretion. This Proposal does not represent an offer or commitment by the Lender to enter into a Loan facility described in this Proposal and does not create an obligation for the Lender.

If there are any questions on this proposal, please do not hesitate to contact us.

Sincerely,

First United Bank & Trust



Name: Greg Kirkpatrick

Title: SVP / Sherman Market President

Date: 12/9/2024

ACCEPTANCE:

We hereby approve the loan proposal as presented in the above letter and agree to pay the fees, costs and expenses set forth therein. In reviewing this application, Lender is hereby authorized to obtain and utilize such credit information as may be deemed necessary and desirable by Lender for the analysis and the processing of this proposed transaction. In addition, Borrower hereby authorizes Lender to file, both before and/or after the Loan documents are executed by Borrower, any Uniform Commercial Code financing statements (including any amendments thereto) or similar filings, and with such authorities as Lender may require.

Name:

Title:

Date:

Seattle Rehabilitation Hospital, LLC

February 3, 2025

c/o Deno Maggi
4317 Marsh Ridge
Carrollton, TX 75010

RE: Proposed Credit Facility for FF&E and Working Capital of Inpatient Rehab Hospital

First United Bank & Trust ("Lender") is pleased to provide the following proposal ("Proposal") for the loan financing (the "Loan") of the necessary Furniture, Fixture, and Equipment ("FF&E") as well as Working Capital ("WC") for the startup of operations of an inpatient rehabilitation hospital in King County, Washington. First United Bank & Trust will require further due diligence and understanding with respect to the Borrower, investors/sponsors, tenant(s), and other aspects of the project in order to extend a formal, binding commitment. As such, **this Proposal is non-binding and does not constitute an offer, a commitment or approval of any kind by First United Bank & Trust to make the Loan. This is a proposal only subject to further due diligence, credit approval, approval of third-party reports, legal review, and mutually acceptable documentation.**

LENDER: First United Bank & Trust, its affiliates, assigns or nominees herein, sometimes referred to as the "Lender."

BORROWER: Seattle Rehabilitation Hospital, LLC

GUARANTORS: During the construction period, a TBD entity or individual(s) ("the Guarantor), subject to credit approval by Lender, shall provide a lien-free, completion guarantee for the Project. The guarantee shall cover 100% of the construction costs based upon the construction budget approved by Lender. In addition, the above guarantee shall be fully released only upon 1) completion of the Project and acceptance of the Property by the Tenant under the terms of the Tenant Lease, 2) there are no uncured events of default by Borrower under the Tenant Lease, 3) no uncured event(s) of default exist under the Loan Documents and 4) and tenant rent payments from the Tenant Lease have commenced.

PURPOSE: The purpose of the Loan is to provide funding of the FF&E and WC for the hospital.

LOAN AMOUNT: 65% LTC, as determined by actual costs incurred for the Purpose, verified by the Lender; not to exceed \$4,000,000.00.

ORIGINATION FEE: 1% of the Loan Amount

TERM/MATURITY: Five (5) years from the date of Closing

INTEREST RATE/ PRICING: WSJ Prime +50bps to be adjusted quarterly through maturity.

AMORTIZATION: 5 years

SECURITY/COLLATERAL: A perfected, first priority security interest in all assets of the Borrower, whether now owned or hereafter acquired, together with the proceeds thereof including, without limitation: (a) a perfected and insured first priority mortgage or deed of trust encumbering the Property (collectively, the "Collateral").

COSTS: Whether or not closing occurs, the Borrower agrees to pay all actual and reasonable out-of-pocket fees, costs and expenses incidental to the transaction contemplated hereby, including, without limitation, the Lender's Consultant's fees and expenses; revenue stamps; recording fees; attorneys' fees (of the Lender's staff counsel and outside counsel and local counsel); fees payable to or costs associated with any reports prepared for the Lender's benefit pursuant to this Proposal; and any and all other incidental and out-of-pocket expenses incurred by or for the benefit of the Lender relating to the Loan and/or the Lender's due diligence in connection therewith (collectively, the "Costs").

TAXES: All federal, state, local and foreign tax returns, reports and statements required to be filed by the Borrower have been and will be filed with the appropriate governmental agencies and all charges and other impositions shown thereon to be due and payable shall have been paid prior to the date on which any fine, penalty, interest or late charge may be added thereto for nonpayment thereof, or any such fine, penalty, interest, late charge or loss has been paid.

DUE DILIGENCE REQUIREMENTS: Lender shall require the following due diligence items upon execution of the subject proposal. NOTE: this list is not all inclusive and Lender may request additional information during due diligence.

- Copy of FFE Budget
- Copy of Operating Proforma with WC needs
- Guarantor Financials
- Copy of the LLC Management and Operating Agreements
- Insurance review

MAINTENANCE OF INSURANCE: The Borrower shall maintain or cause to be maintained, with financially sound and reputable insurers, business interruption rent loss, property, physical damage, comprehensive general liability insurance and flood insurance (if applicable) with respect to its Property and business against loss or damage of the kinds customarily insured against by businesses of established reputation engaged in the same or similar businesses and similarly situated, and of such types and in such amounts as are customarily carried under similar circumstances by such other businesses; provided, however, that the Borrower shall at all times maintain or cause to be maintained with financially sound and reputable insurers, acceptable to the Lender, insurance upon such terms and conditions and in such amounts as are acceptable to the Lender in its sole and absolute discretion. All such policies shall name Lender and its successors and assigns as loss payee or additional insured, as applicable.

THE LENDER'S STANDARD LOAN DOCUMENTS: The Lender and the Borrower acknowledge that if the Loan contemplated in this Proposal is ultimately made then it shall be documented using the Lender's standard loan documents containing, among other things, customary and usual representations, warranties, covenants, defaults, remedies and indemnities pertaining to Borrower, Guarantor and tenants of the Property (the "Loan Documents"), terms and conditions and documentation process.

CONFIDENTIALITY: In issuing this proposal letter, Lender is relying on your assurances that, whether or not you decide to accept a proposal from Lender related to the transaction outlined herein, you will not disclose the terms and conditions contained herein to any other party (including, without limitation, other sources of financing) without Lender's express prior written consent.

This letter is for your consideration and is not for the benefit of any third parties or brokers. It should be understood that this is not a commitment on the part of the Lender, but an indicative Proposal. This Proposal is subject to the completion of due diligence and approval of the Lender's Credit Committee and legal documentation fully acceptable to the Lender in its sole and absolute discretion. This Proposal does not represent an offer or commitment by the Lender to enter into a Loan facility described in this Proposal and does not create an obligation for the Lender.

If there are any questions on this proposal, please do not hesitate to contact at (903) 813-5846 or greg.kirkpatrick@firstunitedbank.com.

Sincerely,



Greg Kirkpatrick, SVP
Sherman Market President



Eric Hernandez, Program Manager
Certificate of Need Program Manager
Department of Health
Via email: CN@doh.wa.gov; eric.hernandez@doh.wa.gov

Dear Eric,

I am writing on behalf of **Kennor Cross Opco Investments (“KCOI”)** to express our strong interest and confidence in our ability to fund and successfully develop an inpatient rehabilitation hospital to meet the growing healthcare needs of King County and the greater area. KCOI is 100% owned by the principals of Cross Development and Kennor Holdings. These principals have in excess of 80 years of combined experience in the real estate development sector, and a proven track record in funding and executing large-scale projects, which makes us well-equipped to bring this important project to life. Since being founded in 2003, Cross Development has **completed over 700 projects valued at more than \$2 billion**. This includes a wide array of healthcare facilities, commercial developments, and specialized projects, including **three inpatient rehabilitation hospitals completed** in the past three years alone, with **three additional rehabilitation hospitals currently under construction**, as well as **four more under development** and heading towards groundbreaking in the immediate future. These recent projects closely mirror the proposed development and demonstrate our expertise in delivering complex healthcare facilities of this nature.

Importantly, our company has a strong history of securing and managing the funding required to complete projects of this scale. We have successfully financed numerous large-scale developments, healthcare included, using a combination of internal equity, external equity, and external debt sources. As each project has its own timeline and needs, we historically bring the necessary funding sources together at the appropriate life cycle of that given project. This particular project will be the same; we have provided a lender letter outlining their desire to fund the debt portion, and the equity will come from the internal resources of the principals, as well as external equity relationships that are only available upon readiness of the project. **Our extensive experience in structuring these financing arrangements ensures that we have the financial resources necessary to fully fund the development of the proposed inpatient rehabilitation hospital.**

We would welcome the opportunity to discuss the details of this project and answer any questions you may have around our ability to execute on the development. Please feel free to contact me directly for any necessary discussions or requests for further information. We look forward to the opportunity to collaborate with you on this important healthcare initiative.

Sincerely,

A handwritten signature in black ink, appearing to read "Deno Maggi".

Deno Maggi
Principal
Kennor Cross OpCo Investments, LLC
Cross Development, LLC

February 21, 2025

Eric Hernandez, Program Manager
Certificate of Need Program Manager
Department of Health

Dear Mr. Hernandez,

As a supplemental document to support our loan proposal dated February 3, 2025, for funding the Seattle Rehabilitation Hospital project, we are providing background information about our bank and its relationship with Kennor Cross Holdings.

First United Bank is a family-owned and operated financial institution comprised of seventy-three (73) banking centers. We have been in business for over 125 years, serving more than 350,000 customers across Texas and Oklahoma. Our focus is on retail and community banking, targeting consumers and small-to-mid-sized businesses within our market areas. We offer a wide range of financial services, including retail and commercial banking, trust, brokerage, mortgage, and insurance products. As a regional community banking organization, we are committed to serving our communities, contributing over \$1.6 billion in philanthropic efforts over the years.

With over \$16 billion in assets, we are the 100th largest bank in the United States and are well-positioned to finance projects like the Seattle Rehabilitation Hospital in King County, Washington.

First United Bank has worked with Kennor Cross Holdings and/or its principals for over 15 years on various commercial, healthcare, and real estate projects, totaling over \$250 million in financing. We highly value our partnership with Kennor Cross Holdings and can provide additional details if necessary.

If you have any questions or concerns, please let me know! I can be reached at (903) 813-5846 or greg.kirkpatrick@firstunitedbank.com.

Sincerely,



Greg Kirkpatrick, SVP
Sherman Market President

Exhibit 15

Equipment List

Seattle Rehabilitation Hospital Equipment List

Medical Equipment			
<u>Description</u>	<u>Subtotal</u>	<u>Description</u>	<u>Subtotal</u>
Defib "R" Series	\$ 37,551.87	Appliances (breakroom,lab and Nourishment area)	\$ 17,730.25
Books/flash cards	\$ 1,929.25	PT Equipment	\$ 202,558.43
Pro Kit Deluxe	\$ 2,564.47	Crash carts/linen carts/ CS tracking system/wire carts	\$ 38,821.92
Boardmaker 7	\$ 429.20	Assembly of carts (all wire and crash carts)	\$ 6,223.40
Over the bed table	\$ 28,100.52	Walkers,WC, canes, bladder scanner, lift etc.	\$ 140,530.00
Wireless arm/leg and BITS	\$ 124,689.04	Infusion pumps	\$ 49,754.25
Stim unit	\$ 647.02	Nursing books/physician manual	\$ 2,114.10
Feeding pumps	\$ 5,485.73	TV	\$ 77,508.60
Clocks/trash cans/cash register	\$ 7,548.19	MR cabinets	\$ 22,902.75
CPM/BariBeds/Flow Meters/ Suction Regulators	\$ 59,052.64	Beds	\$ 350,831.25
Weights, cold pack sets, eva walker/theraband, thera putty etc..	\$ 23,657.60	Xcite	\$ 262,683.00
Plant ops equipment/hskpg equip/ snow blower, buffer etc..	\$ 26,825.00	Mattresses	\$ 26,268.30
ECG machine	\$ 4,828.50	WOW	\$ 52,536.60
Bi-paps	\$ 15,876.00	ID Badge Maker	\$ 1,669.30
Captains Log	\$ 3,213.64		
Medical Equipment Subtotal		\$ 1,594,530.81	
Sales Tax (10.2%)		\$ 162,642.14	
Shipping (6.5%)		\$ 103,644.50	
Furniture		\$ 365,877.12	
Sales Tax (10.2%)		\$ 37,319.47	
Shipping (7.4%)		\$ 27,102.11	
Artwork		\$ 51,490.69	
Sales Tax (10.2%)		\$ 5,252.05	
Shipping (5.2%)		\$ 2,689.91	
Taylor Comm		\$ 52,536.60	
Sales Tax (10.2%)		\$ 5,358.73	
Shipping (8.9%)		\$ 4,691.84	
Small Wares, phones, workstations & licensing, Network, etc		\$ 400,574.57	
Sales Tax (10.2%)		\$ 40,858.61	
Shipping (Included; N/A)		\$ -	
Equipment Subtotal		\$ 2,465,009.79	
Sales Tax, Total		\$ 251,431.00	
Shipping, Total		\$ 138,128.37	
Equipment, Total		\$2,854,569.16	